November 2019

# DEPARTMENT OF THE NAVY

## OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)

# FINANCIAL MANAGEMENT POLICY MANUAL

November 2019

# FINANCIAL MANAGEMENT POLICY MANUAL CHANGE LOG

This record shall be maintained throughout the life of the document. Each published update shall be recorded. Revisions are a complete re-issue of the entire document. Revisions shall be made on an "as needed basis" and usually occur quarterly.

***current changes are highlighted in blue***

## Changes as of November 2019

1. Roles and Responsibilities (updated)
2. NEW PARAGRAPH 02408 Journal Vouchers
3. 03001 Expense/Investment Criteria (updated)
4. NEW ADDITION TO CHAPTER 4 Impairment Loss Identification and Financial Reporting (Part G)
5. 04002 Legal Authorities (updated)
6. 04005 RWO Process Overview (updated)
7. 08000 Scope (updated)
8. NEW PARAGRAPH 08001 Annual Financial Statements
9. 08003 BOT (updated)
10. 08004 Business Process Application Controls (updated)
11. NEW PARAGRAPH 08005 Corrective Action Plan
12. 08007 Financial Management System (updated)
13. NEW PARAGRAPH 08008 Financial System
14. 08010 General Ledger (updated)
15. 08011 Interface (updated)
16. 08013 IT General Controls (updated)
17. NEW PARAGRAPH 08014 Material Weakness
18. 08015 Mixed System (updated)
19. NEW PARAGRAPH 08016 Notice of Findings and Recommendations
20. 08020 Legislation and Other Authorities (updated)
21. 08024 Deputy Assistant Secretary of the Navy, Financial Policy and Systems (updated)
22. NEW PARAGRAPH 08026 Independent Public Accountant
23. 08027 System Owner (Acquisition Program Office) (updated)
24. 08028 Significant Laws and Implementing Regulations and Policies (updated)
25. 08029 Additional Regulations and Guidance (updated)
26. 08030 Interface Compliance Requirements (updated)
27. 08032 BOT and API Requirements (updated)
28. NEW PARAGRAPH 08033 General Ledger Consolidation
29. NEW PARAGRAPH 08037 Overview
30. NEW PARAGRAPH 08038 IT Audit Response Coordination Process
31. NEW PARAGRAPH 08039 NFR Process

32. 08041 Business Capabilities Acquisition Lifecycle (changed paragraph title)
33. NEW PARAGRAPH 08047 Audit Compliance Considerations
34. Appendix D (updated)

## Changes as of September 2019

1. NEW ADDITION TO CHAPTER 4 Reimbursable Work Orders (Part A)
2. NEW PARAGRAPH 04000 General
3. NEW PARAGRAPH 04001 Terminology
4. NEW PARAGRAPH 04002 Legal Authorities
5. NEW PARAGRAPH 04003 Appropriate Uses for RWOs
6. NEW PARAGRAPH 04004 Reimbursable Budget Execution and Funds Receipt and Distribution
7. NEW PARAGRAPH 04005 RWO Process Overview
8. NEW PARAGRAPH 04006 Other RWO Policy
9. NEW PARAGRAPH 04200 Contract Vendor Pay
10. NEW PARAGRAPH 04500 Collections Policy
11. NEW CHAPTER 08000 Financial Management and Mixed Systems
12. 02108 Funding Documents (moved Economy Act and Project Orders to 04002)
13. 02404 Reimbursements (moved to RWO Chapter 04004 and 04005)
14. 02405 Reimbursable Budget Program Administration (moved to 04002 and 04006)
15. 02406 51 Percent Rule and In-House Defined (moved to 04002)
16. 03160 Intra-Agency and Interagency Relationships (moved RWO specific to 04001 Terminology)
17. 03161 Policies and Principles for Interagency and Intra-Agency Support (moved RWO requirements to 04000)

## Changes as of December 2018

1. 02407 Administration of Appropriations After the Period of Availability
2. 03138 Professional Certifications and Licensing
3. 03133 Use of Appropriated Funds to Purchase Food for Events

## Changes as of July 2018

1. 02108 Funding Documents
2. 02301 Reprogrammings
3. 02403 The Judgment Fund
4. 03239 Aerial and Seaborne Targets
5. 02400 Standard Financial Information Structure
6. 03255 Conditional Cases
7. 04100 Business Processes for Civilian Time and Attendance
8. 02409 Electronic Commerce
9. 01740 Deposit Account for International Cooperative Agreements

## Changes as of October 2017

1. NEW PARAGRAPH Para 02408 Business Entries Including Journal Vouchers
2. NEW APPENDIX D Business Entries Including Journal Vouchers

## Changes as of June 2017

1. Para 03240 Information Technology, Automated Information Systems, and General Purpose Communication Systems
2. FMPM Change Log (moved to beginning of document prior to Table of Contents)
3. NEW PARAGRAPH 03257 Funding for Groundbreaking, Cornerstone and Dedication Ceremonies

## Changes as of September 2016

1. Para 01002 Multiple-Year Appropriations
2. Para 01006 Appropriation Structure
3. Para 01310 Scope
4. Para 02200 Shipbuilding and Conversion, Navy
5. Para 03001 Expense/Investment Criteria
6. Para 03141 Transportation of Marine Corps Units
7. Para 03242 Ship Cost, Maintenance and Modernization
8. Para 03255 Conditional Cases
9. Appendix A Definitions – Ship Service Life Extension Program (SLEP)
   Ship Reactivation
10. Appendix B Budget Activity Definitions – Other Procurement

## Changes as of July 2016

1. Para 02406 51% and In-House Defined

## Changes as of March 2016

1. Introduction - Roles & Responsibilities
2. Introduction – Distribution and Process for Change Proposals
3. Para 02500 Administrative Control of Funds
4. Para 03112 Plant Property in an Inactive Status
5. Para 03130 Business Cards
6. Para 03238 Cryptographic Devices

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# FINANCIAL MANAGEMENT POLICY MANUAL

**Department of the Navy**
**Assistant Secretary of the Navy**
**(Financial Management & Comptroller)**

# INTRODUCTION TO FINANCIAL MANAGEMENT POLICY

## PURPOSE

The Financial Management Policy Manual (FMPM) prescribes Department of the Navy (DON) budgetary policies, procedures, and technical direction necessary to comply with financial management statutory and regulatory requirements. It also contains information about budget execution, including appropriate adjustments to funds; and for the delineation of financial responsibility between components of the DON, between appropriations and funds and between the DON and other Department of Defense (DoD) components or Federal departments. Adhering to the policies and procedures provided herein contributes to the ability of the DON to produce accurate financial information for use by decision makers and furthers the departments' goals for audit readiness. For guidance regarding budget formulation, see the Budget Guidance Manual (BGM).

## AUTHORIZATION

The FMPM is issued under the authority of the Assistant Secretary of the Navy (Financial Management & Comptroller) (ASN (FM&C)) and United States Navy Regulations (USNR) 1990, articles 0103-0107 and articles 0311 and 0323. This information and guidance is for all persons in the DON. Compliance with these instructions is mandatory.

# ROLES AND RESPONSIBILITIES

The DON is headed by the Secretary of the Navy (SECNAV), who has the authority to conduct all of the affairs of the Department: subject to lawful authority, the Secretary of Defense (SECDEF) and the President. The Under Secretary of the Navy (UNSECNAV), four Assistant Secretaries of the Navy and a General Counsel of the DON assist SECNAV. The Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC) are the principal military advisors to the SECNAV. They supervise their respective military services of the DON and in a separate capacity serve as members of the Joint Chief of Staff. A Vice Chief of Naval Operations and an Assistant Commandant of the Marine Corps assist them.

The DON is composed of the following:

- Office of the Secretary of the Navy, also known as the Secretariat
- Office of the Chief of Naval Operations, also known as OPNAV or the Navy Staff
- The entire operating forces of the Navy and the Marine Corps, including both the active and reserve components (the Navy Reserve and Marine Corps Reserve)
- All field activities, headquarters, forces, bases, installations, activities, and functions under the control or supervision of the SECNAV
- The Coast Guard (CG) when operating as a service in the Navy when directed by the President or Congress during war (ordinarily CG is part of the Department of Homeland Security)

Within the Secretariat, there are four Assistant Secretaries of the Navy; The Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)); ASN Manpower and Reserve Affairs (ASN M&RA); ASN Energy, Installations and Environment (ASN EI&E) and ASN Research, Development and Acquisition (ASN RD&A) and The General Counsel (GC) of the Navy. The ASN (FM&C) is designated to develop and establish principles and policies and prescribe procedures in the areas of budgeting; accounting; auditing; disbursing; financing; internal review; progress and statistical reporting; guide, direct, and coordinate the education, training, and career development of DON financial management personnel; prepare and submit Departmental financial statements; prepare Departmental statement of assurance for SECNAV/UNSECNAV to SECDEF; chair and oversee DON audit committee, guiding DON efforts toward preparation and execution of financial statement audits, to meet the planning and operating requirements of management and supervision of offices and organizations as assigned per USNR 1990, 0323 and SECNAVINST 5430.7Q. In addition, ASN (FM&C) is responsible for organizational structure and managerial procedures relating to the aforementioned functional areas. In performance of these assigned functions, ASN (FM&C) is assisted by the Deputy Assistant Secretary of the Navy (Budget), Deputy Assistant Secretary of the Navy (Financial Operations), Deputy Assistant Secretary of the Navy (Policy and Systems), Office of Counsel (FMC), and the Marine Corps Deputy Commandant for Programs and Resources (DC P&R). DASN (Budget-FMB (Financial Management Budget)) is responsible to ASN (FM&C) for the preparation and administration of the DON budget as assigned by law, instruction and regulation, and a description of the major FMB functions, Divisions and duties can be found at

https://fmbweb1.nmci.navy.mil/org/responsibilities.ppt. DASN (Financial Policy and Systems (FMP) divisions and duties can be found at http://www.secnav.navy.mil/fmc/Pages/FMP.aspx.

Organizational relationships and responsibilities, to include Secretariat responsibilities, Office of the Chief of Naval Operations and Headquarters Marine Corps, are described in the DON BGM Part 1 Ch. 2.

As an Echelon I entity, ASN (FM&C) allocates funds to service chiefs and/or heads of major commands, offices or bureaus. Nineteen Echelon II headquarters Comptroller organizations have been established within the DON to manage these funds. These organizations are commonly referred to as Major Commands, Principal Administering Offices (PAOs) or Budget Submitting Offices (BSOs). PAOs are the components responsible for executing funds allocated by OASN (FM&C) or the CNO. A PAO may also be a BSO. The term BSO is used when referring to a DON component responsible for preparation, compilation and submission of budget materials.

In order to support sound financial management practices and help prevent violations of the Anti-deficiency Act, the DON has established policies and procedures governing the establishment, organization placement, and responsibilities of comptrollers. Detailed information relating to the structure and responsibilities of comptroller organizations are contained in SECNAVINST 7000.27C. The SECNAVINST 7000.27C provides the definition of fund control personnel and associated required training in accordance with the Department of Defense Financial Management Regulation. In addition, all DON fund control personnel are required to take the DON Budget Execution Course once in their tenure. The course provides a broad overview of the DON execution processes, including instruction on the proper issuance and acceptance of funding documents. DON Budget Execution Course training must be documented and retained by the DON command or activity comptroller. The DON Budget Execution Course can be found on the PBIS website along with other training resources.

"It is essential that comptroller organizations at every level be familiar with this instruction and comply with requirements. Going forward, to support audit readiness and proper funds management, BSOs are now required to maintain 100 percent compliance with the fund control training requirements. In addition, under this new policy all non-compliant fund control personnel will have their delegation of authority to approve obligating documents suspended or withdrawn until such time as they are in compliance. This includes personnel who are in the process of completing the training. Finally, because authority to approve obligating documents cannot be withdrawn from Commanding Officers, all Commanding Officers are now required to complete training within two weeks of arrival to a new duty station. BSO comptrollers are required to ensure that all subordinate activity comptroller organizations are properly established and to attest that they are not providing any funding to support Echelon I staff and service contract support.

# RELATIONSHIP TO OTHER FINANCIAL MANAGEMENT GUIDANCE

The FMPM provides a summary of the requirements, principles, standards, systems, procedures and practices governing financial management to include organizational and appropriation responsibilities for funding of particular types of costs and functions. Guidance promulgated in

various volumes of the DoD Financial Management Regulation (FMR) is referenced where appropriate. **The FMPM complements the FMR, providing DON specific guidance and contains three Appendices**: Appendix A Definitions, Appendix B Budget Activity Definitions by Appropriation, and Appendix C Activity Group Coding Structure.

The following include links to useful websites for financial management regulations, manuals and miscellaneous policy references. They may also be accessed from the Regulations, Manuals, and Miscellaneous Policy References and Links section of the OASN (FM&C) Policy Website. Access may be limited to domains ending in .mil and/or require a Common Access Card (CAC).

- DON Budget Guidance Manual (BGM)
  Authoritative source of detailed information and instructions with respect to formulation and presentation of the DON budget

- DON Issuances (DONI)
  OPNAV & SECNAV Instructions and Directives

- DON Office of Financial Operations (FMO)
  Provides the planning and strategy for an integrated DON financial management architecture and the champion of audit readiness. FMO provides managers with timely, accurate, and useful information for policies, procedures, and direction on accounting, finance, management control, financial services and financial systems. FMO is the DON's liaison with external organizations for financial operations.

- DoD 7000.14-R, Financial Management Regulations (FMR)
  Regulation provides DoD components with the policy and procedures within the responsibility of the Under Secretary of Defense Comptroller (USD(C)).

- DoD Issuances & OSD Administrative Instructions
  DoD Instructions, Directives and Publications

- Federal Acquisition Regulation (FAR)
  Primary regulation for use by all Federal agencies for the acquisition of supplies and services with appropriated funds. The FAR guides and directs DOD Program Managers in many ways including acquisition planning, competition requirements, contract award procedures, and warranties.

- Defense FAR Supplement (DFARS)
  Supplement to the FAR to describe DoD procedures

- Joint Travel Regulations (JTR)
  Source of detailed entitlement and funding data with respect to travel and related costs.

- GAO Principles of Federal Appropriations Law (Red Book)
  The most authoritative source of information on the proper use of appropriated funds. The Red Book consists of four volumes of detailed guidance and numerous cases illustrating proper and improper uses of funds:

  Volume I - Includes Legal Framework, Agency Regulations, Administrative Discretion, and Availability of Appropriations (Purpose and Time).

  Volume II - Includes Availability of Appropriations (Amount), Obligation of Appropriations, Continuing Resolutions, Liability and Relief of Accountable Officers,

Federal Assistance (Grants & Cooperative Agreements and Guaranteed & Insured Loans).

Volume III - Includes Claims Against the United States, Debt Collection, and Payment of Judgments.

Volume IV - Includes Acquisition and Provision of Goods and Services, Real Property, and Miscellaneous Topics.

- Defense Finance and Accounting Service (DFAS)
  The accounting entity for DoD
- United States Code (U.S.C.)
  U.S.C. is the codification by subject matter of the general and permanent laws of the United States.
- OMB Circular A-11
  Preparation, Submission and Execution of the Budget

# DISTRIBUTION AND PROCESS FOR CHANGE PROPOSALS

The FMPM is available in Portable Document Format (PDF) (Adobe Acrobat) on the ASN (FM&C) Website under the policy section and the Policy Website.

Recommended changes to the FMPM should be forwarded through the appropriate chain of command and must be approved and submitted by the BSO Comptroller or Deputy to FMPM Coordinators via the automated Change Proposal process located on the Policy Website. The form must be completed in its' entirety.

An FMPM Change Log is located before the Table of Contents which lists the paragraph names and numbers that have been recently updated. Changes in the paragraph are in blue font and remain blue until the next update of the FMPM.

Updates to the FMPM will be conveyed to the BSO Comptroller, BSO policy POCs, FMB/FMO Directors and Deputy Directors and should be distributed to staff and activities. It is the responsibility of the BSO to forward notification of changes to subordinate commands and other applicable offices.

# CHAPTER 1 DON APPROPRIATIONS AND FUNDS

## PART A: GENERAL CONCEPTS

## SECTION I: TYPES, PURPOSES AND STRUCTURE OF APPROPRIATIONS AND FUNDS

### 01000 GENERAL

An appropriation is the authority provided by an Act of Congress to incur obligations in order to make payments from the Treasury for specific amounts and within specific timeframes. The Department of the Navy (DON) receives appropriations, which are provided in a Department of Defense (DoD) Appropriations Act and/or a Military Construction & Veterans Affairs and Related Agencies Appropriations Act. These Acts may be separate legislative bills or they may be included in an "omnibus" or consolidated bill covering multiple appropriation acts across the federal government. If included in a consolidated bill, each Act will usually be referred to by Division. For instance, Division A may be the DoD Appropriations Act and Division B, the Military Construction & Veterans Affairs Act. In addition to financing by appropriations, certain operations of the DON are financed by funds such as revolving funds and trust funds. Depending on the type of fund, they may or may not be addressed in Appropriation Acts. Sometimes authorities for the funds are addressed in Authorization Acts.

Appropriations provide both the legal source from which to execute and account for programs. They are provided for purposes from the relevant appropriation acts and/or Title within the act and cannot be expended for any other purposes. For instance, in a DoD Appropriations Act, Title I is Military Personnel, Title II is Operation & Maintenance, etc.

DON appropriations are annual, multiple-year or no-year type accounts. The following provides information for each type, as well as information on several funds.

### 01001 ANNUAL APPROPRIATIONS

Annual appropriations are generally provided for expenses such as, operation and maintenance efforts and Active and Reserve military personnel expenses. The appropriation becomes available for obligation and expenditure at the beginning of the fiscal year designated in the Appropriations Act. New obligations may be incurred only during the designated fiscal year; however, the appropriations may be used to effect authorized obligation adjustments and payment of such obligations for five years after the period of availability for incurring new obligations. For additional information, refer to DoD FMR Vol 12 Ch. 1.

### 01002 MULTIPLE-YEAR APPROPRIATIONS

Multiple-year appropriations are available for more than one year and are usually provided for investment items. These include the procurement of aircraft, ships, weapons, modernization equipment, ammunition, ground equipment, research, development, test and evaluation efforts and military and family housing construction. The appropriations become available for obligation and expenditure at the beginning of the fiscal year designated in the Appropriations Act and remains available for a definite period. Multiple-year appropriations are available for new obligations between two and five years with their time period stipulated in the

Appropriations Act. Obligations may be incurred only during the fiscal years specified in the act; however, the appropriations may be used to effect authorized obligation adjustments and payment of such obligations for five years after the period of availability for incurring new obligations. An exception is Shipbuilding and Conversion, Navy (SCN). Although the appropriations act designates a five-year availability, the Congress routinely provides appropriation language that allows for additional obligations after the five year availability for work elements performed in the final stages of ship construction. Special procedures allow the Department of Navy (DON) to set an end date with Treasury for each appropriated year to reflect this authority. The end date is the last ship obligation/work limiting date. For additional information, refer to DoD FMR Vol 12 Ch. 1, and FMPM para 03242.

**01003 NO-YEAR APPROPRIATIONS**

A no-year appropriation has an indefinite period of availability because the appropriation is available until all funds are expended or the appropriation is no longer needed. No year appropriations are sometimes referred to as X accounts. When the purpose for which the authority was made available has been accomplished, the account may be closed and the authority cancelled. For additional information, refer to DoD FMR Vol 12 Ch. 1.

**01004 REVOLVING FUNDS**

A revolving fund finances operations to which reimbursements and collections are returned for reuse in such a manner as to maintain the principal, or corpus, of the fund. A common revolving fund is the working capital fund, which is established to finance inventories of supplies, to provide industrial-type activities, labs and/or facility engineering. Another revolving fund for the Department of the Navy is the National Defense Sealift Fund. This is a unique account as it is categorized in appropriation acts as a revolving fund; it also has appropriated funds, which have no expiration. For additional information, refer to DoD FMR Vol 12 Ch. 1.

**01005 TRUST FUNDS**

A trust fund is an account designated by law, for receipts or offsetting receipts earmarked for specific purposes and the expenditure of those receipts. Some revolving funds are trust revolving funds. Trust revolving funds have no receipt accounts and the collections are credited directly to the expenditure account. Department of the Navy trust funds include the General Gift Fund, the United States Naval Academy Gift and Museum Fund and the Ship's Stores Profit, Navy. In addition, there are trust revolving funds for the Midshipmen's Store of the United States Naval Academy and Surcharge Collections, Sales of Commissary Stores, Navy and Marine Corps. For additional information, refer to DoD FMR Vol 12 Ch. 1.

**01006 APPROPRIATION STRUCTURE**

To provide some delineation to an appropriation, appropriations are divided into smaller groups. The first major grouping is called a budget activity (BA). BAs group like expenses or investments together. Once grouped in BAs, individual line items (LI) are established to further define the funded effort. An example for the Operation & Maintenance, Navy appropriation is: Budget Activity 1: Operating Forces combines all the efforts that support the operating forces in the Navy. An example of a line item under that BA is 1B1B, Mission and Other Ship Operations. An example for the Operation and Maintenance, Marine Corps is Budget Activity 1: Operating Forces in the Marine Corps. An example of a line item under that BA is 1A3A, Depot

Maintenance. Budget justification material is usually presented by BA and LI; however Congress will appropriate at the total appropriation level. An exception is Shipbuilding and Conversion, Navy which is line item appropriated. The BA and/or LI may be used to comply with budget execution controls established by the Office of the Secretary of Defense (Comptroller).

## SECTION II: CONGRESSIONAL LANGUAGE

### 01010 GENERAL

The language of each appropriation expresses the purposes for which the funds are legally available in accordance with the intent of Congress. Any proposed deviations from established practices require careful scrutiny to ensure compliance with applicable laws. When authority for desired action cannot be found in existing legislative language, it becomes necessary to seek additions or changes in the next budget submission to Congress.

### 01011 GENERAL PROVISIONS

The annual Appropriations Act includes General Provisions which set forth special instructions, restrictions and permissive authority applicable to the act. In addition, the Authorization Act also includes general provisions. Usually the general provisions are more of a policy nature but may also have some fiscal implications.

### 01012 LANGUAGE CHANGES

There are processes in place for the Executive Branch to request legislative changes. Legislative proposals requiring authorization committee action are submitted via the Department of the Navy (DON) offices of general counsel and legislative affairs. Proposals must contain the language change/addition, a statement justifying the request, and any financial effect of the proposal. These proposals are vetted throughout the DON and as approved by the Secretary of the Navy are submitted to the Office of the Secretary of Defense for consideration. In addition, several months before submission of a President's Budget, OSD requests any recommended changes or additions to appropriation provisions. All proposed legislative changes, whether requiring authorization or appropriation action, are cleared by the Office of Management and Budget. Those proposals that are not approved are not included in the President's Budget submission.

# PART B: MILITARY PERSONNEL APPROPRIATIONS

## SECTION I: MILITARY PERSONNEL, NAVY

### 01100 SCOPE

**1. GENERAL**

The Military Personnel, Navy (MPN) appropriation provides annual resources necessary to compensate active duty Navy military personnel required to staff approved force structure and support infrastructure, including those officer and enlisted personnel within the individual accounts: students, trainees, transients, patients, prisoners, holdees and midshipmen.

**2. APPROPRIATION LANGUAGE**

The full text of the Department of Defense (DoD) Appropriations Act for MPN is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. END STRENGTH AUTHORIZATION LIMITATION**

As specified in 10 U.S.C. 115, authorizing legislation is required for active duty military personnel end strength.

### 01101 STRUCTURE AND CONTENT

The MPN appropriation consists of several budget activities. For more detailed justification, the budget activities may be further divided into budget subactivity. The budget activity and subactivity represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The MPN appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Budget Submitting Office (BSO)
Third digit – Budget activity (BA)
Fourth digit – Budget subactivity (BSA)

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 2. Valid subheads are listed on the Defense Finance and Accounting Service (DFAS) Centralized Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION II: RESERVE PERSONNEL, NAVY

### 01110 SCOPE

**1. GENERAL**

The Reserve Personnel, Navy (RPN) appropriation provides annual resources necessary to compensate Navy reserve military personnel required to provide trained units and qualified personnel in time of war or national emergency, and at times as the national security requires. The Reserve Component also fills the needs of the Armed Forces whenever more units and persons are needed than are in the Active Component to achieve the planned mobilization.

**2. APPROPRIATION LANGUAGE**

The full text of the Department of Defense (DoD) Appropriations Act RPN is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. END STRENGTH AUTHORIZATION**

As specified in 10 U.S.C. 115, authorizing legislation is required for the end strength of the Selected Reserve including the end strength for reserves on active duty in support of the Reserves of each Reserve component of the Armed Forces.

### 01111 STRUCTURE AND CONTENT

The RPN appropriation consists of several budget activities. The budget activity represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The RPN appropriation four-digit subhead numbering system identifies the following data elements:

First two digits - Administering office (AO)
Third digit - Budget activity (BA)
Fourth digit - Reserved for administering office use.

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 2. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION III: MILITARY PERSONNEL, MARINE CORPS

### 01120 SCOPE

1. **GENERAL**
   The Military Personnel, Marine Corps (MPMC) appropriation provides annual financial resources to compensate active duty Marine Corps military personnel required to support the approved force structure.

2. **APPROPRIATION LANGUAGE**
   The full text of the DoD Appropriations Act for MPMC is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

3. **END STRENGTH AUTHORIZATION LIMITATION**
   As specified in 10 U.S.C. 115, authorizing legislation is required for active duty military personnel end strength.

### 01121 STRUCTURE AND CONTENT

The MPMC appropriation consists of several budget activities. For more detailed justification, the budget activities may be further divided into budget subactivity. The budget activity and subactivity represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The MPMC appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Principal Administering Office (PAO)
Third digit – Budget activity (BA)
Fourth digit – Budget subactivity (BSA)

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 2. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION IV: RESERVE PERSONNEL, MARINE CORPS

### 01130 SCOPE

**1. GENERAL**

The Reserve Personnel, Marine Corps (RPMC) appropriation provides annual resources necessary to compensate reserve Marine Corps military personnel required to provide trained units and qualified personnel in the Armed Forces in time of war or national emergency, and at such other times as the national security requires. The Reserves also fill the needs of the Armed Forces whenever more unit and persons are needed than are in the Active component to achieve the planned mobilization.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act RPMC is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. END STRENGTH AUTHORIZATION**

As specified in 10 U.S.C. 115, authorizing legislation is required for the end strength of the Selected Reserve including the end strength for reserves on active duty in support of the Reserves of each Reserve component of the Armed Forces.

### 01131 STRUCTURE AND CONTENT

The RPMC appropriation consists of several budget activities. For more detailed justification, the budget activities may be further divided into budget subactivity. The budget activity and subactivity represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The RPMC appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Principal Administering Office (PAO)
Third digit – Budget activity (BA)
Fourth digit – Budget subactivity (BSA)

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 2. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION V: MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND

### 01140 SCOPE

**1. GENERAL**

The Department of Defense (DoD) Medicare-Eligible Retiree Health Care Fund (MERHCF) is administered by the Secretary of the Treasury and must be used for the collection of funds in order to finance the liabilities of DoD under uniformed services health care programs for specific Medicare-eligible beneficiaries per 10 U.S.C. 56. The funds are calculated on a percentage basis. MERHCF must pay the costs of all uniformed service retiree health care programs for the benefit of members or former members of a participating service who are

entitled to retired or retainer pay and are Medicare eligible, their dependents who are Medicare eligible and survivors who are Medicare eligible per P.L.106-398. The term uniformed services refers to any uniformed service that elects to participate in MERHCF through an agreement with the Secretary of Defense (SECDEF). MERHCF is considered an entitlement authority as defined in 2 U.S.C. 622(9). For additional information, refer to DoD FMR Vol 12 Ch. 16 and 10 U.S.C. 56.

**2. APPROPRIATION LANGUAGE**

P.L.106-398 authorized MERHCF and provided a permanent, indefinite appropriation. Permanent authority becomes available based upon standing provisions of law without any further legislative action by the Congress after transmittal of the budget for each year. The law does not specify an amount of budget authority for the indefinite appropriation; however, the law does specify a variable factor that determines the amount available until expended. DFAS is responsible for managing the daily fiscal operations of the MERHCF.

### 01141 ADMINISTRATION

The Medical-Eligible Retiree Health Care Fund (MERHCF) monetary resources are maintained in U.S. Treasury accounts. The disbursing offices of Defense Finance and Accounting Service (DFAS) and other Defense Agency financial service centers process the majority of MERHCF's cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports that provide information to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits. DFAS sites and other DoD Agency service centers submit reports to the U.S. Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records these transactions to the applicable Fund Balance with Treasury (FBWT) account. The MERHCF reconciles to the U.S. Treasury account monthly, with no outstanding discrepancies.

# PART C: OPERATION AND MAINTENANCE APPROPRIATIONS

## SECTION I: OPERATION AND MAINTENANCE, NAVY

### 01200 SCOPE

**1. GENERAL**

The Operation and Maintenance, Navy (O&M,N) appropriation finances the day-to-day costs of operating naval forces, including fuel, supplies, and maintenance of ships, Navy and Marine Corps aircraft, related weapon systems, and the support establishment ashore.

**2. APPROPRIATION LANGUAGE**

The full text of the Department of Defense (DoD) Appropriations Act O&M,N is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPE**

This is an annual account. As specified in 10 U.S.C. 114, annual legislation is required to authorize DoD appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

### 01201 STRUCTURE AND CONTENT

The Operation and Maintenance, Navy (O&M,N) appropriation is structured into four budget activities: Operating Forces; Mobilization; Training and Recruiting; and Administration and Service-wide Support. For more detailed justification, the budget activities may be further divided into management and operational functions referred to as Activity Group (AG). The AG coding structure, provided in Appendix A, is cross-walk to a one digit Subhead Use Code, which represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The O&M,N appropriation four-digit subhead numbering system for the System Command (Navy Enterprise Resource Planning (ERP)) community identifies the following data elements:

First digit – Program Administering Office (PAO)
Second digit – Activity Group (see Appendix C for the corresponding Subhead Code)
Third and fourth digit – Subactivity Group (SAG)

The O&M,N appropriation four-digit subhead numbering system for the Fleets and remaining shore establishments (Standard Accounting and Reporting System-Field Level (STARS-FL)/Standard Accounting, Budgeting and Reporting System (SABRS)) identifies the following data elements:

First two digits – Budget Submitting Office (BSO)
Third digit – Activity Group (see Appendix C for the corresponding Subhead Code)
Fourth digit – Local Use

The fourth digit (local use) of the STARS-FL/SABRS numbering system is often used to identify an organization's specific purpose. The SAG (third and fourth digits) of the Navy ERP numbering system is not captured in the STARS-FL/SABRS numbering system; however, the SAG along with the function/sub function categories is captured in a table linked to the job order number level. For the definition and description of Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 3 and DoD FMR Vol 3 Ch 6 App B. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION II: OPERATION AND MAINTENANCE, NAVY RESERVE

### 01210 SCOPE

**1. GENERAL**

The Operation and Maintenance, Navy Reserve (O&M,NR) appropriation provides for the cost of operating Navy Reserve forces and maintaining their assigned equipment at a state of readiness that will permit rapid employment in the event of full or partial mobilization and meet fleet operational support requirements. The Navy Reserve's mission is to provide strategic depth and deliver operational capabilities to our Navy and Marine Corps team and Joint forces from peace to war.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act O&M,NR is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPE**

This is an annual account. As specified in 10 U.S.C. 114, annual legislation is required to authorize DoD appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

**01211 STRUCTURE AND CONTENT**

The Operation and Maintenance, Navy Reserve (O&M,NR) appropriation funds the cost of operating Naval Reserve forces and maintaining their assigned equipment at a state of readiness which will permit rapid deployment in the event of full or partial mobilization. The Naval Reserve's mission is to complement the active force and remains closely linked to the active duty Navy. The Naval Reserve operating force consists of aircraft, ships, combat support units, and associated weapons. The O&M,NR appropriation consists of two budget activities: Operating Forces and Administration and Service-wide Support. For more detailed justification, the budget activities may be further divided into management and operational functions referred to as Activity Group (AG). The AG coding structure, provided in Appendix A, is cross-walked to a one digit Subhead Use Code, which represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The O&M,NR appropriation four-digit subhead numbering system for the System Command (Navy Enterprise Resource Planning (ERP)) community identifies the following data elements:

First digit – Program Administering Office (PAO)
Second digit – Activity Group (see Appendix C for the corresponding Subhead Code)
Third and fourth digit – Subactivity Group (SAG)

The O&M,NR appropriation four-digit subhead numbering system for the Fleets and remaining shore establishments (Standard Accounting and Reporting System-Field Level (STARS-FL)/Standard Accounting, Budgeting and Reporting System (SABRS)) identifies the following data elements:

First two digits – Budget Submitting Office (BSO)
Third digit – Activity Group (see Appendix C for the corresponding Subhead Code)
Fourth digit – Local Use

The fourth digit (local use) of the STARS-FL/SABRS numbering system is often used to identify an organization's specific purpose. The SAG (third and fourth digits) of the Navy ERP numbering system is not captured in the STARS-FL/SABRS numbering system; however, the SAG along with the function/sub function categories is captured in a table linked to the job order number level. For the definition and description of Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 3 and DoD FMR Vol 3 Ch 6. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

# SECTION III: OPERATION AND MAINTENANCE, MARINE CORPS

## 01220 SCOPE

### 1. GENERAL

The Operation and Maintenance, Marine Corps (O&M,MC) appropriation provides funding for active Marine Corps Forces' missions, functions, activities and facilities. This appropriation also finances the Operating Forces sustainment requirements, depot maintenance, base operating support costs, training and education requirements, Marine Corps' headquarters administration and service wide support requirements, and defense exchange operations.

### 2. APPROPRIATION LANGUAGE

The full text of the DoD Appropriations Act O&M,MC is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

### 3. TYPE

This is an annual account. As specified in 10 U.S.C. 114, annual legislation is required to authorize DoD appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

## 01221 STRUCTURE AND CONTENT

The Operation and Maintenance, Marine Corps (O&M,MC) appropriation consists of three budget activities: Operating Forces, Training and Recruiting and Administration and Service-wide Activities. For more detailed justification, the budget activities may be further divided into management and operational functions referred to as an Activity Group (AG). The AG coding structure, provided in Appendix A, is cross-walked to a one digit Subhead Use Code, which represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The O&M,MC appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Budget Submitting Office (BSO)
Third digit – Activity Group (see Appendix C for the corresponding Subhead Code)
Fourth digit – Local Use

The fourth digit (local use) of the Standard Accounting, Budgeting and Reporting System (SABRS) numbering system is often used to identify an organization's specific purpose. For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 3 and DoD FMR Vol 3 Ch 6 App B. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

# SECTION IV: OPERATION & MAINTENANCE, MARINE CORPS RESERVE

## 01230 SCOPE

**1. GENERAL**

The Operation and Maintenance, Marine Corps Reserve (O&M,MCR) appropriation provides for the day-to-day costs of operating the Marine Corps Forces Reserve (MARFORRES) and its functional activities and facilities.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act O&M,MCR is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPE**

This is an annual account. As specified in 10 U.S.C. 114, annual legislation is required to authorize DoD appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

## 01231 STRUCTURE AND CONTENT

The Operation and Maintenance, Marine Corps Reserve (O&M, MCR) appropriation consists of two budget activities: Operating Forces and Administration and Service-wide Activities. For more detailed justification, the budget activities may be further divided into management and operational functions referred to as an Activity Group (AG). The AG coding structure, provided in Appendix A, is cross-walked to a one digit Subhead Use Code, which represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The O&M, MCR appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Budget Submitting Office (BSO)
Third digit – Activity Group (see Appendix C for the corresponding Subhead Code)
Fourth digit – Local Use

The fourth digit (local use) of the Standard Accounting, Budgeting and Reporting System (SABRS) numbering system is often used to identify an organization's specific purpose. Operations costs are limited to those which meet the criteria for expense as described in para 03001. For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2A Ch 3 and DoD FMR Vol 3 Ch 6. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

# NEW SECTION VI: OPERATION & MAINTENANCE, DEFENSE-WIDE

## 01240 SCOPE

**1. GENERAL**

The Operation and Maintenance, Defense-Wide (O&M, DW) funding supports critical DoD-wide functions and transformational efforts for the Secretary, Military Departments, and

warfighters. The funding pays for common information services and system sustainment, contract administration and audits, family support programs, and administrative functions. This funding supports the activities of the Special Operations Command (SOCOM), numerous Combat Support Agencies, policy and oversight Agencies, and three Intelligence Agencies.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act O&M, DW is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

### 01241 STRUCTURE AND CONTENT

The Operation and Maintenance, Defense Wide (O&M,DW) appropriation is a separate appropriation that finances the operation and maintenance of DoD activities and agencies that are not otherwise provided for in military service operating appropriations. This appropriation may have transfer provisions and is available for one (1) year. The O&M, DW appropriation is divided into four budget activities: Operating Forces, Training and Recruiting, Administration and Service-wide Activities, and Undistributed. The appropriation is divided further and assigned a program code identifier which represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The O&M, DW appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Budget Submitting Office (BSO)
Third digit – Program Code Identifier (PCI)
Fourth digit – Local Use

The fourth digit (local use) is often used to identify an organization's specific purpose. For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts and for additional information, refer to DoD FMR Vol 2A Ch 3 and DoD FMR Vol 3 Ch 6, and DoD FMR Vol 3 Ch 11. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cment.csd.disa.mil/search.asp.

# PART D: PROCUREMENT APPROPRIATIONS

## SECTION I: AIRCRAFT PROCUREMENT, NAVY

### 01300 SCOPE

**1. GENERAL**

The appropriation Aircraft Procurement, Navy (APN), finances the procurement of Navy and Marine Corps aircraft and provides for related supporting programs. Supporting programs include equipment for modification of in-service aircraft; aircraft spare parts; ground support and training equipment; and industrial facilities and tools.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act APN is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPES**

**a. Authorizing Legislation**

As specified in 10 U.S.C. 114, authorizing legislation is required for DOD appropriations for aircraft.

**b. Time Limitations**

The budget request submitted to the Congress for each fiscal year under the APN appropriation is for a multiple-year appropriation to remain available for obligation for three fiscal years. Each fiscal year appropriation enacted is separate and discrete.

### 01301 STRUCTURE AND CONTENT

The Aircraft Procurement, Navy (APN) appropriation is divided into seven budget activities. Each budget activity is further divided into procurement line items (P-1 line item) for which funds have been budgeted. The budget activity and P-1 line each represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The APN appropriation four-digit subhead numbering system identifies the following data elements:

First digit - Designated manager/command responsible for all/part of the P-1 line item
Second digit - Budget activity (BA)
Third and fourth digits - P-1 line item

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to Appendix A. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION II: SHIPBUILDING AND CONVERSION, NAVY

### 01310 SCOPE

**1. GENERAL**

The appropriation Shipbuilding and Conversion, Navy (SCN) finances the construction of new ships and conversion of existing ships, including all hull, mechanical and electrical equipment, electronics, guns, torpedo and missile launching systems, and communications systems.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act SCN is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year. Unlike other appropriations, SCN is line item appropriated.

**3. TYPES**

**a. Authorizing Legislation**

As specified in 10 U.S.C. 114, the program to be financed by the SCN appropriation must first be approved through authorizing legislation.

**b. Time Limitations**

*i. Five-Year Limitation*

The budget request submitted to the Congress for each fiscal year under the SCN

appropriation is for a multiple-year appropriation to remain available for obligation for five fiscal years. Each fiscal year appropriation enacted is separate and discrete.

*ii. Additional Availability*
Based upon statutory language for the SCN appropriation, additional obligations may be incurred after the five year limitation for those work elements performed in the final stages of ship construction. The extended availability is authorized to cover those items essential to delivering a complete ship and includes items such as engineering services, tests, evaluations, trials and deferred work. These obligations can be related to within scope obligations or can be new scope obligations if used for completing the ship as originally intended within the initial five year availability.

### 01311 STRUCTURE AND CONTENT

The Shipbuilding and Conversion, Navy (SCN) appropriation is divided into five budget activities each of which relates to a general class of ships. Each budget activity is further divided into procurement line items (P-1 line item) for which funds have been budgeted. The budget activity and P-1 line each represents one of the four positions of the subhead for this appropriation. Subheads are assigned at the P-1 line item level or lower if more than one manager or command is involved in the execution of a P-1 line item. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The SCN appropriation four-digit subhead numbering system identifies the following data elements:

First digit – Designated manager or command responsible for P-1 line item
Second digit – Budget activity (BA)
Third and fourth digits – P-1 line item

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to Appendix A. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION III: WEAPONS PROCUREMENT, NAVY

### 01320 SCOPE

**1. GENERAL**

The Weapons Procurement, Navy (WPN) appropriation finances the procurement of missiles, torpedoes, guns and supporting equipment for naval forces and Marine air forces. Supporting equipment includes: equipment for modification of in-service missiles, torpedoes, guns, and gun mounts, targets used in weapon training exercises and weapon evaluation, hardware for Navy Navigation and Communications Satellite and other space programs, spare parts, ground support and training equipment, and industrial facilities and tools required for the production and maintenance of missiles.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act WPN is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPES**

**a. Authorizing Legislation**

As specified in in 10 U.S.C. 114, authorizing legislation is required for DoD appropriations for missiles, other weapons, torpedoes, and related torpedo support equipment.

**b. Time Limitations**

The budget request submitted to the Congress for each fiscal year under the WPN appropriation is for a multiple-year appropriation to remain available for obligation for three fiscal years. Each fiscal year appropriation enacted is separate and discrete.

### 01321 STRUCTURE AND CONTENT

The Weapons Procurement, Navy (WPN) appropriation is divided into five budget activities. Each budget activity is further divided into procurement line items (P-1 line item) for which funds have been budgeted. The budget activity and P-1 line each represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The WPN appropriation four-digit subhead numbering system identifies the following data elements:

First digit – Designated manager or command responsible for the P-1 line item
Second digit – Budget activity (BA)
Third and fourth digits – P-1 line item

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to Appendix A. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION IV: PROCUREMENT OF AMMUNITION, NAVY & MARINE CORPS

### 01330 SCOPE

**1. GENERAL**

The Procurement of Ammunition, Navy and Marine Corps (PAN&MC) appropriation finances the procurement of other ordnance, ammunition and related support equipment, including spare parts.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act PAN&MC is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. LIMITATIONS**

**a. Authorizing Legislation**

As specified in 10 U.S.C. 114, authorizing legislation is required for DoD appropriations for ammunition.

**b. Time Limitations**

The budget request submitted to the Congress for each fiscal year under the PAN&MC appropriation is for a multiple-year appropriation to remain available for obligation for three fiscal years. Each fiscal year appropriation enacted is separate and discrete.

### 01331 STRUCTURE AND CONTENT

The Procurement of Ammunition, Navy and Marine Corps (PAN&MC) appropriation is divided into two budget activities. Each budget activity is further divided into procurement line items (P-1 line item) for which funds have been budgeted. The budget activity and P-1 line each represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The PAN&MC appropriation four-digit subhead numbering system identifies the following data elements:

First digit – Designated manager or command responsible for the P-1 line item
Second digit – Budget activity (BA)
Third and fourth digits – P-1 line item

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to Appendix A. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION V: OTHER PROCUREMENT, NAVY

### 01340 SCOPE

**1. GENERAL**

The appropriation Other Procurement, Navy (OPN) finances the procurement, production, and modernization of equipment not otherwise provided for. Such equipment ranges from the latest electronic sensors required to update the naval forces, trucks training equipment, and spare parts. This equipment is an integral part of programs to improve the fleet and shore establishment by maintaining or expanding existing capabilities or replacing ineffective units.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act OPN is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPE**

**a. Authorizing Legislation**

As specified in 10 U.S.C. 114, authorizing legislation is required for DoD appropriations for the acquisition of other procurement items.

**b. Time Limitations**

The budget request submitted to the Congress for each fiscal year under the OPN appropriation is for a multiple-year appropriation to remain available for obligation for three fiscal years. Each fiscal year appropriation enacted is separate and discrete.

### 01341 STRUCTURE AND CONTENT

The Other Procurement, Navy (OPN) appropriation is divided into eight budget activities. Budget Activities 1 thru 6 are commodity oriented and parallel the organizational structure of the systems commands. Budget Activity 7 includes procurement of all non-systems command items appropriately funded by this appropriation. Budget Activity 8 funds spares and repair parts for equipment procured by OPN. Training equipment is budgeted in each budget activity for the

categories of items funded in the respective budget activity. Each budget activity is further divided into procurement line items (P-1 line item) for which funds have been budgeted. The budget activity and P-1 line each represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. OPN appropriation four-digit subhead numbering system identifies the following data elements:

First digit – Designated manager or command responsible for the P-1 line item
Second digit – Budget activity (BA)
Third and fourth digits – P-1 line item

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to Appendix A. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION VI: PROCUREMENT, MARINE CORPS

### 01350 SCOPE

**1. GENERAL**

The appropriation Procurement, Marine Corps (PMC) provides the Marine Corps with weapons, and related equipment, most of which are programmed for use by Marine general purpose forces such as Marine divisions and tank and amphibious tractor battalions. This equipment provides the hardware for defense of advanced naval bases, limited war landing operations, and general land warfare.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act PMC is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPES**

**a. Authorizing Legislation**

As specified in 10 U.S.C. 114, the acquisition of tracked combat vehicles, missiles, other weapons, and other procurement to be financed by PMC must first be approved through authorizing legislation.

**b. Time Limitations**

The budget request submitted to the Congress for each fiscal year under the PMC appropriation is for a multiple-year appropriation to remain available for obligation for three fiscal years. Each fiscal year appropriation enacted is separate and discrete.

### 01351 STRUCTURE AND CONTENT

The Procurement, Marine Corps (PMC) appropriation is divided into budget activities and projects on an item-type basis (artillery, weapons, etc.). Each budget activity is further divided into procurement line items (P-1 line item) for which funds have been budgeted. The P-1 line represents three of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The PMC appropriation four-digit subhead numbering system identifies the following data elements:

First digit – Budget activity (BA)
Second, third, and fourth digits – P-1 line item

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to Appendix A. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION VII: PROCUREMENT, DEFENSE-WIDE

### 01360 SCOPE

**1. GENERAL**

The Procurement, Defense-Wide (PDW) funding request support activities and agencies of the DoD necessary for procurement, production, and modification of equipment, supplies, materials, and spare parts, not otherwise provided in other procurement appropriations. PDW funding remains available for three years.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act PDW is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

### 01361 STRUCTURE AND CONTENT

The Procurement, Defense Wide (PDW) appropriation is divided into budget activities and projects on an item-type basis. The appropriation is divided furthered and assigned a program code identifier which represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The PDW appropriations four-digit subhead numbering system identifies the following data elements:

First two digits – Budget Submitting Office (BSO)/Major Command
Third digit – Program Code Identifier (PCI)
Fourth digit – Local Use

The fourth digit (local use) is often used to identify an organization's specific purpose. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cment.csd.disa.mil/search.asp.

## PART E: RESEARCH, DEVELOPMENT, TEST & EVALUATION, NAVY

### 01400 SCOPE

**1. GENERAL**

The Research, Development, Test & Evaluation, Navy, (RDT&E,N) appropriation finances research, development, test and evaluation efforts performed by contractors and government installations to develop equipment, material, or computer application software; its Development Test and Evaluation (DT&E); and its Initial Operational Test and Evaluation (IOT&E). These efforts may include purchases of end items, weapons, equipment, components, and materials as well as performance of services – whatever is required to

develop and test the system. This applies to automated information systems as well as weapon systems. RDT&E,N funds can also be used to pay the labor and support costs of an entire command engaged solely in the conduct of R&D programs. RDT&E funds can be used for both investment-type costs (e.g. sophisticated laboratory test equipment) and expense-type costs. For additional information, refer to DoD FMR Vol 2A Ch. 1.

**2. APPROPRIATION LANGUAGE**

The full text of the DoD Appropriations Act RDT&E,N is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPES**

**a. Authorizing Legislation**

As specified in 10 U.S.C. 114, the program financed by the RDT&E, N appropriation must first be approved through authorizing legislation.

**b. Time Limitations**

The budget request submitted to the Congress in each fiscal year under the RDT&E,N appropriation is for a multiple-year appropriation to remain available for obligation for two fiscal years. Each fiscal year appropriation enacted is separate and discrete.

**01401 STRUCTURE AND CONTENT**

The Research, Development, Test & Evaluation, Navy (RDT&E,N) appropriation is divided into seven budget activities. Each budget activity is further divided into program elements, which equates to line items. The program element is the primary data element in the Future Years Defense Program (FYDP) and is the major aggregation at which RDT&E efforts are organized and budgeted. The budget activity and program element each represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The RDT&E,N appropriation four-digit subhead numbering system identifies the data elements:

First two digits – Management Command Code (MCC)
Second digit – Budget Activity (BA)
Third and fourth digits – Program Element (PE)

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD 7045.7-H and DoD FMR Vol 2B Ch 5. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## PART F: MILITARY CONSTRUCTION APPROPRIATIONS

There are several appropriations within the Military Construction appropriations act that affect the DON. They are:

- Military Construction, Navy and Marine Corps
- Military Construction, Navy Reserve
- Military Construction, Defense Wide
- Family Housing Construction, Navy and Marine Corps
- Family Housing Operation and Maintenance, Navy and Marine Corps

# SECTION I: MILITARY CONSTRUCTION, NAVY

## 01500 SCOPE

### 1. GENERAL

The Military Construction and Veterans Affairs and Related Agencies Appropriations Act provides the establishment or development of military installations and facilities for the Active Forces of the Navy and Marine Corps. Military Construction, Navy (MCN) includes projects for construction on land that is not in the inventory of the Department of Defense (DoD), by acquiring, constructing, converting, rehabilitating, or installing permanent or temporary public works, including land acquisition, site preparation, appurtenances, utilities, and equipment. Construction also includes the addition, expansion, extension, alteration, conversion or replacement of an existing real property facility or the relocation of a real property facility.

### 2. APPROPRIATION LANGUAGE

The Military Construction and Veterans Affairs and Related Agencies Appropriations Act provide budget authority to the Department of the Navy (DON) to incur obligations against the MCN appropriation as authorized by the National Defense Authorization Act (NDAA) or other statutes. The full text of the MCN appropriation is available in the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. The MCN Appropriation Act Division and Title numbers vary from year to year.

### 3. TYPES

#### a. Authorizing Legislation

As specified in 10 U.S.C. 114, authorizing legislation is required for the Navy and Marine Corps military construction program. All military construction projects must be both authorized and appropriated.

#### b. Time Limitations

A military construction projects' authorization remains available for three fiscal years and is repealed on 30 September of the third calendar year of availability of the MCN appropriation unless obligations have been established to indicate commencement of construction or a Congressional extension of availability has been obtained. For projects obligated within the aforementioned timeframe, the MCN appropriation is a multiple-year appropriation to remain available for obligation for five fiscal years. Each fiscal year appropriation enacted is separate and discrete.

## 01501 STRUCTURE AND CONTENT

The MCN appropriation is divided into four budget activities: Major Construction, Minor Construction, Planning and Design, and Supporting Program. The Major Construction budget activity is further divided into projects for which funds are budgeted. The budget activity represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The MCN appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Program Administering office (PAO)
Third digit - Fiscal year program (FY)

Fourth digit - Budget activity (BA)

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2B Ch 6. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION II: MILITARY CONSTRUCTION, NAVAL RESERVE

### 01510 SCOPE

**1. GENERAL**

The Military Construction, Naval Reserve (MCNR) appropriation is similar to the MCN account except that MCNR provides for the establishment or development of military installations and facilities for the Reserve Forces of the Navy and Marine Corps.

**2. APPROPRIATION LANGUAGE**

The full text of the Military Construction and Veterans Affairs and Related Agencies Appropriations Act (or comparable legislation) is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. The MCNR Appropriation Act Division and Title numbers vary year to year.

**3. TYPES**

Limitations set forth for the MCN appropriation in para 01500 are applicable to the MCNR appropriation.

### 01511 STRUCTURE AND CONTENT

The Military Construction, Naval Reserve (MCNR) appropriation is divided into four budget activities: Major Construction, Minor Construction, Planning and Design, and Foreign Currency. The Major Construction budget activity is further divided into projects for which funds are budgeted. The budget activity represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The MCNR appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Program Administering office (PAO)
Third digit - Fiscal year program (FY)
Fourth digit - Budget activity (BA)

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2B Ch 6. Valid subheads are listed on the Defense Financer and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

# SECTION III: FAMILY HOUSING CONSTRUCTION, NAVY AND MARINE CORPS

## 01520 SCOPE

### 1. GENERAL

The Family Housing Construction, Navy and Marine Corps (FHC,N&MC) appropriation provides for the construction of new housing; construction of mobile home parks; improvement of existing housing and related projects; and architectural and engineering services and construction design for family housing.

### 2. APPROPRIATION LANGUAGE

The Military Construction and Veterans Affairs and Related Agencies Appropriations Act provides funding for expenses of family housing for the Navy and Marine Corps for construction, including acquisition, replacement, addition, expansion, extension, and alteration, as authorized by the National Defense Authorization Act (NDAA) or other statutes. The full text of the FHC,N&MC legislation act is available in the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. The FHC,N&MC Appropriation Act Division and Title numbers vary year to year.

### 3. TYPES

Limitations set forth for the MCN appropriation in para 01500 are applicable to the FHC,N&MC appropriation.

## 01521 STRUCTURE AND CONTENT

The Family Housing Construction, Navy and Marine Corps (FHC,N&MC) appropriation is divided into four budget activities: major construction, improvements, planning and design, and foreign currency. In addition to FHC,N&MC, the Family Housing Improvement Fund (FHIF) appropriation, authorized by 10 U.S.C. 2883, provides the Department of Defense (DoD) with authority to help resolve housing issues through increased reliance on the private sector. Naval Facilities Engineering Command (NAVFAC) programs and budgets for proposed privatization initiatives in the FHC,N&MC appropriation. The funds remain in the FHC,N&MC appropriation until they are transferred into the DoD FHIF (97X0834) account to support the Military Housing Privatization Initiative (MHPI) administrative program expenses, including accounting and financial reporting services. The transfer of funds is completed using a DD 1415 Reprogramming Action document.

The FHC,N&MC four budget activities are further divided into projects for which funds are budgeted. The budget activity represents one of the four positions of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The FHC,N&MC appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Program Administering office (PAO)
Third digit - Fiscal year program (FY)
Fourth digit - Budget activity (BA)

For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to DoD FMR Vol 2B Ch 6. Valid subheads are listed on the Defense Finance and Accounting Service Consolidated Master Edit Table at https://cmet.csd.disa.mil/search.asp.

## SECTION IV: FAMILY HOUSING OPERATION AND MAINTENANCE, NAVY AND MARINE CORPS

### 01530 SCOPE

**1. GENERAL**

The Family Housing Operation and Maintenance, Navy and Marine Corps (FHOPS) appropriation provides for the operation and maintenance of family housing and related facilities. The appropriation also provides for costs incurred in direct support of the family housing privatization program under the authority of 10 U.S.C. 169 leasing of family housing, maintenance of real property facilities, and utilities.

**2. APPROPRIATION LANGUAGE**

The Military Construction Appropriation Act provides funding for operation and maintenance expenses of family housing for the Navy and Marine Corps as authorized by the National Defense Authorization Act (NDAA) or other statutes. The full text of the Military Construction and Veterans Affairs and Related Agencies Appropriation Act is available at the Library of Congress Thomas database http://thomas.loc.gov/home/approp/index.html. Appropriation Act Division and Title numbers vary year to year.

**3. TYPES**

The time limit for new obligations is one year for the FHOPS appropriation.

### 01531 STRUCTURE AND CONTENT

The Family Housing Operation and Maintenance, Navy and Marine Corps (FHOPS) appropriation is structured into six budget activities: Utilities, Operations, Leasing, Maintenance, Privatization Support Costs, and Reimbursable Collections. The Operation and Maintenance budget activities are further divided into sub accounts that identify funding requirements by functions. The Family Housing program is also financed from authorized reimbursements and collections from housing rentals, damages, and services. The budget activity represents one of the four position of the subhead for this appropriation. Subheads identify a subdivision of funds that restrict the amount and use of funds under a particular appropriation. The FHOPS appropriation four-digit subhead numbering system identifies the following data elements:

First two digits – Budget Submitting Office (BSO)
Third digit – Fiscal year program (FY)
Fourth digit – Budget activity (BA)

For additional information, refer to DoD FMR Vol 2B Ch 6. For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to appendix A. Valid subheads are listed on the Defense Finance and Accounting Service at https://cmet.csd.disa.mil/search.asp.

## SECTION V: BASE REALIGNMENT AND CLOSURE

### 01540 SCOPE

Defense Authorization Amendments and Base Closure and Realignment Act, P.L. 100-526, established the Defense Base Closure Account (Part I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. P.L.101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (Part II), and the FY 2002 National Defense Authorization Act established the Department of Defense (DoD) Base Closure Account 2005 (BRAC 2005).

The DoD Base Closure Account 2005 legislative language was established as a single account on the books of the Treasury to execute actions to implement BRAC 2005 approved closures and realignments. The six-year implementation period for the 2005 approved realignment and closures ended on September 15, 2011. After September 15, 2011, funds in the DoD Base Closure Account 2005 funds are available only to incur new obligations for environmental restoration, property management and disposal, and other caretaker costs at closed or realigned installations and for the purpose of recording, adjusting and liquidating obligations properly chargeable to the account under 31 USC 1553.

for additional information, refer to DoD FMR Vol 2B Ch 7 and for the full text of the Defense Base Closure and Realignment Act of 1990, as amended through FY 05 Authorization Act, sec. 2906A refer to the U.S. Government Printing Office website at http://www.gpo.gov/fdsys/pkg/PLAW-109publ114/pdf/PLAW-109publ114.pdf.

# PART G: REVOLVING AND OTHER FUNDS

## SECTION I: NAVY WORKING CAPITAL FUND AND NATIONAL DEFENSE SEALIFT FUND

### 01600 GENERAL

A revolving fund is established to finance a cycle of operations to which reimbursements and collections are returned for reuse in such a manner as to maintain the principle of the fund. The revolving funds for the Department of the Navy (DON) include the Navy Working Capital Fund and the National Defense Sealift Fund.

### 01601 NAVY WORKING CAPITAL FUND

The Navy Working Capital Fund (NWCF) combines the business areas managed by the Navy and Marine Corps into a single revolving fund. The NWCF funds products and services for the Department of the Navy (DON) and other non-DON entities on a reimbursable basis, based on a customer-provider relationship between operating units and NWCF support organizations. The goal of NWCF activities is to break even over the long term by returning any financial gains to customers through lower rates or collecting financial losses from customers through higher rates. For additional information, refer to 10 U.S.C. 2208.

## 01602 STRUCTURE AND CONTENT

The Navy Working Capital Fund (NWCF) five business areas consist of supply management, depot maintenance, research & development, base support, and transportation. For definitions of NWCF business areas refer to Appendix A.

## 01603 NATIONAL DEFENSE SEALIFT FUND

**1. SCOPE**

The National Defense Sealift Fund (NDSF) operates under the authority of 10 U.S.C. 2218 which provides for the construction (including design of vessels), purchase, alteration, and conversion of Department of Defense (DoD) sealift vessels; operation, maintenance, and lease or charter of DoD vessels for national defense purposes; installation and maintenance of defense features for national defense purposes on privately owned and operated vessels that are constructed in the United States and documented under the laws of the United States; research and development relating to national defense sealift; and expenses for maintaining the National Defense Reserve Fleet (NDRF) including the acquisition, alteration or conversion of vessels built in U.S. shipyards for the NDRF. In accordance with 10 U.S.C. 2218 the following are to be deposited into the fund:

**a.** all funds appropriated for the construction (including design of vessels), purchase, alteration, and conversion of national defense sealift vessels; operation, maintenance, and lease or charter of DoD vessels for national defense purposes; installation and maintenance of defense features for national defense purposes on privately owned and operated vessels that are constructed in the United States and documented under the laws of the United States; and research and development relating to national defense sealift.

**b.** receipts from the disposition of national defense sealift vessels, excluding NDRF vessels.

**c.** receipts from the charter of vessels; and

**d.** receipts from the disposition of gifts.

NDSF funds are available for any of the purposes listed in paragraph one. Sealift vessels are maintained in several categories of operating status. Ships in Reduced Operating Status (ROS) are maintained in a preserved condition and can be activated within prescribed timeframes. Ships fully capable of performing their mission are in Full Operating Status (FOS).

**2. STRUCTURE AND CONTENT**

NDSF consists of four budget activities: Strategic Ship Acquisition, DoD Mobilization Assets, Sealift Research and Development, and Ready Reserve Force. Information on budget formulation and submission can be found in the DON Budget Guidance Manual and DoD FMR Vol 2B Ch. 10. For the definition and description of the Budget Activity/Budget Subactivity (BA/BSA) chart of accounts, refer to Appendix A.

# PART H: OTHER ACCOUNTS

## SECTION I: TRUST FUNDS

### 01700 TRUST FUNDS

**1. GENERAL**

A trust fund is a fund established by legislative or administrative action for specific purposes, which may be used only in accordance with the terms of the trust. Gift funds and Foreign Military Sales (FMS) are examples of trust funds. Guidance with respect to acceptance and administration of gifts is provided in the current issuance of SECNAVINST 4001.2J and the DoD FMR Vol 2B Ch. 10. For FMS cases, refer to para 01733. The Treasury recognizes the following as trust funds:

**2. DON GENERAL GIFT FUND**

**a. Scope**

The Department of the Navy (DON) General Gift Fund is authorized by 10 U.S.C. 2601. Under the provisions of this statute the Secretary of the Navy (SECNAV) may accept, hold, administer, and spend any gift, devise, or bequest of real or personal property, made on the condition that it be used for the benefit, or in connection with the establishment, operation, or maintenance, of a school, hospital, library, museum, cemetery, or other institution under the jurisdiction of the DON, unless within the purview of a more specific statute e.g., the United States Naval Academy Gift and Museum Fund under 10 U.S.C. 6973.

**b. Structure and Content**

All gifts and bequests of money, and the proceeds of the sale of property, accepted under authority of 10 U.S.C. 2601 shall be deposited directly into the DON General Gift Fund. Separate account designations have been established to distinguish between gifts received for the Navy and Marine Corps under the DON General Gift Fund. Disbursements of the deposited funds shall be strictly in accordance with the terms of the gift, devise, or bequest. Upon acceptance, an appropriate letter of acknowledgment shall be sent to the donor by the accepting official. In the case of a gift, devise, or bequest for the purchase of a specific item or items the letter of acknowledgment should indicate that it is possible that the gift, devise, or bequest will not exactly match the cost that the DON will incur in securing the specific item or items, and that in such instances the residual funds will be applied to related items or activities.

**3. UNITED STATES NAVAL ACADEMY MUSEUM FUND**

In accordance with P.L. 106-398, the Floyd D. Spence National Defense Authorization Act 2001, Section 942, the U.S. Naval Academy Museum Fund and the U.S. Naval Academy General Gift Fund have been merged together as the U.S. Naval Academy Gift and Museum Fund.

**4. UNITED STATES NAVAL ACADEMY GIFT AND MUSEUM FUND**

**a. Scope and Content**

The SECNAV, under authority of 10 U.S.C. 6973, may accept, hold, administer, and spend gifts or bequests of personal property, and may accept, hold, and administer any loan of personal property other than money, made on the condition that they be used for

the benefit of, and for use in connection with, the United States Naval Academy or the Naval Academy Museum, its collections, or its services. Gifts or bequests of money or the proceeds from the sale of property received as gifts for use in connection with the Naval Academy (including the Naval Academy Museum) are deposited in the Treasury in the trust fund, United States Naval Academy Gift and Museum Fund. The Chief of Naval Operations is responsible for budgeting, accounting and reporting for this fund.

**b. Administration**

The United States Naval Academy Gift and Museum Fund are exempt from the apportionment process as noted in DoD FMR Vol 3 Ch. 2. Funds are allocated to the Chief of Naval Operations. The Chief of Naval Operations issues a NAVCOMPT Form 372 to the Superintendent, United States Naval Academy for interest and contributions received. The Superintendent has the authority to expend the funds in accordance with the wishes of the donor subject to established financial controls and responsibilities.

**5. OFFICE OF NAVAL RECORDS AND HISTORY FUND**

In accordance with P.L. 106-398, the Floyd D. Spence National Defense Authorization Act 2001, Section 942, the Office of Naval Records and History Fund has been merged into the DON General Gift Fund.

**6. SHIPS STORES PROFITS, NAVY**

Ships Stores Profits, Navy is a trust fund carried on the books of the Treasury Department. Deposits to this fund are from profits earned through the operation of ships' stores and from the acceptance of gifts authorized by 10 U.S.C. 7220 for providing recreation, amusement and contentment for enlisted members of the Navy and the Marine Corps. The current issuance of SECNAVINST 4001.2J outlines responsibilities and procedures for the acceptance of gifts for the Navy and Marine Corps pursuant to 10 U.S.C. 7220. The Navy Supply Systems Command (NAVSUP) directive system describes in detail the process for accrual and disposition of profits derived from the operation of ship's stores (see Ship's Store Afloat (NAVSUP P-487)).

## SECTION II: SPECIAL FUNDS

### 01710 DEPARTMENT OF DEFENSE (DoD) MILITARY RETIREMENT FUND

Retired military pay is a pension program established by 10 U.S.C. 74 to pay annuities or pensions to retired military personnel and their survivors. 10 U.S.C. 1465 authorized the establishment of a fund to be known as the Department of Defense (DoD) Military Retirement Fund, which shall be administered by the Secretary of the Treasury. The Fund shall be used for the accumulation of funds in order to finance on an actuarially sound basis liabilities of the DoD under military retirement and survivor benefit programs. For additional information, refer to 10 U.S.C. 1466 and DoD FMR Vol 12 Ch. 16.

### 01711 WILDLIFE CONSERVATION, MILITARY RESERVATIONS, NAVY

**1. SCOPE**

Under provisions of 16 U.S.C. 670a, the Secretary of Defense (SECDEF) is authorized to promote effectual planning, development, maintenance, and coordination of wildlife, fish, and game conservation in military reservations in accordance with a cooperative plan or agreement mutually agreed upon by the local representatives of the SECDEF, the Fish and

Wildlife Service of the Department of the Interior, and the appropriate State Conservation Agency. If agreeable to the signatories of the cooperative plan, the Navy or Marine Corps installation may issue special permits to individuals for hunting and fishing privileges and collect a nominal fee. Proceeds from the sale of hunting and fishing permits are to be used to carry out a program of development, conservation, and enhancement of fish and wildlife on the installation where collected and for no other purpose.

**2. STRUCTURE AND CONTENT**

The budget activity Conservation of Game provides for the costs of planning, development, maintenance and coordination of wildlife, fish, and game conservation, and rehabilitation in military reservations. Funds under this budget activity are generated from the sale of fishing and hunting permits at individual installations having cooperative agreements. Each year obligational authority is requested in order to cover the obligation of estimated collections. Included in this budget activity are programs at Navy and Marine Corps installations. The fees collected are spent on programs of aquatic weed control, trash fish control, seeding and fertilization, habitat improvement (food and cover plots), and stocking of fish and game.

### 01712 MIDSHIPMEN'S STORE, UNITED STATES NAVAL ACADEMY

The Midshipmen's store, United States Naval Academy Nonappropriated Fund account is authorized by 10 U.S.C. 6971. The Secretary of the Navy (SECNAV) is responsible for ensuring prescribed regulations are carried out for this nonappropriated fund. The store provides necessary goods and services for the Midshipmen. Funds collected from these operations are available for operating expenses considered necessary for the health, comfort, and education of the Midshipmen as directed by the Superintendent of the Naval Academy. Funds collected are exempt from the apportionment process, but appropriate records and receipts are maintained for all monies received.

### 01713 NONAPPROPRIATED FUNDS

Nonappropriated funds (NAF) are financial resources derived from sources other than appropriated funds, such as dues, sales and profits from operations of a nonappropriated fund instrumentally (NAFI). A NAFI is a fiscal entity that performs a government function and produces NAF. This includes morale, welfare and recreation (MWR) programs/activities, and certain resale and other authorized organizations providing morale support services that operate independently from MWR. Supplemental Mission NAFI includes all NAFIs providing morale support services as adjuncts to training, health, billeting, or other mission support programs, not necessarily a part of MWR programs/activities. Categories of MWR activities are listed in para 03300. For additional information, refer to DoDI 1015.15.

## SECTION III: TRANSFER ACCOUNTS

### 01720 TRANSFER ACCOUNTS

Transfer accounts reflect appropriated funds that will be transferred during the execution year to other appropriations. Movement of funds from a transfer account is generally exempt from the use of OSD's general transfer authority. The Department of the Navy (DON) receives resources from transfer accounts. Transfer accounts affecting the DON are listed below. A complete list is available in the current Department of Defense (DoD) Appropriations Act.

**01721 DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE**

This account supports various Department of Defense (DoD) counter-drug programs. Funds are transferred to the appropriate Department of the Navy (DON) account for military pay of reservists, operation and maintenance, procurement, and research and development activities that perform the drug interdiction and counter-drug mission. Funds in the transfer account are to remain available until transferred, and once transferred are to remain available for the same purpose and same time period as the appropriations to which transferred. For additional information, refer to DoD FMR Vol 2B Ch. 14.

**01722 ENVIRONMENTAL RESTORATION, NAVY**

This account funds environmental restoration, reduction and recycling of hazardous waste, removal of unsafe buildings and debris, or similar purpose. Funds are transferred to the Operation and Maintenance, Navy (O&M,N) account during the year of execution. Funds in the transfer account are to remain available until transferred, and once transferred are to remain available for the same purpose and same time period as the appropriations to which transferred. For additional information, refer to DoD FMR Vol 2B Ch. 8.

**01723 OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND**

This is a transfer account that provides for expenses directly related to Overseas Contingency Operations (OCO) being conducted by United States military forces. Funds may be transferred to military personnel accounts, operation and maintenance accounts, Defense Health Program accounts, procurement accounts, research and development accounts, and to working capital funds. Beginning in FY 2002, funds to finance the incremental cost of contingency operations were included in the Services accounts vice the Overseas Contingency Operations Transfer Fund (OCOTF). Funds in the transfer account are to remain available until transferred, and once transferred are to remain available for the same purpose and time period as the appropriations to which transferred. For additional information, refer to DoD FMR Vol 12 Ch. 23.

**01724 FOREIGN CURRENCY FLUCTUATIONS, DEFENSE**

This is a transfer account that covers significant losses from foreign exchange rate fluctuations. The source of funds comes from unobligated amounts from the operation and maintenance (O&M) and Military Personnel (MILPERS) appropriations. Any transfer from the appropriations shall not be made later than the end of the second fiscal year after the appropriations expire for original obligational purposes. Significant net gains from foreign currency exchange rate fluctuations shall also transfer into the account (97X0801). The purpose of the account is to alleviate the adverse effect of significant fluctuations in the specified currency exchange rates on authorized Department of Defense (DoD) programs funded by O&M and MILPERS appropriations. For additional information, refer to DoD FMR Vol 6A Ch. 7, DoD FMR Vol 3 Ch. 8 and 10 U.S.C. 2779 sections a & d.

**01725 FOREIGN CURRENCY FLUCTUATIONS, CONSTRUCTION, DEFENSE**

This is a transfer account that covers significant losses from foreign exchange rate fluctuations. The source of funds comes from unobligated amounts from the Family Housing, Navy and Marine Corps (FH,N&MC) and Military Construction (MILCON) appropriations. Any transfer from the appropriations may be made during the five (5) year period after the appropriations expire for original obligational purposes. Significant net gains from foreign currency exchange

rate fluctuations shall also transfer into the account (97X0803). The purpose of the appropriation is to alleviate the adverse effect of significant fluctuations in the specified currency exchange rates on authorized Department of Defense (DoD) programs funded by FH,N&MC and MILCON appropriations. For additional information, refer to DoD FMR Vol 6A Ch. 7, DoD FMR Vol 3 Ch. 8 and 10 U.S.C. 2779.

## SECTION IV: SECURITY ASSISTANCE

### 01730 SECURITY ASSISTANCE PROGRAM

**1. SCOPE**

Security Assistance Programs are authorized by law to provide defense articles and services to eligible foreign governments and international organizations through grant aid and Foreign Military Sales (FMS). The Department of Navy (DON) Security Assistance Programs includes International Military Education and Training (IMET), Foreign Military Financing (FMF), FMS (for articles and/or services), Leases of equipment, Excess Defense Articles, and Presidential Drawdown Authority. These programs are described in the Security Assistance Management Manual (SAMM), DSCA Manual 5105.38-M.

**2. SECURITY ASSISTANCE FUNDS FLOW**

Security Assistance programs are funded by appropriated funds (i.e. FMF, IMET, and O&M funds under the Presidential Drawdown authority) or payments from foreign military sales or equipment leases.

**3. RESPONSIBILITIES**

The responsibilities and relationships of United States Government departments and agencies for security assistance programs are described in Chapter 2 of the DSCA Manual 5105.38-M. Specific finance and accounting responsibilities for security assistance are as follows:

**a.** Deputy Assistance Secretary of the Navy (International Programs) (DASN (IP)) formulates and manages international policy for the Assistant Secretary of the Navy (Research, Development, and Acquisition) (ASN (RD&A)).

**b.** The Navy International Program Office (IPO) is the principal office for implementing and managing DON security assistance programs. Navy IPO, in coordination with the Office of Budget (FMB) and the various DON offices with security assistance responsibilities, develops the FMS Administrative expense budget and monitors execution. Navy IPO is also responsible for certifying the provision of Obligational Authority (OA), and assigns Security Cooperation Office (SCO) responsibility to specific commands for each FMS case to integrate FMS procurements and services with parallel United States programs. The SCO is the command responsible for the overall planning, pricing, execution, and closure of an FMS case.

**c.** The Office of Budget (FMB3) is responsible for monitoring security assistance funds flow in the Program Budget Information System (PBIS). The Navy IPO is responsible for the distribution of funds to the DON offices that have security assistance responsibilities. Navy IPO forward their request to release funds to their FMB3 analyst. FMB3 is responsible for validating funding level and processing the funding authorization to release funds to the DON offices.

**d.** Defense Financial and Accounting Service (DFAS) is responsible for maintaining the FMS general ledger accounts, financial, and performance reporting and accountability.

**4. ADMINISTRATION**

The Navy IPO coordinates with FMB for DON security assistance matters related to budgetary and fiscal policies and procedures prior to coordination with the Under Secretary of Defense (USD (C)), Defense Security Cooperation Agency (DSCA), and DFAS. FMC coordinates financial management policy with Navy IPO with regard to DON FMS case management and accounting policy. For more information regarding the Security Assistance program refer to DoD FMR Vol 15 Ch. 1.

## 01731 MILITARY ASSISTANCE (TRANSFERS TO NAVY)

The Military Assistance Program (MAP) funds were merged into the Foreign Military Financing (FMF) program in 1982. For additional information, refer to DoD 5105.38-M Ch. 11.

## 01732 INTERNATIONAL MILITARY EDUCATION AND TRAINING

The objective of the International Military Education and Training (IMET) Program is to encourage effective and mutually beneficial relationships and to increase understanding between the United States and foreign countries. The IMET account provides funds for education and training services and materials to foreign government personnel. IMET provides funding for travel and living allowance costs for those students, and other related expenses in accordance with the Defense Security Cooperation Agency and the Navy Education and Training Security Assistance Field Activity (NETSAFA). The NETSAFA is the U.S. Navy's single agent for international education and training. For additional information refer to DoD 5105.38-M.

## 01733 FOREIGN MILITARY SALES

**a. GENERAL**

The Foreign Military Sales (FMS) Program provides military assistance through the sale of defense articles and services to eligible foreign governments and international organizations. The United States normally receives full reimbursement for costs associated with these sales.

**b. IMPLEMENTING AGENCY**

As a general rule, the United States Military Department that is responsible as the project manager for development, test, and acquisition of a specific weapons system, negotiates the sale of that weapons system or related services with the foreign customer military service. For example, the Department of the Navy (DON) is project manager for the F-18 aircraft and would negotiate a sale of this aircraft with a foreign military service.

**c. FUNDING OF FOREIGN MILITARY SALES**

The DON agreements with foreign countries or international organizations for the provision of defense articles and services, pursuant to the Arms Export Control Act P.L. 94-329 are executed on United States Department of Defense (DoD) Letter of Offer and Acceptance (LOA). Based on the implemented LOA, Defense Finance and Accounting Service, DFAS notifies the Defense Security Cooperation Agency (DSCA) and IPO when obligational authority is available. Obligational authority is established in the Management Information System for International Logistics (MISIL) on an electronic FMS Obligational Authority (DD Form 2060). An electronic FMS Planning Directive (DD Form 2061) is also required for each LOA. The DD Form 2061 contains detailed pricing elements, planned financing

appropriations or direct citation along with other information and is the basic source document for preparing the DD Form 2060. Increases and decreases in obligational authority affect availability for obligation in the fiscal year of issuance.

When sales are made the purchaser agrees to pay the United States Government such amounts and at such times as may be specified by the United States Government in order meet payments required by contracts under which items are being procured. As a result, obligational authority is in the form of unfunded contract authority. Expenditures authority must be obtained from DFAS by the disbursing activity prior to processing disbursements against the contract authority.

**d. MANAGEMENT**

In addition to general responsibilities assigned to the Office of the Secretary of the Navy, Financial Management and Comptroller (OASN (FM&C)), the Office of Budget (FMB) and the Navy International Program Office (IPO), the following budgetary functions related to FMS are performed by Navy IPO:

**a.** Navy Trust Fund estimates of sales (obligational authority), obligations, expenditures and collections, and unfunded contract authority are developed and submitted to the DSCA by Navy IPO;

**b.** Phased obligations and expenditures are developed and submitted to DSCA and internal organizations;

**c.** Estimates of Research, Development, Test and Evaluation, Navy (RDT&E,N) nonrecurring cost recoveries, developed by the systems commands and project managers, are reviewed by Navy IPO and adjusted as necessary. Nonrecurring cost recoveries are required to be deposited in the Miscellaneous Receipts Fund of the Treasury;

**d.** Navy IPO validates FMS case pricing on electronic DD Forms 2061 to ensure that all appropriate cost elements are included and that calculations are correct. FMS case pricing exceptions and cost recoupment waiver requests shall be originated by Navy IPO and endorsed by FMB;

**e.** Based upon DFAS approved DD Forms 2060, obligational authority (OA) allowing execution of FMS cases is validated by Navy IPO and conveyed through Program/Fund allocation (NAVCOMPT Forms 2058F) to the Naval Inventory Control Point (NAVICP);

**f.** Navy IPO provides FMB with monthly reports of obligational authority for each case implemented or modified during the previous month. The monthly reports should include the total value of issued or modified cases, and labor cost initially funded by O&M or Military Personnel appropriations.

Financial information related to the cases is available in the Defense Security Assistance Management Systems (DSAMS) and Management Information Systems for International Logistics (MISIL). DSAMS is used throughout the Department of Defense (DoD) by all the Services, and interfaces with current Military Department and Defense Agency logistics and financial/accounting systems. MISIL, the Standard Accounting and Reporting System (case management portion) and Sigma support the DON's management of the FMS program, including issuance of obligational authority.

# SECTION V: SECURITY ASSISTANCE

## 01740 DEPOSIT ACCOUNT FOR INTERNATIONAL COOPERATIVE AGREEMENTS

**1. SCOPE**

Treatment of funding received from foreign partners pursuant to International Cooperative Agreements (ICAs) for projects involving cost sharing.

**2. POLICY**

In accordance with OMB Circular A-11, Part 1, section 20.11(f) , U.S. Treasury Financial Manual Volume 1, Part 2, Chapter 1500, Section 1535, and DoD FMR Volume 12, Chapter 1 and Chapter 9, a deposit fund is the appropriate account to receive non-budgetary resources from foreign partners for cost sharing projects. Foreign partner funds received for ICA projects shall be deposited into the Department of the Navy (DON) Deposit Fund Account, 17X6502. If an ICA with a foreign country consists of a combination of cost sharing requirements and unique requirements, foreign funds associated with both types of requirements will be deposited into 17X6502. Collaboration amongst responsible parties is required to ensure collections from foreign partners are properly received and deposited into the Deposit Fund Account, and that the account is treated appropriately in financial reporting.

**3. RESPONSIBILITIES**

**a.** Navy International Program Office (NIPO-01). NIPO-01 notifies the Office of the Assistance Secretary of the Navy, Financial Management and Comptroller (OASN FM&C) Program Control/Fiscal Operations Branch (FMB3) that a valid International Cooperative Agreement (ICA) has been put in place.

**b.** OASN (FM&C) FMB3. Upon notification of approved ICA from NIPO-01 and Financial Management (FM) Master Data Request from the Budget Submitting Office (BSO), FMB3 will do the following to ensure funds deposited will be properly identified in the Navy- Enterprise Resource Planning (Navy-ERP) system:

*i.* Updates fund master records and posts the budget value of the ICA.

*ii.* Notifies BSO to proceed with the coordination of the ICA deposit with the Defense Finance and Accounting Service (DFAS).

**c.** BSO OPERATING IN NAVY-ERP

*i.* Requests establishment of Navy-ERP FM Master Data by FMB3.

*ii.* Coordinates with DFAS to set-up Centralized Master Edit Table (CMET).

*iii.* Submits DD 1131 Cash Collection Voucher to DFAS.

*iv.* Requests foreign country wire funds to the U.S. Treasury.

**d.** MARINE CORPS OPERATING IN MARINE CORPS-STANDARD ACCOUNTING BUDGETING REPORTING SYSTEM (SABRS)

*i.* Marine Corps Programs and Resources (P&R) Accounting and Financial Systems Division (RFA) updates Chart of Accounts in SABRS.

*ii.* Coordinates with DFAS to set-up CMET.

*iii.* Submits DD 1131 Cash Collection Voucher to DFAS.

*iv.* Request foreign country wire funds to the U.S. Treasury.

**e.** BSO OPERATING IN SABRS

*i.* Requests OASN FM&C SABRS Management Branch (FMP43) update chart of accounts in SABRS.

*ii.* Coordinates with DFAS to set-up CMET.

*iii.* Submits DD 1131 Cash Collection Voucher to DFAS.

*iv.* Requests foreign country wire funds to the U.S. Treasury.

**f.** DFAS

*i.* Foreign Country wires funds to the U.S. Treasury. Collections are received through the Treasury Collections Information Repository (CIR) by DFAS Disbursing Office 8522 and reconciled with the DD1131 Cash Collection Voucher emailed by the BSO.

*ii.* DFAS Disbursing Office processes funds received through the Automated Disbursing System (ADS), thereby enabling funds to systematically flow into Defense Cash Accountability System (DCAS).

*iii.* DCAS sends a file to the General Ledger Accounting System to update funding received in 17X6502.

*iv.* DFAS receives and monitors Defense Departmental Reporting System-Budgetary (DDRS-B) for monthly feeder files from the General Ledger Accounting System and DCAS. The General Ledger Accounting System file balances are excluded, as Deposit Accounts are not allowed to report budgetary balances. The Defense Cash Accountability System Department (DCASDEPT) file is allowed to post to DDRS-B, recording the Funds Balance with Treasury (FBwT) (1010) and Liability (2400).

*v.* DFAS Departmental Reporting validates the FBwT balance in DDRS-B to Central Accounting Reporting System (CARS) monthly.

*vi.* Quarterly, Departmental Reporting imports the DDRS-B trial balance for 6502 into DDRS-Audited Financial Statements (AFS) for inclusion in the Department of the Navy financial statements.

# CHAPTER 2 BUDGET EXECUTION

## PART A: CONGRESSIONAL ACTION

## SECTION I: PROCEDURES FOR ESTABLISHING AVAILABILITY

### 02000 PRIOR TO APPROPRIATION ENACTMENT

Congress is required to pass separate spending bills every year to fund the operations of the government. Per the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 684) Congress is required to pass an annual appropriation acts by 1 October. However, if Congress fails to pass an annual appropriation act, there are two options:

1. **CONTINUING RESOLUTION ACT (CRA)**
   A Continuing Resolution Act (CRA) is a type of appropriation legislation that may be used by Congress to continue funding government agencies if a formal appropriation bill has not been passed by the end of the government fiscal year (FY). The intent of the CRA is to provide funding for existing federal programs at current, reduced, or expanded levels. The specific rates of obligation are prescribed by the Secretary of Defense (SECDEF) as required by 10 U.S.C. 2204. The Undersecretary of Defense (Comptroller) (USD (C)) allocates funds at a level of availability apportioned by the Office of Management and Budget. The Secretary of a Military Department, or designee, will make further allocations, in writing, to the heads of operating agencies.

2. **NO CRA/SHUTDOWN**
   In the absence of both an appropriations act for the fiscal year or a CRA, the Constitution and the Anti-Deficiency Act (ADA) require the federal government to begin a "shut down" of the affected activities. Under these extenuating circumstances, the Department of the Navy (DON) will provide written guidance.

## SECTION II: OTHER EXTRAORDINARY CIRCUMSTANCES

### 02010 41 U.S.C 11 (SECTION 3732, REVISED STATUTE) AND 10 U.S.C 2201 AUTHORITIES

In addition to appropriated funds, the Military Departments may be authorized by the Secretary of Defense (SECDEF) under the provisions of 41 U.S.C. 11 to incur obligations in excess of available appropriations to procure or furnish clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year (FY). Also, under the provisions of 10 U.S.C. 2201(b) and (c), if the President determines that such action is necessary, the SECDEF is authorized to provide for the following costs as an excepted expense:

**a.** the cost of an airborne alert

**b.** the costs necessary for an increase in the number of military personnel on active duty beyond the number for which funds have been provided in the applicable appropriations act.

When the SECDEF exercises the authority to incur the costs in item i or ii, Congress must be advised immediately per 10 U.S.C. 2201 (d) and monthly reports submitted thereafter on the estimated obligations. The Office of the Secretary of Defense (OSD) limits the use of (41 U.S.C. 11) Sec. 3732 R.S. authority to emergency circumstances requiring immediate action that cannot be delayed due to the non-availability of sufficient funds. The responsible officer or official who exercises this authority is required to report immediately to the next higher echelon. These reports are handled through the chain of command to permit prompt submission to OSD. Subsequently, if over obligations cannot be covered through reprogramming of funds, it is necessary to request an appropriation from Congress for the required liquidation. For additional information, refer to DoD FMR Vol 3 Ch. 12.

1. **EXEMPTION FROM APPORTIONMENT**
   Under 10 U.S.C. 2201(a) the President has authority to exempt appropriations from apportionment, for military functions under the Department of Defense, from the provisions of 31 U.S.C. 1512, if the President determines this is necessary in the interest of national defense.

2. **SECRETARY OF DEFENSE CONTROLS**
   In addition to the authority contained in 41 U.S.C. 11, the Office of the Secretary of Defense (OSD) requires prior approval be obtained from the Secretary of Defense (SECDEF) in situations where recourse to the exemption provisions is contemplated. In the situation cited in subparagraph *i* above, prior approval from the Secretary of Defense (SECDEF) is required; in the emergency circumstances cited in subparagraph *ii* above, every reasonable communication effort must be made to secure prior SECDEF approval before action may be taken by a subordinate command to exercise the authority of 41 U.S.C. 11.

## SECTION III: GENERAL PROVISIONS

### 02020 GENERAL TRANSFER AUTHORITY

An Appropriations Act will contain a number of general provisions (GPs), usually referred to as sections with a corresponding number. It is important to be cognizant of those provisions as they may affect execution processes. A key GP is highlighted below.

The Department of Defense (DoD) Appropriations Act contains language that grants authority to the Secretary of Defense (SECDEF), with the approval of the Office of Management and Budget (OMB), to request a transfer of funds between appropriations or funds in the current fiscal year, within the Act, upon determination that such action is necessary and in the interest of national defense. The transfer authority, called General Transfer Authority or GTA, is normally stated as a dollar limitation not to exceed a specified amount available to DoD for military functions covered by the Appropriations Act. GTA is only available within the DoD Appropriations Act and cannot be used to transfer funds between accounts (e.g. between DoD and Military Construction accounts). Transferred amounts will be merged with and be made available for the same purpose and time period as the appropriation or fund to which transferred. Transfers and requests for reprogramming shall not be authorized unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which funds are requested has been denied by the Congress. The SECDEF must notify Congress promptly of all transfers. Requests for transfers are handled as

reprogramming actions as outlined in para 02301. For additional information, refer to DoD FMR Vol 3 Ch. 3.

### 02021 CONTROL OF YEAR-END OBLIGATIONS

The General provisions of the Department of Defense (DoD) Appropriations Act contains a section that provides that, except for certain specifically delineated programs, not more than twenty percent of an annual appropriation shall be obligated during the last two months of the fiscal year (FY). The Under Secretary of Defense Comptroller (USD (C)) applies and monitors this restriction at the appropriation level. In addition, the USD (C) annually implements guidance provided by the Office of Management and Budget (OMB) to control annual accounts at the end of a fiscal year. As a general policy, operations are to be carried out in the most effective and economical manner possible. Agencies must budget to accommodate programs with bona fide fourth quarter needs.

The following general guidelines will govern obligations at year-end: Orders for supplies, materials, and equipment for the balance of a fiscal year are kept to the minimum required to meet approved program needs. Purchases for inventory are managed so that inventories are maintained at no higher than normal levels. Generally, it would be expected that the number of weeks of inventory supply at the end of the year would not exceed the average end of month inventory for the first three quarters of a fiscal year. Additional purchase orders and contracts for goods or services (for delivery extending into the next fiscal year) may be entered into in cases that provide a cost advantage to the Government, if there is a bona fide need, and other applicable provisions of law and policy are fulfilled.

### 02022 IMPLEMENTATION OF CONGRESSIONAL COMMITTEE REPORTS

Prior to executing funds it is important to review the authorization and appropriations act and accompanying Congressional reports to identify statutory requirements and congressional recommendations, suggestions, reporting requirements and requests for reports, and expressions of concern. Appropriate actions shall be taken in response to all statutory requirements contained in the authorization and appropriations acts. Congressional concerns expressed in House, Senate, and conference reports should be reviewed for necessary actions.

## PART B: FUNDS FLOW

### 02100 PURSUANT TO APPROPRIATION ENACTMENTS

Once funds have been provided by Congress, the Secretary of the Treasury issues a Treasury warrant that establishes the amount of appropriations approved by Congress that can be obligated and disbursed. From this warrant, the Office of Management and Budget (OMB) issues apportionments to the Department of Defense (DoD) on the Standard Form (SF) 132, Apportionment and Reapportionment Schedule. The SF 132 includes the identification of all budgetary resources, which includes the carryover of all prior year funding plus the current year amount.

### 02101 APPORTIONMENTS

The Office of the Secretary of Defense (OSD) defines the funds flow process as follows in accordance with the Office of Management and Budget (OMB) Circular A-11: apportionment,

allotment, suballotment, allocation, and suballocation. The basic funds flow process for the Department of the Navy (DON) is apportionment, allocation and suballocation as the term allotment refers to a type of funding document.

