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Resources Management

BUDGET POLICIES AND PROCEDURES



BY ORDER OF THE DIRECTOR

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AUTHORITY: Defense Commissary Agency Directives Management Program is established in compliance with DoD Directive 5105.55, Defense Commissary Agency (DeCA), November 1990.

MANAGEMENT CONTROLS: This directive contains Management Control provisions that are subject to evaluation and testing as required by DeCAD 70-2 and as scheduled in DeCAD 70-3. The Management Control Checklist to be used by assessable unit managers to conduct the evaluation and test management controls is at **Appendix A**.

APPLICABILITY: This directive applies to the Defense Commissary Agency (DeCA) activities.

HOW TO SUPPLEMENT: Regions may not supplement this directive.

HOW TO ORDER COPIES: Stores needing additional copies will submit requirements on DeCA Form 30-21 to Region/IM. Regions will consolidate requirements and order per published schedule.

SUMMARY: This directive describes budget policies and procedures to include the process of determining requirements, obtaining resources and effectively applying those resources to accomplish planned goals and objectives of the Defense Commissary Agency.

OFFICE OF PRIMARY RESPONSIBILITY (OPR): HQ DeCA/RM
COORDINATORS: HQ DeCA Directorates and Regions
DISTRIBUTION: E

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Chapter 1

FINANCIAL MANAGEMENT IN DeCA

1-1. General Information. Financial management is the process of determining requirements, obtaining resources and judiciously applying those resources to accomplish planned goals and objectives. Within the Defense Commissary Agency (DeCA), financial management is the effective and efficient use of resources to meet both the direct mission and support responsibilities of the commissary system. Responsibility for this process is charged to commanders, directors, and managers at the Headquarters, Regions, and Service Centers.

1-2. Basis for Financial Management. Financial management is an integral part of resource management systems in the Department of Defense (DoD) (DoDD 7000.1), and includes the different funds required to defend this nation. DeCA's mission is to:

- a. Provide a non-pay benefit through a worldwide commissary system for the resale of groceries and household supplies to authorized patrons.
- b. Operate designated worldwide troop subsistence supply functions and field exchanges in both peacetime and war.

1-3. Role of Directors and Managers. Each director and manager, at every level of the organization, is responsible for the effective, efficient, and economical use of all resources made available to his or her organization. The extent to which each director and manager directly influences the budgeting, allocation, composition, and distribution of these resources depends on the degree of centralization of authority. The degree of centralization is the prerogative of each echelon of command and is determined by mission needs, resources involved, and managerial environment. Regardless of the level of centralization, operating level managers are directly involved and responsible for managing resources used. It is DeCA's intent to decentralize financial management as much as possible.

a. There are positive means for a manager to directly influence the effectiveness, efficiency, and economy with which all resources are used to perform assigned missions and operations. The individual manager assists in budget formulation and resource allocation by recommending the best mix of available resources to ensure their most efficient use. Each manager should take an active part in the formulation and execution of operating budgets. Participatory management includes the use of both a financial management executing and working committee to advise and assist the commander in the decision-making process.

b. The Resource Manager assists by assuring fiduciary accounting and control of obligations and providing expense data through the accounting system. Both obligation and expense data are important because each involves distinct but related aspects of financial management. Managers must have obligation data to monitor availability of funds. Expense data is important because it is the basis for measuring performance of the organization. Relating expenses to production for a given period tells a manager how well the manager has done compared to a standard or to past activity. For the Defense Business Operations Fund (DBOF) Commissary Operating Fund obligations and expenses should generally be close to the same, at the end of the fiscal year. The Resource Manager also provides training in resource management and in the use of expense data in financial management.

c. Managers either control or significantly influence expenditures for civilian labor (including overtime), utilities, transportation, communications, contractual services, supplies, and equipment. Significant management flexibility exists in these areas. Managers also have direct control over TDY funds

by deciding the necessity and frequency of mission and administrative TDY, mode of travel, and number of travelers. The same controls can be applied to command directed TDY.

d. An integral part of the resource management process is performance evaluation and productivity measurement. Individual managers and commanders must have tools, techniques, and analytical support to interpret available data and evaluate performance. The Resource Manager assists in this phase of resource management.

1-4. The Primary Role of Budget.

a. The primary role of Budget in DeCA is to develop budget estimate guides and direct preparation of budget justification, present and defend DeCA's budget and financial policies to OSD/OMB, and aid in the orderly administration of all appropriated funds available to DeCA. In this role, the budget officer functions as the primary technical advisor to the director in the administration of all funds provided by Department of Defense (Comptroller) (DoD(C)).

b. The budget process relies heavily on self-control, self-direction, and self-discipline by encouraging the acceptance of budget responsibility at the organizational level where funds are spent. Budget officers are responsible along with staff operating personnel, for preparation and execution of the operating budget and financial plan. They have stewardship responsibilities for the funding authorities available to regions, and help organizational managers achieve and justify their goals from a financial management standpoint. Particular attention and effort must be directed toward managing within the Future Year Defense Program (FYDP) structure with detailed identification by program element (PE).

c. Formulation of budget requirements is the responsibility of Budget in conjunction with organizational managers at each successive level of command, culminating with the submission of the budget to the Secretary of Defense (SECDEF).

d. All budget submissions and financial plans must be given critical review and approval by operating activities at each successive level of command in the process of submission to HQ DeCA. The estimates are then reviewed by DeCA/Resource Management Budget (RMB) and designated DeCA Financial Advisory Committee Members to ensure adherence to programs and instructions and achievement of the proper operational balance.

e. In each DeCA organization, the Budget staff will use their experience, functional area data, and financial information to help commanders and organizational managers effectively accomplish their missions at the most economical cost.

1-5. Responsibilities of the Budget Officer at HQ DeCA. The budget officer participates actively in the preparation of operating budgets and financial plans and revisions; guides and counsels operating personnel about plans, assumptions, and technical data; and during the execution phase, explores ways and means of accomplishing objectives within the limits of the budgetary authority.

a. The budget officer should view the budget process as an integral part of overall financial management, where programs and requirements compete for limited financial resources.

b. Accounting systems neither manage nor solve the problem of how to match available funds against programmed requirements. Accounting systems and reports provide little management benefit unless they are reviewed, analyzed, and put to appropriate use. Proper matching of limited funds with essential requirements can only be accomplished by an informed and prudent management. The following pitfalls must be avoided:

- (1) One flawed approach is to determine the initial statement of requirements and then

encourage the consumption of resources to validate this premise. While this may achieve a temporary and superficial form of perceived accuracy and credibility, it is accomplished at the expense of effective management. Neither the operating budget nor financial plan is cast in concrete and is constantly subject to change and reprogramming to accommodate revised missions and requirements.

(2) Another faulty approach is to avoid any possibility of withdrawal of financial authority without regard to the consequences. This self-interest is an attitude of proprietorship at the expense of good overall management and negates the concept and intent of the DeCA financial management system.

(3) No amount of statistics can perform management. Management can only be performed by people with a good management attitude. The budget officer can do much toward instilling the proper attitude in subordinates and among operating managers. Do not allow a negative attitude to prevail. When skillful control is exercised with a positive attitude of selflessness and dedication, we are approaching management with the proper perspective.

1-6. Responsibilities of the Budget Officer at Region:

- a. Develop, with appropriate staff, budgets and financial plans for the various appropriations according to instructions from higher authority.
- b. Receive budget authorities.
- c. Determine, with the participation of the staff, distribution of budget authorizations.
- d. Monitor funding which has been transferred to subordinate echelons for reporting.
- e. Provide guidance and assistance to subordinate organizations, including program and funding guidance.
- f. Plan and perform continuous analysis and evaluation of programs of subordinate organizations and bases to determine:
 - (1) Actual accomplishments as compared to planned programs.
 - (2) Availability of resources to achieve the remainder of approved objectives.
 - (3) Areas in which financial plan reprogramming may be necessary to accomplish planned programs.
 - (4) Funding impact of proposed mission program changes and reprogramming actions.
- g. Advise the staff on results of analyses and make appropriate recommendations.
- h. Adjust the financial plan or operating budget according to revised objectives, and when necessary prepare and submit narrative justification for increased or decreased requirements.
- i. Adjust distribution of the amounts within the approved financial plan to meet current requirements.
- j. Conduct special studies pertaining to forecasts, projections, or estimates of requirements.
- k. Advise the staff on the propriety of proposed use of financial resources.

- l. Advise, assist, and provide training to base-level organizations.
- m. Develop specific policies and procedures for use at region and store level in administration of operating budgets and financial plans.
- n. Develop emergency operating plans and special program reporting instructions and requirements.
- o. Supplement DeCA directives to accommodate region uniques.
- p. Monitor preparation of store-level financial management directives.
- q. Review and coordinate concurrent use and support agreements.
- r. Review and ensure that corrective action is taken on reports of audit and Inspector General (IG) inspection reports.

1-7. Headquarters Supervision of Subordinate Budget Offices. An important function of DeCA/RMB is to exercise technical supervision and provide all required assistance to the budget offices of its subordinate echelons. This supervision includes review of estimates and status reports. DeCA/RMB should also exercise constructive supervision over subordinate budget offices to ensure compliance with budget policies, procedures, objectives, instructions, and all applicable directives. Representatives of DeCA/RMB should schedule periodic visits to subordinate budget offices to advise, assist, and review their procedures. Headquarters representatives should also be available to visit subordinate offices on request or whenever review of reports or other information indicates the need for in-person assistance. The primary purpose of these visits is to provide technical supervision and assistance rather than audit or inspect. However, attention should be given to the propriety of obligations and expenses as recorded in the various reports. Reports of inspections and visits made by other staff offices may indicate the need for close supervision.

1-8. Participatory Financial Management. In financial management, the corporate organizational approach has proven to be the most effective in achieving a balanced application of resources. Traditionally, funds furnished to an organization or activity do not satisfy total requirements. As a result, a reduction in the scope of certain programs and the deferment or elimination of other programs become necessary to accomplish the overall mission. Decisions to reduce, defer, or eliminate programs or establish priorities are most effective when accomplished through the combined efforts of the commander and supporting staff. Unilateral management of programs, in which other programs competing for the same limited resources are ignored, often results in poor decisions when measured against the total mission. To provide the basis for collective resource management action, DeCA must establish and maintain a corporate financial management structure. The formal structure consists of two financial management committees: a Financial Executive Board and a Financial Advisory Committee.

a. The Financial Executive Board (FEB). The board determines program priorities for the Agency and makes sure that resources are effectively allocated.

- (1) The board is composed of top-level managers.

| Staff | Position |
|-------------------------|-----------------|
| Chief Executive Officer | Chairperson |

| | |
|------------------------------|----------|
| Director of Northeast Region | Member |
| Central Region | Member |
| Southern Region | Member |
| Midwest Region | Member |
| Southwest Region | Member |
| Northwest Region | Member |
| European Region | Member |
| Operations | Advisor |
| Resource Management | Advisor |
| Chief of Staff | Advisor |
| Budget Officer | Recorder |

(2) The board convenes at the call of the chairperson. Minutes of meetings are prepared by the recorder, with a copy of the original filed in the budget division, and a copy provided to each board member and advisor.

(3) The board reviews and approves or disapproves recommendations made by the Financial Advisory Committee to make sure that financial programs are valid, that they represent a balanced program, and that all known or anticipated program requirements have been considered. The board must review, revise as necessary, and approve operating budgets.

(4) The Financial Executive Board (FEB):

(a) Reviews requirements for approved programs and activities, making certain of balanced financial support throughout.

(b) Reviews and approves programs identified by the Financial Advisory Committee that must be deferred, reduced, eliminated, or moved to an unfunded requirement.

(c) Evaluates and lists in priority sequence all unfunded requirements.

(d) Reviews and approves capital investment requirements.

b. The Financial Advisory Committee (FAC). The committee is composed of Headquarters and staff elements.

| Staff | Position |
|---------------------------------|-----------------|
| Chief of Staff | Chairperson |
| Director of Operations | Member |
| Resource Management | Member |
| Facilities | Member |
| Personnel and Manpower | Member |
| Acquisition | Member |
| Information Management | Member |
| Strategic Planning and Analysis | Member |
| Safety, Security, and Admin | Member |
| General Counsel | Member |
| Inspector General | Member |
| Internal Review | Member |
| Corporate Communication | Member |
| Budget Officer | Recorder |

(1) Committee meetings are convened as necessary to support the deliberation and decision process of the Financial Executive Board. Minutes of the meetings are prepared by the Recorder, filed in the budget office, and a copy provided to each committee member and each Financial Executive Board member.

(2) The Committee develops requirements for inclusion in the operating budget, and revisions thereto. The preparation of operating budgets is a vital part of the overall financial plans, and the committee makes recommendations to the Financial Executive Board for final approval. The committee ensures:

(a) Operating budget estimates represent the total amounts required to accomplish assigned missions and approved programs for the regions and headquarters.

(b) Organizations list in order of priority financial requirements to accomplish mission objectives and, at the same time, provide for a balanced program of mission and support requirements.

(c) Operating budgets achieve a high degree of credibility through an in-depth and impartial analysis.

(d) Committee members are agents of the Director, as well as representatives of their parent activity, during the review.

(3) The committee identifies unfunded requirements, establishes a recommended priority, and presents them to the Financial Executive Board for review and approval or disapproval.

(4) The committee recommends adjustment or redistribution of financial targets between activities when imbalances in resource distribution are noted. This action requires Financial Executive Board approval.

Chapter 2

BIENNIAL PLANNING, PROGRAMMING AND BUDGETING SYSTEM

2-1. Overview. The Biennial Planning, Programming and Budgeting System (BPPBS) provides Military Departments and Defense Agencies a method to achieve objectives established by the President and Secretary of Defense (SECDEF). The process begins with translating guidance into operational plans designed to safeguard our national security interests. Streamlined planning documents and mission area analyses help prioritize objectives and assess strategies while providing the all important link between planning and programming. Programming includes developing a proposed program by Military Departments and Defense Agencies and a formal program review and approval by the SECDEF. Initial program costing is established during the programming phase. In the budgeting process, costs are updated and a proposed budget is submitted to the SECDEF for review and approval. The result becomes part of the President's Budget (PB).

2-2. Defense Review Board. This board is the SECDEF's corporate review body and is responsible for managing the BPPBS. It is chaired by the Deputy SECDEF and is primarily comprised of the Under and Assistant Secretaries of Defense, Military Secretaries, Chairman of Joint Chiefs of Staffs, and Military Chiefs of Staff. Another key member is the Associate Director, Office of Management and Budget (OMB), National Security and International Affairs. OMB participation is very useful because this precludes the need for an additional OMB review following the completion of the DoD budget. This unique procedure allows the SECDEF to submit the DoD budget later than any other department in the execution branch.

2-3. Continuous Process. The BPPBS is an ever-evolving process without a definitive start or end. Furthermore, the segments of a single BPPBS cycle overlap and do not evolve in isolation. This is significant because unexpected events occurring in one cycle can impact other cycles. For example, during presidential election years, overlap is complicated by supplemental budget requests or major programmatic decisions. Each cycle provides three "snapshots" of the DoD program: (1) Program Objective Memorandum (POM), (2) Budget Estimate Submission (BES), and (3) President's Budget (PB).

2-4. Defense Guidance. The Defense Guidance provides Department of Defense (Comptroller) (DoD(C)) direction to the Military Departments and Defense Agencies for developing the POM. National security policy provides the basis for the Defense Guidance. The Defense Guidance provides SECDEF policy, strategy, force planning, resource planning, and fiscal guidance to all DoD organizations. Based on Defense Guidance, DoD(C) sends out fiscal guidance which determines the Total Obligation Authority (TOA) needed to execute the DoD program for the next six years. This amount reflects Presidential and OMB decisions concerning real growth and inflation rates used to develop Military Department and Defense Agency programs. In other words, Fiscal Guidance provides the overall constraint, or dollar ceiling for constructing programs.

2-5. Future Years Defense Program (FYDP). The FYDP is the official document that summarizes SECDEF approved programs and captures the three updates to the DoD program. It is a detailed compilation of the total resources (forces, manpower, and dollars for each appropriation) programmed for DoD, arranged by major force program (MFP) and appropriation. Within each MFP, requirements are arranged by program element (PE). This structure is used as a basis for internal DoD program review. The appropriation structure is used by Congress in its review of the DoD budget request and differs from the MFP approach. By satisfying both requirements, the FYDP serves as an interface between the two methods of portraying program and budget data. The FYDP projects all data except forces for six years; forces extend an additional three years. For the FYDP to be used effectively as a management tool at higher echelons of command, it must be carefully costed. Such costing is accomplished by linking plans and programs to budget estimates reflecting desired program levels, and to budget authorities representing approved program levels. The

budgeting system defines resources to be consumed and the accounting system keeps track of what resources have been consumed. Therefore, an important link in the DoD financial management system is the accounting system for research and development, investments, and operations.

2-6. FYDP Elements. The elements of the operating budget structure recorded in the accounting system for operations are:

(1) Major Force Program (MFP). The MFP is the major budget program in the operating budget structure. The DoD MFP structure is:

| MFP | Description |
|-----|---|
| 1 | Strategic Forces |
| 2 | General Purpose Forces |
| 3 | Intelligence and Communications |
| 4 | Airlift/Sealift |
| 5 | Guard and Reserve Forces |
| 6 | Research and Development |
| 7 | Central Supply and Maintenance |
| 8a | Training and Other General Personnel Activities |
| 8b | Medical |
| 9 | Administration and Associated Activities |
| 10 | Support of Other Nations |
| 11 | Special Operational Forces |

(2) Program Element (PE). PEs describe all forces, activities, and support required to accomplish the DoD mission with associated costs. There are more than 1600 PEs in the DoD. DeCA has two PEs, 0702840DBC -- Commissary Resale Stocks and 0702841DBC -- Commissary Operations.

2-7. FYDP Updates. The FYDP is updated three times during each BPPBS cycle; in May (even years) to reflect program proposals as a first step toward the next President's Budget; in September (even years) to reflect Military Departments and Defense Agencies budget estimates resulting from SECDEF decisions on program proposals from May; and in January (odd years) to reflect the President's Budget. The final update becomes the departure point for developing the program proposal for the next budget year.

2-8. Program Objective Memorandum (POM). Each Military Department and Defense Agency biennially prepares and submits its POM to the SECDEF. The POM expresses the DeCA FYDP recommendations to DoD(C) to meet the objectives of the Defense Guidance.

a. The POM is submitted to DoD(C) in April of the even years. DoD(C) reviews each POM transmittal to determine compliance with Defense Guidance and to develop more cost-effective alternatives to proposed programs.

b. DoD(C) can propose program alternatives to the POM. These alternatives are called issues, which include a discussion section followed by several alternatives. Alternative 1 is always the POM position. DoD(C) scrubs all issues and develops issue books to submit to the Defense Review Board for their review and evaluation.

c. Final decisions on issues are recorded on a Program Decision Memorandum (PDM). The PDM modifies and approves the POM which becomes the basis for the Budget Estimate Submission.

2-9. Budget Process. The budget process is the final phase in the BPPBS cycle. The budget expresses

financial requirements necessary to support approved DoD programs developed during preceding phases of planning and programming. The approved programs are those which evolve from incorporating all decision documents received through a predetermined date announced by the BPPBS review schedule memorandum. It is through the budget that planning and programming are translated into annual funding requirements. Each budget estimate, therefore, sets forth precisely what DoD expects to accomplish with the resources requested for the year. The budget process is divided into three phases.

a. **Formulation.** Formulation is planning and developing the budget for a fiscal year or years beginning 1 October. This phase begins when DeCA/RM issues a call for budget estimates. This call is based on guidance received from DoD(C). Formulation continues with review, modification, and approval of the estimates at all echelons of the Military Departments and Defense Agencies, with review, amendment, and final approval by the SECDEF, OMB, and the President.

b. **Justification.** Justification is presenting and justifying the budget to the Congress.

c. **Execution.** Execution is obligating and expending Congressionally appropriated and revolving funds for the current and prior fiscal year. Budgets are formulated, justified, and executed on the basis of appropriations. Appropriations are subdivided into budget activities, sub-heads, programs, project, and so forth. The format and structure of the various appropriations are controlled by Congress and represent the manner in which Congress desired Military Departments and Defense Agencies to express requirements for funds.

2-10. Budget Submission. Normally, the Budget Estimate Submission (BES) to the SECDEF is made on 15 September, 15 months prior to the first applicable fiscal year. DeCA/RM issues the call for the submission of budget estimates from DeCA Regions in early May of each year prior to the budget submission to SECDEF on 15 September. DeCA/RM instructions prescribes the content and format for budget estimates and promulgates the required budget relationship to the POM, the decision documents, and to the SECDEF Fiscal Guidance or modification thereof. After review and final decision, the DeCA Director submits proposed budget to SECDEF.

2-11. SECDEF and Office of Management and Budget (OMB) Review. Budget analysts from DoD(C) and OMB normally make a joint review of the budgets submitted to verify pricing adjustments and to identify lesser cost alternatives which can either be pricing or program adjustments. OMB analysts have the authority to submit separate decisions on the reviews. After this review, witnesses from the Military Departments and Defense Agencies appear to answer any questions and to provide further justification for their estimates. DoD(C) and OMB document their budget decisions in Program Budget Decisions (PBD). PBDs may propose one or more alternatives to budget estimates and are sent out to the Military Departments and Defense Agencies for an opportunity to develop position papers on each PBD with which there is a disagreement. Decisions contained in the PBDs automatically become final if not appealed. These position papers are evaluated by senior officials who determine which disagreements should be major budget issues. Normally, if someone is trying to restore a budget cut, they must provide an offset in the form of existing budget authority. Final decisions are made by OSD and Military Secretaries and are communicated to the Military Departments and Defense Agencies which prepare the budget schedules for inclusion in the President's budget. Military Departments and Defense Agencies reflect the results of the PBD process in the January update of the FYDP.

2-12. Congressional Review. The President presents the Defense Budget to Congress as a part of the national budget in January of each year. Congressional staffs review the overall budget and backup papers briefly with congressional review commencing early in February.

2-13. Hearings. Hearings begin with "posture" statements from SECDEF, Chairman JCS, Service Secretaries, and Service Chiefs made to the congressional committees. Following delivery of posture

statements, detailed hearings involving Service witnesses are initiated.

a. Congressional review of the Defense portion of the President's Budget is undertaken from the separate standpoints of authorization of programs and appropriation of funds. Annual authorizing legislation for appropriation funds is required for major procurement items (aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons); research, development, test, and evaluation; authorized active duty military personnel end strengths; setting authorized personnel strength of the Selected Reserve components; and for the authorization of the construction program. Authorizing legislation is prepared by the Armed Services Committees of the House and Senate. All appropriation legislation, including that requiring prior authorization, is prepared by the Defense Subcommittees of the House and Senate Appropriations Committees. The military construction appropriation is reviewed and acted upon by a separate Military Construction Subcommittee and is enacted as a separate appropriation.

b. The committees conduct formal hearings at which the SECDEF and Secretaries of the Army, Navy, and Air Force testify on the overall DoD budget. In subsequent hearings, staff representatives of the Military Departments and Defense Agencies are then questioned by congressional subcommittees and staff members on details of the programs and estimates of requirements as supported in the budget document.

2-14. Authorization/Appropriation. When the House Armed Services Committee completes its hearings, it publishes a report containing committee recommendations and brings before the House of Representatives an authorization bill based on those recommendations. The House-passed bill is considered by the Senate Armed Services Committee, hearings are held, the Senate Committee reports to the Senate, and the full Senate passes a bill.

a. If there are differences between the House and Senate versions of the bill, they are resolved by a Joint conference of a small number of members from each of the two committees. The conference report is brought before each of the two legislative bodies, and the final bill is forwarded to the President for signature to complete the enactment process.

b. The same process is followed in enacting the "appropriations" legislation except that it goes through the respective Appropriations Committees rather than the Armed Services Committees. When signed by the President, the legislation becomes an effective Public Law called "Department of Defense Appropriations Act." Ideally, this occurs before October.

c. In instances where appropriation laws are delayed in enactment past 1 October, the Congress passes a joint resolution to provide authority to continue operations pending a passage of the appropriation. This so-called "continuing resolution" authorizes rates of expenditure not to exceed the lesser rate of: (1) that achieved in the preceding fiscal year, or (2) that reflected in any prior action of either body of Congress. Obligations must also be in consonance with approved programs and the rate of obligation established by the SECDEF as well as any deferrals made in programs.

2-15. Congressional Budget and Impoundment Act of 1974. The Congressional Budget and Impoundment Act of 1974 set forth a new foundation for budget decisions in Congress by reorganizing the budget cycle and created three new institutions: The Budget Committees of the House and Senate and the Congressional Budget Office. The Congressional Budget Office is a non-partisan agency designed to provide Congress with information and analyses needed to make informed decisions about budget policy and national priorities. Specific areas of responsibility for the Congressional Budget Office fall into three categories: (1) monitoring the economy and estimating the impact of government actions upon it, (2) improving the flow and quality of budget information, and (3) analyzing the costs and effects of alternative budget choices.