Apportionment is a distribution made by the Office of Management and Budget (OMB) of amounts available for obligation in an appropriation or fund account, reflecting amounts available for specified time periods, activities, projects, objects, or combinations thereof. Obligation should not exceed amounts apportioned. After OMB apportions funds to the Department of Defense (DoD), the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) releases the funds to the Department of the Navy (DON), the other Military Departments, and to the Defense Agencies for obligation and expenditure in support of congressionally approved programs. The DON Office of Budget (FMB) guides the preparation of apportionment requests and supporting material, reviews the estimates of the various DON Budget Submitting Offices (BSOs), and makes the formal submission to the OUSD (C). An apportionment also:

- Releases only those funds required to execute the latest plans
- Limits obligation and expenditure of funds in excess of amounts appropriated; and
- Guards against the need for deficiency or supplemental appropriations.

The majority of DoD appropriations require apportionment; however, there are appropriations and funds that are exempt. For information concerning specific DoD and DON accounts that OMB has exempted from apportionment refer to DoD FMR Vol 3 Ch. 2. For general information on the apportionment process, refer to OMB Circular A-11.

## 02102 REAPPORTIONMENT

Revisions to the previous apportionment, called reapportionment, reflect changes for resources previously authorized for obligation. Request for reapportionment requires the same documentation as the initial apportionment and follows the same channels for preparation and approval. Examples of reapportionment are, but not limited to, the release of funds not previously apportioned, and implementation of above threshold reprogrammings. For additional information, refer to DoD FMR Vol 3 Ch. 2.

## 02103 APPORTIONMENT APPROVAL PROCEDURES

### 1. TIMING

#### a. Formal Submission

The Under Secretary of Defense (Comptroller) (USD (C)) requires the submission of an Apportionment and Reapportionment Schedule (SF 132). USD (C) prescribes the specific timing of submission requirements as imposed by the Office of Management and Budget (OMB) in compliance with the Congressional Budget and Impoundment Control Act of 1974.

#### b. Prior Review

USD (C) requires the submission of proposed budgets and financial plans for review by the Office of the Secretary of Defense (OSD) staff in anticipation of the formal submission of an apportionment request based on the enacted appropriation. This review provides an opportunity for a reassessment of budgetary requirements for the fiscal year

that will begin on 1 October. The whole process begins two to three months prior to 1 October when the headquarters components (offices, bureaus, commands, or Headquarters, U.S. Marine Corps), direct shore activities and other commands prepare operating budgets. An apportionment review just after budget enactment enables a final review of the planned apportionment and enables action to address newly identified operating or procurement requirements.

**2. SUBMISSION REQUIREMENTS**

Prior to enactment of the annual appropriations acts, a monthly phasing of the total cumulative obligations for both direct and reimbursable programs of general fund appropriations are prepared and made part of the apportionment request to support the monthly requirements. Similar phasing for the OSD transfer accounts to the Department of the Navy (DON), excluding the Military Assistance accounts (e.g. International Military and Education and Training, Foreign Military Sales, and Foreign Military Financing) l, are required to be submitted to the Comptroller. When the formal apportionment request is submitted, the SF 132 for each appropriation and a Proposed Obligations Phasing Plan (also known as Spend Plan Estimates), a Proposed Financial Plan for Expenditures, and an Analysis of Reimbursements are prepared. Instructions for preparation of the Spend Plan Estimates and the additional supporting schedules are included in the Budget Guidance Manual (BGM) and Budget Guidance Memorandum. Each headquarters component responsible for preparation of any part of the Apportionment Submission (either that required in the review prior to enactment or that required after the enactment of the appropriation), calls for participation by its component commands or by shore activities as required.

**3. DOCUMENTATION OF OBLIGATIONAL AUTHORITY**

In addition to the approved SF 132 (when received from OMB), the OUSD (C) distributes and manages obligational authority using a web-based application, Enterprise Funds Distribution (EFD). The EFD system utilizes a standardized OUSD (C) funding authorization document (FAD) for all appropriations. If the approved apportionment has not been received because the appropriation has not been enacted or because the appropriation has been exempt from apportionment, it is nevertheless, incumbent upon OUSD (C) to establish authorized funding levels as of the beginning of the fiscal year. As stated in the DoD FMR, in cases where OMB is reviewing the first apportionment request for newly enacted appropriations, OMB automatically apportions up to a thirty-day level of resources. Generally, the OSD funding authorization document establishes applicable program/budget activity/procurement line item/program element distributions of the total resources for the year. These documents are revised during the course of the year to reflect appropriation enactment, releases from deferral, reprogramming or other actions that affect the funding authority. The program/budget distribution amounts, which, in most cases, are in the nature of administrative limitations or targets, provide a base for reprogramming subject to stated limits for deviation without recourse to the issuing authority.

## 02104 ALLOCATION OF FUNDS

Once the Department of the Navy (DON) receives funds from the Office of the Secretary of Defense (OSD), the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OASN (FM&C)), Office of Budget (FMB) distributes those funds to a Responsible Office (RO). The DON has three primary responsible offices: the Commandant of

the Marine Corps (CMC), the Chief of Naval Research (CNR), and the Chief of Naval Operations (CNO). ROs have budget execution responsibility for specific appropriations within their span of control and pass the funds to one of the Principal Administering Offices (PAO) to begin the budget execution process for approved Navy and Marine Corps programs. The DON uses the Program Budget Information System (PBIS) in conjunction with the Execution Documentation Subsystem (EDS) module to control and distribute budgetary resources through the first three levels of the DON: ASN (FM&C), ROs, and the PAOs.

**1. PURPOSE**

Allocations establish responsibility for fund administration and ensure compliance with congressional intent and OSD constraints in the use of funds for programs. The amounts allocated, within the program/budget distributions applicable to each appropriation, provide dollar limitations for use in administration, accounting, and control. They are subject to reprogramming limitations established by OSD and the Comptroller as described in para 02301.

**2. DOCUMENTATION**

The document generally used to convey authority from the Comptroller to the head of the administering office for each appropriation to make commitments, obligations, and expenditures is the Funding Authorization Document (FAD) issued by FMB. Prior to enactment of the annual Appropriations Act, the FMB FAD establishes the level of programs authorized under the continuing resolution and provides interim funding for general fund appropriations of the DON. These allocations establish availability based on the budget as submitted to Congress and modified by congressional action on the budget request, by apportionment action of OMB and OSD, and by approved reprogramming actions. Amounts are established within the authority of the restrictive limitations as stated on the USD (C) FAD and accompanying guidance. Distribution of availability within an appropriation are made by budget activity, procurement line item, construction category, program element or other program category as appropriate to the administration of each appropriation.

**a. OSD**

*i. Operations and Military Personnel*

OSD conveys financial authority to the DON by a FAD. Each document provides direct and reimbursable program obligational authority and direct military personnel obligational authority for the Active Forces, including interservice assignments of military personnel between the Navy and the Marine Corps, and excluding military personnel assigned to Defense agencies, OSD, the Organization of the Joint Chiefs of Staff and to activities financed by the Department of Defense (DoD) appropriations for civil functions. Administrative and statutory limitations are stated by footnote.

*ii. Research, Development, Test and Evaluation (RDT&E)*

For RDT&E budgets, OSD conveys financial authority to the DON by a FAD that establishes obligation limitations by program element (R-1).

*iii. Procurement*

For Procurement budgets, OSD conveys financial authority to the DON by a FAD that establishes obligation limitations by line item (P-1).

*iv. Military Construction (MILCON)*
For MILCON budgets, OSD conveys financial authority to the DON by a FAD that establishes obligation limits by the project level.

**b. OASN (FM&C)**
A FAD allocates funds to the responsible office for the appropriation (CNR, CNO and CMC, as appropriate). The FAD conveys authorized program amounts, authorized allocated amounts and footnotes providing additional guidance, constraints and/or limitations imposed by OSD and/or OASN (FM&C). The FAD also establishes a base for reprogramming actions based on amounts reflected in the President's budget, as amended by the apportionment review.

**c. CMC**
After receiving the allocations from FMB, the CMC allocates funds to major commands. These allocations reflect the obligational authority and constraints imposed by the OASN (FM&C) and Headquarters Marine Corps (HQMC) and provide additional detailed information, as necessary. Designated Marine Corps major subordinate commands may be authorized to issue suballocations or operating targets.

**d. CNR**
After receiving the allocations from FMB for the RDT&E appropriation, the CNR suballocates the amounts approved for obligation to the sponsoring commands at the headquarters level, specifying the same categories of obligational authority and constraints as imposed by the OASN (FM&C) and provides additional detailed information, as necessary. The executing commands, in turn, issue funds to activities based on approved funding by program year, program element, project, and task.

**e. CNO**
After receiving the allocations from FMB, the staff of the Fiscal Management Division (N82), acting on behalf of the CNO, issues allocations to the organizational components designated as Principal Administering Offices. These allocations reflect the obligational authority and constraints imposed by the OASN (FM&C) and provide additional detailed information, as necessary.

## 3. SCOPE
The allocated amounts on the FMB FAD include direct appropriated funds and either anticipated reimbursable authority (commonly referred to as apportioned reimbursable authority) or an automatic reimbursable authority "target" amount. The FMB FAD specifies the allocated amounts that are available for obligation and the amounts that are not available for obligation. OMB, OSD, and OASN (FM&C) categorize the amounts not available for obligation. Statutory or other limitations are indicated by footnotes. While operating under the authority of a continuing resolution, a reserve is established on the FAD to balance authorized program amounts with financial resources contained in temporary warrants and apportionments.

## 4. PREPARATION AND APPROVAL
FMB, on behalf of the ASN (FM&C), prepares and approves FMB FADs. After approval, they are forwarded to the administering office for implementation. For additional information regarding FMB FADs, refer to the FMB3 guidance hosted on the Execution Documentation System (EDS) website.

**5. CONSTRAINTS**

The FMB FAD establishes distributions for each program/budget category and provides quarterly limitations at the overall appropriation level for those appropriations, which are subject to quarterly apportionment. The recipient of the allocation is responsible for distributing the quarterly limitations as appropriate below the appropriation level, ensuring that the cumulative total of quarterly limitations does not exceed the quarterly apportionment for the appropriation. They are also responsible for establishing controls to ensure that any further subdivisions of allocated funds, as well as allotments, commitments, obligations, and expenditures, do not exceed the quarterly and annual limitations established by the FAD. Subsidiary constraints are shown as footnotes to the FMB FAD, to reflect statutory and/or administrative requirements. The administration of these constraints is the responsibility of the allocation recipient. For additional information regarding FMB FADs, refer to the FMB3 guidance hosted on the Execution Documentation System (EDS) website.

## 02105 FINANCIAL RESPONSIBILITIES FOR ALLOCATIONS

**1. GENERAL**

Allocations made to the head of major commands, offices or bureaus constitute authorizations establishing financial and program control, jurisdiction, and responsibility which is concurrent with authority to authorize or create obligations within the parameters of 31 U.S.C. Section 1517(a). The financial responsibility for these allocations may, at the direction of the head of the major command, office or bureaus, be retained or passed in whole or in part to another official. Detailed information related to financial responsibilities for allocations is contained in SECNAVINST 7000.27B section (f), Delegation of fiduciary authority.

**2. ALLOCATION BY HEAD OF OFFICE, BUREAU OR COMMAND**

The heads of major commands, offices or bureaus, who receive an allocation from OASN (FM&C), may elect to pass all financial responsibility under 31 U.S.C. 1517 to the organization comptroller. If the head of the command or organization chooses to delegate this authority, they must designate in a formal memorandum the individual(s) to whom this authority is granted, the appropriation accounts involved, and the specific responsibility and authority delegated. A blanket allocation is used to designate the appropriation account involved and state that all financial, program control, jurisdiction, and responsibility for amounts allocated to the chief or head of the major command, office, or bureaus are subject to any legal limitation passed to the named recipient.

**3. SUBALLOCATION OF FUNDS**

The heads of major commands, offices, or bureaus of an activity that receives a sub allocation of funds from a Navy or Marine Corps organization is responsible for the administration of all authorizations of funds granted to the commanding officer. If 31 U.S.C. 1517 has been passed in the suballocation, the head of the activity is also responsible for that provision. If, the commanding officer of an activity chooses to delegate this authority, he or she shall designate to the comptroller in writing the appropriation accounts involved and the specific responsibility and authority delegated. The comptroller can then delegate in writing, signature authority for funding documents and 1517 authority if passed to the commands and to other individuals within the comptroller organization. The written memo should clearly impose upon the recipient the legal limitations applicable to the administration of the funds.

## 02106 PRINCIPAL ADMINISTERING OFFICES FUNDS DISTRIBUTION

At the next level down the funds flow chain, the Principal Administering Offices (PAOs) are Department of the Navy (DON) components responsible for executing funds allocated by the Office of the Assistant Secretary of the Navy, Financial Management and Comptroller (OASN, FM&C) or the Chief of Naval Operations. They are responsible for the fiscal management of an entire or specifically assigned portion of an appropriation or fund and are passed the responsibility to comply with the Anti-Deficiency Act (31 U.S.C. 1517).

## 02107 CENTRALLY MANAGED ACCOUNTS

Centrally managed accounts (CMAs) are managed at the highest practical levels and allow officials at lower echelons to charge obligations or expenditures to the CMA for authorized purposes without determination or certification of funds for the individual transactions. One example of a CMA could be a military personnel account for which a parent command holds 1517 but other commands create obligations without the parent command checking fund availability. Fund balances at the allocation/allotment level are subject to the provisions of 31 U.S.C. 1517 (a) (1). Funds authorization documents forwarding budget authority to the CMA will include the following statement:

> "Authorizing or incurring obligations in excess of the cumulative allocation/allotment amounts, contained herein, is a reportable violation of 31 U.S.C. 1517."

The head of an operating command, usually general officer or Senior Executive Service level, is responsible for establishing adequate controls to ensure CMA managers are expeditiously informed of obligations and expenditures at the lower echelon levels to prevent the CMA from becoming over-obligated/expended.

In accordance with DoD FMR Vol 14 Ch. 1, the Department of the Navy (DON) commands is responsible to maintain a list of CMAs and of any changes (additions/deletions) for current and future years. Budget Submitting Offices (BSOs) that have identified CMAs must submit a memorandum to OASN by the first week in October including the following statement:

> "For FY 20xx, the internal controls over centrally-managed accounts were in place and effective. Monthly accounting and reporting processes are generally adequate to reduce the risk of over obligations."

The Department of the Navy (DON) will utilize this information to complete an annual report to the Office of the Secretary of Defense, Comptroller (OSD (C)). Additionally, the following actions are required on a recurring basis:

- If a Principal Administering Office (PAO) issues a sub allocation/allotment that is considered a CMA, the following statement must be included on the document: "Authorizing or incurring obligations in excess of the cumulative allocation/allotment amount, contained herein, is a reportable violation of 31 U.S.C. 1517."
- PAOs must maintain documentation supporting the aforementioned assessment and produce it on request. At a minimum, PAOs should maintain records on the following:
  - Rationale for establishing a CMA and why it is preferable to other methods of managing the appropriation,
  - Individuals primarily responsible for managing the CMA and ensuring fund controls are properly implemented,

- Organizations authorized to make obligations against the CMA,
- Fund controls in place to established limits on the amount and type of obligations that may be charged to the CMA,
- Monthly execution monitoring and procedures, and
- Date and method of testing of internal controls

## 02108 FUNDING DOCUMENTS

### 1. GENERAL

There are authorities provided by law the Department of Navy (DON) must cite when issuing funding documents. Which authority is cited to issue the funding document depends upon who is performing the work, as well as the content of the work. The Economy Act and Project Order are discussed in the FMPM section 04002. Other authorities are:

**a. Authority to Contract**

DoD is given authority by 10 U.S.C. 2303 to enter into contracts with commercial vendors for goods and services. In the DON, this authority is managed by the Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN (RD&A)) and is delegated to certain commands. A contract is a written agreement between a government party and a commercial vendor; it is a mutually binding legal document obligating the seller to furnish supplies or services and the buyer to pay for them. The Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation (DFAR) regulate the use of contracts.

**b. Non-Economy Act Authorities**

For several non-DoD entities, statutes are provided which give these entities authority to accept funds for goods and services from other government agencies. These goods and services may be provided by the agency or contracted. The more commonly used authorities are franchise funds, the acquisition services fund, and revolving funds.

### 2. TYPES OF FUNDING DOCUMENTS

The primary funding documents are in the following table:

| Document | Statutory Authority | When Issued As | Use for |
|---|---|---|---|
| FS Form 7600B | Economy Act / Project Order | Reimbursable | Internal DON and External Actions |
| NAVCOMPT Form 2275, Work Request (WR) | Economy Act | Reimbursable | Internal DON Actions |
| NAVCOMPT Form 2275, Project Order (PO) | Project Order Statute | Reimbursable | Internal DON Actions |
| NAVCOMPT Form 2276 (RC) | Economy Act / Authority to Contract | Direct Citation | Internal DON Actions |

| Document | Statutory Authority | When Issued As | Use for |
|---|---|---|---|
| Procurement Request | Authority to Contract | Direct Citation | Internal DON Actions |
| Purchase Request | Economy Act/Project Order | Reimbursable | Internal DON Actions (NERP) |
| NAVCOMPT Form 2276A, Work Request (WX) | Economy Act / Authority to Contract | Reimbursable/ Direct Citation | Internal DON Actions |
| NAVCOMPT Form 2276A, Work Request (PX) | Project Order Statute / Authority to Contract | Reimbursable | Internal DON Actions |
| NAVCOMPT Form 2276A, Project Order (RX) | Economy Act (in combination with contract) | Direct Citation | Internal DON Actions |
| MIPR, DD Form 448 | Economy Act | Reimbursable or Direct Citation | Internal DoD Actions |
| MIPR, DD Form 448 | Project Order Statute | Reimbursable | Internal DoD Actions |
| *****IPR, DD Form 448 (or similar format) | Non-Economy Act | Reimbursable | External DoD Actions |
| *****IPR, DD Form 448 (or similar format) | Economy Act | Reimbursable | External DoD Actions |

* Direct cite from non-DoD appropriations must be accepted reimbursably due to CMET limitations.

**3. ADDITIONAL FUNDS USAGE DOCUMENTS AVAILABLE FOR USE BY DON**

There are additional documents used within the DON under specific circumstances, as outlined below:

- Allotment is used between a Budget Submitting Office (BSO) and a receiving command to provide program funds.
- Expense operating budget (EOB) is used to provide funding for labor and command support costs from a PAO to a subordinate command. Program funds, such as ship maintenance, will not be issued on an EOB.
- Operating Targets (OPTARS) OPTARS are administrative rather than legal limitations on the use of funds typically provided to an afloat operating unit or department ashore. The commanding officer who issues an OPTAR still retains all legal and accounting responsibility for the funds. A command may choose to issue OPTARs to its subordinate

activities rather than issuing them an operating budget. The receiving activities'' budget performance would be regularly reviewed to ensure that they are operating within their OPTAR.

- DD From 1149 (Requisition and Invoice/Shipping Document) can be used for requesting work or services by ships and other units of the operating forces and MSC ships.
- SF 182 Authorization, Agreement and Certification of Training are to be used by all components of the DON to request training for civilian and military personnel.
- DD Form 282 (DoD Printing Requisition/Order) is to be used by all components of the DON to request printing services.
- DD Form 1348 1A- Movement Request Order can be used when requesting transportation services.
- NAVSUP Form 1250-1 (Single Line Item Consumption/Requisition System Document) is to be used by fleet units to order material from stock.
- NAVSUP Form 1250-2 (Non-NSN Requisition) is to be used to order non-NSN material.

### 4. ADDITIONAL REQUIREMENTS WHEN ISSUING A REIMBURSABLE WORK ORDER (RWO)

For additional information regarding RWO requirements, refer to para 04000, para 03161, DoDI 4000.19, DoD FMR Vol 11A Ch. 2, and DoD FMR Vol 11A Ch. 3,

## PART C: UNIQUE CIRCUMSTANCES FOR SPECIFIC APPROPRIATIONS

The following section provides detailed information for Shipbuilding and Conversion, Navy, procurement appropriations for the Navy and Marine Corps, and Military Construction in regards to the execution of funds. Line item appropriations limit execution flexibility as any movement of funds between line items requires Congressional approval in the form of a reprogramming action. Line item appropriations have no below threshold reprogramming authority.

### 02200 SHIPBUILDING AND CONVERSION, NAVY (SCN)

The Shipbuilding and Conversion, Navy (SCN) appropriation has historically been appropriated with subdivisions (line-item appropriations) that reflect specific programs.

### 1. AVAILABILITY AFTER INITIAL FIVE YEAR PERIOD

**a.** Prior to Fiscal Year (FY) 1984, Congress re-appropriated, for additional periods, amounts required to complete ship construction. With the intent to minimize the need for future re-appropriation requests, statutory authority was granted in 1984 to incur new obligations for specific purposes in the SCN appropriation beyond the period specified for the general purposes of the appropriation. The FY 1984 Department of Defense (DoD) Appropriations Act included language that permitted the Department to incur new obligations in the SCN appropriation after the initial five year period for specific efforts required to deliver a completed ship.

This language, or similar language, has been included in all SCN appropriations since FY 1984. The intent of this provision is for the Department of the Navy (DON) to complete

all elements and award all contracts that meet the statutory criteria, including the incurring of new obligations necessary for the completion of each ship program approved by the Congress. This authority was provided by Congress in recognition of the fact that most new ship construction cannot be completed within the five year availability period.

Based upon statutory language for the SCN appropriation, additional obligations may be incurred after the five year limitation for those work elements performed in the final stages of ship construction. The extended availability is authorized to cover those items essential to delivering a complete ship and encompasses items such as engineering services, tests, evaluations, trials and deferred work. These obligations can be related to within scope obligations or can be new scope obligations if used for completing the ship as originally intended. Ship characteristics changes approved through the SCN execution review processes, prior to the end of the initial five year availability and within the ship budget, can be contracted within this period. However, ship characteristics changes identified after the initial five year availability shall not be funded with SCN. Advance procurement line items, service and landing craft, post-delivery and initial outfitting programs, cost growth, escalation on prior year programs and similar line items will not be extended beyond the five year limitation for new scope obligations.

**b.** The FY 1991 National Defense Authorization Act (NDAA) and the FY 1991 DoD Appropriations Act made significant changes to the account closure procedures affecting the administration of all appropriations. In consonance with Congressional intent and the statutory authority granted to the SCN appropriation, an agreement was reached with the Department of the Treasury and the DoD to permit execution of the SCN budget authority within the purpose of both of these laws.

To ensure that the DON complies with the full intent of this agreement and the SCN statutory authorities, the following policy and procedures for the administration of the SCN account apply:

*i. Initial Period of the Appropriation*
As stated above, during the initial five year period of the appropriation, SCN funds may be used for all purposes as set forth in their respective authorization and appropriations acts for new obligations, adjustments of obligations and liquidation of obligations for all ship programs. Characteristic changes to a ship approved after the initial period of availability of the SCN appropriation must be funded in subsequent appropriations.

*ii. Extended Period of the Appropriation*
One month prior to completion of the initial five year period, the DON will provide the Department of the Treasury with a date certain expiration year. The expiration year will represent completion of ship construction of the last vessel included in that appropriation. After the initial five year period of the appropriation and until 30 September of the date certain expiration year, SCN funds may be used for new obligations only for the purposes of engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stages of ship construction, as provided for in the statutory language. Funds may also be used for adjustments of all obligations charged to the appropriation, and for disbursements to liquidate all obligations charged to the appropriation.

*iii. Expired Period of the Appropriation*
Following 30 September of the expiration year, SCN funds will be maintained in an expired status for five years as provided for in the account closure law. During this five year expiration period, funds may be used only for adjustments to obligations charged to the appropriation, and for disbursements to liquidate all obligations charged to the appropriation.

*iv. Closure of the Appropriation*
Each SCN appropriation will be closed (a) on 30 September of the fifth year following the year of expiration, or (b) when two years have passed without expenditure from the appropriation and the Secretary of the Navy (SECNAV) determines that the purposes of the appropriation have been carried out. At the time of closure, both obligated and unobligated balances shall be cancelled.

**02201 PROCUREMENT APPROPRIATIONS, NAVY AND MARINE CORPS**

It is the Department of Navy (DON) policy that reprogramming actions which require prior approval of the congressional committees (DD 1415-1) are those which involve the application of funds which increase the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (In such cases where specific congressional language is provided allowing for additional quantities to be procured within appropriated funds, increases to quantities for major end items shall be submitted to the Under Secretary of Defense Comptroller (USD (C)) for approval as a DD 1415-3, Internal Reprogramming action.). For additional information, refer to paras 02301, 03202, and DoD FMR Vol 3 Ch. 6.

# PART D: REVIEW AND REPROGRAMMING

**02300 REVIEW**

**1. CONTINUING REVIEW**

Program and comptroller personnel at all levels of financial and operating responsibility should receive and analyze operational or spending level reports on a continuous basis to determine adjustment needs or for reprogramming of resources in line with changes in timing, program emphasis, pricing, or other determinants of financial requirements. Accounting status reports used in conjunction with reports of performance, as well as the consistent exchange of data in connection with management decisions, indicate needs for additional funds or for deceleration of program activity, or may reveal the availability of savings for diversion to other urgent requirements.

Funds administering officers for all appropriations will conduct a continuous program review of analyzing and validating unliquidated obligations, continuing those that are essential, and terminating those that are not or less essential. At the beginning of the fourth year of each subhead, continuing until the account is closed and outstanding obligations are canceled five years later, the office administering the subhead will commence an intensive analysis of the outstanding balances. The scope of the analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which availability ends.

**2. MID YEAR REVIEW**

Concentrated reviews of performance for all appropriations are conducted by the Budget Submitting Offices (BSOs) in March through May of each fiscal year (FY). Detailed analyses for each budget categories obligations to date and projected requirements for the balance of the year are examined. Particular attention is directed toward providing resources for previously unfunded requirements caused by unforeseen program or pricing changes. The reviews assist with finding assets and reprioritizing funds from budgeted programs which have experienced delays in implementation and may be reapplied to provide for these new demands.

**3. TRI ANNUAL REVIEW**

Tri-Annual Reviews are performed for each of the four month periods ending on January 31, May 31 and September 30 each fiscal year. The goal in performing the Tri-Annual review is to increase the Department of the Navy's (DON) ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the cancellation of the appropriation. The Tri-Annual reviews have two key elements; first, it is concerned with the adequacy of commitment and obligation documentation and second, it is concerned with the effective transaction of those commitments and obligations in the budget execution process. For additional information, refer to DON Tri-Annual Review site and DoD FMR Vol 3 Ch. 8.

## 02301 REPROGRAMMINGS

**1. GENERAL**

A reprogramming is a change in the application of funds from the purposes originally appropriated. Reprogramming actions may be required because of cost and schedule changes, program performance, or increased or emergent requirements. They may occur between line items in an appropriation or between appropriations within a given Appropriations Act. Reprogramming actions include offsetting increases and decreases, and are controlled by established thresholds or limits contained in Congressional report language. The congressional authorization and appropriation budget process defines various funding amounts and limits for all Department of Defense (DoD) programs. Congress expects DoD to adhere to the amounts that have been justified, authorized and appropriated. They do, however, understand that unforeseen requirements, changes in operating conditions, revisions in price estimates, wage rate adjustments, etc., require some diversion of funds from the specific purposes and amounts originally justified for budget activities. The reprogramming process retains congressional control and assures reprogramming measures developed with the committees are necessary and desirable and also ensures the use of Defense appropriations by assuring Congressional intent is carried out and achieves flexibility in the execution of Defense program control over the utilization of Defense appropriations by assuring that the congressional intent is carried out while, at the same time, providing a timely device for achieving flexibility in the execution of Defense programs. For additional information, refer to DoD FMR Vol 3 Ch. 6 and DoD FMR Vol 3 Ch. 7.

**2. REPROGRAMMING DOCUMENTS**

**a. DD1414, Base for Reprogramming Actions**

The initial baseline for any reprogramming action is reflected in a DoD report called the DD 1414, Base for Reprogramming Actions. The Office of Budget (FMB), in concert

with the Office of the Secretary of Defense, Comptroller prepare the DD Form 1414 for each appropriation account after passage of an Appropriations Act. It is a major budget execution reference, and provides a track of the President's original budget request, any changes approved by the Congress, and the final appropriated amount. This report lists those items known to be of special interest to one or more of the Congressional committees, and those items specifically denied by the Congress. The listed items include those identified in the Congressional committee or conference reports using the phrases "only for" or "only to" and/or listed in the conference report tables. Proposed changes to any such special-interest items require Congressional approval prior to implementation. For additional information, refer to the PBIS website and DoD FMR Vol 3 Ch. 6.

**b. DD1415, Reprogramming Action**

DD1415, Reprogramming Actions will be used to request the prior approval of the congressional committees or for internal reprogramming requiring audit-trail type documentation. For additional information refer to the PBIS website and DoD FMR Vol 3 Ch. 6.

**c. DD1416, Report of Programs**

This report reflects the congressionally approved programs as enacted, reprogramming actions which have been approved, congressionally directed undistributed amounts and transfers and reprogramming of funds that have been implemented by a DoD Component using Below Threshold Reprogramming (BTR) flexibility. This report is prepared quarterly and submitted 30 days after the end of each quarter. For additional information, refer to the PBIS website and the DoD FMR Vol 3 Ch. 6.

## 3. REPROGRAMMING ACTIONS

There are two primary types of reprogramming actions: Below Threshold Reprogrammings (BTRs) and Above Threshold Reprogrammings (ATRs).

**a.** Below Threshold Reprogramming (BTRs) actions are minor funding adjustments not otherwise requiring Congressional approval that may be accomplished within the Department of the Navy (DON).

- BTRs can be accomplished only within an appropriation or other statutory subdivision.
- Generally, BTRs may be used to finance program increases as long as neither the increases nor the corresponding decreases exceed specified thresholds, do not affect an item of special Congressional interest, and have not been specifically denied by a Congressional committee as a reprogramming source.
- BTRs are measured cumulatively against thresholds over the obligation availability of the appropriation.
- BTRs are handled at the Principal Administering Office (PAO) or DON level. BTRs are processed in the Program Budget Information System (PBIS) and officially allocated to PAOs.

**b.** Above Threshold Reprogramming (ATRs) actions are done when there is a need to move funds between appropriations or the statutory subdivisions of an account, or if the amount

is greater than the BTR threshold. Two types of reprogramming actions will be used to request prior approval of the congressional defense committees. The first type is for specific requirements, which usually are combined and submitted monthly. The second type is the annual Omnibus reprogramming action submitted prior to June 30 of each year. With the exception of reprogrammings of National Intelligence Program resources, the USD (C) submits all reprogramming actions to the congressional defense committees. Reprogrammings that require prior approval of the congressional committees are those which involve the application of funds that:

- Increase the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized.
- Affect an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees.
- Use general transfer authority. Any movement of funds between appropriations or legal subdivisions requires statutory transfer authority. Unless specific transfer authority is provided elsewhere, general transfer authority, which is provided in annual DoD Appropriations and Authorization Acts, must be used. Any movement of funds from supplemental appropriations also uses the general transfer authority provided in the annual DoD Appropriations Act. 10 USC 2214 and the Annual Appropriations Act provide limitations on programs for which general transfer authority may be used. Such authority may not be used except to provide funds for higher priority item, based on unforeseen military requirements, than the items for which funds were originally appropriated, and may not be used if Congress has denied funds for the item.
- Exceed thresholds agreed upon between the committees.
- ATRs cannot be executed between Appropriations Acts (e.g. between DoD Appropriations Act and the Military Construction (MILCON) Appropriations Act).ATRs can involve a lengthy approval process so they should be forwarded to allow sufficient time to implement before the funds involved expire. ATRs also carry a risk that the Congress may not approve them, instead rescinding the available funds or reapplying those funds for other purposes.

**c.** There are two types of ATRs: Prior Approval Reprogramming Actions (PA) and Internal Reprogramming Actions (IR).

*i. Prior Approval Reprogramming Action (PA)*

- PA Reprogramming Actions are processed on a DD 1415-1, Reprogramming Action-Prior Approval.
- PA Reprogramming Actions request the prior approval of Congressional defense committees to realign or transfer appropriated funds. This approval must be explicitly granted by all committees before funds can be executed.
- Once approved, PAs have the benefit of resetting the approved baseline for the program for determining future reprogramming actions.

- The most recent funding thresholds are normally specified in a Conference Report accompanying the DoD Appropriations Act.

PA Reprogramming Actions are processed on a DD 1415-1, Reprogramming Action – Prior Approval.

*ii. Internal Reprogramming Action (IR)*

IRs are processed on a DD 1415-3, Internal Reprogramming and do not require prior approval; they are signed by the Under Secretary of Defense, Comptroller (USD (C)) and implemented without being sent to the Congressional committees. IRs move funds in excess of BTR limits and between appropriations.

IR actions are audit-trail type actions processed within the DoD to serve various needs. One is to reclassify funds for proper execution into a different line item, program element, or appropriation than which the funds were appropriated. Another includes reprogramming to or from transfer accounts. A third reflects approval to increase quantities, when not otherwise requiring prior approval of the congressional committees.

- Reclassification Actions. In certain instances, it is necessary to reclassify funds to a different line item, program element, or appropriation than that in which the funds were appropriated by the Congress. Such reclassifications do not involve any change in the substance of the program; the funds will be used for the same purposes originally contemplated and budgeted for, testified to, and described in the justifications submitted to the congressional committees, and subsequently appropriated by the Congress. These actions may also involve realignment of congressionally added programs that are more appropriately executed in a different program line or in a different account than the line or account in which the funds were appropriated. In cases where the realignment is between DoD appropriations, then the use of general transfer authority would be involved, along with the legal requirements thereof.

- Transfer Appropriations. Transfer accounts are those appropriations with funding that will be subsequently transferred to other appropriations for execution. These accounts include, but are not limited to: Environmental Restoration, Army; Environmental Restoration, Navy; Environmental Restoration, Air Force; Environmental Restoration, Defense-Wide; Environmental Restoration, Formerly Used Defense Sites, Drug Interdiction and Counter-Drug Activities, Defense; Overseas Contingency Operations Transfer Fund; Foreign Currency Fluctuations, Defense; and Foreign Currency Fluctuations, Construction, Defense. Movement of funds from these accounts to other appropriations is generally exempt from the use of general transfer authority.

- Procurement Quantities. Approval for increases to procurement quantities for major end items, not otherwise requiring prior approval of the congressional committees.

For above threshold reprogramming actions, the following process is used:

- The requiring organization may submit a balanced DD 1415 ATR action. The action is then reviewed and coordinated within the DON by The Office of

Budget (FMB). Upon concurrence, the action is signed and submitted to USD (C) for review and forwarded to the Office of Management and Budget (OMB) and Congress as necessary.

- Upon approval by OSD and/or the requisite Congressional committees as applicable, the action is processed by USD (C) to the DON and allocated by FMB through PBIS to the PAOs, who incorporate the changes into the accounting system.

Any approved above threshold reprogramming action results in changes to program funding levels. Those revised funding levels are incorporated into the DD 1416, Report of Programs.

For additional information on the thresholds and processes, refer to DoD FMR Vol 3 Ch. 6.

## 4. SPECIAL TRANSFER AUTHORITY (STA) FOR SHIPBUILDING AND CONVERSION, NAVY (SCN)

SCN funding is appropriated with subdivisions (line-item appropriations) that reflect specific programs. Any movement of funds into or out of an SCN subdivision requires an above threshold reprogramming action that can be executed using general transfer authority, as discussed in section 3 and/or special transfer authority (STA). STA appears as a general provision in the annual DoD Appropriations Act (usually found in section 8080) and is a reprogramming action that transfers funds between appropriations and legal subdivisions. The STA general provision authorizes the Secretary of Defense to transfer any available DON appropriation to any available Navy ship construction appropriation for the purpose of liquidating necessary changes resulting from inflation, market fluctuations, or rate adjustments. In accordance with the STA provisions, the Secretary is required to notify the Congressional Defense Committees in writing 30 days prior to making transfers authorized under the Act... Statutory limitations on the availability of SCN funds for specified programs shall be maintained until the appropriation is closed. This applies regardless of the age of the account, the purpose to which the funds will be applied, or whether action is taken during or after the initial period of the appropriation.

## 5. NEW STARTS

**a.** A new start program for RDT&E is a new program element or project, or a major component thereof, as determined by specific supporting information provided in the R-2 (Budget Item Justification) and R2A (Project Justification) exhibits not previously justified by the Department and funded by the Congress through the normal budget process.

**b.** A new start program for Procurement is a new procurement line item or major component thereof, as determined by specific supporting information provided in the P-5 (Cost Analysis) or P40A (Budget Item Justification for Aggregated Items) exhibits not previously justified.

**c.** Due to the characteristics of Military Personnel and Operation and Maintenance programs, new starts seldom occur in those appropriations. New starts in these appropriations would be significant new programs, efforts, or activities that have not been justified to the Congress in budget justification material.

**d.** New starts in the execution year generally require prior approval reprogramming action. These new starts require prior notification to Congress for a prior approval action before funds can be used. For additional information, refer to DoD FMR Vol 3 Ch. 6.

**6. TERMINATIONS**

**a.** Eliminates a procurement program or subprogram of $20 million or more.

**b.** Eliminates an RDT&E program element, project, or subproject of $10 million or more.

**7. LETTER NOTIFICATIONS (in advance of initiating requirements)**

**a.** A new procurement line item not otherwise requiring prior approval action.

**b.** A new procurement line item or major component thereof costing less than $20 million for the entire effort.

**c.** Establishes new development programs costing less than $10 million for the entire effort.

**d.** Any new modification. Exceptions are safety modifications costing less than $20 million for the entire effort.

**e.** Terminate programs falling within the BTR amounts (procurement programs or subprograms costing less than $20 million; RDT&E program projects or subprojects costing less than $10 million) as long as the procurement line item or RDT&E program element is not eliminated.

**f.** Identify specific line items to satisfy specific transfer notification requirements.

# PART E: OTHER EXECUTION AWARENESS

## 02400 STANDARD FINANCIAL INFORMATION STRUCTURE (SFIS)

**1. GENERAL**

The Standard Financial Information Structure (SFIS) is a common business language that standardizes data elements and financial reporting across the Department of Defense (DoD). Standard data relates to information that is transmitted, processed, maintained, and/or accessed in a standard format. It is a structured communication that is to be exchanged between and within entities and other groups for business transactions. The standard data is also used to refer to the implementation and operation of systems and processes for creating, transmitting, and receiving information. It simplifies the aggregation of data, limiting crosswalks and mapping procedures. SFIS is a requirement for all DON target and legacy business feeder systems that will interface with a target system. Examples of DON systems requiring SFIS compliance include:

- Business Feeder/Interfacing Systems (Contract Writing Systems; Standard Procurement System and SEAPORT)
- Target Accounting Systems (i.e. Navy Enterprise Resource Planning (Navy ERP), SABRS, Integrated Management Processing System, MPS, Military Sealift Command-Financial Management System).

The SFIS provides an enterprise-wide standard for categorizing financial information along several dimensions to support financial management and financial reporting functions, which will enable decision makers to effectively compare similar programs and activities across the enterprise, and provide a level of detail required for information retrieval and auditability. SFIS will improve financial information, interoperability between business systems, provide better end to ends funds traceability and linkage between budget and expenditures to comply with Treasury requirements and help DON achieve audit readiness. DON system owners are responsible for reviewing SFIS requirements and where applicable, implementing SFIS and asserting compliance by using the SFIS Compliance Checklist. For additional information, refer to DoD FMR Vol 1 Ch. 4.

## 2. SFIS KEY COMPONETS

SFIS will assist in ensuring general ledger account balances are stated properly, agencies report financial information in a consistent manner, increase quality of controls and drive down cost associated with systems configuration and interfaces, provide a standard line of accounting (SLOA) data structure for each financial transaction, and standardize financial reporting across the DoD. The SFIS consist of the following key components:

**a.** Appropriation account information: describes the department and main account that a transaction cites and identifies the U.S. Treasury Appropriation fund symbol/established by the Office of Management and Budget (OMB) and the Treasury, i.e. 17 8 1804.

**b.** Budget program information: describes the budget activity, budget sub-activity, and budget line item to which a transaction refers.

**c.** Organization information: includes the data elements needed to tie a transaction

**d.** Transactional information: includes the data elements needed to tie a transaction resulting from a specific business event to a specific general ledger posting. It also includes data elements required by the Treasury to satisfy Federal Agencies' Centralized Trial-Balance System reporting. Transactional data also includes Security Cooperation data elements for Foreign Military Sales.

**e.** Trading partner information: describes the trading partner organization with which the owning organization is doing business for exchange transactions (i.e. purchases, sales, or transfers).

**f.** Cost accounting information: captures any financial, operational, or programmatic data needed to support cost accounting, such as quantity, asset type, cost center and unit of measure.

## 3. STANDARD LINE OF ACCOUNTING (SLOA)

The Line of Accounting (LOA) is used to identify the funding source for each financial transaction and is tied to an organization's budget. Components use different data structures to represent a LOA. Non-standard data across DoD creates errors, rejections, unmatched disbursements and requires higher costs to develop and maintain interfaces. The SLOA is a sub-set of SFIS and will be used for each financial/business transaction throughout the Department. The configuration, mapping and storing of separate SLOA data elements is required for DON accounting and feeder systems. DON accounting systems owners, as well as DON contract writing and business feeder system owners, are working to provide data mapping from the legacy line of accounting to the SLOA and mapping for additional data

elements. All business and/or financial events resulting in an obligation must site a SLOA. For additional information, refer to DoD FMR Vol 3 Ch. 8.

**4. NAVY-ENTERPRISE RESOURCE PLANNING (Navy-ERP) SYSTEM**

Reports to determine the execution status of an appropriation and its programs can be generated from Navy-ERP based on a selection of Navy-ERP fields. Common Navy-ERP execution fields are the Fund, Funds Center and Functional Area. The SFIS data elements contained in the Navy-ERP execution fields vary by appropriation.

**a.** Fund: Field length is 10 digits. The first 2 positions is the PBIS appropriation code which equates to the Treasury code; the Beginning Year, positions 3 and 4, is the first year of availability; the length, position 5, is the number of years available to incur new obligations (an "X" in the length field denotes no year funds); the Line item is positions 6 through 9 (exceptions: for positions 6 through 10, the R&D fund is configured by dropping the first, third and last character of the line item; reimbursable programs have the letter "R" in position 6 with positions 7 through 10 representing the line item); when applicable, a letter "C" in position 10 denotes Advance Procurement.

| APPN Code | APPN | Treasury Code | Appropriation Code | | Beginning Year | | Length | Line Item | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 21 | O&MN | 1804 | 2 | 1 | 0 | 8 | 1 | 1 | B | 4 | B | |
| 22 | OMMC | 1106 | | | | | | | | | | |
| 23 | O&MNR | 1806 | | | | | | | | | | |
| 24 | OMMCR | 1107 | | | | | | | | | | |
| B5 | BRCV | 0512 | | | | | | | | | | |
| FA | FMSA | 8242 | | | | | | | | | | |
| FI | FIIA | 5562 | | | | | | | | | | |
| FM | FMF | 1082 | | | | | | | | | | |
| IM | IMET | 1081 | | | | | | | | | | |
| 31 | APN | 1506 | 3 | 1 | 0 | 8 | 3 | 0 | 5 | 2 | 5 | Advance Procurement indicator * |
| 32 | WPN | 1507 | | | | | | | | | | |
| 33 | SCN | 1611 | | | | | | | | | | |
| 34 | OPN | 1810 | | | | | | | | | | |
| 35 | PMC | 1109 | | | | | | | | | | |
| 39 | PANMC | 1508 | | | | | | | | | | |
| 80 | NDSF | 4557 | | | | | | | | | | |
| K1 | KAHO | 1236 | | | | | | | | | | |
| 36 | CDAN | 0380 | | | | | | | | | | |
| 41 | RDT&E | 1319 | 4 | 1 | 0 | 8 | 2 | 6 | 2 | 7 | 8 | 2 |

Exception for Military Personnel, Navy; Military Personnel, Marine Corps; Reserve Personnel, Navy; Reserve Personnel, Marine Corps; Environmental Restoration, Navy; Military Construction, Navy; Military Construction, Navy Reserve; Family Housing Construction, Navy and Marine Corps; Family Housing Operation and Maintenance, Navy and Marine Corps, and Wildlife Conservation, Navy - positions 6 and 7 denote the Budget Activity, positions 9 and 10 leave blank.

**b.** Funds Center: Field length is 16AN characters. Positions 1 and 2 denote the Major Command; position 3 is the PEO and positions 4 through 10 are for local use.

**c.** Functional Area: Field length is 16AN characters. These fields carry MILCON and RDTE&N project numbers and Military Personnel line items.

## 02401 CENTRALIZED MASTER EDIT TABLE (CMET) AND SUBHEAD APPROVAL PROCESS

### 1. GENERAL

The Centralized Master Edit Table (CMET) is an accounting classification validation table that contains lines of accounting (LOA), maintained by the Defense Finance and Accounting Service-Cleveland (DFAS-CL), used to validate and process accounting transactions in the Department of the Navy (DON) accounting and finance systems. The CMET table assists in preventing accounting transactions from being posted to the wrong account and is also linked to various systems and edit tables within the expenditure process. Erroneous data in the CMET can have an exponential effect on the number of accounting transaction errors. Systems that the CMET is interfaced with include: Program Budget Information System (PBIS); Standard Accounting and Reporting System (STARS); Material Financial Control System (MFCS); Defense Working Capital Accounting System (DWAS); Standard Accounting Budget Reporting System (SABRS); Financial Reporting System (FRS); and Defense Cash Accountability System (DCAS).

### 2. PROCEDURES

For CMET purposes, a LOA contains two parts: the "control line" portion and the "detail line" portion. The "control line" begins with the DON treasury index code (TI 17), year of availability, appropriation symbol and ends with the subhead. The "detail line" contains the balance of the LOA including the Bureau Control Number (BCN), Suballotment (SA) and Authorization Accounting Activity (AAA). The CMET table is information received from the DON Office of Budget (FMB3) and/or the Budget Submitting Office (BSO). FMB3 provides the "control line" portion of the LOA for DON direct appropriations (TI 17) based on PBIS data while BSOs provide the direct "detail line" portion of the LOA. For DoD (TI 97) appropriations, complete LOAs are provided by the BSO, however, coordination with FMB3 and DFAS-CL is required for TI 97 subhead structure. FMB3 does not provide any CMET information to DFAS-CL for reimbursable LOAs. Reimbursable LOAs, for both TI 17 and TI 97 appropriations, are provided by the BSO in total. On or about the third quarter of every fiscal year, DFAS-CL issues an annual data call memorandum requesting an update to the CMET for accounting classification codes for the ensuing fiscal year. All data for the upcoming fiscal year will be entered into the CMET no later than August 31. This date is necessary to facilitate the two-month dual processing/maintenance period of the CMET (current and previous FY). Once the new fiscal year starts, CMET updates can be provided on a continual basis. FMB3 provides updates to the CMET via a PBIS interface file. BSOs provide updates to the CMET via DFAS-CL accounting classification Form 7230-10, approved by their Comptroller. For additional information regarding CMET responsibilities, procedures and instructions for submitting DFAS-CL Form 7230-10, refer to DFAS-CL Standard Operating Procedure (SOP) 7310.24 titled, "CMET Appropriation Update Internal Controls" located on DFAS CMET website.

## 02402 FIDUCIARY RESPONSIBILITIES FOR EXPIRED ACCOUNTS

### 1. GENERAL

Title 31 U.S.C 1551-1557 states expired funds retain their fiscal year identity for five years after the time an appropriation expires. Expired funds are not available for new obligations. Both the obligated and unobligated balances of expired appropriations must be available for recording, adjusting, and liquidating obligations properly chargeable to that account. The Department of the Navy (DON) specific guidance on expired accounts adjustments and restrictions are contained in the Assistant Secretary of the Navy (ASN (FM&C)) memo Guidance for Administration of Appropriation after the period of availability. Any obligation adjustments citing an expired appropriation in excess of $4M must have prior approval from the ASN (FM&C). Budget Submitting Offices (BSOs) requesting prior approval must forward a memo to their appropriate Financial Management Budget (FMB) division analyst for review who is responsible for routing the memo to the Program/Budget Coordination Division (FMB-3) for extensive review. The FMB-3 division will review and forward the request for approval or denial to the ASN (FM&C). For additional information on expired accounts, refer to DoD FMR Vol 3 Ch. 10 and 10 U.S.C. 7313.

### 2. APPLICABILITY OF ANTI-DEFICIENCY ACT (ADA)

The provisions of the ADA are applicable to all appropriations during the five year expired period. An expired account will violate 31 U.S.C. 1517 or 31 U.S.C. 1341, if obligations or disbursement exceeds obligational authority limitations. For additional information, refer to DoD FMR Vol 14 Ch. 2.

## 02403 THE JUDGMENT FUND

### 1. BACKGROUND

Under 41 U.S.C. 7108, the Department of the Treasury initially pays monetary judgment against the Department of the Navy (DON) under the Contracts Disputes Act of 1978, which are awarded by either the Armed Services Board of Contract Appeals or the court of Federal Claims. The payment is made from the permanent, indefinite appropriation known as the Judgment Fund, established by 31 U.S.C. 1304. Payments covered under the Notification and Federal Employees Antidiscrimination and Retaliation Act of 2002 (No FEAR Act), (5 U.S.C. 2301, as established by P.L. 107-174) and 5 C.F.R. 724) are also initially made from the Judgment Fund. The Office of Personnel Management (OPM) interprets the No FEAR Act to apply to any payment from the Judgment Fund on or after 1 October 2003 for violations of Federal discrimination laws, Federal whistleblower protection laws, and/or retaliation claims arising from the assertion of rights under these laws. The DON is required to reimburse the Judgment Fund promptly and fully for such payments; it remains a liability until the outstanding balance is settled.

### 2. POLICY GOVERNING REIMBURSEMENT

Reimbursement to the Judgment Fund should come from the appropriation that was involved in the claim. However, if the appropriation cannot be determined, the reimbursement may be charged to Operation and Maintenance (O&M) by relying on the “for expenses, not otherwise provided for” language in the O&M appropriation as justification. If the information regarding the contract reveals that the contract was for investment items, than the reimbursement may be charged to Other Procurement, Navy (OPN) for the Navy and Procurement, Marine Corps (PMC) for the Marine Corps by relying on the “for equipment and material not otherwise provided for” language.

For additional information, refer to the DoD FMR Vol 3 Ch. 8 for details regarding policies governing reimbursement, the accounting and reporting of the reimbursement, and time confinement of reimbursements.

## 3. ACCOUNTING AND REPORTING REIMBURSEMENT

The reprogramming of funds between program entities identified on funding authorization documents (FADs) issued by Financial Management Budget (FMB)/N82) are to be initially recorded into the Program Budget Information System (PBIS). Judgment Fund realignments do not count against reprogramming thresholds and are recorded in PBIS under issue #90003. In all official accounting and reporting systems, a separate and unique Subactivity Group (SAG) or P-1/R-1 Subhead will be assigned for the recording and reporting of such reimbursements (see tables below). The following SAG/Subhead structure is used when creating a new "Judgment Fund Reimbursement" line of accounting.

**OPERATION & MAINTENANCE ACCOUNTS**
(O&MN, O&MMC, O&MNR, O&MMCR)

| | STARS | STARS-FL and other Non-STARS |
|---|---|---|
| BSO | * | ** |
| AG | X | X |
| SAG | PJ | J |

* or ** identifies the BSO by Alpha/Numeric Code

Use AG X for the O&M accounts (AG X is used for the Cancelled Account Adjustments and the Judgment Fund Reimbursement lines of accounting; the assigned SAG provides the distinction).

**INVESTMENT ACCOUNTS**

| | APN | MCON | NDSF | OPN | PANMC | PMC | R&D | SCN | WPN |
|---|---|---|---|---|---|---|---|---|---|
| **BSO** | * | * | * | * | * | * | ** | * | * |
| **BA** | 7 | 6 | 5 | 7 | 1 | 6 | 6 | 5 | 4 |
| **Payment** | P | P | P | P | P | P | J | P | P |
| **Judgments** | J | J | J | J | J | J | F | J | J |

* identifies the BSO by Alpha/Numeric Code
** identifies the Administering Office/Program Executive Office/Direct Reporting Program Manager

For additional information, refer to DoD FMR Vol 3 Ch. 8.

## 4. PAYMENT

Upon official notification from Treasury by receipt of a Financial Management Service (FMS) Judgment Fund Internet Claim System (JFICS) Case Report and/or a Demand Letter, the Office of the Assistant Secretary of the Navy (OASN) will issue a memorandum to the responsible Budget Submitting Office (BSO), also referred to as the contract holder. JFICS is the application used to process all Judgment Fund claims. Per 5 C.F.R. 724.104, reimbursement of No FEAR claims are due within 45 business days from notification. If a BSO is unable to reimburse the Judgment Fund by the deadline or provide a reimbursement plan to OASN (FM&C), the BSO is considered noncompliant with the reimbursement provisions. As required by OPM regulations at 5 C.F.R. 724.105, FMS posts on its website an annual report listing those agencies that have failed to reimburse the Judgment Fund or to

contact FMS within 45 days after receipt of a reimbursement demand related to No FEAR Act payments made on their behalf. Congress will identify an agency that fails to respond to a contract dispute action (CDA) claim as noncompliant on a CDA reimbursement report.

**02404 REIMBURSEMENTS**

This section has been moved to the RWO chapter. Specific details from this section are located in FMPM 04004 and 04005.

**02405 REIMBURSABLE BUDGET PROGRAM ADMINISTRATION**

This section has been moved to the RWO chapter. Specific details from this section are located in FMPM 04002 and 04006.

**02406 51% RULE & IN-HOUSE DEFINED**

This section has been moved to the RWO chapter. Specific details from this section are located in FMPM 04002.

**02407 ADMINISTRATION OF APPROPRIATIONS AFTER THE PERIOD OF AVAILABILITY**

1. **OBLIGATION ADJUSTMENTS DURING THE 5 YEAR EXPIRED PERIOD**
   Expired funds may generally be used for obligation adjustments, commonly referred to as upward obligation adjustments, resulting from within scope contract changes, as well as out of scope changes or other new obligations for which legal authority exists to use expired funds. All upward obligation adjustments to expired appropriations as listed below executed both by contract or by reimbursement intragovernmentally, must be counted toward cumulative reporting thresholds and are subject to prior approval and notification. No prior approval or notification is required for the use of current funds when current funds are properly chargeable.

   a. **Within-Scope Changes**
      Generally, to charge an expired account for a contract change, the change must be within the scope of the original contract obligation. With one exception discussed in subparagraph (c) below, increases to the contract price for within-scope changes are chargeable to the appropriation cited when the original contract was executed.

   b. **Out-of-Scope Changes**
      Absent specific legal authority, expired funds cannot be used to fund out of scope changes or new obligations. Contract changes that are outside the scope of the original contract obligation are charged to the appropriation current when the price increase is granted.

   c. **Exception**
      for cost reimbursement contracts, within scope increases that cause the contract ceiling to be exceeded are discretionary increases by the contracting officer and, with one exception, are deemed to be outside the scope of the original contract, making them chargeable to an appropriation current when the price increase is granted. The only time that this is not the case is when the contract change that results in the ceiling being exceeded is an antecedent liability that is not discretionary, but is instead enforceable by the contractor pursuant to a clause in the contract creating a non-discretionary antecedent

liability. Additionally, within-scope changes that result in increases to reimbursable project orders, economy act, or intragovernmental orders are always properly chargeable to the prior year funds used to fund the original order, even if in excess of ceiling. For additional information, refer to 10 U.S.C. 7313, 31 U.S.C. 1558, and the annual DoD Appropriations Act General Provisions.

## 2. USE OF EXPIRED FUNDS

Approval and notification requirements apply when using expired funds for certain actions and in excess of certain amounts.

### a. $4M DON Policy Threshold - All Upward Adjustments

Any individual upward obligation adjustment citing an expired appropriation in excess of $4M must have prior approval of the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)).

### b. $4M Statutory Threshold - Contract Changes

31 U.S.C. 1553(c) (1) requires prior approval by the Under Secretary of Defense (Comptroller) (USD (C)) for increases in an expired account resulting from contract changes that require the contractor to perform additional work, regardless of amount, when cumulative adjustments for contract changes in a program, project or activity (PPA) in a fiscal year exceed $4M. 31 U.S.C. 1553(c) (3) specifically defines "contract changes" for purposes of the statute as only those changes under which the contractor is required to perform additional work. Therefore, when calculating the cumulative amount of changes for determining when the $4M statutory threshold has been reached, only those contract changes that require the contractor to perform additional work should be taken into consideration.

### c. $25M Statutory Threshold - Contract Changes

31 U.S.C. 1553(c) (2) requires congressional notification be given for increases in an expired account resulting from contract changes that require the contractor to perform additional work, regardless of amount, when cumulative adjustments in an expired account for contract changes in a PPA in a fiscal year exceed $25M. The congressional notification is required prior to making the obligation or beginning the work. The USD (C), as designee of the Secretary of Defense, submits a notice to the Congress (Committees on Armed Services and Appropriations of the Senate and the House of Representatives) of the intent to make the obligation. Thirty days must elapse before this obligation may be incurred following delivery of the notification. 31 U.S.C. 1553(c) (3) specifically defines "contract changes" for purposes of the statute as only those changes under which the contractor is required to perform additional work. Therefore, when calculating the cumulative amount of changes for determining when the $25M statutory threshold has been reached, only those contract changes that require the contractor to perform additional work should be taken into consideration. Requests under 31 U.S.C. 1553 (c) (1) and (2) are submitted by the ASN (FM&C) who will subsequently inform the requesting organization when the requested adjustment may be implemented.

### d. Closed Accounts

On September 30th of the fifth fiscal year after the appropriation's expiration, remaining unobligated and unliquidated obligated balances are canceled and the appropriation is closed. When an appropriation is closed, obligations, obligation adjustments, and

expenditures that would have been properly chargeable to that closed account may be charged to current appropriations available for the same purpose if: (1) amounts charged to the current appropriation do not exceed the unexpended balance of the proper closed appropriation (Anti- Deficiency Act limitation), and (2) total amounts charged to the current appropriation do not exceed one percent of the current appropriation being charged. For these purposes, a "current appropriation" is an appropriation provided in an appropriations act for which original budget authority remains available for new obligations. It does not include the reimbursable program. Furthermore, the one percent limitation on the use of these funds is a single, cumulative limit and in no case may more than one percent of the current appropriation be used to pay valid obligations of closed accounts at the appropriation level. Allocations will specify if appropriation subdivisions by organization are permitted all or part of the one percent limit.

## 3. RESPONSIBILITIES OF FUND HOLDERS

### a. Establishment of Controls

The provisions of the Anti-Deficiency Act (ADA) are applicable to all appropriations during the five year expired period. All fund holders must establish appropriate controls as necessary and at the highest level practical, to ensure available funds are not exceeded, to include administrative subdivisions made subject to ADA limitations. An expired account will become over obligated, and a violation of 31 U.S.C. 1341 (appropriation level) or 31 U.S.C. 1517 (subdivision level), will occur if obligations or disbursements exceed the obligational authority limitations expressly conveyed on an allocation.

### b. Account Documentation, Maintenance and Review

Supporting documentation for obligation adjustments must be verifiable with official accounting records and must be retained for subsequent audit purposes. Documentation retained should be substantively the same for any adjustment, regardless of size. All adjustments for contract changes must be coordinated through the lead coordination office for a program, project or activity (PPA) manager. All levels of financial, contract and program management retain the responsibility of ensuring that all transactions entered into are appropriately concluded and recorded. Services and materials that remain undelivered at the time of funds expiration must be delivered subsequently, or where deliveries cannot be made, action must be taken to terminate contractual obligations and revert funds. Integrity of the funds must be maintained until such time as all outstanding obligations are liquidated or claims are cancelled or liquidated. Financial and program managers at all activities are required to actively review open contracts, unliquidated obligations, unfilled reimbursable orders, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure the validity of such items. All fund holders are required to certify tri-annually that commitments and obligations have been reviewed. To the maximum extent possible, business processes should be established so that the validations of unliquidated obligations, or deobligations, are a by-product of normal transactional workload.

## 4. RESPONSIBILITIES OF THE PROGRAM, PROJECT, ACTIVITY (PPA) MANAGER

A PPA is generally defined as the line item level for investment and development accounts and the sub-activity group level for Military Personnel and Operation and Maintenance (O&M) accounts. There are several exceptions that apply PPA rules below the line item

level or sub-activity group for the purpose of upward obligation adjustments. In the ship depot maintenance program, the DON defines SAG 1B4B work and SAG 1B5B work as separate PPAs, by hull. This is true whether NAVSEA's contracts identify 1B4B and 1B5B work in separate CLINs or sub-CLINs. Each facility major repair and minor construction project in the facilities sustainment, restoration, and modernization program is also designated as a PPA.

In certain appropriations or line items, two or more Budget Submitting Offices (BSOs) may have funding within the same line (a shared PPA line). For these lines, any adjustment by a BSO in an expired year, regardless of dollar amount, must be coordinated with the designated lead coordination office before executing to ensure compliance with thresholds measured on the PPA. The organization with lead coordination responsibility will maintain the official record of cumulative changes against the statutory thresholds, and provide clearance based on threshold availability or notify the requesting command that further clearance is required. Each PPA manager must establish appropriate internal controls and records to ensure compliance with the approval thresholds, both on individual adjustments and cumulative adjustments for each PPA. Within the PPA, this threshold is enforced by appropriation and fiscal year, and takes into account adjustments only during the fiscal year. For example, an overhaul funded in Fiscal Year (FY) 2008 could be adjusted for contract changes in FY 2009 up to $4M without approval from the Assistant Secretary of the Navy (ASN, FM&C). Similarly, contract changes could be incurred up to $4M in FY 2010 and in each subsequent year until the appropriation is canceled. When either the individual or cumulative threshold is to be exceeded, BSO comptrollers must submit a request for upward adjustment to the ASN (FM&C), Office of Budget, FMB3 via the PPA manager. When the Chief of Naval Operations (CNO) (N821 or N822) is the PPA manager, BSOs should submit the request for upward obligation adjustments to the ASN (FM&C), Office of Budget, FMB3 directly.

## 5. ACCOUNTING FOR UPWARD OBLIGATIONS

At the time an appropriation expires, unobligated balances must be credited to budget account 4650, Allotments - Expired Authority. During the five years following the appropriations period of availability for new obligations, upward adjustments to obligations must be posted as debits against this account, and credited to either budget account 4981, Upward Adjustment of Prior Year Unpaid Delivered Orders, or to budget account 4982, Upward Adjustment of Prior Year Paid Delivered Orders. Additionally, downward adjustments to obligations must be credited to either budget account 4971, Downward Adjustment of Prior Year Unpaid Delivered Orders, or to budget account 4972, Downward Adjustment of Prior Year Paid Delivered Orders. These adjustments are augmented by point accounts that separately identify limited authority new obligations, contract changes, reprocurements, and other obligation adjustments.

## 02408 JOURNAL VOUCHERS

### 1. PURPOSE

The *DON Policy for Business Entries Including Journal Vouchers* (DON JV policy), included in the DON Financial Reporting Requirements, dated August 2019, includes overarching guidance for documentation requirements to support all business entries as well as specific accounting guidance to assist in classifying, documenting, and approving those business entries defined as journal vouchers (JVs). It expands on the principles set forth in the DoD FMR Volume 6A, Chapter 2, Section 020208 for certain classifications of JVs as described in this policy.

For the overarching guidance on JVs, refer to the DON JV Policy (Appendix D).

### 2. DON INTERIM FY 2019 JV APPROACH

JVs pose a higher level of risk to the accurate presentation, integrity, reliability, and accuracy of the DON Financial statements, and therefore additional JV Specific Supporting Documentation is required as prescribed in Appendix D. The DON is implementing an interim JV supportability approach starting in FY 2019 in an effort to balance sound supporting documentation for JVs, while tackling the underlying root causes for the substantial number of JVs. As the DON matures in its audit readiness efforts and the number of JVs reduce substantially, supporting documentation requirements contained within the overarching DON JV Policy will prevail.

Supporting documentation for existing JVs that repeat each month or quarter can be limited. It is not necessary to create detailed packages for these known, recurring JVs. Rather, detailed supporting documentation should be centrally located and available upon request. A reference to the location must be included within the JV package. Examples for support include, but are not limited to, whitepapers/narratives, excerpts from authoritative sources (such as the DoD FMR), schedules providing a basis for the JV amounts used across multiple JVs within the same month or quarter, and/or JVs relying on the support of a separately posted JV package.

Figure 2.1 below depicts when the FY 2019 limited package approach is appropriate. JV support is required as prescribed by section 4.3 “JV Specific Supporting Documentation” in Appendix D when the JV pertains a new issue (requiring a new issue identifier). For more information on JVs requiring a new issue identifier, refer to section 9.1 “Issue Code and Issue Identifier” in Appendix D.

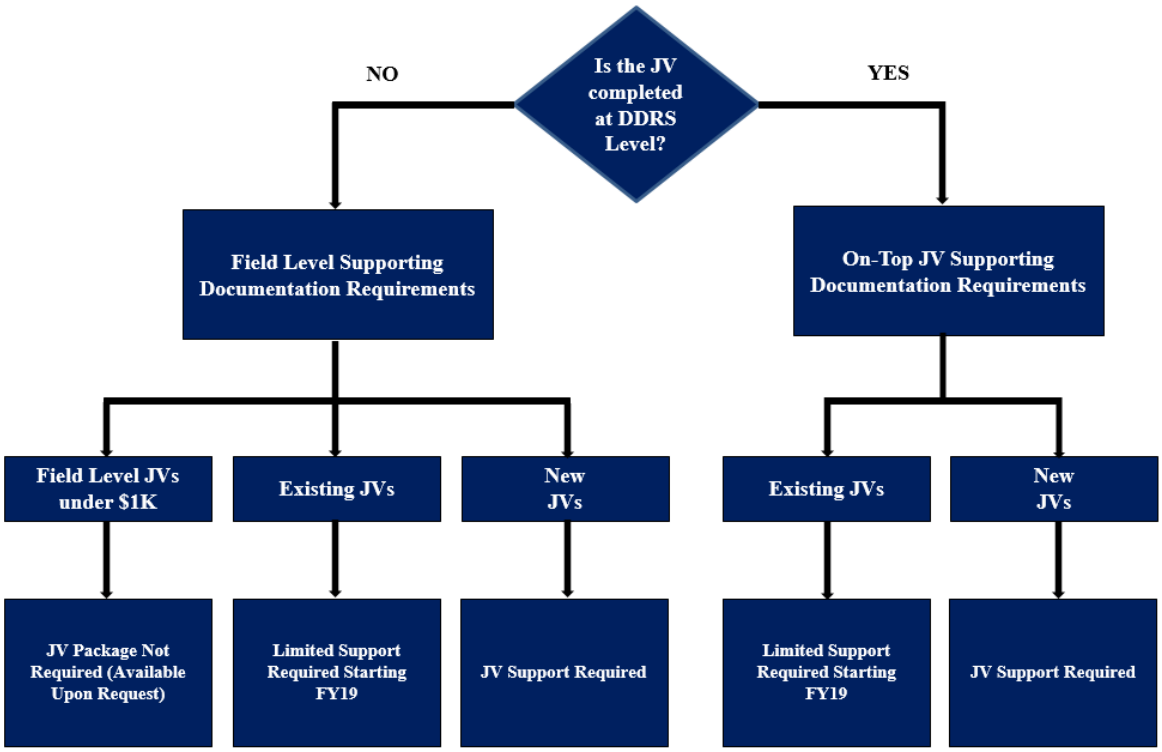


*Figure 2.1: FY 2019 JV supporting documentation decision tree*

## 3. ADDITIONAL ON-TOP DON JV INTERIM FY 2019 DECISIONS

In addition to the decision to limit supporting documentation for recurring JVs explained above, the DON made additional risk-based decisions pertaining to the preparation of On-Top JVs. Similar to the goal of limiting the time spent on JV support preparation, the goal of the decision to limit time spent on certain On-Top JV types is to shift efforts to addressing the underlying root cause of JVs.

The following On-Top JV decisions apply starting in FY 2019:

**Decision 1: Continue Posting with Transition to Department of Defense Departmental Reporting System (DDRS) Bulk JV** – Implementing the "Bulk JV" allows the Service Provider to use a program to process a significant volume of JVs simultaneously. When considering JV types as a candidate for the bulk JV process, the Service Provider identified JVs with like-root causes and support. Each JV continues to have its own JV ID number and requires approval by the appropriate approving official (As outlined by section 5 of Appendix D, "*DON Policy for Business Entries Including Journal Vouchers"*).

**Decision 2: Discontinue Posting** – A group of JV types identified as either having no Government-wide Treasury Accounting Symbols (GTAS) reporting impact or as having a duplicative posting of the same JV type will be discontinued.

**Decision 3**: Continue Posting with Limited JV Packages – As described in the previous section, limited JV packages for existing JVs will be required.

**Decision 4: Continue with Reduced Posting Frequency to Quarterly** – The frequency for JV types that do not require monthly reconciliations will be reduced from monthly to quarterly.

**Decision 5: Continue Posting As-Is** – For miscellaneous, non-recurring, and new JV types, the Service Provider will continue to post JVs with applicable support.

The table below reflects the preliminary plan for the various JV types falling under one of the five decisions outlined above. DON and the Service Provider may reassess the eligibility of each JV type falling under the various decisions if risks identified outweigh the benefits originally identified.

| Consideration 5: Continue Posting As-Is | |
|---|---|
| **Rationale** | **Risks/Considerations** |
| • Non-recurring, miscellaneous adjustments will require different posting logics to correct and be caused by variety of issues. Completing JVs in their current state will allow for providing applicable guidance and reasoning for completing the JV.<br>• Misc corrections are often needed to correct GTAS error and potential misclassification on the financial statements. | • Unable to determine future potential issues or corrections that will be needed<br>• Expend current amount of time/resources |

| Bucket | Category | FY18 Count | FY18 Amt |
|---|---|---|---|
| Systems Issue | Eliminations/TP | 141 | $134,188,779,769.35 |
| Systems Issue | WCF ERP Misc. Corrections * | 69 | $ 13,180,194,266.95 |
| Systems Issue | DDRS System Generated Corrections * | 58 | $ 621,538,506.50 |
| Business Process | Legacy Processes Misc Corrections * | 51 | $118,575,319,298.10 |
| Systems Issue | DDRS Misc One-Time Corrections * | 22 | $ 295,638,287.94 |
| Systems Issue | WCF Legacy Misc Corrections * | 19 | $ 176,644,690.55 |
| Business Process | ERP Process One Time Corrections * | 17 | $ 74,874,335.90 |
| Systems Issue | SCN Misc Corrections * | 17 | $ 33,015,113,323.69 |
| Business Process | Year End Corrections * | 15 | $ 539,021,951.44 |
| Systems Issue | SABRS/NSABRS Misc. Corrections * | 13 | $ 744,797,564.51 |
| Business Process | PPAs | 8 | $ 744,066,789.55 |
| Business Process | TI-17 Funding Misc Corrections * | 3 | $ 46,164,804,000.00 |
| Business Process | NAVSUP URB * | 2 | $ 94,582,355,693.04 |
| | Total | 435 | $442,903,148,477.52 |
| | Percentage of Grand Total | 2.6% | 20.8% |

## 4. INTERIM SERVICE PROVIDER AND BSO/FIELD LEVEL COMMAND RESPONSIBILITIES FOR TI 97 COMMAND LEVEL FUNDING JVS

While the DON is pursuing other methods of receiving TI 97 funding in the near future, in the interim the DON must follow the below guidance on JVs related to TI 97 funding. The DON anticipates the below guidance will no longer apply once new TI 97 funding mechanisms are fully implemented.

Due to system limitations within the Standard Accounting and Reporting System-Field Level (STARS-FL) system, the Service Provider must perform JVs related to TI 97 Command Level Funding. The Service Provider and the BSO/Field Level Command for whom the Service Provider is entering the JV, must adhere to the following guidelines.

The Service Provider must create a JV package containing the applicable supporting documentation. The Service Provider must then also provide the completed JV package to the applicable BSO/Field Level Command for approval, prior to posting. In the event the BSO/Field Level Command does not approve the JV timely (within five business hours of receipt), the Service Provider must post the JV. Additionally, the Service Provider must track disapprovals, after posting acknowledgements received from the BSO/Field Level Command and non-responses. Once the Service Provider obtains the BSO/Field Level Command approval, the Service Provider must follow standard JV practices including, but not limited to: posting and approving the JV in DDRS and following JV retention requirements (example, uploading to Corporate Electronic Document Management System (CEDMS)).

The BSO/Field Level Command must review Command Level Funding JVs sent by the Service Provider for approval. To determine the required approving official for Command Level Funding JVs, refer to Field Level Journal Voucher (FLJV) approval thresholds contained within Figure 6.1: JV Approval Levels in Appendix D. While these Command Level Funding JVs are On-Top JVs recorded within DDRS, the required approving official is consistent for the BSO/Field Level Command with FLJVs. Approving Officials can delegate their authority in writing.

The BSO/Field Level Command must submit an approval/disapproval to DFAS within five business hours of receipt. If the BSO/Field Level Command approves the JV, a “reviewed by” adobe stamp must be included on the pdf JV package. In the event the BSO/Field Level Command cannot apply a stamp to the package, the approval must be contained in an e-mail. In these cases, the Service Provider will include the e-mail as evidence of approval in the final JV package.

If the BSO/Field Level Command does not concur with the JV package, a reason for the disapproval must be contained via email to the Service Provider. The Service Provider should make every effort to ensure the JV posting is delayed until the Parties can concur on an appropriate resolution.

If the BSO/Field Level Command is unable to approve the Command Level Funding JV timely, the BSO/Field Level Command must provide the Service Provider with an after-the-fact acknowledgement for tracking purposes.

# PART F: ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS

## 02500 ADMINISTRATIVE CONTROL OF FUNDS

### 1. GENERAL

The Department of the Navy (DON) must maintain a financial management organization capable of proper and effective administration of funds entrusted to it. The Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)) is the Secretary of the Navy's principal financial advisor and is responsible for the allocation of all appropriations and funds available to the DON. 31 U.S.C. 1514 requires agencies to maintain a system of administrative controls to ensure that all proposed obligations from each appropriation are reviewed to ensure that sufficient funds are available to prevent expenditures in excess of an appropriation or apportionment, or to expend funds for purposes not specifically authorized by law. For additional information concerning recording and reviewing obligations, refer to DoD FMR Vol 3 Ch. 8**.** Department of Defense (DoD) policies and procedures for the administrative control of funds are prescribed in DoD FMR Vol 14 Ch. 1. For additional information concerning DON Comptroller financial management internal control system policies, refer to SECNAVINST 7000.27B.

### 2. RECORDING OBLIGATIONS ASSOCIATED WITH CONTRACTUAL AWARD AND INCENTIVE FEES

This section provides fiscal guidance associated with recording obligations associated with contractual award and incentive fees and also for certain types of other undefinitized, within-scope contractual costs.

Contracts will sometimes have award or incentive fee clauses to motivate the contractor to perform or to meet predetermined criteria associated with the tasks of the contract. These fees are paid pursuant to the specific terms of the contract, generally when earned by the contractor, sometimes after a government board has convened to review performance. Although every effort should be made to determine the amount of the fee prior to funds expiring, in some cases this is not possible due to the nature of the work. The fees should not be recorded as an obligation until earned. Fiscal policy requires fees to be paid from program year funds associated with the work product and are not considered upward obligations (e.g. if FY 2008 resources are used for the work effort, then the fee must be paid from FY 2008 funds, no matter when the fee is earned). Therefore, principle administering offices (PAOs), working with the contracting community, should assess the funding impact on these undefinitized fees and ensure that sufficient funds are available within resource allocations to obligate the determined amounts once earned. Award of the fees in excess of the PAOs resource allocation will result in an Anti-Deficiency Act violation. It is recognized that this policy will likely require some commands to have unobligated balances in expiring accounts to cover these fees. Every effort will be made to work with the Office of the Secretary of Defense (Comptroller) and Congressional staff to explain these financial anomalies. However, organizations need to be aware of fiscal policies, and the effect on obligating resources, when determining the type of contract to use to procure goods and services. Per DoD IG Report No. D-2008-083 dtd 25 April 2008, concerns were identified regarding the fiscal management growth, premium and reservation pool for ship maintenance.

Per DoD IG Report No. D-2008-083 dtd 25 April 2008, growth pools are defined as unknown work; premium pools as overtime work; and reservation pools as work that is not fully defined in advance. The obligation of funds for growth pools, reservation pools, and premium pools may violate 31 USC 1501, 31 USC 1502, and DoD FMR Vol 3 Ch. 8, if the obligation is for anticipated needs that may occur after the appropriation expires or if the obligation is for anticipated work that may or may not be necessary. Contracts supporting efforts other than ship maintenance may also use these or similar terms. It is recognized that the structure of each contract is different but the fiscal policy associated with obligating funds is the same. Prior to the expirations of funds and to the extent that documentation exists in sufficient specificity to support an obligation of funds, as prescribed by 31 USC 1501 (a), and the obligation is within the parameters of the contract, then funds may be obligated. The requiring manager, contracting officer, and comptroller must all work together to ensure documentation supporting the obligation is maintained and auditable, while complying with the terms of the contract and fiscal regulations. After the expiration of funds, activities should comply with upward obligation procedures for within-scope changes. Should an existing contract be structured in a manner that does not enable compliance with fiscal policy while providing the required goods or services, it may be necessary to consider a new or renegotiated contract.

**3. PROHIBITION ON PARKING OF FUNDS IN THE BUDGET**

10 U.S.C. 2773b(a) specifically prohibits an officer or employee of the DoD from directing the designation of funds for a particular purpose in the President's budget, as submitted to Congress pursuant to 31 U.S.C. 1105, or in budget justification materials with the knowledge or intent that such funds, if made available to the Department, will not be used for the purpose for which they are designated. Violation of 10 U.S.C. 2773b (a) shall be treated as a violation of the Anti-Deficiency Act, 31 U.S.C. 1341(a) (1) (A).

**4. MANAGEMENT CONTROLS ASSOCIATED WITH CREATING OBLIGATIONS**

The commanding officer or head of an activity that receives allocations or suballocations of funds subject to the Anti-Deficiency Act (ADA) shall have a qualified comptroller who reports directly to them. The comptroller is responsible for establishing and maintaining an internal control system to ensure that the requirements set forth in DoD FMR Vol 14 are complied with. All proposed obligations of funds must be reviewed to ensure that sufficient funds are available and that the obligation is consistent with the authorized purpose of the fund or account. Accordingly, only certain individuals have the authority to create DON financial obligations:

- Comptrollers or comptroller personnel with delegated authority designated comptroller agent that issue and/or accept reimbursable funding documents (e.g. work request, Military Interdepartmental Purchase Request (MIPRs), Military Standard Requisitioning and Issue Procedures (MILSTRIPs), etc.);
- Government contracting officers that have been given contracting authority; and Individuals given the authority to: approve travel orders; use a purchase card; approve training requests, or other administrative, daily processes that obligate minor funding amounts. This authority was be delegated in writing by the Commanding Officer, head of the activity, or the Comptroller.

- An individual not delineated above that verbally or in writing commits the DON to fund an effort is creating an unauthorized funding action which can lead to an unratified contract. To correct this, there will need to be a requirement to do an unratified contract action or send a funding document. This is a local capability assuming the command has contracting authority. When these authorized actions are ratified, an ADA violation may occur if sufficient funding or legal authority is not available to cover the action.

## 02501 ANTIDEFICIENCY ACT INVESTIGATIONS AND REPORTING REQUIREMENTS

### 1. ROSTER OF INDIVIDUALS QUALIFIED TO CONDUCT ADA VIOLATION INVESTIGATIONS

The Department of the Navy (DON) is required to establish and maintain a roster of individuals qualified to conduct Antideficiency Act (ADA) investigations. The Office of the Assistant Secretary of the Navy, Financial Management and Comptroller (OASN, FM&C) will maintain the roster of certified investigators. The Chief of Naval Operations (CNO), the Commandant of the Marine Corps (CMC), all major commands, and all Secretariat offices are required to identify individuals, to serve as investigators. Individuals identified should be able to conduct an independent investigation and interface directly with senior officials. ADA investigating officers must complete an appropriations law or equivalent course and are required to renew this training at least every three years.

### 2. PRELIMINARY REVIEWS OF POTENTIAL ADA VIOLATIONS

Within two weeks of discovering a potential ADA violation, the activity concerned shall report the potential violation through command channels to the OASN (FM&C). The activity concerned will appoint a preliminary investigator to gather facts and ultimately establish whether a reportable violation of the ADA has occurred. For additional information concerning ADA preliminary reviews, refer to DoD FMR Vol 14 Ch. 3.

### 3. FORMAL INVESTIGATION

If it is determined that a potential ADA violation has in fact occurred, the OASN (FM&C) will appoint a formal investigator from the current roster to conduct the investigation. The investigator is detailed to the OASN (FM&C) for a period usually not to exceed ninety days, to conduct the investigation. The investigator is to be relieved of his or her day-to-day duties until the investigation is completed. Incidental costs (e.g., travel) to complete this investigation will be provided or reimbursed by the activity and/or command under investigation. For additional information, refer to DoD FMR Vol 14 Ch. 5.

# CHAPTER 3 FINANCIAL RESPONSIBILITY

## PART A: GENERAL FUNDING POLICY

### 03000 SCOPE

The Assistant Secretary of the Navy, Financial Management and Comptroller (ASN (FM&C)) determines budget and funding responsibilities between appropriation/accounts and between organizational entities of the Department of the Navy. The establishment of financial responsibility is based upon the legal scope of items and functions that can be funded from an appropriation and ASN (FM&C) interpretations of various Office of Management and Budget and Secretary of Defense Regulations. OASN (FM&C) issues policy memorandums as the need arises, which will be incorporated into this manual.

### 03001 EXPENSE/INVESTMENT CRITERIA

**1. GENERAL**

Costs budgeted in and financed by the Operation and Maintenance, Military Personnel and Retired Pay (including those for Reserve components) are considered expenses. Costs budgeted in and financed by the Procurement and Military Construction appropriations (including those for Reserve components) are considered investments. Costs budgeted in and financed by the Research, Development, Test and Evaluation; Base Realignment and Closure; Civil Defense; Family Housing; Foreign Currency Fluctuation; Civil Functions; and Foreign Military Finance appropriations include both expenses and investments. A general provision in the Department of Defense Appropriations Act (generally section 8030), states the dollar threshold for expense and investment determinations is $250,000 per unit - items less than $250,000 per unit are considered expense. Exceptions to the $250,000 threshold are addressed under conditional cases, section 4 of this paragraph.

**2. EXPENSES**

Expenses are costs of resources consumed in operating and maintaining the Department of Defense (DoD). DoD FMR Vol 2A Ch. 1 provides guidelines to determine expense costs. In addition to the guidelines presented in the Financial Management Regulation (FMR), the Department of Navy (DON) has ruled general motion picture procurement and development are also considered an expense. Specific guidance regarding Working Capital Fund (WCF) expenses and Capital Investment program is discussed in DoD FMR Vol 2B Ch. 9.

**3. INVESTMENTS**

Investments are costs of capital assets of the DoD such as real property and equipment that provide new or additional military capabilities or modernize existing capabilities. DoD FMR Vol 2A Ch. 1 provides guidelines to determine investment costs, including centrally managed items. In addition to the guidelines presented in the FMR, the following DON fiscal policy guidelines are provided:

**a.** The determination as to whether an item is an investment or expense is based on the price of the end item. While transportation costs (para 03003) and installation costs (para 03230), in accordance with the full funding policy, are funded in the same appropriation as the end item, the system unit cost is not increased for transportation and installation costs for the purpose of determining expense/investment. However, if an item is

transported as "free on board (FOB) destination," where the transportation cost is an integral part of the cost of the end-item, the transportation cost will be included when determining expense/investment. Additionally, early payment discounts (i.e. prompt pay) and trade-in allowances are not relevant to the expense/investment decision. In contrast, transportation and installation costs are factored into the expense/investment decision for WCF inventory items that are coded depot level repairables since WCF must charge a fully burdened rate to their customers.

**b.** In the case of previously purchased and installed equipment not associated with a military construction project, removal, and reinstallation is funded with operating funds of the requiring command.

**c.** Any cost, when included in the production or construction of an investment item, is considered an investment cost, except for costs associated with military personnel. Military personnel costs will always be considered an expense.

**d.** As noted in the DoD FMR Vol 2A Ch. 1, items that are centrally managed (not just centrally procured) are investment items regardless of the unit value.

## 4. CONDITIONAL CASES

The following are conditional cases that take precedence over the criteria contained in subparagraphs 2 and 3.

### a. Technology Refresh

There are two different types of technology refreshment upgrades, one is for information technology (IT) and one is for non-IT. The correct appropriation for budgeting an IT refresh effort is dependent on the activity and the underlying tasks that make-up the effort. An IT refresh effort may require funding from more than one appropriation. For more IT refresh information, see para 03240. FMR Vol 2A Ch1 addresses non-IT refresh, i.e. upgrades typically performed with depot or field level maintenance. Non-IT refresh is funded in accordance with investment/expense criteria.

### b. Research and Development (R&D)/Procurement/Production Program Costs

The cost of civilian personnel compensation (including benefits) and other direct expenses (travel, office equipment and IT leasing and maintenance, supplies, printing and reproduction) incurred in support of R&D/procurement/production programs by Department Headquarters staff (Secretariat, Office of the Chief of Naval Operations, and Headquarters, U.S. Marine Corps), contracting offices, contract audit offices, systems project offices, and acquisition managers are expenses and will be funded by operating funds of the requisite command. Project office and acquisition manager support services obtained from Working Capital Fund activities or by contract are considered direct procurement support costs and are thus classified as investments when integral to the execution of R&D/procurement programs under the cognizance of the project office or manager. Additionally, R&D/procurement/production direct support costs such as: production testing, quality assurance, production engineering, and equipment assembly are investment costs due to full funding policy.

**c. Commissioning Ceremony**

The costs of the ship commissioning ceremony for newly constructed or converted ships are to be funded as part of the investment cost, therefore financed with Shipbuilding and Conversion, Navy (SCN). For additional information, refer to para 03242.

**d. Lease Agreements**

A lease conveys the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Criteria for determining whether to lease or purchase is prescribed in OMB Circular A-94. Lessees have either operating or capital leases. OMB Circular A-11 Appendix B and DoD FMR Vol 4 Ch 26 define the criteria for distinguishing between operating leases and capital leases. Operating leases cover the use of an asset for a period of time and are treated by the lessee as periodic expenses, and are funded with operating funds. Capital leases are considered equivalent to a purchase, essentially installment purchases of property and are therefore funded with investment funds (or Capital Improvement Program (CIP) for Working Capital fund (WCF)). The DON has ruled that since Civil Engineering Support Equipment (CESE) is centrally managed by Naval Facilities Engineering Command, any lease-purchase arrangement for CESE should be classified as a capital lease and funded with investment funds.

**e. Overseas Contingency Operations**

*i. Scope*

As determined by the Secretary of Defense, provided in the Consolidated Appropriations Act, 2014, section 9010, operation and maintenance (O&M) funds may be used to purchase items with a unit cost not to exceed $500,000, provided such funds are necessary to meet the operational requirements of a Commander of a Combatant Command engaged in overseas contingency operations. If this provision is not contained in subsequent appropriations acts or codified into statute, the authority in this section will no longer be valid.

*ii. Policy*

In accordance with a Deputy Secretary of Defense memo, United States Central Command (CENTCOM) may use O&M funds to purchase items with an investment unit cost not exceeding $500,000, provided such items are necessary to meet contingency operations requirements in their geographic area of responsibility. All other funding policies, guidelines and regulations related to expense and investment cost continues to apply, i.e. items funded in procurement accounts because they are centrally managed must still be purchased in the appropriate procurement account. This guidance is applicable to component commands assigned to CENTCOM. For the DON, this would include units in theater and assigned to NAVCENT, MARCENT, and any special operating units of the Navy or Marine Corps otherwise assigned to CENTCOM. Since CENTCOM is responsible to articulate the benefits of the authority, DON commands must first coordinate the use of this authority with CENTCOM.

*iii. Procedures*

Items purchased with O&M funds, pursuant to this authority with an investment item unit cost exceeding $250,000, must be recorded and safeguarded in accordance with asset recognition and accountability requirements documented in existing financial management regulations regardless of the funding source of the acquisition. Information on the use of this authority should be provided to CENTCOM on a timely basis.

**5. RELATIONSHIP WITH REVOLVING/MANAGEMENT FUNDS**

WCF activities are authorized to finance certain industrial equipment classified as an investment. However, the use of appropriations provided on a customer order to a WCF activity is governed by expense/investment criteria and other guidance and restrictions governing the use of appropriations. For example, an Operation and Maintenance, Navy funded customer order cannot be utilized by a WCF activity to finance customer equipment classified as an investment. For more information, refer to DoD FMR Vol 2B Ch. 9.

## 03002 TRANSFER OF FUNCTIONS

**1. GENERAL**

Per 10 U.S.C. 125, the Secretary of Defense has the authority to transfer, reassign, consolidate or abolish any function, power or duty vested in the Department of Defense (DoD). Requests for approval of functional transfers may generally be submitted at any time throughout the fiscal year; however whenever possible, the transfer will be accomplished within the normal budget cycle so that appropriate adjustments of resources may be made between affected organizations in the normal budget formulation process.

Current year transfer of functions are completed on a reimbursable basis until budget base transfers are concluded. Once a transfer of functions is elected and the budget base transfer is complete, switching back to a reimbursable basis transfer is not allowed. A change of funding from one appropriation to another, where a previous election has been made, requires an accompanying transfer of funds. For additional information, refer to DoD FMR Vol 3 Ch. 4.

**2. PURPOSE OF TRANSFERS**

In general, transfers of funding responsibility occur between organizations to accomplish one of the following actions:

- to change the basis of support (work, services, material) or to discontinue the support;
- to provide for the reassignment of responsibility to provide support (work, services, material) or to perform specific functions from one organizational entity to another, regardless of physical proximity.

Transfer of functions may involve realignment of resources (funding and personnel) between appropriations and/or agencies within the Federal Government or components within DoD. Policy and procedures have been established within DoD to gain approval of inter-appropriation transfers of resources associated with proposed functional transfers. Functional transfers and realignment of resources within an appropriation may also become necessary. Procedures governing intra-appropriation transfers have also been established within the Department of the Navy (DON). These procedures are contained in BGM Part 1 Ch. 6 and at the PBIS website on the Guidance page.

**3. POLICY**

Functional transfers should be timed to permit complete coordination and mutual agreement between the affected headquarters components. Although requests for approval of functional transfers within the DON may be submitted at any time, the optimal time for submission of functional transfer requests is between submission of the President's Budget and the DON budget submission beginning the subsequent cycle. Functional transfers submitted at other times during the budget cycle are often affected by DON or Office of the Secretary of Defense (OSD) adjustments to the programs involved; these adjustments may impede activity agreement on the correct level of resources to be transferred. Regardless of timing, all proposed functional transfers must be coordinated with the respective division within the Office of Budget (FMB), and each will be reviewed and addressed separately by FMB.

## 03003 FIRST AND SECOND DESTINATION TRANSPORTATION

**1. GENERAL**

In accordance with DTR 4500.9-R, Part II, Appendix V, Attachment V2, the following definitions apply:

**a. First Destination Transportation (FDT).** FDT delivers material from a procurement source to the first point of use or storage which may be in the Continental United States or overseas. The procurement source may be a supplier outside of the Department of Defense (DoD) supply system or a DoD activity which fabricates new material. FDT also includes transportation from point of origin to point of use or storage when Navy-owned material or equipment is provided to a contractor incident to a Research and Development project or a system/equipment acquisition or modification.

**b. Second Destination Transportation (SDT).** SDT is any transportation other than FDT. It distributes material within the supply system after completion of FDT. SDT includes shipments required to fill requisitions; redistribute material; and return material for overhaul, rework, repair, or disposal action. It does not include the issue of Navy or Marine Corps-owned material incident to a system or equipment acquisition, modification, or a research and development project.

**2. TRANSPORTATION ACCOUNTING CODE (TAC)**

In accordance with DoD FMR Vol 3 Ch. 8, an obligation for commercial carrier transportation costs are recorded when the bill of lading (BOL) is issued or created. If the end item does not ship prior to the end of the fiscal year corresponding to the BOL date, a determination would need to be made, as to whether the shipment still has a bona fide need of the prior fiscal year or not; and then charged appropriately. If the BOL date is in a prior fiscal year and the item ships on the first couple of weeks of the current fiscal year, one could possibly make an argument that there was a bona fide need in the prior year because admin lead time may not have made it possible to switch to current fiscal year funds and still meet the shipping date. Situations that cross fiscal years will depend on the bona fide need rule and justifications shall be based on the facts at the time.

**3. BUDGET/FUNDING RESPONSIBILITY (FDT)**

FDT is budgeted on an annualized basis in the same appropriation as the end item or material being procured (which reflects transportation costs as an integral part of the procurement cost). FDT is the responsibility of the organization budgeting for the end item or material being procured. F.O.B. origin means the government pays all transportation charges from

the contractor's facility to the delivery point. Shipping charges are not rolled up in the unit cost of the item. F.O.B. destination shipments include transportation costs in the unit cost.

| Appropriation/Fund Financing the End Item | FDT Funding Responsibility |
|---|---|
| Aircraft Procurement, Navy (APN) | APN - Same appropriation/organization that purchased the item |
| Other Procurement, Navy (OPN) | OPN - Same appropriation/organization that purchased the item |
| Weapons Procurement, Navy (WPN) | WPN - Same appropriation/organization that purchased the item |
| Procurement, Marine Corps (PMC) | PMC - Same appropriation/organization that purchased the item |
| Procurement of Ammunition, Navy and Marine Corps (PAN & MC) | PAN & MC - Same appropriation/organization that purchased the item |
| Research, Development, Test and Evaluation (RDT&E,N) | RDT&E,N - Same appropriation/organization that purchased the item |
| Shipbuilding and Conversion, Navy (SCN) | SCN - Naval Sea (NAVSEA) Systems Command |
| Military Construction, Navy (MILCON) | MILCON - Naval Facilities (NAVFAC) Engineering Command |
| Navy Working Capital Fund (NWCF) | NWCF (Same fund/activity that purchased the item) |

**4. BUDGET/FUNDING RESPONSIBILITY (SDT)**

Naval Supply Systems Command, Weapons Systems Support (NAVSUP WSS) centrally budgets and funds with Operation and Maintenance, Navy (O&MN) appropriation, in the Service-wide Transportation (SWT) line. SWT is a centrally managed program by NAVSUP WSS which funds transportation to move even cognizance (Cog) cargo items. The Navy Working Capital Fund (NWCF) – Supply Management (SM) account funds odd cog items for systems commands and stock point shipments. SDT in support of Marine Corps ground units is centrally budgeted and financed by the Deputy Commandant, Marine Corps Installations and Logistics. The following items are additional SDT transactions within the DON:

| TYPE OF SDT TRANSACTION | FUNDING SOURCE | ACTIVITY RESPONSIBLE |
|---|---|---|
| Transportation of non-ready for issue (non-RFI) components (0 COG) or end items for repair during interim contractor support (ICS) phase for a system | Budgeted/Funded by responsible organization's (SYSCOM) Operation & Maintenance funds | Activity that has funding responsibility during the ICS phase. |
| Transportation of depot level repairables | Navy Working Capital Fund- Supply Management (SM) funds the transportation of RFI repairables, as well as retrograde of non-RFI repairables to designated repair/storage points (except FMS repairables) | NWCF- SM funds |
| Transportation of government furnished material incident to FMS project | Funded from original FMS case through which the material was purchased | FMS purchaser. For FMS, the country and case number must be cited on the shipping documentation. |
| Shipment required to return material (including components) to an overhaul, rework, or repair project directed by Fleet Commands/Type Commanders (TYCOM)/Systems Commands | Even Cog is funded by NAVSUP WSS SWT O&M,N. Odd Cog, stock fund material are funded by NWCF-SM. If NAVSUP WSS directed, use SDT stock point or Cog Transportation Account Codes (TACs). If component is organic material being directed to an overhaul site by another Inventory Control Point (ICP), cite the organic material TAC of the command, unit, or activity. | Activity directing the movement. |

| TYPE OF SDT TRANSACTION | FUNDING SOURCE | ACTIVITY RESPONSIBLE |
|---|---|---|
| Transportation of non-ready for issue (non-RFI) components (0 COG) or end items for repair during interim contractor support (ICS) phase for a system | Budgeted/Funded by responsible organization's (SYSCOM) Operation & Maintenance funds | Activity that has funding responsibility during the ICS phase. |
| Transportation of supply management material issued by Navy Stock Point (e.g. Fleet and Industrial Supply Centers (FISC). Second destination stock point shipments are generated by an inventory manager's decision to issue material in response to Navy requisitions or to redistribute material to other stock points and by a supply officer's decision to retrograde material for disposal or repair. | Even Cog is funded by NAVSUP WSS SWT O&M,N. Odd Cog, stock fund material is funded by NWCF-SM | Charge odd Cog material to NWCF-SM TAC and even Cog material to NAVSUP WSS SWT. Material issued by Navy Stock points is funded by NAVSUP WSS SWT. (e.g., Shipments of even Cog material from Defense Logistics Agency depots and Navy FLCs are funded by NAVSUP WSS SWT.) |
| Transportation of Navy-owned material for disposal/excess/surplus. | Funded by NAVSUP WSS SWT O&M,N or NWCF-SM depending on Cog symbol of material. Funded by RDT&EN for Research &Development projects.<br>Transportation of excess NWCF material approved for turn-in is chargeable to the approving Navy ICP (NAVSUP WSS). | Activity directing the shipment or activity having accountability for the material. Even cog material issued by Navy Stock points is funded by NAVSUP SWT O&M,N. Odd Cog is charged to NWCF-SM. |
| Acquisition of excess/surplus material from Navy or other government agencies. | Budgeted/Funded by responsible organization's operating funds | Cost of shipping surplus/excess material from reutilization sites or other Navy activities is chargeable to the requesting activity. Transportation expenses cannot be charged to NAVSUP WSS SWT. |

| TYPE OF SDT TRANSACTION | FUNDING SOURCE | ACTIVITY RESPONSIBLE |
|---|---|---|
| Transportation of non-ready for issue (non-RFI) components (0 COG) or end items for repair during interim contractor support (ICS) phase for a system | Budgeted/Funded by responsible organization's (SYSCOM) Operation & Maintenance funds | Activity that has funding responsibility during the ICS phase. |
| Transportation of organic material (items on custody of plant account records of field activities or deployable units) incident to relocation/redistribution and/or rotational deployment. | Budgeted/Funded by responsible organization's operating funds | Activity directing the shipment using operating funds. |
| Transportation of fleet owned Naval Construction Force Equipment/allowance material shipments incident to NCF deployments or relocation | NAVSUP SWT | NAVSUP |
| Demurrage and Detention Charges (DDCs) including DDCs pertaining to transportation of petroleum, oil, and lubricants. Detention is a fee levied by a carrier for holding a truck/van beyond an established unloading and release time limit. Demurrage is the equivalent for rail cars or ships. | Activity or ship responsible for causing the DDC charge. Such costs are paid out of operating manager's account or account of the TYCOM of the ship where the DDC occurred. | Operating manager of the activity or TYCOM of the ship where the DDCs occur. |
| Second destination transportation of RDT&E,N projects. | RDT&E,N | Activity directing the movement. |
| Transportation of household goods of personnel for Permanent Change of Station (PCS) travel. | Military Personnel appropriations for military, operating funds for civilians. | In non-BRAC circumstances, the receiving activity of the civilian personnel. |
| Transportation of remains of deceased beneficiaries. | Decedent Affairs Program | US Navy, Bureau of Medicine and Surgery (BUMED) |

| TYPE OF SDT TRANSACTION | FUNDING SOURCE | ACTIVITY RESPONSIBLE |
|---|---|---|
| Transportation of non-ready for issue (non-RFI) components (0 COG) or end items for repair during interim contractor support (ICS) phase for a system | Budgeted/Funded by responsible organization's (SYSCOM) Operation & Maintenance funds | Activity that has funding responsibility during the ICS phase. |
| Transportation cost associated with base closures and shore establishment realignment activities. | Budgeted/Funded by organization that is affected. | Activity being disestablished or realigned. Costs involved with shipping property from a closing or realigning base to a receiving base to support relocating/realigning units will be charged to base closure funds. Costs for shipping property not in support of relocating/realigning units will be charged to the activity gaining the property. However, when an activity requests reassignment of material that would otherwise be declared surplus, the requesting activity funds transportation costs for the material being relocated. |

Additional information can be found in OPNAVINST 4600.24D for the Navy, and MCO 4610.37F for the Marine Corps.

**03004 STUDIES AND ANALYSES**

Studies and analyses are those nonrecurring examinations of a subject which are utilized as essential tools by management in order to facilitate the decision-making processes. Those studies and analyses that support research and development activities, such as research, technology exploration and development, and test of initial tactics and doctrine, will be budgeted in the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation. Studies and analyses, which are engineering or technical efforts integral to the production and delivery of specific end-items of equipment for operational use, will be funded by the procurement appropriation under which the equipment is being procured. Examples of studies and analyses

eligible for procurement appropriation funding are those necessary for production equipment layout, engineering changes, improvements to the manufacturing process, etc. Studies and analyses directly related to general industrial-commercial operations and management at a NWCF activity, i.e., not related to a specific customer order, will be funded by the NWCF and charged as general overhead. However, any studies and analyses directly related to military support, i.e., non-industrial-commercial functions at a NWCF activity, will be funded by the appropriation of the management command that normally finances military support at the activity. Studies and analyses not subject to the financing criteria for RDT&E,N procurement appropriations, or NWCF activities will be budgeted in the Operation and Maintenance appropriations.

# PART B: EXPENSE FUNDING POLICY

## SECTION I: GENERAL

### 03100 SCOPE

This section contains budget and funding policy for the operation of Department of the Navy activities. It includes guidance concerning prompt pay interest, funding augmentation for family advocacy and transition assistance programs, administration/functional funding assignments, transportation and travel costs, and a variety of miscellaneous funding assignments.

### 03101 PROMPT PAY AND INTEREST PENALTIES

1. **POLICY**
   The Prompt Payment Act (PPA) requires Federal agencies to pay their bills on a timely basis, to pay interest penalties when payments are made late, and when taking discounts, to do so as close as possible to, but no later than, the discount date. The PPA applies to the acquisition of property or services, including contracts for the rental of real or personal property. In accordance with DoD FMR Vol 10 Ch. 7 PPA interest must be paid from the funds available for the administration of the program for which interest was incurred (this means operating funds) and all interest payments will be charged to the fiscal year(s) in which they accrue.

2. **BACKGROUND**
   Vendor payments for the Department of the Navy (DON) are processed through four entitlement systems: Navy Enterprise Resource Planning (Navy ERP); Mechanization of Contract Administration Services (MOCAS); One Pay; and Computerized Accounts Payable for Windows (CAPS-W). As these systems are currently programmed differently, the procedure for processing interest payments varies as follows:

   a. **MOCAS and One Pay**
      Interest is paid by the Defense Finance and Account Service (DFAS) from the Operation and Maintenance, Navy (O&M,N) appropriation, Activity Group/Sub-Activity Ground (AG/SAG) 4B3N, with Naval Supply Systems Command (NAVSUP) as the Principal Administering Office (PAO).

   b. **CAPS-W**
      The Marine Corps' primary entitlement system, applies interest payments to the operating account of the activity that causes the interest.

**c. Navy ERP**
Interest is charged to the operating account of the company code (e.g. general fund or Working Capital Fund (WCF) and business area (e.g. unit or division level) associated with the activity that pays the invoice.

**3. PROCEDURES**
In order to comply with the FMR, while also incorporating the parameters of our existing financial systems, the following procedures apply:

**a. Budgeting for Interest Payments**
DON Commands will not budget for interest payments. The DON should budget for success, thereby assuming that contractual payments are made on time. All parties involved in the process need to cooperate to ensure the DON achieves maximum success.

**b. MOCAS and One Pay**
DFAS will continue to charge O&M,N 4B3N for interest payments associated with these two entitlement systems. NAVSUP will be allocated funding for this line during the execution year. Allocated funding will be based on an analysis of data provided by the Office of Financial Operations (FMO) that delineates the source of the interest penalties by PAO(s). FMB1 will give these PAOs an assessment from their operating account, forming the predominant basis for the funding allocated to NAVSUP. An execution audit trail will be maintained by using issue number 90009 in PBIS.

**c. CAPS-W**
The Marine Corps will continue to fund interest payments from the operating account of the activity involved.

**d. Navy ERP**
Interest payments will be charged to the operating account of the company code and business area that processes the payment.

It is important to maintain visibility of interest payments. Therefore, DON activities involved in the actual payment of the interest penalties will use general ledger expense account 6330.3000 titled "Other Interest Expense" for all interest payments.

## 03102 FUNDING FOR FAMILY ADVOCACY, RELOCATION ASSISTANCE, AND TRANSITION ASSISTANCE PROGRAMS

The Family Advocacy Program (FAP) is a multidisciplinary program that promotes healthy family life, prevents the occurrence of abuse and neglect, and seeks to restore affected families to a healthy, non-violent status. The FAP program is managed by Department of Navy (DON) commands but is funded by the Office of the Under Secretary of Defense, Comptroller with Operation and Maintenance, Defense-wide (O&M,DW), appropriation. Commands are authorized to augment the program with additional operating funds as needed without creating funding gaps in other priority programs. Additional DON policy on FAP is provided in SECNAVINST 1752.3B. Additional information on Navy policy on FAP can be found in OPNAVINST 1752.3B.

The Transition Assistance Program (TAP) requires all active and reserve service members separating and retiring to have access to transition assistance services. Relocation Assistance Program (RAP) assists members and their families in managing the process of service-required

permanent change of station by providing comprehensive and coordinated information and services. Budgeting and funding responsibility has shifted to O&M Navy and Marine Corps appropriations. For additional information refer to SECNAVINST 1754.6A and OPNAVINST 1900.2b.

### 03104 INTELLECTUAL PROPERTY ATTORNEYS

Per 10 U.S.C. 5022, the Office of Naval Research (ONR) has been assigned responsibility for formulating the Department of the Navy (DON) policy relating to patents, inventions, trademarks, copyrights, royalty payments, and matters under the direction of the Patent Counsel of the Navy.

ONR budgets for and maintains an account for the payment of patent fees and other administrative charges assessed by the Patent and Trademark Office; the Navy Technical Disclosure Bulletin publication expenses; and for the purchase of engineering notebooks used for recording significant work. Salaries and all other support costs are the responsibility of the employing command or activity.

## SECTION II: ADMINISTRATIVE/FUNCTIONAL FUNDING ASSIGNMENTS

### 03110 SECURITY FORCES

1. **GENERAL**

   The policy for the employment, operation, administrative, budgeting and financial support of Naval Security Forces (NSF) in support of Department of Navy (DON) commands, activities, and personnel is contained in the SECNAVINST 5530.4D.

2. **BUDGET POLICY**

   a. **Marine Corps Appropriations**

   II Marine Expeditionary Force is the parent command of Marine Corps Security Forces Regiment (MCSFR) and operates within the operational force structure of U.S. Marine Corps Forces Command (MARFORCOM). MCSFR provides fleet anti-terrorism security capability in support of Naval Component and Combatant Commanders. MARFORCOM provides funding support for the MCSFR Headquarters and funding for its units and battalions not covered by mission specific operational requirements. This includes travel, training, and education for all Marine Corps directed requirements; acquisition and replacement of all Marine Corps directed supply items; and logistical support items not covered by mission specific operational requirements.

   b. **Navy Appropriations**

   Navy Regional Commanders provide administrative, logistical, and financial support for Marine Corps forces when provided to support security operations.
   Commanding officers of the installation, activity, or ship that the MCSFR is assigned to protect have operational control of the security force. The Navy organizational component that provides base operating support services to the naval activity being protected is responsible for funding the MCFSR unit's operational and administrative requirements from appropriations available for operation and maintenance. For mission/operational specific requirements this includes travel, training, education,

administrative supplies and services, communications, property and equipment, supplies and services for security site facilities, logistical support to sustain mission specific operational requirements such as operation and maintenance of vehicles.

Base support services such as bachelor quarters, family housing services, facilities, real property support, janitorial services, food services and utilities are also provided. This support includes initial issue, replacement, and upkeep of furniture, furnishings, and equipment for barracks quarters and administrative offices on Navy plant account occupied by Marine security forces; all cyclical maintenance, repair, and utility charges for land, buildings and structures.

**3. CIVILIAN GUARD FORCES**

The command assigned responsibility for control of a consolidated civilian guard force will fund the total costs of the consolidated guard force on a common-service basis, i.e., without reimbursement. The exception to this policy will be that a Navy Working Capital Fund activity will fund a unique command requirement.

## 03111 REAL/PERSONAL PROPERTY DISPOSAL PROGRAMS

### 1. EXCESS AND SURPLUS REAL PROPERTY

#### a. General

It is the policy of the Department of Defense (DoD) that real property for which there is no foreseeable military requirement, either in peacetime or for mobilization, and for which the DoD does not have disposal authority, will be reported for disposal to the General Services Administration (GSA), or the Department of Interior in the case of land withdrawals, in accordance with applicable regulations of those agencies. Policy concerning the disposal of Department of the Navy (DON) real property is issued by the Secretary under SECNAVINST 11011.47C. The instruction defines the term real property to mean any land and any interest in land, together with any buildings, fixtures, affixed improvements and structures, and related appurtenances regardless of funding source. The term related personal property means any personal property which is an integral part of real property or is related to, designed for, or specifically adapted to the functional or productive capacity of the real property, and removal of which would significantly diminish the economic value of the real property.

#### b. Budget Policy

Per SECNAVINST 11011.47C authority is delegated to Chief of Naval Operations (CNO) for the Navy and to the Commandant of the Marine Corps (CMC) for the Marine Corps to reassign real and related personal property among activities under their respective commands. The prior approval of CNO for Navy property and CMC for Marine Corps property is required for any action to report excess real and related personal property to General Services Administration for disposal. The Secretary of the Navy delegated authority to the Naval Facilities Engineering Command, under the direction of the CNO and the CMC, responsibility for DON real estate matters.

*i.* The organizational component that had jurisdiction over the real and related personal property immediately prior to the determination that it was excess to the needs of the DON is responsible for costs for care, preservation, repair, handling, protection, and maintenance of subject property until the property is reassigned to another

organizational component, transferred to another Federal agency, or until the Government's interest in the property is terminated.

*ii.* In accordance with GSA Federal Management Regulation (FMR) Subchapter C (Real Property) section 102-75.975, the organizational component is responsible for complying with the requirements of the National Oil and Hazardous Substances Pollution Contingency Plan and initiating or cooperating with others in the actions prescribed for the prevention, containment, or remedy of hazardous conditions.

*iii.* If the excess property listed to the GSA has not been transferred or disposed of within 12 months after it was officially listed then in accordance with GSA Federal Management Regulation (FMR), Subchapter C (Real Property), section 102-75.9750 and DoDI 4165.72 GSA assumes responsibility for costs for care, preservation, repair, handling, protection, and maintenance on the first day of the succeeding quarter of the fiscal year (the DON activity remains responsible and accountable for excess and surplus real property, including related personal property, and must perform the protection and maintenance until the property is transferred or disposed, but not more than 15 months).

*iv.* In accordance with 40 U.S.C 572(b) the net proceeds from the disposal of real property under the control of a military department other than property at a military installation designation for closure or realignment will be deposited into a special Treasury receipt account. Funds deposited into this account will be distributed to the Military Departments by the Under Secretary of Defense (Comptroller) consistent with applicable appropriation law. See DoD FMR Vol 12 Ch. 14 for instruction and financial procedures for the disposition of the proceeds from the disposal of real property.

## 2. DISPOSAL OF PERSONAL PROPERTY

### a. General

The Federal Property and Administrative Services Act of 1949, as amended, places responsibility for the disposition of surplus government personal property with the GSA, which has delegated responsibility for disposal of DoD property to the Secretary of Defense. In accordance with regulations governing property management and department policy in DoD Materiel Management Regulation 4160.21-M, DoD agencies and military services are responsible for determining whether property they hold is considered excess. In accordance with federal regulations, DoD 4160.21-M, chapter 5, calls for reutilization of excess property to the extent feasible to fill existing needs and to satisfy additional needs before initiating new procurement or repair.

### b. Property Disposal

The Secretary of Defense has assigned to the Director, Defense Logistics Agency (DLA), responsibility for the administration of the Defense Materiel Disposition Program. DLA has placed responsibility for excess DoD property disposals with DLA Disposition Services. Under the DoD surplus property sales program excess property that is not reutilized, transferred or donated may be sold to the public.

### c. Disposition of Proceeds from Sales of Surplus Personal Property.

*i. Working Capital Funds*

Per 10 U.S.C. 2210, proceeds from the sale or disposal of working-capital fund supplies, material, equipment, and other personal property, in excess of amounts necessary to recover disposal expenses, may be credited to the fund.

*ii. General Fund*
Per 10 U.S.C. 2210, any proceeds that remain after disposal expenses are recovered are to be credited to the appropriation currently available for the purchase of such property.

For additional information refer to, DoD FMR Vol 11A Ch. 5.

## 3. RECYCLABLE MATERIAL

### a. General

The Military Construction Authorization Act of 1975 allows an installation to use the proceeds from the sale of recyclable material to cover the costs directly attributable to all installation recycling programs, including, but not limited to, manpower, facilities, equipment, overhead, and other capital investments. In order to credit the proceeds from the sale of recyclable materials to funds available for operation and maintenance, 10 U.S.C. 2577 requires military installations to have established a qualifying recycling program (QRP). For additional information, refer to OPNAV 5090.1D and MCO P5090.2A.

### b. Disposition of Proceeds from Sales of Recyclable Materials

*i. Direct Sales of Installation QRPs*
Sale proceeds shall first be used to cover the costs directly attributable to all installation recycling programs, including, but not limited to, manpower, facilities, equipment, overhead, and other capital investments. After the costs of the recycling program are recovered, installation commanders may use up to 50 percent of the remaining proceeds for pollution abatement, pollution prevention, composting and alternative fueled vehicle infrastructure support and vehicle conversion, energy conservation, or occupational safety and health projects, with first consideration given to projects included in the installation's pollution prevention plan. Any remaining proceeds may be transferred to the non-appropriated morale, welfare and recreation account for any approved program. For additional information, refer to DoD FMR Vol 11A Ch. 5.

*ii. Recyclable Materials Disposed of by DLA Disposition Services*
Sales proceeds from recyclable materials consigned for disposal to DLA Disposition Services (Resource Recovery and Recycling Program), less the costs of sales and handling, are returned to installations and will be utilized as prescribed in 3. b. i.

*iii. Recyclable Materials Fiscal Year End Balance*
Under 10 U.S.C. 2577 installation level balances may accumulate from one year to the next; however, if the balance available to a military installation under this section at the end of any fiscal year exceeds $2,000,000, the amount of that excess shall be transferred to the Treasury as miscellaneous receipts.

## 03112 PLANT PROPERTY IN AN INACTIVE STATUS

### 1. GENERAL

Department of Navy (DON) general property, plant, and equipment in a caretaker or idle status retained for mobilization purposes or planned mission expansion must receive a level of maintenance that preserves its capability, security, and protection from fire, rodents, birds, or human damage. The DON general property, plant, and equipment account classification, for budgeting and reporting purposes, consists of two classes:

**a. Real Property (Land, Land Rights, and Facilities)**

*i. Land and Land Rights*

This comprises of the whole, or part, of a military installation, including rights to it, such as easements owned by the Federal Government and/or under custody and accountability of the DON. This includes land acquired by purchase, condemnation, donation, transfer and reclaimed or accredited lands if the title is vested in the Federal Government and such lands are under the custody and accountability of the DON.

*ii. Facilities, buildings, structures and utilities*

This includes all other buildings, fixtures, affixed improvements, and structures which are an integral part of the real property or are related to, designed for, or specifically adapted to the functional or productive capacity of the real property and constructed on or in the land.

**b. Capitalized Personal Property**

Personal property is categorized as capitalized, minor, and sub-minor for both the Working Capital Fund (WCF) and General Fund as prescribed in SECNAVINST 7320.10A. Capitalized Personal Property is plant, and equipment (PP&E) items, which have an acquisition cost, book value, or when applicable, an estimated fair market value equal to or greater than $1 million, has an estimated useful life of two years or more, and is not intended for sale in the ordinary course of operations. WCF activities that made acquisitions prior to fiscal year 1996 shall use the capitalization threshold established at the time the personal property was acquired. Capitalized Minor Personal Property has an acquisition cost greater than $5,000 and less than $100,000 and Sub-Minor Personal Property has an acquisition cost less than or equal to $5,000. Personal property includes office equipment, industrial plant equipment, vehicles, material handling equipment, information technology equipment, government furnished equipment, military equipment, and assets acquired through capital leases. Relocatable buildings and structures (which are portable and classified personal property) are also reported as personal property, unless the relocatable building was acquired with military or minor construction funds. For additional information concerning Department of Defense general plant, property, and equipment and the maintenance of military equipment (weapons systems), refer to DoD FMR Vol 4 Ch. 6.

### 2. BUDGET POLICY

**a. Funding of Preservation, Repair, and Maintenance**

Caretaker maintenance costs of DON plant, property, and equipment shall be funded from appropriations available to the DON for operation and maintenance (O&M). O&M appropriations available to the DON include O&M,Navy, O&M,Marine Corps, O&M,Navy Reserve, O&M,Marine Corps Reserve, Navy Working Capital Fund, and

Research Development Test & Evaluation. Financial responsibility for budgeting for caretaker maintenance costs of DON plant property in an inactive status retained for mobilization or possible reactivation purposes is assigned as follows:

Inactive Military Real Property: The Budget Submitting Office (BSO), which holds the maintenance unit identification code (MUIC) for the DON real property, and/or buildings, utilities, or structures.

Inactive Capitalized Personal Property: The BSO that would have control of the property/equipment upon its activation.

**b. Interim Use of Plant Property**

Additional (unbudgeted) costs resulting from authorized interim use of inactive plant property will not be an expense to a BSO that holds the MUIC unless such an expense is mutually agreed to by both parties.

## 03113 MILITARY LAND UTILIZATION PROGRAMS

### 1. LUMBER AND TIMBER SALES

Department of the Navy installations or commands incurring obligations of appropriated funds for the production and sale of forest products shall be reimbursed from collections made from the sale of such products. Only obligations directly attributable to the economic production and sale of forest products and the enhancement, protection, conservation and management of Navy forests are eligible for reimbursement. Remaining collections shall be disposed of in accordance with DoD FMR Vol 11A Ch. 16.

The DON will not give away, nor abandon, nor carelessly destroy forest products, nor use them to offset costs of contracts, nor trade them for products, supplies, or services. For additional information, refer to 10 U.S.C. 2665, DoDI 4715.03, MCO P5090.2A and OPNAVINST 5090.1D.

### 2. AGRICULTURAL LEASES

10 U.S.C. 2667 provides legislative authority for the DON to retain revenues to cover the administrative expenses of the agricultural out-leasing program. Agricultural out-leasing is the use of non-excess Department of Defense lands under a lease to an agency, organization, or person for growing crops or grazing domestic animals. The term “agriculture” includes activities related to producing, harvesting, processing, or marketing an agricultural, maricultural, or horticultural commodity, including the breeding, raising, shearing, feeding, feeding, caring for, training, and management of livestock. For additional information, refer to MCO P5090.2A and OPNAV M-5090.1.

## 03114 AWARDS

### 1. GENERAL

Various award programs exist within the Department of the Navy (DON) to encourage civilian and military personnel to contribute to meeting organizational goals or improving the efficiency, effectiveness, and economy of the Government through suggestion, invention, superior accomplishment, or other personal effort. An award can be monetary (cash), non-monetary, or a Quality Step Increase (see Appendix A for definitions). This paragraph provides DON financial policy for the use of appropriated funds to pay cash awards for military and civilian personnel and recognition items for military recruitment or retention purposes.

Guidance and regulations concerning military decorations and awards available for recognizing individuals and units in the Naval Service is contained in SECNAVINST 1650.1H.

## 2. CIVILIAN EMPLOYEE CASH AWARD FUNDING POLICY

5 U.S.C. 4501 – 4507 provides legislative authority for the payment of cash or the expenditure of funds for the honorary recognition of civilian employees whose salaries are paid with DON funds for an accomplishment or exceptional meritorious act.

### a. Eligibility

All DON civilian employees who meet the definition of 5 U.S.C. 2105 are eligible to receive awards. A direct hire foreign national employee paid with appropriated funds is eligible to receive awards. DON non-appropriated fund employees may not receive monetary awards paid from appropriated funds. An indirect hire foreign national employee is not eligible to receive monetary awards but may receive non-monetary awards. Contractors are not employees of the federal government and are not eligible to receive monetary awards. However, if it can be shown that a contractor's contribution is "substantially beyond" that specified or implied within the terms of the contract than that contribution may be recognized by a letter or certificate. Information concerning other miscellaneous award restrictions is contained in 5 CFR 451.105.

### b. Cash Awards

Cash awards are recognition in the form of a single monetary payment that may be for a special act or service in the public interest in connection with or related to official employment. Approval authorities and limits of cash awards are provided in DON Human Resources Guide No. 451-02. Cash awards are paid from the fund or account available for the operation and maintenance of the activity primarily benefiting the achievement. Employee monetary awards paid to Navy Working Capital Fund employees for suggestions, and one time bonuses, such as special act awards performance bonuses, and productivity gain sharing program payouts, shall be charged to indirect operations overhead of the cost center of the employee receiving the award. Cash award programs include, but are not limited to: Special Act or Service; On-the-Spot, Superior Accomplishment; Suggestion; and Invention or Performance Awards.

*i. Special Act Awards*

Special Act Awards are used to recognize exceptional group or individual accomplishments. The benefits that accrue from the exceptional accomplishment are classified as either tangible or intangible in order to determine the appropriate award amount. The award amount is calculated using the Scale of Award Amounts contained in Appendices C and D of the DON Human Resources Guide No. 451-02.

*ii. On-the-Spot Awards*

These service awards through streamlined procedures are designed to quickly recognize and provide immediate reinforcement of one-time achievements by civilian employees that has resulted in service of an exceptionally high quality or quantity. On the spot awards range from $25 to $750 and are paid from the fund or account available for the operation and maintenance of the activity primarily benefiting the achievement. For additional information, refer to DON Human Resources Guide No. 451-02.

*iii. Performance-Based Cash Awards*
Under 5 U.S.C. 4505a an employee whose most recent performance rating was at the fully successful level or higher may be paid a cash award. A cash award under this section shall be equal to an amount determined appropriate by the head of the agency, but may not be more than 10 percent of the employee's annual rate of basic pay. For additional information, refer to DON Human Resources Guide No. 451-02 and DoDI 1400.25 Vol 451.

*iv. Beneficial Suggestions*
This award recognizes individuals or groups for ideas that benefit the government. Civilians are eligible to receive suggestion awards, military are covered OPNAVINST 1650.8D. This award is funded by the benefiting activity. When a suggestion is adopted by more than one organization, each benefiting organization shall share in the cost of the total award commensurate with their share of the benefit. The award is calculated using the Scale of Award Amounts contained in Appendices C and D of the DON Human Resources Guide No. 451-02.

*v. Invention Awards*
This award program is designed to motivate civilian employees to make and report inventions and encourage the efforts of individuals engaged in research and development. An initial cash award may be paid when the invention is accepted for processing and an additional cash award may be paid when the patent covering the invention is granted. For additional information, refer to DON Human Resources Guide No. 451-02 and DoDI 1400.25 Vol 451.

*vi. Time-Off Awards*
An award in which time-off from duty is granted without loss of pay or charge to leave and for which the number of hours granted is commensurate with the employee's contribution or accomplishment. The total amount of time-off that may be granted to any one individual in any one leave year is 80 hours and a time-off award cannot be converted to cash. For additional information, refer to DON Human Resources Guide No. 451-02 and DoDI 1400.25 Vol 451.

**3. CIVILIAN DON HONORARY AWARDS**

DON Honorary Awards consist of the DON Distinguished Civilian Service Award; Superior Civilian Service Award; Meritorious Civilian Service Award; Distinguished Civilian Medal for Valor; and Superior Civilian Medal for Valor. These awards are granted to those employees who have given distinguished and/or extraordinary service to the DON. For additional information, refer to DON Human Resources Guide No. 451-02 and DON Civilian Human Resources Manual Subchapter 451.1.

**4. CIVILIAN RECOGNITION AWARDS (NOMINAL VALUE)**

Informal recognition awards are intended to recognize contributions of lesser scope that might otherwise go unrecognized. Honorary, non-monetary items presented as informal recognition awards must be of nominal value.

Lengths of service (LOS) certificate awards recognize significant milestones in employee's careers and emphasize service to the government. The Office of Personnel Management LOS certificates are available in five-year increments and recognize service from five to fifty years.

Career service and retirement certificates are available on line through the Defense Automated Printing Service, website at https://navalforms.documentservices.dla.mil/web/public/home.

**5. UNIFORM MEMBER CASH AWARDS FOR DISCLOSURES, SUGGESTIONS, INVENTIONS, AND SCIENTIFIC ACHIEVEMENTS**

Under 10 U.S.C. 1124 the payment of a cash award may be made to a uniformed member of the DON for the honorary recognition of a suggestion, invention, or scientific achievement which contributed to the efficiency, economy, or other improvement of operations or programs relating to the armed forces. Awards to, and expenses for the honorary recognition for DON uniform members are paid from the fund or account available for the operation and maintenance of the activity primarily benefiting the suggestion, invention or achievement. When a suggestion is adopted by more than one organization, each benefiting organization shall share in the cost of the total award commensurate with their share of the benefit.

**6. USE OF APPROPRIATED FUNDS TO PURCHASE MEDALS, TROPHIES, BADGES AND SIMILAR DEVICES**

**a.** 10 U.S.C. 1125 authorizes the use of appropriated funds to purchase medals, trophies, badges, and similar devices to award to members, units, or agencies of an armed force for excellence in accomplishments or competitions or recognition of special service. DON guidance and regulations concerning awards available for recognizing uniform members and units in the Naval Service is provided in SECNAVINST 1650.1H, Navy and Marine Corps Awards Manual. The cost of medals, trophies and similar devices will be funded from the fund or account available for operation and maintenance of the command or activity involved.

**b.** 10 U.S.C. 2261 authorizes the use of appropriated funds to procure recognition items of nominal or modest value for recruitment or retention purposes. Specifically, the recognition items must be valued at less than $50 per item and non-perishable. Statutory authority allows for the purchase of commemorative coins, medals, trophies, badges, flags, posters, paintings, or other similar items suitable to recognize or commemorate enlistment or reenlistment decisions. Documented justification shall be maintained that establishes the basis for the recognition of individual(s). 10 U.S.C. § 520c authorizes the use of appropriated funds to provide small meals and refreshments during the enlistment/reenlistment recruiting function. The cost of the recognition items and refreshment items will be funded from the fund or account available for operation and maintenance of the command or activity involved.

**c.** The Chief of Naval Operations maintains an official website for Navy awards which provides online access to Navy Awards information and assistance, website at https://awards.navy.mil/awards. The web site is divided into five separate sections: Home, Personal, Unit, Veteran Awards and Awarding Authorities. Each section contains frequently asked questions and documents related to that particular subject. The website also has a hyperlink to DoD's Manual of Military Decorations and Awards 1348.33-M.

**d.** The United States Marine Corps Manpower Management Division Military Awards Branch maintains an official website to develop and disseminate awards policy; process personal awards approved via the Improved Award Processing System; maintain the electronic awards submission process; and respond to inquiries from Congress, DoD, the

Secretary of the Navy, Commandant of the Marine Corps, and individuals concerning active duty or historic awards. The website address is https://www.manpower.usmc.mil/portal/page.

## 03115 REWARDS FOR RECOVERY OF LOST PROPERTY

Per 10 U.S.C. 2252 the Secretary of the Navy (SECNAV) may, out of any appropriation, provide funds for monetary rewards for the purpose of information leading to the discovery or recovery of lost property. The Secretary has delegated to the Office of the Assistant Secretary of the Navy, Financial Management and Comptroller (OASN (FM&C)) authority to authorize payment of such rewards. ASN (FM&C) has authority to further delegate to commanding officers the authority to authorize payments of rewards for items addressed in NAVSUP P 485, which must not exceed $500 in any one case. Any proposal for creating a new reward or increasing the amount of an established one must be requested to the SECNAV via the Director, Defense Finance and Accounting Service. A member of the Armed Forces or other salaried officer or employee of the U.S. Government is not eligible to receive a reward. For additional information, refer to 10 U.S.C. 2252 and DoD FMR Vol 10 Ch. 12.

## 03116 SOLATIA

In certain countries, the custom of solatia gifts provides that an appropriate floral, fruit, or token money gift will be made to the victim or his family for injuries, death, or property damage. When the United States is a guest in a sovereign country, it has been determined that the local custom will be adhered to. In the event an incident occurs involving U.S. Forces personnel or Department of Defense civilian employees, resulting in damages or losses of real property, personal injury or death to a noncombat activity or foreign national, a solatia claim payment can be made. Determinations of the circumstances and guidelines for administration of solatia claims and payments are contained in instructions issued by the appropriate United States military commander in the applicable country. Cost for payments are chargeable to the operating funds of the activity to which the involved member was assigned at the time of the incident. The liability incurred cannot exceed $100,000 unless authorized in an appropriation. For additional information, refer to 10 U.S.C. 2734 and 10. U.S.C. 2242.

## 03117 LONG-TERM TRAINING AND EDUCATION FOR CIVILIAN EMPLOYEES

### 1. GENERAL

The Chief of Naval Operations (CNO), the Commandant of the Marine Corps (CMC), and the Department of the Navy Assistant for Administration (DON/AA) are responsible for establishing and aligning civilian employee training and career development programs needed to meet the short and long term strategic workforce plans of the Department of the Navy (DON). This includes establishing administrative policies and providing adequate staffing to ensure that training being conducted or planned shall improve the performance of civilian employees and contribute to economy, efficiency, and the attainment of internal mission and program goals.

### 2. BUDGET POLICY

The CNO, the CMC, and DON/AA are responsible for budgeting and funding the civilian employee training and career development office that provides advice and guidance to their service population on civilian employee training and career development. Further, the heads of major commands are responsible for budgeting and funding employee training and career

development programs with operating funds, as needed to meet the short and long-term strategic workforce plans of the DON. For additional information, refer to SECNAVINST 12410.25.

## 03118 OPERATION AND MAINTENANCE COSTS FOR ACTIVE NAVAL AND RESERVE FORCE SHIPS AND CRAFT

### 1. GENERAL

This paragraph delineates financial responsibility for operation and maintenance of active Naval and Reserve Force ships and craft as listed and defined in the current issuance of SECNAVINST 5030.8B. In general, all O&M costs associated with active fleet ships, craft and boats will be budgeted and funded in the Operation & Maintenance, Navy (O&M,N) appropriation by the command or activity to which they are assigned. Similarly, all operation and maintenance costs associated with Naval Reserve ships and craft will be budgeted and funded in the Operation & Maintenance, Navy Reserve (O&M,NR) appropriation by the command or activity to which they are assigned.

### 2. BUDGET POLICY

#### a. Operation and Maintenance (O&M)

O&M costs, including repairs, labor, fuel, lubricants, and other stock account material required for daily operation of ships, craft, and boats, will be budgeted for and funded by the command or activity to which assigned. Activities or units having boat allowances will budget, fund, and administer the operation and maintenance costs of boats assigned under the allowance. The Fleet Commanders will budget for and fund (through appropriate type commanders) the operation and maintenance costs of those ships under their administrative and operational control. All operation and maintenance costs, including overhauls and major repairs discussed in subpar b, will be funded by the fleet to which the ship is permanently assigned, including those ships temporarily assigned to another fleet having operational responsibility.

#### b. Overhauls and Major Repairs

*i. Fleet Ships and Craft*

Overhauls and major repairs for ships and craft assigned to the fleets or subordinate commanders and activities will be budgeted and funded by the Fleet Commander.

*ii. Shore Commander Service Craft*

Overhauls and major repairs to service craft assigned to a shore command or activity, not under fleet command, will be budgeted for and funded by the activity or command to which the craft are assigned.

*iii. Boats*

Overhauls and major repairs to boats will be funded by the support command (e.g., Type Command) of the custodian activity having the allowance for the boat. Support commands are responsible to submit funding requirements to their applicable Office of the Chief of Naval Operations (OPNAV) resource sponsor for operation and support costs, including funding for overhaul and major repair. A boat custodian activity without an identified OPNAV sponsor or support commander bears the overhaul and major repair funding responsibility for assigned boats.

**c. Activations and In-activations**

Activations and in-activations of all ships and craft will be budgeted, funded, and centrally administered by the Naval Sea Systems Command.

**d. Alterations**

Alterations-equivalent-to-repair (AER) and Fleet Planned alterations (D-Alts), which are less complex alterations are procured and installed by Fleet O&MN funds. All NAVSEA planned alterations (K-Alts) requiring centrally procured equipment (OPN, WPN) are installed with the appropriation procuring the equipment and are part of the Fleet Modernization program. In extreme ship casualty cases, where equipment is not available to the Fleet, a NAVSEA procured item may be deferred from the production line for Fleet repair use. This item will be replaced by Fleet O&M, Navy funds if the unit cost is below $250K. Alterations designated to be accomplished by forces afloat are considered operational costs and are budgeted and funded by the Fleet.

## 03119 PORT SERVICES

**1. General**

Port services consist of ships' utilities, pilotage, wharf age, docking and undocking, garbage removal, removal of oil spills and sludge, brow services, tolls and related expenses for transit of canals and inland waterways. These services are provided in Navy and non-Navy ports located in CONUS and overseas. A Navy port where there is a U.S. Navy activity that has indigenous port services assets, e.g., tug, pilot, etc., is mission funded to provide such port services. A non-Navy port is where the on-site U.S. Navy activity/representative does not have indigenous port service assets or a port where there is no U.S. Naval activity/representative.

**2. Funding Policy**

**a. Port Service Categories Funding**

The cost of port services is classified into three general categories: ships' utilities, other port services and commercial charter and hire services. The port services categories are funded as follows:

*i.* Ship utilities costs are funded by the respective Fleet Commander's operating budget.

*ii.* The funding of all other port services is funded out of the operating budget of the naval activity requesting the services.

*iii.* Commercial charter and hire services are provided at non-Navy ports only and will be funded by the respective type commander by the most effective method deemed appropriate, e.g., ships OPTAR or request for contractual procurement.

**b. Exceptions**

Ships that are undergoing overhaul repairs, conversion, or construction and units of friendly foreign navies are excepted from the funding policy in subpar. a. Port services in these situations will be funded as follows:

*i.* from funds financing the overhaul, repair, or construction of Navy ships undergoing the overhaul, repair or construction

*ii.* routine port services for friendly foreign navies are provided on a reimbursable basis in accordance with guidelines in para 03183 , "Supplies and Service to Foreign Governments".

*iii.* the cost for cleaning up oil spills and hazardous substances applies:

(a) operating resources of a shore activity causing the spill
(b) type commander's resources for ships when in U.S. Navy controlled ports
(c) operating target of ships when in non-Navy controlled U.S. or foreign ports

For additional information regarding oil spill and hazardous cleanup, refer to OPNAVINST 5090.1D and OPNAV M-5090.1.

## 03120 MOBILE UTILITY SUPPORT EQUIPMENT

### 1. GENERAL

The Mobile Utility Support Equipment (MUSE) program provides specialized, easily transportable utility equipment modules for short-term support to shore facility systems and to Navy and Marine Corps contingency or emergency operations. The MUSE program is used to support the Cold Iron Program, contingency and construction shore utility requirements, load management and expeditionary military operations. MUSE may also be used as directed by higher authority to Department of Defense (DoD) and non-DoD activities. The program is not intended to provide permanent shore utility services, or to augment or substitute for an existing system on a permanent basis. For additional information refer to OPNAVINST 11300.5C and NAVFACINST 11310.2e.

### 2. BUDGET POLICY

**a. General**

It is the Department of the Navy (DON) policy to purchase and maintain an inventory of MUSE to meet anticipated needs for emergency applications.

**b. Naval Facilities Engineering Command (NAVFAC) Responsibility**

Costs of acquisition, major overhaul, special testing, storage, and transportation to and from user activities are the budgetary responsibility of NAVFAC under accounts normally available for such costs. However, when a major overhaul is performed on equipment that has been used by a working capital fund activity, the cost of the overhaul will be distributed between the working capital activity and NAVFAC on a time-used basis. The working capital fund will charge its share of the cost to the Navy Working Capital Fund (NWCF).

**c. User Responsibility**

Operating expenses of MUSE are the budgetary responsibility of the user activity, ship, or station. This covers operating costs such as electric power, fuel, lubricants, direct labor hours worked, material and parts consumed. In addition, this covers costs of installation and hookup including civilian personnel required to set up the equipment and to train operating personnel, repairs required to ensure that the equipment meets design specifications, replacement of consumed spare parts, adequate security and preparation for shipment upon deployment termination.

**d. Exception**

When the installation of MUSE is accomplished in conjunction with a lease/construction

project for a complete and usable facility, the installation cost will be chargeable to the lease/construction project or to the major command having lease/construction project sponsor responsibility as applicable.

3. **Non-DON Users**
   Non-DON Federal users are responsible for the costs delineated in subpar 2.c plus the cost of transportation to and from the using activity, inspection and testing of the equipment. Additionally, when MUSE is provided to non-Federal Government instrumentalities, the users are required to obtain insurance covering physical damage to the equipment and public liability for bodily injury and damage to property of third persons.

## 03121 CUSTOMS, IMMIGRATION, AND AGRICULTURAL INSPECTIONS

The Department of the Navy is financially responsible for the cost of travel and overtime incurred by customs, immigration, and agricultural inspectors who perform examinations of ships and aircraft outside duty hours and/or at locations other than ports of entry or customs stations. The cost of such overtime and travel will be charged accordingly:

1. **Fleet Ships**
   Overtime and travel costs incurred in connection with inspection will be charged to the Charter and Hire line of accounting (LOA). Ships will cite a standard Charter and Hire LOA on funding documents for payment.

2. **Military Sealift Command Ships (MSC)**
   Overtime and travel costs incurred in connection with inspection will be charged to MSC's operation and maintenance, navy.

3. **Navy or Marine Corps Aircraft**
   Overtime and travel costs incurred in connection with inspection of Navy or Marine Corps aircraft will be charged to operating funds available to the Navy or Marine Corps activity where the aircraft was inspected. If inspection occurs at a location other than a Navy or Marine Corps activity, the cost will be chargeable to operating resources of the nearest Navy or Marine Corps air station.

## 03122 DINING FACILITY OPERATIONS

1. **GENERAL OPERATIONS**
   a. **Cost of Meals**
      Each Military Service will budget for the cost of subsistence for its members. Enlisted personnel, when entitled to meals at Government expense, will be fed on a common service basis without cross reimbursement between the services. The budgeting and funding responsibility for costs incurred in operating an appropriated fund food service facility ashore, for non-officers, in the continental U.S. and overseas is assigned to the command that has mission responsibility for operating the dining facility. Reserve Subsistence-in-kind requires the Navy and Marine Corps to transfer disbursements between active and reserve military personnel appropriations via an SF Form 1080 or 1081. Following this process avoids the need to issue reimbursable documents. For additional information on dinning facility operations refer to DoD FMR Vol 12 Ch. 19, NAVSUP Publication 486 and MCO 10110.14M.

**b. Exception**

The cost incurred in sudden and unusual requirements for feeding enlisted personnel of another service, as may occur during troop exercises, is subject to reimbursement when the unplanned requirements result in significant costs. Prior agreements with organizations in the other military services should be obtained on the scope of services that will be provided on a common service basis during special exercises.

**2. ORGANIZATIONAL CLOTHING FOR FOOD-HANDLING PERSONNEL**

**a. Requirements**

Regulations require the use of organizational clothing by members of the Navy and Marine Corps in the performance of food handling duties. Accordingly, organizational clothing issued to such members remains U.S. Government property after issue.

**b. Budget Policy**

The procurement and laundering of organizational clothing authorized for issue to Navy and Marine Corps members is the financial responsibility of the office or command supporting a ship, station, or activity which operates a general mess, officers' closed mess, or personal mess of a flag/general officer or other eligible officer. The cost will be funded under the ship, station or activity operating budget.

## 03123 COMMUNITY RELATIONS

Funding for collateral operations in support of national objectives in community relations will be through the normal budgetary process with support funded through the operating funds of the activity providing the services. For additional information, refer to SECNAVINST 5720.44C.

## 03124 DISASTERS OR EMERGENCIES

**1. GENERAL**

Navy and Marine Corps activities on occasion are involved in natural (acts of God) and/or man-made disasters or emergency situations which may relate to protection of Government property, private property, and assistance to people. Examples of natural disasters or emergencies situations are earthquakes, floods, hurricanes, typhoons, fires, and epidemics. Examples of man-made disasters or emergency situations are those resulting from enemy attacks, riots, civil strife, explosions or fires.

**2. ASSISTANCE TO FEDERAL AGENCIES, STATE AND LOCAL GOVERNMENTS, AND FOREIGN GOVERNMENTS AUTHORITY**

Pursuant to the 42 U.S. Code 5121, Services are authorized to support other Federal agencies, state and local governments in natural disaster emergencies within the United States, its territories, and possessions. Policy specifically applicable to civil defense emergencies (i.e., protection/assistance required as a result of enemy attack, natural disasters and civil disturbances is contained in the current issuance of OPNAVINST 3440.16.D.

**3. ASSISTANCE TO INDIVIDUALS**

**a. Disasters/Emergency Situations**

In disaster/emergency situations commanding officers have inherent authority to take appropriate actions to secure the health and safety of individuals and their dependents and other persons who are on base. Where such support, e.g., feeding, housing, medical care, is not a mission responsibility, it is generally provided on a reimbursable basis following

user charges procedures unless there is a specific directive governing the support, e.g. MCO P10110.14.

**b. Reimbursement**

Unless there is specific authority to do otherwise, reimbursements from individuals for support will be credited to the General Fund of the Treasury. If the commanding officer determines that it is not reasonable or practicable to collect from those individuals provided support, he/she may recommend to Office of Assistant Secretary of Navy, Financial Management and Comptroller (OASN, FM&C) via the chain of command, that charges be waived. Waivers may not be granted until OASN (FM&C) approval is obtained.

**c. Waived Costs**

Costs of support to individuals which are waived will be charged to the operation and maintenance funds which finance operating costs of the base, if a base-wide issue or activity, if a localized situation).

**4. REPAIR AND RESTORATION OF DEPARTMENT OF THE NAVY PROPERTY**

While a Commanding Officer has the authority to take appropriate action to preserve and protect property during an emergency, no special authority exists to restore or replace property after an emergency. Funds normally available for recurring maintenance repair (Commander, Navy Installations Command or Headquarters Marine Corps), or construction should be used for these purposes unless emergency supplemental appropriations or other authorities are enacted.

**5. EVACUATION ALLOWANCES**

**a.** Evaluation entitlements are based on federal law as outlined in Title 5, Unites States Code. The Joint Travel Regulation (JTR) Vol 2 Ch. 6 provides information, guidance and procedures on evacuation allowances and entitlements for both Continental United States (CONUS) and outside the Continental United States (OCONUS). The JTR is the final authority on evacuation entitlements. See para 03142 for additional information.

## 03125 HEALTH AND COMFORT ITEMS FOR PRISONERS

**1. GENERAL**

This paragraph delineates financial responsibility for health and comfort items for prisoners in Navy and Marine Corps confinement facilities. Provisions of the SECNAVINST 1640.9C apply to Navy and Marine Corps confinement facilities (ashore and afloat) and detention facilities. Personnel in a non-pay status, subject to the Uniform Code of Military Justice, when confined in correctional or penal institutions, including domestic/foreign penal and non-military institutions, are authorized to be issued certain health and comfort items such as toilet articles, clothing items, and other necessities required for the health or well-being of members.

**2. FUNDING GUIDANCE**

**a. Members in Pay Status**

Prisoners in a pay status will provide for their own comfort items through deductions from their personal accounts or charges to their pay accounts. When services, including laundering, tailoring, barbering, and cobbling, cannot be provided to prisoners in a pay

status, they shall be obtained from the most economical sources and charged to the prisoners.

**b. Members in Non-pay Status**

It is the responsibility of the prisoner's unit Officer in Charge (OIC) to ensure prisoners have an adequate supply of health and comfort items upon confinement; however, if prisoners are confined without personal necessities, they shall be provided by the confinement facility during in-processing. The OIC of the facility is responsible for ensuring all prisoners receive a periodic re-supply of consumable items. Personnel in a non-pay status shall be furnished health and comfort supplies as gratuitous issues. Issues are limited to not less than $20, excluding the cost of services provided. Maximum gratuitous issue is $40, per DoD FMR Vol 10 Ch. 12. All gratuitous issues and clothing lent to prisoners are chargeable to the operating funds of the command furnishing logistic support to the confinement facility.

## 03126 INTERIM LODGING

When Government quarters (individual or family) become temporarily uninhabitable and the commanding officer of the activity making the quarters' assignments certifies, in writing, that the quarters to be vacated are uninhabitable and other Government quarters are not available, non-government temporary lodging may be obtained for a reasonable period of time until habitability can be restored. A "reasonable period of time" may vary according to the situation. Each case will be reviewed and determined as they are presented for consideration. For the Navy, the source of funding for the interim lodging cost is the base operating account of Commander, Navy Installations Command and the activity assigned budgetary responsibilities for common services. The Marine Corps will provide funding from the Operation and Maintenance, Marine Corps appropriation.

## 03127 BERTHING AND MESSING COSTS WHEN SHIPS ARE UNINHABITABLE

**1. AUTHORITY**

Per 10 U.S. C. 7572, if public quarters are not available, the Secretary of the Navy may provide accommodations for any member of the naval service on sea duty or assigned to duty in connection with commissioning or fitting out of a ship who is deprived of his quarters on board ship because of repairs, because the ship is under construction and is not yet habitable, or because of other conditions that make his quarters uninhabitable. Lodging accommodations provided may not be occupied by the member's dependents.

**2. FUNDING RESPONSIBILITY**

Funding responsibility parallels responsibility for command, therefore, berthing and messing expenses for fleet personnel are generally funded by the Fleet Commanders for operation and maintenance appropriation (O&M,N) funded maintenance availabilities. However, the construction of crew barges or Bachelor Quarters are the responsibility of a central manager. In such cases, these items should be funded by the central manager.

**a. Berthing and Messing Expenses**

Berthing and messing expenses including operation and maintenance of berthing barges, reimbursement for out-of-pocket expenses incurred by individuals for Bachelor Officer/Enlisted Quarters, costs of contractor provided or the Department of the Navy (DON) leased quarters, and reimbursement for other quarters meeting the criteria of 10

U.S. C. 7572 are considered operating expenses of the Fleet Commanders and are funded from operation and maintenance (O&M) funds.

**b. Barge Maintenance, Towing and Crew Transportation**
Funding for barge maintenance, towing, and crew transportation, is also an operating expense and is the funding responsibility of the appropriate Fleet Commander. These costs are also funded from the appropriate O&M appropriation.

**c. Exception**
For ships under construction and Shipbuilding and Conversion, Navy (SCN) funded ship availabilities, the cost of berthing, messing, barge operations, towing, and crew transportation are part of the operating cost of the construction/availability and are funded by the Commander, Naval Sea Systems Command (COMNAVSEASYSCOM) with O&M,N. A pre-commissioning unit sailor that decides not to execute a permanent change of station move to the shipbuilding site and maintains housing allowance at their dependents location (geographic bachelor) may utilize government quarters, but may not be reimbursed for berthing expenses or other per diems.

For additional guidance relating to berthing and messing during the Chief of Naval Operations scheduled availabilities, see OPNAVINST 4700.38B.

## 03128 LEGAL COSTS

**1. LEGAL OFFICES**
The General Counsel and immediate staff are funded by the Department of the Navy Assistant for Administration (DONAA). Command counsel and other lawyers are funded by their commands.

**2. LITIGATION COSTS**

**a. Funding policy**

*i.* Litigation costs are considered expenses and are payable from the same funds used to fund the operating costs of the major command or subordinate activity.

*ii.* Funding litigation expenses over and above salaries and administrative costs already budgeted is the responsibility of the major command or subordinate organization conducting the litigation regardless of whether the litigation resulted from an action, process, or procedure of their own personnel or of a separate, servicing organization. This will include actions of contracting personnel, and other Department of the Navy (DON) offices performing service functions as part of their mission responsibilities. As expenses, litigation costs are properly chargeable to the fiscal year funds in which costs are incurred.

*iii.* Travel costs incurred by DON personnel in support of litigation are payable in accordance with para 03142.

**b. Department of Justice**
Costs incurred by the DON in support of litigation being conducted by the Department of Justice on behalf of the Navy are financed in accordance with paragraph 2(a).

## 3. COURTS-MARTIAL

Costs associated with courts-martial is predominately the responsibility of the convening authority, the signatory on the charge sheet who is responsible for convening the court that will hear the case against the accused, as outlined below:

### a. Travel and Per Diem

The convening authority operating budget will fund the costs of travel and per diem related to the conduct of courts in accordance with para 03142, Temporary Additional duty Travel – Special Assignments.

### b. Other Costs

The convening authority operating budget will fund the costs of services, supplies and other ancillary costs (e.g. photocopying, printing) related to the conduct of the court.

## 4. FOREIGN COURTS AND TRIBUNALS

The SECNAVINST 5820.4G establishes criteria for the payment of counsel fees, bail, court costs and other necessary and reasonable expenses, authorized by 10 U.S.C. 1037, incident to representation in civil and criminal proceedings before foreign tribunals that involve members of the Armed Forces, civilian personnel, and dependents and should be funded from the operating funds of the activity to which the individual is assigned. If the individual is not assigned to a Naval activity, then costs are properly chargeable to the funds of the activity to which the individual is assigned for administrative purposes (as conveyed in military orders or civilian TDY orders). Costs for military personnel en route between duty stations should be charged to operating funds administered by the Bureau of Naval Personnel (BUPERS) or Headquarters, U.S. Marine Corps (HQ, USMC), as appropriate. For additional information, refer to DoD FMR Vol 10 Ch. 4.

## 5. NONCONTRACTUAL CLAIMS

### a. Budget Policy

In accordance with 10 U.S.C. 2732, non-contractual claims are funded by appropriations available to claimants for operation and maintenance, unless stated otherwise. The procedure for paying claims is contained in DoD FMR Vol 5 Ch. 12. Claims usually fall into the following categories:

*i. Private Property Losses*

The payment of claims for personal property loss or damage incident to military service is authorized by the Military Personnel and Civilian Employees' Claims Act of 1964, as amended (31 U.S.C. 3721). The maximum amount which may be paid for any loss or damage arising from a single incident is limited to $40,000. In general, written estimates of the cost of repair or of the replacement cost on any item is required when the amount claimed is more than $100, but this requirement may be waived by the adjudicating officer. Transportation claims involving liability of carriers and/or insurers may be filed concurrently with the claim without the claimant awaiting settlement from the carrier and/or insurer.

*ii. Correction of Records*

The correction of records due to an error, inequity or injustice may result in an entitlement to active, reserve, or retired pay and/or allowances. Claims arising from the correction of military records are authorized by 10 U.S.C. 1552 and are paid from appropriations available for active duty, reserve or retired pay, relative to the

status of the member at the time. For additional information, refer to DoD FMR Vol 7B Ch. 10.

iii. *Federal Tort Claims*
Payments are authorized by the Federal Tort Claims Act of 1946 (28 U.S.C. 1346(b), 28 U.S.C 2671-2680) for damages to or loss of property, or on account of personal injury or death caused by the negligent or wrongful act or omission of military or civilian personnel of the DON while acting within the scope of one's employment under circumstances where the United States, if a private person, would be liable to the claimant for such claim in accordance with the laws of the place where the act or omission occurred. Payments of awards of $2,500 or less are authorized from operating funds. Payments of awards in excess of $2,500 are paid by the Department of the Treasury Judgment Fund (JF).

iv. *Foreign Claims*
The payment of foreign claims is authorized by 10 U.S.C. 2734 to inhabitants of foreign countries for damage to or loss of real property, personal property, or personal injury to or death of any inhabitant of a foreign country outside the United States, and caused by the non-combat acts or omissions of military or civilian personnel of the DON. Payments are authorized by 10 U.S.C. 2734(a) to reimburse foreign governments for a pro rate share of similar claims which are settled by such foreign governments pursuant to an international agreement. Advance payments may be authorized by 10 U.S.C. 2736. For additional information, refer to DoD FMR Vol 10 Ch. 12.

v. *Military Claims*
Military claims payments are authorized by 10 U.S.C. 2733 for damage to or loss of real property, including damage or loss incident to use and occupancy; for damage to or loss of personal property mailed to the United States and including registered or insured mail damaged, lost, or destroyed by a criminal act while in the possession of the DON; and for personal injury or death. All of the foregoing claims are subject to the provision that such damage, loss, injury, or death either was caused by the military or civilian personnel of the Department of the Navy or was incident to non-combat activities of the Department of the Navy. Advance payments may be authorized by 10 U.S.C. 2736. Payments under $100,000 are funded by operating funds of the command that incurred the loss; payments in excess of $100,000 are funded by Department of the Treasury JF.

vi. *Patent and Copyright*
By 10 U.S.C. 2386, the Secretary of the Navy is authorized to use appropriated funds to purchase copyrights, patents, patent applications, and licenses thereunder, and releases for past infringement of patents and copyrights. Purchases of licenses and releases for past infringement by the DON are paid from the same appropriation used to make or procure the item.

vii. *Nonscope Claims*
By 10 U.S.C. 2737, the DON is authorized to pay claims, in an amount not more than $1,000, for damage to, or loss of, property, or personal injury or death, caused by Navy and Marine Corps personnel incident to the unauthorized use of a

government vehicle at any place, or any other property of the United States on a Government installation. These claims are paid with operating funds of the command incurring the loss.

*viii. Admiralty Claims*
By 10 U.S.C. 7622, the Secretary of the Navy is authorized to settle and pay claims for damage caused by a vessel in the naval service or by other property under the jurisdiction of the Department of the Navy for damage caused by a maritime tort committed by an agent or employee of the DON, and for towage and salvage services rendered to a vessel in the naval service up to $15,000,000. Claims in excess of $15,000,000 may be settled by the Secretary of the Navy and certified to Congress for payment. These claims are paid with O&M funds.

*ix. Postal Service*
Reimbursement to the U.S. Postal Service for the loss of postal property attributed to Navy and Marine Corps postal clerks is pursuant to voluntary agreement between the Department of Defense and the U.S. Postal Service as authorized by 39 U.S.C. 411. Claims are paid with operating funds of the command incurring the loss.

## 6. CONTRACT CLAIMS

### a. Bid Protests

By the Competition in Contracting Act of 1984 (31 U.S.C. 3554(c)), the Comptroller General may recommend that an interested party is eligible for bid and proposal preparation costs, the costs of filing and pursuing the protest, and reasonable attorney's fees, if the solicitation or contract award violates statute or regulation. The costs and fees are payable from the procuring appropriation.

### b. Contract Disputes

By the Equal Access to Justice Act of 1980, as amended by the Equal Access to Justice Reform Act of 2005, (5 U.S.C. 504 and 28 U.S.C. 2412), an agency may be obligated to award fees resulting from adversary actions when a contractor appeals a contracting officer's decision to a Board of Contract Appeals; a contracting officer's decision directly to court instead of to a Board of Contract Appeals; or, a Board of Contract Appeals decision directly to court. The fees and requisite costs are paid from current operating appropriations. The payment of contractual claims incident to the actual provision of work, services, and/or equipment are program costs, and are payable from the applicable procuring appropriation.

### c. Payment of Claims

*i.* In accordance with 41 U.S.C. 7108, money judgments of the U.S. Court of Federal Claims and agency board of contract appeals (i.e., such as armed services board of contract appeals) are entered as judgments paid from the Department of Treasury Judgment Fund, in accordance with 31 U.S.C. 1304. The agency or activity whose appropriations were used for the contract is required to reimburse the Judgment Fund from funds currently available for new obligations for the same purpose as the appropriation of the program litigated or obtain additional appropriations for such purposes.

*ii.* Claims settled by a contracting agency which relate back to the original obligation are adjustments payable from the original appropriation or from an appropriation currently available, if proper, under 31 U.S.C. 1553.

*iii.* Claims settled by a contracting agency, which constitute a new obligation, are paid from funds currently available for new obligations for the same purpose.

For additional information, refer to FMPM para 02403 and DoD FMR Vol 10 Ch. 12.

## 03129 DEATH GRATUITY PAYMENTS

### 1. AUTHORITY

Beginning in fiscal year 1997 and thereafter, the Omnibus Consolidated Appropriation Act authorizes department and agency heads to pay up to $10,000 as a death gratuity to the personal representative of a civilian employee who dies from an injury sustained in the line of duty on or after August 2, 1990. This payment, when combined with the following other payments, may not exceed $10,000:

**a.** $200 payable under 5 U.S.C. 8133(f), for reimbursement for costs of termination of the decedent's status as an employee of the United States

**b.** up to $800 payable under 5 U.S.C. 8134(a), for funeral and burial expenses in cases of employees who died as a result of an injury sustained in the performance of duty. This gratuity payment is not reduced by any amounts, including other benefits payable under the Federal Employees' Compensation Act.

### 2. VOID CLAUSE

The gratuity would be unwarranted if the department or agency determines that the employee's death was the result of willful misconduct.

### 3. FUNDING

The applicable Department of the Navy (DON) command or activity will fund such payments from existing operating funds available for salaries and expenses. Death gratuity payments for civilian personnel who work at Working Capital Fund (WCF) activities are considered indirect costs and are charged to overhead.

### 4. PROCEDURE

Human resource offices are to process payments through the applicable payroll office.

## 03130 BUSINESS CARDS

### 1. POLICY

Appropriations used to finance daily operating expenses are appropriate for the procurement of business cards. Business cards are authorized for those organizations or positions that require them to facilitate official mission related communications. This policy is supported by the Office of the Secretary of Defense memorandum dated 28 August 1998; this memo was amended to include authorization to purchase business cards from the Lighthouse for the Blind, Inc. by the Office of the Secretary of Defense memorandum dated 15 July 1999 (see section 2.b below).

**2. PROCEDURES**

General/flag officers or Senior Executive Service members may authorize the printing or purchase of business cards for those organizations or positions under their cognizance as follows:

**a.** Government employees may print business cards, using existing software and agency-purchased card stock.

**b.** Organizations may purchase business cards from The Lighthouse for the Blind, Inc. (41 U.S.C. 8502-8504), a Javits-Wagner-O'Day participating non-profit agency, when it is determined that the cost is equivalent to or less than producing the cards on a government computer.

## 03131 COINS

**1. GENERAL**

Coins purchased with appropriated funds may only be given as awards. Presentation of a coin qualifies as an award when given for outstanding performance, specific achievement, or a unique achievement that contributes to command effectiveness. Coins shall not be distributed as a memento, to improve morale, or simply in recognition of expected service to the organization. Coins purchased with appropriated funds must not contain the name of a specific commander. The number of coins permitted to be purchased is the amount equivalent to the activity's minimum need for the fiscal year (FY). The purchase of coins for future FY distribution violates the bona fide needs provision.

Coins purchased with appropriated funds, other than official representation funds (ORF), are only awarded to Department of the Navy (DON) military members or civilian employees in recognition of superior performance or special efforts in the execution of their duties on behalf of the DON. A special or unique accomplishment or achievement include but not limited to:

- Service exceeding the level ordinarily expected for the position
- Meritorious performance of duties not meriting recognition that is more formal.
- Special acts or services that bring credit to the DON and fosters the public's confidence in these situations
- Special acts or service that enables other departmental functions to be performed or employee to perform at a level exceeding expectations

Personal funds can be used to purchase coins. The rules of coins purchased with appropriated funds do not apply to coins purchased with personal funds. The distribution of coins purchased with personal funds is at the discretion of the individual who purchased the coins.

For additional information, refer to DoD 1400.25-M, Subchapter 451.

**2. MILITARY**

Provisions for the military are more restrictive than their civilian counterparts. The authority to use appropriated funds to buy coins with operating funds is provided under 10 U.S.C. 1125 and DoDD 1348.19. The Secretary of Defense (SECDEF) authority to issue awards under 10

U.S.C. 1125 has been delegated to the Secretaries of the Military Departments (MILDEPS), the Chairman of the Joint Chiefs of Staff, and the Directors of Defense Agencies. That authority may be re-delegated to Senior Service Commanders and Heads of elements of the Joint Staff only. SECNAVINST 3590.4A designates Flag and General Officers in Command as the approval authority to finance the purchase of coins for military members and units of the Department of Defense (DoD) for excellence in accomplishments or competitions related to the Armed Forces with appropriated funds.

Under 10 U.S.C. 2261, recognition items of nominal or modest value can be procured for recruitment or retention and presented to members of the armed forces, family members of the armed forces and other individuals recognized as providing substantial support in the service of the armed forces. Recognition item of nominal or modest value means a commemorative coin, medal, trophy, badge, flag, poster, painting, or other similar item that is valued at less than $50 per item and is designed to recognize or commemorate service in the armed forces.

**3. CIVILIAN**

The authority to use appropriated funds to buy coins with operating funds is provided under 5 U.S.C. 4503. See paragraph 1 above for general guidelines for coins.

**4. OFFICIAL REPRESENTATION FUNDS (ORF)**

Under SECNAVINST 7042.7K, ORF may be used to purchase gifts and mementos having a command or official theme to include command coins. ORF funded mementos may be given to distinguished citizens, military members and government officials of foreign countries; prominent federal, state, local government officials; distinguished and prominent citizens who have made a substantial contribution to the Nation, or are recognized leaders in their fields (excluding DoD personnel). According to 73 Federal Register 7475, the aggregate cost of mementos given to any one foreign guest should not exceed $335. Additionally, the Administrator of General Services is required to redefine the minimal value for foreign gifts at 3-year intervals.

**5. RECORD KEEPING**

Establishment of a formal log to maintain an account of each coin awarded is required when coins are purchased with appropriated funds. The log should include the name of the recipient, date, reason for the award, and how the coin was financed. Coins purchased using personal funds do not require a formal log to be established.

## 03132 USE OF APPROPRIATED FUNDS TO PURCHASE KITCHEN APPLIANCES

**1. AUTHORITY**

The Government Accountability Office (GAO) Decision, B-302993, determined that the use of appropriated funds to acquire basic kitchen appliances is permitted, thereby making such items “necessary” to the agency’s mission and establishing a connection between these items and the general purpose for which operating funds were appropriated. The purchase of such equipment contributes to the efficient operations of the agency and the health of personnel, and is one of many small but important factors that can assist in recruiting and retaining the best work force and supporting valuable human capital policies. Basic kitchen appliances include refrigerators, microwaves and central coffee makers. Such items should be available for general use and should not be located at an individual’s desk for a single employee’s use. Additionally other regulatory and policy guidance must be adhered to (e.g. energy standards,

safety and security issues, etc.) and appropriated funds will not be used to furnish goods such as coffee or microwaveable meals.

**2. FUNDING**

The applicable DON command or activity will fund such expenses from existing operating funds.

**3. PROCEDURE**

While these purchases are permitted, command/activity discretion should be exercised to ensure the need is validated and affordable within activity operating funds. Therefore, establishment of command/activity operating procedures is required.

## 03133 USE OF APPROPRIATED FUNDS TO PURCHASE FOOD FOR EVENTS

**1. GENERAL RULE**

Food is a personal expense for which appropriated funds are not available absent statutory authority.

**2. EXCEPTION TO THE RULE**

**a. Award Ceremonies**

Food may be purchased only if all of the following criteria are met:

*i.* The award recipients are either federal employees or military members.

*ii.* The award recipients are publicly recognized.

*iii.* The authorized Department of Navy (DON) official has determined that food materially advances the recognition of the recipients.

For additional information, refer to B-223319, JUL 21, 1986, 5 U.S.C. 4503, and 10 U.S.C. 1124.

**b. Cultural Awareness Ceremonies**

Food may be purchased only if all of the following criteria are met:

*i.* The food is a part of a formal program intended to advance Equal Employment Opportunity (EEO) objectives and to make the audience aware of the cultural or ethnic history being celebrated.

*ii.* The food is a sample of the food of the culture and is being offered as part of the larger program to serve an educational function.

*iii.* The portions and selection of dishes do not constitute a meal, for which appropriated funds are not available under this exception.

For additional information, refer to B-301184, January 15, 2004.

**c. Training**

Food may be purchased only if the following criteria are met:

*i.* The training must meet the definition of training as outlined in 5 U.S.C. 4101(4) and in the Government Employees Training Act (GETA).

*ii.* The training must comply with 5 U.S.C. 4109, such as the food is necessary in order for the employees to achieve the training program's objectives to obtain the full benefit of the training.

Appropriated funds may be used to cover food costs that constitute a non-severable portion of the registration or attendance fee for a training program. Food costs are considered non-severable if they are billed as part of the overall costs of the training sessions and the costs cannot be reduced by foregoing the food or by breaking out the food costs as a separate optional item. Organizations must have documentation that supports the inability to break out the cost of food.

The cost of the food provided at a training program conducted by the Government is presumed to be severable because the Government is responsible for arranging the program.

If food costs are a severable part of the registration fee, appropriated funds are available for such costs only where necessary for the employees to obtain the full benefit of the training. For example, where essential training is conducted during a luncheon session, food may be provided at Government expense. Simply labeling a session as a "training event" is not sufficient; instead, the event must be a substantive program designed to improve the individual and agency performance. For additional information, refer to 10 U.S.C. 2013, 39 Comp. Gen 119 (1959), 66 Comp Gen. 350 (1987), and B-281063, DEC 1, 1999.

**d. Conferences**

Conferences may include a meeting, retreat, seminar, symposium or other similar event. The following conference conditions outline the use of appropriated funds for light refreshments (Note – other DON guidance associated with attendance at conferences is applicable):

*i. Conferences sponsored by non-Federal entities – non-severable fee*

The DON may pay or provide reimbursement for food purchased as a non-severable, non-negotiable portion of a registration or attendance fee.

*ii. Conference sponsored by non-Federal entities – severable fee*

If the cost of the food or meals is severable, then appropriated funds are available only to the extent that all of the following criteria are met:

(a) The expenditure is necessary to obtain the full benefit of the meeting or conference,

(b) Meals and refreshments are incidental to the meeting or conference, and

(c) The employee cannot take the meals elsewhere without missing formal discussions, lectures, or speeches that are essential parts of the conference.

*iii. Conferences sponsored by another Government agency*

The DON may pay for food for an employee if the criteria for "conferences sponsored by non-Federal entities – severable fee", from *ii* above are met and the meeting or conference involves matters of topical interest to multiple agencies and/or nongovernmental participants.

*iv. Formal Department of Defense (DoD)/DON conferences*

Food may be purchased only if all of the following criteria are met:

(a) The conference is a formal conference with registration, a published and substantive agenda, and scheduled speakers,

(b) The conference involves matters of topical interest to actual participants from multiple agencies and/or nongovernmental participants,

(c) Meals and refreshments are incidental to overall purpose of the formal conference,

(d) Attendance at the meal or when refreshments are provided is important to the host agency to ensure the attendees' full participation in essential discussions and speeches concerning the purpose of the conference, and

(e) The meal and refreshments are part of a formal conference that includes not just the meal and refreshments and discussions or speeches that my take place when the meal and refreshment are served, but also substantial sessions apart from those sessions at which food is served.

*v. Conference sponsored by DoD/DON where food creates no additional cost*
Food may be provided at meetings sponsored by DoD to discuss day-to-day operations of the Government, or other Government sponsored conferences, in situations where all of the following criteria are met:

(a) The meeting held at an outside facility,

(b) The cost of the food is a non-severable, non-negotiable portion of the cost of the conference space, and

(c) The cost of the space is demonstrably priced competitively with facilities at which food is not provided.

This exception should seldom be applied. The cost of the conference space with food will not be competitively priced with similar conference space without food.

**e. Food and Refreshments in a Foreign Area**
The rules are the same whether within the continental United States or in a foreign area (overseas).

**f. Official Representation of Funds (ORF)**
Appropriated funds are not available for entertainment, including free food, except under specific statutory authority. The DoD statutory authority is 10 U.S.C. 127, emergency or extra-ordinary expenses (EEE). These funds may be spent for purposes determined to be proper by the Secretary concerned, including official courtesies provided for community and public relations, international relations, DoD protocol, and other expenses not specifically provided for by other appropriations. In the DON, ORF is a subset of EEE, which is administered through policies established by SECDEF. For additional information, refer to SECNAVINST 7042.7K.

## 3. OTHER ISSUES REGARDING FOOD

**a. Per Diem**
To the extent travelers on per diem are provided meals at Government expense, the traveler must document receipt of the meal on his or her travel voucher and deduct that meal from per diem entitlements.

**b. Accepting Food and Refreshment as a Gift**

An individual must secure a prior written determination that his/her participation in a foreign area event or meeting is official before accepting food and refreshment as a gift. The determination must be made at the Flag/General Officer/SES level. Only O-10s and PAS officials are permitted to make his/her own determination; however, the determination must be made in consultation with an ethics counselor. Flag/General Officers and SES member shall seek a determination form the chain of command. ALL PAS officials, Flag/General Officers, and SES members shall consult with a designated ethics counselor prior to making each determination and ensure determination is properly documented.

**c. Bottled Water**

*i. Water not available*

GAOs longstanding rule is that bottled water is a personal expense unless a showing of necessity can be made, i.e., the agency can determine that potable water is not available. For additional information, refer to B-318588, SEP 29, 2009.

*ii. Necessary expense of traditional ceremony*

Appropriated funds may be used to purchase bottled water when it is determined to be a necessary expense of the traditional ceremony due to health and safety concerns. When applying the necessary expense rule, an expenditure can be justified after meeting a three-part test:

(a) the expenditure must bear a logical relationship to the appropriation sought to be charged;

(b) the expenditure must not be prohibited by law; and

(c) the expenditure must not be otherwise provided for, that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.

This determination must be made on a case-by-case basis taking into consideration the particular facts and circumstances of each commissioning. Factors to be considered would include, but not be limited to, the availability of water, the time of day, the weather, the geographic location, and the scale of the event.

*iii. Stock Piling*

Bottled water and Meals Ready to Eat (MRE) may be purchased in anticipation of events that rise to the level of an emergency or exigency, e.g. hurricane. Under these circumstances, if purchases are determined to be a necessary expense, whereby a demonstrated, calculated requirement exists (does not exceed need), based on the number of expected personnel, O&M appropriations provide the statutory authority for these purchases. Purchases under these types of threatening events are not considered stock piling. Purchases outside of this criteria are not authorized (not a necessary expense) and would be considered stock piling.

## 03134 RULES FOR CONFERENCE FEES

Authority for the Secretary of Defense to collect fees from individuals and commercial participants attending Department of Defense sponsored conferences, seminars, exhibits,

symposiums, or similar meetings is authorized under 10 U.S.C. 2262. The fees collected can be credited to the agency's appropriations or accounts which incurred the related conference costs. The authority notes that fees collected in excess of the conference cost must be deposited into the miscellaneous receipts account.

Within the Department of Navy, if a command desires to use these provisions of the law, a written request should be submitted to the Assistant Secretary of the Navy, Financial Management & Comptroller for approval. The request should be submitted by the Principal Administering Office and include an overarching plan depicting the command's procedures. At a minimum, the overarching command plan should:

- define the accounting for the fee collections;
- identify data points collected to respond to future reporting requirements;
- request or availability of reimbursable authority;
- review by command counsel for adherence to applicable fiscal policies; and
- if the fee collection is contracted, identify the sanctioning contract and/or fiscal authority.

The Marine Corps has opted not to implement the provision to collect conference fees from individuals and commercial participants attending Marine Corps sponsored conferences, seminars, exhibits, symposium or similar meetings and credit those fees to agency appropriations or accounts which incurred the related conference costs. Marine Corps activities that sponsor a conference must fund all appropriate costs from mission funds. For additional information, refer to MARADMIN 229/07 and MCO 7300.22A.

Some conference organizers collect personal funds unofficially from participants to purchase snacks and refreshments. Such collections must be strictly voluntary, and the funds collected may not be combined with or augmented by appropriated funds. These unofficial costs are not reimbursable to the attendee/participant.

## 03135 FUNDING OF ORGANIZATION CLOTHING/INITIAL EQUIPMENT FOR LARGE SCALE MOBILIZATION

1. **General**
   For service members deploying to, participating in, or supporting a large scale mobilization, new organizational clothing and initial equipment will be paid from appropriations available for operation and maintenance funds. These costs will be paid by the Navy or Marine Corps activity to which the member is assigned.

2. **Exceptions**
   Exceptions to this guidance are the costs for new organizational clothing and initial equipment associated with the Overseas Contingency Operations' mobilizations. These costs will be centrally funded and tracked by Fleet Forces Command and by Headquarters, Marine Corps as applicable. For additional information refer to DoD FMR Vol 4 Ch. 4 and DoD FMR Vol 12 Ch. 23.

## 03136 ACTIVE DUTY FOR SPECIAL WORK

### 1. GENERAL

Active Duty for Special Work (ADSW) is a tour of active duty for reserve personnel, authorized from military personnel and reserve personnel appropriations, to provide voluntary contingency and operational support, on active or reserve component programs. 10 U.S.C. 12301(d) provides legal authority to order reserve component members, with their consent, to active duty. ADSW supports special projects, exercise-related functions and emerging, unplanned requirements. The ADSW program supports Department of the Navy (DON) mission requirements for which no permanent duty billet or position is programmed, and where active duty personnel with the required skill(s) are not reasonably available. DON ADSW reserve personnel can also be assigned to support the Joint Enabling Capabilities Command (JECC) (JECC is assigned to US Transportation Command) and Combatant commands to fulfill global response requirements including wartime, national emergencies and intelligence support missions.

### 2. FUNDING POLICY

#### a. Military Labor Costs

In accordance with DoD FMR Vol 11A Ch. 1, military personnel appropriations shall fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD entity. Therefore, since a direct appropriation is provided for that purpose, the cost of military labor shall not be charged to another DoD entity except for the cost of military personnel assigned to DoD Working Capital Fund (WCF) activities. DoD WCF activities shall be reimbursed by their customers for the cost of military labor as prescribed in DoD FMR Vol 11B.

#### b. DoD Exception

A general provision (GP) in the DoD Appropriations Act (generally section 8043) authorizes the DoD to use funds appropriated for operation and maintenance to reimburse personnel costs, which would otherwise be incurred against appropriations for the Reserve, when members of the Reserve provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities, including the activities and programs included within the National Intelligence Program and the Military Intelligence program: Provided, That nothing in the GP section authorizes deviation from established Reserve personnel and training procedures.

The Bureau of Naval Personnel manages the ADSW program for the Navy, while the Office of the Deputy Commandant, Programs and Resources manages the program for the Marine Corps. For additional information, refer to OPNAVINST 1001.20C and MCO 1001.59A, respectively.

## 03137 REIMBURSEMENT FOR PROFESSIONAL LIABILITY INSURANCE

### 1. GENERAL

Per 5 U.S.C. 59, the Department of the Navy (DON) will reimburse qualified employees up to one-half the cost of a covered premium, not to exceed $150 per year. The reimbursement may be made based on either a fiscal or calendar year basis, whichever is more efficient to administer as determined by the Budget Submitting Offices. Activity comptrollers should designate a responsible office for obligating the funds in the accounting system after a

determination has been made that the employee is eligible for reimbursement.

**2. REIMBURSEMENT**

Requests for reimbursement will be submitted on a Claim for Reimbursement for Expenditures on Official Business (SF 1164). The payment is considered to be a civilian personnel benefit and must be funded under the object class 12.1 from the appropriation that financed their salary. Reimbursements for claims from civilian personnel who work at Working Capital Fund activities are considered indirect costs and are to be charged to overhead. Non-appropriated fund employees and military personnel are not covered by the law.

The legislation authorizing this reimbursement was effective as of 1 October 1999. The DON is not required to reimburse the portion of the cost of premiums covering the period before that date. An employee may submit more than one request for reimbursement for more than one premium in a year as long as the request does not exceed the $150 dollar cap set forth by the Department of Defense. The funds that are available for obligation are those that are current at the time the request for reimbursement is determined to be appropriate and not the date when the employee submits the claim or the date when the employee pays the premium. Electing to administer the reimbursement on a calendar year basis does not extend the availability of funds nor does it impact the eligibility of a premium for reimbursement.

## 03138 PROFESSIONAL CERTIFICATIONS AND LICENSING

**1. GENERAL**

5 U.S.C. 5757 provides authority for the Department of Navy (DON) to use appropriated funds or funds otherwise available to the agency to pay for expenses for civilian employees to obtain professional credentials, including expenses for professional accreditation, State-imposed and professional licenses, professional certifications, and examinations to obtain such credentials. 10 U.S.C. 2015 provides authority for the departments to reimburse military personnel costs associated with obtaining and maintaining professional credentials.

**2. FUNDING RESPONSIBILITY**

for civilian personnel, reimbursement for all professional certifications, other than the financial management certifications specified by the Office of the Under Secretary of Defense, Comptroller (OUSD(C)), will be financed from the command/activity's operating funds. Certifications for working capital fund activities are considered indirect costs and are to be charged to overhead costs, except for financial management credentials. Payment of professional certifications for non-appropriated fund employees is not authorized.

for Navy military personnel, OPNAVINST 1540.56A authorizes Commander, Naval Education and Training Command to manage centralized funding for the programs authorized under the Credentialing Opportunities Online (COOL) to reimburse all Enlisted personnel, with an exception for Officers in Cyber and medical billets, for certifications and licensing fees. Furthermore, Officers who are not in Cyber and medical billets may request reimbursement of costs associated with professional credentials. Testing fees will be reimbursed from available Operation and Maintenance, Navy at command's discretion. However, commands should be able to attest that the Officers requesting reimbursement require the credential to perform their duties and responsibilities.

For Marine Corps military personnel, MARADMIN 518/14 established the Marine Corps COOL program. Funding procedures are currently being established by Marine Family Programs.

**3. PROCESS**

Administering offices should establish internal processes to ensure that individuals have met the requirements of the certifications before forwarding the request for reimbursement. Reimbursement is not an entitlement and is only authorized subject to the availability of funds.

For military personnel, commands may submit certification requests to the COOL program under Commander, Naval Training and Education, and officers who are in Cyber and medical billets. Otherwise, administering offices at commands should establish internal processes to ensure requests are mission essential for officers to perform their duties, and reimbursement is dependent on availability of funding and command discretion.

**4. FINANCIAL MANAGEMENT CERTIFICATIONS**

OUSD(C) issues a yearly program budget decision (PBD) transferring funds to the DON to reimburse financial management professional certification costs for DON civilians. Since the DON does not include this requirement in its annual budget request, all reimbursements associated with obtaining any professional certification shall be financed by the funds transferred via OSD PBD, subject to the availability of OSD funds; the DON will not provide additional funds to finance such reimbursements for its civilian employees. BSOs are required to designate a command point of contact to collect reimbursement packages and forward to the Human Capital Office for processing. OUSD (C) provides information for financial management related professional certifications, licenses and related expenses on FM Online.

## SECTION III: TRANSPORTATION AND TRAVEL COSTS

### 03140 COSTS OF TRANSPORTATION AND HANDLING OF HOUSEHOLD GOODS AND PRIVATELY OWNED VEHICLES

**1. SCOPE**

This paragraph delineates financial responsibility for costs incurred in the transportation and handling of household goods (HHG) of military and civilian personnel and the transportation and handling of privately owned motor vehicles of military personnel of the Department of the Navy (DON).

**2. BUDGET POLICY**

**a. General**

37 U.S.C. contains the basic substantive authority for the transportation of HHG of military personnel. 10 U.S.C. contains the basic substantive authority for the transportation of privately owned vehicles of military personnel. 5 U.S.C. contains the basic substantive authority for the transportation of HHG, mobile homes, and privately owned vehicles of civilian personnel. The regulatory authority for shipment and storage of personal property for Uniformed Service Members, Department of Defense (DoD) civilian employees, and civilians who travel using DoD funding is contained in the Joint Travel Regulation (JTR).

**b. Local Short Distance (Intra-Station) Moves of Military Personnel HHG Involving Government/Privatized Housing**

The shipment of Uniformed Service Members HHG for a short distance incident to a Government-directed intra-station, secondary, or convenience move is authorized. These Government-funded moves are based on a Service requirement. These local short distance (intra-station) moves are those moves that generally occur outside the normal Permanent Change of Station (PCS) authority. Entitlement to and regulations pertaining to intra-station moves are provided under Chapter 5 of the JTR. Financial responsibility for all local moves for general fund activities is assigned to Commander, Navy Installations Command and Headquarters Marine Corps which programs and budgets resources for common support services at the installation where the housing/quarters are located. Local moves accomplished for those assigned to a Navy Working Capital Fund (NWCF) activity and will be reimbursed from military support funds provided by its parent command. Inter-station moves for the convenience of the Public Private Venture (PPV) Management Company are the responsibility of PPV property management; e.g., privatized quarters found to be unfit for occupancy, renovations of privatized housing by PPV property management, and other safety reasons.

*i. Security Assistance-Grant Aid or Advisory Group Assignment*

The cost of transporting and HHG and POV incident to assignment to an activation crew for a ship being prepared for transfer under Grant Aid or assignment to or termination of assignment to an advisory group will be chargeable to the MPN or the MPMC appropriation, as appropriate.

*ii. Temporary Additional Duty*

The organizational component that budgets for and funds the temporary additional duty (TAD) travel will also budget for and fund the costs of transportation and handling of HHG, except when the TAD travel is related to security assistance. In this case, the rules as stated in subpar. c with respect to PCS moves apply to TAD moves

*iii. Other Naval Activities*

In situations of assignment, reassignment, or termination of assignment to Government quarters administered by the DON (other than those in subpar. c), the costs of handling incident to the local moves will be funded from the operating budget of the activity administering the housing funds (Family Housing, Navy funds cannot be used to fund local moves). In situations of reassignment between housing units whose funds are administered by different naval activities, handling costs will be chargeable to the operating budget of the recipient activity, i.e., the activity administering the funds of the housing unit to which the individual is reassigned

*iv. Housing Administered by Other Military Departments*

In situations of assignment, reassignment, or termination of assignment in which only quarters administered by the other military departments are involved, the costs associated with local moves, including the non-temporary storage of household goods should be charged to the operating funds of the organization making the quarter’s assignment, regardless of the member's military service. The organization that controls the assignment of quarters must be responsible for funding such moves regardless of the Service affiliation of the individuals being assigned.