2-16. Budget Execution. Once appropriation bills are passed into law they bind the Military Departments and Defense Agencies to given labels of obligation and within broad categories to services or items that may

be purchased. There are other constraints subsequently exercised at various levels of government.

a. The apportionment process, exercised through OMB, reflects presidential control and restricts the rate or purpose of obligations as provided for by law. It is designed to prevent overobligations by encouraging the most economical and efficient use of obligational authority. Funds are made available on a quarterly, annual, or other periodic basis. Apportionments are made on the basis of hearings conducted by DoD(C) and OMB wherein apportionment requests are considered.

b. The apportionment process also serves the important function of updating the budget which was submitted to DoD(C) more than a year previously. In the absence of an enacted appropriation, the SECDEF establishes authorized obligation rates for each appropriation. After the appropriation is enacted and the apportionment is released by OMB, the apportionment becomes SECDEF's authorized obligation rate.

c. Another financial control technique used by DoD(C) is to defer approved programs until later in the budget execution period. This can be used to restrict the flow of funds into the economy, as well as to control programs by withholding funding authorization until complete justification provided.

d. A further OSD technique is the imposition of recoupment objectives on the Military Departments. A recoupment objective represents the amount of money that DoD(C) estimates can be saved in construction, procurement, and RDT&E accounts in current or prior year programs. Thus, the recoupment objective is the amount by which the funding of a budget year program is reduced in anticipation of such recovery.

2-17. Flexibility in Budget Operations. To meet changing needs, the SECDEF has the authority, with the approval of OMB, to transfer funds from one appropriation to another if such transfers do not exceed statutory limits. There are four other methods besides the transfer authority available to DoD(C) which provide flexibility within appropriations: (1) Supplement Budget, (2) Contract Authorization (Section 3772 Revised Statutes), (3) Deficiency Budgets, and (4) Reprogramming (DoD INST 7250.10).

a. Supplemental and deficiency budgets are in essence additions to the annual budget proposed by SECDEF requesting funds for major, unforeseen emergencies arising during a current year. The SECDEF has a separate emergency fund for R&D programs. The amount authorized by Congress for this purpose varies from year to year.

b. The Military Departments are authorized by Section 3732 Revised Statutes to incur certain obligations for clothing, transportation, supplies, and so forth, pending passage of supplemental or deficiency budget. This authority may be invoked under certain emergency circumstances requiring immediate action that cannot be delayed due to nonavailability of sufficient funds.

c. Military Departments and Defense Agencies may recommend reprogramming to save financial shortfalls or to adjust programs. This involves the reapplication of funds between programs within a particular appropriation. Dollar limits, referred to as thresholds, dictate who may approve the reapplication of funds. Changes exceeding certain thresholds or meeting other substantive criteria require notification or prior approval of Congressional committees.

Chapter 3

FUND CONTROL

3-1. General Information.

a. Fund control is the authority exercised over the receipt, distribution, use, and management of Budget or Cost Authority to ensure:

- (1) Funds are used only for authorized purposes.
- (2) Funds are used economically and efficiently.
- (3) Distributions, commitments, obligations and expenditures do not exceed amounts authorized and available.
- (4) Distribution, obligation, or disbursement of funds is not reserved or otherwise withheld without Congressional knowledge and approval. This does not preclude deferral or withholding action to provide reserves for contingencies or reprogramming within delegated authority.

b. Fund control includes all systems and operational procedures used in this process.

c. All fund control systems and administrative procedures will:

- (1) Provide for segregation of duties in the fund distribution, obligation, and disbursement process.
- (2) Require clear delegation of all funding authority in writing to lower echelon officials.
- (3) Perpetuate administrative and statutory limitations established by higher authority.
- (4) Distribute, monitor, and control funds at the highest level possible.
- (5) Establish appropriate reserves or other withholding of funds for contingencies.
- (6) Ensure that fund withdrawals are coordinated with recipient before being made.
- (7) Control reimbursement authority on funding documents.
- (8) Provide a mechanism to update amounts available. This includes preventing and detecting the overdistribution, over-commitment, overobligation, and over-disbursement of funds at appropriate levels.

d. All personnel directly involved in budget and accounting will be familiar with the provisions of the Anti-Deficiency Act (31 U.S.C. 1517) and how it relates to informal and formal subdivisions of funds.

3-2. Apportionment Process.

a. Certain actions are necessary before funds appropriated to the Military Departments and Defense Agencies can be legally obligated and expended. An appropriation bill becomes law (enacted) on

the date of the President's approval, or on the date Congress passes it over the President's veto, unless it expressly provides a different effective date. After an appropriation is enacted, an appropriation warrant must be issued by the Treasury Department and the appropriation must be apportioned by the Office of Management and Budget (OMB). The criteria for apportionment is contained in Title 31 U.S.C., Section 1512a.

b. A request for apportionment is submitted in accordance with DoD 7110-1-M, Budget Guidance Manual, chapter 412, Apportionment and Reapportionment Schedule. An apportionment request may include anticipated reimbursements in addition to the direct obligational authority provided in an appropriation act. In addition to new appropriation amounts, obligational authority in an appropriation act may include unobligated balances carried forward from prior years and unfunded contract authority.

c. If the Department of Defense (DoD) appropriation act has not been enacted by the beginning of the new fiscal year, Congress usually passes a "continuing resolution" authority (CRA) that authorizes obligations and expenditures for ongoing programs at the minimum rate necessary to orderly continue activities. As a general rule, new program starts are not authorized under continuing resolutions. The Military Departments and Defense Agencies must request temporary appropriation warrants from the Treasury Department for amounts required during the period covered by the CRA. When issued by the Treasury Department, the temporary appropriation warrants constitute authority to incur obligations against the direct program, thus providing the basis for distributing such authority to field activities. The Military Departments and Defense Agencies must submit an initial apportionment request to OSD within 5 calendar days after completion of congressional action. Funding documents are issued after Treasury issues temporary appropriation warrants and OMB approves request.

d. If the DoD appropriation act is not enacted and a CRA is not passed, there is an absence of funding authorization referred to as appropriation hiatus.

3-3. Appropriation Warrants.

a. An appropriation warrant, Treasury Form TFS 6200, is the document used by the Treasury Department to formally document the funds appropriated by Congress against which obligations may be incurred and payments made. The form is signed by a representative of the Treasury.

b. Temporary appropriation warrants are issued during periods when CRAs are in effect, and are based on requests from the agencies as prescribed by OMB, Treasury and DoD directives. Each DoD component must submit a request to the Treasury Department for temporary appropriation warrants as soon as possible after the passage of the CRA. These requests must be according to OMB Bulletin 73-1 and must include a certification by the head of the agency, or a designated representative, that the amounts requested are consistent with the provisions of the continuing resolution. Temporary appropriation warrants are signed by a representative of the Treasury and countersigned by a representative of the General Accounting Office on behalf of the Comptroller General. The temporary warrants are supplemented by the regular appropriation warrants when the actual appropriate bill is enacted.

3-4. Apportionment of Funds.

a. The apportionment process operates as an Executive Branch control over using, planning, and managing obligation authority made available by Congress. In addition, Title 31 U.S.C., Section 1512 provides that: "...an appropriation of funds available for obligation for a definite period shall be apportioned to prevent obligation or expenditure at a rate that would indicate a necessity for a deficiency or supplemental appropriation for the period. An appropriation for an indefinite period and authority to make obligations by contract before appropriations shall be apportioned to achieve the most effective and economical use."

b. Apportionments are usually made at the appropriation level. However, on determination of OMB, apportionment may be made below the appropriation level such as by activity, function, or project. For example, apportionment is usually by individual construction project under the Military Construction Appropriation. The time period covered by apportionments may be calendar quarter, or may cover a full year. The amount apportioned is available for obligation under the terms of the appropriation on a cumulative basis unless reappropriated, 31 U.S.C., Section 1512. A reappropriation supersedes all previous apportionments and covers transactions from the beginning of the fiscal year. The unobligated balances of apportionments made in previous years for multiple-year appropriations remain available until revised apportionments are made. Unexpired multiple-year appropriations remain available until expiration of the applicable appropriation act.

3-5. Transfer Actions.

a. Transfers are legal transactions that move appropriated funds from one appropriation account with the Treasury to another account. Requirements for funding certain essential increases to higher priority programs are met by transfer according to the DoD appropriation act and supplements thereto, Congressionally directed transfers in appropriation language, and other statutory authority. Transfers can be made only with specific reference to legal authority.

b. Transfers are made using DD Form 1151, which is processed through and validated by the Treasury Department, to show accomplishment of the transfer.

3-6. Reprogramming.

a. A reprogramming is the movement of funds from one purpose, or program, to another. In DoD parlance, reprogramming is the generic term that includes transfers between appropriations as well as movement of funds between programs within the same appropriation.

b. Congress authorizes and appropriates funds to be used for programs that are either specifically stated in statutory language or discussed in the committee reports to provide the intent of Congress and accompany authorization and appropriations acts. However, Congress recognizes that unforeseen requirements emerge subsequent to passage of appropriation acts, during the execution phase of a budget. Statutory and regulatory rules have been established to govern the reprogramming of funds.

c. Specific reprogramming rules are as follows:

- (1) A reprogramming must have the prior approval of Congress if it involves:
 - (a) transfer of funds between appropriation accounts or working capital funds;
 - (b) affects an item that is known to be of special interest to one or more Congressional oversight committees;
 - (c) or increases the quantity of a procurement line item that is authorized by Congress in quantity terms.
- (2) Congress must be notified before implementing any reprogramming that involves:
 - (a) a cumulative increase in a budget activity, or major force program, of \$10 million for the Military Personnel and O&M Appropriations;
 - (b) a cumulative increase of \$10 million in a procurement line item or creation of a new

procurement line item of \$2 million or more;

- (c) a cumulative increase of \$4 million in an RDT&E program, or a new RDT&E program of \$2 million or more, or costing \$10 million or more within the first 3 years;
 - (d) creation of a new program or line item resulting in significant follow-on costs; or
 - (e) reductions within a single fiscal year of 20 percent of the appropriated level of a P-1 or R-1 line, or \$10 million for procurement, or \$4 million for RDT&E, whichever is greater.
- (3) The programs or items for which funds are requested must be of higher priority than those for which the funds were originally appropriated.
- (4) Funds should not be reprogrammed for an item or program denied by Congress, or to restore funding for a program reduced by Congress unless there is positive indication that funding for a program was reduced "without prejudice". The phrase "without prejudice" means the Congress permits the increase in funding within the limits shown in subparagraph c(2) above.
- (5) After the first year of availability of a multiple-year appropriation, funds should not be reprogrammed to cover a new line item or program or to increase the quantity or scope of an existing program.

d. Further guidance is in DoDD 7110-1M, part IV, section 3, Reprogramming of Appropriated Funds; chapter 431, Implementation of Reprogramming of DoD Appropriated Funds.

3-7. Supplemental Appropriations. Request for supplemental appropriations are usually included as part of the annual budget estimate submission to the Department of Defense (Comptroller) (DoD(C) in September of each year. Supplemental appropriation estimates normally cover the cost of actual or anticipated pay increases, except those required to be absorbed, and other legislative contingencies that are too large to be reasonably absorbed.

3-8. Deferrals and Rescissions. A deferral is the temporary withholding of budget authority or a conscious delay in the obligation of available funds. A rescission is the cancellation of budget authority by legislative action of the Congress. The following excerpts from DoD Manual 7110.1-M are quoted for reference:

a. Deferrals (412.7-A):

- (1) Available budgetary resources may be withheld from obligation temporarily through the apportionment process with the intent of apportioning them for use later, before they lapse. Such deferral action may be taken by OMB on its own initiative or at the request of agencies. Budgetary resources may be deferred as reserves to provide for contingencies under provisions of the Anti-deficiency Act, 31 U.S.C. 1512, formerly 31 U.S.C. 665; or they may be deferred for other reasons under the Impoundment Control Act, 2 U.S.C. 681 thru 688, formerly 31 U.S.C. 1403, except that funds available for only one fiscal year may not be deferred throughout the year.
- (2) All funds deferred through the apportionment process, those permitted under the Anti-deficiency Act as well as those amounts being set aside for any other reason, must be reported to the Congress in special messages. Either House of Congress may overturn a deferral at any time by passing an impoundment resolution disapproving the deferral. If the Congress takes no action to disapprove reported deferrals, they may remain in effect until the end of the fiscal year unless a special message indicates that an earlier release is planned. For annual accounts and the last year of multiple-year accounts, however, funds

may be deferred only for part of the year."

(3) As the fourth quarter approaches, departments and agencies should review all deferrals, particularly of funds expiring at the end of the year, to assure that amounts deferred for only part of the year will be released in time to be used prudently before the year ends. If a determination is made that such amount should not be used, a rescission will be proposed prior to the beginning of the fourth fiscal quarter. Only in exceptional cases will rescissions be proposed during the fourth quarter. All proposed rescissions must be approved by OMB."

(4) If amounts actually becoming available are less than anticipated for indefinite budget authority, transfers, reimbursements, or recoveries, the difference will be deducted from amounts apportioned and not from amounts deferred or otherwise unapportioned, unless specific provision is made for a different treatment on the approved apportionment form or reapportionment action is taken. Whenever it is determined that a deferred amount will not be required to carry out the purposes of the appropriation or other authority, it will be recommended for rescission as required by law, 31 U.S.C. 1512 and 2 U.S.C. 683."

b. Rescissions (paragraph 412.7-B).

(1) The Impoundment Control Act specifies that whenever the President determines that all or part of any budget authority will be required to carry out the full objectives or scope of programs for which it is provided, the President will propose to Congress that the funds be rescinded. Likewise, if all or part of any budget authority limited to a fiscal year, annual appropriations or budget authority for the last year of multiple-year accounts, is to be reserved for the entire fiscal year, a rescission will be proposed. Budget authority may also be proposed for rescission for fiscal policy or other reasons. Generally, amounts proposed for rescission will be withheld during the time the proposals are being considered by the Congress. This may be accomplished through OMB apportionment action or through agency withholding action. When approved by OMB, funds may be proposed for rescission without being withheld."

(2) All funds proposed for rescission, including those withheld, must be reported to Congress in special messages. Affirmative action in the form of an enacted law must be completed to rescind funds. If both Houses have not completed action on a rescission proposed by the President within 45 calendar days of continuous session, any funds being withheld must be made available for obligation."

c. DoD Policy (paragraph 412.7-C).

(1) OMB Circular A-34 recognizes the possibility of agency deferrals that are not identified in connection with the apportionment process. These are categorized as deferrals of funds provided for a specific purpose or project when such deferral would result in obligation for such specific purpose of project at a pace significantly slower than intended by the Congress. Since it is the policy of the Secretary of Defense to obligate programs consistent with the expressed intent of the Congress, this category of action should not take place within the DoD. Strict adherence to this policy, however, does not preclude the continuance of prudent administrative actions reflected on financial authorizations that affect the timing of obligations for reasons related to the routine financial management of an appropriation, program, or project or to comply with procurement regulations or sound procurement practices. Any action taken in this regard must consider the intent of the Congress in providing funds as the primary criterion in determining whether a reportable deferral exists. Accordingly, officials within DoD responsible for such actions must at all times be ready to support these judgments to any reviewing authority

3-9. Fund Distribution. DoD(C) forwards to DeCA the Annual Operating Budget (AOB) for Defense Business Operations Fund (DBOF) business areas. Since DoD(C) is the single cash manager of DBOF, DoD(C) prepares the DD Form 1105R, Apportionment and Reapportionment Schedule, and sends it to OMB for processing. DeCA/RMB prepares the DD Form 1105 for Surcharge Collections and forwards the

completed form to DoD(C). After the DD Form 1105R is approved and signed by DoD(C) and OMB, it is returned to DeCA/RMB providing cost authority.

a. DBOF Commissary Operating Fund cost authority will be distributed to the region by October 1 each year. DeCA policy is to maximize distribution of cost authority to Regions. DeCA/RMB will retain minimal withhold, and regions will be expected to manage within the cost authority provided. Dollar amounts are given to establish a basis for entering targets, but each region's cost authority is based on unit cost goals. The final cost authority for each region is based on the amount earned by commissary sales. Changes to cost authority may be issued during the fiscal year.

b. DBOF cost authority is expressed as a unit cost goal, i.e., total costs may be incurred only up to the sum of total earnings. Under no circumstances, without prior approval, can costs exceed actual earnings. Earnings equal unit cost goal multiplied with the actual workload processed for the output measure; i.e., unit cost goal multiplied with actual sales.

c. Each region will receive an audit trail showing changes from previous year's funding. The audit trail will include amounts distributed for pay raises and general purchases inflation. Increases or decreases due to program changes, e.g. commissary closures, will be identified. The audit trail will also provide information on any program for which funds are fenced. Audit trails may be adjusted during the fiscal year, primarily when changes to fenced HQ managed programs are necessary.

3-10. Funding Authorization Document (FAD), DeCA Form 70-7. DeCA/RMB initiates DeCA Form 70-7 which is used to establish or update funding targets. This form is used for DBOF and Surcharge Collections. DeCA/RMB forwards a copy of the form to DeCA/RMA who is responsible for approving and sending the form to DFAS-CO so summary operating target (SPTR) levels can be established for each region. The original copy of the form is sent to the recipient. Procedures are the same for each region with the exception of Europe. For Europe, a FAD increasing/decreasing Europe's summary target is sent to the Subsistence and Accounting Office, Europe. The funding target for Europe is established in the Standard Army Finance System (STANFINS).

3-11. Funding Targets. DeCA Form 70-7 does not constitute a formal subdivision of funds. Obligations, expenses and disbursements in excess of a funding target will not result in a statutory violation, if there is sufficient authority available to preclude a violation. However, any such occurrence must be reported immediately to DeCA/RMB to determine whether a statutory violation has occurred.

a. After summary operating targets are established, the Region can establish Detail Operating Targets (OPTR) in Defense Business Management System (DBMS). In general, detail operating targets should be established at the highest practical level. The concept of unit cost will require Regions to manage funds at store level, including the distribution of general and administrative expense and region overhead. It should not be necessary, however, to distribute funding targets below total store level.

b. DBMS targets for store level operations should be set at a two position organization code. Object class definition will be left at two positions in most cases; the recommended object class level is 10; 21; 22; 23; 251; 252; 26; and 31. The third position in object class 25 is recommended to separate General and Administrative cost from other commercial contract costs. Cost code series should also be set at the highest level i.e., 200 series-store operations; 500 series-troop issue; and so forth. This will avoid the necessity for excessive target management. Execution reports will provide detailed records of expenditures.

c. The primary report used to track target status and fund execution is the UPFA910B.

3-12. Military Interdepartmental Purchase Request (MIPR), DD Form 448. MIPRs are requests for material or services either on a reimbursable or direct citation basis. These requests do not distribute funds

and are not considered funding documents or administrative subdivision of funds. Acceptance of a MIPR authorizes the procuring agency to incur obligations to procure the requested material or services. Procedures for preparing and issuing MIPRs are in DoD FAR Supp 8.70.

3-13. MIPR Categories. There are two categories of MIPRs: reimbursable and direct citation. The performing agency normally determines the type of funding to be used. In some cases a MIPR may be accepted for procurement under both reimbursable and direct citation funding. DD Form 448-2, Acceptance of MIPR, will identify the funding category to be used.

a. Reimbursable procurement refers to purchases or services funded by the procuring agency with later reimbursement by the requiring agency. The procuring agency budgets and funds the cost of the material or service requested. After the terms of the MIPR are met, the procuring agency bills the requiring agency for the work or service.

b. Direct citation procurement refers to purchases which cite funds of the requesting agency on the contract. The procuring agency may combine the needs of two or more requests under one contract and cite funds of each of the requesting agencies, or place a separate contract for each request.

3-14. Preparation of MIPR, DD Form 448 and Acceptance of MIPR, DD Form 448-2.

a. The MIPR is largely self-explanatory. The information is arranged in uniform contract format to the extent possible. DoD FAR Supplement 208.705 provides instructions for preparing the MIPR. The base functional activity who prepares and issues MIPRs also provides procurement data to the requiring activity.

b. Acceptance of MIPRs is made by the procuring or performing activity by DD Form 448-2, Acceptance of MIPR. The base functional activity responsible for contracting or providing the service or materiel acting as the procuring activity also provides acceptance of MIPRs. The functional activity responsible for preparing and issuing MIPRs also is responsible for getting acceptance from the procuring activity and for follow-up as to MIPR status.

(1) Reimbursable MIPRs must be accepted in writing by the procuring agency before the expiration of funds cited. The completed DD Form 448-2 is the authority for the requiring activity to record the obligation. The accepting activity must provide a copy of reimbursable MIPRs and acceptances to the AFO for recording in the accounting records as unfilled orders.

(2) When accepted for direct citation procurement, the completed DD Form 448-2 is notification that copies of contracts will be furnished at a later date. A copy of the contract is the authority to record the obligation. A contract/mod using a direct cite, must contain fund cite that is on the MIPR. If multiple fund cites are used on the same contract/mod, Clin numbers must have applicable fund cited stated. This will ensure different categories, e.g. design, construction, and equipment costs are kept separate.

(3) Where contingencies, price revisions, or variations in quantities are anticipated by the procuring agency under reimbursable procurement, the acceptance will be annotated on DD Form 448-2. The procuring activity periodically advises the requiring activity of changes so that an amendment to the MIPR can be issued and adjustments can be made to obligation records.

(4) When the DD Form 448-2 amount is different from the MIPR amount, it serves as a notice to the requiring agency to either issue an MIPR amendment or authority to withdraw available excess funds.

(5) When a contractor submits an invoices/voucher for transfers between appropriations

and/or funds submits a (SF 1080s) for payment, invoices/SF 1080s will be signed and fund cites will be annotated on Invoices/SF 1080s by project officer prior to making distribution. Send original invoice to DFAS-CO-LCOC for payment. Send original and four copies of SF 1080 to DFAS-CO-ABRB for payment. One copy of signed invoice/SF 1080 will be sent to DeCA-RMM-QA (Liaison Office) to be expensed.

(6) When a contract is completed, a DD-448-2 or letter stating total cost and amount to be withdrawn will be sent to DeCA/RMB Attn: (POC of the MIPR). This document will be authority for deobligation.

3-15. MIPR Commitment and Obligation. In general, record commitments and obligations:

a. Reimbursable MIPRs, DeCA requests to another DoD component:

(1) Record a commitment when fund availability is certified. Record the total estimated price, MIPR block 11. A copy of the MIPR is the commitment document.

(2) Record an obligation when the DD Form 448-2 is received from the procuring agency. The DD Form 448-2 is the obligation document.

(3) Record an obligation upon issue of the MIPR when it is for common use standard stock items if delivery can be made within 30 days.

b. Reimbursable MIPRs received from other DoD components, to be performed by DeCA:

(1) The procuring activity records obligations to perform the MIPR based on the documents issued, and the material and services provided.

(2) Record an unfilled customer order (UFO) when the MIPR has been accepted by DeCA procuring or performing activity. Record the total estimated price shown on the DD Form 448-2, block 11.

(3) Record the MIPR as filled customer order (uncollected) when the terms of the MIPR are met.

(4) Bill the customer promptly when the terms of the MIPR are met.

(5) Record the collection immediately when the billing is to DoD components and the billing is by "no check issue" procedures.

c. Direct citation MIPRs, DeCA requests to another DoD component:

(1) Record a commitment when fund availability is certified. A copy of the MIPR is the commitment document.

(2) Record an obligation when notified in writing that a contract, project order, purchase order, or other procurement document has been executed, or when a copy of those documents separately identifying the items being purchased against DeCA funds are received.

d. Direct citation MIPRs received from other DoD components to be performed by DeCA. Cite the funds of the requiring agency on all documents issued to perform the MIPR. The contractor or supplier may bill the requiring agency director or the performing DeCA activity may pay the vendor invoices, citing the funds of the ordering agency. Make sure that the funds cited on contracts by the procuring activity

to perform the MIPR are current for obligation when contracts are executed. The procuring activity will advise the requiring agency on 1 August of each fiscal year of any MIPRs on hand citing expiring appropriations which they will be unable to obligate.

e. Keep copies of MIPRs as source documents for commitment, obligation, disbursement, and reimbursement transactions.

Chapter 4

SOURCES AND USES OF FUNDS

SECTION A - GENERAL INFORMATION

4-1. Purpose. This chapter outlines the sources for DeCA funding and provides guidance on how these funds are to be executed. Due to the uniqueness of DeCA funding, different funds may be used to purchase some equipment, supplies, or services. This condition dictates that resource managers in DeCA must be careful in determining propriety of funding.

4-2. Funds. DeCA operations are financed by three funds: (1) Defense Business Operations Fund (DBOF)--Commissary Resale Stocks, (2) DBOF--Commissary Operations and (3) Surcharge Collections. Resale Stocks is a revolving fund that primarily generates its revenue from the sale of grocery items. Commissary Operations is funded by an annual appropriation from Congress. Revenue for Surcharge Collections is obtained at the point of sale by adding a five percent surcharge to the total cost of a customer's order.

SECTION B - SOURCES OF FUNDS

4-3. DBOF - Resale Stocks. Sources of funds for Resale Stocks are:

- a. Resale of grocery and related items at commissaries.
- b. Redemption of face value of coupons.
- c. Appropriated funds to purchase war readiness materiel (WRM).
- d. Salvage from bones and fats.

4-4. DBOF - Commissary Operations. Sources of funds for Commissary Operations are:

- a. Annual appropriation from Congress.
- b. Coupon handling fees to cover the costs of processing coupons.
- c. Reimbursable programs in which DeCA provides someone else services paid by Commissary Operations.

4-5. Surcharge Collections. Sources of funds for Surcharge Collections are:

- a. Five percent added at point of sale to total cost of customer order.
- b. Salvage of equipment and sale of cardboard.
- c. Payment discounts.
- d. Sale of product movement data and miscellaneous receipts for shelf space.
- e. Earned discounts at central distribution centers.

SECTION C - USES OF FUNDS

4-6. DBOF - Resale Stocks. Resale Stocks is used to purchase:

- a. Resale items. All goods bought by DeCA for resale to authorized customers, including grocery and related items, meats, produce, bakery, dairy products, frozen foods, health and beauty aids, and tobacco.
- b. Troop Issue. Items related primarily to supplying troop dining facilities and troop units with subsistence.
- c. War Readiness Materiel (WRM). Subsistence items prepositioned and stored based on war planning doctrine.

4-7. DBOF - Commissary Operations. Commissary Operations is used to purchase:

- a. Civilian Labor. All civilian pay for DeCA employees, including full and part-time permanent, temporaries, intermittent, and local/foreign nationals.
- b. Commercial Activity Contracts. Labor related contracts in commissaries, including shelf-stocking, custodial, and warehousing.
- c. Transportation. Overseas shipping, whether by sea or air, off-shore acquisitions, and in-theater expenses such as port-to-store transportation, port-handling, van demurrage, and van stuffing. OCONUS second destination transportation will be paid with DBOF--Commissary Operations. CONUS second destination transportation will be paid with Surcharge Collections.
- d. General and Administrative (G&A). Reimbursable services provided by host installations and other agencies, e.g., base operating support, accounting, and Defense Logistics Agency. G&A purchases utilities and telephone services in overseas areas.

4-8. Surcharge Collections. Surcharge Collections is used to purchase:

- a. Commissary Operating Expenses. Consumable and non-consumable supplies for commissaries, utilities and telephones in CONUS, and laundry expenses. Second destination transportation in CONUS (48 contiguous states).
- b. Commissary Equipment. Leases, rentals, purchases, and maintenance for operating and administrative equipment in commissaries.
- c. ADP Systems. Major systems, such as Defense Commissary Information System (DCIS), Defense Information Business System (DIBS), and Point of Sale (POS), and stand alone ADP used to support commissary operations.
- d. Construction. Acquiring, constructing, expanding, modifying, or improving commissary facilities at defense installations.

4-9. General Policy. A general rule for determining whether an item should be funded with appropriated vice surcharge funds is:

- a. Items in support of management oversight of commissary system can be funded with an appropriation. For example, HQs DeCA, Region HQs and districts receive appropriated fund support.

b. Items in support of commissary operations must be funded with surcharge. There are some exceptions to this rule for OCONUS commissaries; e.g., over-the-water and in the water transportation, telephone services, and utilities can be appropriated funded.

c. The following table provides a schematic that can be helpful in determining propriety of funding.

→ DeCA FUNDING PROPRIETY MATRIX BY EXPENSE

SUBSISTENCE: All stores and CDCs, DBOF Resale Stocks (This is only category funded by DBOF Resale Stocks)

On Following Chart: D=DBOF S=SURCHARGE COLLECTIONS

| EXPENSE CATEGORY | CONUS COMSY/CDC ZONE MGR | OCONUS COMSY/CDC ZONE MGR | REGION HQ | OPERATIONS CENTER | HQ |
|--|---------------------------------|----------------------------------|------------------|--------------------------|-----------|
| ADP Coupon System | D | D | D | D | D |
| ISA with Randolph AFB for usage of Defense Civilian Personnel Data System | D | D | D | D | D |
| All Other ADP Communications, EQ, Software, Supplies, Routers & Svc (To include ADP resources purchased for training purposes) | S | S | S | S | S |
| ADP Training Implementation & Fielding of Major Systems (Contractor furnished) | S | S | S | S | S |
| All Other Training (Does not include purchase ADP software) | D | D | D | D | D |
| Non-ADP Equip | S | S | D | S | D |
| Non-ADP Supplies | S | S | D | S | D |
| Equip Maint, Repair, | | | | | |

| | | | | | |
|--|---|--|----------------------|------------------------------|-----------|
| & Calibration- Purchased with Surcharge | S | S | S | S | S |
| EXPENSE CATEGORY | CONUS COMSY/CDC ZONE MGR | OCONUS COMSY/CDC ZONE MGR | REGION HQ | OPERATIONS CENTER | HQ |
| Equip, Maint, Repair, & Calibration- All other | D | D | D | D | D |
| Laundry and Dry Cleaning | S | S | D | S | D |
| Facility Maint and Minor Repair (Including drains and replacement carpet) | D | D | D | D | D |
| Lease/Rent Building/Equip | D | D | D | D | D |
| Utilities/ Telephone | S | D | D | S | D |
| Transportation | S | D | D | S | D |
| Mail/Postage/ FEDEX (NOTE) | S | S | D | S | D |
| Printing-Comsy Posters/Flyers | S | S | S | S | S |
| Printing-Other | S | S | D | S | D/S |
| Auto Doors, Docklevers, Lighting, HVAC | S | S | D | S | D |
| TDY & PCS, Payroll | D | D | D | D | D |
| Armored Car | D | D | D | D | D |
| Fees to Banks | D | D | D | D | D |
| G&A See Categories of Base Operating Support | | | | | |

Funding Propriety

NOTE: Coupon Mailing: Stores Charge Surcharge, HQ Annually
Reimburses from DBOF ← → (C1, December 1, 1995) ←

Chapter 5

DEFENSE BUSINESS OPERATIONS FUND (DBOF)

SECTION A - GENERAL

5-1. Purpose. This chapter highlights Defense Business Operations Fund (DBOF) policies and procedures underlying budget formulation, justification, and execution as applicable to DeCA operations.

5-2. Background.

a. DBOF is a revolving fund. Revolving funds were established to satisfy recurring Department of Defense requirements using a businesslike buyer-and-seller approach. The generators of requirements justify the need for funds to the Congress, but are not always the organizations that execute the requirement. Unlike profit-oriented commercial businesses, revolving funds goal is to break even over the long term. Revolving fund selling prices established in the budget are fixed during execution to protect customers from unforeseen fluctuations that would impact on their ability to execute the programs approved by the Congress.

b. Revolving funds have been in use by the Military for a considerable period of time. Modern day revolving fund authority is provided by the National Security Act of 1947, as amended (Title 10 U.S.C. Section 2208).

c. The Department of Defense expanded the use of businesslike financial management practices through the establishment of the DBOF on October 1, 1991. Building on revolving fund principles, cost and performance are linked together and the Fund's managers are expected to operate within cost goals established in operating and capital budgets.

d. The DBOF combines existing commercial or business operations that were previously managed as individual revolving funds into a single revolving, or business management, fund. Combining business activities under a single Treasury symbol allows consolidation of cash management, while the functional and cost management responsibilities remain with the Military Departments and Defense Agencies. Prices for goods and services produced in a Component business area remain the responsibility of that Component and are set to recover costs.

e. Although DBOF is a single revolving fund it is divided into more than 20 business areas. Each business area represents a business activity such as supply management or depot maintenance. DeCA has two business areas: Commissary Operations and Commissary Resale Stocks. Each business area has its own outputs, budgets, and unit cost goals.

f. The unit cost, or cost per output concept has been established for business areas in the DBOF. Applicable unit cost concepts, policies and procedures are described in Chapter 12. For business areas in DBOF, high level goals and fixed prices make it possible to measure changes in cost based on financial operating results. This cost-oriented approach encourages management to look at all costs, including overhead, in terms of the output of the business and provides visibility of cost drivers. With implementation of DBOF, annual operating budgets that provide official management cost goals are issued to the Services and Agencies for each business area.

SECTION B - DBOF TERMINOLOGY

5-3. Definition of DBOF Terms. The following definitions are used for DBOF:

- a. **Administrative Leadtime (Order Time).** That portion of the procurement leadtime that begins with the generation of the buy requirement and ends with the award of the contract. This equates to General Ledger Account Codes 4811.10 and 4821.20, Inventory on Order.
- b. **Allocation.** Under the appropriations act, direct funds are now appropriated to the DBOF; therefore, obligations may be made against DBOF to procure war reserve materiel inventory. Cost authority for Mobilization purposes should be separately allocated and allotted. Costs shall be separately accounted for and reported as mobilization and operating.
- c. **Beginning of Period (BOP, BP).** The start of a specified fiscal year normally on October 1 used to determine the opening "snapshot" status of resources.
- d. **Capitalized Inventory.** On-hand and on-order inventories of supplies funded by other appropriations and funds are considered as contributed capital as of the date when management responsibility for the items is undertaken.
- e. **Capitalization.** The process whereby the Fund assumes management responsibility and ownership without reimbursement for inventories financed from other DoD appropriations of funds.
- f. **Commitment.** A firm administrative reservation of funds, based upon firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The recording of a commitment reserves funds for future obligations.
- g. **Contingency Retention Stock.** That portion of the quantity of an item excess to the Approved Acquisition Objective and for which there is no predictable demand or quantifiable requirement and which normally would be allocated as potential reutilization stock, except for a determination that the quantity will be retained for possible contingencies.
- h. **Decapitalization.** The transfer of Fund inventories to other appropriations or funds without reimbursement.
- i. **Demands.** An indication of a requirement (requisition, request, issue, repairable generation, etc.) for issue of serviceable materiel. Demands are categorized as either recurring or nonrecurring. Also referred to as orders.
- j. **Direct Appropriations.** Amounts appropriated by the Congress to the Fund for war reserve materiel, Defense Commissary Agency, or other purposes.
- k. **Economic Retention Stock.** That portion of the quantity of an item greater than the Approved Acquisition Objective determined to be more economical to retain for future peacetime issue than to dispose and satisfy projected future requirements through new requirements or repair. To warrant economic retention, items must have a reasonably predictable demand rate.
- l. **End of Period (EOP, EP).** The last day of a specified fiscal year normally on September 30 used to determine the closing status of resources.
- m. **Expendable Supplies and Material.** Supplies which are consumed in use, such as paint, fuel, cleaning, preserving materials, surgical dressing, drugs, and medicines, etc., or which lose their identity in use, such as spare parts, etc. They are sometimes referred to as consumable supplies and material.

- n. **Outlays.** Checks issued or other payments made by the government for goods and services received. Gross outlays are equal to the cumulative amount of disbursements made for the fiscal period to date. Net outlays are equal to gross outlays less the cumulative amount of collections received for the fiscal period to date.
- o. **Peacetime Operating Level of Supply.** The quantities of materiel required to sustain operations in the interval between requisitions and the arrival of successive shipments. These quantities should be based on the established replenishment period (monthly, quarterly, etc).
- p. **Prepositioned War Reserve Materiel Requirement (PWRMR).** That portion of the war reserve stocks required to be on hand on M-Day which approved Defense Guidance dictates be reserved and/or positioned at or near the point of planned use or issued to the user prior to hostilities, to reduce reaction time and to assure timely support of a specific force/project until replenishment can be effected.
- q. **Price Stabilization.** The policy through which the standard price of each cataloged item shall remain constant throughout each fiscal year except for correction of errors.
- r. **Procurement Lead Time (Order/Shiptime).** The interval between the initiation of procurement actions and receipt into the supply system of the production model (excludes prototypes) purchased as the result of such actions, and is composed of two elements, production lead time and administrative lead time.
- s. **Production Lead Time (Shiptime).** The time interval between the placement of a contract or an order and the first significant receipt into the supply system of material purchased as a result of such action. This equates to General Ledger Account Code 1580.00.
- t. **Safety Level of Supply.** The quantity of materiel, in addition to the operating level of supply, required to be on hand to permit continuous operations in the event of minor interruption of normal replenishment or unpredictable fluctuations in demand.
- u. **Stockage Objective.** The maximum authorized quantities of materiel to be maintained on hand to sustain current operations. It consists of the sum of stocks represented by the operating level, the safety level, the safety level, the repair cycle level, and authorized additive levels.
- v. **Unobligated Commitments.** Amount of commitments incurred this fiscal year to date which have not resulted in obligation at the end of the report period.
- w. **War Reserves.** War reserves are stocks of materiel amassed in peacetime to meet the increase in military requirements forecasts contingent on an outbreak of war. War reserves are intended to provide the interim support essential to sustain operations until resupply can be effected.

SECTION C - DBOF FINANCIAL MANAGEMENT POLICIES AND PROCEDURES

5-4. Operating Budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses.

5-5. Capital Budget.

a. With the exception of major construction, acquisition of all capital assets for use by DBOF-funded activities are financed through the DBOF. The capital budget shall not be used to establish a new or to expand organic capability except as specifically approved in a capital budget. Requests for such approvals

should demonstrate that there are no known economical and readily available alternatives through commercial contract, or that mission-essential considerations require such action.

b. Budgetary resources for capital investments will be separately identified in an approved capital budget consisting of funding capital assets.

c. Capital assets include depreciable property, plant, equipment, management improvements, and software developed, manufactured, transferred or acquired during a fiscal year for a determinable cost of \$25,000 or more, and having a useful life of two years or greater.

d. These assets will be funded through the capital budget and their costs will be amortized or depreciated over a predetermined period. For facilities construction, including minor construction projects, 20 years; for equipment purchases other than ADPE, 10 years; for general purpose vehicles, ADPE and telecommunications hardware, software, 5 years; and as appropriate for management improvements.

e. Depreciation of capital equipment will be fully reflected in the operating costs and rates of DBOF businesses.

f. Software development cost incurred by DBOF activities for projects ordered or requested in prior years and delivered, installed, and operational after October 1 of a specific fiscal year will be depreciated beginning in that fiscal year. Incremental deliveries of these projects will be depreciated if the cost of the delivery exceeds \$25,000.

g. Facility investment of \$25,000 or more but less than \$300,000 for a new or replacement facility, or for changes in the function of a facility, will be funded through the capital budget and depreciated. Projects costing more than \$25,000 each that maintain the capability for an existing facility will be funded from the major maintenance and repair reserve.

h. Routine and recurring work of \$25,000 or more that is undertaken to preserve the physical structure or its support system will be funded as major real property maintenance and repair expense in DBOF.

5-6. Mobilization/Surge Costs and War Reserve Materiel. All costs at DBOF funded activities related to maintaining a capacity to meet mobilization requirements will be funded from direct appropriations. War reserve material will be funded by a direct appropriation to DBOF.

5-7. Military Personnel. To the extent that any DBOF-funded military personnel billets are required only to provide mobilization capability, sea/shore rotation flexibility, or career progression, only the civilian equivalent costs should be funded through DBOF rates for subsequent reimbursement to the Military Personnel (MILPERS) accounts. The balance of required funding will be included directly in affected MILPERS appropriations. Components must identify which billets should be funded at the civilian equivalent costs. DeCA policies and procedures are explained in Chapter 9.

5-8. Full Recovery of Costs and the Setting of Prices. Managers of business areas within the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others.

a. Prices are established through the budget process and remain fixed during the year of execution. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher-than-anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective use of fund resources.

b. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result in the Budget Year(s) of zero. During budget execution, business areas will record either a positive or negative Net Operating result. Accordingly, prices in the Budget year will be set to either make up actual or projected losses or to return actual or projected gains in the budget year(s).

c. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

5-9. Revenue Recognition Policy for the Defense Business Operations Fund. To ensure consistency in the revenue recognition policy for end-product type orders within DoD and to guarantee the operating results reported in the financial statements are comparable between business areas, the following revenue recognition policy will be employed by businesses in the Fund, with the exception of supply management where billings are made as deliveries occur for requisitioned items:

a. The percentage-of-completion method of revenue recognition shall be used for all end-product type orders that are expected to be completed in a fiscal year other than the fiscal year in which the order is started. Revenue, under the percentage-of-completion method, may be recognized on a percentage of physical completion based on visual observation or judgment of qualified personnel.

(1) Alternatively, when costs are incurred on a relatively uniform basis over the life of an order, revenue may be recognized as a percentage of incurred costs to total projected costs.

(2) In all instances, the portion of work in process associated with the revenue recognition shall be transferred to cost of goods sold. The customer funding the order shall be billed for the revenue recognized, or when progress payments have been previously billed, those progress payments shall be recorded to the appropriate revenue account.

(3) At a minimum, the customer shall be billed and revenue recognized at the end of each fiscal year quarter. In no case shall the total amount of revenue recognized and billed exceed the amount of the order.

b. For service-type orders, revenue shall continue to be recognized at least monthly considered as completed services rendered.

SECTION D - RATE SETTING IN THE BUSINESS AREAS

5-10. Use of Rates in DBOF. Stabilized rates reflecting full costing will be set during the budget process for all business areas. Currently, DeCA does not use rates to recover costs. For Commissary Operations business area, costs are recovered through direct appropriation and reimbursements. For Commissary Resale Stocks, inventory is sold at acquisition cost with no surcharge added in the price of the item to recover operational costs. Any net loss incurred in the Commissary Resale Stocks business area will be cover either by direct appropriation or a transfer from Surcharge Collections. However, a general knowledge of DBOF rate setting is useful for negotiating reimbursements to other DBOF activities. The Fund includes a variety of business areas that are categorized in two groups for rate setting purposes.

a. Supply Management Business Areas. Utilize commodity costs in conjunction with a surcharge to establish customer rates.

b. Non-Supply Management Business Areas: These business areas have unit cost rates established based on identified output measures. These output measures establish fully cost burdened rates

per output, such as a cost per direct labor hour, cost per product, cost per item received, cost per item shipped, etc. These business areas establish both their output rates and the stabilized customer rates through the same general process.

SECTION E - SUBMISSION REQUIREMENTS AND PREPARATION OF MATERIALS

5-11. General Guidance. General guidance with regard to submission requirements, format, and preparation of material is presented in Chapter 1 of the DoD Financial Management Manual. Chapter 9 of the DoD Financial Management Manual covers specific back-up material requirements for the Fund.

SECTION F - BUDGET FORMULATION

5-12. Purpose. This section provides guidance for preparation and submission of fall budget and midyear review estimates for the Defense Business Operations Fund.

5-13. General. Materials required to be submitted with the annual budget estimates are identified in Chapter 1 of the DoD Financial Management Manual. Four (4) copies of all materials except the OMB Circular No. A-11 statements will be submitted with the apportionment request. Four (4) copies of relevant materials will be submitted with the midyear review when a separate review is required. Determination of which exhibits are required will be made jointly by DoD(C) and HQ DeCA/RMB. A midyear review will be conducted when approved by DoD(C).

a. The DBOF justification books prepared by HQ DeCA/RMB are to be unclassified. Any classified exhibits will be submitted under separate cover.

b. Exhibits will be submitted on 8-1/2 x 11 inch paper, with 3 holes punched along the 11 inch side. Minor variations in format to facilitate automation must be approved by DoD Comptroller prior to September 1. Provide written request for variations to the Director for Revolving Funds no later than August 1.

5-14. Submission Requirements. Both business areas of DeCA operating within the DBOF will provide a Summary by Component. For part I, HQ DeCA/RMB will provide a summary of the operating and capital budget for both business areas included in the Fund. In part II (work load assumptions), part III (productivity assumptions), and part IV (performance measures) by business area, summarized data will be provided to show the basis for unit cost and price estimates underlying the preparation of other schedules.

a. **Component Business Area Narrative Analysis.** For each business area, HQ DeCA/RMB will submit a narrative analysis that, as a minimum, addresses the following areas: a general description of the business area, its outputs and customers, and significant changes in the nature of the business over the period encompassed by the President's budget submission; and analysis of the budget statements covering revenue and expenses, costs of operation, analysis of government equity, and the statement of financial condition. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business type schedules requested in the Budget Call letter; and a discussion of workload and manpower trends, productivity initiatives/cost and customer prices incorporated in business area budgets.

b. **Commissary Operations and Commissary Resale Stocks Business Area.** Chapter of the FAR outlines and provides guidance for the commissary operations business area.

SECTION G - CONGRESSIONAL JUSTIFICATION/PRESENTATION

5-15. Purpose. This section provides the policies and procedures to guide the development of budget

justification and supporting narrative to be submitted by HQ DeCA/RMB to the DoD Comptroller in development of congressional justification material. The DoD Comptroller will prepare the executive overview. HQ DeCA/RMB will prepare a separate volume including operating and capital budgets for direct submission to the Congress following review and approval by the DoD Comptroller. The Defense-wide volume material will be prepared by HQ DeCA/RMB and submitted to DoD(C) Revolving Funds Directorate for review and approval.

5-16. Organization of Justification Books. Justification books will include an Executive Overview, Operating and Capital Budgets, including a DeCA Summary with Business Area Narrative Analyses, Budget Statement, and Special Schedules.

a. Background. The OSD budget review focuses on a set of business-type schedules as a means of evaluating progress towards meeting cost and productivity targets, developing (with HQ DeCA/RMB) unit cost goals by business area and setting prices for the budget year(s).

(1) The DoD(C) Budget Call for budget justification and supporting narrative will request that selected Fund schedules be updated for inclusion in Congressional justification material. These requirements may be in addition to those schedules requested in previous years. The long-term objective is to demonstrate the increased analytical value of the new schedules for budget justification for business areas included in the Fund.

(2) Data submitted for the President's Budget should be consistent with approved costs, work load and productivity assumptions, customer prices, and unit costs. Any deviation from the approved level must be completely justified and coordinated with the appropriate Revolving Fund Directorate business area analyst.

(3) Justification books submitted to Congress are to be unclassified.

b. Executive Overview. The Executive Overview will be prepared by the DoD Comptroller and will address Congressional concerns, changes proposed in the budget year, and summary information. The purpose of the Executive Overview is to provide a digest of trends and financial data that will allow the reader to quickly grasp how the Fund has performed in the immediate past and its expected future performance.

c. DeCA Operating and Capital Budgets.

(1) Component Summary. This volume summary section and other DeCA justification will be submitted to Congress in the February timeframe. The DeCA summary will consist of individual DeCA inputs in the following main sections.

(a) Component Business Area Narrative Analysis. For each business area, HQ DeCA/RMB will submit a narrative analysis that, as a minimum, addresses the following areas: a general description of the business area, its outputs and customers, and significant changes in the nature of the business over the period encompassed by the President's Budget submission; an analysis of the budget statements covering revenue and expenses, costs of operation, analysis of government equity, and the statement of financial condition. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; and analysis of any special business type schedules requested in the Budget Call letter; and a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs and customer prices incorporated in business area budgets.

(b) Budget Statements. HQ DeCA/RMB will submit summary budget statements requested to support the external budget submission.

(c) One or more of the Fund Core business schedules required for budget formulation may be included in the President's budget submission. These may be inventory displays for Commissary Resale Stocks or business-type UC/Fund core schedules.

(2) Business Area Analysis. For each business area, HQ DeCA/RMB will submit a narrative description that explains the business area as well as budget exhibits outlined in the FAR.

(3) Capital Budget. The Defense Business Operations Fund, as a businesslike entity, distinguishes between capital and operating costs. Capital costs include minor construction, development of automated information systems, procurement of equipment, and any other costs normally capitalized by businesses.

(a) The use of capital budgeting is an essential ingredient to capturing the total costs of operating a business area. Capital budgeting provides all levels of management better visibility of the costs that support the operating forces. The cost of capital investments are reflected in the operations budget of the Business Operations Fund through recording of depreciation included in the price charged to the customers.

(b) Capital assets are depreciated on a straight-line basis: buildings and facilities over 20 years; equipment over ten years, automated information systems and information technology resources over five years, and management improvements as appropriate.

(c) In order to ensure the necessary cash is available for all projects that are initiated, the capital investment program benefiting a Defense Business Operations Fund business area will be funded with Fund resources.

(d) Consistent with FY 1992 DoD Authorization and Appropriations Acts, the Business Operations Fund does not include projects funded by the Military Construction appropriations. However, Military Construction projects associated with a Business Operations Fund business area are displays with that business area's capital budget in order to show the full investment costs associated with each business area. In additional, their costs are depreciated and reflected in prices.

(e) The capital budget will be submitted consistent with the level approved in the business area Program Budget Decision (PBD). Assemble the capital budget by category, in the same sequence as that shown in the summary data matrix as shown below:

| | |
|--|----------------|
| Equipment, Other than ADPE and Telecom Equipment | x,xxx.x |
| Minor Construction | x,xxx.x |
| ADPE and & Telecom Resources | x,xxx.x |
| Software Development | x,xxx.x |
| Management Improvements | x,xxx.x |
| Facilities Construction Projects (non add) | x,xxx.x |
| TOTAL | x,xxx.x |

(f) Ensure that the sum of the capital investment lines by category equal the category total as approved in the PBD. As the first page separating each category, provide a category index showing the title and amount of each capital investment. Total the category and check that it equals the category total in the overall summary.

(g) For military construction projects, place the corresponding Project Justifications (Form 1391) behind each applicable business area, prefaced by a business area index for the projects in the

business area.

(h) The Fund-9b and Fund-9c exhibits should be used for all capital investment justifications except Military Construction. However, the exhibit designation should be removed for the President's budget submission.

Chapter 6

DBOF-COMMISSARY OPERATIONS FUND

SECTION A - GENERAL INFORMATION

6-1. General. This chapter prescribes policies and procedures to be followed by HQ DeCA, Regions, Districts and Service Centers in managing DBOF Commissary Operations Funds. This chapter was designed to follow the normal budget cycle: formulation, justification, execution, and close out.

6-2. Responsibilities. Each DeCA director and manager is responsible for continually seeking more efficient ways to accomplish the assigned mission. HQ and Region RMs are responsible for assisting managers in establishing financial operational goals, providing necessary cost information and monitoring progress toward accomplishment of goals.

SECTION B - BUDGET FORMULATION AND JUSTIFICATION

6-3. Annual Operating Budget (AOB). HQ Directorates and Offices, DeCA Regions and Service Centers, are responsible for preparing the AOB for Commissary Operations fund. The AOB will be prepared in the format shown at Attachment 1, and submitted to DeCA/RMB the last business day of July each year. Current year data will be based on June accounting reports, projected through September 30.

a. The purpose of preparing an AOB is twofold. The submission provides DeCA/RMB with information needed for preparation of the budget estimate submission (BES) that requires estimates of the prior year execution data, personnel strength levels, and estimates of expenditures by object class. Information provided by Regions also serves as a basis for developing an equitable distribution of current year operating funds. In developing the AOB, DeCA Regions must realize there is no room for program growth and should plan for yearly decreases in funding based on increased productivity. DoD(C) provides firm fiscal guidance for the budget year and the program year. DeCA's budget submission cannot exceed the fiscal guidance. While changes occur during the program/budget cycle (PBD), considering the current climate of Defense budget reductions, these are more likely to be program cuts than program increases.