*v. Local Moves Involving Non-Government Quarters*
Under circumstances where a principal (assigned to either shore or afloat duty) requires a local move between non-Government quarters (including rental guarantee and leased housing) and is entitled to have such a move funded by the DON, such costs will be funded, in descending order of applicability, from the following activity operating resources:

(a) Nearest shore activity within commuting distance which administers Defense Family Housing resources;

(b) Shore activity which normally provides local DON morale/welfare/recreation support for the principal;

(c) Shore activity to which the principal is administratively attached, or

(d) Fleet command to which the principal is assigned.

**c. Permanent Change of Station (PCS) for Uniform Members**
The Bureau of Naval Personnel and Headquarters, U.S. Marine Corps, within the appropriate military personnel appropriations, will budget for the cost arising from commercial transportation, handling of HHG, and privately owned motor vehicles (POV), in connection with PCS moves that qualify as a change of station. When the PCS move is categorized as separation travel (see para 03146), the cost of transportation and handling of HHG from Government quarters to temporary residences in the vicinity of the last permanent duty station of the member, as entitled under provisions of the JTR is chargeable to the Military Personnel, Navy (MPN) or Military Personnel, Marine Corps (MPMC) appropriation, as appropriate.

**d. Transportation and Handling of HHG Performed for Civilian Personnel**
Generally, the organizational component that funds the necessary movement costs associated with travel from one official duty station to another, including transfer from one department of the Federal Government to another, will fund the costs of transporting and handling of HHGs. The following are exceptions to this policy:

*i. Intra-Department of Defense Reduction-in-Force transfers*
When civilian employees are transferred between DoD activities for the convenience of the Government in connection with a reduction in functions or the closing of a military installation, the losing activity has the financial responsibility for the costs of the transferred employees' travel and the transportation and handling of their household goods, as required by the JTR. A losing or releasing DoD activity must endeavor to have a non-DoD gaining activity pay or share the necessary costs incident to transfers (that involve a RIF/transfer of function) to a department/ agency outside DoD. If a non-DoD gaining activity refuses to assume or share the expense, the cost must be paid by the losing activity.

*ii. Transfers to and From Overseas Activities*
Generally, the organizational component that funds the necessary movement costs associated with travel is equally applicable to overseas movements. For such travel performed by employees who have completed the prescribed overseas tour of duty and are being transferred to an activity in the continental United States, the losing

overseas activity is responsible for the costs incident to the movement of HHG. The losing overseas activity is responsible for funding the transportation of HHG to the place of actual residence or allowable alternate destination of an employee who is entitled under an agreement to return travel prior to separation. However, when such an employee, after arrival at their destination, accepts employment by another department or agency without a break in service, the losing overseas activity bears the cost of the transportation not in excess of that to the place of actual residence. The cost of any additional authorized transportation to the new duty station will be borne by the acquiring department or agency, subject to the conditions for eligibility stated in the JTR. All DON costs of ocean shipments controlled by the Military Sealift Command (MSC) and effected by Government bills of lading are charged directly to the appropriation and subhead chargeable for the travel. Additionally:

(a) The cost of transportation of household goods of an employee who has completed a required period of service and has executed a renewal agreement for a tour of duty at a different overseas activity is the responsibility of the gaining overseas activity.

(b) When a DoD employee completes a required service period at an outside the contiguous United States (OCONUS) activity and executes a renewal agreement for an additional tour of duty at a different OCONUS activity, in the same or another DoD Component, the gaining OCONUS activity must pay the necessary movement costs associated with HHGs and POV.

(c) When an employee transfers from an OCONUS activity to a CONUS activity, the losing OCONUS activity must pay the necessary movement costs associated with HHGs and POVs.

*iii. Local Moves*
When the assignment, reassignment, or termination of assignment of civilian personnel to quarters is not in conjunction with the principal's transfer of official duty station, the costs of handling HHG will be funded in accordance with the funding provisions of paragraph 2. d.

*iv. Morale Support Activity Personnel (Nonappropriated Fund)*
Household goods and privately owned motor vehicles of those civilian employees of Navy and Marine Corps morale support activities (exchanges, clubs, messes, etc.) who are paid from nonappropriated funds may not be transported or handled if any cost will be incurred against appropriated funds in the performance of such services.

**e. Non-Temporary Storage of Household Goods (HHG) for Civilian Personnel**
The information below outlines a two-step process to determine the event that prompts an obligation and the obligation method.

- If a contract is written for month-to-month service (severable services) under authority of 10 U.S.C. 2410a, obligate the appropriation for the services provided in each applicable fiscal year associated with the month of service. (refer to DoD FMR Vol 11 A Ch. 18 para 180302.B); ***or***

- If a contract is written for a period of performance, not to exceed 12 months, obligate the appropriation available for new obligations at the time the contract is awarded or performance starts. The period of performance may cross fiscal years.

  For additional information, refer to DoD FMR Vol 10 Ch. 13.

## 03141 TRANSPORTATION OF MARINE CORPS UNITS

### 1. GENERAL

This paragraph delineates budget responsibility for transportation and port handling requirements incident to Marine Corps operating forces and Marine Corps Reserve unit movements. Transportation is the movement from the point of origin to point of destination. Port handling includes costs related to the on-load and off-load of personnel and cargo.

### 2. BUDGET POLICY

#### a. Marine Corps Operating Units

Responsibility for funding the cost of transportation (personnel and equipment) related to operating forces' ground and air unit deployments and redeployments is assigned in accordance with the principle of command line funding, as follows:

*i.* Funding for transportation of Joint Chiefs of Staff (JCS) specifically directed deployment/redeployment of Marine Corps air and ground units of the operating forces for training/readiness via all modes is the responsibility of the Unified commander. This responsibility includes the monitoring of airlift funds as well as funding for sealift and ground transportation.

*ii.* Funding for transportation of JCS-directed deployment/redeployment of Marine Corps air and ground units of the operating forces for contingency operations via all modes is the responsibility of the Fleet commander.

*iii.* Funding for transportation of Fleet commander directed deployment/redeployment of Marine Corps air units of the operating forces for contingency operations and training/readiness via all modes is the responsibility of the Fleet commander.

*iv.* Funding for transportation of Commandant of the Marine Corps (CMC) directed rotational movements/relocations of Marine Corps air and ground units and deployments/redeployments for training/readiness of Marine Corps ground units is the responsibility of the CMC.

*v.* Funding for transportation required to support/resupply Marine Corps air units is the responsibility of the Navy except for the ground equipment whose procurement is budgeted by the Marine Corps.

*vi.* Funding for transportation required to support/resupply ground units of the operating forces is the responsibility of the deploying commander.

#### b. Marine Corps Reserve Units

Responsibility for funding the cost of transportation (personnel and equipment) related to Marine Corps Reserve unit rotational movements and relocations is assigned as follows:

*i.* Funding for transportation of Marine Corps Reserve ground units for rotational movements and unit relocations is the responsibility of the Commandant of the Marine Corps.

*ii.* Funding for transportation of Marine Corps Reserve air units for deployments/redeployments for training/readiness is the responsibility of the Chief of Naval Reserve. Transportation of aviation unit equipment to and from annual training duty is included in the responsibility of the Chief of Naval Reserve. The movement of personnel under authority of orders citing the Reserve Personnel, Marine Corps appropriation in connection with annual training duty is the responsibility of the Commandant of the Marine Corps.

*iii.* Funding for transportation of Commandant of the Marine Corps directed relocations of Marine Corps Reserve Air units is the responsibility of the Commandant of the Marine Corps.

## 03142 TEMPORARY ADDITIONAL DUTY TRAVEL (SAME PERMANENT DUTY STATION)

### 1. SCOPE

Temporary additional duty (TAD) travel consists of travel to one or more places away from a duty station to perform duties for a temporary period of time and, upon completion of the assignment, return to the original duty station.

### 2. BUDGET POLICY

#### a. Travel of Headquarters Personnel

As a general policy, the organization requiring the TAD will fund the travel requirements of both military and civilian personnel of the Department of the Navy (DON). Since most TAD travel requirements arise in connection with the operational and administrative functions performed at headquarters and field activities, TAD travel requirements are generally funded by the same funding source, which supports the day-to-day operations of the activity to which the employee is assigned.

There are exceptions to the general policy and special provisions regarding the use of various appropriations in support of TAD travel are set forth below:

*i.* *Travel of Headquarters Personnel*
Travel requirements of personnel organizations are normally funded using operating funds available to the headquarters organizations. Travel incurred in support of procurement and/or production programs by departmental headquarters staff, contracting offices, contract audit offices, system project offices, and acquisition managers are expenses and cannot be charged to procurement appropriations but shall be financed by appropriations available to operate the headquarters organizations. For additional information, refer to DoD FMR Vol 2A Ch. 1 para 010201.3. j.

*ii.* *Travel of Field Activity Personnel in Support of Procurement Financed Production End-Items*
Travel of field activity personnel involved in direct support of end-item production activities, such as quality assurance, production engineering, and equipment assembly and installation is considered an investment and should be financed by procurement funds. For additional information, refer to DoD FMR Vol 2A Ch. 1.

*iii.* *Travel of Field Activity Personnel in Support of Research, Development, Test and Evaluation (RDT&E) Financed Projects*

Travel which is integral to the technical execution of a specific RDT&E,N project, both for project manager staff members and headquarters personnel whose technical capabilities are required for a specific project, should be financed by the RDT&E,N appropriation. The RDT&E,N appropriation accounts finance research, development, test and evaluation efforts performed by contractors and government installations to develop equipment, material, or computer application software. RDT&E,N funds are used for both investment-type costs (e.g., sophisticated laboratory test equipment) and expense-type costs (e.g., salaries of civilian employees at R&D-dedicated facilities).

*iv. Travel in Support of Another Department of Defense (DoD) or Non-DoD Entity*
When authorized, travel in support of other DoD or non-DoD entities will be funded by the requesting organization.

*v. Invitational Travel Orders*
Persons not employed by the Federal Government may be authorized to travel at Government expense under certain circumstances. Such travel is termed "invitational travel" and the authority and restrictions for such travel are contained in Appendix E of the Joint Travel Regulations (JTR). Invitational travel is administered under the same funding policy as TAD travel, i.e., the resources available to support the program in whose interest the travel is performed will fund the invitational travel. The following examples are provided:

- Red Cross personnel services are specifically requested and invitational travel orders are issued; the travel cost that is incurred is supported from the administrative TAD travel funds of the requester of the Red Cross services.
- The cost of invitational TAD travel in connection with Navy ship launching ceremonies is chargeable to the Shipbuilding and Conversion, Navy appropriation (see para 03242).
- The Secretary of the Navy (SECNAV) has delegated responsibility for invitational travel orders to the Chief of Legislative Affairs and the DON Office of Budget Appropriations Matters Office (FMBE). For additional information, refer to SECNAVINST 5730.5J.

**b. CONUS/OCONUS Evacuation Allowances**

The Chief of Diplomatic Mission (COM), or the Department of State (DOS) Principal Officer, is the lead federal official for the protection and evacuation of all United States noncombatants, including DoD dependents outside the continental United States (OCONUS). The authority of the COM or Principal Officer to order evacuation does not extend to personnel of the Military Services not under COM authority, except as agreed upon between DOS and DoD.

5 U.S.C. 5725 provides legislative authority for transportation for a civilian employee and/or dependents from the employee's permanent duty station to a safe haven. Funding for Navy active duty military personnel, civilians, and civilian's dependent family members evacuation is the responsibility of the command being evacuated using their operating funds.

37 U.S.C. 475a provides legislative authority for travel and transportation allowances for the dependents of uniformed members who are authorized or ordered to depart to a safe haven. Funding for Navy active duty dependent family member evacuations is provided centrally by the Chief of Naval Personnel (CNP) for Navy dependents using Military Personnel, Navy appropriations. Funding for Marine Corps active duty dependent family member evacuations is provided centrally by Headquarters using Military Personnel, Marine Corps appropriations. For additional information, refer to DoDD 3025.14. Payments and reimbursements must be in accordance with Chapter 6 of the JTR.

The following officials are responsible for authorizing/ordering an evacuation of a uniformed member's dependent from any continental United States (CONUS) location: the Secretary of Defense; the Secretary of Homeland Security; the Secretary of Health and Human Services, the Secretary of the Navy (or the Secretary's designated representative); and the Commander of a U.S. Installation. For additional information, refer to Part A of Chapter 6 of the JTR. A decision by civil authority to order an evacuation of a particular area does not constitute a military evacuation order. The local civil officials order to evacuate an area is not sufficient for DoD reimbursement entitlements. The appropriate military official must authorize/order an evacuation for evacuation entitlement purposes. In order to authorize reimbursement for evacuation related expenses for DoD civilians and their family members who reside off base, both the military authority and the local civil authority must issue an evacuation order. Reimbursement is authorized only for evacuation to the designated safe haven. Military or civilian employees who remain at their residence are not entitled to any reimbursement.

The following table outlines the basic conditions necessary for reimbursement of evacuation expenses:

| | **Reimbursement for Evacuation Allowances** | | | | | |
|---|---|---|---|---|---|---|
| | **Evacuation Order Issuance?** | | **Reimbursement Entitled?** | | | |
| **Condition** | **Appropriate DoD Official** | **Appropriate Civil Authority** | **Military Member** | **Military Member's Dependents** | **Civilian Member** | **Civilian Member's Dependants** |
| Evacuate Base and instructed to safe haven to continue working | Yes | Yes or No | Yes | As specified in Evacuation Order | Yes | As specified in Evacuation Order |
| Evacuate military base or evacuate within a specific geographic area surrounding the base, and instructed to go to a place of residence | Yes | Yes | No | No | No | No |
| Military/Civilian military base residents ordered to evacuate base | Yes | No | Yes | Yes | Yes | Yes |
| Evacuate geographic area | No | Yes or No | No | No | No | No |
| Evacuate geographic area | Yes | Yes | Yes | Yes | As specified in Evacuation Order | As specified in Evacuation Order |
| Military Member or Civilian employee does not choose to evacuate | Yes | Yes or No | No | No | No | No |

Travel and/or shipment of military personnel and their dependents residing on the base or within a specific geographic area surrounding the base, as identified in an evacuation order, are eligible for reimbursement of expenses incurred due to the evacuation.

Civilian personnel, who are directed to relocate to safe haven destinations to continue working are due special allowances in accordance with the JTR. Reimbursement is authorized for DON civilian employees and their dependents residing off base if they are required by order of the appropriate military authority to evacuate the installation to a safe haven or designated place outside the normal commuting area. If the local civil authorities order the evacuation of an area, but the appropriate military authority only sends civilian employees home, then reimbursement is not authorized

The use of appropriated funds to finance Non-appropriated Fund (NAF) personnel evacuation expenses is authorized, as these costs are associated with protecting the health and safety of NAF employees of all program groups and categories of NAF instrumentalities. Authorized evacuation expenses for DON NAF employees may include evacuation payments, evacuation transportation to and from safe haven locations, and per diem and subsistence allowances. The operating funds for the Naval Supply Systems Command (NAVSUP) are the appropriate source to finance the Navy Exchange CONUS evacuation costs for NAF personnel. Evacuation expenses of contract personnel are not eligible for reimbursement by the DON.

Reimbursement for travel, lodging, and per diem is only authorized for evacuation to the designated safe haven (the maximum distance allowed from the area affected by the event precipitating the evacuation) for the time period designated in the evacuation message pertaining to that particular evacuation. Expenses are eligible for reimbursement only for the period of time identified on the evacuation order issued by the military authority subject to the following conditions:

- All military members and civilian employees must be on temporary additional duty (TAD) orders. Receipts and non-availability statements are required for lodging.
- If the military member or civilian employee remains at home and does not choose to evacuate, there is no per diem entitlement.
- Military members, dependents, employees, or employees' families, who lodge with family or friends at a safe haven, even if they pay, are not entitled to lodging reimbursement.
- Travel expenses for military dependents required to evacuate should be financed with the appropriate military pay appropriation; i.e., Military Personnel Navy; Military Personnel Marine Corps; Reserve Personnel Navy; Reserve Personnel Marine Corps. For additional information, refer to BUPERSINST 7040.6B.

**c. Special Assignments**

Special assignments of responsibility for the cost of certain TAD travel requirements are as follows:

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| **Courts, Investigations, and Legal Services** | |
| Officers of the Navy-Marine Corps Trial Judiciary when acting as military judges of a special or general courts-martial. | Operating budget of the Judge Advocate General as authorized by SECNAVINST 5400.40A. |
| Navy Legal Service Office Personnel in connection with courts-martial proceedings. | Operating funds which support TAD travel of the convening authority as authorized by Judge Advocate Instruction (JAG) 5800.7F. |
| Navy Legal Service Office personnel requested by an activity for other than courts-martial matters, i.e., administrative investigations. | Operating funds which support TAD travel of the convening authority as authorized by Chapter II of the JAG 5800.7F. |
| Navy Legal Service Office (NLSO) personnel administrative travel required in performance of mission. | Operating funds which support TAD travel of the NLSO office. |
| Witnesses, including civilians and military members of all Services, for courts-martial. | Operating funds which support TAD travel of the convening authority as authorized by JAG 5800.7F. |
| Military counsel detailed by the Navy Legal Service Office personnel. | Operating funds which support TAD travel of the convening authority as authorized by JAG 5800.7F. |
| Escort accompanying a member deserter to a courts-martial proceeding. | O&M funds administered by the Bureau of Naval Personnel or Headquarters, U.S. Marine Corps (HQMC) as appropriate |
| Military member required to testify at state court trials in which the DON has an interest. | Operating funds that support TAD travel of the activity to which the member is assigned for duty |
| **Appearance before a Physical Evaluation Board (PEB)** | |
| Navy and Marine Corps members on active duty in a patient status. | Bureau of Medicine and Surgery DHP Operation and Maintenance funds. |
| Navy and Marine Corps members:<br>a) On the temporary retired list (including Navy Fleet Reserve)<br>b) on temporary disability retired list (TDRL)- | a) Members of the Fleet Reserve and Fleet Marine Corps Reserve do not appear before the PEB to pursue medical claims.<br>b) Travel is chargeable to the operation and maintenance funds of the Navy Personnel Command or HQMC as appropriate. For additional information, refer to MILPERSMAN 1850-030 (TDRL). |

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| **Participation in Events** | |
| Civilian sponsored public events. | Sponsor of the event, unless an exception is made by the Secretary of Defense. See DoDI 5410.19 for guidance concerning community relations programs. |
| Sporting events; sports programs above the intramural level. Pan American Games, Conseil International du Sport Militaire.<br>Per 10 U.S.C. 717 uniform members are permitted to train for, attend, and participate in civilian national and international amateur sport competitions. For additional information, refer to DoDI 1330.4. | A uniform member who is authorized to attend, train for, and/or participate in competitions as specified in para 7630 of the JTR and other DoD issuances is authorized TDY travel and transportation allowances. For additional information, refer to table E 4.T.1.2.3 of DoDI 1015.15. For Navy, the travel and transportation allowances are chargeable to operation and maintenance funds of Commander, Navy Installations Command (CNIC). For Marine Corps, the allowances are chargeable to operation and maintenance funds of HQMC. For additional information Marine Corps policy, refer to MCO P1700.27B w Ch. 1. |
| Official public relations appearances (includes guest speakers, official work with private and public organizations, and ceremonies such as awards or christenings). | TAD orders in connection with participation in public relation events will be issued per SECNAVINST 5720.44C and for Navy, MILPERSMAN 1320-314. O&M funds may be advanced for incidental costs associated with un-programmed, but otherwise authorized, community relations activities when the sponsor agrees to reimburse the Government for those costs (e.g., travel). For additional information, refer to DoDD 5410.18 and DoDI 5410.19, enclosure 9, paragraph E9.2.3. (reference (d)). |
| Inspections. | Operating funds that support the authority ordering or requesting the services of inspectors. Exceptions are for travel funds required for personnel who augment the Navy Inspector General teams and the command inspections conducted under the Command Inspection Program. These costs are chargeable to the operating funds available to the office providing the augmentee in accordance with SECNAVINST 5430.57G. |

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| **Return of Unauthorized Absentees** | |
| Guards/escorts for the apprehension and delivery of military absentees and deserters. Naval personnel will not normally apprehend suspected absentees and deserters outside confines of military installations. For additional information, refer to MILPERSMAN 1600-020. | Chargeable to the Service to which the absentee/deserter is accountable. For Navy or Marine Corps members, the cost is chargeable to MPN or MPMC, as appropriate. In situations of guard/escort accompanying members of more than one Service, chargeable to the Service providing the guard/escort. For additional information refer to BUPERSINST 1600.6C or MCO 1620.3A. |
| Guards for classified shipments. | Operating funds available to the activity or headquarters command that funds the transportation cost of the classified shipment. |
| **Special Mission Assignment** | |
| Travel not directed by activity to which personnel are permanently assigned. | Operating funds available of the authority which is responsible for the special mission assignment. |
| Medical Augmentation of Marine Amphibious Forces. | Bureau of Medicine and Surgery Defense Health Program (DHP) Operation and Maintenance funds. |
| Medical Augmentation of Navy Fleet/JCS or coordinated Exercises and Deployed Units. | Bureau of Medicine and Surgery DHP Operation and Maintenance funds. |
| Medical Augmentation of Shore Activities. | Bureau of Medicine and Surgery DHP Operation and Maintenance funds. |
| Military Funeral Honors Escort Provided Under the Navy & Marine Corps Decedent Affairs Program. | Under 10 U.S.C. 1481 a uniform member who performs funeral honors in a funeral honors duty status at a location 50 or more miles from the member's residence is authorized travel and transportation allowances. Under 10 U.S.C. 12503 a member of the Ready Reserve who performs funeral honors duty under this section may be reimbursed for travel and transportation expenses. Paragraph 7385 of the JTR stipulates members who perform funeral honors are authorized travel and transportation allowances as authorized in Ch. 3 and Ch. 4.<br>CNIC is responsible for reimbursing personal expenses incurred by individuals supporting the Navy Funeral Honor Support Program (FHSP). Operating and maintenance funds are budgeted for FHSP expenses. For additional information, |

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| | refer to OPNAVINST 1770.1A.<br>For the Marine Corps, Commanders are authorized to issue orders, and charge the costs incurred to the command's operation and maintenance allotment provided by the Marine Corps. Such orders will be issued at the discretion of the command as necessary to effectively administer the Casualty Assistance Calls Program on an individual case basis. For additional information, refer to MCO 3040.4.<br>Travel expenses for a uniform member who serves as an escort for the remains of a deceased member are chargeable to the operating funds of BUMED. For additional information, refer to MILPERSMAN 1320-314. |
| **Inpatient Transfers from a Non-Navy Medical Treatment Facility** | |
| Navy and Marine Corps personnel admitted to the sick list and transferring for further treatment from a non-Navy medical treatment facility to any other medical treatment facility | Bureau of Medicine and Surgery DHP Operation and Maintenance funds |
| Active duty inpatients worldwide and their non-medical attendants when outside CONUS | Bureau of Medicine and Surgery DHP Operation and Maintenance funds |
| Inpatient dependents and their non-medical attendants outside CONUS only | Bureau of Medicine and Surgery DHP Operation and Maintenance funds |
| **Student Dependents** | |
| Dependent travel for the purpose of attending school | Round-trip travel (per diem) and transportation allowances may be authorized/approved including travel advances see Chapter 7 of the JTR<br>Operating funds that support the TAD travel of the DON activity to which the uniform member or OCONUS civilian employee is assigned for duty |

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| **TRAINING** | |
| Attend a training course of instruction of less than 20-weeks | Travel is chargeable to the funding source which supports the TAD travel of the Navy/Marine Corps command or activity to which the uniform member or civilian employee is assigned. Such costs will be budgeted in the operating account of the command involved. For additional information, refer to OPNAVINST 1500.76C. For Navy, 'Temporary Duty (TEMDU) Instruction Less than 140 Days' orders are issued and constitute temporary assignment. For additional information, refer to MILPERSMAN1320-300. For the Marine Corps, 'Temporary Duty Under Instruction (TEMINS)' orders for a duration of less than 20 weeks at one or more locations other than the primary duty station (PDS) at which a Marine performs temporary duty at a school are issued. The orders may provide for further assignment to a new PDS or for return to the old PDS. For additional information, refer to MCO 1000.6 |
| Travel in connection with a training program while the student is undergoing instruction | Travel is chargeable to the funding source which supports the TAD travel of the Navy/Marine Corps command or activity to which the uniform member or civilian employee is assigned<br>If assigned to a non-DOD command/activity for administrative purposes, special provisions are made through OPNAV or Headquarters, U.S. Marine Corps |

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| **MEDICAL** | |
| Obtain a physical examination, clinical evaluation, medical treatment, or other medical processing (excludes NROTC midshipmen entrance physicals which are an applicant's personal expense) | Military personnel travel is chargeable to the Navy/Marine Corps command or activity to which the uniform member is assigned |
| Transportation of family member of military or OCONUS civilian patients when authorized. | Uniform family member and OCONUS civilian employee personnel and their family member travel is chargeable to the operating funds of the Navy/Marine Corps command or activity to which they are assigned. For additional information, refer to Chapter 7 of the JTR and DoDI 1400.25. |

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| **DISCIPLINARY** | |
| Ordered TAD in connection with disciplinary action. | Travel is chargeable to the funding source which supports the TAD travel of the Navy/Marine Corps command or activity to which the uniform member is assigned. |
| Shore patrol necessary expenses while in a travel or non-travel status. | Navy uniform members performing shore patrol duties aboard commercial carriers shall be reimbursed per the JTR. Transportation and other expenses are charged to the operation and maintenance funds of the command the uniform member is assigned to. For additional information, refer to MILPERSMAN 1630-020.<br>For Marine Corps, if located within 200 miles of the brig the confining activity will provide escorts. In all other cases, the Security and Law Enforcement Branch (Code POS) of HDQTRS USMC has escort responsibility. For additional information, refer to MCO 1640.3F.<br>If a prisoner is transferred and is subsequently required to return to the transferring station, the cost of the move, to include escorts, shall be borne by the command requesting the prisoner's return. See MILPERSMAN 1640-105 |
| Guards for convicted courts-martial prisoners entering within the Navy Correctional System. | Navy escort transportation and other costs are charged to the operation and maintenance funds of the activity transferring the prisoner, except when members are transferring to a naval consolidated brig (NAVCONBRIG) or to U.S. Disciplinary Barracks, Fort Leavenworth, Kansas. In these cases, the NAVCONBRIGS will normally provide funding. For additional information, refer to MILPERSMAN 1640-090. USMC escorts travel expenses are funded by the HQMC Head, Corrections Section (POS-40). POS-40 works with the CNP in correctional and confinement matters. For additional information, refer to MCO 1640.3F. |

| TRAVEL REQUIREMENT | FUNDED BY |
|---|---|
| **MISCELLANEOUS ASSIGNMENTS** | |
| Operational requirements for Headquarters staff, or a squadron, to move between a shore-based homeport location and a forward deployed location on a temporary basis. | Travel is chargeable to the funding source which supports the TAD travel of the NAVY/MARCORPS command or activity to which traveler or his principal is assigned. These are movements to and from the home and deployed locations.<br>Examples include a squadron moving onboard a carrier for deployment, or a battlegroup commander with staff disembarking a flagship upon end of deployment. |
| Personnel Exchange Program (PEP) assignments. PEP provides for an equivalent one-for-one exchange between officers and personnel from other military services. The PEP is a separate and distinct program from programs that promote inter-service security training and assistance. | For Navy, travel is chargeable against either the Military Personnel, Navy or Reserve Personnel, Navy appropriation depending on the individual receiving the orders. Refer to the current issuance of OPNAVINST 5700.7 and MILPERSMAN 1306-921.<br>For Marine Corps, the host service/government is responsible for funding all TAD travel required. For additional information, refer to MCO 5700.4E. |
| **DEPENDENT ESCORT** | |
| Escort for dependents whose Navy/MARCORPS principal has died, is missing, or otherwise unable to accompany the dependents. See Part A of Chapter 5 of the JTR. NOTE: The traveler may be a Navy or Marine Corps member, DON civilian employee paid from appropriated funds, authorized dependent, or an escort for a dependent or member. | Charge escort TAD travel to the operating funds of the order issuing activity. |

## 03143 TRAVEL IN CONNECTION WITH TEMPORARY DUTY (DIFFERENT PERMANENT DUTY STATION)

### 1. GENERAL

The provisions of this paragraph apply to the financial responsibility for travel that is performed in connection with temporary duty assignments when such travel does not begin and end at the same permanent duty station. The examples provided below are not exhaustive and Appendix A contains definitions for terms used in the Budget Policy paragraph.

## 2. BUDGET POLICY

### a. Nucleus Crew Travel in Connection with Pre-Commissioning Training

The Chief of Naval Personnel (CNP) is responsible for financing Pre-Commissioning Unit (PCU) travel for uniform members assigned to, and detached from, duty in connection with conversion, fitting out, or reactivation or temporary duty at a ship's construction site. The Program Executive Officer (PEO) who has primary responsibility for directing the ship acquisition is responsible to identify training requirements to both the platform Resource Sponsor and the Temporary Duty Under Instruction Resource Sponsor (N1) through the Planning, Programming, Budgeting, and Execution process and to keep CNP informed of changes in ship delivery dates. This training should be identified in the ship specific Navy Training Systems Plan developed by the responsible PEO in accordance with instruction provided under OPNAVINST 1500.76C, Naval Training Systems Requirements, Acquisition, and Management.

Two sets of permanent change of station (PCS) orders are issued by the CNP for Pre-Commissioning training. The Military Personnel (MILPERS) appropriation funds travel incident to training duty that will exceed 6 months in duration and the Operation and Maintenance (O&M) appropriation funds travel incident to training duty that is less than 6 months in duration. The detailer makes this determination based on the Naval Sea Systems Command Quarterly Progress Report, for additional information, refer to MILPERSMAN 1320-320.

### b. Pre-Commissioning Unit (PCU) Travel

The CNP is responsible for financing PCU travel for uniform members assigned to, and detached from, duty in connection with conversion, fitting out, or reactivation or temporary duty at a ship's construction site. The Pre-commissioning crew is responsible for managing the turn-over of a new ship into the Fleet. The MILPERS appropriation funds travel incident to training duty that will exceed 6 months in duration and the O&M appropriation funds travel incident to training duty that is less than 6 months in duration. For additional information concerning the movement of personnel ordered "for duty in connection with fitting out", refer to MILPERSMAN 1320-320.

### c. SCN Pre-commissioning Funds

The Shipbuilding and Conversion, Navy (SCN) appropriation is budgeted and executed in three distinct budget line items (BLIs); Advance Procurement, Full Funding, and Outfitting/Post Delivery. Within the Full Funding and Outfitting/Post Delivery BLIs, SCN pays for travel as follows:

*i.* Full Funding pays for the travel of PCU members that have reported to the 'builder's yard' and require training on the ships various weapon systems, communication systems, and general operating systems.

*ii.* Outfitting/Post Delivery pays for the travel of PCU members that have reported to the 'builder's yard' and need to attend pre-commissioning meetings, administrative travel associated with pre-commissioning planning events, and for the basic crew familiarization of the ship.

SCN does not fund general team training conducted to satisfy core competencies that are required for crew certification completed after personnel have arrived onboard ship. These costs are funded with Fleet OMN.

**d. Travel in Connection with Temporary Duty under Instruction (TEMDUINS) Incident to a PCS**

Travel costs for members under TEMDUINS to a course of instruction of less than 20 weeks duration in connection with a permanent change of station (PCS) will be budgeted in the Military Personnel, Navy or the Military Personnel, Marine Corps appropriation. Related per diem costs will be budgeted in the Operation and Maintenance, Navy or the Operation and Maintenance, Marine Corps appropriation.

## 03144 TRANSPORTATION WHILE IN A LEAVE STATUS

### 1. CIRCUMSTANCES

Under certain circumstances, transportation at Government expense is authorized for military members who are in a leave status. In the Department of Navy (DON), these circumstances include overseas emergency leave, travel to a federal medical facility in the event of illness or accident, travel during ship overhaul or inactivations away from homeport, travel associated with relocation of a ship while the member is on leave or liberty, and travel associated with cancellation of leave due to contingency operations.

### 2. BUDGET POLICY

**a. Emergency Leave**

Emergency leave, and the conditions for approving it for the Department of Defense (DoD) Components, are prescribed in DoDI 1327.06, Leave and Liberty Policy and Procedures and the Joint Travel Regulation (JTR). DoDI 1327.06 stipulates that authorized emergency leave transportation expenses are to be charged to the appropriated funds that support the temporary duty (TDY) travel of the Service member's assigned unit and that emergency leave should not be denied solely because of a lack of funds. Military members and their command-sponsored dependents that are granted emergency leave are authorized round-trip commercial transportation at Government expense, providing Government transportation is not reasonably available from overseas to the Continental United States (CONUS), Alaska, Hawaii, Puerto Rico, or possessions of the United States. This commercial air entitlement is limited to the nearest CONUS point of entry. A Commander must determine "reasonable availability" after considering frequency and scheduling of flights, and other relevant circumstances. The emergency traveler must be provided the five means of travel options or combinations outlined in DoD 4515.13-R, Air Transportation Eligibility, Chapter 2, Paragraphs A. 4.a through A. 4. E. for members assigned to duty within the DON, emergency leave transportation costs are chargeable to the operating budget that supports the temporary additional duty (TAD) travel of the ship, station or unit to which the member is assigned for duty. For members assigned to activities operating under Navy Working Capital Fund procedures, these leave costs are chargeable to operating funds by the parent command.

**b. Outside the Continental United States (OCONUS) / Continental United States (CONUS) Authorities**

Travel across the continental United States (CONUS) is at the Government's expense if a Uniformed Member or family member must transit the CONUS to reach outside the continental United States (OCONUS).

There is no authority for one way emergency leave travel and transportation to a ship's location if the member departed on emergency leave while the ship was in its home port.

There is no authority for one way emergency leave transportation from CONUS back to an OCONUS permanent duty station if a member or family member is on personal leave in CONUS when the emergency occurs.

For additional information, refer to Joint Travel Regulation, Chapter 7, Special Circumstances Travel and Transportation.

**c. for members assigned to duty outside DON, funded emergency leave transportation costs are chargeable, as applicable, to:**

*i.* International Security Assistance Program. Per 22 U.S.C. Section 2311 members of the Armed Forces of the United States and other personnel of the Department of Defense may be detailed to perform duties of a noncombatant nature to any friendly country or international organization. Section 515 of the Foreign Assistance Act of 1961 provides authority for emergency leave costs for military members and their command-sponsored dependents assigned to overseas duty in Security Assistance Program billets to be charged to the operating budget of the Foreign Military Financing Program.

*ii.* United States Antarctic Program. Emergency leave costs for military members assigned to overseas duty that support polar research and operations for the United States Antarctic program are to be charged to the operating budget from funds made available in the Commerce, Justice, Science, and Related Agencies Appropriations act or similar legislation for that program. Authority to fund necessary expenses in carrying out the National Science Foundation Act of 1950, 42 U.S.C. 1861, and Public Law 86-209 provides authority for reimbursement to other Federal agencies for operational and science support and logistical services.

*iii.* All other assignments are chargeable to the operating budget of the DON activity or command to which the member reports for administrative purposes.

**d. Personal Emergencies for a Uniform Member on Temporary Duty (TDY) or Away From Home Port**

A member on TDY away from the permanent duty station, or assigned to a ship or unit operating away from its home port, is authorized round trip personal emergency travel and transportation allowances between the TDY / unit location or ship and the permanent duty station, or home port.

**e. Hospitalization and Convalescent Leave of a Uniform Member**

When members in a leave status are hospitalized because of illness or accident, the transportation costs arising from the transfer of the patient from a civilian hospital to a medical facility of the uniformed services are chargeable to Operation and Maintenance, Defense Health Program funds administered by the Bureau of Medicine and Surgery. In the case of convalescent leave, the parent command of the service member is responsible for the travel entitlement. As defined in DoDI 1327.06, Leave and Liberty Policy and Procedures, convalescent leave is a period of authorized absence granted to Service members under medical care, which is part of the treatment prescribed for recuperation and convalescence. Per diem, meal tickets, and reimbursement for meals and lodging are not allowed.

**f. Ship Overhauls and Inactivations**

When a ship (including a Naval Reserve Force ship or a ship supported by Research, Development, Test and Evaluation, Navy funding) is undergoing overhaul or inactivation at a location other than the ship's home port, round trip transportation between the overhaul/inactivation site and the ship's home port may be provided at Government expense for members in a leave status from that ship. The term "ship overhaul" includes regular overhaul, interim overhaul, restricted availability, tender availability, post-construction availability, and post-shakedown availability. Round trip travel costs when ships are undergoing regular overhaul, restricted availability, tender availability, post-construction availability, and post-shakedown availability are chargeable to designated operating budget resources of the appropriate Fleet Commander. Round trip travel costs incident to ships being inactivated is a budgetary responsibility of the Naval Sea Systems Command and chargeable to funds made available for the ship inactivation. See paragraph 03145 for additional guidance.

**g. Relocation of Ship**

Travel required as a result of change of location of a ship while a member is on leave or liberty, will be funded from the operating account of the ship to which the member is assigned.

**h. Recall for Operational Reasons**

When members in a leave status are recalled because of contingency or emergency war operations, transportation at Government expense is authorized. The costs associated are chargeable to the operating account that supports the activity to which the member is assigned.

## 03145 TRAVEL AND TRANSPORTATION ALLOWANCES DURING SHIP OVERHAUL, NEW CONSTRUCTION OR INACTIVATION AWAY FROM HOME PORT

### 1. CIRCUMSTANCES

Authority to provide round trip transportation at Government expense for a member of the Uniformed Services serving aboard a ship, which is either being overhauled or inactivated away from its homeport, is provided under 37 U.S.C. 476b.

37 U.S.C. 476c authorizes similar transportation for members permanently assigned to ships under new construction between the construction site and either the designated homeport or the area where dependents are residing. For additional information related to authorized transportation allowances for members' dependents while on permanent duty aboard a ship being constructed, overhauled or inactivated refer to the Joint Federal Travel Regulation Volume 1, U7115 (Ship Constructed, Overhauled or Inactivated at Other than Home Port).

Budgetary and financial responsibility for transportation, transportation in kind, reimbursement for personally procured transportation, or an allowance for transportation for a member who is on permanent duty aboard a ship which is being overhauled or inactivated away from its home port and whose dependents are residing at the home port of the ship is provided in the following paragraph.

## 2. BUDGET POLICY

### a. Overhaul

Except as specified in subparagraph c, round trip travel costs when ships are undergoing regular overhaul, restricted availability, tender availability, post-construction availability, and post-shakedown availability are chargeable to designated operating budget resources of the appropriate Fleet Commander.

### b. Inactivation

Except as specified in subparagraph c, round trip travel costs when ships are being inactivated is a budgetary responsibility of the Naval Sea Systems Command and chargeable to funds made available for the ship inactivation.

### c. Exception

Ships that are overhauled or inactivated with RDT&E,N resources are exempt from the funding policy in subparagraphs a and b. Round trip travel in such instances is financed from RDT&E,N sources.

### d. New Construction

Travel and transportation costs for members permanently assigned to ships under construction are the funding responsibility of the Fleet Commander to whom the ship's prospective Commanding Officer reports for duty pending commissioning.

# 03146 PERMANENT CHANGE OF STATION

## 1. GENERAL

Civilian personnel and uniform members who are ordered to make a permanent change-of-station (PCS) move are entitled to personal travel and transportation allowances including the movement and storage of household goods (HHG) and other expenses. Rules for PCS entitlements are contained in the Joint Travel Regulations (JTR).

## 2. PERMANENT CHANGE OF STATION (PCS) OBLIGATION GUIDANCE

PCS orders for civilian personnel and military members shall be recorded as an obligation in the fiscal year the order is issued. This financial policy applies to all authorized reimbursable expenses incidental to the relocation of civilian and uniform members at the request of the U.S. Government and for transportation requests and bills of lading expected to be issued. The only exception is the obligation of costs for non-temporary contract commercial storage of HHG, which shall be obligated either in the period in which the service is rendered or to the applicable appropriation /fund current when the contract is awarded (see para 03140). For additional information, refer to DoD FMR Vol 3 Ch. 8.

## 3. FUNDING POLICY FOR MILITARY PERSONNEL PCS TRAVEL

### a. General

Except as provided in subparagraphs h, i, and j, the Military Personnel, Navy (MPN) or Military Personnel, Marine Corps (MPMC) appropriation, as appropriate, finances the PCS travel costs of regular and reserve personnel on active duty, their authorized dependents, and shipment of personal property. BUPERSINST 7040.6B provides procedures for the administration and accounting for costs incident to PCS travel under the MPN appropriation. BUPERSINST 7040.7B provides procedures for the administration and accounting for costs incident to PCS travel under the Reserve Personnel, Navy (RPN) appropriation. MCO 1300.8 provides guidance for the

permanent change of assignment of Marines and related policy for PCS orders. The cost of temporary duty travel directly related to an integral part of a PCS movement is also chargeable to the MPN or MPMC appropriation, as appropriate. Upon authorization by a local command, dependent travel and shipment of personal property are chargeable as a PCS movement when performed under rules set forth in the Joint Travel Regulation and DoD FMR Vol 2A Ch. 2. The types of travel are set forth in subparagraphs (b) through (l).

**b. Accession Travel**

Accession travel covers the PCS movement of:

*i.* Officers from home or place of acceptance of commission to first duty station including any authorized temporary duty station (TEMDU)/temporary duty instruction (TEMDUINS) enroute.

*ii.* Enlisted recruits from a recruiting district or entrance processing station, home, or place from which ordered to active duty to a recruit training center and to first permanent duty station (PDS) or duty under instruction (DUINS). A DUINS location is considered a PDS.

*iii.* Midshipman travel to the Naval Academy and individuals who travel to the Academy but fail to pass the entrance examination are required to return home.

**c. Training Travel**

Training travel covers the PCS movement of:

*i.* Officer and enlisted personnel within the continental United States (CONUS) from a PDS to DUINS at a school or installation for a period of 20 weeks or longer. It also includes the cost of travel to the next CONUS PDS upon completion of instruction or elimination from instruction or;

*ii.* Officer and enlisted personnel located within an outside the continental United States (OCONUS) area school or installation to the next OCONUS PDS and no transoceanic travel is involved.

**d. Operational Travel Between Duty Station**

Operational travel between duty stations covers the PCS movement between PDSs within overseas locations for officer and enlisted personnel when no transoceanic travel is involved in reaching the new PDS, except such oceanic travel as may be required to reach or depart from a deployed ship or mobile unit. This category includes travel of dependents and shipment of personal property of members interned, missing, or captured when no transoceanic travel is involved.

**e. Rotational Travel to and From Overseas**

Rotational travel to and from overseas covers the PCS movement of officer and enlisted personnel that results from a change of duty assignment when transoceanic travel is necessary to reach the new PDS, including movements to and from courses of instruction of more than 20 weeks duration. It also covers the travel of dependents when the military member is interned, missing, or captured and transoceanic travel of the dependent is involved. Movement of organized units to and from overseas is excluded from this category.

**f. Separation Travel**

Separation travel covers the PCS movement of officer and enlisted personnel who are released or separated from active duty from the last PDS to a home of record, home of selection (when authorized), or to the point of entry into active duty, including mileage allowance paid in lieu of travel upon reenlistment with no break in service. The travel costs, from the site of the training program to the home of record or point of entry into service, of individuals returned to civilian life as disenrollees from midshipmen or aviation cadet status are included. It also includes the travel costs of dependents and shipment of personal property of deceased personnel to a home of record, home of selection (when authorized), or to point of entry into active service for the deceased member.

**g. Travel of Organized Units**

Travel of organized units covers the PCS movements, CONUS and overseas, required for a change of homeport or the relocation of a squadron, staff, or field activity. It also includes the PCS travel cost of personnel ordered as replacements when directed to move as part of the unit move.

**h. Temporary Duty Under Instruction Incident to PCS Movement**

When PCS orders include temporary duty under instruction of less than 20 weeks, the costs therewith are budgeted in accordance with para 03143.

**i. Reserve Personnel in Special Categories**

The cost of PCS travel of Reserve personnel ordered to active duty, but not with the Reserve forces, under 10 U.S.C. 12310 is funded as follows:

*i. Full Time Support (FTS) Program, Naval Reserve Force*

Under the FTS Program, members of the Naval Reserve ordered to active duty perform duties in connection with organizing, administering, recruiting, instructing, managing, or training Reserve Components. Pay, allowances, and cost of travel (PCS) for FTS uniform members are chargeable to the Reserve Personnel, Navy appropriation.

*ii. Marine Corps Active Reserve (AR) Program*

Under the AR Program, members of the Marine Corps Reserve ordered to active duty perform duties in connection with organizing, administering, recruiting, instructing, managing, or training Reserve Components. Pay, allowances, and cost of travel (PCS) for AR uniform members are chargeable to the Reserve Personnel, Marine Corps (RPMC) appropriation.

For additional information, refer to, BUPERSINST 7040.7B.

**j. Assignments to Military Assistance Advisory Groups (MAAG's)**

The cost of PCS travel incurred in the assignment of uniform members to duty in Security Assistance (SA) Program billets in overseas MAAG's is reimbursable to the MPN or MPMC appropriation. The SA program is authorized under 22 U.S.C. 2751 and allows for the transfer of military articles and services to friendly foreign Governments. The Defense Finance and Accounting Service (DFAS) Defense Security Cooperation Agency bills foreign governments and international organizations for costs related to defense articles and services sold. Department of Defense Components report costs to

DFAS to obtain reimbursement. For additional information refer to DoD FMR Vol 15 and DoDD 5132.03.

**k. Special Circumstances**
Travel costs arising from orders, which detach military members from a PDS pending further assignment, usually for medical or disciplinary reasons, are chargeable as a PCS movement and will be classified under the categories in subparagraphs 3.a and 4, as appropriate. The travel costs of dependents and shipment of personal property of military members hospitalized under PCS orders are also chargeable as a PCS movement.

**4. FUNDING POLICY FOR CIVILIAN PERSONNEL PCS TRAVEL**
The cost of PCS travel for Department of Navy (DON) civilian employees is administered at the activity level. Accordingly, when a DON activity is responsible for costs of a PCS movement of an employee and that employee is paid from appropriated/Navy Working Capital Fund funds such costs are chargeable to the activity's operating funds. The cost of PCS travel of an employee of a nonappropriated fund instrumentality is chargeable to appropriated funds. Chapter 5 of the JTR sets forth the specific assignments of financial responsibility for gaining and losing activities for PCS movements under special circumstances.

## 03147 TRAVEL IN CONNECTION WITH RESERVE DUTY

When a Navy or Marine Corps Reserve member is ordered to temporary active duty, responsibility for the travel cost arising from the temporary active duty assignment is assigned to the following appropriations as follows:

**1. Reserve Personnel, Navy (RPN); Reserve Personnel, Marine Corps (RPMC) appropriations**

**a.** 10 U.S.C. 12301 provides legislative authority for the costs of pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for Naval Reserve or Marine Corps Reserve members ordered to active duty are to be funded from the RPN appropriation for Navy Reserve personnel and the RPMC appropriation for Marine Corps Reserve personnel.

**b.** Travel incident to reserve training, performing drills or equivalent duty, or as members of the Reserve Officers Training Corps is to be funded from the RPN appropriation for Navy Reserve personnel or the RPMC appropriation for Marine Corps Reserve personnel.

**2. Operation and Maintenance, Navy (O&M,N); Operation and Maintenance, Marine Corps (O&M,MC appropriations**

**a.** Travel, per diem and other related expenses incident to tours of duty served by Reserve personnel at the request and for the benefit of the active military component for periods of less than 20 weeks are to be funded from the O&M,N appropriation for Navy Reserve personnel or the O&M,MC appropriation for Marine Corps Reserve personnel.

**b.** Reserve personnel on active duty for periods of 20 or more weeks are considered to be on Permanent Change of Station (PCS) movement, the costs of which are chargeable to the Military Personnel, Navy (MPN) appropriation for Navy Reserve personnel and to the Military Personnel, Marine Corps (MPMC) appropriation for Marine Corps Reserve personnel.

3. **Military Personnel, Navy (MPN); Military Personnel, Marine Corps appropriations**
   Activation of Selected Reserve (SELRES) and Individual Ready Reserve (IRR) members of the Reserve component under the authority of 10 U.S.C. 12304, regardless of duration, constitutes a call to active duty, and transfers control of these members and units to the active component. When deployed or in Initial Active Duty Training these members are temporarily placed in full Active Duty status for the duration of their deployment or training orders. For additional information, refer to DoDI 1215.06, Uniform Reserve, Training, and Retirement Categories for the Reserve Components or DoDI 1235.13, Administration and Management of the Individual Ready Reserve and the Inactive National Guard. Costs incurred for travel and transportation from a member's residence to the initial duty station are chargeable to the MPN appropriation for Navy Reserve personnel and to the MPMC appropriation for Marine Corps Reserve personnel. 10 U.S.C. 10147(a) provides statutory authority for per diem paid to SELRES and IRR reservists while at their duty stations to be paid from O&M,N for Navy Reserve personnel and from O&M, MC for Marine Corps Reserve personnel. Subsequent travel and transportation costs related to the operational deployment of these personnel and units are also chargeable to the O&M,N appropriation for Navy Reserve personnel and to the O&M,MC appropriation for Marine Corps Reserve personnel.

## 03148 TRANSPORTATION RATES FOR NON-DEPARTMENT OF DEFENSE (DoD) MISSIONS

Transportation in support of humanitarian assistance, United Nations peacekeeping support, disaster relief, and for other designated emergency requirements is billed at the Department of Defense (DoD) rate. For additional information refer to DoD FMR Vol 12 Ch. 23.

Transportation in support of other U.S. Government Agencies for all efforts other than those stated above is billed at the U.S. Government/non-DoD rate.

## 03149 MANAGING FINANCIAL RESOURCES FOR CIVILIAN DEPLOYMENTS

1. **POLICY**
   The Department of Defense (DoD) relies on civilian employee volunteers to meet many contingency operations (CONOPS) mission requirements. Department of the Navy (DON) civilians, assigned to specific geographic locations as determined by the Secretary of Defense i.e. Iraq, Afghanistan and Pakistan, are authorized continuation of certain benefits, allowances and gratuities under the authority of 5 U.S.C 9904.

2. **PROCEDURES**
   Civilians interested in participating in deployment assignments must submit an application package to the Office of the Secretary of Defense via the Civilian Personnel Management Service Expeditionary website: http://www.cpms.osd.mil/expeditionary/. Applications are reviewed, with the Office of the Assistant Secretary of the Navy, Manpower and Reserve (OASN (M&RA)) as the DON participant in the review process. Candidates that are selected for deployment will be sent an acceptance letter by OASN (M&RA), with a copy provided to the servicing Human Resources Office (HRO). The HRO is responsible to notify the command of the individual's selection. Commands will then work with the appropriate comptroller staff to identify resources to support the deployment. A civilian volunteer should not be denied deployment due to lack of funds. Questions regarding personnel aspects of civilian deployments should be directed to OASN (M&RA).

**3. FUNDING**

**a.** Funding responsibilities of the parent command include items such as; volunteer's salary, benefits, and other associated entitlements (i.e., post differential, premium pay, danger pay, etc.); travel to/from deployment training site; travel to/from deployment location; any funding requirements associated with gap filling the position temporarily. Training and any equipment costs for the individual will be funded by the command receiving the civilian volunteer.

**b.** For Navy Working Capital Fund (NWCF) activities, if the deployment is not part of a direct NWCF mission, all costs will be charged to the operating funds of the parent command.

**c.** Commands are responsible to work with the Principal Administering Office (PAO) to ensure funding requirements are identified and supported. Funding for Overseas Contingency Operations (OCO) or other contingencies may be available at the PAO level and if not should be sought from FMB, Contingency Operations Branch (FMB-11).

**d.** Should funding from OCO supplemental or other available contingency accounts not be available at the time of deployment, commands should use existing resources and PAOs may seek mid-year review consideration for reimbursement.

**e.** If an unusual situation was to arrive and funding was not available within the DON, OASN (M&RA) and the Office of the Assistant Secretary of the Navy, Financial Management and Comptroller will coordinate that position and notification will be made to the Under Secretary of Defense (Comptroller), prior to notifying the Deputy Under Secretary of Defense Civilian Personnel Policy, before a deployment may have to be denied due to lack of funds.

**f.** All incremental civilian deployment costs borne by the command that directly support these CONOPS are eligible for OCO funding, subject to availability. All incremental costs related to this initiative shall be captured in applicable accounting systems and included in the monthly Cost of War report.

## SECTION IV: INTRA-AGENCY AND INTERAGENCY RELATIONSHIPS

### 03160 GENERAL

This section highlights specific interagency and intra-agency agreements for the DON. For specific information related to reimbursable work orders (RWOs) for interagency and intra-agency support, please see FMPM 04001 Terminology.

### 03161 POLICIES AND PRINCIPLES FOR INTRA-AGENCY AND INTERAGENCY SUPPORT

**1. INTRA-AGENCY RELATIONSHIPS (BETWEEN DoD COMPONENTS)**

Intra-agency support involves transactions for goods and services within and between the Department of Defense (DoD) and other DoD Components, also known as interservice support. Each Navy and Marine Corps activity may request support from another DoD Component having the capability to provide the support. Each Navy and Marine Corps activity may provide support to other DoD Components to the extent of available capability, provided that, such support does not interfere with the activity's mission and any manpower

constraints. Intra-agency support will be provided by a supplier and obtained by a receiver in the manner that maximizes the benefit to the DoD as a whole. Additional policy related to RWO requirements can be found in FMPM 04000.

**2. INTERAGENCY RELATIONSHIPS (BETWEEN A DoD COMPONENT AND NON-DoD FEDERAL AGENCIES)**

Interagency support involves transactions for goods and services between DoD and non-DoD Federal government agencies, also known as intergovernmental support. This does not include support provided to or received from foreign governments. Requests for DON to provide supplies and services from other Government departments are subject to statutory and administrative authority, and are accepted if such support does not interfere with the activity's mission. Additional policy related to RWO requirements can be found in FMPM 04000.

## 03162 WORK OR SERVICES FOR FEDERAL AND NON-FEDERAL (PUBLIC) ENTITIES

**1. FEDERAL ENTITIES**

A federal entity is any federal government organization, whether it is Department of Defense (DoD) or non-DoD. Department of Navy (DON) commands will not perform work without a funded order. In those cases where a funded order cannot be accepted, predominately due to system issues, an advance payment is required. DON commands must receive the funded order or advance payment before commencing work. Although Non-Appropriated Fund Instrumentalities (NAFIs) have the legal status of Federal entities for purposes such as personnel matters, the foundational financial structure of NAFI organizations is non-appropriated funds. Because non-appropriated funds by their nature are not appropriated by the Congress, NAFIs cannot provide a funded order to the DON. Therefore, in order for DON commands to provide goods or services to NAFI organizations, an advance payment is required.

**2. NON-FEDERAL OR PUBLIC ENTITIES**

Non-federal or public entities include private, non-Federal, or entities outside the U.S. Government that receive work, services, and materials from Department of Navy (DON) activities, which are operated on a Department of Defense (DoD) installation. A DON command may not perform work for a public entity without statutory authority, which provides the legal authority to perform the work. Additionally, DON commands must receive an advance payment before commencing work for a non-Federal or public entity, unless statutory authority specifically exempts the need for the advance payment.

It is DoD policy under DoDI 1000.15 that procedures be established for the operation of private organizations on DoD installations to prevent the official sanction, endorsement, or support by DoD Components, except as in DoDD 5500.7 (Standards of Conduct). Private organizations are not entitled to sovereign immunity and privileges afforded to Federal entities and instrumentalities. Private organizations are not Federal entities and are not to be treated as such in order to avoid conflicts of interest and unauthorized expenditures of appropriated, commissary surcharge, or nonappropriated funds.

**3. ADVANCE PAYMENTS BASED ON SERVICES**

A DON command providing goods or non-severable service will ensure the advance payment is for the full value of the estimated costs. If a severable service is provided, the advance

payment should cover the annual cost, but at a minimum, will cover the cost of work for one quarter at a time. When funding is substantially liquidated and allowing for customer lead times, the DON command will request an additional advance payment. If the advance payment is fully liquidated, additional work will not continue until another advance payment is received. Base Operating Support costs for private, non-Federal and public entity tenants may be included in overall rent charges instead of charging for each service provided. Advance payments will be required for rent.

**4. EXCLUSIONS**

There will be no direct financial assistance to a private organization from a NAFI in the form of contributions, repairs, services, dividends, or other donations of money or other assets. No support or assistance can be provided to organizations that compete with resources and services commercially available in the public domain (except as provided in subpar.5 (*i*) through (*vi*)); for expenditures the Congress has not authorized; to confer an explicit or apparent benefit, favor or endorsement upon any entity; or to benefit or favor DON personnel). DON installations and activities cannot provide support that should be hired or leased, or provided by a sponsoring organization or locality, such as security, transportation, medical and other logistical support. Finally, the extent of support rendered to single-Service affiliated organizations should be the same as support normally offered other organizations and events.

**5. SPECIAL CASES**

This policy does not apply to the following organizations, which are governed by specific DoD Directives and Instructions as referenced:

**a. Scouting Organizations Operating At U.S. Military Installations Located Overseas**

The Boy Scouts of America and the Girl Scouts of America are organizations chartered by the Federal Government and are recognized as important adjuncts to the overall requirements for accommodating and supporting DoD personnel and their families assigned to overseas areas. Any appropriated fund (APF) and nonappropriated fund (NAF) support provided will be programmed and approved on an annual basis by the DoD Components. APF support may be used to provide the following services to overseas scouting organizations on a non-reimbursable basis: transportation of personnel, office space, warehousing, utilities, and means of communication. NAF support may be used in conjunction with these overseas scouting organizations to provide support authorized for youth activities programs, to reimburse scouting organizations for salaries and benefits of employees in direct support of DoD personnel and their families and to reimburse travel to and from official meetings of the overseas scouting committee. For additional information, refer to DoDI 1015.9 and 10 U.S.C 2606.

**b. American National Red Cross**

The American National Red Cross is entitled to provision of space, maintenance, utilities, and common services on a non-reimbursable basis. The Red Cross is also entitled to official local area telephone service and access to defense switched network (DSN) when locally available. However, long distance toll charges and costs for specialized installation and/or equipment will be borne by the American National Red Cross and arrangements with the local telephone company to have charges for toll and other special service billed directly to the American National Red Cross. Office furniture and equipment may be furnished on a loan basis, if available from existing stocks in excess of

Navy and Marine Corps local requirements. For additional information, refer to DoD Directive 1000.26E and SECNAVINST 5760.1C.

**c. United Service Organizations, Inc.**

The United Service Organizations, Inc. (USO) is a voluntary civilian organization through which the people of the United States may serve the religious, spiritual, social, welfare, educational, and entertainment needs of members of the Armed Forces. According to its by-laws, the USO is responsible to the President and to the Secretary of Defense. The USO mission is to enhance the quality of life of the personnel within Armed Forces military communities and to create a partnership between U.S. military and civilian communities worldwide. In furtherance of USO objectives, it is general DoD policy to make resources available to recognized USO facilities to the maximum extent permitted by law. The USO is responsible for soliciting funds for the accomplishment of its mission and the DoD shall not be responsible for funding and shall not be an active participant in USO fund-raising activities. For additional information, refer to DoD Directive 1000.26E.

**d. United Seamen's Service**

The United Seamen's Service (USS) is a nonprofit, charitable organization whose mission is to promote the welfare of seamen and other personnel of the United States Merchant Marine. Logistical support to the USS is limited to those instances when the economic condition or isolated location of the area is such that the support is not available from local civilian sources, or the support cannot be imported from other sources, or is available, whether from local civilian sources or by importation, only at prohibitive cost. There will be no direct financial assistance to the USS from DoD nonappropriated fund instrumentalities in the form of contributions, dividends, or other donations of money or other assets however, appropriated funds may be spent on the USS. For additional information, refer to 10 U.S.C. 2604 and DoDD 1000.26E.

**e. Financial Institutions on DoD Installations**

Except where they already exist as of May 1, 2000, no more than one banking institution and one credit union are permitted to operate on a DoD installation. Policies governing these institutions differ depending on the institution's status as a domestic bank, overseas bank, domestic credit union, or overseas credit union and are responsible for their base operating support services. For additional information, refer to DoD Directive 1000.11 and DoD FMR Vol 12 Ch. 33.

**f. Navy-Marine Corps Relief Society**

The Secretary of the Navy (SECNAV) may provide, without charge, space and services under their jurisdiction, to the Navy-Marine Corps Relief Society. The term "services" includes lighting, heating, cooling, electricity, office furniture, office machines and equipment, telephone and other information technology (IT) services (including installation of lines and equipment, connectivity and other associated services), and security systems (including installation and other associated expenses).

## 03163 HOST-TENANT RELATIONSHIPS

This section addresses situations when the Navy or Marine Corps is the host and when the Secretariat, Navy or Marine Corps, is a tenant of a Department of the Navy (DON) hosted base. The Financial Management Policy Manual is the DON policy that shall be utilized when

determining host-tenant responsibilities and reimbursement. For information regarding Intra-agency and Interagency Relationships, refer to para 03160 and 03161 and for information regarding Work and Services for Non-Federal and Public entities, refer to para 03162.

**1. HOST ACTIVITY RESPONSIBILITY**

The DON host is mission funded to provide common installation (base operating support) services for the bases it owns. Common services are those that are generally needed whether there is one tenant or multiple tenants, and the services are normally provided at common output levels (COLS). to be specific, if the Navy is the host, the common services will be budgeted by Commander, Navy Installation Command for tenants, whether a DON command or not; alternatively, if the Marine Corps is the host, funding will be budgeted by the Marine Corps Installation Command for tenants. DoDI 4000.19 enclosure 4 provides descriptions of common installation support functions that may be included in a host-tenant support agreement. The signatories of the agreement will make the final determination as to whether support is reimbursable or non-reimbursable. The list is not all-inclusive, and the support descriptions may be modified as needed for each agreement to clearly identify the specific support that will be provided.

**2. THE TENANT RESPONSIBILITY**

DON tenants do not budget for common (base) support services that are provided by the host at the established COLS. Support services that are specific to the needs and requirements of the tenant organization are a funding responsibility of the tenant. Costs to the host for tenant specific requirements that go beyond the common services provided by the host or that are additional, identifiable, and can be segregated or metered on a reasonable and meaningful basis, will be funded by the tenant. In some cases the charges may be billed directly to the tenant (e.g. metered buildings and utility costs). Because of the organizational structure of the DON, not every DON tenant may reimburse for support services if a centrally funded concept is established. If the DON organizational structure has been established to centrally fund these other support service costs in one Navy or one Marine Corps command, then the respective Navy or Marine Corps tenants will not fund the other services. To the extent the tenant activity requires additional or enhanced service above current COLS, the tenant will follow the Navy or Marine Corps appropriate chain of command for the approval process. Once approved, the tenant will provide funding to the performing activity using a budget base transfer, in either the execution or budget year. For additional information regarding budget base transfers, refer to para 03002.

**3. FACILITIES, SUSTAINMENT, RESTORATION AND MODERNIZATION**

The activity or organization holding the maintenance unit identification code (MUIC) will be responsible for determining and funding sustainment, restoration and modernization (FSRM) of facilities under their cognizance. The activity with the MUIC responsibility will determine and fund the appropriate level of maintenance to be performed on facilities under its cognizance. Although a tenant may be a sole occupant of a facility in the real property inventory, cyclical (preventive and corrective) maintenance is the responsibility of the host unless the tenant is identified as the MUIC holder. The host activity is typically identified in the internet Naval Facilities Assets Data Store (iNFADS) as the MUIC holder for all real property on their installations. In addition to cyclical maintenance, the host is also responsible for emergent repair work to correct repairable damage caused by disasters and repair to replace worn out parts of a facility that are beyond economical maintenance. In

circumstances when the host finds it necessary to relocate tenants on property controlled by the host, the host is responsible to fund the cost of the move and provide alternate spaces of approximately equal serviceability to the displaced tenant. In the event that the host's request of relocation is necessitated by accommodation of a function of a different tenant, the tenant activity requiring the space realignment is responsible for the costs of renovating the space and relocation. Excluding the exceptions listed below, all other Navy facilities fall under the responsibility of the host activity:

- Navy Working Capital Fund (NWCF) activities will be the MUIC for all WCF mission related facilities, and all facilities occupied entirely by NWCF personnel.
- The Bureau of Medicine and Surgery will be the MUIC for medical/dental facilities.
- Other designated exceptions such as Strategic Systems Program facilities, global antenna systems, and Government-owned, contractor-operated facilities.

**4. TENANT RESPONSIBILITY FOR FSRM**

The tenant activity will budget and fund any additional, identifiable, measurable, and significant costs incurred by the host on the tenant's behalf, provided that such costs can be segregated on a reasonable and meaningful basis without undue administrative and/or fiscal difficulties. Examples of such reimbursable costs are as follows:

- Additions, improvements, alterations, and/or rehabilitation of facilities for the tenant's occupancy or use (those facilities changes which are beyond the scope of the host's responsibilities to maintain the existing structures as described in paragraph 1 above);
- Maintenance and repairs, beyond normal wear and tear, caused solely by the tenant's occupancy or use of the facilities.

## 03164 UNIFIED/SPECIFIED COMMANDS

**1. GENERAL**

The Secretary of Defense, through the Joint Chiefs of Staff, has established nine unified combatant commands worldwide with assigned operational missions for a fixed geographical area. They are as follows:

- U.S. Africa Command
- U.S. Central Command
- U.S. European Command
- U.S. Northern Command
- U.S. Pacific Command
- U.S. Strategic Command
  - U.S. Cyber Command (Sub-Unified Command)
- U.S. Southern Command
- U.S. Special Operations Command
- U.S. Transportation Command

**2. FUNDING RESPONSIBILITY**

Combatant Command Support Agency **(**CCSA) is established to provide or arrange for the administrative and logistic support of the headquarters of the Combatant Commands (COCOMs) and their subordinate joint commands. The Department of the Navy maintains lead responsibility for U.S. Pacific Command (PACOM), as directed by the Office of the Secretary of Defense and designated by the Secretary of the Navy. The Joint Task Assignment Process business rules govern the management of resources between the CCSAs and the COCOMs and are contained in DoD FMR Vol 2A Ch. 1. The Office of the Chief of Naval Operations budgets and funds the support of PACOM.

## 03165 SINGLE MANAGERS

**1. GENERAL**

The single manager is responsible for the management of commodities, common-service activities, and functional areas. The objectives are to eliminate duplication and overlapping effort between and within military departments and agencies and to improve effectiveness and economy of supply and service operations throughout the Department of Defense (DoD). Specific single manager assignments are made by the Secretary of Defense (SECDEF). Under the mutual agreement of the military departments, the single manager concept is applied to training of military and civilian personnel in service-operated schools in order to consolidate the provision of joint use services where possible within the military departments. For additional information, refer to DoD FMR Vol 10 Ch. 13, DoDD 5160.62 and DoDD 5158.04.

**2. SINGLE MANAGER ASSIGNMENTS**

When the SECDEF has made a specific assignment, the other military departments progressively will eliminate duplicate functions and activities that have become the responsibility of the single manager. Some examples of single manager assignments to the Department of Navy (DON) are Military Sealift Command (MSC) and Naval Air Systems Command (NAVAIR).

**a.** MSC has been designated as the single manager within DoD for providing ocean transportation. MSC provides sealift transportation to deploy, sustain and redeploy U.S. Forces around the globe. The MSC will monitor and manage all sealift service and will maintain data concerning such service.

**b.** NAVAIR serves as the DoD Single Manager for Explosive Ordnance Disposal Technology and Training (EODT&T) and manages and administers the elements of the EODT&T programs. This includes common-type individual EOD training; Research and Development (including product improvement) of common EOD tools and equipment; and development, joint verification, and fielding of EOD procedures and publications.

**3. COMMON TYPE SPECIALIST TRAINING**

By mutual agreement between the military departments, common type specialist training which qualifies an individual to perform an individual function in more than one military service, is conducted where possible under single manager concepts. The military department accepting single manager responsibility by means of a specific agreement for the provision of interservice courses of instruction in a given area of technical specialty provides school facilities and accepts students from participating military services.

**4. BUDGET POLICY**

Each military DoD Agency budgets for material or identifiable services received from a designated single manager except that training is conducted on a nonreimbursable basis for DoD personnel.

**a. Ocean Transportation**

Operations of MSC are carried out using Navy Working Capital Funds (NWCF) and all users budget for services provided by MSC.

**b. Explosive Ordnance Disposal Technology and Training**

The DON budgets under the RDT&E appropriation for EODT&T conducted at the Naval Ordnance Disposal Facility and under the Operation and Maintenance (O&M) appropriation for the Training support conducted at the Naval School, Explosive Ordnance Disposal.

**c. Common Service Specialist Training**

The military department responsible for common type specialist training under single manager concepts budgets for the operating costs of the schools in which training is conducted. The participating military services furnish administrative and instructor personnel to augment school staffing in proportion to their respective share of the student load. Military and civilian personnel of the DoD components and the United States Coast Guard attend courses of instruction under single manager concepts on a tuition-free basis.

## 03166 MAJOR RANGE AND TEST FACILITIES

**1. GENERAL**

The Secretary of Defense has designated specific Department of Defense (DoD) facilities as Major Range and Test Facility Bases (MRTFB) and has established policies for their use, management, and operation. The MRTFB is a national asset operated and maintained primarily for DoD test and evaluation support missions and also available to all DoD users having a valid requirement for its capabilities. Responsibilities, scheduling policy and overall funding guidance are contained in the DoD FMR Vol 11A Ch. 12, DoDD 3200.11 and DoDI 3200.18. Enclosure (2) of DoDD 3200.11 contains a listing of MRTFB activities by Service.

**2. FUNDING POLICY**

**a.** MRTFB's cannot charge customers for mission funded services, else they would be augmenting their appropriation.

**b.** Single User and/or Restoration of Mothballed facilities. Since MRTFB's are mission funded to provide DoD infrastructure to do testing, it is an MRTFB's responsibility to program and budget for all costs associated with providing the facilities and capabilities, regardless of the number of users. MRTFB's are responsible for indirect costs of maintaining, operating, upgrading and modernizing a facility while the user is charged only for the use of the facility of the testing purpose of their particular program.

## 03167 DEPARTMENT OF DEFENSE EDUCATION ACTIVITY

**1. GENERAL**

The Department of Defense Education Activity (DoDEA) consists of DoD Dependent Schools Overseas (DoDDS) and DoD Domestic Dependent Elementary and Secondary

Schools (DDESS). DoDDS are a network of schools, both primary and secondary, that provide education from pre-kindergarten through grade 12 for eligible dependent children of U.S. military personnel and federally employed civilian personnel residing on Federal property within the continental United States where an adequate education is unavailable. In Guam and Puerto Rico (U.S. possessions), military and federally employed civilian personnel do not have to reside on the military installation.

For additional information, refer to DoDD1342.20, DoDM 1342.6-M and the DoDEA website.

## 2. STUDENT TUTION POLICY

**a. DoD Students**

All dependents of DoD military and civilian personnel attend either a service-operated school or other school on a space-available, tuition-free basis. Costs of such schooling is funded by the DoDEA on a common service basis (no reimbursement from Military Departments).

**b. Non-DoD Sponsored Students**

Students whose sponsors are employed by private companies or other non-federal agencies are admitted to DoDDS on a space-available basis only. Tuition is charged for students attending DoDDS who are not dependents of DoD personnel. Tuition rates are developed annually and approved by the Secretary of Defense (SECDEF). Per 10 U.S.C. 2164 when the SECDEF provides educational services, the SECDEF shall be reimbursed by the heads of the other non-federal agency for those services at the prescribed rates and any payments received shall be credited to the operating account designated for the operation of educational programs.

## 3. SUPPORT OF DoDEA

The Secretaries of the Military Departments, upon request, shall provide facilities, logistics, and administrative support, as required, for the effective operation of DoDEA. The DoDM 1342.06-M prescribes uniform procedures for the DoD Components to follow when providing all requested administrative and logistic support to DoDEA schools. The manual also identifies which services and support are provided as reimbursable or non-reimbursable. Except for those supply, equipment, and services costs incurred through contracts with non-DoD agencies, DoDEA schools shall reimburse all facilities, logistics, and administrative support costs to the providing activity in accordance with DoDM 1342.06-M and DoDI 4000.19. In addition to services indicated in DoDM 1342.06-M as non-reimbursable, and as directed in DoDI 4000.19, DoDEA will not be billed for:

**a.** The costs for supervisors and other indirect cost personnel, unless a unit is established solely to serve DoDEA; in which case, only the costs of the sole support unit are chargeable to DoDEA.

**b.** Military personnel.

**c.** Services that are provided on a non-reimbursable basis to installation tenant organizations, unless providing this service to DoDEA exceeds the installation's capabilities or requires extraordinary expense. In these cases, DoDEA will only be charged for the services upon approval from DoDEA's district superintendent, or when documented in an approved Support Agreement (SA).

The installation commander may rely on in-house resources or contracted services when providing reimbursable services to DoDEA under a SA. The installation commander shall employ the method that is most cost-effective to the U.S. Government and consistent with the requirements of 10 U.S.C. 2461 and 10 U.S.C. 2463.

## 03168 DEFENSE LOGISTICS AGENCY

### 1. PURPOSE

The Department of Navy (DON) has financial relationships with Defense Logistics Agency (DLA) in several major program areas. The policies and principles governing interservice support are applicable to most DON relationships with DLA. However, specialized arrangements have been established for certain program relationships.

### 2. BUDGET POLICY

#### a. Disposal

DLA Disposition Services disposes of excess property received from the military services, and support provided to these activities is subject to reimbursement. Policy guidelines in connection with the preparation for and the disposal of personal property are contained in para 03111.

#### b. Warehousing

The current issuance of DoD D 4145.19-R1, states that warehousing services provided to DLA will be funded on a common-service basis, except where such services are beyond the existing capability of the performing activity and involve significant, unbudgeted costs. For non-fiscal related information, refer to Joint Service Manual (JSM) for Storage and Materials Handling

#### c. Hazardous Waste Disposal

The military services are required to pay for their hazardous waste disposal. The DON budget will include operating funds for hazardous waste disposal operations. However, funding for environmental restoration activities is provided with the DoD transfer appropriation: "Environmental Restoration, Defense." For additional information, refer to 10 U.S.C. 2705.

#### d. Industrial Plant Equipment

Once an industrial plant equipment (IPE) is no longer in need or use, inquiries within the DON community are made to find another command, activity, or other DON entity that may have a need or use for the IPE. If a negative response is received, DON contacts DLA for disposal. If it is determined that DLA has a need for the IPE to meet planned current and/or future requirements, DLA directs the DON to ship the IPE to the DLA Industrial Plant Equipment Service Division, in Mechanicsburg, Pennsylvania and provides a funding document citing DLA's line of accounting for Packing, Crating, Handling and Transportation (PCH&T) costs. However, if DLA does not have a need for the IPE, DLA provides a Disposition Letter directing DON to ship the IPE to the local DLA Disposition Services and the entire financial burden is placed on the DON. For additional information, refer to DoD 4160.21-M.

## 03169 GENERAL SERVICES ADMINISTRATION

### 1. GENERAL

The Pricing Desk Guide (PDG) presents the policies used by the General Service Agency (GSA) Public Buildings Service (PBS) to price real estate and related services to federal tenant agencies. Federally owned space rent is based on an appraisal or return on investment, with other applicable charges added. Leased space rent is a pass through of the underlying lease contract rent, plus any standard operating costs not performed through the lease, the PBS lease fee, and security charges.

### 2. BUDGETING

#### a. General

All the estimated cost of payments to GSA for space occupied by elements of the Navy and Marine Corps, both within and outside the National Capital Region (NCR), including the Department of the Navy (DON) Secretariat and Staff Offices, should be funded within the operating appropriation of the affected activity which holds the lease. Activities which are industrially funded, research, development, test and evaluation (RDT&E) funded, or Foreign Military Sales (FMS) funded will make lease payments from their respective appropriations. In addition, activities funded in the reserve O&M appropriations should make lease payments from these appropriations.

### 3. CERTIFICATION AND PAYMENT OF BILLS

#### a. Procedure

The Navy Federal Building Fund Program Manager (FBFPM) receives a bill from GSA for space outside the NCR, a bill from Washington Headquarters Service (WHS) for space inside the NCR, and a bill from the Department of Homeland Security (DHS) Federal Protective Service (FPS) monthly. Commander, Navy Installations (CNI) receives a bill from GSA for spaces other than Pentagon and Mark Center in the NCR.

#### b. NCR (Non Pentagon)

The Navy FBFPM receives bills monthly from WHS for Navy and Marine Corps occupied space and after verifying the accuracy of the billing and resolving any discrepancies, passes them to the Navy or Marine Corps Installation Command for payment directly to WHS by MIPR.

#### c. Outside NCR

The Navy FBFPM receives the bills monthly from GSA and DHS and after verifying the accuracy of the billing and resolving discrepancies, passes them to the Navy or Marine Corps Installation Commands for payment directly to GSA and DHS via DFAS.

#### d. NCR (Pentagon)

WHS bills the Department of the Navy Assistant for Administration (DON/AA) and Headquarters, Marine Corps Administration and Resources on an annual basis. All payments are due no later than 31 October of each fiscal year.

## 03170 UNITED STATES POSTAL SERVICE

### 1. BUDGET POLICY

41 CFR 102-192 prescribes policy for mail in Federal agencies. The Department of Defense (DoD) provides policy on mail management in the DoD 4525.8-M, DoDI 4525.08, and

DoDD 5101.11E. The cost of official mail is the budgeting and funding responsibility of each activity that obtains postage from the post office. These costs should be funded from the appropriation that finances the operations of the activity.

**2. PAYMENT POLICY**

Payment for all United States Postal Service (USPS) services will be made at the time the service is contracted. For additional information, refer to DoD FMR Vol 10 Ch. 16 and OPNAVINST 5218.7B.

## 03171 DEPARTMENT OF LABOR

**1. SCOPE**

Per 5 U.S.C. 8147(a) each agency must include in its annual budget estimates a request for an appropriation equal to the amount of the total payments made by the Department of Labor (DOL) on behalf of each department's employees. In accordance with 5 U.S.C. 8147(b) DOL provides statements of compensation benefits paid on account of injury or death of employees or persons engaged in military functions under the jurisdiction of the Department of the Navy (DON). The amounts identified are included in the estimates for the Operation and Maintenance, Navy (O&M,N) and Operation and Maintenance, Marine Corps (O&M,MC) appropriations, as appropriate, for the forthcoming budget year. Individual activities and installations are responsible for budgeting and funding contributions to the Employees' Compensation Fund. For additional information, refer to the Department of Labor website.

**2. UNEMPLOYMENT COMPENSATION**

**a. Federal Employees**

Federal Employees are eligible for unemployment benefits under the Unemployment Compensation for Federal Employees program. The program provides benefits for eligible unemployed former civilian Federal employees. Unemployment Compensation benefits are administered by States as agents of the Federal government. For additional information, refer to the DOL Unemployment for Federal Employee program website.

**b. Service members**

Service members separating from active duty may qualify for unemployment compensation if they are unable to find employment. The Unemployment Compensation for Ex-service members (UCX) program provides benefits for eligible ex-military personnel. The program is administered by the States as agents of the Federal government. For additional information, refer to the DOL Unemployment Compensation for Ex-service member's program website.

**3. WORKMEN'S COMPENSATION**

**a. Federal Employees**

The Federal Employees' Compensation Act provides workers' compensation coverage to federal workers for employment-related injuries and occupational diseases. The Division of Federal Employees' Compensation (DFEC) is responsible for administering the Act through its twelve district offices and national office. The Federal Employees' Compensation offices are responsible for settling new claims for benefits and manage ongoing cases; pays medical expenses and compensation benefits to injured workers and survivors. For additional information, refer to the DOL Federal Employees' Compensation website.

**b. Service members**

Service members that are in an Active Duty status are not eligible for workmen's compensation.

## 03172 UNITED STATES COAST GUARD

### 1. AUTHORITY

The United States Coast Guard (USCG) is a multi-mission, maritime service within the Department of Homeland Security (DHS) and is designated by statute 14 U.S.C. 3 to be a military service and a branch of the armed forces of the United States. Upon declaration of war or when the President directs, the USCG will operate as a service in the United States Navy (USN). Statutes 14 U.S.C. 145 and 10 U.S.C. 2571 provide that the Department of the Navy (DON) may enter into an agreement with the USCG whereby supplies, services, equipment, facilities, real estate and material may be provided with or without reimbursement. For additional information refer to OPNAVINST 4000.79B.

### 2. BUDGET POLICY

to ensure the ready integration of the USCG or specific USCG units into the DON, the Chief of Naval Operations shall provide to the USCG, DON owned military readiness equipment and associated spare support materials that the DON deems necessary to enable the USCG to carry out assigned missions while operating within the DON. Principles covering the logistic and budgetary support will be covered in the Interagency Support Agreement between the USN and the USCG.

## 03173 STATE DEPARTMENT

### 1. POLICY

Per the Office of Management and Budget (OMB) policy, the Department of State (DoS) is required to bill and obtain reimbursement for costs incurred by DoS overseas activities providing support to the Department of the Navy (DON). The term applied to this support function is "International Cooperative Administrative Support Services" (ICASS).

### 2. INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES

ICASS includes services such as personnel, budget and fiscal, general, communications, management, and other direct services provided by DoS overseas activities to other agencies' activities. The cost for utilities, long-term leases, local guards, and community liaison offices is shared by DoS and DON. Overseas security services are addressed in subpar 7.

### 3. ICASS AGREEMENTS

Each fiscal year, the respective DoS overseas activities and each supported DON activity enter into local agreements covering the amount to be reimbursed for such services. The DoS activities measure services and related costs in accordance with standard work factors and formulas promulgated by the DoS.

### 4. DON FUNDING

The funds for services are budgeted by the Navy or Marine Corps component assigned funding responsibility for the activity receiving the ICASS services. The parent office or command budgets for ICASS services provided to its subordinate activities. The command will budget and pay for DoS's service out of their operating funds. Housing pool services provided by DoS, for Naval personnel where housing is not provided by the host government

under a bilateral agreement, or where there is a shortage of adequate housing or lack of adequate security measures will be funded by DON on a reimbursable basis. In these situations the Family Housing Operation and Maintenance, Navy and Marine Corp appropriation should be used to fund DoS leases for family housing for military personnel with accompanying spouse and other dependents. The operating funds of the activity receiving the service will be used to fund DoS leases for unaccompanied housing.

**5. SERVICES PROVIDED BY THE DON**

The value of services provided by Navy and Marine Corps activities to DoS activities is offset against the consolidated billings submitted by the DoS for ICASS. However, this does not apply to services of Marine Corps guards provided under the Marine Security Guard program which is governed by the Memorandum of Understanding (MOU) between the DoS and the United States Marine Corps.

**6. OFFSET PROCEDURES**

The DoS issues separate bills to the Navy and Marine Corps for ICASS. The Chief of Naval Operation (CNO) has been designated as the Navy central office for receiving DoS bills and forwarding the information to the commands for settlement actions. Headquarters Marine Corps (HQMC) (Plan, Policies and Operations – International Affairs Branch) has been designated as the Marine Corps central office for receiving DoS bills and forwarding the information to the commands settlement actions. The parent command for each activity receiving services from the DoS will provide the CNO or HQMC (PP&O-PLU), as appropriate, with certification of services received and the appropriate fund citation to be charged. Prior to the citing of funds, offsetting adjustments will be made for support provided to DoS activities

**7. OVERSEAS SECURITY SUPPORT**

In accordance with 22 U.S.C. 4801 overseas security support services are governed by a MOU between the DoS and the DoD.

## 03174 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

**1. GENERAL**

A joint agreement between the Department of Defense (DoD) and the National Aeronautics and Space Administration (NASA) provides specific guidance for estimating, budgeting, and billing for contract administration and related support services provided to NASA. NASA is charged at a non-DoD customer rate. For additional information on budgeting, refer to DoD FMR Vol 11A Ch. 6 Appendix J.

**2. POLICY**

A basic hourly rate is applied to the actual direct hours worked for NASA by the Navy and includes the following elements of cost:

- direct labor
- indirect labor
- fringe benefits
- travel
- administrative support

The hourly rate is reviewed annually and adjusted if necessary to reflect cost changes resulting from wage increases and changing workload. NASA authorized overtime will be applied at the currently established overtime billing rate. For additional information, refer to DoD FMR Vol 11A Ch. 6 Appendix J.

## 03175 MARITIME ADMINISTRATION

### 1. GENERAL

Department of the Navy funds the maintenance and related expense of the Maritime Administration's (MARAD) National Defense Reserve Fleet (NDRF) and its Ready reserve Force (RRF) component, through the National Defense Sealift Fund (NDSF) in accordance with 10 U.S.C. 2218.

### 2. FUNDING

#### a. Activation

The activation of vessels in the RRF is governed by a Memorandum of Agreement or a GT&C between the Department of Defense and the Department of Transportation and in accordance with Interservice and Intergorvernmental Support instruction DoDI 4000.19.

#### b. Inactivation

Funding for Inactivation of Navy owned ships in the NDRF is as follows:

*i.* In accordance with OPNAVINST 4770.5H, "General Policy for the Inactivation, Retirement and Disposition of U.S. Naval Vessels," U.S. Navy owned/titled ships assigned to Military Sealift Command (MSC) can be inactivated to MARAD. In this event, inactivation work and first year of lay-up of the vessel are financed by the appropriation and budget line item under which the ship's operations were funded while active. Funding will be provided to MSC on a reimbursable basis; in turn, MSC provides funding to MARAD.

*ii.* After the first year, retention cost shall be funded under the ship activation and inactivation budget line (2B2G in the Operation &Maintenance, Navy appropriation) and NAVSEA is responsible for execution of funding from these lines.

#### c. Operating and Support Costs

All operating and support costs, to include activation and deactivation are financed by the requesting activity (RA). Funds are provided as follows:

*i.* RA issues funding to Field Support Activity (FSA).

*ii.* FSA accepts funding on a reimbursable basis into National Defense Sealift Fund.

*iii.* FSA issues a reimbursable document to MSC.

*iv.* MSC issues a reimbursable document to MARAD.

## 03176 UNITED STATES SECRET SERVICE (USSS)

In accordance with Public Law 94-524, the Department of Defense (DoD) has a responsibility to assist the Secret Service in the performance of its protective duties. A joint agreement or GT&C between DoD and the Secret Service specifies that, upon request, DoD shall make available mechanical service, helicopter and other aircraft, motor vehicles, communication, and other support deemed necessary to assist the Secret Service in the performance of its protective functions. Support is provided on a temporary basis without reimbursement when assisting the

Secret Service directly related to the protection of the President, the Vice President, or other officers immediately next in succession to the Office of the President. Temporary services provided to other protectees or any permanent provisions of services will be on an incremental cost basis. Specific details of the logistical assistance and other support that DoD provides to the Secret Service are provided in the current issuance of DoDD 3025.13 and DoDI 3025.19.

## 03177 DEFENSE HEALTH PROGRAM

### 1. GENERAL

The Defense Health Program (DHP) is a separate appropriation that finances expenses, not otherwise provided for, for medical, dental and other health care programs of the Department of Defense (DoD). The medical mission of the DoD is centrally directed by the Office of the Secretary of Defense and de-centrally executed by the Military Departments. For DoD, the Assistant Secretary of Defense for Health Affairs (ASD (HA)) controls non-deployable medical resources, facilities and personnel.

### 2. FUNDING RESPONSIBILITY

The ASD (HA) prepares and submits a unified medical budget which includes resources for medical activities under their control within DoD. The DHP appropriation provides funding, divided by appropriation limits, for: operation and maintenance; research, development, test and evaluation (RDT&E); and procurement requirements for the DoD medical program. Funding for military construction requirements above the military construction thresholds is appropriated in the military construction appropriation. Funds for active and reserve military medical personnel continue to be budgeted and appropriated in the appropriate service military personnel appropriation. DHP resources within the Department of the Navy (DON) are administered by the Bureau of Medicine and Surgery (BUMED).

#### a. Fixed medical treatment

The DHP funds all fixed medical treatment facilities/activities, including such costs as real property maintenance, environmental compliance, minor construction and base operations support. In addition, medical training facilities/activities, medical information systems, and medical-related research and research facilities.

#### b. Health care delivered external to BUMED

The DHP also funds certain expenses for health care delivered “in garrison” by entities external to BUMED (e.g. U.S. Marine Corps battalion aid stations). These expenses include consumable medical supplies, medical equipment and medical information technology. Such supplies, equipment and other items are limited to the delivery of medical care “in garrison” and may not deploy with U.S. Marine Corps units.

#### c. Combat support medical units/activities

The DHP does not fund combat support medical units/activities, U.S. Marine Corps Garrison unit activities, Navy fleet support units, Navy shipboard medicine, and Navy hospital ships assigned or subordinate to a Combatant or Supporting Command. In these instances, the funding responsibility is appropriately assigned to the respective Fleet or U.S. Marine Corps Commanders. Medical units, activities, and facilities that are under the command and control of BUMED are properly supported with the DHP appropriation. Those that operate as organic units within the operating forces of the U.S. Marine Corps are properly supported with Operation and Maintenance, Marine Corps

funds, which is used for resources associated with combat support medical units and activities. Navy fleet support units, Navy shipboard medical units, and Navy hospital ships assigned or subordinate to a Combatant or Supporting Command are properly supported with the Operation and Maintenance, Navy appropriation. Also excluded is the cost of ambulance procurement, which is a budgeting and funding responsibility of the Naval Facilities Engineering Command (NAVFAC).

**d. Travel Costs**

Funding responsibilities for travel costs associated with the provision of medical care are outlined in para 03142.

**e. Naval Reserve Officer Training Corps Midshipmen Medical Costs**

The Naval Education and Training Command (NETC) is responsible for the Naval Reserve Officers Training Corps (NROTC) program, including coordination of NROTC medical matters. NETC is also the responsible organizational component for funding NROTC midshipmen medical costs when support is not available from medical treatment facilities of the Armed Forces on a common-service (without reimbursement) basis.

**f. Reimbursable Guidance**

*i. Naval Military Treatment Facilities (MTFs)*

There are various situations in which naval MTFs will be reimbursed for costs incurred in the delivery of medical care. Examples may include:

(a) Health care provided to beneficiaries covered by other health insurance. MTFs will bill the beneficiary's other health insurance pursuant to 10 U.S.C. 1095(a)(1) and shall credit amounts collected to the appropriation that supports the maintenance and operation of the facility pursuant to 10 U.S.C. 1095(g).

(b) Emergency health care provided to non-beneficiaries. MTFs will bill the patient (and their health insurance, as applicable) pursuant to 10 U.S.C. 1079(a) and shall credit amounts collected to the appropriation that supports the maintenance and operation of the facility pursuant to 10 U.S.C. 1079(b).

(c) Provision of non-covered procedures to beneficiaries (e.g. cosmetic surgery). MTFs will bill the patient (and their health insurance, as applicable) pursuant to 10 U.S.C. 1079(a) and shall credit amounts collected to the appropriation that supports the maintenance and operation of the facility pursuant to 10 U.S.C. 1079(b).

(d) Medical treatment creating a tort liability upon a third party. MTFs will bill the third party (and their health insurance, as applicable) pursuant to treatment of injuries sustained by active duty personnel in automobile accidents per 42 U.S.C. 2651 and shall credit amounts collected to the appropriation that supports the maintenance and operation of the facility pursuant to 10 U.S.C. 1079(b). *Example of tort liability: An active duty member is injured in an automobile accident with another party. Third parties which may be financially responsible for the cost of care provided to the active duty member may include: the active duty member's automobile insurance carrier; the other party's automobile insurance carrier; and/or, the other party personally.*

(e) Dependents of uniformed personnel who are authorized care at Government expense are charged a nominal fee daily for inpatient care pursuant to 10 U.S.C 1078(a) and 10 U.S.C. 1076. Per 10 U.S.C. 1078, these amounts shall be credited as reimbursements to the operating funds of the medical facility providing the care. The rates and reimbursement procedures for these charges are issued via annual direct care inpatient billing rates updates from ASD (HA).

*ii. Non-naval Medical and Dental Care – Active Duty Members*

(a) General Policy

Navy and Marine Corps personnel who incur disease or injury while on active duty (including active duty for training) and, under the North Atlantic Treaty Organization – Status of Forces Agreement (NATO-SOFA), Naval members of NATO-SOFA nations stationed in or passing through the United States in connection with their official duties, may receive reimbursement or settlement for claims for certain medical or dental care provided in civilian or non-Navy/Federal medical facilities. DON policy requires that such non-federal care should generally be utilized only when Navy or other Federal medical and/or dental facilities (e.g. Army, Air Force, Public Health Service, and Department of Veterans Affairs) are not available. While non-emergency care obtained from non-Federal sources may be provided at Navy expense only when advance authorization is obtained, in emergency situations, when the need or apparent need for medical or dental attention is such that time does not permit obtaining the required authorization in advance, such non-Federal care may be obtained without prior authorization. In either case, a Statement of Civilian Medical/Dental Care (BUMED Form 6320.10) is required, unless appropriate approving officers already possess sufficient information to waive the form.

(b) Administration – Authorization

Naval District Commandants, via their respective district medical or dental officers, act as approving officers to authorize procurement of civilian and/or non-Federal care and to adjudicated claims. However, in overseas areas, commanding officers are authorized to obtain such care for members under their commands and to effect immediate payment therefore. When ships are in NATO-SOFA ports, commanding officers should obtain, if at all practicable, required care from military facilities of the host country when DoD facilities are not available. For further information regarding types of care that may be authorized, requests for authorization and/or information concerning preparation, approval, or disapproval of claims, see the current issuance of BUMEDINST 6320.1A.

*iii. Non-naval Medical and Dental Care – Contractors*

Contractor personnel supporting U.S. armed forces deployed outside the United States will generally be afforded emergency medical and dental care if injured while supporting applicable operations. When the Government provides medical treatment of Contractor personnel, the Contractor shall ensure that the Government is reimbursed for any costs associated with such treatment. See DFARS 252.225-7040. If Contractor personnel are transferred to a Navy MTF for emergency medical care, the MTF will bill the patient (and their health insurance, as applicable) pursuant to

10 U.S.C. 1079(a) and shall credit amounts collected to the appropriation that supports the maintenance and operation of the facility pursuant to 10 U.S.C. 1079(b).

**3. CASUALTY PATIENTS**

10 U.S.C. 1047 authorizes the Secretaries of the Military Departments to furnish civilian clothing to a Service member, at a cost not to exceed $250, or reimburse the Service member for the purchase of civilian clothing, at a cost not to exceed $250. This authority applies to those members who are medically evacuated for treatment in a medical facility due to an illness or injury incurred, or aggravated while on active duty, or for those members after being medically evacuated who are in an authorized travel status from a medical facility to another location approved by the Secretary of the Navy. These purchases or reimbursement for these purchases of civilian clothing under this authority are properly financed with funds used to pay the military members' clothing allowance (i.e., normally Military Personnel, Navy or Military Personnel, Marine Corps.)

## 03178 SPECIAL OPERATIONS

**1. GENERAL**

Commander, U.S. Special Operations Command (USSOCOM), synchronizes the planning of special operations forces to support persistent, networked and distributed operations for the Department of Defense (DoD) and it is executed by the military departments. Most of the resources that support special operations programs are programmed and budgeted in Office of the Secretary of Defense managed appropriations; however, some resources are programmed and budgeted in the regular appropriations of the military departments. Responsibility for each type of funding is assigned as follows.

**2. FUNDING RESPONSIBILITY**

Commander, USSOCOM is responsible for programming, budget formulation and budget execution for all resources to support special operations except as specified below. The provisions are governed by a Memorandum of Agreement or GT&C between the Department of the Navy (DON) and USSOCOM, and are subject to change only upon revision of the agreement.

**a.** The DON will budget and execute resources for military personnel assigned to Special Operations in the Military Personnel and Reserve Personnel appropriations.

**b.** DON will program, budget and execute resources in the Operation and Maintenance, Navy and the appropriate Navy procurement appropriations for the following support of special operations forces:

*i.* Common and administrative base support services as defined in para 03163

*ii.* Common items in allowance charges

*iii.* Common spares

*iv.* Common boat alterations and modifications to craft, vehicles and equipment

*v.* Other common usage items such as standard Navy communications equipment and intelligence systems and devices, ammunition, construction engineering equipment

*vi.* Individual entry-level training and required professional and leadership training such as Service schools, advanced Service schools and the Service College

**c.** The word "common" in paragraphs 2.b.*i-vi*, when used in conjunction with equipment, services or programs, refers to items common throughout the Navy. Equipment, materials, supplies and services required for special operations mission support for which there is no broad conventional force requirement (called "SO-peculiar") are funded by USSOCOM.

## SECTION V: INTERNATIONAL RELATIONSHIPS

### 03180 GENERAL

As a result of the need to provide assigned support responsibilities in connection with international treaty organizations or to the furnishing of supplies, services, or performance of work to foreign governments, a detailed description of funding relationships between the Department of the Navy (DON) and the international organizations or foreign governments is required. These relationships are usually governed by provisions of law or by the Department of Defense (DOD) directives and are stated in written agreements or memoranda of understanding. The involvement of DON may take one of the following forms:

- furnishing support or material to the international organization or foreign government on a reimbursable basis,
- furnishing support or material on a non-reimbursable basis when the performance is a mission responsibility stemming from an administrative agent designation by the DoD or when the support consists of routine port or airport services to friendly foreign governments performed by military personnel,
- Cost sharing on a bilateral or multilateral basis with the host and other user nations of the operation and maintenance costs of the North Atlantic Treaty Organization infrastructure.

### 03181 SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES

**1. ADMINISTRATIVE AGENT**

The administrative agent is the Secretary of the military department charged with the determination of U.S. national requirements and provisions of logistical and administrative support to a U.S. element of the particular international treaty involved. The administrative agent support responsibilities includes complete supply support for consumable and non-consumable material, with the exception of initial issuances made by assigning service to its Table of Organization or equivalent type units, personally assigned equipment provided by the assigning service, military personnel costs for assigning service peculiar requirements. These exceptions are the budgeting and funding responsibilities of the Secretary of the assigned military service.

**2. INTERNATIONAL BUDGET COSTS**

International budget costs are those costs normally accepted into the international budget based on the international agreements and understandings. In general, they include the costs directly related to the operation and maintenance of international headquarters organizations and the provisions of appropriately equipped facilities for that purpose. The United States' share of international budget costs is provided from the operating funds of the designated administrative agent.

**3. NATIONAL BUDGET COSTS**

National budget costs are those costs related to participation by agencies of the Department of Defense (DoD) in support of international military headquarters normally not accepted into the international budget. Generally, these include all military personnel costs for military personnel who are on the international staffs or who are attached to support units of a U.S. element; expenses for U.S. civilian personnel not assigned to international functions; and all other support costs excluded from international funding. The national budget costs, excluding exceptions in subparagraph 1., are generally the responsibility of the administrative agent.

For additional information, refer to DoD FMR Vol 11A Ch. 9.

## 03182 NORTH ATLANTIC TREATY ORGANIZATION INFRASTRUCTURE PROGRAM

**1. GENERAL**

The North Atlantic Treaty Organization (NATO) Security Investment Program (NSIP) is a collective security acquisition program commonly financed by member nations. The program is limited by NATO criteria to projects for joint use or which are clearly accepted as being in the common interest. NSIP finances the construction and restoration needed to support NATO minimum military requirements. Facilities built and restored with NSIP funds include airfields, communications and information systems, pipelines and storage facilities for fuel, harbors, military headquarters, radar systems, and navigational aids.

**2. FUNDING RESPONSITILITIES**

Construction costs associated with the program are paid collectively by member governments of NATO, based on an agreed cost share formula for each program year. After completion, NSIP-funded facilities are normally operated and maintained by the host nation, with user nations being billed for a share of the annual operation and maintenance cost in proportion to usage. The amount of this share is stipulated in bilateral agreements, executed between the host and the user nations, regarding the control and operation of the facility. Commander, U.S. Naval Forces, Europe (COMUSNAVEUR) is responsible for NSIP eligible locations outside the continental United States, and therefore, responsible for funding the appropriate U.S. Navy share of usage at various locations with operating funds. Commander, Navy Installations Command funds the Navy share of installation costs with operating funds.

Additional information may be found in OPNAVINST 4000.35M and DoD FMR Vol 2B Ch. 6.

## 03183 SUPPLIES AND SERVICES TO FOREIGN GOVERNMENTS

**1. AUTHORITY FOR REIMBURSABLE SUPPLIES AND SERVICES**

Pursuant to 10 U.S.C. 7227 and authorized by Navy Regulations, Article 0835, work may be performed for, or supplies and services provided to, friendly foreign governments on a reimbursable basis without a formal logistical services agreement between the Department of the Navy (DON) and the foreign country. The supplies and services, which may be furnished on a reimbursable basis are as follows:

**a.** routine port services to naval vessels in territory al waters of the United States or in waters under U.S. control, including pilotage, tugs, garbage removal, line handling, and utilities;

**b.** routine airport services to military aircraft, including landing and takeoff assistance, use of runways, parking and aprons, and servicing;

**c.** miscellaneous supplies to naval vessels and military aircraft, including fuel, provisions, spare parts, and general stores, but not including ammunition (subject to the approval of the cognizant fleet or force commander when provided overseas);

**d.** subject to the approval of the Chief of Naval Operations (CNO) (N4) in each instance, overhauls, repairs, and alterations to naval vessels and military aircraft, including necessary equipment and its installation required in connection therewith, reference OPNAVINST 4700.7L.

When items a and b are performed by military personnel without direct cost to the DON, such services are provided to friendly foreign governments without charge, except at working capital fund activities. If a Working Capital Fund activity, then the operating funds of the parent organization are used.

**2. AUTHORITY FOR NONREIMBURSABLE PORT SERVICES**

Pursuant to 10 U.S.C. 7227 and as authorized by Navy Regulations, Article 0835, routine port services may be provided without reimbursement to naval vessels of allied countries (North Atlantic Treaty Organization (NATO) countries, Australia and New Zealand, and other countries designated by the Secretary of Defense (SECDEF) provided there is an agreement providing for reciprocal provision of port services to U.S. naval vessels without charge. If these routine port services are performed by a working capital fund activity; e.g., facility engineering command (FEC), the costs are to be charged to operating funds of the command in charge of the working capital fund activity.

## 03184 FUEL EXCHANGE AGREEMENTS

**1. AUTHORITY**

The Defense Energy Support Center (DESC), as delegated by the Department of Defense (DoD) through the Defense Logistics Agency (DLA), has overall responsibility for negotiating, concluding, and amending international agreements, a critical part of the worldwide fuel network required to support the Department of Defense (DoD) and other agencies. Pursuant to 10 U.S.C. 7227, and as implemented by Navy Regulations Art. 0835, fuel may be provided to, or received from a friendly foreign government on a replacement or reimbursable basis under a Fuel Exchange Agreement (FEA). An FEA is an international agreement following different guidance from that contained in para 03183. Under FEA's, transfers of fuel are normally reimbursed in fuel. However, fuel issues paid for in cash by foreign governments will be charged the standard price in effect at the end of the calendar year, without assessment of administrative or accessorial charges. Statements and billings are required at least annually with settlement in cash, or by replacement of fuel in a reasonable period of time, ordinarily no more than 6 months after the end of the calendar year.

**2. FUNDING**

Fuel exchange agreements are funded through DESC, which is a Defense Working Capital Fund. The fleet reports fuel exchanged with foreign governments, DESC bills the fleet, and then DESC determines how to handle the repayment.

For additional information, refer to DoD 4140.25M Vol 2 Ch. 17.

### 03185 LATIN AMERICAN COOPERATION FUNDS

1. **AUTHORITY**
   Pursuant to 10 U.S.C. 1050 , the Secretary of the Navy may provide for expenses of travel, subsistence and special compensation of officers and students of Latin American countries, and other expenses that the Secretary considers necessary for Latin American cooperation.

2. **FUNDING**
   Latin American Cooperation (LATAM COOP) funds under the Operation and Maintenance, Navy (O&M,N) appropriation may be utilized to finance official entertainment, very important person (VIP) visits, foreign and domestic travel, ship visits, and other purposes such as the Inter-American Conference.in cooperation between countries of Latin America for both the Navy and Marine Corps. LATAM COOP funds will not be used to supplement programs by other means, i.e., Official Representative Funds, Humanitarian Civic Assistance Program, or any similar funding sources. Field Support Activity is the financial administrator of LATAM COOP funds for the DON.

3. **REFERENCE**
   Additional guidance regarding specific items authorized for expenditure, the request for funds, accounting procedures and documentation is contained in SECNAVINST 7042.13C.

# PART C: INVESTMENT FUNDING POLICY

## SECTION I: GENERAL FUNDING POLICY

### 03200 GENERAL

The policy in this section applies to procurement, military construction programs and investment programs, as appropriate, which are financed by Research and Development, Procurement and Construction accounts included in the annual Department of Defense Appropriations and Military Construction Appropriations Acts.

### 03201 FULL FUNDING

The preferred budget policy of the Department of Defense and its Oversight Congressional Committees is to fully fund the procurement and construction accounts in the fiscal year in which the project is budgeted for procurement. The objective of full funding is to ensure that Congress and the public can see the full dimensions and cost of a procurement or construction program when presented in the budget. Each program budget request will encompass the costs associated with the acquisition of an approved quantity of distinguishable usable end items through completion of deliveries or construction. Any exceptions to this practice should be submitted and highlighted in the Department of Navy budget submission. For additional information on regulations governing the full funding policy, including cost estimates, budgeting and contracting, and exceptions, refer to OMB Circular A-11, DoD FMR Vol 2A Ch. 1, and other paragraphs in this manual.

## 03202 BUY-TO-BUDGET FOR ACQUISITION OF END ITEMS

In accordance with 10 U.S.C. 2308, the head of an agency making the acquisition may acquire a higher quantity of the end item than the quantity specified in applicable Appropriations Acts if each of the following conditions are met:

- The agency has an established requirement for the end item that is expected to remain substantially unchanged throughout the period of the acquisition.
- It is possible to acquire the higher quantity of the end item without additional funding because of production efficiencies or other cost reductions.
- The amount of the funds used for the acquisition of the higher quantity of the end item will not exceed the amount provided under that law for the acquisition of the end item.
- The amount provided is sufficient to ensure that each unit of the end item acquired within the higher quantity is fully funded as a complete end item.

for noncompetitive acquisitions, the acquisition of additional quantities is limited to not more than 10 percent of the quantity approved in the justification and approval prepared in accordance with 10 U.S.C. 2304 and Federal Acquisition Regulation Part 6.

Prior to the acquisition of a higher quantity of an end item, the agency head must notify the congressional defense committees of a decision to buy more items than specified in an Appropriations Act no later than 30 days after the date of the decision. for additional information, refer to DoD FMR Vol 2A Ch. 1.

## 03203 TIME-PHASED PROCUREMENT

### 1. GENERAL

There are certain nonrecurring costs of production items related but not integral to equipment end-items that are considered part of the overall acquisition cost such as pre-production costs, program specific support equipment, training equipment, ship outfitting costs, interim contractor support, initial spare and repair parts, documentation, and systems software and integration costs. Planning and budgeting will be accomplished in a manner to ensure completion of the nonrecurring effort or delivery of these production items consistent with the planned delivery of the associated end-items. The programming and budgeting will be on a time-phased "lead-time away" or "need to commit" basis.

Funds may not be budgeted for support, trainers, or data for obligation before the design or specifications of such items are essentially complete. These items will be budgeted on an "ability to contract" basis as well as on a "lead-time away" basis. In general, all integrated logistics support costs and systems software/integration costs necessary to support the initial quantity of end-items will be budgeted in the initial procurement year. Circumstances may warrant a budget request for nonrecurring costs and production items related to the end-item earlier than lead-time considerations dictate, e.g., procurement of spare parts along with production end-items to ensure configuration control. For engineering changes associated with items in production, nonrecurring costs will be budgeted for production lead-time away and in the same procurement line item.

**2. PRODUCTION SUPPORT SERVICES**

Certain production support services (described in para 03221) should be budgeted on an annualized basis instead of a fully funded basis to minimize unobligated balances in the procurement appropriations. The following guidance is provided:

**a. Acceptance Test and Evaluation (AT&E)**

*i.* AT&E that is necessary to allow Government acceptance of an item from a contractor, i.e., to satisfy acceptance requirements specified in the contract, should be fully funded in the fiscal year that the item is budgeted.

*ii.* AT&E that is not necessary to allow Government acceptance of an item from a contractor, but is performed for the Government's own assurance that the item fulfills the contract specifications should be budgeted on an annualized basis.

Since most operational safety and improvement programs involve commercial off-the-shelf or non-developmental items that do not have a research and development phase, testing required for articles beginning in the production phase is categorized as AT&E and appropriately financed by procurement appropriations on an annualized basis.

**b.** Other production support services necessary to produce the item, which are performed by the manufacturer, should be fully funded in the fiscal year that the item is budgeted.

**c.** Other production support services performed by either government support activities or support contractors should be budgeted on an annualized basis.

**d.** If the procurement is a one-time buy in a single fiscal year budget line item, all production support services should be fully funded in that fiscal year. Similarly, the last fiscal year containing end-items of a multi- year procurement program should include all production support services necessary to complete the program. The intent is to avoid a request for production support funding in a fiscal year in which no end-items are budgeted.

**3. BUDGETING FOR SPARES AND REPAIR PARTS**

Funding will be budgeted to allow for a 12-month delivery period lead-time away from need. Spares and repair parts funding will be fully committed with high obligation rates in the first year of availability. Funding will be budgeted based on 100 percent of commitments in the first year of availability. Spare parts will not be funded in a fiscal year prior to the end-item they support.

**4. BUDGETING FOR SHIPBUILDING PROGRAMS FUNDED WITH SHIPBUILDING AND CONVERSION, NAVY (SCN)**

A shipbuilding program should be fully funded to include all costs necessary to construct, convert, or acquire a ship, subject to time-phased procurement and advance procurement guidance outlined in paragraph 03204. Within the SCN appropriation, ship end cost budget requests for all ships will be estimated to support a fully operationally capable ship at delivery. Although it is the general policy to fully fund ship construction in a fiscal year, due to the large cost of procuring ships, incremental/split funding may be requested in the budget. Congress must provide the Department of the Navy with legislative contract authority to execute incrementally funded contracts. Costs associated with post-delivery and outfitting efforts are budgeted as annual requirements based on lead times. In distinguishing between

the ship end cost and the annualized accounts of post-delivery and outfitting, the following guidance pertains.

**a. Ship end cost**
A ship end cost will generally include the basic ship construction or conversion cost, deferred work, and change orders.

**b. Post-delivery**
Post-delivery funding generally includes design, planning, government furnished material, and related labor for government-responsible deficiencies identified during builders trials, acceptance trials, and testing during the post delivery period. Post-delivery also includes all work required to correct trial card deficiencies on a ship of a particular class, as well as on subsequent ships of that class until the corrective action for that ship class is included in the detail design and is part of the basic construction contract for subsequent ships of the class. Post-delivery funding is used for tests and trials normally conducted during the post delivery period, including: Combat System Ship Qualification Test (CSSQT), Operational Propulsion Plant Examination (OPPE), Shipboard Electro-Magnetic Compatibility Improvement Program Certification (SEMCIP), Ship Electronic System Evaluation Facility Certification (SESEF), ASW and Weapon Systems Accuracy Trials (WSAT), and Acoustic Trials. Exceptions include planning for, and conduct of, component shock and full ship shock trials which are financed in the RDT&E, N appropriation.

**c. Outfitting**
Outfitting includes items required to ensure ships receive their full allowances of spare parts and equipment required to support the shipboard maintenance process; and are equipped with operating space items (tools, test equipment, damage control) and personnel safety and survivability commodities. These items generally include on-board repair parts, recreation items, equipage, other secondary items, pre-commissioning crew support, and general use consumables that are furnished to the fitting out activity to fill the ships initial allowances as defined by the baseline Coordinated Shipboard Allowance List. For additional information, see para 03233.

## 03204 ADVANCE PROCUREMENT

### 1. LONG LEAD-TIME ITEMS

Advance procurement (AP) may be budgeted for the procurement of long lead-time items, components, material, and parts in fiscal year(s) before that in which the related end item is to be procured in order to maintain the planned production schedule of the end item. AP requests for long lead time items shall be limited to the major procurement appropriations and shall be for those elements of the end item whose lead times are significantly longer than other elements of the same end item. All advance procurement requests must be specifically identified in the budget submissions. For additional information, refer to DoD FMR Vol 2A Ch. 1.

### 2. SHIP DETAIL DESIGN

Advance procurement in Shipbuilding and Conversion, Navy may be budgeted for ship detail design required to maintain the ship production schedule and to increase the percentage of design completion before the start of ship construction. These costs must be budgeted on the advance procurement President's Budget.

3. **ECONOMIC ORDER QUANTITY (EOQ)**
   Advance procurement may be budgeted for EOQ in conjunction with a multiyear contract to purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the maximum economic advantages of multiyear procurement (MYP). For additional MYP information, see para 03205.

### 03205 MULTIYEAR PROCUREMENT

A multiyear procurement (MYP) is a vehicle for acquiring multiple years of requirements for systems or subsystems with a single contract, usually up to a maximum of five years, pending Congressional approval. The purpose of a multiyear procurement is to reduce program cost growth and introduce stability into the acquisition process. This is done by making a commitment to the contractor to procure a specific quantity of a weapon system over several years to be funded on a year-by-year basis. The contractor is incentivized to realize savings, particularly through economic order quantity purchases (i.e., bulk purchases), and investment in productivity enhancements. MYP is governed by 10 U.S.C. 2306b and a general provision of the Department of Defense Appropriations Act (generally section 8010). For additional information, refer to DoD FMR 2A Ch. 1.

### 03206 TERMINATION OF PROCUREMENT PROGRAMS

In the event an end-item authorization is deleted or reduced, termination liability funded advance procurement contracts are adjusted as follow:

1. **FOR TERMINATED PROGRAMS**
   On a case-by-case basis, an evaluation must be made to determine if the advance procurement contract should be terminated, continued or modified to deliver some usable product short of a major end-item. Recommendations for application of funds related to such terminated programs should be forwarded to the Assistant Secretary of Navy (Financial Management & Comptroller) before contractual action is taken.
2. **FOR REDUCED PROGRAMS**
   The advance procurement contract for a quantity within the approved Future Years Defense Program (FYDP) will remain in effect as written with the product distributed to succeeding end-item programs until amortized. When programs are reduced to the extent that advance procurement contract supports a quantity that exceeds the approved FYDP, the guidance in item 1 applies to the excess quantities, e.g. partial termination, contract modification, etc.

When deobligating funds, funds should be made available to cover the cost incurred due to the termination of procurement programs.

## SECTION II: RESEARCH, DEVELOPMENT, TEST AND EVALUATION (RDT&E) FUNDING POLICY

### 03210 CATEGORIES OF RDT&E WORK

The Research, Development, Test and Evaluation (RDT&E) budget activities are broad categories reflecting different types of RDT&E efforts. The definitions are provided in DoD FMR Vol 2B Ch. 5. For information regarding acquisition categories and milestone decision authority, refer to DoDI 5000.02.

## 03211 INCREMENTAL FUNDING POLICY

As prescribed in DoD FMR Vol 2A Ch. 1, Research, Development, Test and Evaluation (RDT&E) efforts are funded on an annual incremental basis, as opposed to the fully funded basis in which procurement programs are funded. The objective of this policy is that the Department of the Navy RDT&E, N effort shall be funded in increments coincident with the fiscal year and that budget estimates shall be formulated accordingly. Failure to follow this policy is an administrative infraction only, and is not a violation of 31 U.S. Code 1301(a), if the funds are obligated within the 2-year availability of the appropriation and are otherwise appropriate as to purpose. Although RDT&E has a 2-year availability from a bona fide need perspective, a high obligation rate is required in the first year.

## 03212 PROGRAM AND BUDGET COSTS

### 1. COST FUNDED BY RDT&E,N

Generally, all Research, Development, Test & Evaluation (RDT&E)-related efforts should be funded in the RDT&E,N appropriation so that it can be assessed from a priority standpoint with other research and development programs. Gray areas are to be resolved in favor of RDT&E funding. Contractual services and other costs, and appropriate Government personnel, supplies, material, equipment and instrumentation are included. The conduct and support of RDT&E includes basic research, applied research, theoretical studies, scientific experiments, feasibility studies, design studies, engineering studies, related weapon studies, operational and cost/effectiveness studies and analyses, definition studies, the various systems development stages, and related test and evaluation. For detailed guidance regarding test articles; product improvement; aircraft engine improvement program; Development Test and Evaluation (DT&E); Initial Operational Test and Evaluation (IOT&E); equipment or instrumentation; contractor operated facilities; RDT&E activities; aircraft and ships assigned RDT&E missions; shipbuilding design; prototype training devices; manufacturing technology and development efforts related to future leased services, refer to DoD FMR Vol 2A Ch. 1.

### 2. RDT&E SUPPORT BY OTHER APPROPRIATIONS

**a. Military Construction**

The Military Construction, Navy appropriation provides for construction projects in excess of $750,000 at Government-owned and Government-operated R&D activities. If a building is integral to an R&D effort, then it should be built with R&D funding.

**b. Military Personnel**

The Military Personnel appropriations finance the cost of military personnel assigned to support RDT&E projects.

**c. Family Housing**

Costs of construction, operation and maintenance of family housing at R&D installations and activities are financed by the Family Housing, Navy and Marine Corps appropriation.

**d. General Use Vehicles at R&D Activities**

Requirements at R&D activities for general use vehicles in the Navy inventory are financed by using Other Procurement, Navy, Budget Activity 5, Civil Engineering Support Equipment funding, and are a responsibility of the Naval Facilities Engineering Command. The RDT&E,N appropriation, however, would appropriately finance the

cost of a vehicle, trailer, or item of equipment required solely for a specific RDT&E purpose.

**e. Departmental Headquarters Support**

Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at Department of Navy departmental headquarters levels will be financed in the Operation and Maintenance (O&M) appropriation. When a commands sole and continued purpose is R&D then administrative personnel could be paid for with R&D (i.e., Office of Naval Research (ONR)). Support services obtained from in-house field activities or by contract are considered direct RDT&E support costs and are funded by the RDT&E,N appropriation when integral to the execution of RDT&E programs. Additionally, travel of department-level personnel may be funded by the RDT&E,N appropriation when integrally related to the technical execution of a specific RDT&E project (see para 03142).

**f. Fleet Support**

The operating cost of Fleet aircraft and ships in support of DT&E and IOT&E is financed from Operation and Maintenance appropriations by Fleet Commanders as Fleet operations costs. However, reimbursement to the Fleet from the RDT&E,N appropriation is authorized for command support and special support costs incurred in connection with DT&E and IOT&E.

**g. General Procurement**

Articles (including major end-items, weapons, equipment, components, and materials) of types regularly procured to meet established general requirements may be assigned or allocated on a priority basis for use in support of approved R&D programs, and if not consumed in testing, may be financed by Procurement appropriations. These articles may include those which are normally procured for operational use, operational training, or for inventory. If the article is procured and utilized prior to being received into physical inventory or operational use, then proper records must be established and maintained to assure accountability. This policy applies to all investment items of equipment, including assemblies, spares and repair parts subject to centralized individual item management (Appropriation Purchases Account and Marine Corps Appropriation Stores Account). The RDT&E,N appropriation will finance any costs necessary to return the item to serviceable condition following test activities. Reimbursement by the RDT&E,N appropriation is also required if the items cannot be returned after use.

## 3. NON-RDT&E RELATED COSTS FUNDED BY OTHER APPROPRIATIONS

**a. Production and Logistics Testing**

Testing funded by appropriations other than RDT&E,N includes acceptance, quality control, and surveillance testing of articles obtained for other than RDT&E purposes; routine testing in conjunction with logistics support; and testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

**b. Follow-on Operational Test and Evaluation (FOT&E)**

FOT&E of delivered articles are funded by O&M.

## 4. SPECIAL SITUATIONS

### a. General

Depending upon actual program circumstances, certain types of costs may be funded either by RDT&E,N or other appropriations. Therefore, each Program/Budget proposal will be subject to review and determination. Special situations in this category include test articles; production tooling facilities; off-the-shelf equipment redesign; ships and ship-type vehicles (both experimental and conventional ships); information technology; joint test and evaluation (JT&E) as discussed in DoD FMR Vol 2A Ch. 1. One situation not specifically addressed in the Financial Management Regulation is follow-on operational test and execution (FOT&E). When a program is to be executed in a concurrent manner, i.e., commitment of the system to production prior to completion of RDT&E, FOT&E is properly chargeable to the RDT&E,N appropriation until completion of the RDT&E program. This FOT&E generally encompasses evaluation during IOT&E, accomplishment of deferred or incomplete IOT&E, and verification of correction of deficiencies discovered during IOT&E. Typically, approval for full production is dependent upon this testing

## 5. USE OF DEPARTMENT OF THE NAVY RESEARCH FACILITIES BY ACADEMIC INVESTIGATORS

### a. General

Per 15 U.S.C. 3710a, the DON is authorized to enter into contracts for R&D collaborations between federal labs and non-federal parties. These contracts are called Cooperative Research and Development Agreements (CRADAs). The research must be consistent with the purpose of the lab. The non-federal parties to the CRADAs can include individuals as well as industrial organizations, public and private organizations and foundations and non-profits (including universities). Under the CRADA statute, the DON is authorized to provide personnel, services, facilities, equipment and the like. This can be either with or without reimbursement. Under the statute, the non-federal parties can provide personnel, services, facilities, equipment and other resources. This means that under the statute, the non-federal parties may provide funds to the federal labs but not vice versa. DoD FMR Vol 10 Ch. 10 provides guidance for labs receipt, retention and use of income from these CRADAs. Per 15 U.S.C. 3714, these funds are considered appropriated funds and may be used by the labs without further action by Congress. In the DON, CRADAs are under the control of ONR. Department of the Navy (DON) specialized facilities will be made available for research by academic investigators who are working on experiments which have scientific merit, relate to Department of Defense (DoD) research objectives, or contribute to the advancement of national research and research training. Academic investigators must agree to make the results of their research available to the DoD and all other interested Government agencies. It is anticipated that the scope of most academic research performed at DON activities will be sufficiently limited to be covered by funds and resources controlled directly by the activity concerned. However, Navy Working Capital Fund activities may request that funding be provided by the academic institution and/or sponsoring organization.

### b. Funding

*i. Department of the Navy Activities*

Normal operating costs of the research facility being used by academic investigators will not be billed, unless significant incremental costs not directly related to the

mission of the research facility will be incurred. Additional costs generated from the academic research may be borne by the DON activity concerned. The significance of such costs and the anticipated impact on the mission will be determined, primarily:

(a) by the local DON activity director, for research activities of the DON; and
(b) by the primary DON contract monitor, for DON-sponsored research centers.

If the use of specialized research facilities by academic investigators for work directly related to the mission of a DON facility exceeds the significant cost levels, the DON activity concerned will use its established program/budget procedures to obtain required funding.

*ii. Sponsoring Academic Institutions*

Significant incremental operating costs not directly related to the mission of the DON activity concerned will be reimbursed by the researcher's sponsoring academic institution and/or any other organization involved. Significant costs for specialized equipment either purchased or fabricated will be borne by the sponsoring academic institution and/or other organizations involved. Academic institutions will make reimbursements for damage to DON furnished equipment and facilities. Additional guidance regarding the proper financing of acquisition, construction or furnishing of test facilities and equipment to contractors is addressed in DODD 4275.5 (10 U.S.C. 2353) and DoD FMR 2A Ch. 1.

*iii. Significant Costs*

for purpose of cost reimbursement, significant costs are defined as those in excess of $200.

# SECTION III: SYSTEM ACQUISTION COSTS

## 03220 DELINEATION OF SYSTEM COSTS

### 1. GENERAL

The basic method for presenting procurement requirements is the Procurement Program Line Item (Exhibit P-1) prepared for the Congress as supporting justification to budget estimates. The line item should include all procurement costs required to acquire and initially deploy a system except for its complement of initial spares, which is budgeted as part of a separate line item. Within the individual procurement line item, those costs related to the production of a usable end-item of military hardware are commonly referred to as "Flyaway Costs." This term has evolved in connection with aircraft and missile programs although it equates to "Rollaway" in the case of vehicles or "Sailaway" in the case of ships. It includes the cost of the basic unit to be fabricated (airframe, hull, chassis, etc.), the propulsion/engine equipment, electronics, armament (excluding ammunition), avionics, installed Government-furnished equipment, other work breakdown structure hardware/software subsystem elements, production testing, and any project management costs appropriately budgeted in Procurement appropriations. Production costs associated with the end-item include both contract and in-house costs of all nonrecurring engineering (pre-production, advance production, start-up, etc.), recurring engineering, engineering support to production, tooling, manufacturing, purchased equipment, quality control, allowance for engineering changes,

warranties, first destination transportation integral to contract price, general and administrative charges and profit are also included in "Flyaway Costs." First article testing for conformance with contract requirements before or in the initial stage of production (including pre-production models, initial production samples, test samples, first lots, pilot models, and pilot lots) is also considered an element of "Flyaway Costs." The balance of the individual line item is referred to as "Support Costs" and contains those peculiar procurement costs required to deploy a system, such as ground support equipment, training equipment, publications, technical data, contractor technical services, etc. The sum of these two segments within the procurement line item is referred to as "Weapons System Cost." Expense costs required to make Government-owned equipment available to support new acquisition programs will be budgeted in the Operation and Maintenance appropriations. An example of these costs is the refurbishment of shipping containers and test equipment. This does not apply to expense costs required to make Government-owned equipment available for the manufacture of the item being procured, such as equipment necessary for the manufacturing process, equipment to be incorporated into the item being manufactured (including initial outfitting), and equipment necessary for production acceptance testing. These are considered to be investment costs properly budgeted in the procurement appropriations.

**2. SPARE PARTS**

Standard definitions have been developed for initial, replenishment, and war reserve spare parts to ensure consistency in systems spare parts pricing for budgeting and Selected Acquisition Reports (SARS). The following applies:

**a. Initial Spare Parts**

Initial spare parts will include those repairable components, assemblies, or subassemblies required as initial stockage at all levels including the pipeline in support of newly fielded end-items. Whole spare engines are classified as initial spare parts through the life of the system. Funding will be budgeted based on a first year obligation rate of 92 percent.

**b. Replenishment Spare Parts**

Replenishment spare parts will include those repairable components, assemblies, or subassemblies required to resupply initial stockage or increase stockage for reason other than support of newly fielded end items. Replenishment would include additional stockage due to increases in usage, readiness initiatives, and redeployment of end items.

**c. War Reserve Spare Parts**

War reserve spare parts will be budgeted as replenishment.

## 03221 INTERIM CONTRACTOR SUPPORT

**1. GENERAL**

This paragraph applies to interim contractor support (ICS) for weapon systems. A weapon system can be a particular weapon, class of weapons, or subsystem, and/or the entire ship, aircraft or mobile land platform which either carries a weapon or provides associated combat force.

**2. INTERIM CONTRACTOR SUPPORT (ICS)**

ICS is temporary contractor support pending establishment of organic/in-house logistics capabilities, such as maintenance, supply, and technical support. ICS is used when the

design is unstable, support delivery schedules are compressed, and, supply and maintenance support resources are not organically available. ICS may consist of the identification and procurement of spares and repair parts; requirements determination including organizational, intermediate and depot requirements; warehousing and inventory control of government-owned material; compilation of usage and performance data; and, all levels of maintenance and repair including labor, materials engineering and logistics support. ICS is not to be confused with Contractor Logistics Support.

**3. BUDGET RESPONSIBILITY**

ICS is financed on an annualized basis in the same procurement appropriation and line item as the end item and should not be budgeted more than three years beyond the initial operational capability. ICS requirements should be identified early in the acquisition process and included in the formulation of the acquisition plan.

# SECTION IV: EQUIPMENT PROCUREMENT AND SUPPORT

## 03230 INSTALLATION AND PROCUREMENT OF PERSONAL PROPERTY EQUIPMENT FOR REAL PROPERTY FACILITIES

**1. SCOPE**

This paragraph provides guidance for the installation and the procurement costs of personal property equipment not installed or included as an integral part of a facility construction project that is financed by a military construction appropriation. For additional information associated with personal property equipment installation in real property facilities, refer to OPNAVINST 11010.20H and MCO P11000.5G.

**2. DEFINITIONS**

**a. Personal Property Class 3 (also known as Collateral Equipment)**

Accessory equipment and furnishings that is movable in nature and not affixed as an integral part of a real property facility are personal property. Personal property also includes specialized equipment (production; processing; medical; technical; training; servicing; and research, development, test, and evaluation (RDT&E) equipment, that, although not readily movable in nature or required for the operation of the real property facility, is necessary for specified functional operation and activities utilizing the facility. Personal property includes industrial plant equipment (IPE) and ancillary equipment in support of end items of personal property. Personal property is defined as those items used, but not consumed, to produce goods or services in support of the Department of Navy's mission. Personal property includes operational equipment which is detachable without damage to the real property facility or real property equipment. Personal property is not required for the operation of the real property facility, but is required for the functional operation and activities utilizing the real property facility.

**b. Equipment installation**

The term equipment installation is defined as modifications to real property required solely for the installation of an item of personal property. The intent is to permit the work normal to the equipment installation to be accomplished as an integrated undertaking. The intent is not to permit accomplishment of alterations under the guise of equipment installation.

**c. Equipment installation costs**

The term equipment installation costs are the costs associated with the installation of personal property equipment to a real property facility. The installation costs shall be funded from the same procurement appropriation used to purchase the equipment.

## 3. BUDGET POLICY FOR PERSONAL PROPERTY

**a. Appropriation Purchases Account Cognizance Symbol Manager**

A systems command that is the Appropriation Purchases Account (APA) cognizance symbol manager or other organization responsible for funding service-wide procurement of specific items, funds the requisite equipment installation costs. When equipment installation is complete and reported in the plant property inventory, the station assumes responsibility for the operation and maintenance support, such as power, repair parts, etc., for the equipment.

**b. Application of Expense/Investment Criteria**

The systems command or the operating organization budgets for investment costs in procurement appropriations and expense costs in operations appropriations. Accordingly, the cost of equipment procurement, including ancillary equipment, will be funded by procurement or operations appropriations according to the expense-investment criteria outlined in para 03001.

**c. Installation of Items Funded From Budget Activity 7, Other Procurement, Navy Appropriation**

Equipment installation costs for items budgeted in the appropriation Other Procurement, Navy, Budget Activity 7, is assigned to the organization budgeting for the item of equipment.

**d. Installation of Items Requisitioned From Inventory**

Budgeting for equipment installation costs is the responsibility of the major claimant for items requisitioned from inventory.

**e. Installation of Personal Property Equipment to Existing Facility**

The cost of installing personal property equipment in existing facilities is funded from the same appropriation used to purchase the equipment. The equipment installation cost shall include all items in support of the equipment and the material and labor costs to install any ancillary equipment (air-conditioning, uninterruptible power supply, etc.). If the modifications include structural changes, they will be considered construction costs and budgeted in Operation and Maintenance or Military Construction accounts based on statutory thresholds.

**f. Installation of Personal Property Equipment to New Facility**

In the construction of new facilities, the construction shall be complete and the facility ready to receive the personal property equipment. All known utilities, false floors, foundations, partitions, shielding, air-conditioning, ventilation, and other requirements incidental to the installation of the equipment that are integral to the facility shall be included in the construction cost and funded with the same appropriation used to construct the new facility. The cost of making the final connections of the collateral equipment shall be funded from the same appropriation used to fund the equipment purchase.

**g. Intrusion Detection Systems**
Funding to purchase and install the Intrusion Detection Systems (IDS) into an existing facility is subject to the expense-investment criteria.

**h. Reinstallation or Relocation**
The budget and funding responsibility for the relocation of personal property equipment resides with the command that directs the relocation. In most cases, this is the command that has custody of the equipment. The cost of relocation includes the moving, packing, unpacking, assembly, attachment, and testing of equipment being relocated from an existing site or structure to a new site or structure being constructed under the military construction appropriations.

Costs of reinstallation or relocation of equipment, which is not associated with a military construction project, are expenses to be borne by the operating funds of the activity involved.

**i. Unanticipated Installation**
In those cases where unanticipated and unbudgeted equipment installations are directed by higher authority, and such actions result in deficiencies, the responsible organization should address the requirements in apportionment submissions and midyear reviews.

**4. FUNDING**

**a. Operation and Maintenance Appropriations**
Fund personal property equipment whose unit cost is less than the current expense investment threshold (see para 03001 for additional guidance).

**b. Procurement Appropriations**
Fund personal property equipment whose unit cost is greater than or equal to the current expense/investment threshold or for which items are centrally managed.

**c. RDT&E Appropriations.**
Fund personal property equipment for RDT&E funded activities.

**d. Navy Working Capital Funds (NWCF)**
Personal property equipment to support NWCF mission requirements is either funded by the NWCF operating budget or the capital purchases program as determined by the current expense/investment threshold and the useful life of the asset.

**e. Non-appropriated funds**
Personal property equipment requirements are financed by the non-appropriated funds equipment custodian.

**f. Specialized Equipment**
Specialized equipment (e.g., test equipment, trainers, etc.) is financed by the major command that has the technical responsibility for the requirement. Specialized equipment that is centrally managed will be funded by procurement appropriations.

## 03232 MAJOR EQUIPMENT OR COMPONENT

In the event major equipment or system components requires expeditious replacement due to damages sustained from battle, explosion, fire collision, storm etc., the spare equipment or system components will be budgeted in the same procurement appropriation in which the

equipment or system is normally budgeted. As a general rule, one spare will be acquired when 50 or less equipment installations are planned and two spares will be acquired when more than 50 installations are planned. However, the Shipbuilding and Conversion, Navy (SCN) appropriation will only budget ship based spare equipment or components for equipment and systems included in a shipbuilding program for the first time. Additionally, SCN will only budget battle spares for the first ship in a class. If there is more than one prime contractor for a ship class and the battle spare is a different configuration for each prime, then a battle spare can be bought to support both primes with the same appropriation that funded the ship. If there is a major configuration/flight upgrade to a ship class, the battle spare would be funded with the end item cost of the ship in the appropriation that funded the ship. If a battle spare, for some reason, was not bought with the fiscal year appropriation that funded the ship construction, the battle spare will be funded by the Other Procurement, Navy appropriation. Replacement spares and spares for equipment included in a previous shipbuilding program will not be budgeted in the SCN appropriation.

## 03233 OUTFITTING

### 1. SCOPE

This paragraph provides budget policy for initial outfitting of investment end-items such as ships, aircraft, vehicles, or other weapons equipment. Initial outfitting is the complement of support items required to make a newly deployed end-item complete and ready to operate. Allowance list changes for operating end-items are also considered initial outfitting. Initial outfitting costs are classified investments by definition and are chargeable to procurement appropriations. After initial outfitting all other cost are considered replenishment and budgeted based on the below paragraphs.

### 2. FUNDING GUIDANCE

#### a. Initial Outfitting

Initial outfitting requirements necessary to support end-items such as ships, aircraft, weapon systems, and equipment will be financed by the same procurement appropriation as the end-item to be supported and are the budget responsibilities of the command budgeting for the acquisition of the end-item.

*i. Ships*

Under the sailaway concept, the investment end item is the complete operational new construction/conversion ship. This includes the cost of approved allowances of on-board support items as well as any support items placed ashore for ships reliant upon shore based sparing. It excludes all other supply system items. Shore based sparing provides retail level support for ships unable to carry the prescribed complement of on board spares due to limitations in storage capacity and organic repair capability. The concept of shore based sparing, which is required for the LCS program, is that it represents a subset of the total allowance requirement for a new construction ship, and it is not in addition to the normal outfitting requirement. Contractor and government furnished equipment spares requirements are financed in the outfitting line on a lead time to need basis.

*ii. Aircraft*
Under the flyaway concept, the investment end-item is the complete new procurement or modified aircraft including the cost of approved allowances of items carried on-board. It excludes all other supply system items.

*iii. Vehicles*
Under the rollaway concept, the investment end-item is the complete new procurement or modified vehicle including the cost of approved allowances of items carried on-board and issued with the vehicle to render it initially operable. It excludes all other supply system items.

*iv. Other Weapons/Equipment*
The investment end-item is the complete new procurement weapon/equipment including the cost of items that must be issued with the weapon/equipment to render it initially operable, e.g., special tools and test equipment, protective gear, other equipage, manuals, software, spare and repair parts, etc. Items "issued with" means those items issued with the weapon/equipment when it is sent to a ship, an aircraft, a unit, a training activity or issued for any other end-use purpose.

**b. Outfitting Requirement Changes**
Items required as a result of allowance list changes for operating end-items, i.e., ships, aircraft, vehicles, and other investment equipment, are funded by the procurement appropriations. Items procured through the Navy Working Capital Fund (NWCF) for allowance list changes are financed by the procurement appropriations when drawn from the supply system.

*i. Operating Ships*
Allowance list (Consolidated Shipboard Allowance List) changes are financed in the Other Procurement, Navy appropriation.

*ii. Operating Aircraft*
The Aviation Consolidated Allowance List (AVCAL) is a retail level NWCF inventory. The Consumable Aviation Consolidated Allowance List (CAVCAL) is a subset of the AVCAL. Items required as the result of AVCAL changes are initially financed by the NWCF and "bought out" by the Aircraft Procurement, Navy appropriation when available. They remain NWCF inventory until sold to customer operating appropriations upon issue.

*iii. Other Operating Equipment*
When changes are made to allowance lists involving expense items, the items will be financed from the procurement resources available to the command having cognizance over the investment end-item being supported

**c. Shore Installations**
The cost of items to support the initial operation and maintenance of the particular equipment, issued with an investment end-item of equipment to be installed at a shore activity will be financed by the applicable investment appropriation. A Coordinated Shore-based Allowance List (COSBAL) is a consolidated listing of spares, repair parts, and consumable items tailored to support organization maintenance for all authorized shore activity. The COSBAL serves the same purpose for shore activities as the

Coordinated Shipboard Allowance List (COSAL), does for ships. Expense Items for COSBAL's will be funded as follow:

*i.* Establishment for existing equipment will be financed by the operating funds of the activity.

*ii.* Outfitting of a COSBAL for new equipment installations or modifications of equipment will be financed by operating funds of the systems commands.

*iii.* Replenishment of a COSBAL, and changes not associated with new equipment installations or modifications, will be financed by operating funds of the activity, if the COSBAL is accounted for as end use inventory or by the NWCF, if it is accounted for as stock funded inventory.

**d. Organizational and Intermediate Maintenance Level Aeronautical Shore Maintenance Activities**

The Individual Material Readiness List (IMRL) provides support to investment ground support equipment end items. Intrinsically expense material, issued with the investment end-item or equipment as defined in subpar (4), is financed from the applicable investment appropriation. The cost of expense items on the IMRL, when not issued with the end-item of equipment, is financed by the Air Type Commander, with distribution of funds to units providing organizational and intermediate maintenance.

## 03234 MILITARY TRAINING FACILITIES, EQUIPMENT AND SUPPORT COSTS

### 1. GENERAL

This paragraph provides the basis for determining funding responsibility for facilities, equipment, publications and training aids required for the training and instruction of military personnel of the Department of Navy (DON) and the funding responsibility for the training of foreign military personnel. For additional information, refer to OPNAVINST 1500.76C, DoD FMR Vol 2A Ch. 1, DSCA Manual 5105.38M and MCO 4950.2

### 2. BUDGET POLICY

**a. Training Support Agency (TSA)**

In general, a TSA is an office, command or headquarters responsible for providing material and other forms of support to the Training Agency (TA). The Naval Education and Training Command (NETC) and Training and Education Command (TECOM) are examples of a TSA. The TSA is assigned the following financial responsibilities:

*i.* all costs with the exception of initially usable items of training equipment, for those items of equipment which are budgeted in the same procurement appropriation as the equipment to be supported. Training equipment will be budgeted in the Shipbuilding and Conversion, Navy appropriation only if it is required for lead crew training and the equipment to be supported is budgeted in the shipbuilding program for the first time; otherwise, the equipment will be budgeted in Other Procurement, Navy or Procurement, Marine Corps by the TSA.

*ii.* development of the training plan, the development and delivery of a usable training package for systems in production, and the provision of training to an initial cadre of instructors and maintenance personnel to maintain the new equipment as the training is introduced, will be budgeted in the same procurement appropriation as the equipment to be supported as a part of the investment cost.

*iii.* installation of training equipment, including preparation of plans; alterations, conversions, rehabilitations, etc., of facilities required incident to installation (excluding military construction); and field engineer services.

*iv.* removals and reinstallation which are an integral part of an initial equipment installation project, removal of equipment no longer used for training purposes, and reinstallations required because of the re-establishment of a training program.

*v.* initial training for the equipment furnished until the training agency can acquire the capability. This is generally accomplished through factory training provided by a contractor to instruct personnel in the operation, maintenance and employment of equipment is funded from the procurement appropriation.

*vi.* preparation and provision of technical or journeyman's manuals with associated instructor guides and trainee measurement aids when required for training in new equipment as well as for major modification.

**b. Training Agency (TA)**

The training agency is an office, command or headquarters exercising command of and providing support to some major increment of the DON's formalized training program. NETCs learning centers and TECOM's training support centers are examples of a TA. The TA is assigned the following financial responsibilities

*i.* provisions of the basic building and/or ground site required for the installation of technical or specialized equipment furnished by a training support agency;

*ii.* provision of maintenance (including stock funded parts and materials) in accordance with the standards of the training support agency providing the equipment when that equipment has been accepted (except for depot level maintenance of aviation-related technical training equipment which is the financial responsibility of the Commander, Naval Air Systems Command);

*iii.* removals and reinstallation incident to alteration, modification, or repair to the training facility's physical plant; the shifting of equipment within the training facility or removal and reinstallation incident to physical relocation from one training activity to another for the sole convenience of the training agency;

*iv.* training, including factory training on equipment for end items no longer in production or where the initial training provided by the training support agency has been complete;

*v.* provision of revisions to supplementary "learner level" manuals, with associated instructor guides and trainee measurement aids when required for use in established courses in the training agency's schools or training centers;

*vi.* provision of all other equipment, supplies, and training material used in day-to-day operations and required for training or instructional purposes in a school or training center under the command of the training agency, except as provided in subpar. d.

**c. Training Devices**

A training device is composed of components and software, which have been designed or modified exclusively for training purposes, involving to some degree, simulation or stimulation to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The following funding responsibilities pertain:

*i. Prototype Training Devices*

The developing command is responsible for the cost of development and acquisition of initial or prototype training devices as a Research, Development, Test and Evaluation program cost until they are formally accepted by the Government. Training devices that are budgeted to support production equipment are funded in the same line item as procured.

*ii. Follow-on Training Devices*

Acquisition of follow-on training devices in the applicable procurement account may be budgeted on a case-by-case basis in the fiscal year in which the satisfactory completion of the critical design review for the prototype-training device is expected, as supported by a prior successful development of the concept and cost data. Normally, however, acquisition team factory testing of the prototype should be completed by the time the follow-on procurement budget requests is submitted to the Congress. Follow-on training devices for surface and subsurface related training of active naval forces and air-related follow-on training devices are the financial responsibility of the systems commands/project managers. The Chief of Naval Reserve is responsible for funding follow-on devices for surface and subsurface related training of Naval Reserve forces. Follow-on devices peculiar to requirements of the Marine Corps are budgeted by the Commandant of the Marine Corps. In cases when the Chief of Naval Operations has approved equipment that meets the definition of a training device for use on or installed in any type or class of ships for the training of ship's company, it will be considered as ship's equipment and financed accordingly.

*iii. Maintenance*

Organizational and intermediate level maintenance of training devices is the funding responsibility of the training agency having custody of the device. Depot level maintenance of training devices is the funding responsibility of the inventory manager.

**d. Other Support**

Other forms of support are funded by specific offices, and commands as determined by the Chief of Navy Operations or the Commandant of the Marine Corps. For Navy activities engaged in formal classroom training and not under the command of the Commander, Naval Education and Training Command, NETC has been assigned responsibility for providing without reimbursement, specialized training equipment and devices when those items are not within the cognizance of the systems commands project manager.

## 3. COORDINATION

The training agencies must furnish their requirements to the appropriate training support agency for timely insertion into the programming and budgeting system for appropriate

action. Where budgetary or planning decisions result in a change in programmed training requirements, other component organizations affected by the change must be advised by the training agencies at the earliest possible opportunity. Likewise, the training support agencies must provide timely notice to the training agencies of budgetary and/or reprogramming decisions that affect training support capability and the development of new weapons systems or equipment.

**4. FOREIGN MILITARY PERSONNEL**

All direct and indirect expenses of providing training to foreign military personnel (and civilians associated with foreign military organizations) under the International Military Education and Training (IMET) and Foreign Military Sales (FMS) programs are reimbursable, except for military personnel costs of IMET training and indirect costs of FMS training sold to North Atlantic Treaty Organization (NATO) countries under the NATO Standardization Agreement.

## 03235 CONTRACTOR ENGINEERING AND TECHNICAL SERVICES

**1. GENERAL**

Contractor Engineering and Technical Services (CETS) provides the bridge of technical support to install, operate and maintain Department of Defense (DoD) weapons, equipment and systems until military self-sufficiency is developed. It consists of the furnishing of advice, instruction, and training to DoD personnel, by commercial or industrial companies, in the installation, operation and maintenance of such equipment. CETS does not include consulting and management services, "contract-out" services under provisions of Office of Management and Budget Circular A-76, or other recognized categories of contractor support governed by separate policy guidance.

**2. BUDGET POLICY**

**a. General**

to ensure compliance with the Bona fide need rule, all CETS contracted on an "as-needed" basis may not extend beyond the obligational availability of the financing appropriation.

**b. Procurement Appropriations**

CETS required to directly support the introduction of systems, components, and other investment end items, including modification kits, will be budgeted in the same procurement appropriation as the item supported on the basis that:

*i.* CETS will not exceed the 12-month period after acceptance of the first production unit of the model being produced, and

*ii.* CETS will be procured as a separate line item in the production contract.

In the event that items within a contract are funded by several Departments of the Navy procurement appropriations, CETS qualifying for funding under procurement appropriations will be funded by the dominant procurement appropriation involved.

**c. Research, Development, Test and Evaluation (RDT&E) Appropriation**

CETS required in direct support of research and development program efforts for systems and other items, from inception through completion of initial operational test and evaluation, will be budgeted in RDT&E and funded under the appropriate RDT&E project.

**d. Operating Costs**

CETS used to support follow-on testing and evaluation efforts directed for the demonstration of operational suitability of systems and other items being introduced into inventory will be funded by the Operation & Maintenance appropriation. Additionally, CETS that do not meet the criteria for funding under RDT&E or Procurement appropriations will be budgeted with O&M appropriations or Navy Working Capital Fund, as applicable.

## 03236 BOATS AND CRAFT

The Other Procurement, Navy (OPN) appropriation will fund all or new replacement boats for the Navy other than those provided as part of Shipbuilding and Conversion, Navy (SCN) projects. The SCN appropriation will budget for the following boats and crafts:

- service craft included in the current issuance of SECNAVINST 5030.8B
- all landing craft;
- boats which are part of the allowance list of ships being constructed or converted as SCN projects.

## 03237 FLEET MOORINGS

**1. GENERAL**

Commander, Navy Installations Command (CNIC) is responsible for budgeting and funding for Navy-wide design, procurement, installation, maintenance, and repair of fleet moorings, except for fleet moorings which are a part of the North Atlantic Treaty Organization (NATO) infrastructure, Navy Working Capital Fund activities, and other organizations. In accordance with responsibilities set forth in para 03182, the Commander, U.S. Naval Forces, Europe will budget and fund the United States' share of the operation and maintenance costs of NATO common infrastructure moorings. The Naval Facilities Engineering and Expeditionary Warfare Center (NAVFAC EXWC) remains the executors of the program for both Atlantic and Pacific Fleets.

**2. FUNDING RESPONSIBILITY**

CNIC funds the maintenance & repair of fleet moorings, which includes cost incidental to inspection, lifting or removing components, transportation, overhaul, repair, replacement, or painting and replanting of fleet moorings with Operation and Maintenance, Navy for Navy tenant commands and select other organizations if applicable by law or regulation. Working Capital Fund, other departmental services, and private organizations will reimburse NAVFAC directly for this service. CNIC will budget and fund the costs associated with new fleet moorings as procurement from Budget Activity 07, Personnel and Command Support Equipment of the appropriation Other Procurement, Navy.

## 03238 CRYPTOGRAPHIC DEVICES

**1. GENERAL**

The below paragraphs prescribe funding responsibilities for costs incurred in the procurement, distribution, and repair of cryptographic devices within the Navy, Marine Corps and Coast Guard.

## 2. BUDGET POLICY

### a. Procurement

The costs of procurement of cryptographic devices, including initial outfitting of replacement parts, subsequent modification kits, and replacement parts is a budgeting and funding responsibility of the Space and Naval Warfare Systems Command (SPAWAR) in the Budgeting Activity 2 "Communications and Electronic Equipment" of the Other Procurement Navy appropriation. SPAWAR is responsible for replacement parts and spares of actual cryptographic devices and cryptographic ancillaries. The costs of procurement distribution of cryptographic devices will be programmed for and funded from resources made available by SPAWAR.

### b. Maintenance

*i. Shore-Based Devices*

The using activity will bear all costs of maintenance, repair, and modification of shore-based devices, including stock funded material. Navy activities will utilize resources made available within their operating budget. The costs for cryptographic devices held by the Communications Security Material System will be funded by SPAWAR.

*ii. Shipboard Devices*

The maintenance, repair, and modification of shipboard cryptographic devices performed by naval shore activities will be funded from resources made available to SPAWAR within the activity's operating budget. Cost of work performed aboard the ship by members of ship's complement will be borne by the supply and equipage operating target funds supporting the ship.

*iii. Airborne Devices*

The maintenance, repair, and modification of airborne devices used in aircraft assigned to shore-based commands will be funded in accordance with the provisions of subpar. (*i*). The maintenance, repair, and modification of airborne devices used in aircraft assigned to afloat commands will be funded in accordance with the provisions of subpar *(ii*).

*iv. Marine Corps and Coast Guard*

The maintenance, repair, and modification of cryptographic devices performed for the U.S. Marine Corps and Coast Guard afloat, airborne, and forward deployed units are the funding responsibility of SPAWAR within the Operation and Maintenance, Navy account.

The maintenance, repair and modification of cryptographic devices performed for the Marine Corps and Coast Guard shore-based devices are the responsibility of the Marine Corps and Coast Guard within their Operation and Maintenance accounts.

### c. Technical-Consultative Assistance and Non-Navy Stock Account Repair Parts

Technical-consultative assistance and non-Navy Stock Account repair parts are budgeted and funded from resources made available to SPAWAR within their operating budget. The non-Navy Stock Account repair parts will be provided to requiring activities on a non-reimbursable basis.

## 03239 AERIAL AND SEABORNETARGETS

Aerial and Seaborne Targets provide threat representative target capabilities that meet requirements for fleet training and weapons systems test and evaluation. Aerial and Seaborne Targets should be funded in the same manner as any other ancillary end item used in support of a major program. Program identification and related funding for aerial targets (drones or other types) and seaborne targets will be in accordance with the following:

- Development of aerial or seaborne targets - to be identified with and funded as a Research, Development, Test and Evaluation (RDT&E) cost of the aerial or seaborne target program office, the central manager;
- Procurement of aerial targets to be used as RDT&E test beds, to include the associated testing - to be identified with and funded as an RDT&E cost of the aerial target program office;
- Procurement of seaborne targets to be used as RDT&E test beds, to include the associated testing – to be identified with and funded as an RDT&E cost of the seaborne target programs office;
- Procurement and/or augmentation of aerial or seaborne targets solely dedicated to support other programs under development (e.g., missiles, threat systems, etc.), to include the associated testing - to be identified with and funded as an RDT&E cost of the program under development. Costs include reconfiguring or retrofitting the targets to support the developmental efforts, associated testing, and restoration of the target to its original configuration;
- Procurement and/or modification of aerial targets having general application for fleet operational use in training, evaluation, development purposes, and test and evaluation - to be financed by the aerial target office in the Weapons Procurement, Navy appropriation.
- Procurement and/or modification of seaborne targets having general application for fleet operational use in training, evaluation, development purposes, and test and evaluation – to be financed by the seaborne target office in the Other Procurement, Navy appropriation.
- Costs to replace/repair Navy's inventory of targets that are expended by a non-Navy agency during a foreign training or testing operation are to be reimbursed by the non-Navy agency in accordance with para 02404.

## 03240 INFORMATION TECHNOLOGY, AUTOMATED INFORMATION SYSTEMS, AND GENERAL PURPOSE COMMUNICATION SYSTEMS

### 1. GENERAL

There are two different types of Information Technology (IT) systems for the Department of the Navy (DON). The first type includes automated information systems (AIS) and Defense Business Systems (DBS), which are composed of financial systems, mixed systems, financial feeder systems, and Information Assurance (IA) infrastructure. The second type includes IT components or systems that are embedded in weapons and major end items, which are budgeted and funded with the weapons system and/or major end item. In addition, there are general policies that are applicable to both. Major end item procurements are budgeted according to FMR Vol 2A Ch. 1. All costs related to software feasibility studies, system design, development, preparation, modification, integration, and test and evaluation,

including interfaces with other equipment/systems, and of the aforementioned efforts improve the performance envelope of an existing system will be budgeted in the RDT&E appropriation and in accordance with FMR Vol 2A Ch. 1. Further, Pre-Analysis of Alternatives (AoA) work includes, but not limited to, such efforts as information to document the requirement or compilation of existing information to be used in the AoA. The funding source for these efforts will generally be an expense and therefore budgeted in operating accounts. When conducting an AoA for IT, AoAs are considered an investment and should be budgeted and executed in Research, Development, Test & Evaluation (RDT&E) appropriation. Expense items for life cycle maintenance of software will be budgeted in operating funds. Investment items necessary for software maintenance will be budgeted in the applicable procurement appropriation. Both expense and investment costs related to software maintenance of tactical/strategic systems which are not placed into production/operational use but retained for further RDT&E effort will be budgeted in RDT&E.

**2. Weapons Systems and/or Major End Items**

RDT&E will finance all efforts necessary to deliver the computer programs and documentation necessary for operational use. Integration of available software, i.e., software already developed, in new combinations/applications or for conversion/application to a new equipment/system will also be budgeted in the RDT&E appropriation. The intent of this policy is that RDT&E will fund all work leading up to a service approved operational software program for the equipment/system. All other IT related programs for operational use should be budgeted with the end item and acquired through the acquisition process. When a weapons system or the end item requires an IT refresh, the appropriation where the item was budgeted should fund the IT refresh.

**a. Ship Construction or Conversion**

for ship construction or conversion, development of individual equipment/system software will be budgeted in RDT&E. Integration of fully developed equipment/system software into a new construction or conversion ship will be budgeted in the Shipbuilding and Conversion, Navy appropriation. However, if the lead ship is budgeted as an RDT&E prototype, software integration will also be budgeted in RDT&E. The cost of initial software acquisition for procurement financed equipment/systems which has not required a prior RDT&E financed development program will be budgeted in the applicable procurement appropriation.

**b. Software Product Improvement**

The funding of product improvement of operational software is governed by the "performance envelope" concept, specifically, the demonstrated capability of a system, a systems components and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc. In determining the proper funding source, the performance envelope criterion is tempered by the scope and cost of the effort involved. The following policy applies:

*i.* Software product improvement that expands the current performance envelope will be budgeted in the RDT&E appropriation. As a limited exception to this basic funding policy, minor improvements that expand the performance envelope may be incorporated during regular operation and maintenance funded software maintenance. However, these improvements must be relatively minor in scope/cost

and must be capable of being accomplished concomitant with normal "within performance envelope" maintenance changes. Exercise of this exception is predicated on the existence of a configuration control management system in order to make the subjective review and decision that a performance envelope change is minor in scope/cost and can be incorporated during maintenance, and thereby qualify as an exception to RDT&E funding;

*ii.* software product improvement within the current performance envelope for an equipment/system currently in production will be budgeted in the procurement appropriations if the improvement is prepared as an approved system change by the equipment/system manufacturer. Software product improvements within the current performance envelope for an equipment/system no longer in production will be budgeted in the Operation and Maintenance (O&M) appropriation. In any case, level-of-effort software product improvements within the current performance envelope by either in-house activities or contractors will be budgeted in O&M appropriation as normal life cycle maintenance.

**3. Business Systems**

**a. IT Contracted Services for Fixed Costs**

IT fixed costs that provide a service and would otherwise be considered an expense and cannot be fiscally split/determined between Navy Working Capital Fund and General Fund accounts will be funded centrally as an expense in Operation and Maintenance accounts. Fixed costs are generally those in which the DON has agreed to pay a stipulated amount for services or products. IT products/services other than fixed costs that are not centrally funded will be paid for by the account/appropriation requiring the service/products in accordance with established fiscal laws and policies.

**b. Defense Business Systems**

Defense Business Systems (DBS) are information systems, that in accordance with 10 U.S.C. 2222, require certification of all covered DBS programs regardless of fund source for acquisition, modernization, or sustainment that are expected to have total costs equal to or greater than $5 million over the future year defense plan. When a DON granting organization issues funding to any organization for a DBS, the funding document will annotate that the DBS has received the appropriate Office of Secretary of Defense certification, or if a certification is not required, the funding document will include a statement noting that a certification is not required. The granting organization will maintain a copy of the certification with the file copy of the funding document. DON organizations performing work for other Department of Defense customers must either require the granting organization to properly annotate the funding document or the DON performer should receive documentation in writing from the customer annotating whether a DBS certification is required and has been attained.

## 03242 SHIP CONSTRUCTION, MAINTENANCE AND MODERNIZATION

**1. GENERAL**

The Shipbuilding and Conversion, Navy (SCN) appropriation funds the construction of new ships and the acquisition, major reactivation, conversion, and service life extension (SLEP) of existing ships. The Operation and Maintenance, Navy (O&M,N) appropriation funds ship maintenance and modernization for items classified as expenses. Modernization items

classified as investments are funded by procurement appropriations. The funding practice is to fund submarine refueling overhauls in the O&M appropriation. Nuclear powered aircraft carriers (CVNs) refueling complex overhauls are funded in SCN. There are specific instances where the Research, Development, Test and Evaluation appropriation will finance both acquisition and maintenance aspects of ships for use in research projects, which is discussed in para 5.

**2. SCOPE OF SCN FUNDING**

**a. Ship Delivery and Equipment**

SCN programs should be fully funded to include all costs necessary to construct, convert, or to acquire a ship. The ship budget line item will fund the installation of those items planned for installation prior to ship delivery. Additionally, no items will be added to the SCN ship equipment list, if at the time of procurement, the item is scheduled to be delivered after ship delivery. All items scheduled to be delivered after ship delivery will be budgeted in the applicable procurement or O&M appropriation in accordance with expense/investment criteria in para 03001.

**b. Exceptions to 2a**

Exceptions may be made to accommodate procurement and installation of items that are subject to additional costs associated with obsolescence, or if the deferred procurement and installation are expected to create cost savings or cost avoidance; in these cases the item will be funded with SCN under the following circumstances:

*i.* the decision to defer procurement or installation must be made prior to ship delivery and identified during the appropriate phase of the Planning, Programming, Budgeting, and Execution process; and

*ii.* the deferred procurement or installation will be funded with SCN end cost funding; and

*iii.* the limitation of associated work and SCN end cost funding will continue to be the Obligation/Work Limiting Date (OWLD).

**c. Concurrent Funding**

During the period from ship delivery to the SCN OWLD for the ship, concurrent periods of availabilities (Post Shakedown Availability), Industrial Maintenance Availability, Restricted Availability may be scheduled to accomplish post-delivery work in the most cost effective manner. During such periods, concurrent obligation and expenditure of SCN, Weapons Procurement, Navy (WPN), Other Procurement, Navy (OPN), and O&M appropriations for appropriate categories of work may be made, provided that separate accounting of funds are maintained. The overall OWLD for SCN funding is 11 months following completion of fitting out of the ship, in accordance with OPNAVINST 4700.8K. Requests for OWLD extensions must be forwarded to the Assistant Secretary of the Navy, Financial Management and Comptroller (FMB2) as endorsed recommending approval by the budget submitting office and the resource sponsor.

**d. Ship Ceremonies**

*i. Keel Laying*

Costs for keel laying ceremonies will be borne by the building activity as part of the construction cost of the ship. For example, it is appropriate to have keel laying

ceremonies for the first launching and christening ceremony of a ship. Allowable costs will include the cost of music, local transportation, flowers, printed invitations and programs, minimum-sized platform built as simply as possible and large enough to accommodate the speaker and guests, modest decoration of the platform with bunting, and a speaker's shelter for rainy weather, if necessary. The costs described above are allowable under the shipbuilding contract, provided that they are clearly distinguishable from all other costs the builder incurs for keel laying ceremonies. No entertainment costs, such as personal expenses of the speaker and guests, engraved invitations, luncheons, dinners, or gifts for the speaker, will be charged either directly or indirectly to shipbuilding funds or to any Navy appropriations.

*ii. Launching*

Allowable costs of ceremonies as outlined in subpar. f, including the cost of one bottle of christening champagne, will be borne by the building activity as part of the construction cost of the ship for launching ceremonies. In addition, travel expenses of sponsors authorized in accordance with the Joint Travel Regulations will be paid from the SCN appropriation. However, there is no authority to pay the travel expenses of the children or attendants of sponsors because they travel voluntarily and do not perform an official function.

**e. Precommissioning**

The SCN appropriation funds the costs for those items required to place a newly constructed or converted ship into an operating basis. Funds are budgeted by the Naval Sea Systems Command in the applicable SCN ship budget line item for pre-commissioning and commissioning costs for all newly constructed or converted ships.

*i. Costs Chargeable for Precommissioning*

The cost of supplies required in advance of the actual commissioning for day-to-day purposes is funded by the SCN appropriation. These funds also finance miscellaneous costs attributable to precommissioning such as the costs of gasoline and oil for vehicles, tunnel and bridge tolls, and telephone services, but may not be used to build up a stock of supplies and equipage for future use.

*ii.* The following items should not be funded with SCN for precommissioning, but funded according to fiscal policy and practice:

(a) entertainment expenses, engraved invitations, luncheons, dinners, gifts, etc.; however, if warranted by the commissioning ceremony, official representation funds may be requested from the Chief of Naval Operations (N09B) for a commissioning reception under circumstances as authorized by the current series of SECNAVINST 7042.7K;

(b) ships allowance list requirements, or additional quantities of equipage;

(c) recreational material, such as television receivers, fishing kits, ice cream machines, rental of commercial motion picture films, purchase of books for the library, and similar items;

(d) furniture and furnishings, such as rugs, draperies, desks, chairs, wardrobes, tabletop coverings, and similar items;

(e) various nonstandard supplies comparable with, but not listed on, the ship's allowance list, such as tablecloths, bread trays, and silver bowls, unless approved as in excess of authorized allowance pursuant to existing regulations;

(f) souvenir or gift items such as oil paintings, cigarette lighters, pens, pencils, ash trays, and napkins embossed with the ship's name, profile, or both.

**f. Commissioning**

Per SECNAVINST 5031.1C the following commissioning costs are properly funded by the SCN appropriation:

*i.* costs of a first commissioning ceremony for music, local transportation, flowers, decorations, printed invitations, and programs, and the cost of work and services necessary to commission the ship, such as assembly and disassembly of the speakers' platform, seating arrangements, the public address system, and related items, but these expenses will be kept to a minimum;

*ii.* miscellaneous type charges incurred incident to commissioning, such as cost of gasoline and oil for vehicles, tunnel and bridge tolls, and telephone services;

*iii.* invitational travel orders issued as authorized in Joint Travel Regulations to fund the travel expenses of the speaker, sponsor, or anyone else who performs an official function in connection with a commissioning;

*iv.* costs not chargeable for SCN commissioning are the same as items listed in subpar. e (ii) and budgeted accordingly to fiscal policy and practice.

**g. Recommissioning**

Costs of recommissioning ceremonies are borne by the activity responsible for the reactivation and funded by the appropriation made available for the reactivation work. Allowable costs and guidelines are the same as those outlined in subpar. f for the first commissioning, in accordance with guidelines contained in SECNAVINST 5031.1C.

**h. Decommissioning**

Costs of decommissioning ceremonies are borne by the Fleet commanders and are funded by the same funds made available for the operation and maintenance of the ship involved. Allowable costs are the same as those outlined in subpar. f for the commissioning costs. Decommissioning ceremonies are usually modest, but may be significant for ships with noteworthy combat records or special significance in accordance with guidelines contained in SECNAVINST 5031.1C.

## 3. SHIP MAINTENANCE

A variety of depot maintenance programs are funded within the Operation and Maintenance, Navy (O&M,N) appropriation administered and funded by the Fleet. The planning and technical support function supports the management for availabilities, life cycle maintenance, and class maintenance impacts due to depot level alterations, repair material management, and special projects for ship logistics managers. Use of expired funds for within scope changes is authorized under 31 U.S.C. 1553, while use of expired funds for new scope efforts for ship overhauls is authorized under 10 U.S.C. 7313.

10 U.S.C. 7313 provides authority in the O&M,N appropriation to incur obligations under the following two criteria:

**a.** Unusual cost overruns incident to ship overhaul, maintenance, and repair for a vessel inducted into an industrial-fund activity or contracted for during a prior fiscal year. The Department of the Navy shall notify Congress, via the Secretary of Defense before an obligation is incurred for any payment; or

**b.** Changes in scope of work in an expired appropriation for new scope efforts to complete ship overhauls. Complex ship overhauls are dynamic in nature and may not be completed within the normal one year availability of the O&M,N appropriation. This authority applies exclusively to major ship depot availabilities funded in the Ship Overhaul budget line item, including regular and complex ship overhauls, refueling overhauls for nuclear powered submarines, and depot modernization periods. However, due to the complex nature of ship availabilities and overhauls, if circumstances require additional guidance for a determination under this statute, Comptrollers shall coordinate with OASN(FM&C) and Counsel for further guidance.

## 4. SHIP MODERNIZATION

The Fleet Modernization Program (FMP) funds all design services in support of alterations to in-service ships. The FMP is designed to upgrade ships of the fleet to be mission capable in countering current and projected threats and improve operational capabilities.

The use of O&M,N or procurement accounts is dependent on the type of alteration being performed. In general, a SHIP Alteration (SHIPALT) is an approved permanent change to the configuration of a ship. SHIPALTs are classified by title/type and comprise any change in hull, machinery, equipment, or fittings, which involve changes in design, material, quantity, location, or relationship of the component parts of an assembly. The title assigned to a SHIPALT identifies the approving authority and responsibility for funding.

Title "D" SHIPALT - A permanent alteration that does not affect the military characteristics of a ship. It may require Centrally Provided Material (CPM) from the stock-fund, but it does not require Headquarters Centrally Provided Material (HCPM) (i.e., centrally managed items bought with procurement funds). A Title "D" SHIPALT may specify whether it should only be accomplished by a depot level maintenance facility and these alterations should be funded by operating appropriations.

Title "F" SHIPALT- A permanent alteration that does not require HCPM or CPM and is within ship's force capability for accomplishment; however, an Intermediate Maintenance Activity (IMA) may accomplish it. These should be funded by operating appropriations.

Title "K" SHIPALT - A permanent alteration to provide a military characteristic, upgrade existing systems or provide additional capability not previously held by a ship, which affects configuration controlled areas or systems of a ship or which otherwise requires the installation of Headquarters Centrally Provided Material (HCPM). These SHIPALTs are approved for development and authorized for accomplishment by the CNO (military improvements) or the Hardware Systems Commands (HSCs) (non-military improvements). These are funded with procurement appropriations. Title "K-P" SHIPALT provides a new military characteristic, or upgrades existing systems or provides additional capability not previously held by a submarine. If the equipment to be upgraded is centrally managed, the “K” or “K-P” Alt should be funded with procurement appropriations. If the equipment is not centrally managed, the Alt should be funded based on the expense/investment criteria as described in para 03001.

**5. RESEARCH AND DEVELOPMENT SHIPS**
for ships assigned to research and development missions, the cost of reactivation, SLEP, conversion and overhaul/modernization will be budgeted in the Research, Development, Test and Evaluation, Navy appropriation. In addition, ship platform financing for RDT&E purposes is further described in para 03212.

**6. MILITARY SEALIFT COMMAND (MSC) SHIPS**
Ship overhaul will be financed by the NWCF for recovery through MSC rates. Ship modernization will be funded as delineated in subparagraph 4.

## 03243 RECREATION EQUIPMENT

Equipment that is used for recreation purposes at naval shore installations and aboard ships is classified as Morale, Welfare, and Recreation (MWR) Support Equipment. This equipment supports leisure time activities of military and civilian personnel. Recreation equipment is budgeted as an initial outfitting requirement for new construction/conversion ships and naval shore facilities financed under the Military Construction Program or as replacement/augmentation requirements for operational ships and facilities. Categories of recreation equipment supported from appropriated funds are athletic, entertainment, hobby and craft, physical fitness, and water sports.

**1. INITIAL OUTFITTING**

**a. Shipboard Recreation Equipment**
Initial outfitting of recreation equipment aboard naval vessels is determined in accordance with the allowance list developed for each class of ship. Naval Sea Systems Command (NAVSEA), in conjunction with Bureau of Naval Personnel (BUPERS), is responsible for reviewing the adequacy of the shipboard allowance list. Recreation equipment for new construction/conversion ships is budgeted by NAVSEA as a cost of initial outfitting in the Shipbuilding and Conversion, Navy appropriation.

**b. Shore Activity Recreation Equipment**
Naval Facilities Engineering Command (NAVFAC) is assigned responsibility for budgeting and funding initial outfitting requirements of naval facilities constructed under the Military Construction Program. Certain MWR facilities may be eligible for initial outfitting of recreation equipment from appropriated funds as determined by review on a case-by-case basis (see para 03311 on details for eligibility). All equipment items needed to provide a complete and usable facility are included as initial outfitting requirements with the exception of consumables or expendables, which are funded by Navy budget submitting offices as expense items in operating appropriations. NAVFAC, in conjunction with BUPERS, is responsible for requirements determinations of recreation equipment for initial outfitting. The initial outfitting of naval shore facilities is budgeted as collateral equipment under the Other Procurement, Navy (OPN); Operation and Maintenance, Navy, Operation and Maintenance, Marine Corps or Operation and Maintenance, Reserve appropriations dependent upon the expense/investment classification of the equipment.

**2. REPLACEMENT**
Recreation equipment meeting the criteria of investment items for both shipboard and naval shore activity use (including open messes) is centrally budgeted and funded by BUPERS in the OPN appropriation. Investment items for Marine Corps activities are centrally budgeted

and funded by Headquarters, Marine Corps in the Procurement, Marine Corps appropriation. Recreation equipment meeting the criteria of expense items is budgeted using operating appropriations.

# SECTION V: MILITARY CONSTRUCTION

## 03250 SCOPE

This section presents general funding policy for the construction programs. It includes guidance for installed equipment; supervision, inspection, and overhead, cost and scope variations related to construction project restrictions; and continuing authorizations related to restoration of damaged or destroyed facilities, contingency projects, emergency projects; environmental response projects; and demolition.

## 03251 BUILT-IN (REAL PROPERTY) EQUIPMENT

Amounts authorized for military construction projects under 10 U.S.C. 2802 and amounts authorized for construction of military family housing units under 10 U.S.C. 2821 include authority for built-in equipment and fixtures integral to a military construction project. The acquisition and installation of built-in or real property equipment which has been identified as such in the military construction project (built-in) scope of work shall be charged either to the appropriation financing the construction project or based on the expense/investment threshold criteria set forth in the Department of Defense Financial Management Regulation moveable real property. The expense/investment threshold has changed several times during recent years and a review of the applicable threshold by fiscal year should be conducted prior to executing (or extending prior year) contracts. Built-in or capital equipment is that equipment which has been engineered as an integral part of the of the military construction project; is a significant contributor to the function of the completed facility or structure; is permanently affixed and an essential part thereof; and is normally accounted for under real property Class 2. These "built-ins" are financed with the military construction project. There are four classes of plant property for which additional information can be found in OPNAVINST 11010.20H. Examples of real property equipment include:

- Built-in furniture, cabinets, and shelving.
- Elevators and escalators.
- Heating, ventilating, and air-conditioning installations.
- Electric generators and auxiliary gear, including facility Uninterruptible Power Supply (UPS).
- Waste disposers such as incinerators.
- Chapel pews and pulpits.
- Cranes and hoists (built-in, not movable); supported by integral runways or rails with-in the facility envelope.
- Raised flooring.
- Automated storage/retrieval systems.
- Laboratory furniture.

Real property equipment that is movable in nature and not affixed as an integral part of a facility are not normally considered construction costs, and are funded on the expense/investment threshold and central management concept. These items are generally referred to as collateral equipment. The exception to the rule for initial outfitting of family housing. The initial outfitting of family housing with kitchen equipment and household furnishings, such as shades and carpeting are considered construction costs. For additional information, refer to DoD FMR Vol 2A Ch. 1. For additional information, refer to DoD FMR Vol 3 Ch. 17, OPNAVINST 11010.20H and MCO 11000.5G.

## 03252 SUPERVISION, INSPECTION, AND OVERHEAD

### 1. GENERAL

10 U.S.C. 2851 provides authority for the Naval Facilities Engineering Command (NAVFACENGCOM) to act as the designated responsible agent for acquisition execution of facilities related services contracts for the Department of the Navy (DON). This statute also provides authority for NAVFACENGCOM to provide Supervision, Inspection, and Overhead (SIOH) of military construction projects. 10 U.S.C. 2802 authorizes the use of funds appropriated for military construction (MILCON) to finance facility acquisition planning, supervision, administration, and overhead incident to the execution of military construction projects. 10 U.S.C. 2821 authorizes the uses of the same costs for military family housing construction projects. For additional information, refer to DoDD 4270.5.

### 2. FACILITIES WORK FUNDED WITH APPROPRIATIONS THAT ARE INCLUDED IN THE DoD MILCON APPROPRIATIONS ACT

10 U.S.C. 2205 provides authority for the military departments to charge a fixed rate for reimbursement of the costs of providing facility planning, supervision, administrative, or overhead services incident to any construction, maintenance, or repair project to real property or for providing facility services, irrespective of the appropriation financing the project or facility service. There are different SIOH rates established for MILCON projects carried out in the continental United States vs. those carried out overseas. Included are costs of civilian personnel compensation, travel, transportation, training, printing and binding, rents, contractual services, supplies, materials, and equipment in the performance of the following:

- Studies and analyses of plans and specifications and conferences of construction design personnel to establish construction sequence and review design requirements;
- Participation of construction staffs in pre-award activity to acquaint prospective bidders with the nature of work;
- Award and administration of construction contracts;
- Award and administration of contracts that provide for supervision and inspection;
- Establishment of benchmarks and baselines required for layout of construction;
- Review of shop drawings prepared by construction contractors for suitability and fit with construction by other trades and contractors;
- Assuring that construction is performed in compliance with plans and specifications by supervision and inspection of construction work and conferences with the contractor to coordinate various features of the project and endorse compliance with schedule;

- Negotiation with the contractor on all contract modifications, including preparation of all contract documents required therefore;
- estimating quantities, determining periodic payments to contractors, and reviewing and approving contract payments, including any measurements required therefore by Government forces;
- Construction staffs' review and approval of construction schedules and progress charts, as prepared by the contractor;
- Preparation of progress and completion reports;
- NAVFAC Inspector General services related to the military construction program;
- Claims analysis; and
- Project management and administration not otherwise identified herein.

For additional information concerning military construction funded project costs, refer to DoD FMR Vol 3 Ch. 17 and DoD FMR Vol 2B Ch. 6.

**3. FACILITIES WORK FUNDED IN DON OPERATION AND MAINTENANCE APPROPRIATIONS**

Funding for SIOH acquisition support services for work funded by the Commander, Navy Installations Command and Marine Corps Operation & Maintenance (O&M, Navy, O&M, Marine Corps, O&M, Navy Reserve, and O&M, Marine Corps Reserve) Sustainment, Restoration and Modernization , Environmental Compliance or Base Operating Support programs is provided to the NAVFACENGCOM.

**4. FACILITIES WORK FUNDED FROM SOURCES OTHER THAN MILCON OR A DON O&M APPROPRIATION**

No mission funding is provided to NAVFACENGCOM to provide SIOH acquisition support services for facility requirements of other military components or Defense Agencies; Environmental Restoration, Navy; Defense Emergency Response Fund; Gift Funds; Quality of Life Enhancement; and private parties. NAVFACENGCOM SIOH acquisition support services of leased-construction projects where a private entity is building to DON requirements and the DON has a lease back agreement is also considered "work funded from sources other than MILCON or a DON O&M appropriation". SIOH acquisition support services for facility requirements funded from sources other than MILCON or a DON O&M appropriation are based on a standardized cost factor that is applied against facilities contracts. This cost factor includes both direct and indirect costs, e.g., overhead. SIOH acquisition support services performed by mission-funded activities must be based on incremental direct costs that are measurable and would not have been incurred were it not for the customer's project.

If a customer has a unique requirement or one that is beyond the basic levels of SIOH acquisition support services provided by NAVFACENGCOM, reimbursement from the customer is appropriate. These requirements should be clearly stated and quantified in the funding document issued by the customer.

## 03253 PROGRAM RESTRICTIONS

### 1. AUTHORIZED AMOUNT

Per 10 U.S.C. 2802(a), military departments may only carry out new major construction projects (the cost exceeding $2 million) that are specifically authorized by Congress. In general, military construction (MILCON) appropriations are provided by a Military Construction and Veterans Affairs and Related Agencies Appropriations Act (or comparable legislation) as authorized by Congress in National Defense Authorization Acts (or other statutes for the same fiscal year as the Appropriations Acts. The DD Form 1391 is the basis upon which the annual authorizations and appropriations are granted. The DD Form 1391 delineates the scope of the facility and supporting features and provides an estimate of their costs. DoD FMR Vol 2B Ch. 6 provides guidance for preparation of this form. Authorization of use of funds for a military construction project, land acquisition, or family housing project contained in a MILCON Authorization Act expire in 3 years if no obligation is made unless there is a construction start. Other limitations placed on these amounts are discussed in the following paragraphs.

### 2. TYPES OF VARIATIONS

#### a. Reportable

Within the military construction program, cost variation increases or cost variation decreases that exceed the project-funding requirement amount authorized in a National Defense Authorization Act (NDAA) for a MILCON project or construction, improvement, and acquisition of a military family housing project must be reported to Congress. The authorized construction project cost variations are provided in 10 U.S.C. 2853 for Military Construction, Navy and Marine Corps, Family Housing Construction, Navy and Marine Corps, and 10 U.S.C. 18233 for Military Construction, Navy Reserve.

#### b. Non-reportable

The limitation on cost variations in 10 U.S.C. 2853 does not apply to the following:

*i.* The settlement of a contractor claim under a contract.

*ii.* The costs associated with the required remediation of an environmental hazard in connection with a military construction project or military family housing project, such as asbestos removal, radon abatement, lead-based paint removal or abatement, or any other legally required environmental hazard remediation, if the required remediation could not have reasonably been anticipated at the time the project was approved originally by Congress.

### 3. CONSTRUCTION COST VARIATION

#### a. Project Cost Variation

Per 10 U.S.C. 2853 the cost authorized for a military construction project or for the construction, improvement, and acquisition of a military family housing project may be increased or decreased by not more than 25 percent of the amount appropriated by Congress for such project or 200 percent of the minor construction project ceiling specified in section 2805(a)(1), whichever is less, if the Secretary concerned determines that the revised cost is required for the sole purpose of meeting unusual variations in cost and that such variations in cost could not have reasonably been anticipated at the time the project was approved originally by Congress. If a cost variation is required above this amount, a written notification of the facts relating to the proposed increased cost must be

submitted to the appropriate committees of Congress via the Assistant Secretary of the Navy, Energy, Installation and Environment (ASN (EI&E)) and the Office of the Chief of Naval Operations. Without specific congressional approval, 21 days must elapse from the date of submission before approval can be assumed, unless a committee notes a concern before the time elapses. Realignment of funds for any project cost variation, whether above or below these thresholds, may not be implemented in advance of posting and approval of transactions as required in Departmental funds control guidance. Guidance for reprogramming proposals of military construction and family housing funds that require a cost variation notification in accordance with 10 U.S.C. 2853 is contained in DoD FMR Vol 3 Ch. 7.

**b. Scope of Work Adjustments**

Funding limitations or a change in requirement or mission may require a reduction to an enacted military construction project scope of work. The revised scope of work must still provide a complete and usable facility that will still perform the basic function that Congress initially approved. If the proposed change will reduce the approved scope of the project by more than 25 percent, a scope variation notification to Congress and expiration of wait period is necessary prior to proceeding with obligation or expensing of construction funds even if the need for scope decrease is identified after construction award. For additional information, refer to DoD FMR Vol 3 Ch. 7.

A military construction project may not be placed under contract if, based upon bids received, the scope of work for the project is proposed to be reduced by more than 25 percent, from the appropriated program content.

Prior notification and approval of Congressional Committees for the reprogramming of funds is required for any increase of funds, regardless of percentage or dollar value for a project that has been previously reduced in scope by the Congress in acting on an appropriation request.

**c. Military Construction Project Scope Increase**

The military construction project scope cannot be increased above the amount specified in the justification data provided to Congress as part of the request for authorization as shown in the DD Form 1391 marked “as enacted”.

## 03254 OTHER CONSTRUCTION AUTHORITIES

### 1. RESTORATION OF DAMAGED OR DESTROYED FACILITIES

**a. Military Construction, Navy or Marine Corps**

10 U.S.C. 2854 provides legislative authority for the use of military construction funds to repair, restore, or replace facilities that have been damaged or destroyed for which legislative authorization and appropriation has not been provided. If the cost of the repair, restoration, or replacement is greater than the maximum amount for a minor construction project the Secretary of the Military Department, with the approval of the Secretary of Defense (SECDEF), must notify in writing the appropriate committees of Congress of this decision. Per SECNAVINST 5430.7Q responsibility for submitting this notification to Congress has been delegated to the Assistant Secretary of the Navy for Energy, Installations and Environment. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by such

committees or, if earlier, the end of the seven-day period beginning on the date on which a copy of the notification is provided in an electronic medium. When a decision is made to use this legislative authority a request for reprogramming of military construction funds in accordance with the provisions of DoD FMR Vol 3 Ch. 7 is required. For additional information concerning this reprogramming request, refer to DoD FMR Vol 3 Ch. 17.