6-4. Director's Statement. The Commander's or Director's statement should confirm the Region is taking all possible steps to ensure maximum efficiency and effectiveness. All Region divisions should be involved in preparing and writing this statement. This statement must be specific and present Region accomplishments in a meaningful way. Has your Region truly improved operations? What productivity initiatives are you planning? How do you plan to sustain service levels in the face of continually decreasing resources? Your narrative should be concise, but must include the specifics of region accomplishments. It is particularly important that you include cost data for all savings and productivity improvements and an explanation of computations used. In the current funding environment, DeCA must clearly demonstrate productivity improvements in operating programs. All DeCA organizational elements must participate in developing initiatives to increase productivity.

6-5. Supporting Schedules. Budget data for prior year, current year and budget year will be stated in prior year dollars. Prior year is the year currently in execution at the time of the budget submission, current year is the upcoming fiscal year, and budget year is current year +1. Pay raises and general purpose inflation will be added at HQ DeCA. The reason for presenting data in prior year dollars is to ensure that program status is apparent, i.e., whether program growth has occurred. Program growth must be accompanied by a complete, specific narrative justification providing a full explanation of why program growth has occurred.

6-6. OCONUS Requirements.

a. **Civilian Personnel.** Regions with OCONUS commissaries are required to provide information, by country, on the number of U. S. employees, foreign national direct and indirect hire, and total funds spent in each country by major object class. Regions must ensure that the number of employees in each category is accurate. Congress has established statutory limits on the number of OCONUS civilian employees and DoD has established an end strength limitation that cannot be exceeded. In conjunction with this schedule, regions will submit an attachment showing projected foreign national pay raises for each country. This information should be obtained from servicing civilian personnel offices.

b. **Foreign Currency Exchange Rates.** The European region and Northwest/Pacific region must provide information on estimated impact of foreign currency rates on budget execution. Currency rates may impact budget execution in two ways. OMB annually forecasts the probable exchange rate of each foreign currency during the budget year and establishes execution rates. These rates are used throughout the fiscal year regardless of changes in the foreign currency rates during the period. DeCA/RMB will provide regions with the foreign currency exchange forecasted and execution rates established by OMB. Funding adjustments to accommodate changes in foreign currency exchange rates depend on how the agency is funded.

(1) **Funding for Operation and Maintenance activities** is adjusted before the beginning of the execution year (either up or down) to accommodate revised execution rates. During the year of execution, fluctuation in the exchange rate may result in either a loss or a gain from the approved execution rate. These gains or losses are absorbed by an established foreign currency fluctuation account.

(2) **Revolving fund activities** adjust customer rates to offset the effect of changes in foreign currency exchange rates. While DBOF Commissary Operations fund is technically a revolving fund, we do not set rates that can be adjusted to cover costs from changes in foreign exchange rates. Information provided by European and Northwest/Pacific regions will be used by DeCA to alert OSD to a potential requirement for increases in Cost Authority for these expenses which are not within our control.

c. **Foreign National Separation and Severance Liability.** Regions with foreign national employees will complete a schedule estimating separation and severance liability by country for each fiscal year. Funding for foreign national separation and severance liability is essentially the same as foreign currency exchange. Schedules submitted by the regions will be the basis to request an increase in cost authority. Every foreign country has different rules for computing separation and severance liability. Regions must obtain this information from servicing civilian personnel offices, and include as an attachment to this schedule.

SECTION C - BUDGET EXECUTION AND ANALYSIS

6-7. Expense Plan. Regions will provide DeCA/RMB by the last working day of October, an expense plan showing planned execution by major object class.

6-8. Monthly Variance Analysis. Regions will provide DeCA/RMB, by the fifteenth working day of the following month, an analysis of the previous month's performance as measured against the expense plan submitted at the beginning of the fiscal year. Variances exceeding 2 percent in personnel costs and 5 percent in other object class expenses will be fully explained. The monthly variance analysis will include measuring region's performance against the established unit cost goals. Analysts must conduct sufficient research to accurately determine the reason for over or under execution of the region program. Unless the reason for variance is very simple and obvious, RMB expects a thorough, very detailed explanation. The monthly variance analysis will be accompanied by a narrative description of actions planned by the region to bring execution back on target. Monthly variance analyses for December, March, and July must address unit cost performance. If cost authority is not being earned, specify corrective actions planned to operate within

approved cost authority. Regions will be required to resubmit analyses deemed inadequate.

6-9. Cost Authority. Execution of Commissary Operations Funds will be measured by accrued expenses rather than obligations. Consequently, it is vital that regions accrue expenses as occurred. Listed below are general rules for accruing object class expenses.

a. **Personnel Costs.** Basic pay is accrued when paid, unless a pay period falls in two fiscal years. Then, the amount applicable to each fiscal year is expensed in the period when the pay was earned. Personnel benefits are subject to the same rules as basic pay, except for benefits paid as a result of a permanent change of station (PCS) move. The rules for expensing these benefits will be discussed under PCS. Severance and separation pay will be expensed when paid.

b. **Travel.** Generally, travel orders are obligated and expensed simultaneously. Exceptions to this rule include blanket travel orders, and travel orders prepared far in advance of the date of travel. In these cases, the expense should be accrued in the month when the travel takes place. When travel crosses fiscal years, the travel portion may be obligated and expensed at the same time; per diem costs should be prorated appropriately between the fiscal years.

c. **Permanent Change of Station (PCS).** Travel, per diem, temporary quarters and subsistence expense (TQSE), miscellaneous moving expense, and movement of household goods costs may be obligated and expensed simultaneously. Real estate expenses and relocation income tax allowance (RITA) must be accrued when the expense is incurred. To manage PCS expenses efficiently, analysts must maintain continual follow-up with the traveler to ensure that accruals are processed properly.

d. **Transportation.** In general, obligate and expense simultaneously.

e. **Rents and Leases.** Expense should be accrued when services are received, generally monthly.

f. **Contract Services.** Commercial activity (CA) contracts are obligated when awarded and expensed monthly. Military Interdepartmental Purchase Requests (MIPRs) for base support services are obligated upon acceptance and expensed monthly. Other contractual services should be accrued in the period when the service is received. An exception is made for small dollar one-time purchased services, which are obligated and expensed at the same time.

g. **Supplies and Equipment.** For purchases under \$25,000, obligate and expense simultaneously. Supply purchases over \$15,000 must be expensed when supplies are received. Equipment purchases over \$25,000 must be accounted for under rules governing capital equipment purchases.

h. **Interest.** Obligate and expense when the liability is incurred.

6-10. OCONUS Reporting Requirements. In addition to the monthly variance report, the European and Northwest/Pacific Regions will provide quarterly reports in January, April, July and monthly reports in August and September on funding required to support changes in foreign currency exchange rates and foreign national separation/severance liability.

SECTION D - MIDYEAR REVIEW

6-11. Midyear Review. The midyear review is prepared by all regions and service centers and submitted to HQ DeCA, ATTN: RMB by the last working day of April. Execution data is based on March reports. The format for the submission is at Attachment 3. Since DeCA's policy is to distribute nearly all available funds at the beginning of the fiscal year, unfunded requirements should be minimal. If additional funding is

needed, regions must provide detailed justification, including a full description of actions the region will take to execute within approved cost authority if additional funding is not provided.

6-12. Unit Cost. The midyear review requires submission of a Unit Cost Analysis schedule. This schedule requires regions to group stores by category of sales in computing unit cost per dollar of sales. Regions should analyze differences in unit cost within categories to determine whether there's a problem with cost effectiveness. If the difference in unit cost between the store with the lowest unit cost and any other store in the category is greater than 10 percent, regions shall submit a narrative analysis explaining the variances. An explanation for each store in the category meeting the criteria will be provided, and will be in sufficient detail to confirm that region personnel have examined the situations existing at each store to determine whether management action to reduce unit cost is warranted.

SECTION E - YEAR-END CLOSEOUT PROCEDURES

6-13. Year-End. The focus for year-end closeout is to ensure that all commitments and obligations are recorded and that expenses are accurately reported. Each region shares a key role in meeting the Agency's objective of ensuring DeCA's year-end reports reflect actual income and use of the Commissary Operation funds.

6-14. Review of Unobligated Balances. All Regions and Service Centers will conduct a thorough review of outstanding commitments. This review will include follow-up with points of contact or procurement offices to ensure that commitments are valid, and contracts will be awarded prior to September 30. Unobligated commitments do not carry forward into the next fiscal year. Therefore, it is critical that your review be a continuous process. Unobligated balances available for withdrawal will be reported to DeCA/RMB as early as possible, but no later than the eighth work day of September. Updates will be required on specific dates and will be included in your year-end instructions which will be distributed by DeCA/RMB on July 1. All unobligated commitments must be reduced to zero at fiscal year-end.

6-15. Review of Unliquidated Obligation Balances. Maximum, effective use of Commissary Operations funds depends upon prompt processing of financial actions and documents, continuous purification reviews, and examination of incomplete transactions. Regions are responsible for validating unliquidated obligation balances. The following guidelines will be used to conduct your reviews:

a. Object Class 11.00. Civilian Payroll Miscellaneous Obligation & Reimbursement Document (MORD) for such items as lump sum leave, cash awards (to include merit pay awards), and projected overtime that will not be paid in this fiscal year must be recorded in the accounting system by the first pay period ending in September. The CONUS Regions and Service Centers must ensure a copy of the MORD is provided to DFAS-CO-AACE Cost Branch for input to the DBMS Cost Interface. The European Region must provide input to the 200th TAMMC for recording in STANFINS.

b. Object Class 21.00. Open travel obligations will be reviewed for validity. For completed travel, determine if posted settlements are complete, and whether balances can be deobligated and travel completed. Advances must be reviewed individually to ensure that settlements are properly matched.

c. Object Class 22.00. Transportation MORDs will be reviewed to determine whether current amounts are still valid. Deobligate amounts where bills of lading have processed under specific document numbers.

d. Object Class 23.00. Review leases to determine whether obligated amounts are adequate. Ensure that unobligated amounts on current lease agreements are obligated prior to September 30th, if applicable. Review obligations for communications and utilities to determine if unliquidated balances are valid.

- e. Object Class 24.00. Review unliquidated amounts for printing to determine whether current amounts are still valid. Deobligate unneeded amounts and complete if necessary.
- f. Object Class 25.00. Review unliquidated amounts for contracts and MIPRs to identify residual balances that will not be used. Coordinate with the Contracting office or installation for necessary modifications or amendments. Deobligate unneeded amounts, and follow up to ensure adjustments are recorded in the accounting system correctly.
- g. Object Classes 26.00 and 31.00. Review each unliquidated obligation amount for equipment and supplies to determine whether residual obligated amounts actually represent outstanding orders. If not, deobligate the residual amount. Ensure that obligation recorded in this category for capital assets have properly updated region's property accounts.
- h. PCS Moves. Review unliquidated obligation amounts for individual PCS moves to determine whether obligations can be adjusted. Each employee involved in a PCS move in current fiscal year will be contacted for status of settlement claims. Action will be taken accordingly to make any necessary adjustments.
- i. Object Class 43.00. Review interest penalty charges to ensure they are recorded in the accounting system correctly.

6-16. Accountability for Fixed Assets. The Property Plant Accounting System (PPAS) is DeCA's official system for inventory of equipment, system ADP and software assets. Each region must devote the necessary resources to purify data previously entered into the PPAS to ensure that it agrees with capital assets under the Region's control. Particular attention must be given to acquisition dates and costs for items already entered into PPAS. The PPAS values will be used as the basis for the Agency's capital assets and depreciation values. Each region will be required to certify that its capital assets are accurately reflected in the PPAS.

6-17. Year-End Cutoff. All known accounting transactions must be included in the reports for the fiscal year. The absolute cut-off for entry of accounting transactions for DBMS users will be included in year-end instructions.

6-18. Certification. Region directors will be required to certify September month-end reports. The Region Director may delegate certification authority, however authority may not be delegated lower than the Chief, Resource Management Division. A memorandum delegating such authority must be attached to the certified report. The certification will be based on funding and execution balances as reported in each CONUS Region's Trial Balance. The European Region certification will be based on funding and execution balances as reported in the Status of Approved Resources (CSCFA-218) report from STANFINS, and Status of Reimbursements (CSCAA-112) report from STANFINS. Each report balance will be reviewed for agreement and validity and if warranted, pen and ink changes will be entered prior to certification. Overnight mail is the preferred method of transmittal for the certified year-end reports.

Chapter 7

GENERAL AND ADMINISTRATIVE (G&A) COSTS

7-1. Background. This chapter establishes policy and procedures for execution of general and administrative (G&A) costs. G&A cost are defined as cost charges to DeCA that are essentially overhead. These costs are normally associated with Base Operations Support (BOS).

7-2. References.

- a. Unit Cost Guidance OSD(C) October 15, 1990
- b. FY92 DBOF Financial Management Guidance OSD(C) August 19, 1991
- c. DeCA G&A Cost Reimbursement OSD(C) February 10, 1992
- d. Interservice, Interdepartmental and Interagency Support DoDI 4000.19 April 15, 1992
- e. FY92 DBOF Execution Guidance OSD(C) August 14, 1992

7-3. Interservice Support Agreements. DeCA organizations must negotiate for base support under provisions of DoDI 4000.19. Interservice Support Agreements (ISAs) estimate costs of services to be provided. Completed ISAs assist in budget formulation and may serve as a guideline for initial fund distribution. Documented bills submitted by the support organization establish the actual reimbursement.

- a. DeCA is required to reimburse for most BOS services. DoD(C) does not require reimbursement for certain operational missions of the base of unit assigned. For example, fire protection for an Air Force Base can be split, i.e., DeCA will pay a prorated share for fire protection supporting base operations, but not for additional protection for the flight line.
- b. DeCA will pay utility costs and reasonable real property maintenance fees for facilities or office space. Costs for facilities that are commercially rented or leased off base on behalf of DeCA are reimbursable. However, DeCA will not reimburse for rental and lease charges for base owned facilities or office space for administrative, operations, or storage and warehousing purposes. DBOF will pay for commercially leased facilities that support DeCA management operations (Districts/ Service Centers/Regions/HQ DeCA). Surcharge Collections will pay for commercially leased facilities for commissary operations use (commissary operations/storage/ distribution).
- c. DeCA will reimburse for the cost of support provided by military personnel on bases in the DBOF. This includes bases formerly industrially funded or fully funded by the Army, Navy, Air Force or Defense Stock Funds.
- d. DeCA is not required to reimburse for Health Services support (Interservice Cost Category B-18). **Appendix A** contains an amended DeCA list of Interservice category definitions. This list provides DeCA's interpretation of DoDI 4000.19 support categories and funding propriety. Definitions include cost codes for each category and a recommended basis for cost calculation. DeCA is examining the funding propriety of some categories. In the event there is a decision to change the source of funds for any categories, the guidance will be issued by DeCA/RMB.

7-4. Terminate Services. Notification to terminate any service must be given one hundred and eighty

days in advance. If it is determined that certain services are no longer required, coordinate with installation POCs and DeCA functional proponents to determine transition dates and to provide written notification.

a. Region RMs must ensure that costs on ISAs are properly classified for funding propriety and are reasonable. Where individual categories of cost are defined, grouping of unlike costs in one category is prohibited. For example, costs tend to be misclassified into category A3 and should probably appear in category B15.

b. It is important for ISAs to be completed for cost analysis and justification purposes. Since sales is DeCA's primary unit cost output, G&A costs must be correlated to sales. Further cost comparisons can be based on sales categories of stores, Service alignment, square footage of facilities, assigned civilian personnel, assigned military personnel and other appropriate factors. Parameters to identify and control costs must be established.

7-5. Fund Distribution and Control. Funding for G&A costs will be issued on Military Interdepartmental Purchase Requests (MIPRs), DD Form 448-R. The MIPR will be a Category 1 Reimbursable and can only be accepted as such. MIPRs will be issued with a fund cite that contains object class code 25.16 for Inter-governmental purchases, a cost code of 948.10, and needed activity organization codes.

a. MIPRs must clearly state: (1) they can be accepted only as Category 1 Reimbursable, (2) billings must be submitted monthly with supporting documentation, and (3) billings must be certified by the receiving DeCA activity before payment. MIPRs must also state their duration of coverage, normally one fiscal year. Document numbers assigned to MIPRs will identify fiscal year.

b. Paying offices are the Defense Finance and Accounting Service (DFAS) Columbus OH and the Subsistence Finance and Accounting Office Europe, Pirmasens, GE. An example of a MIPR issued for G&A cost is at the end of this chapter.

c. DeCA's standard billing document will be SF 1080, Voucher for Transfers Between Appropriations and/or Funds. Bills must be submitted in sufficient detail to allow verification by DeCA officials of services received. The bill should show charges by ISA category of service. DeCA will not accept bills processed as Transaction By Others (TBOs), sent directly to DFAS or the Subsistence Finance and Accounting Europe, or lacking certification by receiving organizations. Billing offices should be advised that the final year end billing must be submitted not later than one fiscal year beyond cut-off date of the MIPR. After this date, MIPRs will be withdrawn. Billing offices will be notified in writing of this action ninety days in advance. In general, the paying office, upon receipt of a certified bill from DeCA, will credit the accounts receivable of the billing office. The "no check drawn" transaction is standing operating procedure for DFAS. If requested, DFAS will issue checks.

7-6. G&A Funding for Navy Location Stores (NEXMARTS). The General and Administrative (G&A) costs incurred at overseas Navy Installations where NEXMARTS are located are funded by the respective host command. DeCA is not responsible for these costs.

7-7. Major Real Property Maintenance and Repair (MRPM&R).

a. Every effort must be made to support real property maintenance with DBOF funds issued against valid Interservice Support Agreements. DeCA's policy will be that any real property maintenance action under \$15,000 will be billed against the base operations support MIPR. A DBOF Real Property Maintenance fund reserve will be held at HQ DeCA for projects that cost \$15,000 or more.

b. Major Real Property Maintenance and Repair reserve funding will be issued as directed by

HQ DeCA, Directorate of Facilities. Funds for these projects will be issued on separate MIPRs to maintain visibility of costs. Direct fund cites may be issued for Major Real Property Maintenance and Repair work when it is expected that the project will require a commercial contract.

c. Purchase and Maintenance of Heating, Ventilating and Air Conditioning (HVAC) equipment; refrigeration equipment; automatic doors, dock levelers, and lighting is chargeable to Surcharge Collections.

7-8. Defense Logistics Agency. HQ DeCA/RMB centrally manages reimbursement for Defense Logistic Agency (DLA) services. DLA costs are primarily for DLA and Defense Personnel Support Center (DPSC) corporate overhead, and DPSC subsistence operations costs; including subsistence operations staff at Defense Subsistence Region - Atlantic (DSR-A), Defense Subsistence Region - Pacific (DSR-P), and Defense Subsistence Region Europe (DSRE). DeCA also reimburses for costs of depot operations at Mechanicsburg, PA, Tracy, CA, and Germersheim, GE. DeCA and DLA have agreed that reimbursement for depot operations will be based on workload measured by cases shipped. Responsible regions must establish systems to verify workload at the above depots. DLA also provides network communications and programming support services. DLA provides civilian personnel servicing to DeCA's workforce through centers at Richmond, VA; Memphis, TN; Columbus, OH; and Ogden, UT.

7-9. Worker's Compensation. HQ DeCA/RMB will manage reimbursement for workmen's compensation. Department of Labor (DOL) bills HQ DeCA for these costs. DeCA reimburses DOL for current fiscal year actual expenses within the first twenty days of October. The reimbursement is essentially fifteen months in arrears of costs that occurred during DOL's fiscal year/billing cycle.

a. HQ DeCA/DP is responsible for managing worker's compensation claims. They will review all billings submitted by DOL for accuracy. DeCA claimants must use the following chargeback codes when filing with Civilian Personnel Offices:

| | |
|------|--|
| 3050 | DeCA Headquarters (Includes East and West Service Centers) |
| 3051 | Northeast Region |
| 3052 | Southern Region |
| 3053 | Midwest Region |
| 3054 | Central Region |
| 3055 | Northwest Pacific Region |
| 3056 | European Region |
| 3059 | Southwest Region |

b. To reduce claims, DeCA established an Employee Pipeline Program to place injured workers in an employment status. Each region will be given a fenced sum of funding for Pipeline Program workers salaries. Employees may stay in the program for one calendar year. At the end of the period, pipeline participants must be placed in authorized positions or dropped from the employment rolls.

7-10. Defense Finance and Accounting Service (DFAS). HQ DeCA/RMB centrally manages reimbursement for Defense Finance and Accounting Services (DFAS) services. DFAS, Columbus, OH provides CONUS Finance and Accounting services to DeCA. Billing for DFAS services is based on established unit cost rates published in annual Program Budget Decisions (PBDs) for different workload measures. DeCA's workload measures are: (1) Civilian Payroll Accounts Maintained (2) Travel Vouchers Paid (3) Commercial Invoices Paid (4) Trial Balance Preparation and (5) Monthly Accounting and Finance Support for each Commissary.

a. CONUS base level finance and accounting services such as commissary change fund, emergency processing of travel advances, and military pay and leave accounting is also handled by DFAS and

centrally managed and reimbursed by HQ DeCA.

b. In Europe, the Ninth Finance Group provides primary finance and accounting support for DeCA. The European Region is responsible for negotiating DeCA's cost.

7-11. Appellate Review.

a. DeCA has an agreement with the Department of Defense, Civilian Personnel Management, Office of Complaint Investigations (OCI) for investigation of Equal Employment Opportunity complaints and Administrative Grievances filed by DeCA employees. The agreement stipulates that HQ DeCA pays a flat rate of \$2,500 per case. DeCA regions are responsible for providing administrative support, including travel and per diem of the examiner and for services of a court recorder if required. Regions will furnish necessary fund cites to regional contracting offices to secure required services as directed by the Region EEO Officer or Region Director of Personnel.

7-12. Personnel Security Program. Executive Order No. 10450 requires that all civilian personnel entering Federal Service have a background investigation. HQ DeCA centrally manages and funds for all services related to Suitability/Background Investigations. This service is administered by the Office of the Federal Investigations, US Office of Personnel Management, which conducts a National Agency Checks with Inquiries (NACI). NACI satisfies the mandatory background investigation. Based on results of the NACI background investigations, HQ DeCA Security and Safety office may grant security clearances up to a level of secret. The Security Office Identifier (SOI) for commissary investigations is DD96 and must be used whenever Standard Forms 85, 85P and 86 are processed through servicing Civilian Personnel activities.

Chapter 8

CIVILIAN PERSONNEL SERVICES

8-1. General Information. Civilian pay represents a significant share of DeCA's budget. This chapter covers types of pay and procedures to evaluate workyears.

8-2. Basis for Rates of Pay. Title 5 U.S.C., chapter 51 and 53, establish grade and salary schedules for all employees occupying classification act positions (Federal Pay Comparability Act of 1970 (Public Law 91-656)). A general schedule (GS) is established that gives compensation rates. This schedule is uniformly applied to all classification act positions. Positions excluded from the U.S.C. above are subject to the pay determination of the Department of Defense (DoD) wage fixing authority or to other laws such as Senior Executive Service (July 19, 1979), Special Executive, Professional, or Scientific Pay. The federal wage system (FWS) provides common policies, systems, practices, and job grading standards for uniform application in fixing pay for prevailing rate employees consistent with the public interest and prevailing rates. Additional information concerning the FWS is in the Federal Personnel Manual (FPM) 532-1.

8-3. Implementing Directives.

a. Office of Management and Budget (OMB). The OMB establishes the basic requirement for the accumulation and reporting of detailed civilian personnel expenses and manpower utilization data. The OMB directive is OMB Circular A-11, Subject: Preparation and Submission of Budget Estimates.

b. Office, Secretary of Defense (OSD). The OSD interprets and implements OMB directives within the DoD.

8-4. Direct Hire Pay Systems Categories.

a. US Citizens, General Schedule. Grades and bases of pay for all employees occupying Classification Act positions are in federal employee salary schedules established under the Federal Pay Comparability Act of 1970. This includes full-time permanent, temporary, part-time, and intermittent employment.

b. US Citizens, Prevailing Rate. In DeCA most positions excluded from coverage of the Classification Act, as amended, are subject to the pay determination jurisdiction of the DoD wage fixing authority established under the Coordinated Federal Wage System. This system establishes prevailing rate schedules for specific wage localities.

c. Non-US Citizens, Direct Hire. Under the direct hire system, US Forces are the official employer of non-US citizen personnel and assume responsibility for all administrative and management functions in connection with their employment. Basic rates of pay are ordinarily governed by provisions of a detailed operating agreement based upon a treaty or other formal action between the US and other nation. Wages and salaries are determined by the US, usually on the basis of locally prevailing rates. All direct hire non-US citizen employment is reported in this category.

d. US Citizens, Youth Employment Programs, Direct Hire. Includes persons between the ages of 16 and 21 hired under the President's Youth Opportunity Program objective of providing meaningful employment opportunities for disadvantaged youths. Eligible youths may be hired under the Summer Youth Employment or Stay-in-School portions of the program. Appointments may be to either prevailing rate or Classification Act type positions, depending on DeCA needs and individual qualifications.

e. US Citizens, Other Wage Authority. Includes employees occupying positions for which rates of pay are determined by wage-fixing authority other than the Classification Act, as amended, or wage-fixing authorities established under the Coordinated Federal Wage System. Only US citizens will be reported in these categories. All direct hire foreign nationals will be reported under the non-US citizens, direct hire category.

8-5. Indirect Hire Foreign National Personnel, Labor Contracts With Foreign Governments. The indirect hire system provides that the host government assume the responsibility for meeting the needs of US forces for local national personnel. Rates of pay normally conform to rates established and paid by the host government for comparable work in the area. These costs are charged to object class 25.31. Separation allowances to non-US indirect hires are charged to object class 25.32.

8-6. Types of Payments to Employees.

a. Overtime Payments. Payments for services in excess of the established work period for basic compensation purposes.

b. Base Pay. Basic compensation for the normally scheduled work period, computed at authorized or approved rates of pay for each type of employee.

c. Holiday Payments. Extra compensation for services of employees who work on holidays. Pay for holiday work of more than the scheduled tour of duty will be reported as overtime.

d. Sunday Premium Pay. Costs above the basic rate for regularly scheduled work on Sundays for which time premium pay is earned. Sunday work of more than the scheduled tour of duty is overtime.

e. Nightwork Differential. Additional pay for night work performed during the hours 1800 to 0600. In overseas areas, other hours may be designated to correspond with customary hours of business in the locality. It excludes wage employee shift differentials which are treated as basic compensation for all pay purposes.

f. Hazardous Duty, Danger Pay, and Environmental Pay. Costs above the basic rate because of assignments involving hazardous duty or physical hardships in the work area.

g. Foreign and Non-Foreign Differentials. Costs above the basic rate because of differentials granted.

h. Cash. Cash payments made to civilian employees under the incentive awards program (suggestion and superior performance awards).

i. Premium Pay. For additional pay (as a percentage of basic pay up to 25 percent) to employees who are required to remain in standby status or for those hours of duty that cannot be controlled administratively.

j. Bonuses. For payments such as annual and summer bonuses required by foreign governments to be paid local national employees.

k. Continuation of Pay. Payment made to an employee during absence from the job due to a traumatic on-the-job injury.

l. Personnel Benefits. For employer contributions to Federal Employees Group Life Insurance

programs, Civil Service Retirement Fund, Federal Employee's Retirement System, Thrift Savings Plan, Federal employees' group health insurance programs, and social security taxes.

- m. Severance Pay. Continuing payments to eligible employees who have been involuntarily separated.
- n. Clothing Allowance. Payment of uniform or clothing allowances.
- o. Moving Allowance and Miscellaneous Payments. Payments for subsistence, temporary expenses, real estate costs, and miscellaneous moving expenses.
- p. Lump Sum Payments. Payments to direct-hire employees for accumulated leave on separation or change to a nonconvertible leave system. Excludes payment to eligible former employees of severance pay.
- q. Quarters Allowance. Payment to employees for living quarters.
- r. Separation Allowance. Payments to non-US direct hire employees representing that portion of the total personnel obligations affected upon their termination from government service.
- s. Nonforeign Allowance. Payments to employees for quarters and for cost-of-living allowances at a post in a nonforeign area where living costs are substantially higher than in the District of Columbia.
- t. Foreign Post Allowance. Payments for cost-of-living allowance at a foreign post where living costs are substantially higher than in the District of Columbia.
- u. Supplemental Post Allowance. Payments granted when assistance is necessary to defray extraordinary subsistence costs under specific conditions. This is paid in addition to the foreign post allowance and is not available to those employees occupying permanent quarters at a post.
- v. Separate Maintenance Allowance. Payments to help an employee who, because of dangerous, unhealthy, or excessively adverse living conditions at the employee's post of assignment in a foreign area, or for the convenience of the government, is forced to meet the additional expenses of maintaining the employee's spouse or dependents at a location other than the post of assignment.
- w. Temporary Lodging Allowance. Payments for the reasonable cost of temporary quarters incurred by the employee in a foreign area for not more than 3 months after arrival or 1 month before final departure.
- x. Eight Percent Locality Pay Adjustment. The "PAY COMPARABILITY ACT OF 1990" established procedures to ensure equal pay for equal work. The act established procedures to ensure that federal pay rates are comparable with pay rates of non-federal employees performing substantially equal work within the same area (locality). Pay comparisons are based on the Employment Cost Index (ECI) developed by the Bureau of Labor and Statistics. Localities are defined by the "Federal Salary Council" established by the President. Adjustments to federal pay rates is considered necessary in localities which are found to have a pay disparity between federal and non-federal pay of greater than 5 percent. Adjustments to reduce the disparity require approval by both the President and Congress. Approved pay rate adjustments become effective on the first day of the first applicable pay period beginning on or after January 1 of each calendar year.
- y. Compensatory Time Worked. Compensatory time in lieu of paid overtime may be granted to

GS employees only. (Wage grade employees must be paid for overtime worked). Compensatory time cannot be granted in lieu of Holiday Pay. DeCA employees in pay grade of GS-12 and above are required to take compensatory time in lieu of paid overtime when their hours are in excess of normal tour of duty. OCONUS compensatory time will be paid as overtime of not used within 13 pay periods.

8-7. Compensable Hours. Basic or regular hours upon which an employee's basic or regular pay is computed. Compensable hours include periods of annual or sick leave and time off for legal holidays for which an employee is compensated. Overtime or other premium pay hours are excluded. A fiscal year has 2080, 2088, or 2096 compensable hours.

8-8. Workyears. A workyear is the equivalent of one employee being in a pay status for the number of compensable hours in a fiscal year or more than one employee being in a pay status part of the year for which the total hours paid are equal to the number of compensable hours in the fiscal year. Workyear equivalents represent the portion of a total workyear actually used during any fractional part of the fiscal year. Workyear equivalents for each month are computed by dividing the number of compensable hours used during the month by the number of compensable hours in the year. For example, July 1993 has 176 compensable hours (23 days times 8 hours) and FY 1993 has 2088 compensable hours (261 days times 8 hours). Assuming 18,400 compensable hours were used during July, the workyear equivalent would be 8.81 (18,400 divided by 2088).

8-9. Average Costs Computation.

a. Basic average salary is computed by dividing the total obligations for base pay of each type of employment by the applicable workyear equivalents or workyears for a given month, quarter, or year. For example, assuming July 1993 total obligations for General Schedule employment of \$181,500 and a workyear equivalent of 8.81, the basic average salary would be 181,500 divided by 8.81 or \$20,601.59 (rounded to \$20,602).

b. Overall average salary is computed by dividing the total obligations for total personnel compensation of each type of employment by the applicable workyear equivalents or workyears for a given month or quarter of the year. Continuing with the example and assuming July total obligations for General Schedule employment of \$217,800, then the overall average salary would be \$217,800 divided by a workyear equivalent of 8.81, or \$24,721.91 (rounded to \$24,722).

c. Workyear cost is computed by dividing the total obligations for total personnel compensation and benefits of each type of employment by the applicable workyear equivalents or workyears for a given month, quarter, or year. Continuing with the example, and assuming fourth quarter total obligations for General Schedule employment to be \$684,244, then the work-year cost would be \$684,244 divided by a workyear equivalent of 25.29, or \$27,055.91 (rounded to \$27,056).

8-10. Manpower Utilization. Computed based on the relationship between compensable time used and compensable time available during a given period (day, month, quarter, or fiscal year). Manpower utilization data may be expressed in terms of workhour, workday, workmonth, or workyear equivalents.

8-11. Manpower Conversion. When the utilization is known in one of the terms, that is, workhours, workdays, workmonths, workquarters, or workyears, it may be converted to any of the other terms through application of the following formulas.

a. Workhours are Known.

(1) Convert to workdays by dividing the number of compensable hours used by the number of compensable hours in the period and multiplying the result by the number of compensable days in

the period. For example, July workhour utilization of 18,400 hours divided by 184 hours equals 100, times 23 days, equals 2300 workdays.

(2) Convert to workmonths by dividing the number of compensable hours used by the number of compensable hours in the period and multiply the result by the number of months in the period. For example, first quarter workhour utilization of 52,800 hours divided by 528 hours equals 100, times 3 months, equals 300 workmonths.

(3) Convert to workquarter equivalents by dividing the number of compensable hours used by the number of compensable hours in the quarter. For example, July workhour utilization of 18,400 hours divided by 528 hours equals 34.85 workquarter equivalents.

(4) Convert to workyear equivalents by dividing the number of compensable hours used by the number of compensable hours in the year. For example, first quarter workhour utilization of 52,800 hours divided by 2088 equals 25.28 workyear equivalents.

b. Workdays Are Known.

(1) Convert to workhours by dividing the number of compensable days used by the number of compensable days in the period and multiplying the result by the number of compensable hours in the period. For example, July workday utilization of 2300 days divided by 23 days equal 100, times 184 hours, equals 18,400 workhours.

(2) Convert to workmonths by dividing the number of compensable days used by the number of compensable days in the period and multiplying the result by the number of months in the period. For example, FY 1993 workday utilization of 26,100 divided by 261 days equals 100, times 12 months, equals 1200 workmonths.

(3) Convert to workquarter equivalents by dividing the number of compensable days used by the number of compensable days in the quarter. For example, July workday utilization of 2300 days divided by 66 days equals 34.85 workquarter equivalents

(4) Convert to workyear equivalents by dividing the number of compensable days used by the number of compensable days in the year. For example, fourth quarter workday utilization of 6600 divided by 261 days equals 25.29 workyear equivalents.

c. Workmonths Are Known.

(1) Convert to workhours by dividing the number of compensable workmonths used by the number of months in the period and multiply the result by the number of compensable hours in the period. For example, fourth quarter workmonth utilization of 300 divided by 3 months equals 100, times 528 hours, equals 52,800 workhours.

(2) Convert to workdays by dividing the number of compensable workmonths used by the number of months in the period and multiply the result by the number of compensable days in the period. For example, fourth quarter workmonths of 300 divided by 3 months equals 100 times 66 days, equals 6600 workdays.

(3) Convert to workquarter equivalents by dividing the number of compensable workmonths used by the number of months in the period and multiplying the result by the percentage relationship of the compensable hours or days in the month to the compensable hours or days in the quarter. For example, July workmonth utilization of 100 divided by 1 month equals 100 times 34.85 percent (184

hours divided by 528 hours or 23 days divided by 66 days), equals 34.85 workquarter equivalents.

(4) Convert to workyear equivalents by dividing the number of compensable workmonths used by the number of months in the period and multiplying the result by the percentage relationship of the compensable hours or days in the month to the compensable hours or days in the year. For example, first quarter workmonth utilization of 300 divided by 3 months equals 100, times 25.28 percent (528 hours divided by 2088 hours or 66 days divided by 261 days), equals 25.28 workyear equivalents.

d. Workquarters Equivalents Are Known.

(1) Convert to workhours by multiplying the compensable workquarter equivalents used by the number of compensable hours in the quarter. For example, July workquarter utilization of 34.85 workquarter equivalents multiplied by 528 equals 18,400 workhours.

(2) Convert to workdays by multiplying the compensable workquarter equivalents used by the number of compensable days in the quarter. For example, July workquarter utilization of 34.85 workquarter equivalents multiplied by 66 equals 2300 workdays.

(3) Convert to workmonths by multiplying the number of compensable workquarter equivalents used by the number of compensable hours in the period. For example, July workquarter utilization of 34.85 workquarter equivalents multiplied by 528 hours equals 18,500 divided by 184 hours, equals 100 workmonths.

(4) Convert to workyear equivalents by multiplying the number of compensable workquarter equivalents used by the number of compensable hours in the quarter and dividing the result by the number of compensable hours in the year. For example, July workquarter utilization of 34.85 workquarter equivalents multiplied by 528 hours equals 18,400 divided by 2088 hours, equals 8.81 workyear equivalents.

e. Workyear Equivalents are Known.

(1) Convert to workhours by multiplying the number of compensable workyear equivalents used by the number of compensable hours in the year. For example, July workyear utilization of 8.81 workyear equivalents times 2088 hours equals 18,395 (18,400) workhours (varies slightly from actual hours due to rounding of workyear equivalents to the nearest hundredth).

(2) Convert to workdays by multiplying the number of compensable workyear equivalents used by the number of compensable days in the year. For example, July workyear utilization of 8.81 workyear equivalents times 261 days equals 2300 workdays.

(3) Convert to workmonths by multiplying the number of compensable workyear equivalents used by the number of compensable days in the year and dividing the result by the number of compensable days in the period. For example, July workyear utilization of 8.81 workyear equivalents times 261 days equals 2,300 divided by 23 days, equals 100 workmonths.

(4) Convert to workquarter equivalents by multiplying the number of compensable workyear equivalents used by the number of compensable days in the year and dividing the result by the number of compensable days in the quarter. For example, July workyear utilization of 8.81 workyear equivalents time 261 days equals 2,300, divided by 66 days, equals 34.85 workquarter equivalents.

f. Conversion Formulas Recap. The foregoing formulas have been prepared to illustrate that it is possible to compute utilization data in any terms when actual utilization is known in one of the terms. In

addition, they were developed so that a single formula would apply equally to utilization during any portion of a fiscal year. Recognize that:

- (1) The most accurate utilization is obtained when hours used are known.
- (2) In most instances, some minor degree of accuracy is lost when applying the formulas to convert from other than actual workhours.
- (3) Some of the formulas can be simplified by departing from data presented in the manpower utilization sample or when applied to the utilization data for only on month.
 - (a) As an example, the formula for converting workhours to workdays, as stated in paragraph 11-11a(1), can be simplified by dividing the workhour utilization for any period by the number of compensable hours in a day (8).
 - (b) As another example, the formula for converting workhours to workmonths, as stated in paragraph 11-11a(2), must be followed for quarterly data. However, when applying the formula to data for single month, it can be simplified since the same result is produced either by dividing the number of compensable hours used by the number of compensable hours in the period and multiplying the result by the number of months in the period (1) or simply by dividing the number of compensable hours used by the number of compensable hours in the period (1 month).

Chapter 9

PROGRAMS REQUIRING REIMBURSEMENT

9-1. Purpose. This chapter provides information regarding reimbursable services provided by military departments. These services are not included in the procedures for general and administrative expenses.

9-2. Military Personnel (MILPERS). DeCA must fund for and reimburse the military departments for military members assigned to DeCA positions. Each department has military members in the commissary resale system for different reasons. The Air Force places members for troop issue and resale subsistence support under peace and wartime conditions. The Army provides support at hard-to-fill locations and to fill those position which will allow an experienced person to rotate from CONUS to OCONUS. The Navy provides a job related environment for those sailors who are not aboard a ship.

a. Each fiscal year HQ DeCA/RMB calculates MILPERS funding requirements by computing actual authorized military FTE and the civilian equivalent cost for each pay grade rank. Once identified this funding is maintained and controlled at HQ DeCA.

b. Prior to the beginning of each fiscal year and quarterly thereafter, HQ DeCA prepares a DD Form 448, Military Interdepartmental Purchase Request (MIPR) for each military department providing the funding commitment for reimbursement of authorized positions. The department accepts the MIPR and the obligation is then recorded by HQ DeCA personnel.

c. Monthly, DeCA/DP provides DeCA/RMB with the actual assigned on-board counts by department, by rank. DeCA/RMB uses this data to develop the reimbursable costs for each department. The data represents both the civilian equivalent cost and military and DP composite rate by rank and department.

d. Each quarter, the military departments submit billings to DeCA/RMB for MILPERS. DeCA/RMB reviews and certifies the bills and processes the bill for payment to DFAS-CO.

9-3. NEXMART Operations. The Navy Exchange Service Command (NEXCOM) operates Navy Exchange Marts (NEXMARTS) at various OCONUS locations. NEXMARTS are combined retail outlets providing both commissary and exchange items. NEXMARTS report to the Navy's Region Office (NEXCEN's) and the Navy Exchange Service Command (NEXCOM) for command and control. The Memorandum of Understanding (MOU) between DeCA and NEXCOM requires that operations follow DeCA directives for commissary operations. Operational control and oversight is performed by the DeCA region responsible for the geographic area. Budget and expense control is maintained at both HQs DeCA and HQ NEXCOM. Regional personnel do not exercise and are not responsible for financial support of NEXMART operations. NEXMARTS function as charge sales customers buying subsistence at cost without surcharge added. Sales to patrons are at costs plus surcharge. The surcharge can only be used by NEXCOM to offset specific operating expenses. Residual surcharge funds remaining after operating expense are expended are held by NEXCOM pending an agreement which will call for the annual transfer of retained funds to the DeCA surcharge account at the end of each fiscal year.

a. NEXCOM will submit annual budget estimates to DeCA/RMB for each NEXMART location. DeCA/RMB will issue a funding notice for the agreed upon annual amount. In response, NEXCOM HQ will provide an obligation phasing plan showing monthly planned expenditures in the following categories; Payroll, Fringe, Administrative Fee, Mission Travel, Emergency/Medical Travel, and In-Country Subsistence Transportation costs. Upon receipt of the Obligation Phasing Plans, DeCA will issue

the first quarter authorized funds by MIPR. Subsequent MIPR documents will be issued each quarter to NEXCOM to allow billing of charges within budget.

b. Monthly, NEXCOM will submit a bill to DFAS-CO for approved categories of expense. Billings will include the "NEXMART Billing Data" sheet developed by DeCA and the NEXCOM world wide NEXMART trial balance. In addition to budgeted costs elements this document will indicate; Coupon Revenue, Sales shown as Combined Exchange & Commissary and commissary only. Informational copies will be provided to DeCA/RMB to allow for monitoring analysis. DeCA/RMB will certify billings to DFAS by FAX each month. Billings in excess of the quarterly amount will not be processed. If costs exceed the budget NEXCOM must provide detailed justification and state planned corrective actions. If additional funds are required the request must be submitted and approved at DeCA/RMB prior to incurring the obligation.

c. DeCA/RMB will maintain a data base of planned obligations. Upon receipt of monthly billing data, a second data base will be maintained to capture actual cost, sales data and unit cost. As necessary DeCA will merge both data base systems and produce a "Fund Status Report" to compare plan vs actual and unit cost for each NEXMART. The report will be provided to the Operations staff (DO) at both HQ DeCA and Regions and NEXCOM/NEXCEN upon request to assist in the operational assessment of the NEXMART.

9-4. AAFES Exchange/Commissary Marts. The Army and Air Force Exchange Service began operation of combined "Exchange/Commissary Mart" during fiscal year 93. These combined retail outlets will operate similar to NEXMARTS and will be located at bases that no longer can support independent Exchange and Commissary operations because of troop force drawdown.

Chapter 10

TRANSPORTATION POLICIES AND PROCEDURES

10-1. Background. DeCA has total funding responsibility for the transportation of resale commissary merchandise, Air Force troop support subsistence, supplies and equipment required in support of DeCA regions, districts, CDCs, and commissaries worldwide. DeCA funds the transportation business area with either the Defense Business Operations Fund (DBOF) - commissary operations fund, or surcharge collections. As a rule DeCA provides transportation funds to overseas continental United States (OCONUS) with DBOF funds and to continental United States (CONUS) with surcharge collection funds.

- a. The transportation business area includes the three Transportation Operating Agencies (1) the Military Traffic Management Command (MTMC), (2) the Military Sealift Command (MSC), and (3) the Air Mobility Command (AMC).
- b. MTMC provides the military traffic management interface between the DoD shippers and the commercial carriers, to include CONUS land transportation, ocean carrier service and common-user ocean terminal service. MTMC also provides for the procurement and use of freight service from commercial for-hire transportation companies operating between points in CONUS.
- c. MSC's mission, as the single manager for sealift services, obtains service rates with the ocean carriers for ocean transportation for all cargo of the DoD agencies.
- d. AMC provides air transportation for DeCA subsistence, supplies, and equipment worldwide.

10-2. Definitions. There are several categories or classifications of transportation within the existing commissary systems that will also exist in DeCA. These include: first destination transportation (also known as off shore acquisition), second destination transportation, overseas in-theater transportation (and related costs), indirect transportation costs, central distribution center transportation costs.

- a. First destination transportation is the transportation required to deliver material from a procurement source to the first point at which the military service takes possession or ownership. It also includes charges for movement of merchandise purchased overseas for overseas commissary stores. This category will include charges for freight, cartage, demurrage, detention and storage charges. It does not include transportation costs paid by a vendor as prescribed by a procurement contract. For example, commissary items purchased for CONUS sale will also have the cost for transportation included as part of the price of the product.
- b. Second destination transportation is any transportation other than first destination and covers receipt from production at either a CONUS port, CONUS depot, or CONUS customer. It includes port handling charges and charges for freight, cartage, demurrage, detention, storage charges and other charges incurred shipping items overseas. Transportation for all commissary goods shipped from CONUS to OCONUS locations is paid through second destination.
- c. In-theater transportation is a unique category of expense that is used overseas. This covers transportation costs for cross leveling (transferring goods from one store to another), overseas CDC transportation expense, port handling fees, detention, demurrage, and some port to store costs that are not covered in second destination transportation.
- d. Indirect transportation is that portion of transportation that is provided by an individual

base, post or other installation for the support of commissary operations. This will include motor pool assistance and other transportation support that will be typically found covered under an inter-service support agreement. These expenses are not included in the transportation category but are covered in the computations for indirect support.

10-3. Scope. DeCA Headquarters is responsible for the program, budget, and execution of all second destination, over-the water transportation charges. This consists of all surface, air, port handling, demurrage, detention and storage charges incurred shipping items to all DeCA OCONUS commissaries and Air Force troop issue sites worldwide. DeCA regions which support OCONUS store and troop issue operations are responsible for the program, budget, and execution for In-Theater (IT) and OFF-Shore-Acquired (OSA) transportation costs as well as all transportation related CDC/commissaries in CONUS.

10-4. Transportation of Items Other than Personnel. DeCA may enter into contractual obligations for the transportation of items other than personnel, which includes animals, subsistence, equipment, household goods, privately owned vehicles and smaller components and parts. The regions should use object classification series 22.00 for the transportation of items other than personnel. The costs associated with the transportation of items other than personnel are:

- a. Freight and express - Charges by common carrier and contract carrier, including freight and express, demurrage, switching, recrating, refrigerating, and other incidental expenses.
- b. Trucking and other charges for hauling, handling, and other services incident to local transportation, including contractual transfer of supplies and equipment.
- c. Mail transportation - Charges for postage used in parcel post and express package services. It excludes other postage and charges that are under object class 23.3.
- d. Transportation of household goods (HHG) and privately owned vehicles (POV). DeCA/RM will provide regions with a specific transportation account code (TAC) to cite when orders are published to move HHG and POVs overseas related to military and civilian personnel moves overseas.
- e. Transportation costs for charge sales franchise customers who were in operation prior to Oct 1, 1991, such as the AAFES Burger King Franchise in the Far East, will continue to be funded from the Transportation Account centrally managed at DeCA Headquarters. Funding must be provided by the Host Agency (AAFES, NEXCOM, etc) to cover all transportation costs associated with charge sales to franchise operations which began after Oct 1, 1991.

10-5. Transportation Account Codes (TAC). All commissary merchandise and equipment moved by MTMC, MSC and AMC must have a TAC. Shippers assign a TAC, which is a unique accounting classification number, to enable control of the funding and billing process in the transportation area. The Defense Logistics Agency (DLA) is the executive agent, responsible for assigning TAC. The DLA assigns several TACs for shipments of commissary resale and troop issue to designate the type of transportation charge, see table 10-1 below. Transportation activities use a TAC to charge customers for expenses incurred for the shipping service provided. Air or sea shipments of non-subsistence supplies will require a separate TAC if shippers use AMC or MSC. Regions or stores may request a TAC from Headquarters DeCA but, Headquarters DeCA reserves the authority to request TAC from DLA.

TABLE 10-1

DeCA TRANSPORTATION ACCOUNT CODES

S1HP - Subsistence shipments from U.S. ports to DeCA points to DeCA customers.

S1WP - Subsistence shipments from overseas DeCA storage points.

S1JP - Subsistence shipments from U.S. ports or from overseas vendor sources directly to Air Force overseas for troop issue.

STCO - Non-subsistence - shipments of all supplies and equipment from U.S. ports or intra-theater movement to DeCA customers.

10-6. Transportation of Subsistence. Following are procedures for the transportation of subsistence:

a. Troop support subsistence - DeCA is responsible for OCONUS Air Force Troop Subsistence transportation charges, TAC S1JP. In CONUS, the individual services pay for all transportation costs. There may be special cases when DeCA will pay CONUS troop issue transportation costs, but only on an exception or case-by-case basis. Shippers will use a special assigned TAC or make special arrangements for assignment of a TAC for exceptional projects.

(1) Authorized TAC Code: S1JP

(2) Object Class: 22.90

b. Commissary resale merchandise - CONUS. CONUS commissaries' resale merchandise requirements will be purchased free on board (FOB) destination. Transportation of commissary merchandise from CONUS CDCs to DeCA commissaries is chargeable to the surcharge collections. Regions will charge surcharge collections for cross-leveling of stocks in CONUS between CDCs and commissaries.

(1) Authorized TAC Code: N/A

(2) Object Class: 22.21

c. Commissary resale merchandise - OCONUS. OCONUS commissaries' will purchase merchandise requirements FOB POE. Commissaries will charge DBOF commissary operations for the transportation costs of commissary resale merchandise from CONUS POE and OCONUS DLA/DeCA CDCs and to commissaries and cross-leveling of stocks between commissaries and CDCs.

(1) Authorized TAC Code: S1HP

(2) Object Class: 22.90

10-7. Transportation of Equipment.

a. Equipment and supplies required in support of the troop support mission is an installation support requirement. Supplies required by installation commands must be coordinated with, budgeted by, and obtained by the installation command. Individual Services budget for these services.

(1) Authorized TAC Code: N/A

(2) Authorized Object Class: N/A

b. Equipment, supplies, and motor vehicles for commissary and CDC operations - CONUS. The transportation of equipment and supplies to include the operation of motor vehicles required in support of CONUS CDCs and commissary operations is chargeable to commissary surcharge collections fund.