**b. Military Construction, Navy Reserve**

In some instances, lump sum authorization is provided to allow the guard and reserve components to construct their highest priority projects within the total amount authorized and appropriated. 10 U.S.C. 18233a applies. If a damaged facility is to be replaced or repaired using Military Construction, Navy Reserve (MCNR) funds, a project is inserted into the program through a reprogramming action via a 21-day notification to the appropriate committees of Congress. Funds to be used are derived from savings accrued or the deferral of a project in the overall MCNR program.

**2. CONTINGENCY PROJECTS**

10 U.S.C. 2804 and the annual MILCON Appropriation Act provide authority to carry out a military construction project of an urgent nature to be funded from the Contingency Construction Account not otherwise authorized by law. The SECDEF must notify in writing the appropriate committees of Congress of this decision and the project may then be carried out only after the end of the 14-day period beginning on the date the notification is received by such committees or, if earlier, the end of the seven-day period beginning on the date on which a copy of the notification is provided in an electronic medium. For additional information, refer to DoD FMR Vol 3 Ch. 17.

**3. EMERGENCY PROJECTS**

Per 10 U.S.C. 2803 the Secretary of the Navy (SECNAV) can carry out a military construction project not otherwise authorized by law if the SECNAV determines that the project is vital to the national security and the requirement for the project is so urgent that deferral of the project for inclusion in the next budget submission would be inconsistent with national security. For additional information, refer to DoD FMR Vol 3 Ch. 17.

**4. ENVIRONMENTAL RESPONSE PROJECTS**

Within the amount appropriated for such purpose, SECNAV can carry out a military construction project not otherwise authorized by law, if SECDEF provides authority to do so and determines that project is necessary to carry out a response action under 10 U.S.C. 2707. SECDEF must submit a written report to Congress including project justification, the current cost estimate and the justification for it being considered an environmental response construction effort. The project may be carried out only after specific congressional approval, or at the end of 21 days after congressional receipt of the request, approval can be assumed.

**5. INCREMENTALLY FUNDED MILITARY CONSTRUCTION PROJECTS**

OMB Circular A-11, Part 2, Sections 31.3 and 31.6 prohibit incrementally funded Military Construction projects. Incrementally funded refers to projects where an increment of funding does not provide a complete and useable facility. For large projects that formally would have been considered for incremental funding over multiple years, Components may break projects down into complete and usable phases, with phases funded in multiple years.

For additional information, refer to DoD FMR Vol 2B Ch. 6.

**6. CONSTRUCTION IN THE EVENT OF A DECLARATION OF WAR OF NATIONAL EMERGENCY**

Under the authority of 10 U.S.C. 2808, in the event of a declaration of war or the declaration by the President of a national emergency, the SECDEF may carry out Military Construction projects to support such use of the armed forces after appropriate congressional notification. For additional information, refer to DoD FMR Vol 3 Ch. 17.

## 03255 CONDITIONAL CASES

**1. CERTAIN MINOR CONSTRUCTION PROJECTS**

**a. Unspecified Minor Military Construction (UMMC) Projects Financed By the Military Construction Appropriation ($6 Million and less)**

The Department of Navy (DON) request to Congress provides lump sum annual funding and approval for UMMC projects not otherwise authorized by law in the Military Construction Appropriations Act. However, the amount of UMMC funds appropriated by Congress in the Military Construction Appropriation is limited; UMMC requirements should be unforeseen and so urgent that the project cannot wait for the next President's Budget estimate.

Per 10 U.S.C. 2805(a)(2) the military department may use UMMC funds to carry out projects that have an approved cost equal to or less than $6 million dollars. If the project corrects a deficiency that threatens life, health, or safety the project threshold rises to $4,000,000. Per 10 U.S.C. § 2805(d), the military departments may use UMMC funds for the revitalization and recapitalization of laboratories owned by the DON costing not more than $6 million dollars. For additional information, refer to DoD FMR Vol 2B Ch. 9.

The Secretary of the Navy (SECNAV) must approve the project in advance. SECNAVINST 5430.7Q approval authority and responsibility for submitting notification to Congress has been delegated to the Assistant Secretary of the Navy (Energy, Installations and Environment) (ASN (EI&E)). The project may only be carried out after the end of the 14-day wait period beginning on the date on which the notification is received by such committees. For additional information, refer to DoD FMR Vol 2B Ch. 6.

**b. Unspecified Minor Military Construction Financed By Appropriations Available for Operation and Maintenance ($2 Million and less)**

for other than family housing facilities, when the cost of a project is $2 million and less, the amount specified in 10 U.S.C. 2805(c), the project shall be financed from applicable Operation and Maintenance (O&M) appropriations; Research, Development, Test and Evaluation (RDT&E) appropriations; or working capital fund resources. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805(c) for minor construction projects. For additional information, refer to DoD FMR Vol 3 Ch. 17.

10 U.S.C. 2805 contains authority that authorizes the Secretary of Defense to carry out minor construction projects within an amount equal to 200 percent of the amount authorized by law for such purposes without specific congressional authorization, except

as provided in 10 U.S.C. 2805(a)(2). Use of this authority requires written notification to the appropriate committees of Congress and a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

## 2. FACILITY SUSTAINMENT, RESTORATION AND MODERNIZATION (FSRM) PROJECTS

### a. Sustainment

Sustainment has the effect of merely keeping the facility in the customary state of operating efficiency without expectation of added future benefits. Thus, sustainment of a real property facility is classified as an expense and paid for by appropriations available for operation and maintenance. This includes the replacement of facility components, including that equipment which is built-in as an integral part of the facility (generally included within Class 2 property). However, replacement of this equipment is subject to the expense/investment criteria. For information concerning the criteria for determining expense and investment costs, refer to DoD FMR Vol 2A Ch. 1.

### b. Restoration

Restoration of a facility is classified as an expense. 10 U.S.C. 2811 provides legislative authority to use O&M, RDT&E appropriations, or working capital fund resources to repair facilities. A repair project costing more than $7.5 million must be approved by the SECNAV in advance. Per SECNAVINST 5430.7Q approval authority and responsibility for submitting notification to Congress has been delegated to the ASN EI&E. ASN EI&E must submit a report in writing to the appropriate congressional committees to provide a current estimate of cost and a justification for using the funds however there is no waiting period.

### c. Categorizing

The following criteria should be considered when categorizing facility repair projects:

*i.* Sustainment means the recurring, day-to-day, periodic or scheduled work required to preserve the real property in such condition that it may be used for its designated purpose.

*ii.* Restoration means the restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes.

*iii.* Modernization means the alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).

## 3. RELOCATABLE FACILITIES

### a. General

Relocatable facilities may not be used to provide facilities for long-term needs. Their use to support unforeseen new or expanded missions pending construction of permanent facilities, or to support urgent short-term requirements, or to temporarily replace damaged facilities is appropriate. A relocatable building meeting the criteria of DoDI 4165.56 may be included on a DD 1391 project description and will be included as a part

of the MILCON project if the project displaces personnel into a temporary facility. Additional guidance concerning the use of relocatable facilities at Navy shore installations is specified in OPNAVINST 11010.20H and at Marine Corps installations in MCO P11000.12C.

**b. Policy**

Relocatable buildings are generally budgeted according to the expense/investment threshold, i.e., operation and maintenance funds or procurement funds. Due to their mobility, relocatable facilities are normally classified as Personal Property (Class 3) and not Real Property (Class 2). Transportation and delivery of the relocatable facility should be paid for by the same funds used to purchase the facility. The costs required to install the relocatable facilities including site preparation, utility connections, foundations, etc., are considered construction and are funded with Operation and Maintenance funds or military construction in accordance with sections 2801 and 2805 of Title 10, for additional information, refer to DoDI 4165.56. These costs should be included when considering funding thresholds. The cost of operation, maintenance, and repair are expense costs and are normally financed by the command requiring the interim facility.

**c. Personal Property**

Personal property, sometimes called "plant equipment," or "equipment in place," is defined as accessory equipment and furnishings that are movable in nature and not affixed as an integral part of the facility. The costs associated with procurement of personal property are not construction. These costs are considered expenses or investments based on the criteria provided in para 03230. Further guidance on personal property is contained in para 03230.

## 03256 DEMOLITION

### 1. GENERAL

10 U.S.C. 2802 and 10 U.S.C. 2821 provides legislative authority for demolition or site preparation to clear the footprint to carry out military construction projects and construction of military family housing units respectively. Appendix A contains a definition for demolition.

### 2. FUNDING

Demolition to clear the footprint for a new facility should be included as part of the scope of the construction project. Demolition when related to a new facility can also occur and is considered an operating expense. For additional information, refer to DoD FMR Vol 2B Ch. 6 and DoD FMR Vol 3 Ch. 17.

### 3. NONAPPROPRIATED FUND CONSTRUCTION

Demolition to clear the footprint for a non-appropriated fund construction project shall be funded from appropriations available for operation and maintenance in accordance with DoDI 1015.15.

### 03257 FUNDING FOR GROUNDBREAKING, CORNERSTONE AND DEDICATION CEREMONIES

**1. GROUNDBREAKING AND CORNERSTONE CEREMONIES**

Military Construction, Navy and Marine Corps appropriation must fund the cost of groundbreaking and cornerstone ceremonies for new buildings constructed with MILCON per Comptroller General B-250450. However, if the construction project is funded with Operation & Maintenance (O&M), O&M would fund these costs.

Expenses integral to a groundbreaking and cornerstone ceremony, e.g., chairs, public address system, speaker's platform, programs and invitations, and taking a group photograph at the event are chargeable to the appropriation for the construction of the building. The cost of buying flowers as a centerpiece and chrome-plating a ceremonial shovel is also allowed.

**2. DEDICATION CEREMONIES**

Per DoDI 5410.19, Operation and Maintenance (O&M) funds must be used to fund the cost of dedication ceremonies for public buildings and projects.

Expenses integral to a dedication ceremony, e.g., chairs, public address system, speaker's platform, programs and invitations, and taking a group photograph at the event must be charged to the O&M appropriation. The cost of buying flowers as a centerpiece is also allowed.

**3. EXCEPTIONS**

Generally, appropriated funds are not available for entertainment, including food and bottled water, except under specific statutory authority. 10 U.S.C. 127, emergency or extraordinary expenses (EEE), provides limited authority for such and is funded through the official representation funds (ORF). ORF is administered by Department of the Navy Assistant for Administration and addressed in FMPM paragraph 03133 and SECNAVINST 7042.7K.

# PART D: MORALE, WELFARE AND RECREATION

## SECTION I: GENERAL

### 03300 SCOPE

**1. GENERAL**

Consistent with Department of Defense (DoD) policies to fund a well-rounded morale, welfare and recreation (MWR) program, the Department of Navy operates and maintains various MWR activities and facilities, which contribute to military effectiveness by promoting and maintaining the mental and physical well-being of military and civilian personnel. MWR programs cover a wide variety of activities including, but not limited to, community support, child care, crafts, entertainment, physical fitness, youth and family recreation, and Warfighter and Family services. MWR programs are funded by both appropriated (APF) and non-appropriated funds (NAFs). Per 10 U.S.C. 2241 amounts appropriated to the DoD for operation and maintenance may be used to support all MWR functions, including Working Capital Fund functions. Administration of NAFs, which support MWR programs, is accomplished through non-appropriated fund instrumentalities (NAFIs). In accordance with 10 U.S.C 147, NAFs are subject to the same fiduciary

responsibility as APFs. For additional information, refer to DoDI 1015.15.

2. **MILITARY MWR PROGRAMS**
   Military MWR programs consist of activities that are essential to the accomplishment of the military mission and activities that are desirable from a community standpoint. MWR activities have been divided into three categories, with the level of direct appropriated support allowable defined by category. For specific examples of activities for each category, refer to DoDI 1015.10. The three MWR categories are highlighted in para 03311.

3. **CIVILIAN MWR PROGRAM**
   Civilian employee MWR activities are counterparts to, but separate from, military personnel MWR programs. Civilian MWR activities consist primarily of food services, vending, resale activities and civilian general welfare, self-development, recreation, and leisure self-directed activities. Generally, they are required to be self-supporting (i.e., dependent on self-generated non-appropriated funds for support). For additional information regarding civilian MWR programs, refer to DoDI 1015.08 and for information regarding funding and personnel support of civilian MWR programs, refer to DoDI 1015.15. Unless specifically stated otherwise, the policies addressed below apply to military MWR programs.

### 03301 PROGRAM MANAGEMENT

Within the Department of the Navy, the Assistant Secretary of the Navy (Manpower and Reserve Affairs) provides broad policy guidance on Morale, Welfare and Recreation (MWR) programs while the Assistant Secretary of the Navy (Financial Management and Comptroller) has responsibility for financial policy provisions applicable to MWR activities.
The Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC) are responsible for detailed policy and coordination of MWR programs within their respective Services. Within the Navy, Commander, Navy Installations Command acts as an agent for the CNO in providing Recreation (MWR) and temporary duty lodging (Navy Gateway Inns and Suites) and Navy Supply Systems Command has been assigned technical management responsibility for the Navy Exchange System which include permanent change of station lodging (Navy Lodge facilities). Within the Marine Corps, MWR program responsibility has been jointly assigned to the Directors of the Marine and Family Programs Division (includes Warfighter and Family Services and other family related MWR programs) and the Non-appropriated fund Business and Support Services Division (includes exchange, commercial recreation, and food and hospitality related MWR programs) both under the Deputy Commandant for Manpower and Reserve Affairs. For additional information, refer to SECNAVINST 1700.12A.

## SECTION II: BUDGET POLICY FOR MWR

### 03310 GENERAL

The classification of a Morale, Welfare and Recreation (MWR) activity as Mission Sustaining Programs (Category A), Basic Community Support Programs (Category B) or Revenue-Generating Programs (Category C) generally governs applicability of appropriated fund (APF) and nonappropriated fund (NAF) support. In general, Category A and Category B programs depend largely on APFs, with NAFs used as a supplement to maintain operations when necessary. Category C activities are primarily dependent on NAFs to sustain operations. For

additional information regarding APF and NAF funding guidance for MWR programs, refer to DoDI 1015.15. DoDI 1015.10 enclosure 5 provides examples of MWR programs for category A, B and C programs.

**03311 FUNDING**

1. **Category A: Mission Sustaining Programs**
   Category A programs promote the physical and mental well-being of the military member, and therefore supports the basic military mission. Category A programs have virtually no capacity for generating non-appropriated funds (NAFs) revenue and are supported almost entirely with appropriated funds (APF), with the use of NAFs limited to specific instances where APF support is prohibited by law or when NAF support is essential for the operation of a facility or program. NAF funds may be used to supplement APF funds and must be used for the following:
   - costs associated with NAF employees assigned to Category A activities not otherwise authorized APF support by DoDI 1015.15;
   - costs incurred related to the sale of goods and services; and
   - costs related to the internal management of NAFIs.
2. **Category B: Basic Community Support Programs**
   Category B contains programs closely related to those in Category A in supporting the military mission. Category B programs are supported with substantial APF funds but differ from programs in Category A because of their ability to generate NAF revenues; however, the ability to generate NAF revenues is limited and programs could not be sustained without APF support. NAF funds may be used to supplement APF funds and must be used for the following:
   - costs associated with NAF employees assigned to Category B activities not otherwise authorized APF support by DoDI 1015.15;
   - costs incurred related to the sale of goods and services;
   - costs related to the internal management of NAFIs; and
   - royalty payments for music and theater.
3. **Category C: Revenue-Generating Programs**
   Category C programs have the highest capability to generate NAF revenues to cover most of their operating expenses but they lack the ability to sustain themselves based purely on their business activity and so these activities receive limited APF support. Overseas activities are authorized limited APF support. All authorizations are subject to funds availability and are allocated by decision of the local commander and comptroller. Military MWR and Armed Service Exchange Category C activities at designated remote and isolated locations are authorized funding under Category B rules in accordance with DoDI 1015.15 enclosure 4. Category C activities operated at remote and isolated locations, at Department of Defense directed closing installations per Base Realignment and Closure, global stationing locations overseas per the Global Defense Posture Realignment program and locations under force protection Charlie and above, should be funded at a Category B authorization level. Examples of when APF funds may be used for Category C programs may be found in DoDI 1015.15 enclosure 4.

## 03312 SUPPORT COSTS

### 1. GENERAL

Morale, Welfare and Recreation (MWR) activities may utilize installation support services normally provided by a base or installation commander outlined in a host-tenant agreement. Such installation support services typically include, but are not limited to, custodial services, refuse collection and disposal, and utilities. When these support services costs are additional, identifiable, and can be segregated on a reasonable and meaningful basis, they should be identified as MWR costs. In the case of Category C activities, NAFs may be charged to reimburse the costs of support services. For additional information, refer to para 03163 and FMR Vol 2A Ch. 3.

### 2. EXECUTIVE CONTROL AND ESSENTIAL COMMAND SUPERVISION

Commanding officers have an oversight responsibility for MWR programs. to exercise this responsibility, commanding officers must provide guidance and direction to MWR activities under their purview in the same manner as for all non-MWR activities under their cognizance. Executive control and essential command supervision (ECECS) consists of general management functions and includes any assistance in carrying out these functions provided by the commanding officer's staff. Specifically excluded from this definition is the direct operation of MWR programs and activities. The ECECS function is inherently the responsibility of the commanding officer. Accordingly, APF support is authorized for ECECS, except for Armed Services Exchanges whose support is limited per the DoDI 1015.15 and DoDI 1330.21.

## 03313 PERSONNEL COSTS

### 1. MILITARY PERSONNEL

Military personnel may be utilized by all Category A and B activities on permanent assignment, temporary assignment (no more than 90 days), and for additional and collateral morale, welfare and recreation (MWR) duties. All costs associated with military personnel, including temporary duty travel, must be funded by using appropriated funds. Additionally, the use of military personnel is authorized for all MWR categories when essential for the provision of executive control and essential command supervision (ECECS) and for the provision of security, when not otherwise available overseas. For additional information, refer to DoDI 1015.15 and DoDI 1015.10.

### 2. APPROPRIATED FUND (APF) CIVILIAN PERSONNEL

APF civilian personnel, funded by appropriated funds and working capital funds, may be utilized on permanent assignment or on an additional or collateral duty basis in Category A and B activities per DoDI 1015.15. Generally, this means APF employees may perform managerial functions or serve in a position that requires technical/professional qualifications. Personnel accountable for APF resources and the protection of the interests of the federal government should also be civilian employees. APF civilian employees may also be engaged in ECECS (not included as a cost of MWR), regardless of the category of activity except as limited for exchange activities in DoDI 1015.15. All costs associated with APF civilian personnel should be financed utilizing APFs, regardless of the category of activity by which the civilian is employed. Para 03314 provides special provisions for childcare employees.

**3. NONAPPROPRIATED FUND (NAF) EMPLOYEES**

Costs related to NAF civilian personnel must generally be paid from NAFs, unless they are paid via the Uniform Funding Management practice in which case APF monies are generally authorized for all expenses. Personnel directly and primarily involved in resale must be NAF employees. For additional information regarding specific funding authorizations, refer to DoDI 1015.15 enclosure 4.

## 03314 SPECIAL SITUATIONS

**1. RESALE ACTIVITY LIMITATION**

Morale, Welfare and Recreation (MWR) programs may engage in resale activities and services that are directly related to their program as set forth in DoDI 1015.10. Such activities shall be operated using non-appropriated funds (NAFs). Otherwise, the Service exchanges shall be the primary source of non-food resale merchandise and services on Department of Defense installations in accordance with DoDI 1330.09. MWR programs shall obtain, in advance, written right of first refusal from the Service exchange, with the approval level designated by each Military Service, to operate any other resale not directly related to their program or service activity.

**2. ARMED SERVICES EXCHANGES AND RELATED ACTIVITIES**

Although the exchanges have a high degree of mission essentiality, they have been placed in Category C because of their significant ability to generate revenue. In general, exchanges must be completely self- sustaining. Active duty military personnel and APF employees are authorized in sufficient numbers for military exchanges to provide a trained team to meet wartime and deployment requirements, and for provision of security, when not otherwise available overseas. Custodial and janitorial services must be provided using NAF. Costs incurred by military exchanges in managing, distributing, selling and after-sale servicing of military clothing and other appropriated funded items must be reimbursed from appropriated funds. For additional information, refer to DoDI 1330.09 and DoDI 1330.21.

**3. PRIVATE OWNERSHIP**

Privately owned items may not receive financial support from either appropriated or nonappropriated funds. Private ownership support includes that provided to privately owned recreational vehicles, boats, aircraft, or horses that are operated, maintained, moored, or stabled by MWR activities. Such support will be provided on a reimbursable basis only and funded through user fees. For additional information, refer to DoDI 1015.15.

**4. REIMBURSEMENTS**

APFs may not be used to reimburse a non-appropriated fund instrumentalities (NAFIs) except through the uniform funding management practice. Any government activity may contract with a NAFI for services, functions, or goods that the NAFI is in a unique position to provide, (e.g., catering an official event), or when there are organizational or functional reasons which make it impractical for the required services, functions, or goods to be furnished by other than a NAFI. A DD Form 1155 (Order for Supplies and Services) form or other appropriate contractual document should be used when contracting with a NAFI.

**5. ACTIVITIES OPERATING UNDER NAVY WORKING CAPITAL FUND PROCEDURES**

MWR activities receive from and provide services to Department of Navy (DON) Navy Capital Working Fund (NWCF) activities, which are unrelated to the industrial mission.

These non-industrial functions, primarily common support and personnel services, are not part of the NWCF cost of operations. Such work and/or services are financed directly from applicable appropriated or nonappropriated funds, based on actual costs comparable to other general fund practices.

**6. CHILD DEVELOPMENT PROGRAMS (CDPs)**

Naval facilities may be used for military and civilian child care centers and administrative offices for dependent care programs. For military child care programs, APFs are also authorized for child development center directors, assistant directors, supervisory staff, administrative clerks, for monitoring programs to ensure child safety and quality care in government facilities, and to guard against potential government liability. Generally, costs directly related to the care of dependents, including caregiver wages, may be paid from appropriated or nonappropriated funds. APF support for other than center based care (e.g.,) family day care/home referral services) will be considered family support costs and will not be budgeted, accounted for, or reported as MWR costs. For additional information, refer to DoDI 6060.2 and DoDI 1015.15.

**7. AUDITING SERVICES**

Performance audits and attestation engagements may be completed using NAFI internal audit staffs or reimbursing Military Department audit organizations. Annual financial statement audits shall be accomplished by contracting with Certified Public Accountant (CPA) firms. Non-appropriated funds in support of NAFI audits is the preferred method of funding the independent CPA audits. Appropriated funds and/or personnel may be used to support NAFI audits when considered necessary by the Secretary of the Navy, and is not prohibited by law or regulation. For additional information, refer to DoDI 7600.06.

**8. SUPPLEMENTAL MISSION FUNDS**

A supplemental mission fund NAFI is designated to receive NAFs generated as the result of installation operation of mission programs such as training, food service, education, and security. Examples include the Athletic Association Fund and Dependent Schools Funds. Supplemental mission NAFIs provide mission support activities, which may receive appropriated fund support, with a mechanism for collecting and utilizing nonappropriated funds. NAFs may be used only to provide quality-of-life services as adjuncts to mission activities. NAFs are authorized to support the operational functions of the Supplemental Mission Fund, such as procurement of items for resale and management of NAF resources. NAFs shall not be used to support training, lodging, food service, security, or other mission activities.

Some examples of supplemental mission funds include military museums/historical fund, in-flight services fund and the dining hall fund. These NAFIs are separate and distinct from NAFIs associated with the MWR program (see para 01713). Mission support activities with supplemental mission NAFIs may also receive appropriated fund support, including, but not limited to, support for the same types of costs for which appropriated fund support is available to MWR programs and activities as described in para 03312. In all cases, the use of appropriated funds must be consistent with the purpose of the appropriation. For additional information, refer to DoDI 1015.15 enclosure 3.

**9. FISHER HOUSES**

The mission of Fisher Houses is to provide temporary and reasonable lodging for families of patients who are hospitalized for complicated or critical medical problems at a military

treatment facility. 10 U.S.C. 2493 directs the Department of the Navy to operate, on a recurring basis, Fisher Houses and Suites using non-appropriated funds rather than appropriated funds. For additional information, refer to the Fisher House website.

## 03315 UNIFORM FUNDING AND MANAGEMENT (UFM) OF MORALE, WELFARE AND RECREATION (MWR)

### 1. GENERAL

The Department of Defense (DoD) continues to emphasize the network of programs that support the quality of life of our service members and their families. to that end, the Congress and the Secretary of Defense established the Uniform Funding and Management (UFM) practice to aid in the timely execution of appropriated funds (APF) in support of the Department of the Navy (DON) Morale, Welfare and Recreation (MWR) programs. The UFM practice provides flexibility to both the activity installation commander and the Non-Appropriated Fund Instrumentality (NAFI) Manager that maximizes the availability of APF and NAF support to the MWR program. Utilization of UFM shall not be used to circumvent existing regulations relating to APF support of NAFs. This policy applies only to the use of UFM with DON appropriations. UFM may be used with non-DON appropriations in accordance with the UFM policies that govern their use. Requirements that arise with the use of procurement or military construction appropriations shall be budgeted for during the normal budget process.

### 2. POLICY

**a.** Funds appropriated to DoD and available for MWR programs are authorized by 10 U.S.C. 2491 to be converted to NAF via the UFM practice and thereafter treated as NAFs and expended in accordance with laws applicable to NAF.

*i.* Funds are made available to the NAFI upon obligation of the APF.

*ii.* The UFM practice allows APFs to be provided to the NAFI prior to the NAFI incurring the authorized expenses and remain available until expended in accordance with laws applicable to NAF.

*iii.* APFs made available through the UFM practice shall be considered thereafter to be NAF for all purposes, do not have to be tracked by the fiscal year and appropriation, and shall not expire. These NAFs shall be managed in accordance with DoDI 1015.15 and DoDI 1015.10.

*iv.* Accounting for UFM resources received by the MWR NAFI shall be in accordance with DoD FMR Vol 13.

*v.* APF resources received through the UFM practice shall be recorded on a transaction basis and in sufficient detail in the NAF accounting records to identify support for each activity broken down by the cost expense captions in Enclosure 7 of DoDI 1015.15.

**b.** Regulations prescribed by the Secretary of Defense regarding the management of the UFM practice include DoDI 1015.15, DoDI 1015.10, and DoD FMR Vol 13.

**c.** Consistent with DoDI 1015.15, paragraph 4.4, the laws and regulations concerning the authorization, availability, obligation, and expenditure of APF must be followed prior to the obligation of APF funds under the UFM practice. Accordingly, the Anti-deficiency

Act and related statutes continue to apply up to the point of obligation of the APF funds being converted via UFM. Refer to DoD FMR Vol 14 for the Anti-deficiency Act and related statutes.

**d.** The converted funds provided to the NAFI can be used in accordance with laws applicable to the expenditures of NAF, as authorized by 10 U.S.C. 2491. At the time of conversion to NAF, APF Resource Managers shall apply the Purpose, Time and Amount analysis to the APF as follows:

*i. Purpose*
APF funds to be obligated and converted to NAF through the UFM process are to be utilized for authorized MWR purposes only. The purpose test is satisfied if the funds meet the eligible MWR needs, including support of Program Group I (Military MWR), Program Group II (Exchanges), and Program Group V (Supplemental Mission Funds) as identified in DoDI 1015.15. Once obligated and converted, all such monies are NAF and shall not be subject to APF fiscal law policy and restrictions.

*ii. Time*
APF funds obligated or provided through the UFM process must be obligated and converted to NAF within their period of availability. The test of whether the use of funds meets a bona fide need of the current fiscal year is met if at the time the APF are obligated and converted to NAF, and a valid and eligible MWR program.

*iii. Requirement exists*
After obligation and conversion of the APF to NAF, the bona fide need rule does not apply. Once converted to NAF, funds do not expire and remain available for eligible MWR programs until expended, without regard to fiscal year or other limitations that would apply to APF.

*iv. Amount*
No APF funds are obligated or provided through the UFM process in advance or excess of amounts made available by law.

**e.** Subsequent to the conversion of APF funds to the MWR NAFI under the UFM practice, the laws and regulations concerning the financial management of NAFs shall be followed. Accordingly, the MWR policies established in DoDI 1015.15 and 1015.10 apply once the funds are received by the NAFI and converted to NAF. By authority of 10 U.S.C. 2783, the Secretary of Defense prescribes regulations governing the purpose for which NAF monies may be spent, as well as the financial management of those monies to prevent waste, loss, and unauthorized use. There are penalties for misuse of APF and NAF funds. Violations by personnel subject to Chapter 47 of the Uniform Code of Military Justice are punishable under Section 892, Article 92.

## 3. PROCEDURES

### a. Memorandum of Agreement (MOA)

An MOA shall be established between the installation commander, the Comptroller, the Senior APF Resource Manager, and the NAFI Fund Manager.

*i.* The MOA will outline the MWR services, itemized by units and/or functions, to be provided by the NAFI to meet its requirements for APF support.

*ii.* The MOA shall include the amount, delivery schedule and obligation schedule for APFs. The obligation of APFs shall be based on the MOA, which is the supporting document for the obligation.

*iii.* The MOA may be amended, as required, for changes in services to be provided or for changes in installation base operations total support.

*iv.* The Comptroller must review and agree to the requirements outlined in the MOA prior to APF funds being converted using the UFM process. This will ensure the converted funds will be used for the intended purpose.

*v.* The work to be performed by the NAFI under the MOA shall be expected to begin within a reasonable time after the APF have been converted to NAF.

**b. APF Procedures**

*i. Authorization of Funds*

The UFM MOA should be established prior to the start of the APF fiscal year. Once established, the MOA serves as the basis for the Senior APF Resource Manager to authorize funds for obligation. Funds should be authorized in accordance with the obligation schedule identified in the MOA, but are subject to availability. The MOA may be amended, as required, for changes in services to be provided or for changes in APF support.

*ii. Obligation of Funds*

The Senior APF Resource Manager is responsible for the obligation of funds according to the obligation schedule in the MOA, and subject to the availability of funds. The Senior APF Resource Manager (or designee) will prepare the DD Form 2406, Miscellaneous Obligation Document, to obligate the APF. Alternatively, the Senior APF Resource Manager may prescribe the use of PR Builder or other acceptable alternative to document the obligation.

(a) Obligation of APFs shall be based on the MOA, which is the supporting document for the obligation in accordance with 31 U.S.C. 1501.

(b) Obligations should be recorded to Object Class/Subobject Class (OCSOC) 2531 – Other Intra-Government Purchases.

(c) The Senior APF Resource Manager will provide the NAFI Fund Manager copies of all obligating documents for the NAF accounting records. The obligating document serves as the source document to record the UFM Receivable entry in the NAF Financial Management System (FMS). The obligating document also serves as supporting documentation for billings.

(d) A separate obligating document should be prepared for each program obligation.

*iii. Billing and Liquidation of UFM Funds*

The Senior APF Resource Manager will expeditiously process billing documents submitted by the NAFI Fund Manager for payment.

(a) The Senior APF Resource Manager is responsible for certifying the Standard Form 1034, Public Voucher for Purchases and Services Other than Personal and forwarding it to the disbursing office for payment. Alternatively, the Senior

APF Resource Manager may prescribe the use of Wide Area Workflow (WAWF) or other acceptable alternative.

(b) Disbursement shall occur only after obligation of APF in accordance with the UFM MOA, and subject to the availability of funds.

(c) Disbursement may be made in advance of the NAF expenditures. It is the responsibility of the NAFI Fund Manager to ensure that UFM funds are properly utilized according to laws and regulations pertaining to NAF.

(d) APF disbursing offices shall process payments to the NAFI by electronic funds transfer when feasible.

*iv. Budgeting and Reporting*

APF support provided through the UFM practice shall be reported in budgets, installation accounting records, financial statements, exhibits, and reports submitted to DoD and Congress in accordance with DoDI 1015.15 and DoD FMR Vol 2, 4 and 6.

**c. NAF Procedures**

*i. Recording the UFM Receivable*

The obligation of APF using the DD Form 2406, "Miscellaneous Obligation Document" is the source document to record a receivable in the NAF accounting system. The standard NAF accounting entry is a debit to UFM Receivable or cash and a credit to UFM Unearned Revenue.

*ii. Billing for UFM Funds*

The NAFI Fund Manager shall prepare a billing for services using Standard Form 1034, "Public Voucher for Purchases and Services Other Than Personal," itemized by units and/or functions to correspond to the MOA. Alternatively, the Senior APF Resource Manager may prescribe the use of WAWF or other acceptable alternative to initiate the liquidation.

(a) All billing information shall comply with the MOA and obligating document. The NAFI Fund Manager must ensure that liquidations do not exceed obligations.

(b) There is no journal entry associated with preparation of the SF 1034 NAF Billing.

*iii. Recording Receipts from APF Fund Manager*

In accordance with DoD FMR Vol 13, the NAF accounting office records UFM funds received in advance in the appropriate cash account with a contra entry to an unearned income account identified as UFM. However, the NAF accounting office should have already recorded the contra entry to Unearned Revenue when the APF funds were obligated, as noted above. Therefore, the entry required upon the receipt of funds should clear the receivable. Accordingly, the standard journal entry to record cash receipts received from the APF Fund Manager under the UFM practice is a debit to cash and a credit to UFM Receivable.

*iv. Recording UFM Eligible Expenses*

In accordance with DoD FMR Vol 13, the NAF accounting office will record UFM

authorized expenses, as they occur, in the applicable expense accounts identified as UFM. All MWR expenses eligible for UFM reimbursement will be recorded in the NAF accounting system with a UFM code or cost center. All UFM eligible expenses will be identified in the NAF accounting system, even if there is no planned UFM funding from which to offset, at the time of the recording of the expense. Salaries may be partially offset with UFM for the portion of labor that is authorized APF per DoDI 1015.15, enclosure 4.

*v. Recognizing UFM Income*

As authorized UFM expenses are incurred, the unearned income account is reduced by the amount of expense and that amount is transferred to either an income account or expense contra account identified as UFM in the reporting cycle. These transactions should be recorded as an adjusting entry prior to closing each fiscal month. Prior to closing each fiscal month in the NAF accounting system, the NAF accounting office will make adjusting entries to transfer available balances in UFM Unearned Revenue to UFM Revenue or contra expense to properly match UFM eligible expenses against available UFM income.

(a) The matching principle is applied when recording UFM income or contra expense against UFM eligible expenses. The amount recorded in the UFM income account or contra expense should equal or be less than the amount of expense incurred in the appropriate reporting cycle.

(b) Non-routine situations might result from prior period adjustments creating a situation where UFM income exceeds UFM expenses for a fiscal month but cumulative year to date UFM income or contra expense should be equal to or less than the amount of UFM expenses recorded. Documentation and reconciliations of these amounts should be maintained for audit purposes.

*vi. Budgeting and Reporting*

APF support provided through the UFM practice shall be reported in budgets, installation accounting records, financial statements, exhibits, and reports submitted to DoD and Congress in accordance with DoDI 1015.15 and DoD FMR Vol 13.

**d. Reconciliations**

The following requirements should be met when closing APF and NAF fiscal years. Accordingly, monthly reconciliations between the NAF and APF financial systems should be performed to track UFM execution.

*i.* Unliquidated APF obligations should equal the debit balance in UFM Receivable in the NAF accounting system when adjusted for disbursements in transit.

*ii.* APF liquidations should equal cash received in the NAF accounting system over the same time periods, when adjusted for disbursements in transit.

*iii.* UFM income or contra expense cannot exceed the UFM eligible expenses. UFM eligible MWR expenses should equal or exceed the amount recorded to UFM income.

*iv.* A debit balance should never exist in UFM Unearned Income.

**e. Fixed Assets**

Fixed assets acquired with UFM resources shall be expensed and fully offset with UFM at the time of purchase and recorded in the NAFI fixed asset records for inventory and control purposes at zero acquisition value. These fixed assets are NAFI assets; proceeds from the disposition of these assets revert to the NAFI.

**f. Labor and Personnel**

Under the UFM practice, positions encumbered by APF employees may be converted to a NAF system with the consent of the employee provided there is no break in service for the employee. The conversion of an encumbered position shall not entitle an employee to severance pay, back pay, or separation pay and shall not be considered an involuntary separation or other adverse personnel action. An employee who does not consent to the conversion may not be removed from the position because of failure to provide such consent. Under the UFM practice, if such an APF position becomes vacant, the MOA may be modified to include those services to be provided by the NAFI. NAF human resource offices must coordinate the transfer and portability of benefits of APF employees moving to the NAF employment system.

**g. Audits**

During the NAFI audits, the auditors shall ascertain that services provided to the APFs were in accordance with the MOA. By utilizing MOAs that outline the intended purpose of APF, NAFI audits that ensure services were in accordance with 10 U.S.C. 2783 and for the intended purpose.

## 4. RESPONSIBILITIES

**a.** for their respective services, the Commander, Navy Installations Command (CNIC) and the Commandant of the Marine Corps (CMC (MRF)) shall monitor APF and NAF programs, budgets, and execution reports for the proper use and suitable allocation of APF and NAF resources, to include funding through the UFM practice for their respective services. Service unique guidance regarding detailed accounting procedures and coding for the UFM practice may be issued to supplement the DON guidance.

**b.** Consistent with DoDI 1015.15, paragraph 4.4 and paragraph E6.2 of Enclosure 6, installation commanders shall establish an MOA at the installation level where appropriate and ensure accountability for the proper use and suitable allocation of APF provided through the UFM practice. Commanders have a fiduciary responsibility for the APF and NAF resources that support MWR programs.

**c.** Senior APF Resource Managers shall ensure MOAs and amendments are promptly prepared, necessary obligating documents are processed with copies distributed to the NAFI, and disbursements to the NAFI are promptly prepared in accordance with this guidance and the MOA. Senior APF Resource Managers should maximize the obligation of UFM funds to the NAFI at the beginning of the quarter or year, subject to the availability of funds. Senior APF Resource Managers shall ensure accurate and timely preparation of budget exhibits and execution reports.

**d.** NAFI Fund Managers shall ensure that UFM resources are used for MWR programs in accordance with appropriate directives, including DoDI 1015.15 and DoDI 1015.10. NAFI Fund Managers will ensure that all UFM resources are accounted for in accordance with DoDI 1015.15 Enclosures 6 and 7 and DoD FMR Vol 13.

## 03316 FUNDING FOR MWR FACILITY CONSTRUCTION

### 1. GENERAL

Morale, Welfare and Recreation (MWR) facilities should be constructed using a single source of funds, nonappropriated funds (NAF) or appropriated funds (APF) following guidance provided in DoDI 1015.15 enclosures 4 and 5. DoDI 1015.15 also outlines the policy for major and minor construction requirements for MWR facilities. It is recognized that from time to time unique situations or emergencies that need immediate or more specific attention may require deviation or exception to the basic funding policy. Requests for deviations or exceptions should be forwarded via the chain of command to the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OASN (FM&C)) and Headquarter Marine Corps (HQMC), accordingly. This guidance in implemented by OPNAVINST 11010.20. For additional information, refer to para 03311.

### 2. NAFI

Non-appropriated funds are not appropriated by the Congress; therefore, NAFIs cannot provide a funded order to the Department of Navy (DON). An advance payment is required in order for DON commands to provide goods or services to NAFI organizations. For non-severable goods and services, and advance payment is required for the entire effort before work can commence. For severable services, advance payment for the entire effort is preferable but incremental payment can be completed.

### 3. APF

APF may be used for all MWR construction related to the establishment, activation, or expansion of a military installation or relocation of facilities for convenience of the government; to correct life safety deficiencies; to maintain structural integrity; and, with prior approval of OASN (FM&C), for replacement of facilities denied by country-to-country agreements and for restoration of facilities destroyed by acts of Nature, fire, or terrorism. In the case of installation "expansion," a major increase in authorized and assigned personnel strength over a short period of time is necessary before appropriated fund construction can be budgeted. Such expansion must be the result of a mission change or influx of new units or systems. Personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria. APF construction is bound by the policies covered in paras 01500, 01510 and 03250 for military construction.

# CHAPTER 4 FINANCIAL BUSINESS PROCESSES

## PART A: REIMBURSABLE WORK ORDERS

### 04000 GENERAL

It is the policy of the Department of Navy (DON) to limit reimbursable transactions among General Fund activities. Reimbursable Work Orders (RWOs) are used when U.S. Federal Government entities enter into buy/sell agreements with other U.S. Federal Government entities. During budget development and funds execution, General Fund activities must seek opportunities to reduce RWO transactions. This policy directs DON stakeholders to ensure RWO activities align with the RWO process outlined in this section for all trading partners both internal and external to the DON. Specific exceptions to this policy are listed below. Any additional exceptions or questions related to RWO policy must be raised via the RWOHelp mailbox at RWOHelp.fct@navy.mil.

**a.** This policy does not apply to Military Standard Requisitioning and Issue Procedures (MILSTRIP). The authority and policies governing acquisition, logistics, maintenance, and sustainment support for the Department of Defense (DoD) is provided by 10 U.S.C. §133b. Under Secretary of Defense for Acquisition and Sustainment and DoDI 4140.01 Department of Defense (DoD) Supply Chain Materiel Management Policy. DLM 4000.25-1 is the primary guidance that governs the MILSTRIP logistics and financial management processes. The MILSTRIP process was implemented by DoD to streamline the procurement of common materials/supplies by DoD components.

**b.** This policy does not apply to civilian personnel bonuses (e.g., Hotline Awards). Civilian personnel bonuses demonstrate recognition for work completed; they are not buy/sell agreements in which one entity agrees to provide goods or services for another entity. As these types of awards are not considered buy/sell agreements, RWO policy does not apply.

### 04001 TERMINOLOGY

**a.** Requesting Agency
Multiple terms are frequently used to represent trading partners. The following terms are used to represent the entity that is requesting a service of another entity: grantor, customer, buyer, receiving agency, requesting agency, ordering agency. For purposes of this document, requesting agency will be used.

**b.** Servicing Agency
Multiple terms are frequently used to represent trading partners. The following terms are used to represent the entity that is providing a service to another entity: performer, seller, servicing agency, performing agency. For purposes of this document, servicing agency will be used.

**c.** Standard Accounting, Budgeting, and Reporting System (SABRS)
SABRS, Procurement Request (PR) Builder, and Command Financial Management System (CFMS) systems each play a role in the RWO process executed in the SABRS environment. For purposes of this document, SABRS will be used to refer to this environment as a whole and does not refer only to the underlying general ledger system.

**d.** Direct Citation
Direct citation exists when the requesting agency's accounting data is cited on contracts. The source documents are returned to the requesting agency, which accomplishes all required accounting. A direct citation transaction is not categorized as a reimbursable transaction.

**e.** Interagency
Interagency support involves transactions for goods and services between DoD and non-DoD Federal government agencies, also known as intergovernmental support. This does not include support provided to or received from foreign governments. Requests for the DON to provide supplies and services from other government departments are subject to statutory and administrative authority, and are accepted if such support does not interfere with the activity's mission. Interagency relationships represent level 1 relationships: DON-to-non-DoD Federal agencies. Key interagency relationships are further discussed in section FMPM 03160.

**f.** Intra-agency
Intra-agency support involves transactions for goods and services within and between DoD and other DoD Components, also known as inter-service support. Each DON activity may request support from another DoD component that has the capability to provide the support. Each DON activity may provide support to other DoD components to the extent that they are available, provided that such support does not interfere with the activity's mission and any manpower constraints. Intra-agency support is provided by a servicing agency and obtained by a requesting agency in the manner that maximizes the benefit to the DoD as a whole. Intra-agency relationships represent level 2 relationships: DON-to-DoD and level 3 relationships: Intra-DON. Key intra-agency relationships are further discussed in section FMPM 03162.

**g.** Common Service (Non-Reimbursable)
Common services are those that are generally needed whether there is one tenant or multiple tenants and the services are normally provided at common output levels. When one activity provides support to another activity on a common-service basis, the support is considered to be within the mission of the providing activity. The support functions are included as direct program costs in the budget of the providing activity. Activities that operate under the Navy Working Capital Fund (NWCF) will budget for common support functions under the military support program, and the cost of common support, which is initially financed by the NWCF, is recovered by charging the military support program. Activities governed by NWCF regulations are permitted to recover the cost of designated common-service functions in support of their own operations following guidance governing NWCF operations. Common-service support is directed for certain areas of intra-agency and interagency relationships and may be outlined in a support agreement or GT&C.

**h.** Cross Service (Reimbursable)
When an activity provides work or services to another activity not within its common-service mission, it will charge for such support provided it is measurable, significant, identifiable, out-of-pocket, and the costs can be developed without administrative difficulty.

**i.** Accounts Receivable
Accounts receivable are accounts that reflect the amount to be collected by servicing agencies for goods and services provided to requesting agencies.

**j.** Accounts Payable
Accounts payable are amounts owed on the basis of invoices or evidence of receipt of goods and services, and payables for amounts owed for other than goods and services from suppliers. Included in this category are the following: accrued salaries, rents, interest payable on borrowings, refunds payable, disbursements in transit, funded accrued annual leave, and unbilled costs of contractors under the constructive delivery concept (provided the amounts are used as part of the agency's accounting system).

**k.** Free on Board (FOB) Destination
FOB destination indicates that ownership of goods is transferred from the servicing agency to the requesting agency at the point of delivery. The servicing agency is responsible for all costs associated with transport until the goods reach their destination. In G-Invoicing, Fund Settlement is initiated when the requesting agency performs Receipt and Acceptance (R&A).

**l.** FOB Source
FOB Source indicates that ownership of goods is transferred from the servicing agency to the requesting agency at the sending point. Once the goods begin transportation, the requesting agency is responsible for all costs associated with transport. In G-Invoicing, Fund Settlement is initiated when the servicing agency provides goods or services and an invoice.

## 04002 LEGAL AUTHORITIES

The DON must cite the appropriate legal authority when issuing reimbursable orders. The proper authority cited depends upon who is performing the work, as well as the content of the work. Where multiple authorities are applicable to include the Project Order, preference should be given to the Project Order Statute. These authorities are:

### a. PROJECT ORDER STATUTE

*i.* General
41 U.S.C. 6307 provides the statutory basis for orders for goods and services placed with government-owned establishments to be treated in the same manner as similar orders or contracts placed with commercial manufacturers or private contractors. The funds are available to complete work after the expiration of the appropriation. It is DoD policy that the statute is constrained to use within DoD. Project Orders are typically used for non-severable products or services. Non-severable services represent a single undertaking that cannot be feasibly subdivided. If the services produce a single or unified outcome, product, or report, the services are considered non-severable. Non-severable services require the servicing agency to complete and deliver a specified end product. The following are examples of efforts in which an entire need generally exists and, therefore, are eligible for Project Order financing:

1. Manufacturing, production, or assembly of items including experimental prototypes or items manufactured and assembled for test. “Items” include ships, aircraft, guided missiles, other weapons, vehicles of all kinds, ammunition, clothing, machinery and equipment for use in such operations, and other military and operating supplies and equipment (including components and spare parts);

2. Renovation, rebuilding, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state;
3. Alteration or modification in design or assembly of an item to meet revised specifications or to correct defects;
4. Construction or conversion of items (including buildings and other structures), utility and communication systems, and other public works;
5. Development of software programs and automated systems when the purpose of the order is to acquire a specific, definite, and certain non-severable end-product that is achievable reasonably with the resources (financial, human, and plant) available to the provider rather than a level of effort over an extended period; and
6. Production of engineering and construction-related products and services.

*ii.* 51 Percent Rule

Project Orders must be issued only to those DoD-owned establishments that are capable of performing the majority of the work ordered. The Project Order recipient, servicing agency, must incur costs of not less than 51 percent of the total costs attributable to rendering the work or services ordered. Total costs to render the work or services ordered include the costs of goods or services obtained from or provided by contractors. [FMR, Volume 11A, Chapter 2, 020515].

The accepting activity must perform 51 percent of the work or services with in-house resources. The term "in-house" includes the cost of all direct labor for government employees and associated support (e.g., material and supplies, travel, and minor equipment). At a Navy Working Capital Fund (NWCF) activity, it also includes chargeable overhead costs. Commands must limit excessive NWCF carryover. This 51 percent rule does not apply to Economy Act Orders.

**b. ECONOMY ACT**

*i.* General

31 U.S.C. 1535 provides the statutory basis for Economy Act Orders (EAO) by permitting one agency or major organizational unit within an agency to use its appropriated funds to place an order within the same agency or with another agency to supply, render, or obtain by contract goods or services. Work performed in-house must be completed in concert with the expiration of the appropriation cited. Severable services are services that are continuing and recurring in nature where the agency realizes a benefit at the time that services are provided even if the contract has not been performed to completion. Services are considered severable if they can be separated into components that independently provide value to meet an agency's needs. DoD components that enter into Economy Act agreements with other organizations to satisfy requirements for severable services, non-severable services, and supplies must ensure that obligations for the Economy Act agreements constitute a bona fide need of the appropriation charged. The following are examples of efforts that ordinarily are severable:

*ii.* Custodial or housekeeping services;

*iii.* Security or fire protections services;

*iv.* Refuse collection;

*v.* Routine maintenance in general, including: grounds or surfaced area maintenance, heating and air conditioning systems operation and maintenance, and other real and personal property maintenance;

*vi.* Service such as: education, training, subsistence, storage, printing, laundry, welfare, transportation (including port handling), travel, utilities or communications when any of these purposes is the primary purpose of the request. While training is generally considered severable by quarter or semester, a single unit of training that cannot be feasibly sub-divided is not severable. A bona fide need exists in the fiscal year that the unit of training begins and is chargeable to that fiscal year. Therefore, the Project Order is appropriately cited for a single unit of training; and

*vii.* Efforts where the stated or primary purpose of the order is to acquire a level of effort (for example, 100 hours, 20 weeks, or one year) rather than specific, definite, and certain end-product.

*ii.* Determinations and Findings (D&F) Requirements

Each interagency EAO shall be supported by D&F documentation. The D&F shall:

1. State that use of an interagency acquisition is in the best interest of the government;
2. State that the supplies or services cannot be obtained as conveniently or economically by contracting directly with a private source; and
3. Include a statement that at least one of the following circumstances applies:
   (a) The acquisition will appropriately be made under an existing contract of the servicing agency, entered into before placement of the order, to meet the requirements of the servicing agency for the same or similar supplies or services.
   (b) The servicing agency has the capability or expertise to enter into a contract for such supplies or services that is not available within the requesting agency.
   (c) The servicing agency is specifically authorized by law or regulation to purchase such supplies or services on behalf of other agencies.

For intra-agency EAOs, the signed GT&C between DoD components serves as certification that the requirements listed in 31 U.S.C. 1535 have been met and serves as the D&F. D&Fs are not required to support funding documents for intra-agency goods or services performed by DON commands; however, when issuing funding documents using the Economy Act authority, appropriate documentation should be maintained by the requesting agency or designee that the order is in the best interest of the government and the goods or services cannot be provided as conveniently and cheaply by contracting directly with a private source. This documentation can be as simple as a memorandum for the record that is maintained in the files. It is possible, however, that some DoD components, for management control purposes, may require D&Fs for intra-agency work. In these situations, commands must comply with non-DON management practices.

For additional information, refer to the Federal Acquisition Regulation 17.502-2(c) and FMR Vol 11A Ch. 3.

**c. OTHER AUTHORITIES**

For several non-DoD entities, statutes are provided which give these entities authority to accept funds for goods and services from other government agencies. These goods and services may be provided by the agency or contracted. The more commonly used authorities are franchise funds, the acquisition services fund, and revolving funds. Other specific authorities are cited for key relationships in FMPM 3160.

The basic transactional authority for the Defense Working Capital Fund is derived from Section 405 of the National Security Act Amendments of 1949, and now codified at Title 10, United States Code, Section 2208(a). This authority for buyer-seller transactions is not dependent on the Economy Act or Project Order statutes. (FMR Vol 11A Ch. 1)

## 04003 APPROPRIATE USES FOR RWOS

RWOs are used when entering into a buy/sell relationship with another federal entity. When an entity provides work or services to another entity not within its common-service mission, it will charge for such support provided it is measurable, significant, identifiable, out-of-pocket, and the costs can be developed without administrative difficulty.

Another instance where it is appropriate to use RWOs is to support current year transfers of function. Requests for approval of functional transfers may generally be submitted at any time throughout the fiscal year; however, whenever possible, the transfer will be accomplished within the normal budget cycle so that appropriate adjustments of resources may be made between affected organizations in the normal budget formulation process. Current year transfers of functions are completed on a reimbursable basis until budget base transfers are concluded. Once a transfer of functions is elected and the budget base transfer is complete, changing back to a reimbursable basis is not allowed. A change of funding from one appropriation to another, where a previous election has been made, requires an accompanying transfer of funds. For additional information regarding functional transfers, refer to para 03002.

## 04004 REIMBURSABLE BUDGET EXECUTION AND FUNDS RECEIPT AND DISTRIBUTION

**1. GENERAL BUDGET ADMINISTRATION**

Mission costs are funded directly through command lines and are direct budget program costs. Some areas of support provided to others are designated to be performed on a common-service basis without reimbursement. In areas where the DoD or DON policy requires that support be provided on a common-service basis, the furnishing of the designated support is considered to be within the mission and direct program responsibility of the performing activity.

Funding across command lines is limited to the proper issuance of the right type of funding document for materials or services. Anticipated reimbursements are the amounts of reimbursable orders expected to be received during the forthcoming fiscal year.

DoD components providing reimbursable support will comply with the following reimbursement requirements:

*i.* Reimbursement may not be charged for provided support that has been included in the

servicing agency's budget process.

*ii.* Support provided by the servicing agency for the benefit of the servicing agency's component that also benefits other activities without increasing the cost is not reimbursable.

*iii.* Support is reimbursable to the extent that provisions of the specified support for a requesting agency increase the servicing agency's direct costs. These costs must be measureable and directly attributable to the support received and should be expressed in units of support appropriate to the type of service calculation of reimbursement charges. Reimbursement for NWCF mission products and services will be based on the approved stabilized rate.

*iv.* In accordance with DoD FMR, indirect costs are not normally reimbursable between DoD components. Indirect costs may be included in reimbursement charges to the extent that they have a significant relationship to providing the support and benefit the receiver. In the case of working capital activities, indirect costs will not be included in reimbursement charges, except those included in stabilized rates. Indirect costs are reimbursable in agreements with non-DOD federal agencies.

*v.* Costs associated with common use infrastructure are non-reimbursable, except for support provided solely for the benefit of one or more requesting agencies.

*vi.* Reimbursement charges for support provided by servicing agencies to federal requesting agencies will be determined in accordance with DoD FMR.

a. Military Departments may provide services and supplies and may perform work in support of one another and to the U.S. Coast Guard without reimbursement if the Secretaries concerned concur, pursuant to 10 U.S.C. 2571.

b. Servicing agencies can waive reimbursement from requesting agencies who use or benefit from available support without appreciably increasing the servicing agency's costs (e.g., charges would be less than the anticipated expense of billing and disbursing funds).

*vii.* A waiver of reimbursement may be granted by OUSD (C) in specific cases when not contrary to law and where substantial evidence exists that it is in the interest of the DoD and the United States Government to furnish material or services to other governmental agencies or foreign governments without reimbursement.

*viii.* Unless specifically mandated by law, reimbursements are to be credited to accounts current when the reimbursements are earned rather than accounts current when reimbursements are collected.

In procurement appropriations, the reimbursable budget consists of those items of material sold from existing stocks or material purchased for customers, including work or services performed in connection with delivery thereof. In a procurement appropriation, anticipated reimbursements will be based upon:

*i.* Estimates of customer orders to be accepted in the first year of an appropriation for items of the type normally procured for DON use which are to be financed under the procurement appropriation for direct delivery to the customer, and

*ii.* Estimates of customer orders to be accepted in the first year of an appropriation for items which will be furnished from inventory or which is on-order under an existing contract.

On 30 September of each fiscal year, the balance of anticipated amounts of reimbursable orders not realized will be reduced to zero. In the case of multiple-year appropriations, there cannot be any anticipation for new orders in the second or following years of appropriation availability; however, anticipated adjustments to existing prior year orders may be authorized in subsequent years.

Funding reductions should not be applied solely in the areas where support services are being provided to others on a non-reimbursable basis. Such support services must participate equally in the overall fund reductions imposed on a performing organization. Support services on a non-reimbursable basis are a part of the mission and tasks of the servicing activity.

**2. APPORTIONMENT**

The reimbursable budget of any appropriation requires specific prior apportionment except for those reimbursable transactions for which the Office of Management and Budget (OMB) has authorized automatic apportionment. Under this exception, anticipated reimbursements are apportioned automatically for work or service orders accepted by activities, which are financed from certain appropriations, to include:

- Military Personnel, Navy (MPN)
- Military Personnel, Marine Corps (MP,MC)
- Operation and Maintenance, Navy (O&M,N)
- Operation and Maintenance, Marine Corps (O&M,MC)
- Operation and Maintenance, Navy Reserve (O&M,NR)
- Operation and Maintenance, Marine Corps Reserve (O&M,MCR)
- Research, Development, Test and Evaluation (RDT&E)
- Military Construction, Navy (MILCON)

**3. ALLOCATION**

Reimbursable authority is allocated by the Director, Office of Budget (FMB) via Funds Authorization Documents (FADs) and Annual Cost Authority (ACA) letters. Reimbursable authority must be allocated before reimbursable orders may be accepted. If accepted reimbursable orders are greater than the reimbursable funding allocation, a potential Anti-Deficiency Act (ADA) violation is possible.

**4. OBLIGATION AUTHORITY**

Reimbursable authority does not create obligation authority until an order is received and accepted. Upon acceptance of a funded reimbursable order, the performing agency may begin work and obligate against the reimbursable order.

There is an exception to this rule for contract authority. Contract authority is used in the Working Capital Fund supply system. Contract authority permits obligations to be incurred in anticipation of customer orders to a revolving fund. Unless otherwise specified by statute, contract authority is available for obligation only within the fiscal year for which it is provided. By definition, contract authority is unfunded and, therefore, obligations incurred

through use of contract authority may not be liquidated (i.e., paid) until funded by offsetting collections credited to the WCF. For more information, see FMR Vol 11B Ch1 Sec 010104.

## 04005 RWO PROCESS OVERVIEW

The DON RWO process is comprised of five specific process steps:

i. Establish General Terms and Conditions (GT&C) across trading partners;

ii. Create the RWO with reference to GT&C;

iii. Perform work against the RWO and establish effective controls across the performance transaction process through proper Receipt and Acceptance (R&A) activities;

iv. Fund settlement; and

v. Effective and timely RWO reconciliation and closeout (R&C).

Throughout this process, the DON will adhere to the Treasury G-Invoicing mandate, which includes the Federal Intragovernmental Data Standards (FIDS) found at https://www.fiscal.treasury.gov/g-invoice/resources.html#standards. It is imperative that DON stakeholders understand that time is of the essence for each phase of the RWO process. Additional detail may be found at the RWO SharePoint site at https://portal.secnav.navy.mil/orgs/FMC/FMP/FMP-2/RWO/SitePages/Home.aspx.

### a. GENERAL TERMS AND CONDITIONS

The buy/sell process for reimbursable activity begins when the requesting agency identifies a bona fide need for the procurement of goods or services made through a request by the requesting agency to the servicing agency. The GT&C agreement establishes the key terms and conditions that govern the buy/sell relationship between trading partners. The agreement identifies how said business trading partner relationship must work in execution, including the roles and responsibilities for both trading partners. Each unique order does not require a unique GT&C. A single GT&C may be established to govern many orders. GT&Cs expire for new orders no later than 10 years from the date signed to allow for proper execution of the terms and conditions of the agreement. Orders remain effective based on the terms of the order, even if the underlying GT&C expires. GT&C terms remain in effect for all orders issued against it. By signing the agreement, the parties agree to annually review the GT&C if the agreement period exceeds one year. Appropriate changes will be made by amendment to the GT&C and/or modification to any affected order(s).

The DON shall use the FS Form 7600A United States Government General Terms & Conditions (GT&C) as the standard form to document all GT&Cs. These GT&Cs will be created in the Treasury G-Invoicing system. G-Invoicing will assign a unique identifier for each GT&C, and agencies will use this number to track their GT&Cs. Both Navy ERP and SABRS will ensure that a valid GT&C exists prior to allowing an order to be issued or accepted.

Trading partners must issue GT&Cs as soon as a requirement is known to ensure there are no delays in order fulfilment. Trading partners must review, negotiate, and approve GT&Cs within 14 calendar days of receipt. Both the requesting agency and servicing agency must maintain the GT&C as a key supporting document. Any delays in the GT&C approval process will result in the inability to issue and accept orders.

Currently G-Invoicing requires two signatures (initial approver and final approver) and allows both signatures to be the same official. The signing official shall have responsibilities commensurate with the level of work covered by the GT&C and knowledge of the work to be performed. This may include Commanding Officers, Program Executive Officers, Program Managers, Type Commanders, and similar positions, or their designees, provided the designation is formally documented and approved in writing.

For standard service type agreements, each DON service provider shall create a standard GT&C for use by all customers. The standardized GT&C will be used for each agreement signed by the servicing agency and each individual customer to receive the standard service. A GT&C can only be between two trading partners. No fiscal obligations are created through the execution of the GT&C. FMB will use the approved GT&Cs as part of the basis for issuing reimbursable authority to Budget Submitting Offices (BSOs). A properly funded order must be issued and accepted before any work may commence.

To minimize unnecessary workload, GT&Cs should cover broad categories of goods and services agreed to by both trading partners and be negotiated at the highest level thus reducing the total number of agreements. Standardized GT&Cs are to be used to the greatest extent possible. Prior to issuing a new GT&C, DON Commands must verify that there is no existing GT&C at higher echelons that cover the relationship. The requesting scope must be the general scope of the products or services offered by the servicing agency. The scope should not be at the same level as the detailed orders issued against the GT&C. The following standard clauses must be included on all GT&Cs:

Requesting Roles:

- For Economy Act Orders, the requesting agency will perform Receipt and Acceptance (R&A) at least once per month, except for CIVPAY, for which R&A must be performed on a biweekly basis, in accordance with CIVPAY pay dates. For Project Orders, the requesting agency will perform R&A at the completion of service or at the time of receipt of the goods. For progress-based Project Orders, R&A will be completed at least once per month.
- Requesting agency must verify final delivery indication is provided for all final billings and return invoice to the servicing agency if final delivery indication is missing or incorrect.
- Requesting agencies will complete Reconciliation and Closeout (R&C) of an order no later than 60 days after the work completion date, and maintain documentation of this review.
- Payment will not be initiated in IPAC until the requesting agency approves and records the receipt.

Servicing Roles *[Language in italics serves as guidance for the GT&C preparer. This information is unique to every trading partner and must be updated prior to finalizing the GT&C.]*:

- Billings will occur on a predictable schedule. The servicing agency will bill the requiring agency *enter billing timing here*.

- Upon final delivery of goods or performance of services, servicing agencies must indicate final delivery on the final invoice and notify the requesting agency. Final performance notification will trigger final payment and enable timely R&A to occur.
- All payments must be settled prior to closing out the particular order.
- As the servicing agency performs the work necessary to deliver the agreed-upon goods/services, the servicing agency will report the accrual amount to the requesting agency, at a minimum, on a monthly basis. The process, method, and timing that the servicing agency will use for providing the accrual amount is:
  - It is incumbent upon the requesting agency to identify and record all accounts payable accruals. When definitive amounts are not available to record the accounts payable, the requesting agency must work jointly with the servicing agency to estimate the amount to record as the accrual minimally on a monthly basis.
  - *Describe agreed upon accrual process*
  - *Describe the agreed upon accrual timing and valuation to allow for a fair representation of the liability during the reporting period.*
- Servicing agencies will assist the requesting agency with Reconciliation and Closeout (R&C) of an order no later than 60 days after the work completion date, and maintain documentation of this review.

Restrictions:

- The trading partners agree to annually review the GT&C if the agreement period exceeds one year.
- Either trading partner may unilaterally terminate this agreement prior to the expiration date only with sufficient written advance notification, a minimum of 180 days, to permit appropriate resource adjustments. If this GT&C must be significantly modified or unilaterally terminated with less than 180 days' notice by the requesting agency, the requesting agency may be billed by the servicing agency for reimbursement of unavoidable termination expenses incurred up to 180 days following the written notification.
- * All orders against this GT&C will use the FOB Point Destination.
- ***** Current G-Invoicing structure requires constructive receipt days when selecting FOB Destination for the order. Per current RWO policy, DON does not allow constructive receipt days. Based on the requirement in G-Invoicing, DON policy is that orders issued pursuant to the GT&C will select 90 days for constructive receipt with the requirement that R&A will be completed within 30 days of notification by the performer of shipment or service completed. Through diligent recording of R&A within 30 days, as indicated by DON policy, there should be no RWO transactions that require constructive receipt at 90 days.

* Only required when the DON is the requesting agency

Key data elements for GT&Cs include:

- GT&C number (assigned by G-Invoicing). Serves as the link for the rest of the RWO lifecycle

- Total Estimated Amount (includes estimate for all orders anticipated to be written against the GT&C)
  - Total Estimated Amount must be greater than zero dollars and must be a reasonable estimate.
  - If the estimated value is exceeded, an amendment should be made in a timely manner, but it should not prevent the order from being accepted or completed.
- Enforcement of the Total Remaining Amount Indicator – DON Policy is that the GT&C Estimated amount is not enforceable. The GT&C estimated amount must be amended in a timely manner after total orders have been accepted in excess of the existing GT&C estimate.
- Reference Data [e.g., Business Unit (BU), Cost Center (CC), and Department ID]

For additional information regarding support agreements, refer to FMPM para 03161, DoD FMR Vol 11A Chs 1&3, and DoDI 4000.19.

**b. ORDERS**

The order is the document that conveys the desired product or service being requested by the requesting agency. The order also provides the required funding information for both the requesting agency and the servicing agency. Both the requirements owner and funding officials must sign the order. The order shall be written for a period of no more than one calendar year, and should be re-issued/continued each fiscal year unless obligating multi-year or no-year funding.

DON BSOs will use the FS Form 7600B *United States Government Order Form* to document and accept order requirements and funding information for all RWOs. Navy ERP and SABRS will systematically create the FS Form 7600B and be in compliance with the FIDS. Once the FS Form 7600B is systematically available for use, the NAVCOMPT Forms 2275 and 2276A will no longer be accepted for reimbursable orders. For direct citation orders, trading partners may continue to use the NAVCOMPT Form 2276. For orders involving both reimbursable and direct citation, trading partners should use the FS Form 7600B and the NAVCOMPT Form 2276 (or equivalent).

Navy ERP and SABRS will interface with the Treasury G-Invoicing system to record the creation and/or acceptance of the intragovernmental order via FS Form 7600B against the corresponding GT&C. G-Invoicing will route the approved order to the servicing agency for action. Navy ERP and SABRS will systematically verify that sufficient reimbursable authority is available prior to acceptance of a RWO. A properly funded order must be issued and accepted before any work may commence.

In structuring line items, due consideration will be given to the effect of the chosen Units of Measure (UoM) on administration and payment. No line item will contain a quantity less than the number of deliveries anticipated on the line item. Trading partners will consider the need for periodic deliveries and payments in selecting a UoM.

*i.* Supplies: Line item quantities will match the actual count of the supplies to be provided. For instance, if more than one delivery is expected, the quantity cannot be "1."

*ii.* Services: Line item quantities will match the frequency with which performance will be reviewed. For example, an order with a twelve-month period of performance should have

a quantity and UoM suited to how the order will be managed. If the intent is to review, accept, and pay for the services monthly, then the quantity should be 12, with a UoM such as "Months" or "Lots." If the intent is to review, accept, and pay for the services quarterly, then the quantity should be 4, with a UoM such as "Lot". If the quantity used is 1, then no payment for delivery can occur until the end of the period of performance. Services with tangible deliveries, such as repairs, will be structured like supply line items.

For cases that include advance payments, a DON command providing goods or non-severable services will ensure the advance payment is for the full value of the estimated costs. If a severable service is provided, the advance payment should cover the annual cost, but at a minimum, will cover the cost of work for one quarter at a time.

DON Commands may issue orders in advance of appropriations using "Subject to Availability language. Additionally, DON Commands may accept orders citing "Subject to Availability" language. The servicing agency may not commence work until both reimbursable authority is issued to them and they verify that requesting agency funding is available. The requesting agency must notify the servicing agency in writing when funding is available. The servicing agency must retain this written notification for audit purposes.

Key Data Elements for Orders include:

- GT&C Number
- Order, Line, and Schedule data
- Treasury Account Symbol (TAS)/Business Event Type Code (BETC) for each Order Schedule Line
- Free On Board (FOB) Point Designation
- Standard Line of Accounting
- Technical Requirements
- UoM (G-Invoicing's UoM list)
- Quantity
- Object Class Code

For additional information on funding documents refer to FMPM para 02108 Funding Documents, DoD FMR Vol 11A Chs 2&3, DoD FMR Vol 11B Ch. 11, DFAR PGI 204.7103 para d.

**c. PERFORMANCE TRANSACTIONS**

Performance transactions provide audit compliant source documentation to support the delivered orders. The primary function involved in this process is the R&A of requested goods and services. Performance transactions are driven by the requirements community vice the financial community.

Through normal program/project management oversight activities, the requesting agency will acknowledge when they receive full or partial shipment of goods and/or progress in the provision of a service. For orders that include advances, performance transactions are still required. Requesting agencies must conduct R&A upon receipt of goods or services in order for an accounts payable to be generated, or to liquidate an advance. Proper R&A reduces the

risk of payment for goods and/or services that were not received or that did not satisfy the order.

The current system structure does not allow for documentation of R&A prior to payment. As system updates are made, policy and guidance will be provided on steps for documenting R&A within the system. When the DON is the requesting agency, payments to the servicing agency will not be made until after R&A is complete. Navy ERP and SABRS will interface performance transactions with G-Invoicing using FIDS.

It is important to ensure proper line item detail on the order, as servicing agencies will provide periodic invoices for each line item on the order. The requesting agency will perform R&A for goods and/or services received and related charges against each order line item for all invoices. R&A performed at the transactional level will support auditability down to the transaction level where the supporting documentation would normally exist. R&A also provides the capability to perform intragovernmental elimination entries at various organizational reporting levels.

The accounts payable liability must be recorded for intragovernmental purchases in the appropriate accounting period to recognize the receipt of goods or services ordered regardless of the document used in placing the order. The liability must be recorded during the accounting period that the benefit was received and not delayed pending receipt of a corresponding interagency billing or subsequent payment thereof. If actual cost is not available to adjust the estimated cost during the current accounting period, the adjusting entry must be made in the subsequent period when actual cost information becomes available. Documentation supporting the amount recorded must clearly show the basis (description of the good, quantity and amount; for services, description of the service, labor hours and amount) for the amount recorded as a payable and proof of receipt. The documentation must also be of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts. The requesting agency and the servicing agency are responsible for reviewing and resolving all disputed amounts, and reconciling for future processing.

For additional information on Intragovernmental Purchases R&A, refer to DoD FMR Vol 4 Ch. 9 Section 090205.

Key data elements for Performance Transactions, Fund Settlement, and R&C include:

- GT&C Number
- Order, Line, and Schedule
- Detailed count and quantity information (i.e. G-Invoicing's Units of Measure list)
- Dispute, rejection, correction, and remittance transactional information.

**d. FUND SETTLEMENT**

Within G-Invoicing, fund settlement occurs upon completion of the performance transaction. After the requesting agency performs R&A, the three-way match will be verified (i.e., obligation, invoice, R&A) and the file transfer will be initiated confirming R&A in G-Invoicing. G-Invoicing will create the Intra-Governmental Payment and Collections (IPACs) on the federal entities' behalf:

- If trading partners agree upon FOB Source, an IPAC is automatically generated after the servicing agency has delivered/performed goods/services and completed an appropriate performance transaction within the Navy ERP or SABRS environment.
- If trading partners agree upon FOB Destination, an IPAC is automatically generated after the requesting agency has completed its R&A process and has entered an appropriate performance transaction into the Navy ERP or SABRS environment.

  For orders involving advance payments in which the DON is the servicing agency, the DON command will request an additional advance payment when funding is substantially liquidated, allowing for customer lead times. If the advance payment is fully liquidated, additional work will not continue until another advance payment is received. If advance payment is not fully liquidated and work is complete, the servicing agency will return the remaining funds to the requesting agency. Base Operating Support costs for private, non-Federal and public entity tenants may be included in overall rent charges instead of charging for each service provided. Advance payments are required for rent.

For additional information, refer to Treasury Financial Management Volume I, Part 2, Chapter 4700, Appendix 6.

**e. RECONCILIATION AND CLOSEOUT**

Requesting and servicing agencies are required to review, reconcile, and closeout all RWOs when the terms and conditions as outlined in the order have been met. Reconciliation will synchronize proprietary account balances, as well as facilitate timely de-obligation of funds, when applicable. The reconciliation process shall be greatly improved as the DON moves toward posting performance transactions at the order line item level as well as implementing use of the final billing indicator. The results of the R&C will be documented and retained for audit purposes. Documentation of R&C should include:

- Requesting and Servicing Agency Contact Information
- Period of Performance
- Cumulative Total Obligations
- Cumulative Total Amount of Disbursements
- De-obligation / Amendment Amount
- Reconciliation Clause
- Closeout Clause
- Official Signatures from Both Trading Partners
- Key Supporting Documentation

Timely reconciliation of orders provides the opportunity to recoup funds for the optimal utilization of DON resources. It is DON policy for requesting agencies to complete R&C of an order no later than 60 days after the work completion date for unexpired funds. Untimely RWO reconciliation:

- Increases the risk of inaccurate reporting of financial information to the DON financial statements;

- Decreases the ability to reapply unused funds for mission purposes. Proper reconciliation and closeout procedures apply to funds that are in open and expired status.

## 04006 OTHER RWO POLICY

### a. CONTROL OF REIMBURSABLE AGREEMENTS

To the greatest extent feasible, reimbursements shall be budgeted, controlled, and accounted for under appropriated funds, or subdivisions, at the level of the respective organization, which earn them. Where the use of reimbursements is controlled at organizational levels above that at which they are earned, the reimbursements shall be budgeted and accounted for at the level at which they are controlled.

As a general policy, when one headquarters organization receives an order that requires the total work effort to be performed or administered by one of its field activities or a field activity of another headquarters organization, the reimbursable order will not be sent to the headquarters organization and shall be sent directly to the performing field activity for acceptance and performance. Under the procurement and Research, Development, Test, and Evaluation appropriations, intra-appropriation reimbursements between program managers within the same headquarters command/office are prohibited.

### b. REIMBURSABLE BUDGET PROGRAM REPLACEMENT PROCUREMENT

*i.* Replacement-in-Kind (RIK) is initiated to replace material sold to customers. It is DoD policy that RIK transactions are administered under the reimbursable budget authority when procurement is classified as:

1) Replacement for quantities of identical items furnished to the customer from on-order quantities under an existing contract financed by direct program funds,

2) Replacement of in-kind identical items sold to customers from inventory, or

3) Replacement for secondary items, whether or not identical, is treated as a generic category requiring, by definition, "replacement-in-kind."

*ii.* Replacement

Replacement is the acquisition of material items to replace those sold to customers, wherein the replacement item is not identical but accomplishes the same basic purpose (e.g., a C-130A aircraft is sold, but a C-130E aircraft is acquired to replace it). In such a situation, the reimbursement from the sale will be included under reimbursable financing, but the "buy-back" of the replacement must be accomplished under the direct budget program, consistent with the requirements for reprogramming of funds.

Replacement (RIK or replacement) procurement financed with funds resulting from the reimbursable budget program authority is limited to the replacement of on-order or on-hand items which have been or will be furnished to customers and must be accomplished during the period of availability of the appropriation account for incurring obligations. Any replacement procurement, excepting RIK of secondary items, is initiated by submission of a request to the Director, Office of Budget (FMB) for approval. Upon approval, RIK is accomplished by citation of funds reprogrammed into the appropriate direct program. Both below and above threshold reprogrammings to finance replacement under the direct procurement budget program requires approval by FMB, OUSD(C), OMB, and Congress. RIK or replacement shall be initiated only when items are below

authorized inventory objectives for the fiscal year in which the stock issue is made, compared to total inventories including material on order and programmed for funding during the same fiscal year period. Revenue derived from sales of prepositioned war reserve stocks (PWRS), for which RIK is not required, will be treated as free assets and may be reinvested in PWRS under direct program authority upon approval by FMB to reprogram the funds.

*iii.* Unit Cost Less Than $5,000
The replacement of items sold from inventory with a unit cost of less than $5,000 will be treated as a RIK if an improved model of the same end item is being procured, it performs the same warfighting capability, and the inventory objective presented to Congress is not exceeded. Items satisfying all of these criteria will be financed with the reimbursable proceeds of the sale of the end items issued from inventory without processing a DD-1415 reprogramming action. The amount applied toward the RIK may not exceed the proceeds of the sale. For additional information, refer to DoD FMR Vol 2A Ch. 1.

*iv.* Free Assets
Free assets are an item of material that is sold and does not require replacement. All free assets from Foreign Military Sales (FMS) transactions are required to be deposited into the Miscellaneous Receipts of the Treasury in accordance with 10 U.S.C. 114(c)2).

Non-FMS free assets are utilized to finance direct budget programs or applications between appropriations, subject to Apportionment/reapportionment and reprogramming approvals. Prior FMB approval is required for below threshold actions as well as above threshold actions. At least annually by the end of the fiscal year, all identified FMS free assets collected in any account, current or prior year, resulting from sales of articles from defense inventories, including both stock fund and procurement appropriation items, will be deposited to miscellaneous receipts of the Treasury, 173041.1202.

# PART B: CIVILIAN PAY AND TIMEKEEPING

## SECTION I: BUSINESS PROCESS FOR CIVILIAN TIME AND ATTENDANCE

### 04100 BUSINESS PROCESS FOR CIVILIAN TIME AND ATTENDANCE

**1. GENERAL**

This paragraph establishes time and attendance (T&A) guidance, defines roles and responsibilities, and prescribes internal controls in support of T&A recording and reporting for the Department of the Navy (DON). This guidance applies to all headquarters, departmental, and field level activities of the Navy and Marine Corps employing civilian personnel, except civilian personnel in nonappropriated fund personnel systems.

**2. WORK SCHEDULES**

The work schedule defines the basic work requirement as the number of hours, excluding overtime hours, an employee is required to work or account for by charging leave. The DON has established Alternative Work Schedules (AWS) to allow employees flexible family-friendly work arrangements. There are two categories of AWS: flexible work schedules (FWS) and

compressed work schedules (CWS). For additional information regarding work schedules, refer to DoD FMR Vol 8 Ch. 2 and OPM.gov.

**a. FLEXIBLE WORK SCHEDULE**

FWS consists of workdays with core hours and flexible hours. Core hours are the designated period of the day when all employees must be at work. Flexible hours are the part of the workday when employees may (within limits or "bands") choose their time of arrival and departure. Full-time employees (80 hour bi-weekly work requirement) and part-time employees (less than 80 hour bi-weekly work requirement) may work FWS. FWS are voluntary work schedules and must be approved by the employees' supervisor. There are various types of FWS arrangements that provide different degrees of flexibility. These include flexitour, gliding, variable day, variable week, and maxiflex schedules.

*i. Flexitour*

A type of FWS in which an employee is allowed to select starting and stopping times within the flexible hours. Once starting and stopping times are selected, the employee must adhere to these times until the employing agency/supervisor provides further opportunities to select different starting and stopping times. Core hours are established every workday.

*ii. Gliding Schedule*

A type of FWS in which an employee has a basic work requirement of 8 hours in each day and 40 hours in each week. Employees may select a starting and stopping time each day, and may change starting and stopping times daily within the established flexible hours. Core hours are established every workday.

*iii. Maxiflex*

A type of FWS that contains core hours be worked on fewer than 10 workdays in the biweekly pay period and in which an employee has a basic work requirement of 80 hours for the biweekly pay period. Employees may vary the number of hours worked on a given workday or the number of hours each week within the limits established for the organization. Core hours are not established every workday.

*iv. Variable Day Schedule*

A type of FWS containing core hours on each workday in the week with the basic work requirement of 40 hours in each week of the biweekly pay period. Employees may vary the number of hours worked on a given workday within the week within the limits established for the organization. Core hours are established every workday.

*v. Variable Week Schedule*

A type of FWS containing core hours on each workday in the biweekly pay period with the basic work requirement of 80 hours for the biweekly pay period. Employees may vary the number of hours worked on a given workday or the number of hours each week within the limits established for the organization. Core hours are established every workday.

**b. COMPRESSED WORK SCHEDULE**

CWS are fixed work schedules that enable full-time employees to complete the basic 80-hour biweekly work requirement in less than 10 workdays. CWS are voluntary work

schedules and must be approved by the employees' supervisor. There are various types of CWS arrangements that provide different degrees of flexibility. These include 4-10, 5-4/9, and 3-day workweek schedules.

*i. 4-10 Schedule*
Employees work 10 hours a day for 4 days each workweek.

*ii. 5-4/9 Schedule*
Employees work 9 hours a day for 8 days, 8 hours for 1 day, and record 1 non-working day each pay period.

*iii. 3-day Workweek Schedule*
On the 3-day workweek schedule, employees work 13 hours and 20 minutes a day for 3 days each workweek.

## 3. POLICY

### a. OVERTIME, COMPENSATORY TIME, AND CREDIT HOURS

Overtime and compensatory (comp) time must be approved by the employee's supervisor or alternate before the hours are worked. Approval must be documented in writing or electronically and must be retained for review and audit. For additional information regarding overtime, comp time, and credit hours, refer to DoD FMR Vol 8 Ch. 3, DoD FMR Vol 8 Ch. 5, opm.gov and 5 U.S.C.6126(a).

*i. Overtime*
Overtime pay is pay for hours of work officially ordered or approved in excess of 80 hours in a biweekly pay period. To properly determine an employee's overtime entitlement, the approving official should distinguish between regular overtime and irregular or occasional overtime. Overtime should be limited to those cases in which the mission clearly requires the commitment of personnel and funds.

General Schedule (GS) employee's premium pay cannot exceed a GS-15, step 10 (including any applicable special salary rate or locality rate of pay) or the rate payable for level V of the Executive Schedule. Senior Executive Service (SES) employees are excluded from premium pay.

*ii. Compensatory Time*
Comp time is time off with pay in lieu of overtime pay for irregular or occasional overtime work. Comp time is not authorized for regularly scheduled overtime. Commands may require mandatory comp time, in lieu of overtime pay for irregular or occasional overtime work, for Fair Labor Standard Act (FLSA) exempt employees (who are not prevailing rate employees) whose rate of basic pay is greater than the rate for GS-10, step 10. A command may not require prevailing rate employees, FLSA nonexempt employees, and any FLSA exempt employees whose rate of basic pay is equal to or less than the rate for a GS-10, step 10 to take comp time instead of being paid overtime pay, unless the employee requests compensatory time.

In accordance with DoD FMR Vol 8 Ch. 3, employees must use accrued comp time by the end of the 26$^{th}$ pay period after the pay period during which it was earned. Any unused comp time at the end of the 26$^{th}$ pay period after it is worked will be paid to the employee at the overtime rate in effect when earned. When an employee

transfers to another employing activity, or separates from Federal service, the employee must be paid for unused comp time at the overtime rate in effect when earned.

*iii. Credit Hours*

Per DoD FMR Vol 8 Ch. 5, credit hours may be worked only by employees on an approved FWS. Employees on a regular schedule, CWS and SES members are not permitted to earn credit hours. Credit hours are hours that an employee elects to work in excess of their basic work requirement (40 hours in a week, or 80 hours in the pay period) under a FWS. Credit hours are distinguished from overtime hours in that they are not officially ordered and approved in advance by management. Only 1 credit hour is earned for each hour of voluntary work in excess of the basic work requirement. Employees may request credit hours worked be applied to another workday, workweek, or biweekly pay period. Time cannot be charged against credit hours until the hours have been earned. Credit hours may not be used to create or increase entitlement to overtime pay.

5 U.S.C. 6126(a) limits the number of credit hours an employee may carry over from a biweekly pay period to a succeeding biweekly pay period to 24 hours for a full-time employee and one-fourth (25%) of a part-time employee's biweekly work requirement. When an employee is no longer under a FWS, transfers to another employing activity, or separates from Federal service, the employee must be paid for accumulated credit hours at their current rate of pay. An employee may not be compensated for credit hours for any other reason (e.g. excess, unused credit hours that cannot be carried forward into the next pay period).

**b. ADJUSTMENT OF WORK SCHEDULES FOR RELIGIOUS OBSERVANCES**

To the extent that modifications in work schedules do not interfere with the efficient accomplishment of a command's mission, an employee whose personal religious beliefs require that he or she abstain from work at certain times of the workday or workweek must be permitted to work alternative work hours so that the employee can meet the religious obligation. The hours worked in lieu of the normal work schedule do not create any entitlement to premium pay (including overtime pay).

Per OPM guidance, Fact Sheet: Adjustment of Work Schedules for Religious Observances, employees must submit a written request for an adjusted work schedule in advance. An employee should specifically state that his or her request for an adjusted work schedule is for religious purposes. A supervisor may only disapprove an employee's request if modifications of an employees work schedule would interfere with the efficient accomplishment of the command mission. If an employee's request is approved, a supervisor may determine whether the alternative work hours will be scheduled before or after the religious observance.

At the same time an employee requests time off, the supervisor must also simultaneously schedule the hours during which the employee will work to make up the time. This provides a clear record of the employees adjusted work schedule. An employee should be allowed to accumulate only the number of hours of work needed to make up for previous or anticipated absences from work for religious observances. If an employee is absent when he or she is scheduled to perform work to make up for a planned absence for a religious observance, the employee must take paid leave, request leave without pay, or

be charged absent without leave, if appropriate. These are the same options that apply to any other absence from an employee's basic work schedule.

Per DoD FMR Vol 8 Ch. 3, if an employee works additional hours prior to the religious observance and separates or transfers, any hours not used must be paid by the losing command at the employee's rate of basic pay in effect when the extra hours of work were performed. If the employee has not worked the additional hours for the religious observance prior to separating or transferring, a debt must be created and the employee owes the government for the advanced leave hours. In accordance with DoD FMR Vol 16 Ch. 2, the employee may repay their debts through lump-sum payments or installment payments to Defense Finance and Accounting Services by personal check, money order, or via Pay.Gov.

**c. COMPENSATORY TIME OFF FOR TRAVEL**

Comp time off for travel is earned by an employee for time spent in a travel status away from the employee's official duty station when such time is not otherwise compensable. Compensable refers to periods of time creditable as hours of work for the purpose of determining a specific pay entitlement.

Per DoD FMR Vol 8 Ch. 5, creditable travel time is travel for work purposes and must be approved by the employee's supervisor or other authorized official. Time spent at a temporary duty station between arrival and departure is not creditable travel time. For the purpose of comp time for travel, time in a travel status includes:

*i.* Time spent traveling between official duty station and a temporary duty station;

*ii.* Time spent traveling between two temporary duty stations; and

*iii.* The "usual waiting time" preceding or interrupting such travel (e.g., waiting at an airport or train station prior to departure. The command has sole and exclusive discretion to determine what is creditable as "usual waiting time." An "extended" waiting period i.e. an unusually long wait during which the employee is free to rest, sleep, or otherwise use the time for his or her own purposes, is not considered time in a travel status.

Commuting time includes:

*iv.* Travel outside of regular working hours between an employee's home and a temporary duty station or transportation terminal outside the limits of his or her official duty station is considered creditable travel time. However, the employee's command/supervisor must deduct the employee's normal home-to-work/work-to-home commuting time from the creditable travel time.

*v.* Travel outside of regular working hours between a worksite and a transportation terminal is creditable travel time, and no commuting time offset applies.

*vi.* Travel outside of regular working hours to or from a transportation terminal within the limits of the employee's official duty station is considered equivalent to commuting time and is not creditable travel time.

Employees must comply with established procedures for requesting credit within the time period and for scheduling and using earned comp time off for travel.

Comp time for travel is forfeited:

*vii.* If not used by the end of the 26th pay period after the pay period during which it was earned.

*viii.* Upon voluntary transfer to another agency.

*ix.* Upon movement to a non-covered position; or

*x.* Upon separation from the Federal Government.

Under no circumstances may an employee receive payment for unused comp time for travel.

For additional information, refer to DoD FMR Vol 8 Ch. 5 and opm.gov.

## 4. ROLES AND RESPONSIBILITIES

### a. EMPLOYEE

In accordance with DoD FMR Vol 8 Ch. 2, employees must record, review and attest to the accuracy and completeness of their current pay period's Time & Attendance (T&A) (including any exceptions such as the use of leave) and to any adjustments or corrections to a previously approved T&A prior to the supervisor's approval and certification. If the employee is not available prior to the approval of the T&A, then attestation must be documented as soon as possible.

An employee's attestations must be documented in writing or electronically and may be in the form of:

*i.* A manually completed hard copy document such as a sign-in, sign-out sheet;

*ii.* A printout of an automated record such as a T&A report with the employee's signature written or electronic; or

*iii.* T&A report with the employee's initials or an automated or electronic record showing that the employee has affirmed the correctness of the data.

### b. TIMEKEEPERS

In certain circumstances, T&A may be kept and recorded by a timekeeper in lieu of the employee. Timekeepers must be assigned in writing by the approving official and/or supervisor. Per DoD FMR Vol 8 Ch. 2, a timekeeper must accurately and timely record T&A data and maintain all related documentation, and be aware of the employee's attendance and absence each day.

Individuals performing the timekeeping function are specifically responsible for:

*i.* Recording all exceptions to the employee's normal tour of duty promptly and accurately;

*ii.* Ensuring that employees have attested to the accuracy of both their current pay period's T&A (including any exceptions such as the use of leave) and to any adjustments or corrections to a previously approved T&A. If the employee is not available prior to the approval of the T&A, then attestation must be documented as soon as possible. An employee's attestations must be documented in writing or electronically and may be in the form of:

a. A manually completed hard copy document such as a sign-in, sign-out sheet;

b. A printout of an automated record such as a T&A report with the employee's signature written or electronic; or

c. T&A report with the employee's initials or an automated or electronic record showing that the employee has affirmed the correctness of the data.

*iii.* Ensuring that all entries for overtime, comp time earned, or holidays worked have been approved, and that total hours are correct, before submission for a supervisor's approval and certification.

**c. APPROVING OFFICIAL'S/SUPERVISOR'S RESPONSIBILITY**

In accordance with DoD FMR Vol 8 Ch. 2, an approving official, usually the employee's supervisor maintains the primary responsibility for authorizing and approving T&A transactions. An approving official/supervisor must perform the following T&A functions:

*i.* Establish and approve each employees work schedule and core hour requirements showing the planned arrival and departure for each day as applicable.

*ii.* When approving T&A, all supervisors, other equivalent officials, or higher-level managers must certify, to the best of their knowledge, that work schedules are accurately recorded. An employee's supervisor should be aware of an employee's work schedule, leave taken, and any absence from duty and must review and approve the T&A to ensure its accuracy. Supervisors must ensure that exceptions to the employee's normal tour of duty are recorded in a timely and accurate manner.

*iii.* The supervisor may assign responsibility in writing for observing daily attendance or accurately recording T&A data to a timekeeper. However, the supervisor is still ultimately responsible for the timely and accurate reporting of the T&A in accordance with applicable policies, regulations, instructions, and bargaining agreements. The supervisor must inform the timekeeper when an employee is on leave or has worked any type of premium work.

*iv.* A DD Form 577 Appointment/Termination Record–Authorized Signature is NOT required for Time and Attendance certification.