(1) Authorized TAC Code: N/A

(2) Object Class: 22.21

c. Equipment and supplies for commissary and CDC operations - OCONUS. The transportation of equipment and supplies and operation of motor vehicles in support of commissary and CDC operations OCONUS is chargeable to DBOF commissary operations.

(1) Authorized TAC Code: STCO

(2) Object Class Series: 22.00

d. Equipment and supplies - CONUS & OCONUS - region headquarters and Headquarters DeCA. The transportation of equipment, supplies and operation of motor vehicles required in support of all region headquarters, CONUS and OCONUS, to include Headquarters DeCA, is chargeable to DBOF commissary operations.

(1) Authorized TAC Code: STCO

(2) Object Class Series: 22.00

e. Equipment and Supplies - East and West Service Center requirements. Transportation of equipment and supplies in support of the East and West Service Centers to include operation of motor vehicles in support of the service centers are chargeable to DBOF commissary operations.

(1) Authorized TAC Code: STCO

(2) Object Class Series: 22.00

f. Redistribution of equipment, supplies, and DeCA-owned motor vehicles. The redistribution of equipment, supplies, and DeCA-owned vehicles in CONUS will be charged to the surcharge collections.

(1) Authorized TAC Code: N/A

(2) Object Class: 22.21

g. Redistribution of equipment, supplies, and DeCA-owned vehicles, **OCONUS**, is chargeable to DBOF commissary operations.

(1) Authorized TAC Code: STCO

(2) Authorized Object Class: 22.90

10-8. Other Transportation. DeCA supplies embassies worldwide with subsistence items. All embassy sales will be made on a charge sales basis. As non-DoD charge sale customers, embassies will be charged a surcharge for the commissary purchase and an accessorial charge to defray the cost of packing, crating, handling and transportation. DeCA is not responsible for inland shipment charges of Embassy charge sale

purchases. Once the embassy makes its purchase at the DeCA store or storage site, the embassy is responsible for shipment to its operational field site(s). If the commissary assists the embassy in arranging transportation for or shipping the charge sale, then the embassy **must** provide their own TAC code or an accounting classification code. Consult DeCA Directive 70-6, Financial Procedures for Commissary Management Support Center or DoD 7220.9M, Department of Defense, Accounting Manual, Chapter 26 for additional guidance.

10-9. Transportation Budget. There are two major areas to address in developing a transportation budget system for DeCA. These are (1) budget formulation and justification, and (2) budget execution.

10-10. Transportation Budget Formulation and Justification.

a. Headquarters Budget Formulation. DeCA develops a transportation budget using prior and current year billings from the transportation agencies and forecasted movement requirements. Billing data is the cornerstone upon which out-year transportation budgets are built. DeCA's budget division coordinates with DeCA's Operation Directorate, and obtains projected container billing rates and shipping data. DeCA's uses forecasted sales data, billing rates and prior year costs to formulate the DeCA transportation budget.

b. Region Budget Formulation. A budget call is sent to DeCA's region budget offices. The regions submit their projected transportation budget requirements at this time. The European, Southern, Northeast, and Northwest Pacific regions submit their program for off-shore-acquisition (OSA) and In-Theater (IT) Transportation. DeCA Headquarters reviews the region programs and makes adjustments.

c. Budget Submission and Adjustments. After DeCA completes the transportation budget, it is added to the DBOF budget submission. The entire budget is reviewed by the DeCA command hierarchy and forwarded through the review cycle to OSD. OSD makes adjustments to it based on fiscal constraints to which DeCA will make appropriate comments and suggestions. The budget then becomes part of the President's Budget (PB) and subject to Congressional review and adjustment.

10-11. Transportation Budget Execution.

a. Headquarters Budget Execution. DeCA budget office will execute the transportation budget within the guidance established by OSD to avoid any shortage or excess of funds. This task involves three major functions: (1) recording and monitoring actual execution, (2) establishing projected commitments and obligations, and (3) projecting shortfalls or excesses. From the DPSC billing data, a budget analyst reviews the shipping charges by AMC, MSC and MTMC. The shipping charges are adjusted for erroneous TAC or invalid DODAACS.

(1) Commitments, obligations, expenses and disbursements are tracked and updated monthly. Budgets are reviewed at mid-year.

(2) Another important function of budget execution is to control and authorize the use of transportation fund cites for special and unforeseen transportation requirements.

b. Region Budget Execution. Regions are responsible for their own budget execution with overview by the DeCA Resource Management Budget (RMB) Division. This budget includes funding for Off-Shore-Acquisition, first destination transportation, and In-Theater costs. The region formulates and justifies budgets, and monitors their execution. They communicate with the appropriate accounting office and resolve bill paying issues and other accounting problems and issue reimbursable MIPRs. They monitor and report potential excesses or shortages to the DeCA RMB division. DeCA reviews results at mid-year.

10-12. Transportation Bill Paying.

a. MTMC, AMC, and MSC generate transportation bills for shipping goods across the water, and overseas military commands for shipping commissary subsistence in-theater. Transportation bill paying involves reviewing transportation charges for accuracy and validity and paying for these bills.

b. Second Destination Transportation (SDT) Bill Paying. AMC and MSC agencies provide the majority of the over-the-water transportation for the commissary system. AMC handles air transport while MSC handles sea transport. The transportation operating agencies' commands bill DeCA by coding in DeCA's TAC number on their billing statement. The agencies send the statement, and support documentation to DPSC. DPSC also creates a 1080 billing document. Each month DPSC sends DeCA a 1080 bill and supporting documentation for the current month's transportation bill.

(1) DeCA reviews the statement submitted by DPSC and when feasible, resolves problems with DPSC and the shipping agencies.

(2) DeCA verifies and adjusts the bill as necessary. DeCA forwards the bill to DFAS for payment. DFAS cross-disburses and credits DPSC and debits DeCA.

c. Off-Shore Acquired (OSA) and In-Theater (IT) Bill Paying. Regions supporting overseas missions must pay the transportation bills submitted by the respective overseas commands for transporting commissary goods in-theater and other associated costs. In Europe bills are sent to the 9th Finance Group; for the Pacific to the Northwest Region. Normally, a reimbursable Military Interdepartmental Purchase Request (MIPR) is issued from the DeCA European RM to the overseas' commands. The respective commands pay the transportation bill they incur and use the MIPR to request reimbursement from DeCA. See DeCA Directive 70-6, Financial Procedures for Commissary Management Support Center on how to establish MIPRs for specific locations.

(1) The region bill paying analyst reviews the bills submitted by the overseas' commands and audits them by reviewing locations, type of transport, dollar and tonnage amounts, variances from prior months or years, etc. Regions resolve problems in the billing with the overseas' commands.

(2) After verification of the bill, regions forward the bill to DFAS for payment. DFAS cross disburses a credit transaction into the accounting system to credit the appropriate service command and debits the DeCA regions.

10-13. Enhanced Transportation Automated Documentation System (ETADS).

a. ETADS is an Air Force automated transportation system which tracks the physical movement and financial status of cargo movements world-wide. ETADS consists of two modules: Ocean Cargo Movement (OCM) and Transportation Financial Management (TFM). DeCA operations will use OCM to monitor shipments, obtain management reports and gain visibility of container movements from CONUS to final OCONUS destinations.

b. TFM will provide DeCA with an automated reconciliation of the DeCA transportation bills with the AMC, MSC and MTMC transportation charges.

c. The program will detect TAC/TCN billing errors and produce reports. A major ETADS advantage, allows an automated means to analyze voluminous data. ETADS speeds up the bill payment process and reduces the time DLA stock fund dollars are tied up.

d. DPSC will forward the 1080 billing, and backup documentation to DeCA. MSC and MAC, will send a computer tape, listing all backup support transactions, to the Air Force Material Command.

AFMC hosts the mainframe computer and maintains the master database.

e. DeCA will be on-line , real-time, and have access to all programs. DeCA will be able to query the system and produce management reports.

f. The system establishes an obligation for every item by line item and transaction, and performs statistical testing and analysis. The software identifies any discrepancies in the Transportation Control Number (TCN). The TCN contains the Department of Defense Activity Address Code (DoDAAC) and original order requisition number. DeCA resolves any problems uncovered with the billings with DLA and/or the MSC, AMC and MTMC before payment. Payments do not include In-theater costs. The respective commands handle these separately.

g. ETADS monitors and compares bills and obligations and compares them to available funding for the year. ETADS performs projections to estimate potential excesses or shortfalls in available funding at year end. DeCA makes any necessary requests for additional funding or reprogramming actions to the OSD to ensure proper fund execution.

h. ETADS will save time and money and provide timely data to enhance transportation management decisions.

10-14. References.

- a. DoD Directive 5105.55, "Defense Commissary Agency (DeCA)," November 9, 1990.
- b. DoD Directive 1330.17-R, "Armed Services Commissary Regulations (ASCR)," April 1987.
- c. DoD Directive 4500.32-R, Military Standard Transportation and Movement Procedures (MILSTAMP), March 15, 1987, Volume I, and II, February 15, 1987. Volume I prescribes policies and procedures required to manage and control the movement of material through the Defense Transportation System (DTS). Volume II contains procedures and transportation account codes (TAC) for use together with MILSTAMP Volume I to account for transportation funding of Service/Agency shipments within the Defense Transportation System (DTS).
- d. Defense Logistics Agency Handbook 4500.3, Subsistence Transportation Handbook, May 1990.
- e. DeCA Directive 40-11, "Transportation Program."

Chapter 11

REIMBURSABLE PROGRAMS

11-1. Purpose. This chapter covers reimbursable programs for DBOF - Commissary Operations. Most reimbursable programs result in revenue to DeCA to cover the costs of providing a service for someone else.

11-2. General Information. Reimbursable programs are a significant source of funding. While funds received are not appropriated by Congress, they are combined with appropriated DBOF Commissary Operations funds and increase total obligation authority (TOA).

11-3. Vendor Coupons. Commissaries accept vendor coupons that discount the resale price of merchandise by the face value recorded on the coupon. To collect this discount to the customer, DeCA uses a coupon clearinghouse to assemble, process, and request reimbursement by the vendor that issued the coupon. In addition to reimbursing the face value of the coupon, the vendor pays a fee of eight cents per coupon redeemed. This eight cents represents an industry standard that was developed to cover a resale activities costs of processing the coupon. For DeCA, processing costs include the cost of the contractor, cashier handling and sorting, postage, automation, and other support provided.

a. The coupon clearinghouse invoices vendors on behalf of DeCA and, in turn, the vendors forward payments to a lockbox in a bank. The bank deposits payments to DeCA's Treasury accounts within twenty-four hours of receipt. The redemption vendor represents a collection for DBOF -- Resale Stocks for face value of coupons and DBOF -- Commissary Operations for processing costs.

b. The Coupon Redemption Branch at the West Service Center is responsible for managing the coupon system, reconciling data, tracking and collecting uncollectible coupons, preparing performance reports and budget forecasts, and coordinating with coupon clearinghouse, banking facility and vendors. The West Service Center receives all coupon shipping data from commissaries and all payment and related invoicing data from the coupon clearinghouse and bank. The West Service Center establishes a record in the automated coupon system to track the shipment until reimbursement and to identify any variance between shipment and reimbursement.

c. To minimize the transfer of funding and to simplify reimbursement to DBOF -- Commissary Operations, DeCA/RMB centrally manages coupon reimbursement program. At the beginning of each year, DeCA/RMB will review and evaluate the current year projected revenue for coupon reimbursement. This projected revenue is included in the overall availability of funds and is distributed to each region equally. As the revenue is earned, it is used to fund requirements at headquarters, precluding the necessity of developing an accounting system to track and distribute revenue to each region.

11-4. Commercial Activities (CA) Contracts. CA contracts are used to provide services for shelf-stocking, custodial, and warehousing at several commissaries. These CA contracts are funded by DBOF -- Commissary Operations and Surcharge Collections. DBOF -- Commissary Operations funds for labor services represent approximately 95 percent of total costs. Surcharge Collections funds for supplies and equipment needed to support these contracts and represents about 5 percent of costs.

a. CA contracts were normally awarded using two fund cites. This procedure was found to be ineffective because accounting clerks did not always use both fund cites when making payments. This resulted in distorted financial records and this condition was difficult to identify and correct.

b. To minimize the transfer of funding and to simplify procedures for CA contracts, DeCA/RMB has established and centrally manages this reimbursable program. The reimbursable program is established by only using one fund cite on a CA contracts, DBOF -- Commissary Operations. DeCA/RMB uses the average breakout of costs, 95 percent for DBOF -- Commissary Operations, and 5 percent for Surcharge Collections to determine the total reimbursable amount from Surcharge Collections to DBOF. DeCA/RMB prepares a Standard Form 1081, Voucher and Schedule of Withdrawals and Credits, and forwards it to DFAS-CO through DeCA/RMA to effect the transfer.

11-5. Foreign Government Burdensharing. Congress has directed DoD to seek burdensharing funds from foreign government that benefit from U.S. troops stationed in their countries. Of the countries where DeCA commissaries are located, only the Government of Japan and the Republic of Korea participate in burdensharing.

a. Government of Japan (GOJ). Foreign national employees in Japan are indirect hires. Indirect hire employees are not paid directly by the U.S. Government, but by their own government, which negotiates a master labor contract with the government of the United States. For the past several years, the Government of Japan has absorbed an increasing share of the cost of Japanese indirect hires. In April 1995, the GOJ will assume 100 percent of the cost. The Northwest Pacific Region will be able to reduce their direct funding request to reflect the assumption of cost by the GOJ. The GOJ also provides cash reimbursement to the U.S. Government for part of the cost of operating facilities in Japan. DeCA receives some reimbursement for utilities. Northwest Pacific Region will include the cost of utilities in the ISAs negotiated with supporting installations, and forward any checks received to HQ DeCA, ATTN: RMB.

b. Republic of Korea (ROK). Foreign national employees in Korea are direct hires. Direct Hire employees are paid directly by the U.S. Government. Each year, the ROK government reimburses the U.S. Government by check for a portion of the cost of employment of their citizens. Northwest Pacific Region will include the full cost of ROK employees in their operating budget and forward all checks received to HQ DeCA, ATTN: RMB. RMB will send a copy of the DFAS-CO processed cash collection voucher to the respective region.

11-6. Coast Guard Commissary Operations. DeCA currently operates the Coast Guard Commissary store at Governors Island N.Y. The Northeast Region has responsibilities to perform all budgeting functions and must provide the annual budget estimates to the Coast Guard Office at 2100 Second Street, SW, Washington, DC. After negotiations, Coast Guard will issue a Military Interdepartmental Purchase Request (MIPR), DD Form 448, for the agreed annual budget. Northeast Region will accept the MIPR by returning a signed MIPR acceptance, DD Form 448-2. Appropriate ledgers must be maintained to allow monthly billings to be calculated and submitted to DFAS-CO for reimbursement from the Coast Guard to DeCA. All applicable DoD, Armed Services Commissary Regulations (ASCR) and DeCA directives apply. All costs reimbursed by the Coast Guard. Resale Stock and Surcharge Funds collected will be deposited in respective DeCA accounts.

Chapter 12

UNIT COST RESOURCING

SECTION A - GENERAL

12-1. Purpose. This guidance describes implementation of unit cost resourcing.

12-2. Background. The total cost per output, or Unit Cost, concept is that all of the costs incurred within a defined Unit Cost Activity should be related to an Output of the Activity. This concept is a business type accounting or financial system approach that will support resourcing, managing, and measuring the work performed in each Unit Cost Activity. Accounting practices recognize that this must be done in a reasonable manner. Thus, the costs that cannot be identified directly to a product or service can be used on one or several allocation schemes that are suited to the Unit Cost Activity and tailored to meet the needs of the managers of that area. This approach has the advantage of encouraging management to look at all costs, including indirect costs, in terms of the Output of the business area and not an entity in itself. Unit cost does not solve the problems of managing a Unit Cost Activity nor is it a substitute for good management, but rather a tool for managing. Activities must still be responsive to corporate policy, even if that policy increases their unit cost. This is not a system to encourage ignoring corporate policy, but should help focus on the cost of policy decisions. Recognition of the costs of these decisions along with the flexibility to manage those costs, does allow the opportunity for improvement.

12-3. Unit Cost Definitions. Financial terminology within different organizations has different meanings. In order to understand the Unit Cost concept, it is necessary to establish usage of key terms. The following paragraph describe terms as used in Unit Cost.

a. **Unit Cost Activity.** A major functional area identified by the OSD Comptroller as a target area for cost per output implementation. This includes all Defense Business Operations Fund (DBOF) business areas and other non-DBOF activities such as Medical Care, Military Training, and Recruiting.

b. **Unit Cost Output.** The concept that each cost incurred in a Unit Cost Activity will find its way into some output measure. The goal is to have each product or service bear as accurate a cost as possible so that as workload fluctuates, the revenue and costs will remain in balance. Outputs are subcategorized into two groups: primary outputs and other outputs.

(1) **Primary Output.** An output that reflects the primary mission of a Unit Cost Activity. This is determined by answering the question, what is the main thing this organization does? It is important to have a few primary outputs identified as possible to avoid fragmenting the organization and defeating the purpose of managing total costs. Primary outputs are referred to as (A) goals in the Unit Cost Budget.

(2) **Other Output.** An output that reflect tasks performed other than those identified as primary outputs. Theses other output costs must be identified to ensure that all costs are being captured. Outputs that have no workload measure, or outputs that do not relate to the primary output measure are considered other outputs. Output that consume resources at a significantly different rate than the primary output can be identified as other outputs. Other outputs may be expressed in a cost per unit basis on a reimbursable basis or up to the amount reimbursed, or up to a preset budget ceiling referred to in the Unit Cost budget as a (B) goal.

c. **Categories of Cost.** Business expenses are generally divided into three categories of cost:

direct, indirect, and general and administrative (G&A). Unit Cost definitions must be flexible in order to be consistent with the service or agency definitions as well as the DoD unit cost definitions. These cost definitions apply to both labor and non-labor costs:

- (1) Direct Costs. These costs are clearly identified to a product or output and are incurred 100% by the function that produces the output, such as hands-on labor or material used in the product.
- (2) Indirect Costs. Indirect costs are those mission costs which cannot be identified to a single output. These costs are allocated over a select number of outputs.
- (3) General and Administrative (G&A) Costs. These costs cannot be reasonably associated with any group outputs but are allocated over all outputs. G&A costs usually include such functions as local command and control personnel, comptroller, installation security, facilities engineering, custodial services, entomology services, or other common support functions provided as part of the base operations.
 - d. Military Costs. Military costs are always included based on 173 hours per month and based on composite military rates multiplied times the average assigned military strength. Some DoD financial systems include military costs directly charged to a specific output; others do not. When Military Costs are absent from the accounting tapes, but military personnel are assigned to a Unit Cost Activity, with OSD direction, military costs can be based on the guidance in DoD 7220.9-M chapter 26 of the DoD accounting manual. They will appear in the Unit Cost computation defined as military costs, direct, indirect or G&A and treated the same as civilian labor.

12-4. Concept. Unit cost, or cost per output, concept is that all of the costs incurred at an activity, or within a function, should be related to an output of the activity. The approach is to use a "business type" accounting or financial system that will support resourcing, managing, and measuring. The goal is to have each product or output bear as accurate a cost as possible. No savings are directly attributable to unit cost. Savings are only realized as processes are changed or eliminated and the effects of these changes are reflected in the actual cost per output.

- a. The unit cost approach has the advantage of encouraging management to look at all costs, including overhead, in terms of the output of the business. This approach subjects capital costs to the same test, since those costs will ultimately be included in the product cost by means of depreciation.
- b. A unit cost system will not solve all of the problems of managing an activity or function. It is not a substitute for management, but rather another tool for managing. Activities must still be responsive to corporate policy, even if that policy increases the unit cost. This system provides ability to focus on the cost of a policy. It will identify costs, not eliminate them. Recognition of total costs, along with flexibility to manage costs, provides the opportunity for improvement.
- c. In addition to providing a means to consider costs as part of day-to-day decision making, unit cost provides visibility of cost drivers. Cost drivers can be those actions taken that contribute to the accomplishment or an output or a product at a significant cost and should be evaluated for value added. The goal is to minimize effort and costs or eliminate the things that drive costs, so as to reduce the total cost per output.
- d. The unit cost concept is a device to reduce budgets, but hopefully in a way that does not impact on an activity's ability to accomplish its work load while meeting its qualitative and performance standards. One of the big advantages of the unit cost concept is that the budget automatically fluctuates with changes in work load.

12-5. Unit Cost Goals. Unit cost data will be collected at the lowest practical activity level; however, OSD will provide Service or Agency level unit cost goals. For example, DeCA receives a single cost goal from OSD(C) for each business area, i.e. Commissary Operations and Commissary Resale Stocks. DeCA/RMB then assign goals to each activity. It is expected that individual activity allocations will be different from the overall DeCA goal, but will be structured so the total activity goals do not exceed the DeCA goal.

SECTION B - SETTING UNIT COST GOALS

12-6. Identification of Outputs. All business of an activity will be reflected in an output of that activity. Outputs reflect the business activities being performed. All costs incurred in an activity, regardless of the funding source, will be distributed to an output and included in development of unit cost goals.

a. Where an output lends itself to unit cost measurement, and thus an overall component or activity funding level will fluctuate with work load, it is imperative that the level of work load not be subject to influence by the activities performing the function. There is one basic rule for development of outputs: activities should not be able to influence the level of work load in order to increase earnings.

b. Some outputs may not have measurable units and will be funded on an actual cost or negotiated rate basis.

c. Most activities have one or more primary activities, but also have other outputs which may or may not be related to the primary outputs. Thus outputs are grouped into two types: Primary and Other.

(1) Primary outputs reflect the primary mission of an organization. Primary outputs are determined by answering the question, what is the main product or service provided by the organization? It is necessary in some cases to identify several outputs to reflect the diversity of products produced, and in other cases to identify a combination of one primary output and a number of other unrelated outputs. The number of outputs should be limited to a level that can be reasonably identified and managed. In some instances it is difficult to define the output and it is necessary to assign a proxy for output. For example, in DeCA, the primary mission has been defined as satisfying commissary customer requirements. The primary output measure used is cost per dollar of commissary sales. A commissary sale has been determined to be the best indicator, or proxy, that the service has been provided.

(2) Each activity may perform tasks other than those identified as primary outputs. These other outputs must be identified to ensure that all costs are being captured. Other outputs may be expressed on a cost per output basis, depending on the ability to develop unit cost measurements and who determines the level of work load.

12-7. Allocation of Unit Cost Goals. The success of managing cost depends on the degree to which unit cost goals are allocated down to lower levels of DeCA. At all levels, cost center managers will be accountable for costs that they control.

a. Within each DeCA Region and operating activity, separate outputs should be identified to capture the business of each cost center. A cost center is defined as a commissary, CDC, service center, Regions, Districts, and DeCA Headquarters. Every cost center has lower level outputs that contribute to the overall activity outputs. The cost goals assigned to cost center managers should reflect only those costs within their control. The goals distributed to lower level cost centers should not exceed the activity goal.

b. DeCA Regions and other activities receiving cost per output goals at the HQ DeCA level should distribute those goals to the activities involved in performing the function. The intent is to gain visibility of costs and manage those costs at the lowest possible level. However, it is not necessary, and

probably not desirable, to give each activity the same goal as the component goal(s). For instance, it may be desirable to recognize the cost differences between small, medium, and large commissaries and, as such, vary those cost goals accordingly. It is recognized that a trial and error period (or learning period) will be required to be able to distribute lower level goals in such a way that the overall unit cost goal is not exceeded.

SECTION C - BUDGET SUBMISSION, REVIEW AND EXECUTION

12-8. Operating and Capital Budgets. The unit cost system is essentially a business-type financial system. Like a business system, all the costs of the business will be included in the budget and captured by the accounting systems. And like a business system, using standard accounting principles, the budget and costs will distinguish between operating and capital costs. When component and activity budgets are issued, the documentation will include separate operating and capital budgets.

a. **Operating Budget.** The operating budget represents the total annual costs for DeCA, including depreciation expenses for installed investments after October 1, 1990, and the cost of support provided by other activities. The operating budget will include a list of the outputs and the unit cost goal assigned to each, where applicable, and the other bases for funding where unit cost measurement is not possible. The operating budget will be on a "cost" basis, rather than an obligation basis. (However, because of externally imposed appropriation limitations, separate obligation limits may be necessary for some functions.) This will be a new concept for many managers, but one that must be utilized to capture all the costs of doing business. Depreciation and amortization will be included in the operating budget. The operating budget will also include the cost of the military personnel assigned to DeCA.

b. **Capital Budget.** Budgetary resources for capital investments shall be separately identified in an approved capital budget. Capital investments are, generally, items with an unit cost of \$25,000 or more and a useful life of two years or more. However, other items such as real property maintenance projects over \$25,000 are also included. The capital budget includes all the costs of an acquisition, including installation and other related costs. The acquisition cost will be depreciated in the capital budget. Depreciation expenses will be included as an operating cost against the appropriate outputs.