**d. TIME AND ATTENDANCE ADMINISTRATOR**

The T&A Administrator is responsible for assigning the appropriate supervisor (as well as alternate T&A approvers) in timekeeping systems. The T&A administrator roles and responsibilities and the manner in which authority shall be delegated to the Administrator by the commanding officer or other equivalent authority are listed below.

*i.* The T&A Administrator shall be responsible for identifying and assigning in timekeeping systems the appropriate supervisor (and alternates) for approving the time and attendance of assigned employees. The Administrator should be familiar with, and have access to, documentation that may assist in supervisor assignments, including Notification of Personnel Action (SF-50) and Position Descriptions, and should be familiar with the organization and maintain current organization charts. It is expected that this function can be assigned to personnel currently responsible for administrative responsibilities for timekeeping.

*ii.* The authority to perform the responsibilities of the T&A Administrator shall be delegated in writing by the commanding officer, or equivalent authority; for Echelon 1 and 2 commands, the Comptroller may delegate the authority. The

Delegation of Authority (DOA) letter shall include the named individual, organization code and title, organization for which the Administrator is responsible, a copy of the current organization chart, and a brief description of responsibilities. A sample DOA letter is provided in Appendix F.

*iii.* The T&A Administrator will perform a quarterly validation of T&A supervisor assignments in the timekeeping system. Administrators may rely on their institutional knowledge and/or may use Notification of Personnel Actions (SF-50s), Position Descriptions (PDs), current organization charts, performance appraisal system information, and any other relevant documentation to validate the assignment of supervisors in timekeeping systems. Changes in supervisor assignments shall be made promptly and documented where discrepancies are identified. Results of the quarterly reviews shall be documented in a Memorandum for the Record (MFR) as attestation to the completion of each quarterly review, and any required changes resulting from the review.

*iv.* The T&A Administrator shall ensure prompt validation and update of supervisor assignments in timekeeping systems in response to changes in personnel assignments.

*v.* The T&A Administrators shall retain the following documentation which shall be available upon request:

a. Delegation of Authority Letter that establishes the individual as a T&A Administrator;
b. Quarterly attestation Memoranda for the Record (MFR);
c. All other correspondence or other artifacts that support the assignment of supervisors in timekeeping systems.

# PART C: CONTRACT VENDOR PAY

## 04200 GENERAL

Contract Vendor Pay (CVP) includes financial management processes, procedures, internal controls, transactions, and accounting events needed to complete the procurement activities through contracting actions and/or vendor payments made to obtain goods and/or services from non-federal entities.

## 04201 SCOPE

The DON complex financial information technology environment is an impediment to receiving an audit opinion. Audit priorities established by the Assistant Secretary of the Navy Financial Management and Comptroller have led to key changes to the DON's financial systems that impact processing of contract and vendor payments from Defense Finance and Accounting Services (DFAS) owned systems to Navy Enterprise Resource Planning (ERP).

CVP pay transactions will migrate to Navy ERP from the Mechanization of Contract Administration Services and One Pay and/or Computerized Accounts Payable System – Windows, respectively. The migration of transactions from these DFAS owned systems must be in alignment with the General Ledger Consolidation efforts and the deployment of the DON

Enterprise Procurement System to ensure effective and efficient payment processing in Navy ERP.

## 04202 POLICY

Financial managers, requirements owners, and contracting officers must coordinate throughout the procurement lifecycle to ensure that requirements are clearly defined uniquely distinguishable, properly priced/funded, goods and services are received and accepted, payments are timely and accurate, internal controls are in place, and financial accounting treatment of these transactions align with Generally Accepted Accounting Principles (GAAP) and other applicable guidance. This process begins with the creation of the Purchase Request (PR) and is a joint endeavor amongst the comptroller staff, requirements owner or program manager, and the contracting staff. Sufficient detail must be included in the PR to enable the appropriate contract structure and accounting treatment of the contract once it has been awarded. In the target state, all PRs for CVP will originate in Navy ERP.

## 04203 REDUCTION IN THE USE OF INFORMATIONAL SUBLINE ITEM NUMBERS

To become more efficient and auditable in CVP payment processing, the use of Informational Subline Item Numbers (InfoSLINs) is restricted except for instances related to single non-severable deliverables that are multi-funded or funds that are incrementally obligated over several fiscal years in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) 204.7103-1(a)(4)(ii). Financial management staff shall work closely with the contracting community to enforce the appropriate use of InfoSLINs in PRs and contracts. InfoSLINs cannot be delivered or billed against. This policy directs the DON to limit the use of InfoSLINs in accordance with the process outlined in this section.

When a contract has funding associated with InfoSLINs:

- A Line of Accounting (LOA) shall only have one InfoSLIN, within one Contract Line Item Number (CLIN), citing one Accounting classification reference number (ACRN)
- Multiple InfoSLINs within the same CLIN shall not utilize the same LOA/ACRN

***Correct Structure***

| *CLIN* | **InfoSLIN** | **ACRN** |
|---|---|---|
| *0001* | 01 | AA |
| | 02 | AB |
| | 03 | AC |
| | | |
| *0002* | 01 | AB |
| | | |
| *0003* | 01 | AC |

***Incorrect Structure***

| *CLIN* | **InfoSLIN** | **ACRN** |
|---|---|---|
| *0001* | 01 | **AA** |
| | 02 | AB |
| | **03** | **AA** |
| | | |
| *0002* | 01 | AB |
| | | |
| *0003* | 01 | AC |

If additional funding is required using the same LOA/ACRN, then the existing SLIN:

- Shall be increased rather than creating a new InfoSLIN. Do not create a new InfoSLIN and assign the same ACRN to an existing CLIN for separately tracking Technical Instructions (TIs), performance and/or cost.

Pricing, delivery, and invoicing will occur at the CLIN or Priced SLIN level and payment will be based on the invoice type and applicable payment instruction.

Contract Payment Policy is found in DoD FMR Vol 10. Activities should reference DFARS 204.7103-1 and 204.7104-1 for guidance regarding prescribed policies, procedures and criteria for assigning the use of CLINs and SLINs.

## 04204 UNIQUE LINE ITEMS FOR CAPITALIZED AND EXPENSED ITEMS

When procuring an asset, all costs (to include acquisition cost) incurred to bring the asset to a form and location suitable for its intended use are capitalized, as per Statement of Federal Financial Accounting Standards (SFFAS) No. 6. Paragraph 26.

The DON's policy identifies the following capitalization thresholds:

| DON CAPITALIZATION THRESHOLDS | GENERAL FUND | WORKING CAPITAL FUND |
|---|---|---|
| **GENERAL EQUIPMENT** | $1,000,000 | $250,000 |
| **INTERNAL USE SOFTWARE** | $250,000 | $250,000 |
| **REAL PROPERTY** | $250,000 | $250,000 |

To facilitate the process of identifying, allocating and posting associated cost to the appropriate general ledger accounts, delineation between capital assets and operating expenses at the PR and contract line item level is required. Business Financial Managers (BFMs) shall work with Contracting Officers, Program Offices, and requirements owners to ensure contract structures maintained adhere to:

- Properly segregate PR and contract items and asset structures, as needed, by accounting treatment and general ledger account code (GLAC)
- Capital assets, like costs associated with construction of an asset, must be on individual line items however multiple similar assets to be delivered at the same time can be aggregated on one line item
- Expenditures deemed non-capital assets costs (do not meet the capitalization threshold), must be included on separate line items from capital assets, however multiple similar expenses can be aggregated on one line item
- Different types of funding and object class codes must be on individual line items
- PR structures for non-severable items shall comply with Defense Federal Acquisition Regulation Supplement (DFARS) 204.7103-1(a)(4)(ii).

For more information regarding asset capitalization thresholds, refer to the Office of the Under Secretary of Defense capitalization threshold policy titled, Elimination of Military Equipment Definition and Increase to Capitalization Thresholds for General Property, Plant, and Equipment (PP&E), dated September 2013.

## 04205 CONSTRUCTION IN PROGRESS

This section establishes the standard to accumulate costs incurred in a Construction-in-Process (CIP) account, while an acquired asset is under construction. Accurately tracking and monitoring costs is imperative for timely accumulation, relief, and reporting of CIP.

In accordance with SFFAS No.6, constructed asset shall be recorded as construction work in process (CIP) until it is placed in service, at which time the balance shall be transferred to general PP&E. As a result all costs incurred to bring the asset to a form and location suitable for its intended use should be capitalized.

DoD entities are required to record and report CIP balances on their financial statements, in accordance with GAAP and SFFAS No.4 Para. 109. In addition, all DoD Components funding CIP must reconcile recorded CIP balances on a quarterly basis with any service provider or contractor working on assets under construction in accordance with DoD FMR Vol 4 Ch. 24 para 240302(D)(4) and DoD FMR Vol 4 Ch. 25 para 250302(D)(2). CIP should reflect the value associated with the actual progress of work completed as of the quarter-end. To comply with this requirement, the DON accumulates costs incurred for assets under construction to a CIP account.

As vendor invoices are paid related to assets under construction, Navy ERP accumulates the invoice payments to the applicable CIP or expense LOAs identified on the contract. Any indirect project costs must be allocated across CIP accounts periodically as they are incurred, based on the direct cost of the asset as a percentage of the total direct cost of all assets in the project. Thus, the full cost of the asset can be adequately captured and reported. Invoices related to both Military Construction (MILCON) and non-MILCON assets will follow a Supervision, Inspection, and Overhead (SIOH) process to provide oversight over the accumulation and tracking of the CIP balances. Additional information on SIOH can be found in FMPM Section 03252.

If it was previously determined that the costs of an asset would exceed the capitalization threshold, but recent estimates determine it will not exceed the threshold amount then the costs of the construction project, including previously accumulated CIP costs, shall be expensed in the period such determination is made.

In accordance with DoD FMR Vol 4 Ch. 24 para 240202, DoD FMR Vol 4 Ch. 25 para 250202, DoD FMR Vol 4 Ch. 27 para 270203(F), the CIP account is relieved when an asset or an improvement to an asset is placed in service, at which point the cost accumulated to date in the CIP account must be transferred to the appropriate PP&E account. All cost information transferred from the CIP account to the appropriate PP&E account should be linked to an asset unique identifier(s) and should be supported by the required supporting documentation, as per DoD FMR Vol 4 Ch. 24 para 240302, DoD FMR Vol 4 Ch. 25 para 250302, DoD FMR Vol 4 Ch. 27 para 270302. Subsequent project costs for the acquisition of Internal use Software must be expensed as incurred if not aligned with applicable capitalization guidance, in accordance with DoD FMR Vol 4 Ch. 27 para 270203(F)(6).

## 04206 PAYMENT AND ACCOUNTING TREATMENT OF INTERIM COST VOUCHERS

The DON is directing payment offices to adhere to a two-way match for processing interim and direct submit Cost Vouchers (CVs) in the target state.

An interim CV is used to reimburse the vendor's costs for work performed over a set period-of-time; independent of a completed deliverable (good or service). Interim cost vouchers are submitted for cost type contracts for services as identified in Federal Acquisition Regulations

(FAR) 52.216-7 and FAR 52.232-7, which outline rules governing interim payments made to vendors.

## 1. INTERIM VOUCHER PROCESS

Per DFARS Subpart 242.803 (b), Interim vouchers not selected for prepayment review are considered provisionally approved.

Therefore, Navy ERP will compare the voucher/payment request against the contract, or purchase order (PO) confirm that remaining funds are available to meet the payment request, and compare the documents for errors (such as CLIN mismatches or incorrect Periods of Performance). Certification will then follow via the F110 process in Navy ERP.

If certain errors are identified (i.e. overlapping period of performance), Navy ERP will systemically reject the voucher for review and correction. The system will also reject the CV (with the appropriate information to remedy the situation) and generate a notification to comptroller personnel for manual intervention and resolution.

The performance of a two-way match aligns with current DoD policy:

- DoD FMR Vol 4, Ch. 9, para 0210 and DoD FMR Vol 10 Ch. 8, para 080303(D) mandates a two-match of the invoice to the contract (or PO) for interim and direct submit CV, not a three-way match.
- DoD FMR Vol 10 Ch. 8, para 080303(D) receiving reports are not required in certain situations, such as contract financing and the fast payment procedure, and a receiving report may not be required prior to payment. As defined by FAR 32.001, and further supported by Title 5 Code of Federal Regulations 1315.4(d) and (e) contract financing payments include interim payments on cost-type contracts for the acquisition of services.

## 2. INTERIM VOUCHER REVIEW/APPROVAL PROCESS

All invoices on cost type contracts for services, excluding the initial and final vouchers, are referred to as “interim vouchers”. Unlike other invoice types, interim CVs are “provisionally approved” and the government has the right to review costs and adjust previous payments as needed at any time.

Provisional approval for interim, direct submit, and final cost vouchers are outside the purview of the DON and is the responsibility of Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) Administrative Contracting Officer (ACO), respectively, in accordance with DFARS Subpart 242.803 (b). The Contracting Officer Representative (COR) provides ongoing support to the DCAA auditor and DCMA ACO, through continuous surveillance, to include acceptance of all deliverables as specified in the contract. These artifacts are key when settling the final cost voucher.

External and internal stakeholders play a key role in the supervisory and oversight role in approving and processing interim cost vouchers for payment. DCAA and DCMA conduct independent billing oversight, identifying and reporting contractor compliance, and vendor risk based on business system audits to ensure proper costs are captured and submitted for reimbursement. Adequate internal and system controls and monitoring activities are essential in the processing of interims CVs. Comptroller personnel shall work in concert with CORs, DCMA, and DCAA personnel to ensure that these controls are adequate and operating effectively to avoid an Anti-Deficiency Act violation.

If problems are identified in performance of the contract or in the payment office or COR's review of invoices, the COR must communicate the issues to DCAA through the Contracting Officer, so the issues can be appropriately considered during the auditor's voucher approval process.

During the final CV process, the vendor will create a final Receiving Report for goods or services in Wide Area Work Flow and submit the final invoice to the government acceptor for acceptance. This government representative will complete the Receipt and Acceptance within Navy ERP, which will systematically notify the ACO to perform the acceptance within the system. Navy ERP will perform the three-way match against the receiving report, final invoice and PO. Certification will then follow via the F110 process in Navy ERP.

# PART D: DISBURSING POLICY

# PART E: COLLECTIONS POLICY

## 04500 GENERAL

This policy applies to all DON collections from the public, to include receipts, refunds, and reimbursements from individuals – civilian and uniformed – and businesses. This policy does not apply to collections resulting from intra-governmental transactions such as Reimbursable Work Orders (RWOs) and Military Standard Requisitioning Issue Procedures. In accordance with 31 U.S.C. 3302, DON commands must deposit collections within three days of receipt. DON policy mandates that all collections be performed electronically, unless a waiver is obtained. To accomplish these objectives, DON activities will standardize collection processes utilizing U.S. Department of the Treasury (Treasury) systems and applications as explained below.

## 04501 DOMESTIC ADVANCES AND SECURITY DEPOSITS

Defense Finance and Accounting Services (DFAS) Cleveland will perform collections for advances and security deposits on behalf of the DON. BSOs and their subordinate activities will enter advances and security deposits into the General Ledger (GL). DFAS will extract this information directly from the GL and invoice payees using Treasury's e-Billing/Pay.gov collection services. The electronic invoice will include the full line of accounting and DFAS will systematically voucher the collection upon receipt of the payment. BSOs will not be required to submit a form DD 1131 (Collection Voucher) upon implementation of this process.

## 04502 DOMESTIC MISCELLANEOUS COLLECTIONS AND DEBTS

Miscellaneous debts include Freedom of Information Act requests, gift fund contributions, jury duty, personal property debts, tort debts, messing bills for Afloat activities without Store Value Card (SVC) capabilities, Transportation Incentive Program debts, Tuition Assistance debts, Forestry, Agriculture and Grazing, utility bills, and any other collections not included in advances and security deposits. BSOs and their subordinate activities will process these collections via Treasury Pay.gov solutions.

## 04503 DOMESTIC REVENUES

Revenues include cash sales for goods and services such as licenses, meals, merchandise, and other items that are not included in advances, security deposits, or miscellaneous debts. BSOs and their subordinate activities will process these collections via Treasury e-commerce applications. Shore commands will utilize Card Acquiring Services (CAS) while afloat commands will utilize SVC (Navy Cash/Eagle Cash).

## 04504 PAYROLL AND TRAVEL DEBT

The BSOs and their subordinate activities will process payroll and travel debt through payroll collections (salary offset) or the use of Treasury's Pay.gov services.

## 04505 FOREIGN CURRENCY AND OCONUS COLLECTIONS

BSOs and their subordinate activities, with the exception of the Commercial Bill Pay Offices using Limited Depository Accounts, will use wire transfers for foreign currency collections. The

originating command is responsible for tracking payments made via wire transfer and electronically submitting a Form DD1131 to voucher the transaction to the GL. In addition, activities must provide advance notice to DFAS, via AskDFAS, for all wire transfers.

Activities receiving wire transfers in U.S. Dollars should use the following routing information:

Bank Name: US Treasury
Address: 1500 Pennsylvania Avenue NW Washington, DC 20220
Country: USA
RTN/ABA: 021030004
Account Name: DFAS-Cleveland
Account Number: 00008522
Activities receiving wire transfers in foreign currency should use the following routing information:

Bank Name: Citigroup Global Markets
Bank SWIFT Code: CITIDEFF
BLZ: 50210900
Account Name: Citibank Europe plc
IBAN: DE59502109004120060029
Payment Details (MANDATORY): Client No: CL329930001, ALC: 8522

## 04506 MONITORING AND RECONCILIATION

As mandated in DoD FMR Vol 16, BSOs are responsible for tracking aged receivables and shall work with DFAS to transfer delinquent debts to the appropriate office for additional debt management action, including referral to the Treasury's Offset Program. BSOs are also responsible for reconciling collections to external financial management systems as defined by BSO internal control policies.

## 04507 ESTABLISHING TREASURY ELECTRONIC COLLECTION CHANNELS

To establish an electronic collection program utilizing a Treasury platform (pay.gov or CAS), BSOs should submit an email request to FMP-2 at DONCollections.fct@navy.mil

NAVSUP will facilitate the establishment of SVC channels in the Afloat environment. BSOs should contact NAVSUP at navsup_hq_navyca.fct@navy.mil.

## 04508 WAIVERS

Commands unable to eliminate cash/check collections must request a waiver by contacting FMP at DONCollections.fct@navy.mil. Waiver requests must include a detailed description of the specific collection for which a waiver is sought and an explanation of why use of a Treasury platform is not practical.

# PART F: MILSTRIP

# PART G: IMPAIRMENT LOSS IDENTIFICATION AND FINANCIAL REPORTING

## 04700 GENERAL

Statement of Federal Financial Accounting Standards 44 (SFFAS 44), *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*, establishes accounting and financial reporting standards for impairment of general property, plant, and equipment (G-PP&E) remaining in use. G-PP&E is considered impaired when there is a significant and permanent decline in the service utility of G-PP&E or expected service utility for construction work in progress. Recognition of impairment losses is dependent upon a two-step process that entails (a) identifying potential impairments and (b) testing for impairment. The losses should be reasonably estimated by determining the portion of the decline in the net book value (NBV) of the G-PP&E attributable to the lost service utility.

## 04701 DEFINITION

SFFAS 44 defines impairment as a significant and permanent decline in service utility of G-PP&E or expected service utility for construction work-in-process. Service utility is impaired if the usable capacity is reduced due to abnormal events or circumstances that were unexpected at the time of acquisition, such as physical damage, obsolescence, dormancy due to new laws or regulations, change in environmental or economic factors, or change in the manner or duration of use. The events or changes in circumstances that lead to impairment are not considered normal and ordinary. That is, at the time the G-PP&E was acquired, the event or change in circumstance would not have been (a) expected to occur during the useful life of the G-PP&E or, (b) if expected, sufficiently predictable to be considered in estimating its useful life. Reduction in service utility due to normal use or ordinary events is not impairment.

## 04702 AUTHORITATIVE GUIDANCE

A. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 44 - Accounting for Impairment of GPP&E Remaining In Use

B. FASAB SFFAS No. 6 - Accounting for Property, Plant and Equipment

C. FASAB SFFAS No. 10 - Accounting for Internal Use Software

D. Department of Defense (DoD) Financial Management Regulation (FMR) Volume 4, Chapter 25, General Equipment

E. FASAB Technical Release 14, Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment

In accordance with SFFAS 6, SFFAS 44, Technical Release (TR) 14, and DoD FMR Volume 4, Chapter 25, this chapter provides guidance to the DON BSOs on defining, identifying, determining, measuring, and reporting partial and full impairment to G-PP&E.

1) The FASAB issued SFFAS 44 to provide Federal entities accounting and reporting requirements for partial impairment of G-PP&E and construction work-in-process. Full

impairment of G-PP&E is addressed in SFFAS 6 and TR 14. SFFAS 10, Accounting for Internal Use Software, addresses impairment of internal use software. The DoD FMR Volume 4, Chapter 25 restates and amplifies elements of SFFAS 44.

2) Although the term "impairment" is not used in SFFAS 6 and TR 14, the accounting treatment of fully impaired assets to be disposed, retired, or removed from service is covered under SFFAS 6 and TR 14. The accounting of full impairment only applies to G-PP&E and not to Heritage Assets or Stewardship Land as it involves adjusting the NBV of the PP&E.

## 04703 POLICY

Effective Fiscal Year (FY) 2020, all Budget Submitting Offices (BSO) shall submit a list of potentially impaired assets to the Office of Financial Operations, Audit Remediation Division (FMO-4) for consideration along with the quarterly asset listing. Identification of potentially impaired assets shall be based on the BSO's assessment conducted in accordance with para 04705, Impairment End-to-End Process. Information submitted for each potentially impaired asset shall include the asset description, the asset serial number (or other unique identifier), the nature of the impairment, any calculated estimated impairment loss, and all related key supporting documentation. Further guidance will be provided in the *Quarterly Asset Universe Financial Reporting, Reconciliation and Monitoring Control Process Narrative* that is provided each quarter. If the BSO determines that there is no impairment in the previous quarter, the BSO shall submit a negative response certifying no impairment occurred and no assets are currently under assessment for impairment.

## 04704 IMPAIRMENT END-TO-END PROCESS

The impairment reporting process includes the following steps, which are described in further detail in following sections:

1. BSOs identify potential impairment to G-PP&E through periodic asset evaluations or when assets are impacted by a major event.
2. BSOs submit a list of potentially impaired assets and all related key supporting documentation (KSD) to FMO-4 with their quarterly asset submission.[1] The following are examples of acceptable KSDs:
   a. Report detailing decision to not fully repair
   b. Assessment that repair will not bring the asset to full utility
   c. Assessment of policy change that will result in diminished capabilities
3. BSO assessments to determine if assets are impaired must be started within 30 days and generally completed within 365 days. For significant events that occur at quarter-end and year-end that may result in impairments, BSOs must communicate to FMO-4 those events and any related assets that will need to be assessed. BSOs must also do an assessment of

[1] FMO will provide more detailed instructions in the *Quarterly Asset Universe Financial Reporting, Reconciliation and Monitoring Control Process Narrative* that is provided each quarter.

subsequent events following year-end that occur between 1 October and the date of the auditor's report (typically 15 November) to determine if there are any identified impairments related to activity that existed as of 30 September but not previously reported.

4. BSOs work with FMO-4 to determine the appropriate measurement method that reasonably reflects the diminished service utility of the G-PP&E and provide the necessary documentation to support calculations.
5. FMO-4, in coordination with BSOs, will estimate impairment loss for identified G-PP&E.
6. FMO-4 provides accounting transaction details back to BSOs to be entered into the Accountable Property Systems of Record (APSR).
7. BSOs adjust the NBV of impaired G-PP&E in the APSRs as determined in this policy guidance and report impairment losses as "Program Costs" or "Costs Not Assigned to Programs."
8. FMO-4 validates that adjustments have been made in the APSRs and that the reported impairment losses are accurate.

## 04705 IDENTIFICATION OF POTENTIAL IMPAIRMENT

BSOs should identify potential impairment to G-PP&E through the quarterly asset evaluations and condition assessment processes, as part of response actions for disasters, in response to mishaps that include significant damage to property, and as part of other asset management activities that assess the fitness of an asset or a group of assets to meet the intended capability. The BSOs should identify impairments to any individual asset of ships, submarines, aircraft, satellites, and capitalized real property. Additionally the BSOs should assess and report impairments for any category of capitalized general equipment assets where multiple assets at a single location are impacted by a major event, such as an earthquake or hurricane, or if any event impacts an entire class of assets.

Additionally, BSOs may identify potential impairment when significant events or changes in circumstances occur. Significant events or changes in circumstances are particularly conspicuous or known to DON management. However, BSOs are not required to conduct surveys solely to identify asset impairment.

The BSOs should consider the following as indicators of potential impairment.[2]

1. Evidence of physical damage;
2. Enactment or approval of laws or regulations which limit or restrict G-PP&E usage;
3. Changes in environmental or economic factors;
4. Technological changes or evidence of obsolescence (primarily for IT systems);
5. Changes in the manner or duration of use of G-PP&E;

[2] Per SFFAS 44, A7; Recognizing the administrative burden and costs involved in applying a test of potential impairment, the Board desires to make clear that the indicators identified in paragraph 12 in and of themselves are not conclusive evidence that a measureable or reportable impairment exists. Entities should carefully consider the circumstances to determine if a test of potential impairment may be unnecessary.

6. Construction stoppage or contract termination; and
7. G-PP&E idled or unserviceable for excessively long periods.

**04706 DETERMINATION OF IMPAIRMENT**

Full impairment occurs when G-PP&E no longer provides service in the operations of the entity or there is no expectation of future service in the case of construction work in process. The reason could be that it has suffered damage, become obsolete in advance of expectations, or has been identified as excess. Impairment of the G-PP&E is considered full if the G-PP&E no longer provides service and the following conditions are met:

1. The G-PP&E's use is terminated, and
2. There is documented evidence of BSO management's decision to permanently remove the G-PP&E from service.

G-PP&E that no longer provides service in operations is recorded in an appropriate asset account at its expected net realizable value (NRV) or in general ledger account code 1995, *General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed*. No additional depreciation/amortization shall be taken once such assets are removed from general PP&E in anticipation of disposal, retirement, or removal from service.

Partial or less than full impairment occurs when G-PP&E has significant and permanent decline in service utility. The BSOs are required to report partial impairment to G-PP&E and construction work-in-process only if the:

1. Impairment is considered significant based on the BSO management's professional judgment. Per SFFAS 44, management may consider (1) the relative costs of providing the service before and after the decline, (2) the percentage decline in service utility, or (3) other considerations. When determining whether the impairment is significant, BSOs should consider the impact on operations such as cost of service rather than the materiality for financial reporting - determining if a decline in service utility is significant is separate and distinct from materiality considerations. BSOs should consult with FMO when questions arise about the significance of potential impairments; and
2. The decline in the service utility is considered permanent when BSO management has no intention or reasonable expectation to replace or restore the lost utility. BSOs should not report impairment if BSO management has (1) specific plans to replace or restore the lost service utility; (2) committed or obligated funding for the remediation efforts; or (3) a history of remediating lost service utility in similar cases or for similar G-PP&E. In such cases the cost to restore the lost service utility should be reported in the appropriate category of financial liability (e.g., Deferred Maintenance and Repair, Environmental and Disposal Liability, etc.). In instances when the lost service utility will be replaced or restored based on a history of remediating utility in similar cases or for similar G-PP&E, BSOs must assess and document the intention to either restore full service utility or less than full utility. Additionally, BSOs must produce documentation of the history of remediating lost service utility. Evidence should include a combination of documentation of management's intent to

restore anticipated service utility in similar cases or for similar assets, and inspection reports reflecting final determination that assets were restored to anticipated levels of service utility.

Deferred maintenance and repairs include, amongst other things, maintenance and repairs which are put off or delayed for a future period. In certain instances where BSO management plans to repair impaired assets to restore lost service utility, the cost to restore service utility may be reported as deferred maintenance and repairs. BSOs should consult with FMO-4 to ensure costs are appropriately classified and reported.

## 04707 MEASUREMENT OF IMPAIRMENT LOSSES

Partial impairment losses for G-PP&E will be estimated using a measurement method that reasonably reflects the diminished service utility of the G-PP&E. BSO and FMO-4 will consider the following methods:

### 1. REPLACEMENT APPROACH

Replacement approach applies to all G-PP&E including real property classified as G-PP&E. This approach uses the estimated cost to replace the lost service utility of the G-PP&E at current standards[3] to identify the portion of the historical cost of the G-PP&E that should be written off. This cost can be converted to historical cost by deflating the estimated cost to replace the diminished utility by using an appropriate cost index such as RSMeans inflation index. Alternatively, the ratio of the estimated cost to replace the diminished service utility over total estimated cost to replace the G-PP&E asset may be applied to the NBV of the G-PP&E.

| Example 1: Replacement Approach | | |
|---|---|---|
| *A* | Estimated cost of replacing the lost service utility | $2,000,000 |
| *B* | Deflation factor | 0.67 |
| *C* | Estimated impairment loss (*a* x *b*) | $1,340,000 |
| | **Or** | |
| *D* | Estimated cost of replacing the lost service utility | $2,000,000 |
| *E* | Total estimated replacement cost of G-PP&E | $5,000,000 |
| *F* | Ratio (*d* /*e*) | 40.00% |
| *G* | NBV | $4,000,000 |
| *H* | Estimated impairment loss (*f* x *g*) | ($1,600,000) |

In Example 1, the potential estimated impairment loss and corresponding reduction of book value of the G-PP&E is either $1,340,000 or $1,600,000, depending on the replacement approach chosen.

### 2. RESTORATION APPROACH

Restoration approach applies specifically to impairment of improvements made to stewardship land and multi-use heritage assets with physical damage. This approach uses the estimated cost to restore the diminished service utility of the G-PP&E to identify the portion of the historical cost that should be written off. Unlike replacement approach, restoration approach does not

[3] Current standards above refers to the use of current market prices for materials, labor, manufactured items and equipment using current building, manufacturing, or fabrication techniques in compliance with current statutory, regulatory, or industry standards.

include any amounts attributable to improvements and additions to meet today's standards. Restoration approach uses estimates that generally require using historically accurate (e.g., aesthetic or historic) materials and construction methods approved by an historic architect or historic preservationist to preserve the historic nature and value of the multi-use heritage asset. The estimated restoration cost can be converted to historical cost by deflating the estimated restoration cost using an appropriate cost index. Alternatively, the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost may be applied to the NBV of the G-PP&E.

| | **Example 2: Restoration Approach** | |
|---|---|---|
| *A* | Estimated cost of restoring the lost service utility | $1,000,000 |
| *B* | Deflation factor | 0.72 |
| *C* | Estimated impairment loss (*a* x *b*) | $720,000 |
| | **Or** | |
| *D* | Estimated cost of restoring the lost service utility | $1,000,000 |
| *E* | Total estimated restoration cost of G-PP&E | $5,000,000 |
| *F* | Ratio (*d* /*e*) | 20.00% |
| *G* | NBV | $4,000,000 |
| *H* | Estimated impairment loss (*f* x *g*) | ($800,000) |

If more than one method is reasonable, BSOs, in coordination with FMO, will select the method that is most efficient and practical. In Example 2, the potential estimated impairment loss and corresponding reduction of book value of the G-PP&E is $720,000 or $800,000 depending on the restoration approach chosen.

## 3. SERVICE UNITS APPROACH

This approach is appropriate for measuring impairment of G-PP&E that are affected by new laws or regulations or other changes in environmental/economic factors or are subject to technological changes or obsolescence. This approach compares the service units provided by the G-PP&E before and after the impairment event or change in circumstance to isolate the historical cost of the lost service utility of the G-PP&E. The amount of impairment is determined by evaluating the service provided by the G-PP&E either maximum or total estimated service units or throughout the life of the G-PP&E before and after the event or change in circumstance.

| | **Example 3: Service Unit Approach** | |
|---|---|---|
| *A* | Percentage of lost service utility in terms of units | 33.0% |
| *B* | NBV | $4,000,000 |
| *C* | Estimated impairment loss (*a* x *b*) | $1,320,000 |
| | **Or** | |
| *D* | Acquisition cost | $8,000,000 |
| *E* | Originally expected service units | 200,000 |
| *F* | Acquisition cost per expected service unit (*d* / *e*) | $40 |
| *G* | Remaining service units | 35,000 |
| *H* | Remaining service cost to be recovered (*f* x *g*) | $1,400,000 |
| *I* | NBV | $4,000,000 |
| *J* | Estimated impairment loss (*h* - *i*). **Note: if *j* ≥ 0, NBV is recoverable and no impairment loss is recognized. If *j* < 0, impairment is recognized.** | ($2,600,000) |

If more than one method is reasonable, BSOs, in coordination with FMO-4, will select the method that is most efficient and practical. In Example 3, the potential estimated impairment loss and corresponding reduction of book value of the G-PP&E is $1,320,000 or $2,600,000 depending on the service unit approach chosen.

## 4. DEFLATED DEPRECIATED CURRENT COST APPROACH

Impairment of G-PP&E that is subject to a change in manner or duration of use generally may be measured using a deflated depreciated current cost approach. This approach quantifies the cost of the service currently being provided by the G-PP&E and converts that cost to historical cost. A current cost for a G-PP&E asset to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the G-PP&E is not new, and then is subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the NBV of the G-PP&E exceeds the estimated historical cost of the current service utility (i.e., deflated depreciated current cost).

| Example 4: Deflated Depreciated Current Cost Approach | | |
|---|---|---|
| *A* | Replacement cost (current cost to replace current service level) | $1,000,000 |
| *B* | Less: Depreciation | $800,000 |
| *C* | Depreciated current cost (*a* - *b*) | $200,000 |
| *D* | Deflation factor | 0.65 |
| *E* | Deflated depreciated current cost (*c* x *d*) | $130,000 |
| *F* | NBV | $300,000 |
| *G* | Estimated impairment loss (*e* - *f*). **Note: if *g* ≥ 0, no impairment loss is recognized.** | ($170,000) |

In example 4, the potential estimated impairment loss and corresponding reduction of book value of the G-PP&E is $170,000.

## 5. CASH FLOW APPROACH

Impairment of cash or revenue generating G-PP&E, such as those used for business or proprietary-type activities, may be assessed using a cash flow approach. Under this approach, an impairment loss should be recognized only if the NBV of the G-PP&E (1) is not recoverable and (2) exceeds the higher of its net realizable value[4] or value-in-use estimate. The NBV of the G-PP&E is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the G-PP&E. That assessment should be based on the NBV of the G-PP&E at the date it is tested for recoverability, whether in use or under development. If the net book value is not recoverable, the impairment loss is the amount by which the NBV of the G-PP&E exceeds the higher of its net realizable value or value-in-use estimate. No impairment loss exists if the NBV is less than the higher of the G-PP&E's net realizable value or value-in-use estimate.

| Example 5: Cash Flow Approach | | |
|---|---|---|
| *A* | Required modification cost (if any) | ($50,000) |
| *B* | Undiscounted cash flows from future operations | $2,000,000 |
| *C* | Undiscounted cash flows from future disposal of asset | $500,000 |
| *D* | Total undiscounted cash flows (*a* + *b* + *c*) | $2,450,000 |

[4] Net realizable value is the estimated amount recovered from selling, or any other method of disposing of an item less estimated costs of disposal.

| | | |
|---|---|---|
| *E* | NBV | $3,000,000 |
| *F* | Recoverability (d - e). **Note: if *f* ≥ 0, NBV is recoverable and no impairment loss is recognized. If *f* < 0, calculate impairment loss as follows:** | ($550,000) |
| *G* | Net realizable value or Value in use estimate | $1,500,000 |
| *H* | Estimated impairment loss (*g* - *e*). **Note: if *h* = or > 0, no impairment loss is recognized).** | ($1,500,000) |
| | **Or** | |
| *I* | Average service fee per unit | $18 |
| *J* | Remaining service units | 50,000 |
| *K* | Undiscounted cash flows | $900,000 |
| *L* | NBV | $3,000,000 |
| *M* | Recoverability (*k* - *l*). **Note: if *m* ≥ 0, NBV is recoverable and no impairment loss is recognized. If *m* < 0, calculate impairment loss as follows:** | ($2,100,000) |
| *N* | Net realizable value or Value in use estimate | $2,800,000 |
| *O* | Estimated impairment loss (*n* - *l*). **Note: if *p* = ≥ 0, no impairment loss is recognized.** | ($200,000) |

BSOs, in coordination with FMO-4, will choose the most reasonable and efficient method of estimating the impairment loss. In Example 5, the potential estimated impairment loss and corresponding reduction of book value of the G-PP&E is $1,500,000 or $200,000 depending on the cash flow approach selected.

## 6. LOWER OF (A) NBV OR (B) HIGHER OF NET REALIZABLE VALUE OR VALUE-IN-USE APPROACH

The G-PP&E impaired from either construction stoppages or contract terminations, which are expected to provide service, should be reported at their recoverable amount; the lower of (1) the G-PP&E's NBV or (2) the higher of its net realizable value or value-in-use estimate. Impaired G-PP&E, which are not expected to provide service, should be accounted for and reported in accordance with SFFAS 6.[5]

| | **Example 6: Lower of (a) NBV or (b) Higher of Net Realizable Value or Value-in-Use Approach** | |
|---|---|---|
| *A* | Construction or contract costs incurred | $5,000,000 |
| *B* | Percentage recoverable | 60.0% |
| *C* | Impaired asset book value (= net realizable amount) | $3,000,000 |
| *D* | Impairment loss (*c* - *a*) | ($2,000,000) |
| | **Or** | |
| *E* | Average fee per use | $40 |
| *F* | Remaining usable service units | 50,000 |
| *G* | Value-in-use | $2,000,000 |
| *H* | Net realizable value | $1,500,000 |
| *I* | Higher of *g* or *h* | $2,000,000 |
| *J* | NBV | $3,000,000 |
| *K* | Lower of *i* or *j* = Impaired asset's recoverable amount (this will be the new book value) | $2,000,000 |

[5] SFFAS 44 paragraph 18, a through f

| | | |
|---|---|---|
| *L* | Impairment loss (*k* - *j*) | ($1,000,000) |

BSOs, in coordination with FMO-4, will choose the most reasonable and efficient method of estimating the impairment loss. In Example 6, the potential estimated impairment loss and corresponding reduction of book value of the G-PP&E is $2,500,000 or $1,000,000, depending on the lower of NBV or higher of net realizable value or value in use approach selected.

Flowcharts, decision tables, and illustrations of the above estimation methods to assist BSOs in making the choice can be found in Appendix B of SFFAS 44. The method chosen should reasonably estimate the portion of the NBV associated with the diminished service utility; it should not result in an unreasonable net value associated with the remaining service utility of the G-PP&E, and the impairment loss should be limited to the G-PP&E's NBV at the time of the partial impairment. If the current NBV is $0, then no impairment loss is recognized and the entire process of identifying and determining impairment does not apply. If more than one method is reasonable, BSOs will consult with FMO-4 to ensure selection of the method that is most efficient and practical.

## 04708 RECOGNITION AND REPORTING OF AN IMPAIRMENT LOSS

Using the validated impairment estimate, FMO-4 will provide adjustments to BSOs for processing in the APSR. FMO-4 will obtain screenshots of the adjustments made in the APSR to validate the accuracy of recorded impairment loss. BSOs should write off the NBV associated with the impairment to the G-PP&E as determined in this implementation guidance and report the impairment loss as "Program Costs" or "Cost Not Assigned to Programs".[6] For full impairment, the G-PP&E's acquisition cost and associated accumulated depreciation are removed from the G-PP&E account. BSOs should report impairment loss net of any recovery associated with the impairment if the recovery and loss occur in the same period. If the recovery occurs subsequent to the period in which impairment loss is recognized, BSOs should report the recovery as revenue or other financing source as appropriate in the period the recovery occurs. If during the permanent removal process for fully impaired G-PP&E, the G-PP&E is disassembled and spare parts or sub-components are salvaged to be used for other purposes, the spare parts or sub-components should be recorded as new and separate G-PP&E in accordance with SFFAS 6 or SFFAS 3, *Accounting for Inventory and Related Property*.

The DON will report the impairment loss in the Statement of Net Cost and may present it as a separate line item or line items depending on the materiality of the loss to the financial statements or other qualitative considerations. In instances where potentially impaired assets are under assessment close to year end, FMO-4 will evaluate potential materiality and disclose applicable facts and circumstances in a financial statement footnote.

When an impairment is recorded, BSOs should prepare the following:

1. A general description of the G-PP&E that has been permanently impaired;
2. The nature of the impairment and the event(s) that created it;
3. The amount of the impairment, to include supporting documentation behind the calculation of the impairment; and

[6] The determination of the impairment loss as "Program Costs" or "Costs Not Assigned to Programs" should be consistent with guidance in SFFAS 4: *Managerial Cost Accounting Standards and Concepts*.

4. Any additional evidence that supports the assumptions or information provided above.

By definition, these assets have been permanently impaired, and while remaining in service, they will not return to full utility. BSOs shall not include any portion of the impairment loss as Deferred Maintenance.

If BSOs determine that the diminished service utility to the G-PP&E does not meet the criteria for impairment but the future service utility of the G-PP&E remaining in use is adversely affected, FMO-4 should consider adjusting the depreciation methods, useful life or salvage value estimates, as appropriate, for the G-PP&E remaining in use.

If BSOs remedy a previously impaired G-PP&E asset remaining in use, FMO-4 should follow the DON's capitalization policy for costs incurred to replace or restore the lost service utility.

Permanent, significant loss of utility to assets remaining in service will not be a common occurrence in the DON due to the nature of the readiness mission. However, management must ensure its consideration of the possibility of an impairment, and proper recording and reporting any impairments if and when they occur.

# CHAPTER 5 INTERNAL CONTROLS

# CHAPTER 6 FINANCIAL REPORTING

## PART A: AUDIT PROCESS

# PART B: REPORTING

# CHAPTER 7 ACCOUNTING

## PART A: ACCRUAL

# PART B: ASSET/MATERIAL

# PART C: UNMATCHED TRANSACTIONS

# CHAPTER 8 FINANCIAL MANAGEMENT AND MIXED SYSTEMS

## PART A: INTRODUCTION

The executive and legislative branches have led a major movement toward improving performance, accountability, and financial management of Federal agencies. The DON financial system is critical to achieving improved financial information, accurate and reliable financial reporting, and auditability. Information Technology (IT) systems and controls are foundational to the integrity of DON financial reporting and, therefore, shall be developed and maintained in compliance with laws, technical and functional requirements, standards, and guidance as described within this chapter.

## SECTION I: SCOPE

### 08000 SCOPE

This chapter describes the roles, responsibilities, laws, standards, guidance, and requirements associated with DON's IT financial management and mixed systems in support of relevant and reliable financial information, accurate financial reporting, and the financial statement audit.

## SECTION II: DEFINITIONS

### 08001 ANNUAL FINANCIAL STATEMENTS

The financial statements of a reporting entity as described in the Office of Management and Budget (OMB) Circular Number (No.) A-136. The annual financial statements consist of:

- Management's Discussion and Analysis (Part of Required Supplementary Information)
- Basic Statements, which include:
  - Balance Sheet
  - Statement of Net Cost
  - Statement of Budgetary Resources
  - Statement of Custodial Activity, if applicable
  - Statement of Social Insurance, if applicable
  - Statement of Changes in Social Insurance, if applicable
  - Related note disclosures
- Required Supplementary Stewardship Information (RSSI), if applicable
- Required Supplementary Information RSI), if applicable
- Other Information, if applicable

**08002 APPLICATION PROGRAMMING INTERFACE**

Application Programming Interfaces (APIs) are a set of unique routines and processes in place to specify how software components should interact with one another.

**08003 BOT**

A type of robotic process automation (RPA), defined as any form of configurable software that can be established to run automated routine processes (scripts) efficiently.

**08004 BUSINESS PROCESS APPLICATION CONTROLS**

Business Process Application Controls (BPACs), also referred to as application controls are controls directly related to individual computerized applications, designed to ensure the validity, completeness, accuracy, and confidentiality of transactions and data during application processing.

**08005 CORRECTIVE ACTION PLAN**

A written document that spells out the specific steps a reporting entity will take to resolve a deficiency, including targeted milestones, completion dates, evidentiary artifacts, action officers. Also referred to as a remediation plan.

**08006 FINANCIAL EVENT**

Any activity having financial consequences to the Federal Government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; distribution of grants; or other reportable financial activities.

**08007 FINANCIAL MANAGEMENT SYSTEM**

A system that includes an agency's overall financial operation, reflecting the people, processes, and technology to capture, classify, summarize, and report data in a meaningful manner to support business decisions. The system includes hardware, applications, system software, personnel, procedures, data, and reporting functions. The financial management system can be fully integrated with other management information systems (i.e., mixed systems) where transactions automatically flow into an accounting general ledger (GL). The financial management system can also include manual processes to post transactions from other management systems into the accounting GL.

**08008 FINANCIAL SYSTEM**

An information system or set of applications that comprise the accounting portion of the financial management system that maintains all summary or detailed transactions resulting from budgetary and proprietary financial activity. The financial system encompasses processes and records that identify and record all valid transactions, describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting, measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements, and determine the time period in which the transactions occurred to permit recording of transactions in the proper accounting period.

**08009 FINANCIAL STATEMENT AUDITS**

Audits that provide reasonable assurance through an opinion (or disclaimer of opinion) about whether a reporting entity's financial statements are presented fairly in all material respects in conformity with U.S. Generally Accepted Accounting Principles (GAAP). Federal financial statement audits are performed in accordance with Generally Accepted Government Auditing Standards.

**08010 GENERAL LEDGER**

The master set of accounts that summarizes all transactions occurring within an entity. A DON General Ledger (GL) system is a financial system that functions as the GL for an entity within the DON; examples include DON Enterprise Resource Planning (DON ERP) and Standard Accounting, Budgeting and Reporting System (SABRS).

**08011 INTERFACE**

A connection between two devices, applications or networks or a boundary across which two systems communicate. Note that this includes intermediary systems or processes (e.g., APIs).

**08012 INTERNAL CONTROL**

A process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risk mitigation activities can be broadly classified into one or more of the following three categories:

- Operations
- Reporting
- Compliance.

**08013 IT GENERAL CONTROLS**

The structure, policies, and procedures that apply to the overall computer operations of a reporting entity. IT General controls (ITGCs) include an entity-wide security program, access controls, application development and change controls, segregation of duties, system software controls, and service continuity controls.

**08014 MATERIAL WEAKNESS**

A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the reporting entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**08015 MIXED SYSTEM**

An IT system that supports both financial and nonfinancial functions of the overall financial management system. The following are examples of mixed systems: payment and invoice systems, procurement systems, receivable systems, loan systems, grants systems, payroll systems, budget formulation systems, billing systems, property management systems, travel systems, or other mission operational systems that impact a financial system.

### 08016 NOTICE OF FINDINGS AND RECOMMENDATIONS

An official document issued by the Independent Public Accountant (IPA) that describes a deficiency identified through an audit, including the condition identified, the deficiency root cause, what effect the deficiency has on the financial statement audit, and a recommendation for its resolution.

### 08017 RISK MANAGEMENT FRAMEWORK

A Federal Government policy and standard process developed by the National Institute of Standards and Technology (NIST) that integrates security and risk management activities into the system development lifecycle. The Risk Management Framework (RMF) was established to help secure information systems. The RMF process consists of seven steps: Prepare, Categorize, Select, Implement, Assess, Authorize, and Monitor.

### 08018 ROBOTIC PROCESS AUTOMATION

The use of software, algorithms, and other capabilities to gain efficiencies by automating the processing of high-volume, repeatable tasks.

### 08019 THIRD-PARTY SERVICE PROVIDER

An entity (outside of the DON), or segment of an entity, that provides services that are part of the reporting entity's manual and/or automated processes for financial reporting.

## SECTION III: REFERENCES

### 08020 LEGISLATION AND OTHER AUTHORITIES

1 Chief Financial Officers (CFO) Act of 1990

2 Government Management Reform Act (GMRA) of 1994

3 Department of Defense (DoD) Instruction 8510.01, July 28, 2017, Risk Management Framework (RMF) for DOD IT

4 DoD 7000.14-R, DoD Financial Management Regulation (FMR) Volume 1, Chapter 4, March 2019, Standard Financial Information Structure

5 DoD FMR, Volume 1, Chapter 7, March 2018, Department of Defense Standard Chart of Accounts

6 Secretary of Navy (SECNAV) Instruction 5000.36A, December 19, 2005, DON IT Applications and Data Management

7 Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (the "Green Book"), September 10, 2014

8 Federal Financial Management Improvement Act (FFMIA) of 1996

9 OMB Circular No. A-123, July 15, 2016, *Management's Responsibility for Enterprise Risk Management and Internal Control*

10 OMB Circular No. A-123, Appendix D, September 20, 2013, *Compliance with the FFMIA of 1996*

11 OMB Circular No. A-136, October 7, 2016, *Financial Reporting Requirements*

12 OMB Memorandum M-18-16, June 6, 2018, Appendix A to OMB Circular No. A-123

13 DoD Instruction 5010.40, May 30, 2013, Managers' Internal Control Program Procedures

14 SECNAV Instruction 5200.35G, March 29, 2019, DON Managers' Internal Control Program

15 NIST Special Publication (SP) 800-53 Rev 4, April 2013, Security and Privacy Controls for Federal Information Systems and Organizations

16 NIST SP 800-37 Rev 1, February 2010, Guide for Applying the RMF to Federal Information Systems

17 SECNAVINST 5239.3C, May 2, 2016, DON Cybersecurity Policy

18 Chief of Naval Operations Instruction 5239.1D, July 18, 2018, U.S. Navy Cybersecurity Program

19 Defense Information Systems Agency's Software Defined Enterprise (SDE) Application Programming Interface (API) Standards Guide, July 13, 2018

20 National Archives General Records Schedules (GRS), December 2017

21 Statement on Standards for Attestation Engagements (SSAE) No. 18, April 2016

22 DoD Financial Improvement and Audit Readiness (FIAR) Guidance, April 2017

23 DoD Instruction, 8500.01, March 14, 2014, Cybersecurity

24 DoD Instruction 5000.75, February 2, 2017, Business Systems Requirements and Acquisition

25 FASAB Handbook of Federal Accounting Standards, June 30, 2017

26 Federal Managers' Financial Integrity Act (FMFIA) of 1982

27 Federal Information Security Modernization Act (FISMA) of 2014

28 Federal Information Security Management Act (FISMA) of 2002

29 GAO Federal Information System Controls Audit Manual (FISCAM) of February 2009

30 United States Standard General Ledger (USSGL) Implementation Guidance of Fiscal Year 2019

31 National Defense Authorization Act (NDAA) for Fiscal Year 2010, October 28, 2009

32 NDAA for Fiscal Year 2014, December 26, 2013

33 Defense Finance and Accounting Service (DFAS) Blue Book (7900.4-M), August 2015

34 Treasury Financial Manual (TFM), Chapter 9500, 2018

35 GAO Financial Audit Manual, June 2018

## SECTION IV: RESPONSIBILITIES

### 08021 ASSISTANT SECRETARY OF THE NAVY, FINANCIAL MANAGEMENT AND COMPTROLLER

The Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN

(FM&C)), as the Secretary of the Navy's (SECNAV) principal financial advisor, is responsible for all fiscal accountability and management matters relating to financial management and comptrollership within the DON.

## 08022 DON CHIEF INFORMATION OFFICER

The DON Chief Information Officer (CIO), a role performed by the Under Secretary of the Navy (UNSECNAV), is the DON's senior Information Management (IM), IT, and Information Resources Management (IRM) official. The DON CIO:

- Is the DON's senior IM/IT/IRM official and carries out the IM/IT/IRM responsibilities and duties set forth in Titles 10, 40, and 44 of the United States Code
- Serves as the DON's senior Cybersecurity official
- Serves as the DON's senior Electromagnetic Spectrum official
- Serves as the DON's senior Privacy Act official
- Serves as the DON's senior Civil Liberties official
- Serves as the DON's senior Records Management official
- Serves as the DON's senior Freedom of Information Act (FOIA) official
- Oversees DON IT capital planning and investment management
- Oversees compliance for protecting DON information and systems
- Oversees the process of developing and maintaining the DON enterprise architecture and assesses compliance with DoD and federal standards
- Develops DON-wide IM/IT/IRM policy, standards, and guidance
- Oversees DON IM/IT/IRM compliance with applicable statutes, regulations, policy, and guidance
- Ensures compliance with Section 508 of the Rehabilitation Act
- Promotes the effective and efficient design and operation of all major IRM processes, including improvement to DON work processes.

## 08023 DON CHIEF MANAGEMENT OFFICER

The DON Chief Management Officer (CMO), a role performed by the UNSECNAV, leads a team that helps prioritize and accelerate business transformation initiatives. The CMO is focused on improvement of audit outcomes, financial accountability, data strategy, and business operations and business reform across the DON through business systems rationalization and modernization.

## 08024 DEPUTY ASSISTANT SECRETARY OF THE NAVY, FINANCIAL POLICY AND SYSTEMS

The Deputy Assistant Secretary of Financial Policy and Systems (FMP) reports to the ASN (FM&C) and oversees six strategic branches related to systems, policy, and human capital. Information on duties and divisions can be found at https://go.usa.gov/xpgpy.

### 08025 FUNCTIONAL AREA MANAGER

In accordance with SECNAV Instruction 5000.36A, Functional Area Managers (FAMs) develop and manage the DON's IT system, applications, and database portfolios in addition to overseeing the management, rationalization, and consolidation of IT systems, applications, and databases.

### 08026 INDEPENDENT PUBLIC ACCOUNTANT

The Independent Public Accountant (IPA) conducts DON financial statement audits mandated by the CFO Act of 1990. A significant portion of audit testing focuses on IT controls. The IPA:

- Conducts an audit of the DON's Financial Statements and expresses an opinion on whether the financial statements and related notes are fairly presented in accordance with Generally Accepted Accounting Principles (GAAP);
- Performs planning, interviews, reviews/requests documentation, and conducts various levels of testing to form an opinion per above;
- Requests information/documentation for review for various levels of testing by issuing Provided by Client (PBC) lists; and
- Issues Notices of Findings and Recommendations (NFRs), both IT and financial, which require remediation.

### 08027 SYSTEM OWNER (ACQUISITION PROGRAM OFFICE)

The system owner is the organization responsible for the overall procurement, development, integration, modification, operation, maintenance, and retirement of an information system. The system owner is a key contributor in developing system design specifications to meet functional requirements and ensure the security and user operational needs are documented, tested, and implemented. In addition, the system owner bears responsibility for audit-readiness, the availability and adequacy of audit artifacts, and remediation of audit deficiencies. With the support of the action officers and other key personnel, the system owner is also responsible for providing documentation and evidence as requested by the auditors, and remediating system deficiencies identified during audits.

# PART B: REQUIREMENTS FOR DON IT SYSTEMS

## SECTION I: LAWS AND IMPLEMENTING REGULATIONS AND POLICIES PERTAINING TO IT AUDIT COMPLIANCE

### 08028 SIGNIFICANT LAWS AND IMPLEMENTING REGULATIONS AND POLICIES

1. **FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT of 1982**
   The Federal Managers' Financial Integrity Act (FMFIA) requires agency heads to establish internal controls and financial systems that provide reasonable assurance of achieving effectiveness and efficiency of operations, compliance with regulations and applicable laws, and reliability of financial reporting.

**DON MANAGERS' INTERNAL CONTROL PROGRAM**

DON Managers' Internal Control Program (MICP), SECNAVINST 5200.35F, consists of three distinct assessment and reporting processes: Internal Control over Operations, Internal Control over Reporting (ICOR), and Internal Control over Financial Systems (ICOFS). Each Budget Submitting Office (BSO) must submit an annual Certification Statement attesting to the status of ICOFS, which evaluates compliance with the Federal Financial Management Improvement Act (FFMIA), Federal Information Security Modernization Act (FISMA), and Federal Information Security Controls Audit Manual (FISCAM) requirements. System owners and stakeholders shall support BSOs and execute/support testing of controls, as specified in applicable MICP Guidebooks as published on the SECNAV Portal.

**2. FFMIA of 1996**

FFMIA Section 803(a) requires that each agency establish and maintain financial management systems that substantially comply with the following three essential requirements:

- United States Standard General Ledger (USSGL)
- Federal Accounting Standards in accordance with the GAAP established by the Federal Accounting Standards Advisory Board (FASAB)
- Federal Financial Management Systems Requirements (FFMSRs).

The implementation of FFMIA is critical for federal accountability, in that it emphasizes the need for agencies to have IT systems, both financial management and mixed systems that can generate timely, accurate, and useful information. FFMIA requirements are applicable to all DON financial management systems, including GLs, personnel systems, and accountable property systems of record.

**a. United States Standard General Ledger**

Financial events must be recorded in the financial management system applying requirements of the USSGL at the transaction level. The United States Treasury publishes USSGL Implementation Guidance annually. The USSGL promotes consistency in financial transaction processing and reporting by providing a uniform chart of accounts and pro forma transactions. It is critical that the DON financial management systems conform to these standards and maintain consistent compliance. Specifically, DON systems must be compliant with USSGL implementation guidance.

**b. Federal Accounting Standards**

Federal accounting standards are critical to the preparation of financial statements and in the development of financial management systems. The standards are contained in Statements of Federal Financial Accounting Standards (SFFASs), as promulgated and published in the FASAB Handbook of Accounting Standards. Financial management systems shall maintain accounting data to permit reporting in accordance with the accounting standards recommended by FASAB and issued by the Director of the Office of Management and Budget (OMB), and the reporting requirements issued by the Director of OMB or the Secretary of the Treasury. Where no accounting standards have been recommended by FASAB and issued by OMB, the systems shall maintain data in accordance with the applicable accounting standards used by the agency for preparation of its financial statements. DON financial management systems shall be designed flexibly to adapt to changes in accounting standards.

### c. Federal Financial Management Systems Requirements

In accordance with the Treasury Financial Manual, Ch. 9500, FFMSRs are functionality-based criteria used to establish uniform financial systems, standards, and reporting across the government. DON financial management systems must be compliant with FFMSRs in order to ensure applicable systems include required functionality and support reliable financial reporting, effective and efficient operations, and compliance with laws and regulations. FFMSR requirements extend beyond DON GL systems. Feeder systems, including mixed systems that have financial impact and interface with the GL, must contain required functionality.

## 3. FEDERAL INFORMATION SECURITY MODERNIZATION ACT of 2014 AND THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT of 2002

Federal Information Security Modernization Act of 2014 (FISMA 2014) (Public Law 113-283) and its predecessor, Federal Information Security Management Act of 2002 (FISMA) (Public Law 107-347), require the head of each DoD agency to develop, document, and implement agency-wide programs to provide information security for the information and information systems in compliance with standards, guidelines, and methods promulgated by the NIST.

### a. Risk Management Framework Implementation

RMF is a six-step system authorization and accreditation process that promotes the concept of near real-time risk management and ongoing information system authorization through the implementation of robust continuous monitoring processes. NIST SP 800-37 Rev 1 includes instructions for applying the RMF to federal information systems. DoD Instruction 8510.01 requires the DON to establish the RMF for all DoD IT. The RMF replaces the DoD Information Assurance Certification and Accreditation Process and is designed for use in managing DoD IT lifecycle cybersecurity risk for DoD IT. The US Navy RMF Process Guide provides Navy guidance on implementing DoDI 8510.01.

### b. The Financial Management Overlay

A 2017 Joint Memorandum signed by the Under Secretary of the Navy and the Vice Chief of Naval Operations introduced the Financial Management (FM) Overlay, and required the implementation of the FM Overlay during the implementation of the RMF authorization process. The FM Overlay memo is available on the SECNAV Portal at the following link: available on the SECNAV Portal.

The FM Overlay, through control selection and tailoring, ensures that systems subject to financial statement audit address audit requirements across the Department, in coordination with the RMF assessment and authorization process. The FM Overlay consists of 103 controls derived from the application of NIST SP 800-53 Rev 5 and are specific to the following types of controls:

- Audit and Accountability
- Configuration Management
- Identification and Authentication
- Access Control

The FM Overlay includes all policy and procedure controls for the remaining 14 NIST control areas (e.g. Security Assessment Policies and Procedures and Risk Assessment Policies and Procedures). The DON financial management system is required to comply with these control standards. These are also the controls within the FM Overlay. All systems, including mixed systems, that process financial events, however, should adopt the above-stated controls as best practices.

**c. DON Enterprise IT Control Standards**

DON Enterprise IT Control Standards are a DON CIO and ASN (FM&C) jointly produced product that map audit-specific GAO FISCAM control objectives to NIST SP 800-53 Rev 4 security controls. DON financial management systems are required to comply with DON Enterprise IT control standards. The DON Enterprise IT controls are included in the FM Overlay and are publicly available on the SECNAV Portal at the following link: available on the SECNAV Portal.

## 08029 ADDITIONAL REGULATIONS AND GUIDANCE

To enable the DON to establish sufficiently robust ITGCs and automated application controls, the regulations and guidance outlined below must be implemented in DON financial management systems.

Table: Additional Regulations and Guidance

| Regulation/Guidance | Description |
|---|---|
| GAO Standards for Internal Control in the Federal Government (Green Book) | The Green Book provides management criteria for designing, implementing, and operating an effective control system, and defines the standards through components and principles and explains how they are integral to an entity's internal control system. |
| GAO FISCAM | FISCAM provides (1) an audit methodology for assessing the effectiveness of IT controls, including select requirements from FMFIA, FFMIA, and FISMA, and (2) the IT controls that auditors evaluate when assessing the confidentiality, integrity, and availability of information and information systems. |
| Standard Financial Information Structure (SFIS)/Standard Line of Accounting (SLOA) Resources | In accordance with DoD FMR Vol 1 Ch 4, the SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting across the DoD enterprise. SFIS is a requirement for all IT systems supporting financial transactions. An SFIS Business Rules Checklist, and accompanying artifacts, are published by the Office of the Deputy Chief Financial Officer (ODCFO), for use by components of DoD in assessing substantial SFIS compliance. SFIS compliance is required for systems meeting the target accounting and target business feeder system definitions and should be maintained as an official artifact. Systems not meeting SFIS requirements |

| Regulation/Guidance | Description |
|---|---|
| | shall maintain and execute an SFIS implementation plan to demonstrate progress toward compliance. SLOA is a component of SFIS. These artifacts are available at the following link: https://comptroller.defense.gov/odcfo/sfis.aspx. |

## 08030 INTERFACE COMPLIANCE REQUIREMENTS

1. **REQUIRED AGREEMENTS AND PROCEDURES DOCUMENTATION**
   To ensure interfaces to the GL are appropriately constructed, controlled, and maintained, FMP requires system owners to implement the guidance and templates identified in the 31 OCT 18 DASN (FMP) memorandum (found on the SECNAV portal at the following URL: http://go.usa.gov/xN46j), "System Owner Compliance with Interface Reconciliations."
2. **CENTRAL REPOSITORY**
   The DON Enterprise Memorandum of Agreement (MOA)/Interface Control Agreement (ICA) Repository, known as the FMP Data Repository (FMPDR), serves as the authoritative source for information on MOA/ICA requirements in support of interface completeness and traceability. In addition to utilizing this repository, systems must be able to prove completeness and accuracy of data populations processed through an interface, i.e., all data processed through interfaces should be reconciled and reconciling items should be resolved in a timely manner. FAMs/system owners will use the FMPDR when implementing the updated DON IT Control Standards. The FMPDR is located on the SECNAV Portal at the following URL: https://portal.secnav.navy.mil/orgs/FMC/FMP/FMP-1/FMPDR.
3. **TRACEABILITY OF DATA TRANSFERS**
   Source system owners shall ensure data transfers to the GL accounting system are traceable, complete, accurate, and demonstrate an effective interface strategy and design.

## 08031 ROBOTIC PROCESS AUTOMATION AND APPLICATION PROGRAMMING INTERFACE COMPLIANCE REQUIREMENTS

FMP is responsible for governance, policy, and implementation guidance for the use of bots and APIs within the DON's financial management business mission area. The following memo (found on the SECNAV portal at the following URL: http://go.usa.gov/xN46j), "Robotic Process Automation and Application Programming Interfaces for DON Financial Management Processes", enforces consistency, accountability, and standardization necessary for deployment of BOTs and API technologies.

## 08032 BOT AND API REQUIREMENTS

DON BOT and API technologies that are part of the financial reporting process or are embedded in processes that generate information in the DON's financial statements will be subject to scrutiny by the financial statement auditors to ensure applicable transactions and related information are complete, accurate, and supported by appropriate documentation.

DON BOT and API technologies that impact the DON financial statements must exist on an official platform to ensure proper security is applied and ITGCs and automated application

controls are well designed, implemented, and operating effectively. Defense Information Systems Agency's Software Defined Enterprise (SDE) Application Programming Interface (API) Standards Guide describes API standards and configuration management guidelines to facilitate compliance. The standards shall be applied for APIs, and APIs shall be compliant with all interface requirements.

### 08033 GENERAL LEDGER CONSOLIDATION

The DON's highly complex and decentralized operating environment is an impediment to auditability. ASN(FM&C) has directed simplification of the financial reporting process via memorandum promulgated April 17, 2018. The memo directs the transition of unclassified Navy general fund activity not in DON Enterprise Resource Planning (DON ERP) to Standard Accounting, Budgeting and Reporting System (SABRS) by October 2019, and the transition of all Navy working capital fund activity to DON ERP by 1 October 2020. Descriptions for the two mid-term target GLs are outlined below.

- SABRS – A DON-developed system designated as the financial system of record replacement for BSOs currently utilizing Standard Accounting & Reporting System-Field Level (STARS-FL).
- DON ERP – A Commercial off-the-Shelf system for use as a financial system of record/GL system. DON ERP possesses technology to manage the Navy's resources including people, supply, and financials. The integration of financial and supply solutions on a single platform provides real-time data access and decision support to the Navy Enterprise.

The DON end-state plan, and goal, is to migrate all business operations to a modernized DON ERP which will function as a single enterprise GL and Accountable Property System of Record (APSR) for the DON. The memorandum dictating these requirements is available on the SECNAV Portal at the following URL: https://portal.secnav.navy.mil/orgs/FMC/FMP/FMP-1/STARS-HCM/Shared%20Documents/FM%20General%20Ledger%20Consolidation.pdf.

## SECTION II: REPORTING, INTERNAL CONTROLS, AND DOCUMENTATION

### 08034 FINANCIAL AND BUDGETARY REPORTING

Financial management systems shall meet the reporting requirements established by ASN (FM&C), OMB, Department of Treasury, and DoD. Financial management and mixed systems shall enable the DON to prepare, execute, and report on the budget in accordance with the requirements of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, and other guidance issued by OMB. Financial management and mixed systems shall support agency budget, accounting, and financial management reporting processes by providing consistent information for budget formulation, budget execution, programmatic and financial management, performance management, and financial statement preparation.

### 08035 INTERNAL CONTROLS

**1.** Financial management and mixed systems shall include sufficient ITGCs and automated application controls to ensure:

a . Resource use is consistent with laws, regulations, and policies

b . Resources are safeguarded against waste, loss, and misuse

c . Reliable data is obtained, maintained, and disclosed in reports.

2. Appropriate internal controls shall be applied to all system inputs, processing, changes, and outputs. Such system-related controls form a portion of the management control structure required by OMB Circular A-123.

3. Documentation of internal controls shall be sufficient to satisfy external audit requirements.

### 08036 DOCUMENTATION/DATA RETENTION

Financial management systems policies and procedures must be clearly documented and readily available. Policies and procedures should be completed in accordance with DON Enterprise IT Control Standards, and other applicable requirements.

All documentation (e.g. software, system, operations, user manuals, operating procedures) shall be kept up to date and readily available. System user documentation shall provide sufficient detail to permit a person, knowledgeable of the agency's programs and of systems in general, to obtain a comprehensive understanding of each system. Technical systems documentation, such as requirements documents, systems specifications, and operating instructions shall be adequate to enable technical personnel to operate the system in an effective and efficient manner. System documentation should be preserved as required by the National Archives and Records Administration (NARA) General Records Schedules (GRS) requirements.

In support of the DON's financial statement audit, the following memo (found on the SECNAV portal at the following URL: http://go.usa.gov/xN46j), "Revised Record Retention Requirements to Support Department of the NAVY Financial Statement Audits", requires retention for all beginning account balances, classes of transactions supporting those balances, and supporting documentation related to financial statement disclosures.

## SECTION III: AUDIT PROCESS FOR DON IT SYSTEMS

### 08037 OVERVIEW

The CFO Act of 1990 established the requirement for annual audits of financial statements, and the National Defense Authorization Act (NDAA) of 2010 directs the DoD to ensure all component financial statements are audit-ready by 2017. Annual audits are necessary for accountability and ensuring the financial results of agencies and programs are presented fairly. Financial statement audits give management independent validation and feedback on the effectiveness of each reporting entity's business systems, processes, and controls.

The DON Financial Management System (inclusive of IT systems), is the critical infrastructure that supports auditable events, processes, and financial statement preparation. All DON IT systems that feed financial information into the DON GL, or process information that ultimately leads to a financial event in the DON GL (e.g., the establishment of an asset record in a logistics feeder system) must be compliant with the laws, regulations and policies as outlined in this chapter.

During the audit, IT systems, ITGCs, and automated application controls are tested to determine if controls are well designed and operating effectively, and the systems maintain integrity of financial data. To test controls, examine processes, and obtain background information and artifacts, the auditors issue provided by client (PBC) requests, to which the DON responds. PBC requests require coordination with the auditor and within the DON enterprise. The IT auditor issues Notice of Finding and Recommendation (NFRs) which describe deficiencies discovered during audit testing. Progress on remediating the NFRs are reported to DON leadership and in various other forums.

## 08038 IT AUDIT RESPONSE COORDINATION PROCESS

The IT Audit Response team within FMP is responsible for managing the audit response process. System owners and system POCs are responsible for providing the auditor with adequate information to address PBC requests via the Audit Response Center (ARC) Tool, or other agreed upon method, within specified time frames. For additional information regarding the IT Audit Response Coordination Process, refer to the PBC Process SOP through the following link: https://portal.secnav.navy.mil/orgs/FMC/FMP/FMP-1/FMP-10/InternalReview/FMP-1%20IT%20PBC%20Process%20SOP%20Final.docx.

Audit response, in the form of providing documentation to the IPA, is facilitated in the ARC Tool, a secure website that provides an enterprise content management infrastructure to support full audit lifecycle activities for the DON. The ARC tool provides centralized storage of and appropriate access to audit data and documents across DON as well as delivery of material to the auditors. The ARC Tool is the official tool used to facilitate sample testing for the IPA, track auditor PBC requests and the responses to those requests and submit PBC) materials and artifacts to the IPA.

The ARC Tool can be accessed through the following link: https://arc.navy.deps.mil. FIAR Managers at the respective BSOs govern access, and can help to identify if access is required. The DON CIO Privacy and Personally Identifiable Information Awareness Training is required for access (includes a current signed certificate), and is available at the following URL: http://www.doncio.navy.mil/PIICourse.

## 08039 NFR PROCESS

The IPA issues NFRs at the end of testing to document deficiencies that require corrective action. Systems are required to remediate NFRs, in support of the audit, overall IT security, and efficient and effective operations. System stakeholders work with the FMP IT audit response team to ensure the NFRs accurately describe the deficiency prior to the IPA finalizing the NFR. Once the IPA issues the final NFR, the system stakeholder is responsible for developing a system level CAP within a 30-day timeframe. During the CAP implementation process, system stakeholders work closely with FMP to implement the CAP, document all actions taken, and collect and maintain artifacts to evidence that executed corrective actions remediated the deficiency.

FMP is responsible for validating the corrective actions executed remediated the deficiency. FMP conducts validation sampling appropriate to the NFR risk level (High, Medium, or Low) to provide reasonable assurance that:

- Corrective actions adequately remediated the deficiency root cause identified in the applicable NFR(s);
- Remediated controls operate in a manner consistent with the intended control design; and
- Evidence is readily available to demonstrate effective control design, and, for applicable NFRs, the effective operation of the controls identified within the NFR.

When all supporting milestones and corrective action plans are complete, FMP self-reports the NFR as validated. Findings self-reported as validated are retested by the auditor to officially close the NFR.

DON maintains a secure Deficiency Tracking Tool (DTT), an online portal that is used to track and consolidate information on system CAPs and NFRs. System stakeholders must utilize the DTT to accurately track and provide visibility of their progress in the NFR remediation process. DTT can be accessed, and individuals can register at the following URL: https://dtt.sd.spawar.navy.mil.

# PART C: THIRD-PARTY SYSTEM REQUIREMENTS

## SECTION I: THIRD-PARTY SYSTEMS

### 08040 OVERVIEW

The DON utilizes third-party systems to perform certain operational processes (e.g. payroll processing through the Defense Civilian Personnel Data System). The DON is responsible for all DON processes and internal controls managed by service providers. It is the responsibility of DON management to assess the effectiveness of controls in place within service organization systems used to execute DON transactions. Third-party systems used to execute DON processes and controls are subject to the DON financial statement audit.

### 08041 BUSINESS CAPABILITIES ACQUISITION LIFECYCLE

The DON enters into Service Level Agreements (SLAs) with all of its service organizations. SLAs provide an agreed-upon framework for the delivery of services and the measurement of service quality. The DON shall include the following details in its SLA:

- Types of supporting documentation that should be retained for each business process and transaction type
- Service organization's responsibility to issue a Type 1 report on an examination of controls at the service organization relevant to Navy's internal control over financial reporting and provide the report to the DON
- Agreement between the DON and the service organization on which Complementary User Entity Controls (CUECs) are applicable to the DON and how the DON addresses these requirements.

The DON shall consider the following when managing the risks inherent in user/service provider relationships:

- Management's responsibility for the activities performed by third-party service organizations
- Considerations for the level of oversight needed for service organizations based on the terms of SLAs and the level of risk a service organization poses to an agency meeting its objectives
- Management's responsibility for establishing user controls to help mitigate the potential third-party risks to the user agency that could arise from service provider activities
- Service organizations' responsibilities to provide assurances and assistance to their customers in understanding the relationships between existing service provider and user side controls.

### 08042 COMPLEMENTARY USER ENTITY CONTROLS

In accordance with Statement on Standards for Attestation Engagements Number 18, CUECs are those controls that management of the service organization assumes will be in place at user entities in regard to the actual services being performed by the service organization. CUECs illustrate to the intended user of the Service Organization Control report that the user entity has certain roles, responsibilities, and obligations in helping the service organization achieve certain control objectives. As the user entity, the DON has developed CUEC Guidebooks for key service provider systems that outline IT General Controls the DON (system users) must comply with, as issued by the service provider organization for the particular system. DON CUEC Guidebooks can be found on the Audit Response Center (ARC) Tool at the following URL: https://go.usa.gov/xpgkC.

# PART D: NEW SYSTEM CONSIDERATIONS

## SECTION I: OVERVIEW

### 08043 NEW SYSTEMS

As the DON continually evolves its system environment, consideration must be given to ensure new systems and/or system modernization efforts meet functional, financial reporting, and audit requirements. Additionally, decisions related to the selection and implementation of new technology should support the FM&C Business Transformation Objectives documented in the "Systems Consolidations Action Plan" unless there is a documented business reason that capabilities contained in the target systems environment cannot be used. When this is the case, the use of customized content enhancing the target GLs, Commercial Off-the-Shelf (COTS)/Government Off-the-Shelf (GOTS) software and cloud-based technologies should be maximized.

## SECTION II: NEW SYSTEMS GUIDANCE

### 08044 BUSINESS CAPABILITIES ACQUISITION LIFECYCLE

In accordance with DoD Instruction 5000.75, the DON must comply with policies related to business system requirements and acquisition. The DON must adhere to the five phases of the Business Capabilities Acquisition Lifecycle in order to drive timely and efficient acquisition of business systems. The five phases are:

- Capability Need Identification
- Solution Analysis
- Functional Requirements and Acquisition Planning
- Acquisition, Testing and Deployment
- Capability Support.

### 08045 ENTERPRISE LICENSING—SOFTWARE

The 2012 Joint DON Memo, titled "Mandatory Use of DON Enterprise Licensing Agreements (ELA)," requires that where a DON ELA exists, any software products, hardware, and related services offered by that ELA must be procured using that ELA, including those procured by government purchase cards.

### 08046 COMMERCIAL OFF-THE-SHELF/GOVERNMENT OFF-THE-SHELF (COTS/GOTS)

In accordance with SECNAVINST 5230.15, DON shall use COTS/GOTS financial management and mixed systems. Business process reengineering shall occur to accommodate COTS/GOTS systems. COTS/GOTS systems shall not be customized beyond that authorized by the vendor. Additionally, care must be taken to routinely upgrade systems so that the DON version does not become obsolete.

### 08047 AUDIT COMPLIANCE CONSIDERATIONS

For systems that are replacing existing audit-relevant systems, or anticipated to be in-scope for audit, proper requirements must be considered throughout the system acquisition and implementation to ensure the system meets all applicable criteria as prescribed in Part B of this chapter.

# APPENDIX A: DEFINITIONS

**Acceptance Test and Evaluation** – The process in which production items, including components, are tested to demonstrate that the item fulfills the requirements and specifications of the procurement contract or agreement. The costs to conduct the tests, such as range charges and expendable/consumable items, as well as preparation of the test plan, data analysis and evaluation, are included.

**Activity Identifier Maintenance Responsibility** – Often referred to as Maintenance Unit Identification Code (MUIC)), is the activity or other entity in which is responsible for funding sustainment, restoration and modernization (formerly referred to as maintenance and repair) of a particular facility. The responsible party may be the host activity, a tenant activity, or a contractor.

**Naval Activity Identifier Naval Facilities Assets Data Base (NFADB) Reporting** – Created by DON to meet DoD facilities inventory, planning, and management information requirements and includes. The automated data base contains a file on each existing facility(building, structure, utility, and land) owned or leased by the DON, including the Unit Identification Code (UIC) of the shore activity that is responsible for reporting its assigned real property to the NFADB.

**Adjustment to Expired or Closed Accounts** – Increases or decreases to commitments, obligations or expenditures to include recording of obligations or expenditures that were made or incurred during the period prior to expiration or closure of the account but not recorded.

**Advance EOQ Procurement (Multiyear Procurement)** – An exception to the full funding policy that allows the use of expanded advance procurement in conjunction with a multiyear contract to budget and purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the maximum economic advantages of multiyear procurement.

**Advance Procurement (Long Lead-time Items)** – An exception to the full funding policy that allows budgeting of long lead-time components, material, parts, and effort in a fiscal year(s) before that in which the related end-items is to be budgeted.

**Aircraft Engine Component Improvement Program (CIP)** – While logically included within "Product Improvement," this is a specialized term which applies only to RDT&E,N financed improvement of aircraft engines.

**Allocation and Suballocation** – An authorization by a designated official of a DoD Component making funds available within a prescribed amount to an operating Agency for the purpose of making allotments and incurring obligations.

**Allocations** – A departmental-level accounting entity distribution of apportionments, or funds that do not require apportionment, to an operating Agency or other intermediate level accounting entity.

**Allotment and Suballotment** – An authorization by the Head of an operating Agency, or designee, to the Head of any organizational unit to incur obligations within a specified amount; a formal distribution of an allocation or suballocation and must contain at least the same legal and

other limitations applicable to the allocation or suballocation; a distribution of budget authority to an installation-level accounting entity.

**Apportionment** – A distribution made by the Office of Management and Budget (OMB) of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred.

**Approval for Production** – The major milestone in a development program which represents the formal approval of an item for production for operational use by the Service forces. In some instances items are approved for production with qualifying restrictions or provisions pending correction of specific development deficiencies. In such instances the cost of funding the correction and test must be determined on a case-by-case basis. Typically, all postproduction approval effort will be funded in the Procurement appropriations.

**Award** – Recognition for individual or team achievement that contributes to meeting organizational goals or improving the efficiency, effectiveness, and economy of the Government or is otherwise in the public interest. Such awards include, but are not limited to, employee incentives that are based on predetermined criteria such as productivity standards, performance goals, measurement systems, award formulas, or payout schedules (5 CFR 451.102 and DoD CPM 1400.25M, Subchapter 451, 3.1).

**Base Operating Support (BOS) -** Base Operating Support includes funding for shore activities that enable sea, air, and land operations by the Navy's fleet forces. Base Support includes port and airfield operations, operation of utility systems, public works services, base administration, supply operations, and base services such as transportation, environmental and hazardous waste management, security, personnel support functions, bachelor quarters operations, morale, welfare and recreation operations, and disability compensation.

**Budget Execution** – The phase of the budget cycle which encompasses all the actions required to effectively, efficiently, and economically accomplish the programs for which funds were requested and approved. The budget execution phase overlaps the formulation and review phases and continues throughout the period of availability of the appropriations for obligation or expenditure. Effective budget execution requires procedures for control and evaluation which will ensure compliance with regulations and limitations established by the Congress, the General Accounting Office, the Treasury Department, the Office of Management and Budget (OMB) and the Secretary of Defense, as well as by all echelons of responsibility and command within the Department of the Navy. The process must ensure that funds are administered in accordance with the law and administrative policies and regulations of higher authority.

**Cancellation** – A procedure unique to multiyear contracts, involves the unilateral right of the Government to discontinue contract performance for subsequent fiscal years' quantities of items. Cancellation is effective only upon the failure of the Government to fund successive fiscal year quantities under a multiyear contract.

**Cancellation Ceiling** – The maximum amount the Government will pay the contractor as a result of a cancellation. This amount shall reflect the incurred costs that the contractor would have recovered as a part of the unit price of subsequent fiscal year canceled items. The amount paid to the contractor upon settlement for unrecovered costs (which can only be equal to or less than the ceiling) is referred to as the cancellation charge.

**Capitalized Property** – An asset with an acquisition value equal or greater than $100,000 and which meets all capitalization criteria, see SECNAVINST 7320.10A. Capitalized assets are depreciated based on the asset's useful life and reported on monthly financial statements.

**Civilian Personnel –** The term "civilian personnel" as used herein is limited to DON civilian personnel who are paid from appropriated funds and civilian employees of Navy liaison offices and diplomatic missions. The term excludes civilian employees of morale support activities who are paid from nonappropriated funds and personnel of the American Red Cross.

**Closed Account –** After five years in the expired status both the accounts with balances that have been canceled under Title 31, United States Code, Sections 1552, 1555, or 1557. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

**Collateral Equipment –** Initial outfitting is the first provision of personal property equipment and furnishings for a facility construction project financed by a military construction appropriation. Either these items are financed as expenses or investments based on the criteria in para 03001.

**Command Support Costs** – The additive "people-related" costs of the command and operational units providing collateral support to the test and evaluation effort, such as per diem pay, travel allowances, overtime, etc.

**Commercial Charter and Hire Services** – Services is provided at non-Navy ports and will be funded by the respective type commander by the most effective method deemed appropriate, e.g., ships OPTAR or request for control procurement.

**Common Funding** – The usual method of financing NATO infrastructure projects, which involves the sharing of costs of construction by NATO member nations. Each nation's share is determined on the basis of periodically negotiated cost-sharing agreements, which are approved by NAC.

**Common Output Level Standards (COLS) -** The common framework of definitions, outputs, output performance metrics, and cost drivers for installation support functions. In this guidance, COLS refers to output levels established by the Chief of Naval Operations (CNO) for installation support. These performance levels provide a description of the capability or level of performance for output of each BOS/common-service support function.

**Common Service Support** –BOS services provided by host activities or "supplier" to tenant activities or "receiver" on a non-reimbursable basis. This support is considered to be within the mission responsibility of the host or supplier.

**Common-Service Activity** – A common-service activity is an operating agency providing a support-type service utilized by two or more DoD components on a reimbursable or nonreimbursable basis.

**Contract Design Costs** – The phase of shipbuilding programs, following preliminary design, to produce a design, which carries the equipment specifications necessary to meet the DON requirements.

**Contractor Engineering and Technical Services (CETS)** – Consist of the furnishing of advice, instruction, and training to DoD personnel, by commercial or industrial companies, in the installation, operation, and maintenance of DoD weapons, equipment, and systems. See para 03235 for limitations on funding CETS with Procurement appropriations.

**Contractor Logistics Support (CLS)** – The provision of long-term contractor support functions that have been formally reviewed and approved as part of the acquisition planning process. Interim contractor Support (ICS) is not to be confused with CLS.

**Conversion** – Consists of that work necessary to change the mission or type classification of a ship and/or to appreciably change the military characteristics of a ship.

**Costs Incurred Incident to Shipment of Property** – Costs that includes charges for services performed while a shipment is in-transit. Many carriers will provide accessorial services in addition to line-haul service.

**Defense Travel System** (DTS) - DTS is the system used for creating travel authorizations, vouchers, orders, and pre-audit documents and for completing the post-travel claims process. DTS provides for paperless routing, review, and approval of the travel and associated documentation.

**Demolition** – The dismantling, disposal, and removal of a real property facility (either partially or in its entirety) and associated costs to close openings and secure utilities.

**Destination Charges** – Costs for reassembly, permit/prelodge, storage prior to unloading, etc. Although these charges may be found in commercial carriers' tariffs, tenders or schedules, only transit charges should be paid with transportation funds. Preparation charges and destination charges will be funded from other than transportation funds.

**Detail Design Costs -** The final design effort on ships normally performed in conjunction with lead-ship construction.

**Development Test and Evaluation (DT&E)** – Test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.

**Direct Citation Procurement** – When the customer's accounting data is cited on contracts. A direct citation procurement transaction is not categorized as a reimbursable transaction.

**Economic Order Quantity (EOQ)** – When used in connection with multiyear procurement, the procurement of material for future-year production quantities of items that is not required by procurement lead-times but is desirable for economic reasons. When used in annual contracts, EOQ is the procurement of more than one year's requirement to achieve economic efficiencies at a lower unit price based on production economies.

**Equipment** – Equipment defined as personal property in the current issuance of OPNAVINST 11010.20, Facilities Projects Manual, para 6103, with the exception of training devices and training equipment. Information relating to training delineations is contained in para 03234. The term also applies to ancillary equipment integral to the operation of the personal property to be installed.

**Equipment Costs** – Work required to support the installation of personal property equipment in an existing facility, such as the installation of false floors or platforms, prefabricated clean rooms, electromagnetic shielding, installation mountings or secondary utility work necessary to connect the equipment. The costs are either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted in construction.

**Equipment Installation** – modifications to real property required solely for the installation of an item of personal property. The intent is to permit the work normal to the equipment installation to be accomplished as an integrated undertaking. The intent is not to permit accomplishment of alterations under the guise of equipment installation.

**Expired Accounts** – Appropriation or fund accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has expired. Pursuant to 31 U.S.C. 1553.

**Facilities Sustainment Restoration and Modernization (FSRM) -** Costs incurred for the preservation of facilities in the real property inventory so as to protect the value of the plant account. This includes "cyclical maintenance" which consists of those types of sustainment, restoration and modernization operations for which engineering standards have established annual or multiple year cycles of optimum frequency for effective maintenance of a facility.

**Family Housing** – Initial outfitting of family housing with kitchen equipment, shades, carpeting, etc., is considered a construction cost funded from family housing construction.

**First Destination Transportation (FDT)** – The transportation required to effect the delivery of material from a procurement source to the first point of use or storage for subsequent distribution within the supply system. The procurement source and first point of use or storage may be in the continental United States or overseas. The procurement source, as used herein, is any supplier outside the Department of Defense (DoD) Supply System and any DoD industrial activity which fabricates new material. Charges include those for freight cartage, port handling, and other in-transit costs incurred incident to the shipment of the material.

**Follow-on Operational Test and Evaluation (FOT&E)** – The latter phase, or phases, of the overall OT&E, conducted after commitment of a system to production to ensure that production items meet operational effectiveness and suitability thresholds, and to meet readiness and performance goals. Prototype - An item representative of the intended production configuration utilized in IOT&E.

**Free Assets** – The revenues derived from the sale of material that does not require replacement or will not be replaced.

**Freight Cartage** – Any cartage described in through delivery documentation. However, in instances of cartage for consignments to a shore-based activity, ship, or other mobile unit when there is a shore-based activity assigned area responsibility, the local delivery costs, including commercial charges, will be funded from the operating resources of the activity assigned area responsibility.

**Full Funding** – At the time of contract award, funds are available to cover the total estimated cost to deliver the contract quantity of complete, militarily usable items. If a future-year appropriation is required for delivery of the end-items, the contract is not fully funded. It should

be noted that the actual method of financing a contract is a different consideration than the budget policy of fully funding a program. Full funding within the budgetary sense is that the procurement and construction accounts are to fully fund in one fiscal year the total cost of end-items and construction projects to be acquired.

**Handling** – The term "handling" as used herein includes packing, unpacking, and uncrating; loading and unloading; local hauling; and storage not incident to shipment.

**Host Activity** – A host activity is one that provides facilities and services to tenant activities located on an installation under their authority. A host activity may provide services itself, or utilize contractors and/or supporting activities to provide services. The term "host" is typically synonymous with "provider" with some exceptions.

**Infrastructure** – Fixed installations required in connection with NATO facilities for training, deployment, and operation of military forces; e.g., airfield, fuel and ammunition storage, pipelines, communications, navigational aids, anchorages, and waterfront facilities.

**Initial Operational Test and Evaluation (IOT&E)** – The early phase, or phases, of the normally longer overall OT&E program, conducted before commitment of a system to production, to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

**Installation Core Business Model** – Department of the Navy business areas, functions and subfunctions that are managed by the installation and usually funded through base operating support (BOS).

**Interim Contract Support** – temporary contractor support pending establishment of organic/in-house logistics capabilities, such as maintenance, supply, and technical support.

**In-Transit Charges** – Charges for security service, documentation fees, stop-off, port handling, switching, flagmen, re-cooperage, etc.

**Lead Ship** – the first of a series or class of ships all constructed according to the same general design.

**Legal Constraints** – The statutory limitations of 31 U.S. Code 1512 applying firm dollar limitations established by either program categories, cumulative quarterly limitations by program category or budget activity, or other limitations on items of interest to Congress or some command or management level. These substantive limitations, which restrict the availability of fund authorizations (passed to a subordinate level limiting authority to incur obligations or make expenditures), may not be levied unless they are extensions of identical restrictions imposed by the preceding funding authority or have the documented approval of that authority.

**Limitations Imposed by Grantors** – Other limitations or constraints on financial authority (operating budget authority or obligational authority) may be imposed by the grantor at any level as further subdivisions of funds are made to the next subordinate level. These constraints may be separated into two major divisions: those which carry the applicability of statutory constraints, under 31 U.S. Code 1512, as specific and absolute limitations; and those which are subject to flexibility without the intention that they be considered as separate subdivisions of funds and are therefore exempt from the consequences of legal limitations.

**Local Moves** – The term "local moves" as used herein encompasses the handling associated with the assignment, reassignment, or termination of assignment of quarters but does not involve a permanent change of station or temporary additional duty. It excludes authorized moves from Government quarters to temporary residences in the vicinity of the last permanent duty station of members who are entitled to shipment to home of selection, as these moves are related to a permanent change of station.

**Major Procurement Appropriations** – Includes those accounts or portions thereof that finance shipbuilding, aircraft, missile, and weapons procurement within the Department of the Navy (DON).

**Maintenance Unit Identification Code (MUIC) -** The activity or other organization responsible for funding sustainment, restoration and modernization of a particular facility. The responsible party may be the host activity, a tenant activity, or a contractor.

**Military Personnel** – The term “military personnel” as used herein includes military personnel of the Navy and Marine Corps.