12-9. Budget Execution. Unit cost goals will be the mechanism for providing funding guidance, and will serve as administrative limitations for execution of budgetary resources. Funding documents will provide cost authority, and managers will be expected to manage within that cost authority, which will be issued as administrative limitations. In addition, there will be overall obligations and obligation plus commitment limitations subject to Section 1517 of Title 31 United States Code (Anti-Deficiency Act) based on DD1105.

a. **Earnings.** DeCA activities will have to adjust to the concept that the level of budget authority available to them is not fixed, but fluctuates with the amount of work load. The term "earnings" will be used to reflect the total amount of budget authority that is available to a DeCA activity. This is not to be confused with the earnings from reimbursements. The emphasis in this system should be on costs, and the amount of costs that can be incurred should match the amount "earned" funds. Unit cost goals will be limitations to the degree that budgetary resources are only earned if the work load materializes. An activity's earnings may reflect the sum of a number of different outputs, some on the basis of unit cost and some on another basis. Activities will be expected to live with their overall earnings, and will not be held to the amount earned for each output. NOTE: Because the Department operates within overall fiscal constraints, there may be times when it will not be possible to fund activities at the level that they have "earned."

b. **Fixed and Variable Costs.** There is an implication in this system that all costs are variable, and this is obviously not the case. Significant variations in work load can be the basis for a change in the goals. Future efforts will attempt to provide better identification of these costs. However, until such time as variable and fixed costs are distinctly defined and supportable, earnings will fluctuate with work load as though all costs are variable and adjustments made when necessary. Other factors that will influence unit

costs are changes in the type and level of services provided which may also cause unit cost goals to change. At this time, the system treats all costs as variable and earnings fluctuate with work load.

(1) Work load increases should not result in automatic increases in cost. The goal of the system is to reduce the cost of doing business. Although it is recognized that decreases in work load will cause funding problems, activities should make every attempt to lower costs rather than request an increase in the earnings rate.

(2) However, if an activity believes it is not possible to manage within projected earnings, a request should be made for an adjustment with accompanying rationale as to why the adjustment should be approved.

12-10. Administrative Control of Funding Limitations. Unit cost functions "earn" their budgetary resources based on the designated output measure multiplied by the unit cost goal for that output. The budget process contemplates a level of funding, or earnings, based on expected work load output. Total costs incurred should not exceed the resources earned. Apportionment, reapportionment, or other administrative divisions of funds held by an unit cost functional area must not be exceeded.

12-11. "Cost Only" Transactions. A "cost only" transaction is method for reflecting the costs of products or services in the operations of the benefiting organization. "Cost only" transactions generally represent (a) what otherwise would be a reimbursable transaction for products or services received from another organization incurring the obligated cost, (b) depreciation of equipment, depreciation of real property, amortization of intangible assets, depletion, accumulation of capital reserves, prepaid expenses, and other costs incurred at the benefiting organization but not otherwise recorded as an obligation, and (c) obligations incurred in another appropriation. "Cost only" transactions may be classified as direct, indirect, general and administrative, or capital costs as applicable.

(1) "Cost only" transactions are being utilized to reduce the number of reimbursable transactions at the activity level. Although allocated to the benefiting function at the activity level, the costs may be reimbursed to the provider at a higher level (Command or Departmental). The sum of certain "cost only" transactions may result in a reimbursable transfer from the Command or Departmental level.

(2) Separate elements of expense or cost codes must be established, in some instances, to capture each major type of "cost only" transaction. In other instances, the necessary information is available through existing program elements, cost codes, management information system, etc. Whatever the source, the source of each cost element must be documented.

(3) "Cost only" transactions will be processed at least monthly, but may be processed on a more frequent basis. Such transactions should be processed through existing automated accounting systems wherever possible. Where the use of existing accounting systems may not be feasible, procedures must be established to manually enter or add the transactions to the activity's cost data base.

12-12. Reimbursements. Reimbursable transactions will be required when the costs have to be charged to a different appropriation. In those instances, the reimbursable transaction should not take place at the activity level, but at the command or appropriation level. Examples of costs that will require reimbursement include military personnel costs, transportation and subsistence support from DLA/DPSC.

SECTION D - ACCOUNTING AND CLASSIFICATION OF COSTS

12-13. Accounting for Costs. The accounting process associated with most costs is adequately addressed in the DoD Accounting Manual and operating procedures of the DoD Components and should be followed. Accounting for other costs and transactions for depreciation, amortization of real property maintenance

expense, military personnel, and general and administrative expenses is addressed in the following paragraphs.

12-14. Depreciation Policies. The following policies apply to capitalization and depreciation of capital assets.

a. **Capitalization Criteria.** The investment capitalization criteria for unit cost operations shall be aligned with the expense/investment funding threshold. Activities shall allocate the depreciation expense of assets, including computer software, for those assets that were received and placed in use after October 1, 1990; have a purchase cost or, when applicable, an estimated fair market value of \$25,000 or more; and have an estimated useful life of more than 2 years.

b. **Residual Value of Depreciable Assets.** Residual value is the estimated salvage value of an asset at the end of its useful life. A capital asset in use shall not be depreciated below this value. The residual value of DoD capital assets is deemed to be 10 percent of the initial capitalized amount of the fixed asset unless the entity controlling the asset can determine that a different (greater or less) residual value is more appropriate. The residual value, regardless of the amount, shall be used in the depreciation calculation. Once established, the estimated residual value should not increase over the life of the asset, even though the fair market value of the asset may be greater than its original acquisition cost.

c. **Calculation of Depreciation.** Depreciation will be calculated based on the acquisition cost less residual value. Acquisition cost will include the purchase price, plus any associated costs for transportation, installation, and other costs necessary to put the asset in the place and in the form in which it will be used.

(1) Depreciation shall commence in the later of (a) the month following the date of receipt shown on the asset receiving document or (b) the date the asset is installed and already for use (regardless of whether it is actually used). Depreciation shall be calculated and accumulated in equal amounts, that is on a straight line basis, each month thereafter until the asset is completely depreciated, disposed of, or otherwise transferred.

(2) Land is not subject to depreciation. However, when land and building (s) are purchased together, the depreciable base is total cost less the cost of the land and the residual value of the building (s).

d. **Cost Classification.** Depreciation expense may be classified as either direct, indirect, or general and administrative (G&A) depending upon the organizational location of the asset and the use to which it is put. Depreciation expense should be recorded in either the "Depreciation of Equipment," or "Depreciation of Real Property," accounts, as applicable, as a "cost only" transaction.

e. **Depreciable Assets and Useful Life.** Depreciable assets installed on or after October 1, 1990, shall be recorded in one of the asset categories specified in Attachment 12-1 assigned a useful life not to exceed specified for the applicable category.

12-15. Amortization/Depletion/Prepaid Expenses/Capital. The following policies apply to intangible assets, natural resources, and real property maintenance.

a. **Criteria.** Activities and functions operating under unit cost procedures shall:

(1) Amortize, over a 5 year period, the cost of intangible assets costing over \$25,000. Examples of intangible assets are management initiatives, organization of new functions, or reorganization of old functions.

(2) Allocate the depletion expense of natural resources. Depletion of natural resources shall be computed based on an estimate of the natural resources to be extracted, in units or tons, barrels, or other measurement commonly used for that resource, divided by the total cost of the depletable asset to arrive at a depletion rate per unit extracted.

(3) Allocate the prepaid expense of, or accumulate, as a capital reserve, real property maintenance costing over \$25,000.

b. Cost Classification. Amortization, depletion, prepaid expenses, and capital reserve accumulations may be classified as either direct, indirect, or G&A. Amortization expense is recorded as "Amortization of Other Assets. Depletion is recorded in the account "Allowance for Depletion. Prepaid expenses are recorded in the account "Prepayments." Capital reserve accumulations are recorded in an account "Capital Reserves," (account to be established). Amortization, depletion, prepaid expenses, and capital reserve accumulations are "cost only" transactions.

12-16. Military Personnel Expense Policies. The following policies apply to military personnel costs.

a. Activities and functions operating under unit cost procedures shall:

(1) Include the cost of assigned military personnel.

(2) Use, as the cost of military personnel, the composite pay rate amount computed by the applicable member's Military Service for his/her officer or enlisted pay grade. The composite pay rate is a weighted average computed separately for each grade by each Military Service. This rate includes basic pay, retirement accrual, allowance, special pay, incentive pay, and permanent change of station (PCS) travel.

(3) Determine the number and grade of military personnel assigned as of the first day of each month. It is the assignment of military personnel to an activity, and not the actual presence of military personnel at that activity or the use (mission related or not) to which they are put that is the determining factor in determination of assignment (for example, even though a member may be away at training, or leave, or temporary duty, costs will be applied to the assigned unit cost activity).

(4) Multiply the average number of military personnel by grade by the composite rate for that military service and grade to determine the cost to be applied to the functional area.

b. Cost Classification. Military personnel may be classified as either direct, indirect, or G&A depending upon the organizational placement of a military member within a function and the work performed by that member. Military personnel shall be recorded in the account "Personnel Compensation - Military," as a "cost only" transaction.

12-17. General and Administrative (G&A) Cost Policies. G&A costs will include those costs incurred within the unit cost function as well as costs associated with base support.

a. Base Support Costs. The use of negotiated reimbursable agreements covering base support costs highlights the costs of doing business to both the customer and the provider. This, in turn, will increase cost visibility and consciousness and can, potentially, drive down these costs. Customers will, in some instances, have the option of shopping for services and providers to get the level of service desired at the cost they are willing to pay. This is expected to, in effect, incentive providers to minimize the cost of their support. Base support costs incurred by an activity or function should be treated in the same manner as other G&A costs.

(1) Budgets for unit cost activities or functions will include an amount associated with the costs of base support.

(2) Support agreements should encompass all base support costs. Mandatory services such as those required for safety, environmental, and fire protection must be included in the service support agreements at a level sufficient to meet statutory, community, and personnel requirements. Other services, not of a mandatory nature, may be reduced or even eliminated if not essential.

b. Allocation of Expenses. G&A costs incurred within an unit cost function shall be allocated to the outputs of the function on the basis of personnel associated with (assigned) to the output of the unit cost function. It is recognized that personnel assigned may not, in all cases, be the best basis for allocating G&A costs. However, pending further refinement and input from the DoD Components, personnel assigned appears to be the most consistent and reliable methodology. Personnel assigned is defined as the number of civilian and military personnel assigned to the installation, major command, service or agency. Civilian personnel includes all direct hire full and part time employees and temporary employees in appropriated fund, non-appropriated fund, and industrial fund activities. It includes direct and indirect hire foreign nationals. Military personnel includes those on full-time active duty in a uniformed service performing military and civil functions. It does not include members in the Ready of Standby Reserves.

CAPITAL ASSET CATEGORIES

| <u>Asset Category</u> | <u>Maximum Useful Life</u> |
|-----------------------|----------------------------|
| Buildings | 20 Years |

Includes structures to house or shelter facilities, equipment, or to provide working space for an installation's operations. The depreciation period shall not exceed the expected useful life of the asset. (Note: Historical buildings, statues, etc. are not depreciated.)

| | |
|---------------------------|----------|
| Structures and Facilities | 20 Years |
|---------------------------|----------|

Includes special purpose assets such as automated warehouse retrieval systems, fixed cranes, etc. Structures and facilities may be housed in a building or may be independent. If housed in a building, they shall be accounted for separately from the building even though they may not be operated independently from the building. However, they may not be depreciated over a period exceeding the useful life of the building in which they are housed.

| | |
|------------------------|----------|
| Leasehold Improvements | 20 Years |
|------------------------|----------|

Includes changes or modifications to a leased building, structure, or facility in a way that substantially extends its useful life, increases its potential rate of output, increases its operating efficiency, or decreases its operating cost. These factors are distinguished from repairs or maintenance, which tend to keep an asset in or near its original efficiency without materially adding to its life, productivity, or efficiency. The depreciation period shall not exceed the lesser of expected useful life of the asset or the lease period.

| | |
|----------------------------|-------------------------------|
| Assets Under Capital Lease | See Applicable Asset Category |
|----------------------------|-------------------------------|

A capital lease substantially transfers all the benefits and risks inherent in the ownership of property to the lessee, who accounts for the lease as an acquisition of an asset and the incurrence of a liability. Assets under a capital lease should be depreciated using the same guidelines applied to other capital investments.

Equipment (Non Combat)

| | |
|----------------------------------|----------|
| Industrial Plant Equipment | 10 Years |
| Office Furnishings and Equipment | 10 Years |
| General Purpose Vehicles | 5 Years |
| ADP Hardware/Software | 5 Years |

The depreciation period of equipment shall not exceed the expected useful life of the asset.

Chapter 13

GENERAL POLICIES

SECTION A - GENERAL INFORMATION

13-1. Purpose. This chapter provides DeCA funding policy that is not included elsewhere in this regulation. Its purpose is to provide answers to questions which may arise during the execution year.

SECTION B - TRAVEL AND TRANSPORTATION

13-2. Temporary Duty Travel (TDY). As a general rule, each DeCA activity is responsible for the expenses of TDY performed by its personnel. These expenses are chargeable to regular operating funds.

a. The use of government quarters is required by military members and civilian employees in a TDY status at a military installation when adequate on base quarters are available. This limitation does not apply, however, to civilian employees whose duties required official travel in excess of 50 percent of the total number of the employee's basic administrative work weeks during a fiscal year (JTR, volume 11, paragraph C1055). When members are performing official TDY at an activity or location other than a military installation, they are not required to commute to the nearest military installation in order to occupy government quarters. If a member voluntarily uses quarters at a nearby military installation, use of available messing facilities is not required. This general policy does not preclude from encouraging members or employees to use government facilities when it is determined to be economical and consistent with mission requirements.

b. Approval levels for conferences, workshops, seminars, and similar events where the total travel and per diem estimates exceed \$5,000, rests with Region Commanders and Directors, and the Chief of Staff.

c. Staff assistance TDY is treated consistently with the basic policy shown above. The individual's permanent organization of assignment is charged for the TDY performed by that individual.

d. The Military Departments have excellent conference facilities at several locations and these should be used whenever available. If a civilian environment is required, a low key/low cost site should be selected. Conferences should not be held at well known, expensive tourist or recreational areas. Consideration should be given to reducing travel and per diem costs and avoiding the perception of waste and abuse.

13-3. Travel Related to Disability Retirement Processing. TDY of military members to meet medical or physical disability boards to determine eligibility for retention, disability retirement, or separation is chargeable to the Centrally Managed Allotment (CMA) fund available to the medical facility directing the member to meet the board. TDY travel of Temporary Disability Retired List (TDRL) personnel to take physical examinations is also chargeable to the CMA.

13-4. Travel Related to Equal Employment Opportunity (EEO) Complaints. For individual complaints as well as class complaints of discrimination, travel and other related expenses are funded as follows:

a. Travel expenses of DoD EEO investigators, and installation EEO counselors will be funded by the DeCA Region or Headquarters where the alleged discrimination took place.

b. Travel and incidental expenses of the Equal Employment Opportunity Commission (EEOC) administrative judge, as billed by EEOC, and payment for court reporters are funded by the DeCA Region or Headquarters where the discrimination allegedly took place. When a class complaint alleges discrimination at more than one activity, travel and incidental expenses of the EEOC administrative judge and payment for court reporters are funded by the DeCA Region or Headquarters where the class agent is permanently assigned.

c. Travel expenses of DeCA personnel (complainants, representatives, or witnesses) whose travel is required by a hearing examiner or other authorized official, are funded by the activity where the discrimination allegedly occurred.

d. When travel of non-DeCA personnel (complainants, representative, or witnesses) is required by an administrative judge or other authorized official and when payment may be authorized under chapter 4 or chapter 6, volume II, of the JFTR, travel costs are funded by the DeCA Region or Headquarters where the discrimination allegedly occurred. When a class complaint alleges discrimination at more than one DeCA Region or Headquarters, authorized expenses of non-DeCA personnel are funded by the Headquarters DeCA.

13-5. Travel Related to Emergency Leave. TDY costs for military members and dependents, who are transoceanic from their home of record and receive notice of a family medical emergency, may be granted funded travel or permissive unfunded travel time by HQ DeCA and Region Directors. The decision to approve funded versus permissive leave will be based on an assessment of the severity of the medical condition causing the emergency leave request. Further guidance is contained in the JTR Vol I para U7205 and U5244.

13-6. Dependent Student Travel. The travel costs of dependent students performing their annual trip from schools in the United States to and from OCONUS areas, including Alaska and Hawaii, are charged to the operating funds of the organization to which the student's sponsor is permanently assigned. This transportation allowance may not be paid in the case of a member assigned to a permanent duty station in Alaska or Hawaii for a child attending a school in the state of the permanent duty station. These costs apply against any limitation which Congress might apply for such travel. (Section 430, 37 USC as amended by Section 625, FY 1990 Authorization Act.)

13-7. Passport Fees. Passport fees are reimbursable with appropriated funds in accordance with JTR para 7002. Official travel is normally conducted using a no fee passport (official maroon). Fee regular passport (tourist blue) should be used for travel to or through high threat areas in accordance with the foreign clearance guide DoD 4500.54G. High threat areas are listed on the unclassified monthly international terrorism summary (MITSUM). As changes to the MITSUM occur, regions and HQ DeCA directorates are advised by HQ DeCA security office. Additionally each host installation counterintelligence organization has the ability to provide current information relative to changes.

13-8. Contact Quarters for DoD Employees in a Travel Status. In the interest of reducing appropriated fund expenditures on-base government-owned quarters are made available to employees on TDY. To supplement availability, procedures are instituted to contract for commercial quarters if on-base quarters are not available, if economically feasible, and if minimum adequacy standards are met. On-base government-owned quarters are made available to all members and employees. Government quarters must be fully used before assigning contract quarters. Assignment of contract quarters is on the same basis as for on-base government-owned quarters. Use of contract quarters should be encouraged even when members are performing TDY to an activity or location other than a military installation.

13-9. Transportation from Defense Property Disposal Offices. The cost of transportation and any packing, crating, and handling, for material obtained from defense property disposal offices will be paid by the Defense Logistics Agency. Reference DoD Instruction 4160.21M.

SECTION C - AUTHORIZED SUPPORT FOR WORK AND BREAK AREAS

13-10. Appliances and Furnishings for Work Break Areas. Appropriated funds may be used to purchase work break area furnishings and small appliances under the following conditions.

a. Furniture.

(1) Break Room Furniture. Break area furniture is authorized only for officially designated work break areas.

(2) Office Furniture. The purchase of office furniture must be critically controlled to prevent the appearance of excessive expenditures of appropriated funds. Furnishing such as desks, filing cabinets and other ordinary office equipment, while unquestionably necessary, must be utilitarian rather than decorative. Decorative items such as pictures, objects of art, plants, flowers (both artificial and real) and other similar items may be purchased with appropriated funds to complete the furnishing of an office within the funding parameters below so long as they are not for the personal convenience of the person assigned to that space. To ensure consistency and prevent any ostentatious appearances, the following budget limits will apply for office spaces based on position or grade.

| | |
|----------------------------|-------------|
| Director | \$10,000.00 |
| Dep Director | 8,500.00 |
| Region Directors | 6,000.00 |
| GM 15/Military 06 | 5,000.00 |
| GM 14/Military 05 | 4,000.00 |
| GM 13 & Below/Military 0-4 | 3,000.00 |

b. Small Appliances. The purchase of small appliances with appropriated funds is authorized for those work break areas which directly support the operational mission. The purchase must meet one or more of the following criteria:

(1) There must be a determination by responsible officials that the appliance(s) in question is reasonably necessary for, and not just incidental to, the proper execution of an authorized program.

(2) There are no snack bars or other eating facilities readily accessible.

(3) The responsible officials, considering the nature of the shop or other function, have determined that employees must remain at their place of duty (work station) during the work shift.

(4) The appliance acquisition must enhance employee morale and increase employee productivity.

(5) The acquisition costs are relatively small.

(6) The appliance is not being purchased for the purpose of providing entertainment.

c. Seasonal Decorations and Greeting Cards. Seasonal Decorations such as Christmas trees, lights, ornaments, and so forth, are not proper expenses of appropriated funds. Such displays may be created in common area if the materials are purchased by the employees or from an employee creation fund such as the Civilian Welfare Council Fund. Similarly, holiday greeting cards whether they contain the senders name or just the agency name are not proper expenses of appropriated funds.

d. Exceptions to Personnel Supplies. Under normal circumstances Office Stationery and Supplies will be procured through the local General Services Administration (GSA) Self Service Outlet. Using GSA as the source of supply does not in itself ensure proper use of appropriated funds as GSA offers a wide range of items for use at varying levels of government. Prudence must be exercised in the selection of supplies to ensure the most economical use of funds. All purchases must stand the test of "does it do the job or is it higher priced because it is visually more impressive." An example would be a leather bound versus a card stock bound date and time planner. Obviously the leather bound planner is higher priced because of its visual impressiveness and therefore is not the proper purchase. Judgement must be applied as the level of the user must also be considered.

e. Specialty Personnel Supplies. Typically, an employee is expected to provide routine necessities to enable the performance of their position. Such necessities as clothing, luggage, and brief cases are unquestionably a personnel expense. However, if the nature of the work assignment makes specialty supplies a necessity of the position and the employee could not reasonably be expected to provide the item, appropriated funds may be used to purchase the item. Each requirement must be individually assessed. An example of "specialty personnel supplies" that are appropriate would be the large catalog cases used by auditors and inspectors who travel extensively on a routine bases. Specialty supplies such as these may be purchased with appropriated funds and remain the property of the government for use by one or more employees.

13-11. Personalized Stationery. DBOF funds or government equipment may not be used to print the names of officers or other officials on stationery, memorandums, or notes. The printing of functional titles of key officials on memorandums and notes is authorized.

13-12. Business Cards. The printing or engraving of calling or business cards is considered to be a personal expense. No appropriated or nonappropriated funds, government printing plants, or duplicating facilities may be used to procure or produce them, except as shown below. The Congressional Joint Committee on Printing (JCP), however, has authorized the purchase of business cards from appropriated funds only for military and civilian professional recruiters. Seasonal greeting cards are a personal expense to be borne by the persons who ordered and sent for them, and may not be charged to public funds.

13-13. Entertainment. Food, drink, or entertainment may not be provided for military members, civilian employees, or any other persons, except in cases specifically authorized by law. Entertainment is defined by the Comptroller General as "food, drink, live and recorded music, theatrical performances, and any other item or activity designed to entertain." Authorized and unauthorized "entertainment" situations payable from appropriated funds are shown below. Prohibitions include items used to prepare, serve, or present entertainment; such as food or drink serving materials and equipment, loudspeakers, video recorders, etc.

- a. Authorized Activities. Appropriated funds are authorized for these activities:
- (1) Food and drink provided to military personnel as subsistence-in-kind.
 - (2) Reimbursable subsistence expenses (per diem) for persons in an official travel status.
 - (3) Ethnic food samples, bands, or singing groups used in authorized ethnic awareness programs.
 - (4) Appropriated contingency funds for official representation purposes.
 - (5) Light refreshments at awards ceremonies.

(6) Military service bands, choral groups, and other groups which normally perform at base theaters or service clubs for the entertainment of military personnel, their dependents, and others as authorized by the charter of the bands or choral groups.

(7) Programmed "incentive music" (such as "MUSAK") to enhance employee morale by creating a pleasantly stimulating and efficient atmosphere during the workday. (See 51 CG 797)

b. Unauthorized Activities. Appropriated funds may not be used for the following activities:

(1) Dance or combos created by members of military bands whose services are "hired" by Open Messes or Service Clubs for entertainment of members of these messes or clubs.

(2) Fireworks displays because they constitute "entertainment." While a fireworks display may be useful in establishing good relations with the surrounding community, it is not a "necessary expense." (See CG B-205292, 2 Jun 1982.)

13-14. Special Drinking Water. Drinking water may be purchased from appropriated funds only when it is necessary from the government's standpoint, such as when:

a. The public water supply is unsafe for human consumption.

b. There is an emergency failure of the water source on the installation.

c. There is a temporary facility with no drinking water available within a reasonable distance.

d. There is no water fit for drinking purposes available without cost or a lower cost to the government. (See 3 CG 828, 5 CG 90, 17 CG 698, 18 CG 238, 24 CG 56, and 25 CG 920.)

SECTION D - ETHNIC AND HOLIDAY OBSERVANCES

13-15. Funding Policies.

a. Ethnic Observances. DeCA organizations are permitted to expend DBOF funds, as authorized, to carry out activities designed to recognize the contributions that minorities and women have made to society. DeCA observes, for example, National Hispanic Heritage Week, Black History Month, Asian Pacific American Heritage Week, and Federal Women's Week. The observances have traditionally included scholarly lectures, ethnic historical exhibits, art exhibits, displays, and musical groups, including those procured from the private sector.

(1) Authorization to use DBOF funds for ethnic observances may be granted based upon availability of funds and approval by Region Commanders/Directors, and the Chief of Staff.

(2) In 60 CG 303, the Comptroller General considered a live artistic performance an authorized part of an equal employment opportunity (EEO). The program was determined to advance EEO objectives, and consisted of different types of presentations designed to promote EEO training objectives making the audience aware of the cultural or ethnic history being celebrated.

(3) While "free food" may not normally be provided to either government or nongovernment personnel, the Comptroller General has stated that lunches for guest speakers could be paid under 5 U.S.C. 5703, if the speakers were in fact away from their homes or regular places of business. (NOTE: Military personnel or federal employees who are on temporary duty (TDY) would pay for their

meals, since they are reimbursed for meal expenses. If not on TDY, they must still pay for their meals. Food is a personal expense and government salaries are presumed adequate to enable employees to eat regularly, and furnishing free food would violate 5 U.S.C. 5536.)

(4) Small "samples" of ethnic foods prepared and served during a formal ethnic awareness program may be purchased with appropriated funds. The samples should be of minimal proportion and are not intended to serve as meals or refreshments.

SECTION E - REGISTRATION FEES, PROFESSIONAL MEMBERSHIPS AND HONORARIUM AND SPEAKING FEES

13-16. Registration Fees for Meetings and Conferences. Federal military personnel and civilian employees may attend meetings and conferences at government expense when: it is either part of an authorized training program under 5 U.S.C. 4109; or it directly relates to the official duties of the attendee under 5 U.S.C. 4110. Attendees are frequently charged a fee, usually called a registration fee. The following describe a registration fee and the funding policies for the payment and management thereof.

a. Registration Fees. There are charges which are a condition of attendance at authorized training, meetings, seminars, or conferences.