**Mission Related Facilities** – Assets devoted to the accomplishment of a specific mission, business area, or end product (i.e., Navy Working Capital Fund (NWCF) facilities and Medical facilities).

**Modernization** – The process of alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).

**Monetary (Cash) Award** – An award in which the recognition device is a cash payment that does not increase the employee’s rate of basic pay (DoD CPM 1400.25M, Subchapter 451, 3.3).

**Multiyear Contract** – A contract covering current and future-year procurement quantities of items but not more than 5 years' procurement quantities as reflected in the Future Years Defense Program (FYDP). Each program year is budgeted and funded annually. At the time of award, funds need only to have been appropriated for the first year.

**Multiyear Procurement** – A generic term describing the process, planning, and contract under which the Government will commit to procurement of the current year procurement quantity of items and future quantities as long as they are contained in the FYDP. It does not apply to advance procurement of long lead-time items.

**Navy Port** – A port where there is a U.S. Navy activity that has indigenous port services assets, e.g., tug, pilot, etc., and is mission funded to provide such port services.

**Navy Training System Plan (NTSP)** – The primary document for defining manpower, personnel, and training (MPT) requirements and resources for new systems development and modernization of existing systems. The NTSP identifies the resources required to establish and maintain an effective training program throughout the life cycle of the acquisition system. Much like the system it addresses, the NTSP goes through periodic revision to reflect advances in technology to sustain and improve combat effectiveness. The NTSP is a life cycle document, which identifies the resources required to establish and maintain an effective training program throughout the life cycle of the new systems' development and modernization. It controls planning for meeting the training requirements of the system, and identifies personnel required to

install, operate, maintain, or otherwise use the system. NTSPs are required for every Navy and integrated Navy/Marine Corps system and are reviewed annually to accurately reflect the latest technology to sustain combat readiness and effectiveness. The approved NTSP is the official tasking document for establishing the systems MPT requirements identified within the document.

**Nominal or Modest Value** – In section 03131, the term "recognition item of nominal or modest value" means a commemorative coin, medal, trophy, badge, flag, poster, painting, or other similar item that is valued at less than $50 per item and is designed to recognize or commemorate service in the armed forces.

**Non-Monetary Award** – An award in which the recognition device is not a cash payment or time-off but is an award of an honorific value, e.g., a letter, certificate, medal, plaque, or pin (DoD CPM 1400.25M, Subchapter 451, 3.4).

**Non-Navy Port** – A port where the on-site U.S. Navy activity/representative does not have indigenous port service assets or a port where there is no U.S. Naval activity/representative.

**Nonrecurring Costs** – Those production costs generally incurred on a one-time basis including plant or equipment relocation; plant rearrangement; special tooling and test equipment; pre-production engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities to be acquired or established for the conduct of the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.

**Nucleus Crew** – The nucleus crew is composed of selected experienced or specialized officer and enlisted personnel ordered to or near the building, modernization or conversion shipyard, reactivation activity, acquisition site or other special activity as stated in sections 1306-800 and 1320-320 of NAVPERS 155600, Naval Military Personnel Manual, and are part of the PCU. The nucleus crew under the command of the prospective commanding officer (PCC) will be responsible for developing and implementing the ship's load-out program; inspecting the ship to identify any deficiencies that might affect certification; equipment testing; on-site training and ship familiarization in preparation for ship custody transfer; initial crew certification, sail-away and successful integration to fleet operations. The phasing plan may consist of one or more increment(s) as defined relative to the approved PSMO crew size and specific CSPP for the ship or ship class.

**Operating Agency** – An operating agency is the organization established or designated by the single manager for the purpose of carrying out the single manager assignment. The Military Sealift Command is an example of an operating agency organized as a common-service activity.

**Operating Budget** – Consists of an approved operating plan that is the basis of authorization and financial control of resources available for the execution of program(s) of the indicated organizational or command level. The authorizations under RDT&E,N and the operation and maintenance accounts vary in format but both identify appropriation obligational authority for direct program costs and an amount for any approved reimbursable program, which may be increased to the extent of accepted reimbursable orders that qualifies for automatic apportionment. Additionally, military personnel expense authority is indicated as necessary. Footnotes on the operating budget state the nature and amount of all administrative and statutory limitations.

**Operating Targets** – The nature of planning estimates that provide a convenient mechanism for measuring performance of subordinate commands or departments of activities that hold operating budgets or for measuring performance of command levels that hold allotments or suballotments. The grantor retains the responsibility for administrative control of the funds.

**Operational Test and Evaluation (OT&E)** – Test and evaluation conducted to estimate a system's operational effectiveness and operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization and personnel requirements.

**Organic Maintenance** – Maintenance performed by a Military Department, under military control, using government-owned or government-controlled facilities, tools, test equipment, spares, repair parts, and military or civilian personnel.

**Organizational Component** – The term denotes an office, command or headquarters of the U.S. Navy or U.S. Marine Corps.

**Other Restrictions** – Advisory guides to the recipients, allowing options or an amount of flexibility (usually as stated percentage of an initial amount) in the use of funding. Restrictions of this nature may be imposed on a subordinate level without the authorization of a higher funding level. However, the use of such restrictions should be limited to situations where normal management type reporting cannot accomplish the desired control of expenses. It is important to note that the basic tenet of the RMS financial management systems is that fencing restrictions be kept at a minimum necessary to adhere to statutory or other regulatory requirements. Authorizations to which these restrictions are applied usually require the recipient/holder to report to grantors any anticipated variances or need for adjustments in such constraints. Requests for the desired modifications or adjustments usually are submitted via a plan that would permit them to be accomplished within current availabilities.

**Performance Envelope** – The demonstrated capability of a system, system components and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.

**Permanent Change of Station (PCS)** – In general, the assignment, detail, or transfer of a member or unit to a new permanent duty station under a competent order that does not specify the duty as temporary, provide for further assignment to as new station or direct return to the old station.

**Personal Property** – Accessory equipment and furnishings that are movable in nature and not affixed as an integral part of a real property facility. Personal property also includes specialized equipment (production, processing, medical, technical, training, servicing, and research, development, test, and evaluation (RDT&E) equipment) that, although not readily movable in nature, is necessary for a specified function in a real property facility. Personal property includes industrial plant equipment and ancillary equipment in support of end items of personal property. Often referred to as "plant equipment" or “equipment in place", the costs associated with procurement of personal property are not construction and is classified as capitalized, minor, sub-minor and pilferable, classified or sensitive in nature. Those items used but not consumed to produce goods or services, industrial plant equipment, automated data processing equipment, government furnished equipment and other types of assets including leases; however, does not include: inventory items (items held for sale in the ordinary course of operations), operating materials and supplies (consumable items held for use in the normal course of operation), real

property (land, buildings and structures), ordnance, weapons, weapons systems (naval vessels, service craft, aircraft, etc.), and items of historical nature. .

**Pre-Commissioning Crew** – The pre-commissioning crew will consist of all personnel assigned at the PCU and PCD. All members of the pre-commissioning crew shall be assigned to the PCO for fitness/evaluation reporting purposes.

**Pre-Commissioning Training** – Pre-commissioning training is the process of assembling, organizing and training the officers and enlisted personnel comprising the crews of ships and other waterborne craft being placed in commission or in service. Included in this training are preparation for ship custody transfer, LOA, initial crew certification, dockside trials, underway trials, readiness for sea period, qualification trials and special tests, and the shakedown period. This training consists of individual, group and team training, school and on-site, required in connection with new equipment and systems being installed and new capabilities or characteristics being incorporated. It also includes individual, group and team training required to perform watch, quarter, and station duties. Training on general military matters is included, as is other training determined necessary by the lead Type Commander to whom the ship will report.

**Pre-Commissioning Unit (PCU) Ship's Personnel** – All ship's personnel located at the builder's yard. The PCU is a separate and detached command from the naval shipyard or supervisor of shipbuilding commanded by the PCO.

**Pre-Commissioning Unit (PCU) Vessel/Warship** – During construction, a vessel's prefix is PCU. The prefix is changed to USS after it is commissioned in the U.S. Navy.

**Prefinancing** – The act of financing by NATO host country or user with its own funds, in accordance with agreed NATO common-funding procedures, with intent to recoup the prefinanced funds from NATO eventually. The funds are used for projects or items that are required immediately and have been approved for common financing, or are still being considered for possible inclusion in a NATO infrastructure program as related to NATO infrastructure.

**Preliminary Design Costs** – Those costs incurred in the early stages of shipbuilding programs to produce a design that, on a performance or requirements basis, approaches the DON goal.

**Preparation Charges** – Charges for packing, marking, loading, crating, handling, blocking, bracing, and disassembly, etc.

**Private Parties** – A term that collectively covers many categories of individuals, corporations or companies, and certain state and local municipality entities that receive work, services, and materials from Department of the Navy (DON) activities. A general feature of DON transactions with private parties is that the recipient must provide funds in advance of the service or materials to be received. Additionally, private parties are assessed full costs for all services provided to them. A condition precedent to providing services or materials to private parties is that the DON will not be placed in the position of providing competition to commercial organizations of the private economy which are available to provide private parties the services or materials requested from the DON.

**Privately Owned Motor Vehicles** – The term “privately owned motor vehicle" as used herein means any self-propelled wheeled motor conveyance owned or on a long term lease (12 or more months) by a military member as defined in Joint Federal Travel Regulations, Volume 1, Appendix A.

**Product Improvement -** All efforts of a research, development, design, or engineering nature that has the objective of improving major end items of components or major end items. Related effort by the producing contractor or manufacturing installation, applied to an item in production to extend the useful military life of such item or to improve the item within the current performance envelope. Typically, such improvements take advantage of such things as newly developed materials, progress in state-of-the-art, improved design and other technical advances which, when incorporated in production, provide improved safety, reduced environmental impact, improved reliability/maintainability/availability, decreased cost, or correction of deficiencies exclusive of contractual specifications.

**Production engineering** – The application of design and analysis techniques to produce a specified item. Includes functions such as: analysis of producibility and production operations, processes and systems; applying new manufacturing methods, tooling and equipment; preparation, test and technical evaluation of engineering changes to correct deficiencies in the production item; preparation, test and technical evaluation of waivers and deviations; value engineering; review and evaluation of production design data and documentation; production configuration control; maintenance engineering and logistics supportability efforts designed and incorporated into the production manufacturing process; and other related engineering functions which are integral to the item's manufacture. Production engineering encompasses both nonrecurring or startup effort to establish a production capability and recurring effort.

**Program Executive Officer (PEO)** – A military or civilian official who has primary responsibility for directing several ACAT I programs and for assigned ACAT II, III, and IV programs.

**Quality Assurance** – The preparation of procedures and the conduct of inspections, examinations and tests during production that are necessary to deliver an item of the required quality as specified by the terms of the contract.

**Quality Step Increase (QSI)** – A QSI is an accelerated step increase as that term is used in 5 U.S.C. 5336. It is a permanent increase in an employee’s rate of basic pay from one step or rate of the grade to the next higher step of that grade.

**R&D Installation/Activity** – Those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.

**Real property** – Fixed assets that are comprised of land and the rights to land; buildings to include capitalized additions, alterations, improvements, and rehabilitations; and other structures and facilities. Real property does not include personal property (weapons systems and other military equipment).

**Recurring Costs** – Production costs that vary with the quantity being produced, such as labor and materials.

**Reimbursements** – The amounts received or to be received by a command/office/bureau or an operating activity for the cost of property, work, or services that by law may be furnished to others and which will result in credit to an appropriation or other fund account or subdivision thereof.

**Relocatable Building** – A building designed for the specific purpose of being readily moved, erected, disassembled, stored, and reused. All types of buildings designed to provide relocatable capabilities, including trailers, fall within this definition with the exception of shelters and building types and forms which are provided as an integral part of a mobile equipment item and which are incidental portions of such equipment components, such as communications vans or trailers.

**Replacement-in-Kind Procurement** (RIK) – The procurement initiated to replace material sold to customers.

**Restoration** – The restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes.

**Second Destination Transportation (SDT)** – Charges for any transportation other than the first destination. It distributes material within the supply system after completion of FDT. SDT includes shipments required to fill Navy requisitions; redistribute material; and return material for overhaul, rework, repair, or disposal action. It does not include the issue of Navy-owned material incident to a system or equipment acquisition, modification, or a research and development project.

**Ship Acquisition** – The procurement of an existing ship, including the addition of equipment and systems required to meet approved initial operating characteristics.

**Ship Construction** – Consists of work necessary to build a new ship, including all hull, mechanical and electrical equipment, electronics, combat systems, communications systems, etc.

**Ship Overhaul/Modernization** – Consists of work necessary for depot level repair and for incorporation of military and technical improvements without significantly changing the mission and characteristics or extending the useful service life of the ship beyond the construction design. While such efforts are normally funded in the Navy O&M and other procurement appropriations, surface ship and submarine nuclear refueling overhauls, concurrent modernization efforts, and advance planning are funded in the SCN appropriation.

**Ship Service Life Extension Program (SLEP)** – Consists of the work necessary to significantly extend the useful life of a ship beyond that expected of the construction design considering normal maintenance, repair, and overhaul. This entails the work necessary to restore the hull, machinery, and all equipment, including combat systems, to a level of serviceability adequate to support mission requirements of the ship during its extended life. Improvements to military and technical characteristics by alterations made in conjunction with such restoration may be included. Typically, such work involves laying-up the ship for an extended period beyond that necessary for normally scheduled overhaul. A SLEP constitutes an extension of the original capital investment in lieu of replacement by new procurement and is budgeted in Shipbuilding and Conversion, Navy.

**Ship Reactivation** – The work necessary to recommission a ship that was previously in the active fleet. If the work is of such magnitude to change the mission/characteristics or extend the useful life of a ship, it is considered a major reactivation which constitutes an extension of the original capital investment in lieu of replacement by new procurement and is budgeted in Shipbuilding and Conversion, Navy. When reactivation consists of work to repair and update the same or similar military capabilities with modern technical improvements without changing the mission/characteristics or extending the useful life of a ship beyond the original construction design, it is considered overhaul/modernization and budgeted in Operation and Maintenance, Navy and Procurement appropriations as determined by the expense/investment criteria.

**Shore Activities** – The term "shore activity" includes both Navy and Marine Corps activities including those under the command of fleet commanders, but does not include units of the operating forces.

**Single Manager** – A single manager is the Secretary of a military department, or his representative, who has been tasked with the responsibility for the organization and operation of a particular single manager assignment. Such assignments are made typically for procurement of a specific commodity, either on a recurring or nonrecurring basis, or for provision of a service to be made available to all DoD components on a reimbursable or nonreimbursable basis. The term "single manager" also is descriptive of the manager responsible for providing joint use services as agreed to by the military departments, although not specifically designated by SECDEF.

**Special Support Costs** – Those acquisition or hardware costs, other than those associated with the test item subject, which are incurred in direct support of the test and evaluation effort, such as special range instrumentation costs.

**Statutory Limitations** – The fiscal constraints on the obligation and expenditure of appropriated funds imposed by restrictions stated in law. The major statutory limitations are that contained in 31 U.S. Code 1517, which prohibits any act which will cause an obligation or expenditure in excess of the apportionment or reapportionment made for an appropriation or any administrative subdivision thereof, including allotments. Title X of the Congressional Budget and Impoundment Control Act of 1974, P.L. 94-344, impacts on the ability of the Executive Branch to impound (rescind or defer) funds. Detailed interpretive and procedural guidance on these impoundments is contained in the current issuance of NAVCOMPTINST 7300.104 and DON Budget Guidance Manual. Another significant statutory limitation is contained in 31 U.S. Code 1301. This provision of law pertaining to the application of monies appropriated requires that appropriated funds be used only for the programs and purposes for which the appropriation is made. In addition, certain other provisions of law that must be administered as limitations establish the maximum or minimum amount that may be used under an appropriation or appropriations for a specified purpose. These limitations include such items as the amount available in the Operation and Maintenance, Navy, appropriation for emergency and extraordinary expenses, also called Contingencies of the Navy and available for purposes certified by the Secretary of the Navy, or the floor established in the operation and maintenance appropriations for maintenance of real property facilities (i.e., a specified amount available only for that purpose). These limitations, whether they establish maximum or minimum amounts, require special systems for administration, accounting, and reporting to insure compliance. There are other legal limitations unrelated to specific amounts. For example, there is a basic prohibition against the expenditure of Federal funds for purposes not authorized by law. In the

Department of the Navy an example of such expenditure is that incurred for entertainment. If such costs are not within the authorization granted under Contingencies of the Navy, they may not be funded by appropriations.

**Supporting Activity** – A supporting activity is one that generally provides only services to other activities.

**Sustainment** – The recurring, day-to-day, periodic or scheduled work required to preserve the real property in such condition that it may be used for its designated purpose.

**Tenant Activity** – A tenant activity is one that uses facilities of and/or receives services from another activity or activities.

**Termination** – A procedure that may apply to any Government contract, including multiyear contracts. Unlike cancellation, which is commonly affected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.

**Termination Liability** – The maximum cost the Government would incur if a contract is terminated.

**Termination Liability Funding** – A budgeting technique that would provide funds on a contract to cover the maximum value of outlays that could be incurred for work accomplished by the end of the budget year plus the maximum cost to the Government associated with termination of the contract at the end of the budget year.

**Training Site** – The shipbuilding site (builder’s yard), where training will take place, and other applicable training locations that are included in the Navy Training Systems Plan (NTSP).

**Transportation Accounting Codes (TACS)** – Cited on all shipping documents and are used to identify the proper funding source and appropriation. TAC selection is based upon cognizance of material, appropriation financing the purchase of material, project, and/or other factors. TACs are found in DoD Regulation 4500.32R (MILSTAMP), Volume II.

**Transportation** – The term "transportation" as used herein includes shipment and storage incident to shipment.

# APPENDIX B: PROCUREMENT BUDGET ACTIVITY DEFINITIONS BY APPROPRIATION

*BUDGET ACTIVITY DEFINITIONS THAT ARE NOT INCLUDED IN THE FMPM CAN BE FOUND IN THE DoD FMR*

## *PROCUREMENT BUDGET ACTIVITY DEFINITIONS BY APPROPRIATION*

***Navy (17 -)***

***Aircraft***

***1506***

**1 Combat Aircraft**

Provides for all aircraft used in combat missions. Combat aircraft, including both fixed-wing and rotary-wing configurations, are generally grouped into the categories of attack, fighter, assault, and antisubmarine warfare aircraft. In addition to the foregoing categories, aircraft employed in specialized missions (such as electronic warfare, reconnaissance, and observation) which directly support combat operations also are procured under this activity.

**2 Airlift Aircraft**

Provides for the aircraft needed for personnel and cargo airlift.

**3 Trainer Aircraft**

Provides for aircraft specially designed for different types of air crew training, basic and advanced flying techniques, navigation, instrument flying, and numerous other skills they must acquire before making the transition to high performance fleet aircraft.

**4 Other Aircraft**

Provides for special purpose aircraft other than those associated with combat, airlift, and training missions

**5 Modification of Aircraft**

Provides for modification kits for incorporation of improvement in in-service aircraft to correct deficiencies and improve operational capabilities.

**6 Aircraft Spares and Repair Parts**

Provides for spare equipment and repair parts to support aircraft procurement and operating programs

**7 Aircraft Support Equipment and Facilities**

Provides for aircraft support equipment, production facilities, and services for:

**a Common Ground Equipment**

Provides for common ground support equipment (GSE) which meets investment criteria and is common to multiple aircraft models. Investment GSE peculiar to a single aircraft model are provided for under Budget Activities 1 thru 4. Included in common ground equipment are aircraft operational training devices, simulation devices, and training aids; handling, test, and servicing equipment such as carrier tractors, shore-based aircraft-towing equipment, propulsion support equipment, and electronic and fluid servicing equipment.

**b Aircraft Industrial Facilities**

Provides for the modernization, maintenance, and pollution control projects at Government-owned production facilities.

**c War Consumables**

Provides for auxiliary fuel tanks, pylons, and ejector racks. These items are of a consumable nature and requirements are related primarily to the number of sorties flown by combat or training aircraft.

**d Other Production Charges**

Provides for miscellaneous production support and testing services, various equipment for United States Coast Guard aircraft, aircraft cameras, special support equipment for aircraft procured with prior year funds.

**e First Destination Transportation**

Provides for the movement of newly procured equipment and materials from the contractor's plant to the initial point of receipt by the Government.

***Weapons***
***1507***

**1 Ballistic Missiles**

Provides for fleet ballistic missiles, ancillary check-out and test equipment, and missile modifications, support equipment and industrial facilities.

**2 Other Missiles**

Provides for the procurement and modification of guided missiles and aerial targets required for Navy and Marine Corps aircraft and Navy ships, as well as procurement and support of naval space satellites and weapons industrial facilities.

**3 Torpedoes and Related Equipment**

Provides for torpedoes, mines, underwater targets and related equipment; modification of torpedoes and related equipment; and torpedo support equipment. This activity also finances first destination transportation

**4 Other Weapons**

Provides for guns and gun mounts associated modifications.

**5 Not Used**

**6 Spares and Repair Parts**

Provides for spares and repair parts for Navy weapons systems.

***Ammunition, Navy and Marine Corps***
***1508***

**1 Ammunition, Navy**
Provides for ammunition, artillery, general purpose bombs, munitions, ancillary check-out and test equipment, and modifications, support equipment and industrial facilities for active and reserve Navy forces.

**2 Ammunition, Marine Corps**
Provides for ammunition, artillery, general purpose bombs, munitions, ancillary check-out and test equipment, and modifications, support equipment and industrial facilities for active and reserve Marine Corps forces.

***Shipbuilding and Conversion***
***1611***

**1 Not Used**

**2 Other Warships**
Provides for aircraft carriers, cruisers, frigates, destroyers, attack submarines, and other warships as assigned

**3 Amphibious Ships**
Provides for amphibious assault ships, dock landing ships, tank landing ships, amphibious command ships, amphibious cargo ships, amphibious transport dock ships, and other ships as assigned.

**4 Not Used**

**5 Auxiliaries, Craft, and Prior-Year Program Costs**
Provides for ammunition ships, store ships, surveying ships, replenishment oilers, tugs, tenders, landing craft, barges, and other ships and craft as assigned. Also provides for outfitting, post-delivery, and prior year program cost growth and escalation for all ships regardless of the budget activity in which the basic ship construction is budgeted. First destination transportation is also financed in this activity. Separate subheads are established in this budget activity for each procurement ((P-1) exhibit) line item and separate budget projects are also established under these subheads.

***Marine Corps (17 xx)***

***Procurement***
***1109***

**1 Not Used**

**2 Weapons and Combat Vehicles**
Provides for tanks, artillery, small arms weapons, tracked landing vehicles, and other tracked vehicles and supporting items.

**3 Guided Missiles and Equipment**
Provides for all missiles with a guidance system, wire, or remote. Rockets or missiles of a non-guided variety are included in the Procurement of Ammunition, Navy and Marine Corps (PAN&MC) appropriation. Requires authorizing legislation control.

**4 Communications and Electronics Equipment**

Provides for all radios, telephones, radars, automatic data processing equipment, and other electronic items. Items in this activity are divided into two groups, telecommunication and non-telecommunication. Trucks, trailers, and vans used to house some electronic items are provided for under Budget Activity 5. Multipurpose generators used to operate some of the items contained herein are provided for under Budget Activity 6.

**5 Support Vehicles**

Provides for passenger-carrying vehicles, commercial vehicles, and tactical vehicles (trucks, vans, trailers) not provided for under Budget Activity 2.

**6 Engineering and Other Equipment**

Provides for engineer and construction equipment for pioneer units (or for that part of tactical support not provided by the Navy construction battalions), generators, materials-handling equipment, and other items not included in other budget activities. Also provides for first destination transportation, cargo slings, floodlights, photo equipment, reproduction equipment, deployable medical and dental equipment, and base support equipment.

**7 Spares and Repair Parts**

Provides for spares and repair parts for equipment that is provided for under Budget Activities 1 thru 6.

***Other Procurement***
***1810***

**1 Ships Support Costs**

Provides for shipboard components for surface ships and submarines, reactor plant equipment and components; deep submergence support equipment; small boat procurement; and production facilities equipment. Included are navigation, underway replenishment and ship propulsion equipment as well as periscopes, propellers and other shipboard equipment such as for pollution control and firefighting. This budget activity is coordinated by the Naval Supply Systems Command.

**2 Communications and Electronics Equipment**

Provides for shipboard, submarine, satellite and shore communications and electronics equipment. Included are shipboard surface and air search radars; antisubmarine warfare electronics equipment which furnishes surface ships, submarines, and special shore activities with equipment used for detection, tracking, localization, and classification of submarines; equipment which will provide the fleet the capability of deceiving, intercepting, and analyzing airborne, electromagnetic and underwater radiation; the procurement of communications equipment for active fleet ships, worldwide shore facilities; and electronics equipment for fleet support, and continental shore and harbor defense activities, including cryptographic and cryptologic aids and devices for the Navy and Marine Corps. This budget activity is coordinated by the Space and Naval Warfare Systems Command.

**3 Aviation Support Equipment**

Provides for air-launched antisubmarine (ASW) detection, sonobuoys and other general support equipment associated with aircraft systems. Other support equipment includes ground electronics equipment, aircraft launch and recovery equipment, photographic equipment, reconnaissance and electronic warfare processing and analysis equipment, and miscellaneous other categories of equipment. This budget activity is coordinated by the

Naval Air Systems Command.

**4 Ordnance Support Equipment**

Provides for gun, missile, and ASW fire control and support equipment, mine components, FBM support equipment, and support for other expendable ordnance. This budget activity is coordinated by the Naval Sea Systems Command.

**5 Civil Engineering Support Equipment**

Provides for passenger-carrying vehicles, ambulances, truck, trailers, construction, earth moving, firefighting, weight-handling, amphibious and specialized construction battalion equipment, telephone equipment, mobile utilities support equipment, fleet moorings, public works equipment, ocean construction equipment, and pollution control, occupational safety and health equipment. Also included is collateral equipment related to a military construction project not elsewhere provided. This budget activity is coordinated by the Naval Facilities Engineering Command.

**6 Supply Support Equipment**

Provides for forklift trucks and other materials-handling equipment used afloat (gray hull ships specifically and not transportation ships) and at non-NWCF shore activities. Also provides for high-speed copiers and printing equipment; office automation equipment and the procurement of Automated-Teller-Machines (ATMs) installed aboard Navy ships and first destination transportation. In addition, this budget activity finances destination transportation. This budget activity is coordinated by the Naval Supply Systems Command.

**7 Personnel and Command Support Equipment**

Provides for training aids and devices, scientific and technical equipment, information technology equipment, and other general command support equipment not otherwise provided for. The procurement of these items is subdivided into the following categories of support equipment: training, command, operating forces, medical, intelligence, environmental, physical security and education. Also provides for mobile sensor platforms.

**8 Spares and Repair Parts**

Provides for spares and repair parts for equipment that are provided for under Budget Activities 1 thru 7.

***Defense (97 -)***

***Defense-wide***

***0300***

**1 Major Equipment**

**2 Special Operations Command**

**3 Chemical/Biological Defense**

# APPENDIX C: ACTIVITY GROUP CODING STRUCTURE

## *ACTIVITY GROUP (AG) CODING STRUCTURE*

### *OPERATION AND MAINTENANCE, NAVY*

| Subhead Use Code | Budget Activity | |
|---|---|---|
| | **1** | **Operating Forces** |
| A | | Air Operations |
| B | | Ship Operations |
| C | | Combat Operations/Support |
| D | | Weapons Support |
| F | | Special Operations Forces |
| | **2** | **Mobilization** |
| G | | Ready Reserve and Prepositioning Forces |
| H | | Activations/Inactivations |
| J | | Mobilization/Preparedness |
| | **3** | **Training and Recruiting** |
| L | | Accession Training |
| M | | Basic Skills and Advanced Training |
| N | | Recruiting and Other Training and Education |
| | **4** | **Administration and Servicewide Support** |
| T | | Servicewide Support |
| U | | Logistics Operations and Technical Support |
| V | | Investigations and Security Programs |
| W | | Support of Other Nations |

### *OPERATION AND MAINTENANCE, NAVY RESERVE*

| Subhead Use Code | Budget Activity | |
|---|---|---|
| | **1** | **Operating Forces** |
| A | | Air Operations |
| B | | Ship Operations |
| C | | Combat Operations/Support |
| D | | Weapons Support |
| | **4** | **Administration and Servicewide Support** |
| T | | Servicewide Support |

| *OPERATION AND MAINTENANCE, MARINE CORPS* | | |
|---|---|---|
| **Subhead Use Code** | | **Budget Activity** |
| | **1** | **Operating Forces** |
| A | | Expeditionary Forces |
| B | | USMC Prepositioning |
| | **3** | **Training and Recruiting** |

| *OPERATION AND MAINTENANCE, MARINE CORPS RESERVE* | | |
|---|---|---|
| **Subhead Use Code** | | **Budget Activity** |
| | **1** | **Operating Forces** |
| A | | Expeditionary Forces |
| | **4** | **Administration and Servicewide Support** |

# APPENDIX D: A DON POLICY FOR BUSINESS ENTRIES INCLUDING JOURNAL VOUCHERS

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## 1. PURPOSE

This policy:

a) Supports improving financial reporting and strengthening internal control over the recording of business entries across the Department of Navy (DON);

b) Applies to all appropriated (e.g., General Fund) and Working Capital Funds, including business entries made by the DON's Service Providers;

c) Includes overarching guidance for documentation required to support all business entries as well as specific accounting guidance to assist in classifying, documenting, and approving those business entries defined as JVs;

d) Expands on the principles set forth in the DoD FMR Volume 6A, Chapter 2, Section 020208 for certain classifications of JVs as described within this Policy;

e) Supersedes guidance issued by the Assistant Secretary of the Navy (Financial Management & Comptroller) memo, Department of the Navy Policy for Business Entries Including Journal Vouchers, dated 19 October 2018.

## 2. BACKGROUND

The Office of Management of Budget (OMB) Circular A-123 *Management's Responsibility for Internal Control* mandates that all federal financial systems provide complete, reliable, consistent, timely and useful financial management information on Federal government operations. Internal control standards require that the DON maintain sufficient and appropriate supporting documentation for all entries into financial systems.

Business entries occur through daily operating activity and include but are not limited to:

- recording receipt of funding,
- issuing invoices,
- processing collections or disbursements,
- procuring services,
- purchasing supplies,
- corrections to disbursements,
- corrections to collection transactions,
- movement of expenditure data from one obligating document to another within the same line of accounting (sometimes called a cost transfer),
- allocations,
- source entries,
- reclassifications,
- depreciation, accrual, bad debt, valuation of fixed assets, and
- closing entries.

JVs pose a higher level of risk to the accurate presentation, integrity, reliability, and accuracy of the DON financial statements and therefore require additional internal controls. Business entries not classified as JVs are referred to as Standard Business Transactions (SBTs).

Whether you are the preparer, approver, poster or validator, it is essential to understand each step in the process is important and each person involved in the process is accountable for ensuring compliance with this policy.

Guidance and supporting materials referenced in this document can be found on the FMO SharePoint Site. Any additional questions related to *the DON JV Policy* should be submitted to the FMO JV email inbox (FMO_2_FLJV_Notificat@navy.mil).

## 3. BUSINESS ENTRY DEFINITIONS

A **business entry** is an entry recorded in an accounting system or in the Defense Department Reporting System (DDRS), the total of which comprises the universe of DON financial transactions. A business entry effects one or more of the financial statements; including the underlying account balances and transactions that support those financial statements.

Each business entry falls into one of the following two categories:

a) Standard Business Transaction: Those business entries which are part of the normal course of business that are not classified as a JV (i.e., do not meet any one of the established JV criteria below).

b) Journal Voucher: Business entries that meet one of the following criteria must be recorded as a JV; this includes reversals of the original entry.

   i. On-Top Journal Entry: Business entries recorded "on-top" or outside of the field level general ledger system (i.e., DDRS). These entries do not have a transaction register as part of the field level general ledger. On-Top JVs are not a part of field level JVs and therefore BSOs/Field Level Commands are not required to log these entries into a BSO/Field Level Command FLJV log. However, the Service Provider is required to maintain On-Top JV logs for those business entries recorded in DDRS.

   ii. FLJV: Business entries recorded within the field level general ledger accounting system. These entries have a transaction register as part of the field level general ledger. FLJVs fall into one of the following criteria:

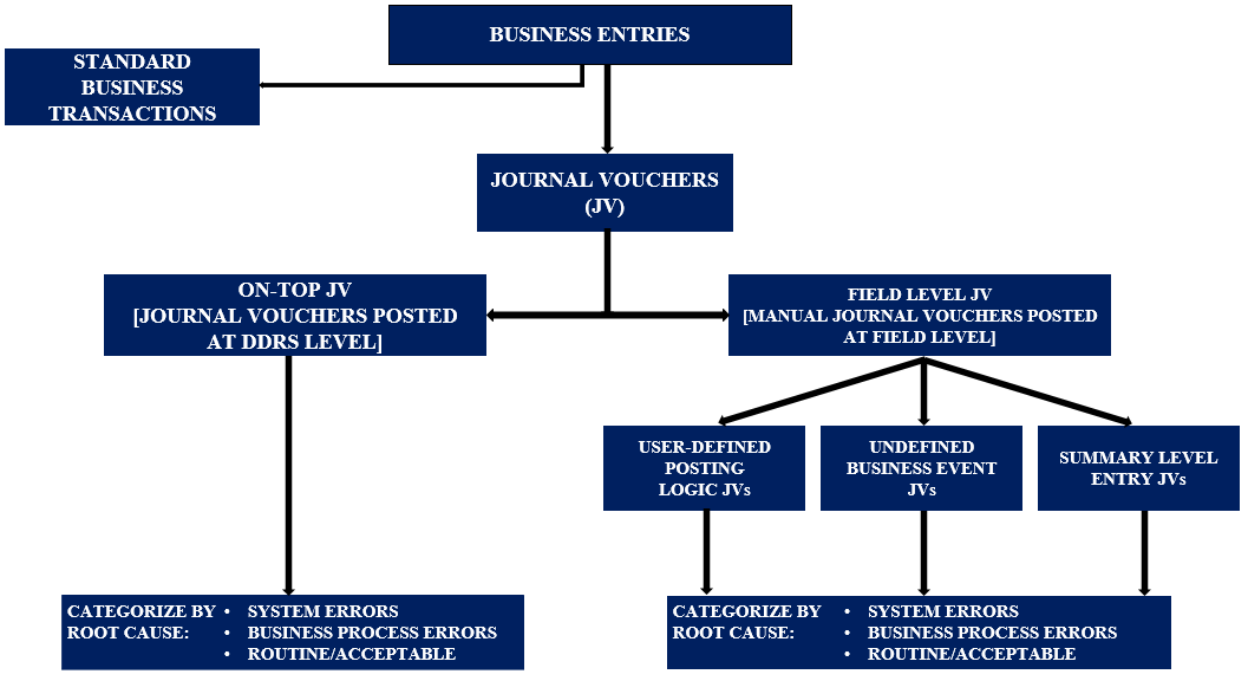
      1. User-Defined Posting Logic: Business entries recorded within a field level accounting system not driven by a predefined system posting logic. User defined posting logic occurs when the general ledger accounts are manually selected and entered by a user.

      2. Undefined Business Event: Business entries recorded within a field level accounting system not part of a pre-defined business process. Typically, this type of entry is unique and does not recur in business operations.

      3. Summary-Level Entry: Business entries recorded within a field level accounting system and recorded manually at the summary level to meet reporting requirements. These entries occur because of the need to present a specific financial position within the Trial Balance that is not recorded at an individual entry level. This excludes summary level amounts recorded through an automatic system interface.

Figure 3.1 illustrates the classification of Business Entries

**Figure 3.1: Business Entry Classification**




Business entries are classified as standard business transactions (SBTs) or journal vouchers (JVs). SBTs are system generated transactions that are the normal course of business. Journal vouchers are manual entries posted either On Top (via DDRS) or at the Field Level (BSO/Command Level). Field level JVs fall into one of the following criteria: 1) User Defined Posting Logic, 2) Undefined Business Event or 3) Summary Level Entries. JVs (On Top and Field Level) are further categorized by the type of root cause: 1) System related, 2) Business Process related or 3) Routine and Acceptable. Refer to Section 9.1 for definitions of each root cause type.

At the field level, it is the BSO/Field Level Command's responsibility to analyze each business entry and develop a uniform procedure to assess and apply the JV definitions. It is the Service Provider's responsibility to analyze each business entry and develop a uniform procedure to assess and apply the JV definitions in DDRS.

Refer to Appendix III – Business Entry Examples, for specific examples of SBTs and JVs.

## 3.1 EXCEPTIONS

A business entry that meets one or more of the JV definitions, defined in Section 3, may be classified as a SBT if it falls within the JV exceptions below:

a) Reclassification entries that meet one or more of the JV criteria above recorded within the same Treasury Appropriation Fund Symbol (TAFS) and within the same general ledger account to transfer or otherwise reclassify information (e.g., Overseas Contingency Operations Cost Transfers, Secondary Cost Element Transfers) should be prepared as SBTs. These entries only impact informational attributes (e.g., a transfer from one cost center to another cost center) and do not impact the general ledger accounts.

b) Transactions that include only memo accounts (9000 GL account series) in the field level accounting system are not considered JVs. However, transactions that include 9000 accounts in addition to budgetary and/or proprietary United States Standard General Ledger (USSGL) Accounts in the field level accounting system and otherwise meet the JV criteria are considered JVs.

Although these exceptions are SBTs vs. JVs, an auditor may need to examine the documentation and evidence of internal controls to determine the completeness and accuracy of the entry. Therefore, irrespective of classification (JV or SBT), sufficient documentation must provide validation for entries recorded in the accounting systems.

## 4. SUPPORTING DOCUMENTATION

Regardless of the business entry classification (JV vs. SBT), it is important to note that an auditor may sample and select any type of business entry recorded in a BSO/Field Level Command's accounting system or in DDRS. Therefore, a BSO/Field Level Command and the Service Provider must be able to substantiate the need for the business entry and support the transaction with supporting documentation.

Supporting documentation substantiates all business entries recorded in the accounting systems or in DDRS. Adequate supporting documentation must allow a reviewing/approving official, validating official and/or auditor to clearly understand the purpose of the accounting event and to confirm the accuracy and timeliness of the recorded accounting event.

### 4.1 DOCUMENTATION STANDARDS

Documentation standards for business entries establish consistent, reliable, and traceable support. All documentation types must meet the standards provided below. These standards are applicable irrespective of whether the BSO/Field Level Command recorded the entry itself, requested that the Service Provider record an entry on its behalf, or whether the Service Provider initiated the entry as a result of its review of monthly reports, preparing reconciliations, etc.

a) Recorded amount and other data elements included in the financial systems should be clearly traceable to applicable documentation type(s) provided as support.

b) Entries should be balanced (credits equal debits) for both budgetary and proprietary relationships. Proper account relationships (proprietary to budgetary) must be maintained, when appropriate, in the entry unless the entry is meant to bring the relationship back into alignment; if so, evidence of the balance (before and after alignment) must be provided.

c) Explanatory documentation supporting corrections should be detailed to include the original entry, reversal entry, correcting entry and the rationale and justification for the revision.

d) System generated reports used as part of supporting documentation must have a legible time and date stamp, along with a clear report title and indication of the system generating the report. If the system is unable to produce a date/time stamp, the elements must be added manually.

## 4.2 SBT AND JV SPECIFIC SUPPORTING DOCUMENTATION

All business entries (both SBTs and JVs) require the following forms of supporting documentation:

a) **Initial Source Documentation:** Hard-copy or electronic documents that provide a basis for the amount of the recorded business entry including, but not limited to, contracts, invoices, purchase orders, as well as system-generated or electronic records used to calculate the entry amount (e.g., analyses worksheets, cost allocation spreadsheets, etc.).

b) **Explanatory Documentation:** Documents that describe the accounting event, purpose of the entry, and any evidential artifacts for posting must include, but are not limited to, the reason to correct a previously recorded transaction, screen shots with explanations, evidence of validation, memos describing the root cause necessitating the entry, etc.

Additionally, supporting documentation must clearly illustrate the transaction amount easily reconciles to the supporting documentation or is accompanied by detailed explanatory documentation. To determine the specific supporting documentation needed for a business entry, refer to the KSD Matrix.

Supporting documentation for SBTs is not required to be packaged and maintained at all times. However, it must be readily available to assemble upon request. Additional supporting documentation requirements for JVs are described further below in Section 4.3.

## 4.3 JV SPECIFIC SUPPORTING DOCUMENTATION

In addition to initial source documentation and explanatory documentation described in Section 4.2, JVs require JV Packages and JV Logs.

Business entries that meet one or more of the FLJV criteria above, but fall below the $1,000 threshold, are exempt from the additional documentation described for JVs (i.e., JV Packages and entry on the JV Log is not required). Rather, supporting documentation for FLJVs below the $1,000 threshold must be readily available to assemble upon request. The dollar amount for purposes of categorizing a business entry is defined as the absolute value (i.e., a numerical value without regard to its positive or negative sign) of the sum of the debit amounts of all the USSGL accounts. A JV package and a JV log are required for all On-Top JVs, regardless of dollar threshold. For guidance on calculating the JV amount, refer to Appendix IV, Application of JV Amount Calculation.

### 4.3.1 JV PACKAGE

A JV package is a collection of documents compiled by the JV preparer that fully describes the purpose and amount of the JV. The Service Provider is responsible for the completeness and accuracy of the JV package for all On-Top JVs posted in DDRS. The

Budget Submitting Office (BSO)/Field Level Command approving the FLJV is responsible for the completeness and the accuracy of the FLJV package, regardless of who prepared and entered the FLJV into the field-level accounting system.

In general, a JV package should include adequate supporting documentation to allow a reader with only general knowledge of the DON's operations, to understand why the JV is being posted. Although the supporting documentation will vary depending on the type of JV to meet the requirements of "supportability", the JV should include documentation that clearly conveys:

i.) A detailed explanation of the issue or event that occurred which precipitated the need for the JV (correction of error, business process, system deficiency).

ii.) An explanation of the rationale for the usage of USSGL accounts and explanation of why usage of some USSGLs may differ from normal transactions, if applicable.

iii.) Purpose, source and scope (time and/or timeframe) of all supporting documents.

A JV package should include, but is not limited to, the following documents:

i.) **Completed JV Form:** A completed JV form with supporting documentation (as described in section 4.2 a) and b)) attached either physically to or, if stored electronically, referenced on the JV form. The JV form is a cover sheet to the JV package and should summarize the documentation within the package and provide evidence of controls (e.g., Poster and Approver signatures). The JV form must include specific data attributes to identify the JV within the universe of transactions, evidence controls, and support an audit and must include the mandatory minimum data elements.

Refer to Appendix V - JV Form for the required minimum data elements for JVs.

ii.) **Validation of Posting to Accounting System:** Evidence of entry into the accounting system and of the posting review that confirms the accuracy of the recorded financial transaction must be included in the JV Package. Validation of posting must occur within a reasonable time frame subsequent to the posting of the JV (e.g., five business days after the date entered into the accounting system), but must occur before the Trial Balance is submitted for consolidation in the DON Financial Statements. The physical validation evidence must demonstrate the JV was recorded as approved within the accounting system or DDRS (e.g., accounts, amounts, line of accounting elements, period, date, etc.). Evidence of validation may include before and after trial balances, a screenshot of the posting of the JV within the system, or a query of the system that demonstrates accurate posting of the JV.

iii.) **Traceability to Source Documentation:** The supporting documentation attached to the JV form must provide sufficient traceability to the amounts on the JV form (i.e., audit trail).

iv.) **FMO/FMB Approvals, if applicable:** For particular JVs, FMO/FMB approvals are required and should be evidenced in the JV package. FMO and/or FMB must approve all new manual On-Top JVs. For FLJVs, FMO approvals are required for all new FLJVs, $1 billion and greater (this excludes $1B FLJVs previously submitted to FMO for acknowledgement). Refer to Section 6 of this document for specific FMO/FMB JV approval requirements.

### 4.3.2 JV LOG

A JV log serves as a central repository for all JVs (over $1,000 for FLJVs) within a specified time frame and is used to verify completeness, assess the JV population, and for other analytical purposes. All JVs (over $1,000 for FLJVs) posted in an accounting system or DDRS should be sequentially numbered, without any gaps, on a JV log with all data fields completed subsequent to the posting and validation of the entry. SBTs are not to be included on the JV log. Void, rejected, or disapproved entries may be listed in the log, but must be excluded from any total JV counts and amounts. If they are not included in the log, they must be captured elsewhere to justify possible gaps in the log.

The Service Provider is responsible for the completeness and accuracy of On-Top JV logs. The BSO/Field Level Command approving the FLJV is responsible for the completeness and accuracy of FLJV logs, regardless of who prepared and entered the FLJV into the field-level accounting system.

Refer to Appendix VI - JV Log, for the required minimum data elements for JVs.

## 4.4 BSO/FIELD LEVEL COMMAND SUPPORTING DOCUMENTATION RESPONSIBILITIES

The party responsible for the supporting documentation will vary depending on the system in which a JV is posted (e.g., field level accounting system or DDRS).

The BSO/Field Level Command is responsible for approving all FLJVs posted to a field level accounting system, irrespective of whether a Service Provider prepared the FLJV or not. If a Service Provider prepares and/or posts a FLJV on behalf of a BSO/Field Level Command, the Service Provider can prepare FLJV packages and include FLJVs on the log. However, the BSO/Field Level Command is ultimately responsible for ensuring a FLJV package is prepared and the FLJV is included in the BSO/Field Level Command's FLJV log.

## 4.5 SERVICE PROVIDER SUPPORTING DOCUMENTATION RESPONSIBILITIES

For all JVs, the Service Provider is responsible for maintaining and providing accurate point of contact (POC) information to BSO/Field Level Commands and FMO. The Service Provider is also responsible for establishing meetings, as necessary, to discuss JVs prepared and posted by DFAS. FMO should be directly involved in the Service Provider's coordination, development and implementation of changes to relevant JV policy, processes, procedures, internal controls, and internal test plans.

For On-Top JVs, the Service Provider is responsible for the preparation of the JV packages and the inclusion of the JVs on the log. Supporting documentation must be easily and readily accessible via CEDMS no later than **10 business days** following

completion of monthly and quarterly reports. The Service Provider must also establish a project folder on the DFAS Portal for delivery of DDRS JVs and JV logs ensuring that all indicated FMO/FMB POCs are provided access. On a monthly basis, DDRS-B JV logs must be provided to FMO via the DFAS Portal site no later than the **12th business day.** On a quarterly basis, DDRS-AFS JV logs must be provided to FMO via the DFAS Portal site no later than the **19th business day**.

Additionally, on an annual basis, the Service Provider must provide standard process documentation for automated JVs for annual evaluation to FMO no later than **5 business days** following completion of the annual financial statements. Reference: *Memorandum of Understanding Between the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) Office of Financial Operations and The Defense Finance and Accounting Service: Department of the Navy On-Top Journal Vouchers* (*On-Top MOU*) located in the Implementation Guidance Reference Documents folder of the FMO SharePoint Site.

For FLJVs prepared and posted on behalf of a BSO/Field Level Command, the Service Provider should receive the BSO/Field Level Command's approval prior to posting. In addition, the Service Provider must provide a monthly FLJV log to the BSO/Field Level Command on the FMO SharePoint Site . The Service Provider will provide a listing (by BSO/Field Level Command, by fund, by field level (FL) system) of all FLJVs prepared and posted on behalf of the BSOs/Field Level Commands and post corresponding logs to a dedicated FMO SharePoint Site folder (i.e., "AM&C Data for Commands") no later than the **8th business day** of each month. The Service Provider is responsible for maintaining regular communication with the BSO/Field Level Commands including obtaining prior to posting approvals and up to date BSO/Field Level Command POCs.

Additionally, the Service Provider will compile and maintain supporting documentation for FLJV packages prepared on behalf of BSOs/Field Level Commands via CEDMS and ensure FLJV packages are readily accessible to BSOs and FMO. FLJV packages must be available in CEDMS by the Service Provider no later than the **12th business day** of the month. Service Providers must prepare FLJV Forms and FLJV Logs in accordance with this Policy (Refer to Sections 4 and 4.2). Reference: *Memorandum of Understanding Between the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) Office of Financial Operations and The Defense Finance and Accounting Service: Department of the Navy Field Level Journal Vouchers* (*FLJV MOU*) located in the Implementation Guidance Reference Documents folder of the FMO SharePoint Site.

Refer to Appendix VII - JV FAQs, for additional JV supporting documentation considerations.

## 5. ASSIGNMENT OF RESPONSIBILITY

BSOs/Field Level Commands and the Service Provider must implement operational internal controls in accordance with the Government Accounting Office (GAO)-14-704G Standards for Internal Control in the Federal Government (The GAO Green Book) and OMB Circular A-123 to ensure business entries are properly classified and recorded.

Internal controls include, but are not limited to, the segregation of duties and the assignment of responsibility for business entries. Per FMR Volume 6A, Chapter 2,

Section 02028, the Preparer and the Approver cannot be the same individual.

BSOs/Field Level Commands and the Service Provider must be able to demonstrate that the personnel involved in the processing of business entries possess:

a) Sufficient authority to perform assigned roles and duties within those functions;

b) Requisite knowledge, skills and abilities to perform those functions.

Refer to Appendix VIII – JV Roles and Functions, for specific JV roles and functions within the JV preparation, posting, and monitoring process.

## 5.1 JV SEGREGATION OF DUTIES AND ROLES AND RESPONSIBILITIES

Per the GAO Green Book (Section 10.03, page 47), organizations should "…segregate key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that **no one individual controls all key aspects** of a transaction or event." Per Figure 5.1, one individual cannot perform all three DON JV key aspect roles (approver, poster, and validator), but may perform two of the three roles. In addition, per FMR Volume 6A, Chapter 2, Section 02028, the Preparer and the Approver cannot be the same individual. Contractor staff may perform all the roles outlined in Figure 5.1 below, with the exception of the JV approver role. The JV approver must be Government staff only.

| Role | Function | DON JV Key Aspects | Responsible Organization |
|---|---|---|---|
| **JV Preparer** | Creates a JV package with proper documentation (i.e., completed JV form; Initial Source Documentation; Explanatory Documentation) to adequately support the JV | N/A | On-Top JVs: DFAS<br>FLJVs: BSO/Field Level Command or DFAS for FLJVs prepared on behalf of the BSO/Command |
| **JV Approver** | Reviews the JV documentation for adequacy, accuracy, consistency, completeness, and compliance with applicable policies and regulations | Yes | As outlined in Figure 6.1 below |
| **JV Poster** | Records JV in the accounting system with the same JV detail as approved. Depending on the system, this role may occur at the same time the approval is performed (for example, when an approver approves a JV in DDRS, the JV automatically posts) | Yes | On-Top JVs: DFAS<br>FLJVs: BSO/Field Level Command or DFAS for FLJVs prepared on behalf of the BSO/Command |
| **JV Validator** | Ensures the approved JV was posted to the accounting system | Yes | On-Top JVs: DFAS<br>FLJVs: BSO/Field Level |

| Role | Function | DON JV Key Aspects | Responsible Organization |
|---|---|---|---|
| | and that it reflects the intent of the approved JV | | Command or DFAS for FLJVs prepared on behalf of the BSO/Command |

## 6. JV APPROVALS

The GAO Green Book states that "Transactions are authorized and executed only by persons acting within the scope of their authority" and the OMB Circular A-123, Management's Responsibility for Internal Control, defines management's responsibility for internal control in federal agencies, including management's responsibility for appropriately delegating the authority and responsibility within its organization. All JVs must be approved at the appropriate level to reduce the risk of financial statement misstatement and provide visibility and awareness to leadership.

## 6.1 JV APPROVALS

All JVs require documented approval, which is the authorizing of a JV by the appropriate individual within the prescribed dollar thresholds prior to posting in the accounting system. Authority/Authorization is the role granted to an individual to perform particular tasks, so that he/she can successfully carry out respective responsibilities.

JV Approvers must have written evidence of authority unless the authority is inherent in a job description/position as outlined in Figure 6.1. Authority documentation must be maintained by the BSO/Field Level Command and/or the Service Provider and available for review as requested. Authority support must be immediately updated to reflect any changes (e.g., terminations, new hires, role changes, etc.) and must be dated on or before the approval date of the JV. For those FLJVs prepared and/or posted on behalf of the BSO/Field Level Command by the Service Provider, the BSO/Field Level Command must maintain authority documentation for the BSO/Field Level Command approver.

The Approver must review the JV documentation for adequacy, accuracy, consistency, completeness, and compliance with applicable policies and regulations.

Following the review, the JV form must be signed to evidence the approval. JV approval must be performed on a timely basis to ensure approved JVs are recorded in the appropriate accounting period. The dollar amount of a JV determines the level of authority required for an Approving Official to approve that JV. The dollar amount of each JV is defined as the absolute value of the sum of the debit amounts of all USSGL accounts. Approving Officials can delegate their authority in writing, but remain accountable for the approval of the JV.

JV approval thresholds differ between JVs performed On-Top in DDRS and those entered within a field level accounting system (i.e., FLJVs).

i) On-Top JVs: On-Top manual JVs posted in DDRS by the Service Provider require the Service Provider obtain the requisite approvals within their organization in accordance with FMR Volume 6A, Chapter 2, Section 020208 prior to posting in DDRS. Additionally, new manual JV types requiring a new unique issue identifier (as

defined by Section 9 of this Policy) must be submitted to FMO and/or FMB for approval prior to posting in DDRS (see Table 6.1).[7] On-Top JVs requiring approval must be submitted (via email or a secure file sharing method) to FMO for approval (via digital signature or Adobe stamp) prior to posting. FMO must approve and sign JVs as soon as possible and no later than within five business hours (between 0700 and 1800) upon receipt from the Service Provider. To resolve issues, disagreements or disapprovals related to JVs, the Service Provider must:

(1) Delay processing of JVs that have been disapproved by FMO/FMB until the parties can concur on an appropriate resolution.

(2) If FMO/FMB does not respond to the Service Provider's JV approval request within the appropriate approval timeframe (or accelerated timeframe, when applicable), the Service Provider may post the JV without FMO/FMB approval. However, if the parties begin actively discussing a JV within the original timeframe, then the Service Provider should make every effort to ensure posting of the JV is delayed until the parties can concur on an appropriate resolution.

ii) Field Level JVs: Approving Officials, or their delegates, must approve JVs in accordance with the thresholds specified in Figure 6.1. For those FLJVs posted into a field level accounting system by the Service Provider on behalf of the BSO/Field Level Command, the Service Provider should first obtain and document BSO/Field Level Command approval on the FLJV form in accordance with Figure 6.1. For the Service Provider to post the FLJVs on a timely basis, BSOs/Field Level Commands are required to provide up to date BSO/Field Level Command approval POCs to the Service Provider via their email box (via dfas.cleveland-oh.jam.mbx.amc-support@mail.mil) at least quarterly. If BSO/Field Level Command approval is not provided to the Service Provider in a timely manner, the Service Provider may post the FLJV as agreed upon in the *FLJV MOU*.

New FLJVs $1 billion and greater (as defined in Appendix D, Section 4.3.1, iv) must be submitted to FMO for approval prior to posting (see Table 6.1)[8]. FLJVs requiring approval must be submitted (via email or a secure file sharing method) to FMO for approval (via digital signature or Adobe stamp) prior to posting. FMO must approve and sign JVs as soon as possible or within five business hours (between 0700 and 1800) upon receipt from the BSO/Field Level Command. To resolve issues, disagreements or disapprovals related to FLJVs, the BSO/Field Level Command must:

[7] Only one JV package per new unique issue identifier request must be submitted to FMO and/or FMB for approval. FMO and/or FMB will assess the adequacy of the documentation at the time of approval. In the event that FMO and/or FMB request additional documentation or updates to the JV package under review, the Service Provider must apply the requested updates to all JV packages grouped within that new unique issue identifier.

[8] Only FLJVs that require a new unique issue identifier and are $1 billion or greater must be submitted to FMO for approval. FMO will assess the adequacy of the documentation at the time of approval. FMO may request additional documentation or updates to the FLJV package under review.

(3) Delay processing of FLJVs that have been disapproved by FMO until the parties can concur on an appropriate resolution.

(4) If FMO does not respond to the BSO/Field Level Command's approval request within the appropriate approval timeframe (or accelerated timeframe, when applicable), the BSO/Field Level Command may post the JV without FMO approval. However, if the parties begin actively discussing a FLJV within the original timeframe, then the BSO/Field Level Command should make every effort to ensure the FLJV be delayed in posting until the parties can concur on an appropriate resolution.

**Figure 6.1: JV Approval Levels**

| | | Criteria | Required Approving Officials[9] |
|---|---|---|---|
| Approval | On Top | New JV Types | FMO or FMB (for funding related JVs) |
| | Field Level | Under $25 Million | Field Level Branch Head or Assistant Comptroller/BSO Division Director |
| | | $25 - $100 Million | Field Level Division Director/Comptroller/BSO Assistant Comptroller |
| | | Over $100 Million | BSO/USMC Comptroller |
| | | New JV Types $1 billion and greater | BSO/USMC Comptroller **and** Deputy Assistant Secretary of the Navy, Financial Operations (DASN FO) or Delegated Official |

## 7. COMPLIANCE MONITORING

Compliance reviews are assessments of whether internal controls are operating as designed, as outlined (or described) by principles within the GAO Green Book and OMB Circular A-123.

- The GAO Green Book states, "Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring."

- OMB Circular A-123, Management's Responsibility for Internal Control states, "Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations. Deficiencies identified, whether through internal test or by an external audit, should be evaluated and corrected."

  BSOs/Field Level Commands and the Service Provider must document evaluation procedures and perform, at a minimum, quarterly reviews to identify and address internal control deficiencies. Supporting documentation for compliance reviews must be readily available for examination upon request.

[9] Approving Officials (including FMO/FMB) can delegate their authority, in writing.

## 7.1 ON-TOP JV MONITORING AND COMPLIANCE

On-Top JV quality and compliance should be conducted by the Service Provider in accordance with the FMR Volume 6A Chapter 2, Section 020208, *Journal Voucher (JV) Preparation*. Evidence of the completed review must be retained by the Service Provider.

## 7.2 FLJV MONITORING AND COMPLIANCE

BSOs are responsible for documenting, implementing, and executing a process to assess whether their business entries are properly classified according to the JV criteria specified in this Appendix.

A FLJV quality and compliance review must be conducted within a month and 10 calendar days after the end of each fiscal quarter (i.e., November 10, February 10, May 10, and August 10). The compliance review is conducted by the BSO on a sample of all FLJVs in the applicable quarter to determine whether they are correctly prepared and processed, adequately described and supported, and approved by appropriate personnel. A dual purpose (test of controls and substantive) approach is utilized based on a combination of judgmentally and randomly, non-statistical, selected samples. Evidence of the completed quality and compliance review must be retained by the BSO.

The quarterly quality and compliance review process consists of completion of the *FLJV Log Completeness Checklist* (refer to Appendix IX – FLJV Log Completeness Checklist Template) and the FLJV Quality and Compliance Review Workbook (located on the FMO SharePoint Site). Each BSO must appoint a Test Workbook Approving Official within their organization to conduct the review. The Checklist Reviewer and the Test Workbook Approving Official must be government personnel with the competency and objectivity to review the tester's work. Each BSO may have the same or different individuals performing the test procedures or approving the workbooks.

### 7.2.1 FLJV PACKAGE QUALITY AND COMPLIANCE TESTING

For each testing cycle (i.e., after each quarter end), BSOs have a month and 10 calendar days to test and compile the test results using the FMO provided workbook. BSOs must submit the FLJV log for the applicable quarter to FMO via the FMO SharePoint Site by **11:59 pm (eastern time) on the 10th calendar day** of the following month (e.g., August 10th, November 10th, February 10th and May 10th). If the 10th calendar day falls on a weekend or holiday, BSOs must submit no later than the following business day. FLJV Quality and Compliance review workbooks, tested FLJV packages, FLJV Log Completeness Checklist, and Categorization and Assessment must be readily available upon request. Any deviation from the prescribed due date will be noted as an exception.

The FLJV Package Quality and Compliance Testing review shall be made on judgmental samples and random samples of all FLJVs (including those FLJVs posted by DFAS on behalf of BSOs/Field Level Commands) to determine whether they were correctly prepared and processed, adequately described and supported, and approved by appropriate personnel.

The population of FLJVs for Quality and Compliance efforts consists of consoldiated FLJV logs, which includes DFAS FLJV logs prepared on behalf of the BSO/Field Level Command as well as BSO/Field Level Command generated logs, for the fiscal quarter under review. Note: the FLJV counts and amounts represented on the population tab of

the test workbook must tie to the FLJV counts and amounts per the fiscal quarter consolidated FLJV logs.

A dual purpose (test of controls and substantive) approach is utilized based on a combination of judgmentally and randomly, non-statistical, selected samples. Upon conclusion of each fiscal quarter, a minimum of five (5) judgmental samples with the highest dollar amounts and nine (9) random samples (for a total of 14 FLJV package samples per quarter and 56 per year, per fund) must be selected for evaluation for both General Fund and Working Capital Fund. If the FLJV population is less than 14 FLJVs in a quarter, BSOs are required to test their entire population.

BSOs must test the total FLJV amount for FLJV samples consisting of multiple transactions on one FLJV form with one FLJV ID number.

The FLJV Quality and Compliance Review Workbook includes overall instructions for conducting the review, detailed test procedures, Judgemental Sample Instructions, Random Sample Generator, FLJV Population form, and the FLJV Test Result form. The test objectives for FLJV Quality and Compliance reviews are as follows:

a) Complete FLJV population

b) FLJV was reviewed/approved by an appropriate official and consistent with applicable Navy policy

c) FLJV is supported by sufficient competent evidential matter

d) FLJV reflects the underlying events and transactions

e) FLJV was recorded based on underlying support in the proper period and consistent with adopted accounting principles

## 8. RETENTION OF BUSINESS ENTRY DOCUMENTATION

All supporting documentation and related analysis must be maintained in accordance with the: 1) DON OASN/FM&C Memorandum, *Revised Document Retention Requirements to Support Department of the Navy Financial Statement Audits*, dated 29 Jan 2015; 2) FMR, Volume 1, Chapter 9, Financial Records Retention; and 3) The GAO Green Book. Documentation must be retained by the responsible party performing the business entry. Documents may be maintained electronically, in a central repository or otherwise, but must always be readily accessible to a requesting party. The *Retention Policy* is located in the Implementation Guidance Reference Documents folder on the FMO SharePoint Site.

## 9. REMEDIATION

As various audit readiness efforts are implemented, BSOs and Service Providers must take the lead in remediating all JVs, with the exception of those JVs identified as routine/acceptable.

### 9.1 ISSUE CODE AND ISSUE IDENTIFIER

The JV Issue Code and JV Issue Identifier were created to assist BSOs and Service Providers in identifying and categorizing JVs by root cause. These data elements assist BSOs and Service Providers with categorizing and understanding a large population of

JVs to support the DON in performing critical analyses that lead to the prioritization of audit readiness efforts. A JV Issue Code denotes the underlying issue of the posted JV. It categorizes JVs into three broad groups:

- **System Error**: JVs recorded to correct for a system deficiency. Example: GL system posting logic does not support GE CIP.
- **Business Process Error**: JVs recorded to correct for a process deficiency. Example: Obligating document not processed in a timely manner.
- **Routine/Acceptable**: Normal and acceptable JVs (such as recording estimates or accruals)

Each issue code has a unique issue identifier. The issue identifier defines the root cause of the JV and should be consistently applied to JVs so BSO/Service Providers can accurately categorize and create corrective action plans for like JVs.

BSOs are required to populate FLJV forms and FLJV logs with an Issue Code and Issue Identifier for each FLJV processed using the approved codes and identifiers included in the FLJV Issue Identifier Listing published by FMO. For situations where there is not an Issue Identifier on the published list that best describes the reason for the FLJV or if a new identifier is needed for a current issue identifier that does not include an applicable issue code, BSOs must request a new identifier using the Issue Identifier Request Form located on the FMO SharePoint site.

For FLJVs, new issue identifier requests are due to FMO no later than the 15th day of the month following the end of the quarter.

The implementation of Issue Code and Identifiers on the On-Top JV Forms and Logs is in process and will be applied to On-Top JVs in the near future.

## D1 - LIST OF ACRONYMS

| Acronym | Definition |
|---|---|
| **BLI** | Budget Line Item |
| **BSO** | Budget Submitting Office |
| **CEDMS** | Corporate Electronic Document Management System |
| **DASN FO** | Deputy Assistant Secretary of the Navy, Financial Operations |
| **DDRS** | Defense Departmental Reporting System |
| **DDRS-B** | Defense Departmental Reporting System – Budgetary |
| **DFAS** | Defense Finance and Accounting Service |
| **DoD** | The Department of Defense |
| **DON** | Department of Navy |
| **FASAB** | Federal Accounting Standards Advisory Board |
| **FAQ** | Frequently Asked Question |
| **FLJV** | Field Level Journal Voucher |
| **FLJV MOU** | *Memorandum of Understanding Between the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) Office of Financial Operations and The Defense Finance and Accounting Service: Department of the Navy Field Level Journal Vouchers* |
| **FMB** | Office of Budget |
| **FM&C** | Financial Management & Comptroller |
| **FMO** | The Office of Financial Operations |
| **FMR** | Financial Management Regulations |
| **GL** | General Ledger |
| **JV** | Journal Voucher |
| **KSD** | Key Supporting Documentation |
| **USSGL** | United States Government Standard General Ledger |
| **MOU** | Memorandum of Understanding |
| **On-Top MOU** | *Memorandum of Understanding Between the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) Office of Financial Operations and The Defense Finance and Accounting Service: Department of the Navy On-Top Journal Vouchers* |
| **OMB** | Office of Management and Budget |
| **PDASN FM&C** | Principal Deputy Assistant Secretary, Financial Management & Comptroller |
| **POC** | Point of Contact |
| **SBT** | Standard Business Transaction |
| **SOP** | Standard Operating Procedures |
| **DON JV Policy** | *The Department of Navy Policy for Business Entries including Journal Vouchers* |
| **TAFS** | Treasury Appropriation Fund Symbol |
| **TFM** | Treasury Financial Manual |
| **The GAO Green Book** | The Government Accounting Office Standards for Internal Control in the Federal Government |

## D2 – REFERENCES

| Name | Description | Email/Link |
|---|---|---|
| FMO Inbox | Email for JV related correspondence | FMO_2_FLJV_Notificat@navy.mil |
| FMO SharePoint Site | Site to hold FLJV guidance and FLJV reference documentation. Site will also be used to upload BSO Quarterly Compliance Review test results and related documentation. | FMO SharePoint Site<br><br>https://portal.secnav.navy.mil/orgs/FMC/FMO/FLJV |
| FASAB | Authoritative source of Generally Accepted Accounting Principles (GAAP) for Federal entities | http://www.fasab.gov/ |
| USSGL | Provides information/ guidance to standardize Federal agency accounting/reporting: Chart of Accounts, Account Definitions, Accounting Transactions, Crosswalks to the Financial Statements and Budget reports, technical guidance, etc. | USSGL |

## D3 - BUSINESS ENTRY EXAMPLES

**Standard Business Transaction (SBT):** Examples include:

- Business entries that do not meet any of the JV criteria outlined in section 3 of this Policy.
- Transactions that are configured and posted directly into an accounting system via an automatic system interface, with no manual intervention. For example, the posting of matched collections and disbursements via the DCAS Daily Expenditure File (i.e. DEF/DDEF) interface.
- Reclassification entries recorded within the same TAFS to transfer or otherwise reclassify information (e.g., Overseas Contingency Operations Cost Transfers, Secondary Cost Element Transfers).

**Journal Voucher (JV):**

- **On-Top Entry** – Examples in DDRS include:
  - In DJMS, different Budget Line Item (BLI) obligations for Special, Education and Admin & Support are not recorded separately. Therefore, DFAS cannot distinguish different programs and classifies the total amount as Admin & Support. BSOs/Commands may enter a JV to correct/reclassify obligations by BLI in DDRS-B.
  - Due to disconnects in the financial statement reporting process and incomplete transaction posting logic, adjustments by DFAS are required to align the budgetary obligation process with the costs reflected in the Statement of Net Cost.
- **Field Level Entry –** Examples[10] in the field level accounting systems include:
  - **User-Defined Posting Logic**
    - Budget Line Corrections failed to automatically post to Navy ERP (due to system defects, rounding errors, etc.), when a proprietary entry was posted. The BSO/Command must identify and enter these entries manually to specific USSGL Accounts without the use of pre-defined system posting logic (i.e., use of transaction/execution code).
    - Corrections to address an imbalance between general ledger accounts caused by unmatched DEF/DDEF file transactions. The BSO/Command must identify and enter these entries manually to specific USSGL accounts without the use of pre-defined system posting logic (i.e., use of transaction/execution code).
  - **Undocumented, Undefined Business Event**
    - DoD/DON was formally asked to "help" with the relief efforts from natural disasters. Thus, the Command had to reprogram funds for costs already paid by their direct to reimbursable funds. The reimbursable billings were sent and settled with FEMA and others.
  - **Summary-Level Entry**
    - Monthly entry to record/accrue expenditure estimates for all Squadron aviation fuel based on historical costs.

At month-end, unpaid accrued leave liability balances are adjusted to reflect monthly changes in the balances at a summarized level.

[10] Please note the business entries described above could occur through the recording of multiple execution/ transaction codes to appropriately reflect the entire lifecycle of the entry.

## D4 - APPLICATION OF JV AMOUNT CALCULATION

The dollar amount for purposes of determining whether a **FLJV** requires additional supporting documentation (i.e. JV package and entry on the JV log) is defined as the absolute value (i.e., a numerical value without regard to its positive or negative sign) of the sum of the debit amounts of all the USSGL accounts. Both budgetary and proprietary accounts represent a single and distinct accounting event and therefore both must be used when considering the total JV dollar amount. Additionally, using both budgetary and proprietary accounts provides consistency in the calculation methodology across the various systems.

In the figure below, the sum of the absolute value debit entries (yellow) for **both proprietary and budgetary entries** is $600, falling below $1,000. Therefore, this FLJV does not require a JV package and entry on the JV log.

**FLJV Amount Calculation: Example 1**

| GL Account & Description | Budgetary (B)/Proprietary (P) | Manual (M)/System (S) | Debit Amount | Credit Amount |
|---|---|---|---|---|
| 2110.0000 Accounts Payable | P | M | $ 300.00 | |
| 1010.0000 Fund Balance with Treasury | P | M | | $ 300.00 |
| 4901.0000 Delivered Orders, Obligations Unpaid | B | M | $ 300.00 | |
| 4902.0000 Delivered Orders, Obligations Paid | B | M | | $ 300.00 |
| | | Total Amount | $ 600.00 | $ 600.00 |
| | | Proprietary Amount | $ 300.00 | $ 300.00 |
| | | Budgetary Amount | $ 300.00 | $ 300.00 |

For FLJVs there are instances when the budgetary entry may be system generated and the proprietary entry is manually recorded and vice versa. For system generated budgetary postings when a manual proprietary entry is entered in the system, or vice versa, both the manually recorded entry as well as the **expected** systematically posted entry must be examined to determine the total dollar amount. In the figure below, the sum of the absolute value debit entries (yellow) for **both proprietary and system generated budgetary entries** is $1,200, above $1,000. Therefore, this business entry requires a JV package and entry on the JV log.

**FLJV Amount Calculation Example 2**

| GL Account & Description | Budgetary (B)/Proprietary (P) | Manual (M)/System (S) | Debit Amount | Credit Amount |
|---|---|---|---|---|
| 2110.0000 Accounts Payable | P | M | $ 600.00 | |
| 1010.0000 Fund Balance with Treasury | P | M | | $ 600.00 |
| 4901.0000 Delivered Orders, Obligations Unpaid | B | S | $ 600.00 | |
| 4902.0000 Delivered Orders, Obligations Paid | B | S | | $ 600.00 |
| | | Total Amount | $ 1,200.00 | $ 1,200.00 |
| | | Proprietary Amount | $ 600.00 | $ 600.00 |
| | | Budgetary Amount | $ 600.00 | $ 600.00 |

Regardless of whether the JV is partially generated by the system or completely manual, the JV form, JV package and JV log must contain all entries to demonstrate the full impact of the event.

## D5 - JV FORM

Establish a JV form, which includes the minimum data elements as illustrated in the table below. BSOs/Field Level Commands and the Service Provider may have multiple formats, if desired, as long as all minimum data elements are included. For example, the DFAS Service Provider may have a different format from the BSOs/Field Level Commands as long as it contains all minimum data elements.

- The minimum data elements depicted below provide traceability from the JV form to the source documentation and are needed for Quality and Compliance testing and to support an audit.
- All minimum data element fields in that table below must be populated. If a field does not apply to the particular JV, the BSO/Field Level Command and the Service Provider must populate the field with "N/A."
- At the BSO/Field Level Command's or the Service Provider's discretion, additional fields can be added to the JV form (e.g. cost center, cost code, Execution Code, Work Breakdown Structure (WBS) Code, Job Order Number).

| JV Form Minimum Data Elements | |
|---|---|
| **Element** | **Description** |
| System Posting/Effective Date | The effective date of the FLJV. This date should fall within the period the trial balance was impacted by the FLJV.<br>Should be formatted MM/DD/YYYY |
| Poster System Entry Date<br>(FLJVs Only) | Date the poster posted the financial transaction into the system<br>Should be formatted MM/DD/YYYY |
| BSO/Command | Navy BSO and Command, where appropriate, for which the FLJV is being prepared (e.g., SPAWAR – SSCLANT, ONR – NRL) |
| JV ID# | Unique identification number assigned to the JV. The JV ID number must coincide with the JV ID number entered in the JV log.<br>For FLJVs, the ID number should contain at a minimum: FLJV, DFAS (if prepared by the Service Provider), Fiscal Year, Quarter, BSO or Command number, Sequential number. An ID number should never be duplicated. |
| JV Type | For FLJVs, the JV type is either Temporary with Manual Reversal (TMR), Temporary with Automated System Generated Reversal (TSR) or Permanent (P)<br>For On-Top JVs the JV type is Permanent (P), Permanent with Reversal (PR), Permanent with Reversal Recurring (PRR), Temporary (T), or Temporary Recurring (TR) |

| JV Form Minimum Data Elements | | |
|---|---|---|
| **Element** | | **Description** |
| Supported | | Indicate if the JV is considered supported based on the available supporting documentation:<br>Mandatory Codes:<br>Y – JV is supported based on the available supporting documentation<br>N – JV is not supported and there is no available supporting documentation |
| Issue Code | | Field that denotes issue type of the JV being posted. Every unique JV ID must contain one of the following Mandatory JV Issue Codes.<br>Mandatory Codes:<br>A- System Deficiencies/Issues – Example: GL System posting logic does not support GE CIP<br>B- Business Process Error – Example: Obligating document not processed in a timely manner<br>C- Routine/Acceptable – Example: Labor Accruals<br>FMO and DFAS are assessing the ability to add issue codes on On-Top JV forms. |
| | JV Issue Identifier | Field that denotes the underlying issue identifier of the JV being posted. Every unique JV ID must contain only one JV issue identifier. JV issue identifiers are maintained by FMO and published for use via the FMO-2 Share Point site.<br>FMO and DFAS are assessing the ability to add issue identifiers on On-Top JV forms. |
| Line#<br>(FLJVs only) | | The Line # field is used to organize the presentation of the entry on the form to facilitate review and detailed description of the FLJV. Use this field to sequentially organize each line of the FLJV form, as 1, 2, 3, 4, etc.<br>Line Number is a "parent" field with associated attributes. Any change in an attribute requires a new Line Number |
| Must be included for each Line Number within the JV | Document Number (FLJVs Only) | An identification number included in a Standard document. An example of a Standard Document Number (SDN) would be "N404252276FF01."<br>Or, the unique system generated document number which references the entry within the accounting system in Navy ERP (i.e. Unique FI DOC # or REFDOCUMNT assigned to each posting) |
| | Subhead/Limit (SBHD) (FLJVs Only) | Subhead/Limit impacted by the FLJV (e.g. 60BA). FLJVs which commonly include SBHD in the supporting documentation include, but are not limited to UALL FLJV packages |

| JV Form Minimum Data Elements | | |
|---|---|---|
| **Element** | | **Description** |
| | General Ledger (GL) Accounts | Complete GL account number(s) being adjusted. For example, "1310.0100" |
| | Appropriation | The Appropriation number impacted by the JV. For example, "1804" |
| | Beginning Fiscal Year (BFY) | The beginning fiscal year of the appropriation. For example, "12" for FY2012. |
| | Ending Fiscal Year (EFY) | The ending fiscal year of the appropriation. For example, "13" for FY2012 |
| | Debit Amount | The absolute value of the debit amount. For example, "$1,820.80." Debits should equal credits. |
| | Credit Amount | The absolute value of the credit amount. For example, "$1,820.80." Debits should equal credits. |
| Total Amounts | | The total amount of the absolute value of debit entries and the total amount of absolute value of credit entries. |
| Reason for JV | | A detailed explanation that provides an understanding for why the JV was necessary and the rationale behind posting the JV. |
| Prepared By | | The full name, title, BSO/Command (or Service Provider if the JV is prepared by DFAS), signature of the preparer and the date |
| Approved By Service Provider | | If the JV is prepared by DFAS: The full name, title, organization, signature of the Service Provider reviewer and the date |
| Approved By | | The full name, title, BSO/Command (Service Provider and FMO/FMB signatures, if applicable for On-Top JVs), and signature of the approver and the date |
| Posted By (FLJVs Only) | | The full name, title, BSO/Command (or Service Provider if the JV is prepared by DFAS), signature of the poster and the date |
| Validated By | | The full name, title, BSO/Command (or Service Provider if the JV is prepared by DFAS), and signature of the validator and the date |

## D6 - JV LOG

Establish a standard JV log, which includes the minimum data elements as illustrated in the table below.

- JV logs must be in a calculable format with either text-formatted data values for text fields, date-formatted data values for date fields, accounting-formatted data values for numeric dollar fields or numerically-formatted data values for numerical fields. This ensures consolidated JV logs will easily facilitate calculable counts, dollar amounts and report reason categories metrics.
- All minimum data element fields in the table below must be populated.
- At the BSO's/Field Level Command's and Service Provider's discretion, additional fields can be added to the JV log (e.g., name of poster, name and date of validation).

| JV Log Minimum Data Elements | | |
|---|---|---|
| **Element** | **Description** | **Field Type** |
| JV ID# | Unique identification number assigned to the JV. The JV ID number must coincide with the JV ID number entered on the JV form.<br>For FLJVs, the JV ID number should contain at a minimum: FLJV, DFAS (if prepared by the Service Provider), Fiscal Year, Quarter, BSO or Command number, Sequential number. An ID number should never be duplicated.<br>A given JV (as denoted by a unique JV ID) may occupy more than one row on the JV log. | Text Field |
| JV Type | For FLJVs, the JV type is either Temporary with Manual Reversal (TMR), Temporary with Automated System Generated Reversal (TSR) or Permanent (P)<br>For On-Top JVs the JV type is Permanent (P), Permanent with Reversal (PR), Permanent with Reversal Recurring (PRR), Temporary (T), or Temporary Recurring (TR) | Text Field |
| Supported | Indicate if the JV is considered supported based on the available supporting documentation:<br>Mandatory Codes:<br>Y – JV is supported based on the available supporting documentation<br>N – JV is not supported and there is no available supporting documentation | Text Field |
| JV Issue Code | Field that denotes the issue type of the JV being posted. Every unique JV ID must contain one of the following Mandatory JV Issue Codes.<br>Mandatory Codes:<br>A- System Deficiencies/Issues – Example: GL System | Text Field |

| JV Log Minimum Data Elements | | |
|---|---|---|
| **Element** | **Description** | **Field Type** |
| | posting logic does not support GE CIP<br>B- Business Process Error – Example: Obligating document not processed in a timely manner<br>C- Routine/Acceptable – Example: Labor Accruals<br>JV Issue Codes are maintained by FMO and published for use via the FMO-2 Share Point site.<br>FMO and DFAS are assessing the ability to add issue codes on the On-Top JV logs. | |
| JV Issue Identifier | Field that denotes the underlying issue identifier of the JV being posted. Every unique JV ID must contain only one JV issue identifier. JV issue identifiers are maintained by FMO and published for use via the FMO-2 Share Point site.<br>FMO and DFAS are assessing the ability to add issue identifiers on the On-Top JV logs. | Text Field |
| System Posting/Effective Date | The effective date of the JV. This date should fall within the period the trial balance was impacted by the JV.<br>Should be formatted MM/DD/YYYY | Date Field |
| Poster System Entry Date<br>(FLJVs Only) | Date the poster posted the financial transaction into the system<br>Should be formatted MM/DD/YYYY | Date Field |
| General Ledger (GL) Account | Complete GL account number(s). For example, "1310.0100" | Text Field |
| Reason for JV | A detailed explanation that provides an understanding for why the JV was necessary and the rationale behind posting the JV. This field may be a summary of the detailed explanation provided on the JV form | Text Field |
| Debit Amount | The absolute value of the debit amount. For example, "$1,820.80." Debits should equal credits. | Numeric Dollar Field |
| Credit Amount | The absolute value of the credit amount. For example, "$1,820.80." Debits should equal credits. | Numeric Dollar Field |
| Summary FLJV Amount Total<br>(FLJVs Only) | BSOs/Field Level Commands must independently calculate the total sum of the absolute value of each debit and each credit, by FLJV ID, for FLJVs performed in the quarter. The total debit and credit values of all unique FLJV IDs included in the log must be notated at the bottom of both debit and credit columns. Debits should equal credits. Additionally, the total debit and credit | Numeric Dollar Field |

| JV Log Minimum Data Elements | | |
|---|---|---|
| **Element** | **Description** | **Field Type** |
| | values by unique FLJV ID should equal the total debit and credit values on the respective FLJV form.<br>Amounts should include two decimal places. For example, "$1,820.80." | |
| Summary FLJV Count Total<br>(FLJVs Only) | BSOs/Field Level Commands must independently calculate the count of FLJVs, by unique FLJV ID, performed in the quarter and denote that total value in a single cell included at the bottom of the column. | Numeric Field |

## D7 - JV FAQs

| No. | Topics / Questions | FMO Response |
|---|---|---|
| 1 | Do JV reversals and system generated JVs require a JV package, supporting, documentation, and inclusion on a JV log? | All On-Top JVs require a JV package, supporting documentation, and inclusion on a JV log. However, for FLJVs, inclusion in the FLJV Log and required supporting documentation may vary for reversals and system generated FLJVs.<br>• Manual Reversals: In the case of temporary FLJVs where the reversal will occur manually, a separate FLJV package is required to be prepared for the subsequent reversal, and must include a copy of the originally recorded FLJV package as part of the supporting documentation. A reversal initiated by the BSO/Field Level Command accountant or Service Provider (i.e. inputting a Document Number in Navy ERP) which results in a system reversal would still be considered a manual reversal as there is manual intervention prior to the reversal entry. A reversal FLJV must have a FLJV type of "permanent" and must be indicated as such in the FLJV Type Field in the FLJV Form and FLJV log.<br>• System Generated Reversals: In the case where temporary FLJVs are reversed automatically by the system, an FLJV package for the reversing entry and inclusion on the FLJV log is not required. Generally, automatic reversals occur on a set date/time which was defined when the original entry was recorded in the accounting system. These reversals may be listed on the log, but must be excluded from any total FLJV counts and amounts. The automatic reversal is considered "permanent" and should be indicated as such in the FLJV Type Field on the FLJV log.<br>• Manual Entry Accompanied with an Automatic Posting: In the case where manual proprietary entries occur with an automatic system generated posting of the budgetary entries, the inclusion of both entries on the FLJV form and FLJV log are required to provide a full understanding of the transaction entered into the system. |
| 2 | Can a single JV form record multiple transactions? | Batch transactions or multiple transactions may be recorded using one summary level JV (and one JV Form and JV ID number) if the transactions are related and for the same purpose. In this scenario, the BSO/Field Level Command must list the document number that corresponds to the JV form and JV log back to the supporting documentation. If multiple document numbers are being affected by the JV, list all applicable document numbers on the explanatory documentation. |

| No. | Topics / Questions | FMO Response |
|---|---|---|
| 3 | What documentation is required for correction of an error? | In the case where a correction of an error for a previously entered JV is required, the following must be included in the JV package:<br>• Rationale for correction<br>• Original FLJV Package<br>• Reversal entry<br>• Correcting entry (if applicable)<br>• Any other information/documentation needed so that a reasonable individual can ascertain that the correction was properly made |
| 4 | Is email correspondence sufficient documentation? | Generally, emails should not be included as supporting documentation for entries. While concise email chains may corroborate the reason/review/approval of an adjustment, they should not be the only document supporting the adjustment. Care should be taken to ensure that any e-mail used as supporting documentation does not raise unanswered questions or create doubt about the legitimacy of an entry. |
| 5 | How do I document an undefined or undocumented business process that resulted in a JV? | For any business practices that result in FLJVs where the business practices are currently undefined, stakeholders must develop management-approved Standard Operating Procedures (SOP), Desk Guides, Manuals, or other similar documents. The overall objective is to retain and maintain a document that a reasonably trained person could use to comprehend and account for the documented event. These standard documents should be both informational and instructional and include at a minimum:<br>• A description of the business event<br>• The root cause of the business event.<br>• The accounting treatment applied and the reason that accounting treatment was chosen.<br>• Consistent supporting documentation that justifies the accounting treatment.<br>• Documentation for business processes must include an authoritative source such as a specific citation or reference to the Federal Accounting Standards Advisory Board (FASAB) Standards, Office of Management and Budget (OMB) Circulars, Treasury Financial Manual (TFM), Financial Management Regulations (FMR), etc. as a baseline for actions executed within the process documentation.<br>• Approvals from BSO/Field Level Command management and dissemination and agreement from lower Activity/Echelon levels.<br>• Evidence that the documentation was reviewed at least annually to ensure compliance with current accounting standards, BSO/Field Level Command business operations and financial reporting requirements. |

## D8 - JV ROLES AND FUNCTIONS

| Role | Functions |
|---|---|
| **JV Preparer** | • Accurately identify and explain the JV purpose, accounts, attributes, and amounts<br>• Ensure availability of funds affected by the entry<br>• Ensure it is a balanced JV<br>• Ensure GL postings (budgetary and proprietary) used are appropriate<br>• Create a JV package with proper documentation (i.e., completed JV form; Initial Source Documentation; Explanatory Documentation) that adequately supports the JV entry<br>• Sign JV as preparer |
| **JV Approver**[11] | • Confirm that a description, purpose, and root cause is provided and accurately describes the underlying business event of the JV and is consistent with the transactional postings<br>• Ensure JV has adequate documentation to support the purpose of the JV<br>• Verify the debit and credit amounts are equal/accurate and the calculation methodology is present<br>• Ensure that the JV is compliant with applicable policies and regulations<br>• Ensure that the JV is complete (both budgetary and proprietary postings, if applicable)<br>• Ensure the transaction date is appropriate for the transaction (JVs should be completed in the month the activity occurs)<br>• Approve JV for posting |
| **JV Poster** | • Verify approval occurred prior to posting the transaction in accounting system<br>• Verify BSO review occurred prior to posting in accounting system (only for FLJVs prepared by Service Provider)<br>• Record JV within the appropriate accounting period<br>• Record JV in the accounting system with same JV detail as what was approved<br>• Verify within the general ledger system the entry is posted as intended |
| **JV Validator** | • Ensure the approved JV was posted to the accounting system and that it reflects the intent of the approved JV<br>• Ensure the end-to-end JV process was followed (e.g. segregation of duties, timely approval)<br>• Ensure all applicable approval signatures are present |

[11] As stated in Section 6.1, the approver must have written authority documentation unless the authority is inherent in a job description/position. For all other roles, BSOs/Field Level Commands must be able to demonstrate that personnel possess the requisite knowledge, skills and ability to perform their assigned role as well as demonstrating proper segregation of duties.

## D9 - FLJV LOG COMPLETENESS CHECKLIST TEMPLATE

As a result of FMO's ongoing efforts to strengthen internal controls surrounding FLJVs, all BSO's are required to verify that their FLJV logs are complete. As part of this verification process, effective immediately, BSO's are required to ensure, at a minimum, the following completeness checks are performed prior to and included with, their submission for quarterly FLJV Quality and Compliance testing (i.e., November 10, February 10, May 10, and August 10):

| | | |
|---|---|---|
| ☐ | | All FLJVs that meet the FLJV criteria, per the DON JV Policy, are recorded and included on the FLJV log for the applicable quarter. |
| ☐ | | All FLJVs prepared on behalf of the BSO by DFAS are included on the BSO's FLJV log for the applicable quarter. |
| ☐ | | Obtained a listing of all expected "Routine/Acceptable" JVs (i.e., Issue Code "C") to be recorded and appear on the FLJV log by utilizing the *FLJV Master Issue Identifier List*[12]:<br>• Filter the latest FLJV Master Issue Identifier List by Issue Code "C"<br>• Filter by applicable accounting system (e.g., NAVAIR, Navy ERP), and/or<br>• Filter by applicable fund type (e.g., GF or WCF) |
| ☐ | | Ensured the following based on the above list: |
| | ☐ | All expected "Routine/Acceptable" JVs are posted and included in the FLJV log for the applicable quarter. |
| | ☐ | All expected "Routine/Acceptable" JVs are posted at the correct frequency (e.g., a monthly JV should be repeated 3 times for the quarter). |
| | ☐ | Attached to checklist an explanation of why any expected "Routine/Acceptable" JVs are not on the FLJV log (if applicable). |
| | ☐ | Notified FMO if any "Routine/Acceptable" JVs are not accurately captured on the *FLJV Master Issue Identifier List* (if applicable). |
| ☐ | | All minimum data elements, as indicated in the *Guidelines for Documenting Business Processes and Controls*, are included in the FLJV log and data fields are appropriately populated. |
| | ☐ | FLJV log is in a calculable format (i.e., MS Excel) |
| | ☐ | Only JVs with an effective period for the applicable quarter are included on the FLJV log |
| | ☐ | Sum total FLJV count and amount for the applicable quarter is based on unique FLJV ID numbers |
| | ☐ | Any "void", "rejected" or "disapproved" entries are excluded from the count/amount calculations |
| | ☐ | Debits equal Credits |
| | ☐ | If a field does not apply to the particular FLJV, it is populated with "N/A." |
| ☐ | | The FLJVs included on the FLJV log for the applicable quarter reconciles to those within the population tab of the BSO Quality & Compliance test workbook. |

[12] The most current version of the *FLJV Master Issue Identifier List* can be found on the FMO SharePoint site at the following location:
https://portal.secnav.navy.mil/orgs/FMC/FMO/FLJV/Documents/Forms/AllItems.aspx?RootFolder=%2Forgs%2FFMC%2FFMO%2FFLJV%2FDocuments%2FFLJV%20Issue%20Identifer%20List&FolderCTID=0x012000788DC63398678B47A8B8D4DF93AB6BD7&View=%7B93B8E489%2D53A0%2D4BA0%2DB8C1%2DC750453838F2%7D

| | |
|---|---|
| ☐ | The sum total FLJV count and amount from the FLJV log for the applicable quarter reconciles to the population tab in the BSO Quality & Compliance test workbook. |
| ☐ | Submitted a separate FLJV log for General Fund and Working Capital Fund, where applicable. |
| | |
| **Check list reviewed by: (Right click to sign)** | |
| **X** | |