(1) The fee may be used to pay for guest speakers and other authorized expenses associated with sponsoring the meeting.

(2) A fee will not be levied to cover solely social amenities (such as coffee, donuts, soft drinks, light snacks, hors d'oeuvres, alcoholic beverages) associated with attendance at the meeting. These fees are also not intended to cover mementos, souvenirs, gifts, etc. A registration fee which covers only meals or social amenities is not authorized and travel orders will not include such a fee.

(3) A proper registration fee can include luncheon or banquet meal charges and lodging if such a charge is an integral part of the registration fee (that is, inseparable from the fee). The government generally will not reimburse employees for meals consumed at their official duty stations (for exceptions, see Comp. Gen. Decision B-200650, April 1986). In any event, a statement of the number of meals to be provided will be included in the travel orders and identified on the travel voucher (for example: "1 breakfast, 2 noon, and 1 evening meals and 2 nights of lodging are included in the registration fee").

(4) The person who approves the conference, workshop, training, etc., in which a registration fee is charged, is responsible to ensure that no unauthorized charges are included in the fee. This is accomplished by preparing a budget which itemizes each of the costs to be included in the fee, such as meals, guest speakers, meeting rooms, set-up charges, and other similar items.

b. Government Sponsored Meetings and/or Conferences. Registration fees and other official expenses for government meetings or conferences will be charged to the attendee's organizational DBOF funds, per applicable directives (for example, the Joint Federal travel Regulation, Volume 1, paragraph U4335, for military; Joint Travel Regulation, Volume II, paragraph C4708, for civilians). Registration fees paid by the attendee's organization should not include the cost of food or beverages provided by the sponsoring organization since these are considered personal expenses. However, if the attendee is in an official travel status, the amount of a registration fee should be included in the travel orders, and all meals and lodging covered by the fee must be indicated on the individual's travel voucher.

c. Non-government Sponsored Meetings and/or Conferences. Registration fees and other official expenses for non-government meetings/conferences will be charged to attendee's organization DBOF funds, as in subparagraph b above. If a single fee is charged and the sponsoring organization is unable to

identify a separate charge for food or beverages, then the attendee's organization may pay the full registration fee. If the attendee is in an official travel status, the registration fee should be included in the travel orders, and all meals covered by the fee must be indicated on the individual's travel voucher.

13-17. Membership in Professional Organizations. DBOF may be used to pay membership fees in professional organizations only in the name of an organization and only if the membership will benefit the organization. DBOF funds are NOT authorized to pay for membership fees which are in the name of an individual. (See 53 CG 429, 52 CG 495, 24 CG 814, 3 CG 963, 5 U.S.C. 4109, and 5 U.S.C. 5946.)

13-18. Honorarium and Speaking Fee Policies. Region Commanders and Directors, and the Chief of Staff should ensure that excessive fees are not paid from DBOF funds to persons engaged to deliver speeches, lectures, and presentations. The policies shown below will be observed within DeCA:

a. Payment of honorariums or fees may be made from DBOF funds at the following approval levels:

| | |
|--------------------|---|
| \$500.00 or less | Region Commanders and Directors, Chief of Staff |
| More than \$500.00 | Chief Executive Officer |

b. In all instances, guidance contained in Federal Acquisition Regulation (FAR) Section 37 will be followed in contracting for such nonpersonal services.

SECTION F - CEREMONIES AND REFRESHMENTS

13-19. Traditional Ceremonies. The use of appropriated funds usually prohibited as personal expense, may be permissible when incurred incident to certain traditional ceremonies. It should be noted that free food, snacks, alcoholic beverages, etc., are not included as an authorized expense. The following are examples of traditional ceremonies permitted by Comptroller General decisions.

a. **Groundbreaking and Dedication Ceremonies.** Expenses necessarily incident to a groundbreaking or cornerstone ceremony are chargeable to the appropriation used for construction of the building. These expenses include: engraving and chromeplating a ceremonial shovel (53 CG 119); flowers used as centerpieces at a dedication ceremony (B158831, 8 Jun 1966); group photographs at cornerstone ceremonies (B-11884, 26 Aug 1940); and the printing of programs and invitations for cornerstone ceremonies (B-158831, 8 Jun 1966, and B107165-0.M., 3 Apr 1982).

b. **Armed Forces Change of Command Ceremonies.** The rationale of the cases cited above was extended to these ceremonies for the cost of printing invitations in 56 CG 81. The Comptroller General stated that the invitations were not inherently personal in nature, and therefore were not prohibited by the decisions on use of public funds for greeting cards.

13-20. Refreshments at Awards Ceremonies. Commanders may hold awards ceremonies for military members and civilian employees, and in certain situations may provide light refreshments using appropriated funds. These ceremonies are usually attended by award recipients, families, friends, work associates, and union representatives. (See CG Decision B-223319, 21 July 1986.)

a. **Examples.** An example of light refreshments would be coffee or tea, and perhaps a serving of dessert or snacks. Alcoholic beverages of any kind, complete meals, buffets, banquets, or smorgasbords, do not qualify as light refreshments.

b. **Guidance for Approval.** Prudence and discretion are necessary in authorizing the use of appropriated funds for this purpose. A commander must first determine that a reception with light

refreshments materially enhances the effectiveness of an award ceremony. If it does, the commander may then approve the use of appropriated funds for refreshments at the ceremony (OPM regulations and 10 U.S.C. 1124). The cost of the light refreshments should be charged to DBOF operating fund. (Note: CG Decision B-223319, 21 Jul 86 covers only those award ceremonies that resulted from competitive-type activities cited in Federal Personnel Manual. It does not cover PCS departure or retirement ceremonies where an award might be presented to the departee or retiree.)

SECTION G - CONTRACTED ADVISORY AND ASSISTANCE SERVICES (CAAS)

13-21. General Information. DeCA closely manages all requirements and obligations for contracted advisory and assistance services (CAAS). Congressional interest in this area, OSD reporting requirements, and analytic needs led to congressional direction in the FY 1986 Defense Authorization Act requiring improved budget exhibits and identification of CAAS for both generic and weapons system support services. These are CAAS services acquired directly by Department of Defense (DoD) agencies from nongovernmental sources to support or improve agency policy development of decision-making, or to support or improve the management of organizations for the operation of weapons systems, equipment, and components. The PB-27 Generic and PB-27 WEPS exhibits are divided into four data categories which are: category B-Studies Analyses, and Evaluations (SAE); category C-Management Support Services (MSS); category D-Engineering and Technical Services (ETS). DoD Directive 4205.2, DoD Contracted Advisory and Assistance Services (CAAS) provides for additional information and references.

SECTION H - AWARDS

13-22. General Information. Appropriated funds may not be used to purchase gifts for military members, civilian employees, or private citizens-unless specifically authorized by law. However, appropriated funds may be used to make cash and non-monetary awards to military members and appropriated fund for civilian employees in accordance with the following provisions:

a. Suggestion Program Awards. Cash awards will be made to military and civilian employees for suggestions adopted in accordance with DeCAD 60-1 Improve DeCA Efficiency and Service (IDEAS). The following guidelines apply:

(1) DeCA Personnel. The DeCA organization to which a member or employee is assigned is responsible for budgeting and funding suggestion awards, suggestion awards made after an individual is transferred or separated remains the responsibility of the DeCA organization he/she was assigned to when the suggestion was submitted.

(2) Non-DeCA Personnel. If DeCA adopts a suggestion from a person in another DOD or federal agency, the cash award is charged to:

(a) The adopting DeCA organization if the award is more than \$200.00.

(b) The suggestors submitting agency if the award is less than \$200.00. DoD Instruction 5120.16 applies.

b. Mission Accomplishment Awards. Appropriated funds may be used to purchase special trophies and awards in accordance with DoD Directive No. 1348.19. Included are trophies, plaques, emblems, and certificates that are designed for display purposes only. Not included are items that are redeemable for cash, merchandise, or services.

c. Promotional or Incentive Gifts and Awards. Items of a utilitarian nature, having intrinsic value, such as TVs, radios, cameras, briefcases, etc, fall into the category of merchandise and are considered

personal gifts by the Comptroller General. Purchase of such items with appropriated funds is not permitted for use as incentives or incentive awards under existing statutes. This rule also applies to lower-value "merchandise-type" items, such as coffee mugs, key chains, ash trays, luggage tags and similar items. However, the purchase of pertinent literature, specialized lesson plans, bumper stickers, informational stickers (for tools, telephones, notebooks, and so on), visual aids, is permitted for training and to secure compliance with mission-related objectives, to the extent permitted under functional regulations. Where children are concerned, for example, in crime and fire prevention, these guidelines would allow purchase of items that convey an appropriate message targeted to the age group of the audience (such as coloring books, balloons, buttons, badges, etc., which depict or relate a crime or fire prevention message).

d. **Sports Competitions.** Appropriated funds may be used to purchase trophies and similar devices for presentation to winners of intramural sports and athletic competitions. Such competitions shall generally be of a continuing nature. The trophies or similar devices shall be for display purposes only, and not redeemable for cash, merchandise, or services. (See DODD 1348.19, 12 May 1989.)

e. **Other Award.** Appropriated funds will not be used to make or purchase any awards other than those outlined above.

13-23. Civilian Performance Awards. Appropriated funds are used to provide cash awards to DeCA civilian employees under the merit pay system. Cash awards made to civilian employees are charged to funds current at the time final approval of the award is made. The year of actual payment is not the controlling factor.

SECTION I - INDIVIDUAL CLOTHING

13-24. General Information. This section explains funding policy for certain types of individual clothing that are charged to DBOF funds.

13-25. Issue of Military Grade Insignia. Officer and enlisted grade insignia for free issue to newly promoted military personnel is provided by the major staff element or field activity to which the individual is assigned to. These insignia purchases should be treated as a normal supply-type expense.

13-26. Distinctive Uniforms and Functional Clothing. Distinctive uniforms and functional clothing may be approved and issued, i.e store manager blazer, customer service vest etc. The cost of the distinctive uniforms and functional clothing, and the authorized alterations thereto, are proper charges of Surcharge Field Operating Expense not DBOF.

SECTION J - REFUNDS AND CASH COLLECTIONS

13-27. Witness and Jury Fees. Jury and witness fees paid to employees by state or municipal courts while on court leave from their agencies must be turned over to their agencies, except when such payments are considered to be reimbursement for expenses rather than as fees.

a. Jury fees turned over to DeCA by its employees are deposited as refunds to the appropriation from which the employee was paid.

b. Witness fees turned over to are deposited to the credit of receipt account, miscellaneous recoveries and refunds not otherwise classified. Auth: 3535.20 GAO manual on standardized fiscal procedures (5 U.S.C.30p).

13-28. Lump-Sum Leave Payment. Refunds of lump sum leave payments made upon reemployment should be obtained either by cash collection or by payroll deduction. In either case, the collection is credited

as a refund to the appropriation from which the employee is paid.

13-29. Travel Over-Advances. Under conditions specified in JTR, volume 2, and employee may receive a travel expense advance. Normally, the advance is repaid by deduction from reimbursement due for travel. If this is not possible (for example, when the advance exceeds the amount due), the employee is required to repay the amount over-advanced. Collection is treated as an appropriation refund to the appropriation originally charged.

SECTION K - CONTRACTS

13-30. Early Contract Termination. Funds originally obligated in one fiscal year, for a contract that is terminated for convenience in response to a court order (or a determination by the General Accounting Office or other competent authority) that the contract award was improper, remain available in a subsequent fiscal year to fund a replacement contract, provided the original contract was awarded in good faith, the agency has a continuing bona fide need for the goods or services involved, and the replacement contract is awarded without undue delay and on the same basis as the original contract. For further details, see Comp. Gen. Decision B232626, 19 Dec 88 which modifies 60 CG 591.

SECTION L - BASE REALIGNMENT AND CLOSURES (BRAC)

13-31. General Information. Each host military installation affected by a BRAC action is required to survey tenant activities in an effort to determine what costs will result from the closure or downsize action. The intent is to quantify all costs including, but not limited to such things as PCS, renovation of buildings or rebuilding facilities at another location, etc. When completed costs estimates are submitted to the DoD BRAC office thru the respective BRAC office of the service involved (Army, Navy, Air Force). This estimate becomes part of the "BRAC account" for the fiscal year in which the change is to take place for use in paying expenses which result from BRAC actions.

13-32. Accessing BRAC Funds. Each region must assess all costs incurred after an announced BRAC action to determine if the expense is BRAC related. Action/expenses which would not have happened or would not have been required are related and are properly funded with BRAC funds. When a BRAC related cost is identified regions are to contact the local base command at the installation where the BRAC action is planned. That local command controls the BRAC funds designated for the action. The primary expense effecting DeCA region offices is PCS. The CCPO office should be contacted and should provide assistance and the BRAC line of accounting. If the local CCPO office and region personnel cannot agree that BRAC funding is appropriate, region personnel are to document the requirement and contact HQ DeCA RMBO for assistance.

Chapter 14

DEFENSE BUSINESS OPERATIONS FUND (DBOF) - COMMISSARY RESALE STOCKS

14-1. General. Commissaries are established pursuant to Title 10, United States Code to provide an efficient and effective system for the resale of groceries and household supplies at the lowest practical price (consistent with quality) to members of the Military Service, their families, and other authorized patrons, while maintaining high standards for quality facilities, and service. Items authorized for resale include grocery-food, grocery-nonfood, bakery, dairy, delicatessen, frozen food, health and beauty aids, meat, produce and tobacco products.

14-2. Scope. Commissary Resale Stocks includes items for resale at defense commissaries worldwide, troop issue subsistence for the Air Force and for the Army at selected locations, and replacement of War Reserve Materiel (WRM) rotational rations for the Air Force. Commissary Resale Stocks is a revolving working capital fund authorized to procure, hold and sell subsistence items of a recurring demand. A revolving fund is self-sustaining by: (1) selling a product to a consumer; (2) collecting funds for the sale; and (3) replacing inventory sold by buying more of the product from industry with funds collected from the original sale.

14-3. Annual Budget Operating Instructions. DeCA will follow budget guidance instructions from DoD(C) and issue budget call instructions to regional offices. These instructions cover sales projections, inventory on hand, on order and intransit, format and justification procedures, and suspense dates. Instructions will be issued well in advance of the date that the budget submissions are due. The instructions also will contain procedures on how to:

a. Project sales as under the unit fund concept, sales drive funding for all DeCA appropriations, Commissary Resale Stocks, Commissary Operations, and Surcharge Collections. It is therefore vital that projections be realistic and include all known factors impacting on sales.

b. DeCA/RMB will provide regions with baseline figures to be used in forecasting sales. The baseline will consist of actual call in sales for the previous fiscal year adjusted for changes in operating days and base closures. Regions will review and update baseline projections to include the impact of factors such as troop movements, new store openings, construction projects, and other factors. Inflation will not be included in region projections as DeCA/RMB maintains and applies inflation factors derived from Produce Price Indices for Finished Consumer Foods.

c. Commissary Operating Program (COP). A COP will be prepared for each commissary, CDC, and stand alone troop support facility. The following tables, table 14-1 and table 14-2, outline each COP.

TABLE 14-1

COMMISSARY OPERATING PROGRAM (COP)

Commissary Operating Program Interpretive Key (Resale)

1. A COP will be prepared for each commissary and stand alone Troop Support facility. A summary COP will be prepared for districts and regions.

2. Sales. Monthly non-cumulative totals.
3. Inv to Sales Ratio. Ratio of inventory on hand authorized to cover next months sales.
4. Inventory On Hand. Authorized operating and safety level stock for Commissary and Troop Support derived by multiplying inventory to sales ratio by next months sales.
5. War Reserve Material. Funds will be issued to and managed by the Midwest Region.
6. Aggregate Inventory Ratio. Ratio of inventory on hand, on order and intransit authorized to cover next months sales.
7. Aggregate Inventory. Authorized operating level, safety level, order time and sip time levels for Commissary and Troop Support derived by multiplying aggregate ratio by next month sales.
8. Inventory On Order/Intransit. Authorized order/ship time levels for Commissary and Troop Support. Difference between Lines 7 and 4 above.
9. Total Store Sales. Total of non-cumulative monthly sales.

NOTE: The formula for lines 4 and 7 includes an add on in September of 3.3 percent to cover the one additional day of requisition objective from September to October. This is a requisition objective increase only and does not represent sales growth.

TABLE 14-2

Commissary Operating Program Interpretive Key (CDCs)

1. A COP will be prepared for each Central Distribution Center (CDC). Inventory values, excluding support to other regions, will be rolled up in summary COPs for regions and districts. CDC transfers will not be rolled up in summary COPs. CDC sales will be rolled up in summary COPS.
2. Sales. Monthly non-cumulative totals for CDCs that report sales.
3. Total Sales and Transfers. Monthly non-cumulative transfers to stores plus Line 2, Sales.
4. Inv to Sales/Transfers Ratio. Ratio of inventory on hand authorized to cover next months sales/transfers. Proposed by region; approved by DeCA.
5. Inventory On Hand. Authorized operating and safety level stock for Commissary and Troop Support derived by multiplying inventory to sales/transfers ratio by next months sales/transfers.
6. War Reserve Material. Funds will be issued to and managed by the Midwest Region.
7. Aggregate Inventory Ratio. Ratio of inventory on hand, on order and intransit authorized to cover next months sales/transfers. Proposed by region; approved by DeCA.
8. Aggregate Inventory. Authorized operating level, safety level, order time and ship time levels for Commissary and Troop Support derived by multiplying aggregate ratio by next months sales/transfers.

9. Inventory On Order/Intransit. Authorized order/ship time levels for Commissary and Troop Support. Difference between Lines 8 and 5 above.
10. Total Cumulative Sales. Total of non-cumulative monthly sales.
11. Total Cumulative Sales and Transfers. Total of non-cumulative monthly sales/transfers.

NOTE: The formula for lines 4 and 7 includes an add on in September of 3.3 percent to cover the one additional day of requisition objective from September to October. This is a requisition objective increase only and does not represent sales growth.

(1) Resale and Troop Support. The Commissary Operating Program (COP) and supporting narratives will be all that is required for budget submissions and revisions.

(2) War Readiness Materials (WRM). WRM requirements will be developed by the Central Manager at the Midwest Region.

d. When the budget has been approved, DeCA will:

- (1) Provide regional offices with approved annual budget amounts.
- (2) Identify differences between the budget submission and approved budget.
- (3) Provide regional offices details of the budget expenditures.

e. Regional Office. When approved budget has been received, regional office will note differences in requested and approved budgets and provide targets by store to DFAS-CO for loading into Standard Financial Systems (STANFINS). For OCONUS, target will be provided to Subsistence Finance and Accounting Office, Europe.

14-4. Budget Execution.

a. The DeCA Concept of Financial Operations does not require commitment ledgers to be maintained at store level. This method of controlling funds is extremely labor intensive and is not, in many cases, accurate to the extent that funds availability can be quickly determined. Funds availability will be controlled through the methods described below:

(1) Issuance of Funds. Prior to the start of the fiscal year, the DeCA budget division will issue approved annual target to each region. These targets provide each region cost authority to support orders. Issuing annual targets gives regions the flexibility they need to accommodate peaks and valleys in the ordering cycle, e.g. special promotions, DeCA sales events, holiday requirements, and so forth. As long as total costs do not exceed the total annual approved sales, less any savings withheld, availability of funds is assured.

(2) Program Execution. The primary tool for monitoring program execution will be accounting reports produced by STANFINS and listed in DeCA Policy Letter 70-20. After each accounting cycle (usually daily) reports are available showing total sales and obligation data for each commissary store. Regions will be able to access the data to determine current and cumulative cost status. If inventory on hand is stable and sales are meeting program, regions may not need to check status daily. Weekly or bi-monthly inquiries may be sufficient for the first nine or ten months of the fiscal year. During the final weeks of the fiscal year, daily analysis of STANFINS reports will be necessary so that required adjustments can be made. Region budget personnel must also monitor execution of the store's sales program. The region has the

authority to adjust individual store sales programs to meet changing conditions, as long as the total region sales target is not changed. Region budget personnel will be responsible for alerting the region director if any store within the region is consistently failing to adhere to the 1.1 ratio of costs to sales. A second level of oversight will take place at DeCA HQ. Budget personnel will continually monitor region performance in this area. Where problems are noted, regions will be asked to submit a plan of corrective action. Regions consistently failing to meet the 1:1 target will be brought to the attention of the Director of DeCA.

(3) Program Changes. Since sales will determine obligation authority, it is imperative that overall sales trends be monitored closely and adjustments requested upon call by DeCA for a budget revision. A rising sales trend throughout the system will require DeCA to request additional cost authority from OSD(C). If sales are decreasing, DeCA/RMB will adjust the sales program and decrease region cost authority. The most common adjustment required will be due to programmatic changes such as Base Realignment and Closure (BRAC) actions and Conventional Force Europe (CFE) drawdowns.

(4) Audit Capability. The control method proposed above will be easily audited by review of the accounting reports used to execute and monitor the store costs and sales programs. The controls outlined above are both simple and effective without being overly labor intensive.

(5) Call Order Number. Automated procedures currently being used will continue to be used to assign call order numbers for Blanket Delivery Order (BDO) and Blanket Purchase Agreement (BPA) orders. Where call numbers assignment is not automated, a manual register, DeCA Form 10-1, Oct 91 will be used, pending implementation of Defense interim Business Systems (DIBS).

(6) Call Order Certification. To meet fund certification requirements of the Federal Acquisition Regulation (FAR), each Region RM will annually complete the following statement and provide a copy to all commissary personnel authorized to place call orders.

STATEMENT OF AVAILABILITY OF FUNDS REQUIRED BY ORDERING OFFICERS PRIOR TO PLACING CALL ORDERS AGAINST BDOs AND BPAs

This is to certify that funds are available for the placement of call orders against Blanket Delivery Orders and/or Blanket Purchase Agreements for subsistence/resale products required to be purchased for stock replenishment during the period _____. Accounting and appropriation data is as follows:_____.

(SIGNATURE OF RESPONSIBLE FISCAL AUTHORITY)

b. Inventory Management.

(1) On Hand and Aggregate Inventory (Resale and Troop). The Commissary Operating Program (COP) establishes inventory levels. The COP will develop authorized inventory on hand and inventory on order/intransit levels based on forecasted sales. Regions will assign, and DeCA will approve, specific ratios for inventory on hand and aggregate inventory (on hand plus on order/intransit). These ratios, applied to next month's sales, will provide authorized inventory levels for each month.

(2) Corrective action must be promptly taken if inventory ratios are exceeded. Inability to maintain authorized ratios may result in forced reductions thru withdrawal of cost authority.

c. Transportation. (Reference Chapter 10)

(1) CONUS. Transportation costs are included in the delivery price of items purchased for resale. Transportation costs from Central Distribution Centers (CDC's) to stores are chargeable to the Surcharge Collection Appropriation.

(2) OCONUS. Transportation costs from the manufacturer to the port are included in the item cost. Second destination, in-theater, Offshore Acquisition (OSA) and CDC to store transportation costs are chargeable to the Commissary Operations Business Area. Second Destination Transportation (SDT) funds are centrally managed by DeCA/RMB. All other OCONUS transportation is managed by the regions.

d. Cash Management.

(1) Since DeCA is one of many business areas under the DBOF, we are not directly responsible for cash management. Overall responsibility rests with the DBOF manager, however business areas, including DeCA, are responsible for ensuring that transactions affecting outlays, i.e., collections and disbursements, are timely processed

(2) The process begins when OSD(C) requests specific apportionment dollar ceilings from The Office of Management and Budget (OMB). The apportionment, issued by OMB on DD Form 1105R, represents amounts available for obligation or expenditure in an account for specified time periods. Under the unit cost concept, the apportionment normally made to DeCA Resale Stocks is 1:1 with sales.

14-5. Reports.

a. Since processing problems continue to distort DeCA's accounting reports it is necessary to require regions to provide flash reports of actual sales reported by their commissaries. The flash sales report is due monthly by store and department to DeCA/RMB and the respective service center by the tenth workday following monthend. The report must include the following:

(1) Cash Sales. Cash sales include WIC checks and food stamps. Obtain this information from the End-of-month (EOM) DD Form 707, Report of Deposits, Cumulative Total Column.

(2) Charge Sales. Report charge sales for the month from the Grocery, Meat, and Produce Store Block Control Journals. OCONUS commissaries under the Vendor Credit Memorandum (VCM)/Charge Sale Program should include VCMs in the charge sale total. Sale of Bones and Fats, WIC Vouchers and Merchandise coupons should also be included.

(3) Troop Sales. Report total troop sales for the month from the Troop Store Block Control Journal.

b. Audit Internal Control. To ensure accuracy of data and to provide an audit trail, each store should provide monthly a copy of the final DD Form 707, Report of Deposit, to the region with its flash sales report. The region should verify cash sales, exclusive of surcharge, on the DD 707 with the cash sales on the store flash sales report. Stores should provide the regions copies of the Store Block Control Journals for the last month of each quarter. The regions should verify that coupon sales, charge sales (to include WIC Vouchers, and sale of bones and fats), and troop charge sales are properly reported by their stores. Errors detected during the last month of the quarterly review should be researched for the first two months of the quarter and corrected flash report submitted.

c. Flash reports are used to release sales information to The News Media and Trade

Periodicals, to prepare briefings for the DeCA Commander and Staff, and to explain program variations to DoD(C). The reports therefore cannot be corrected "after the fact" and must be reflected in the month detected and not to the month to where it applies.

d. Flash Report Format

Flash Sales Report

Region:

Month

Total Total Sales Store Grocery Meat Produce Resale Troop Cash Charge Total

14-6. Performance Measures. The following performance measures listed are analyzed monthly by DeCA/RMB to detect erroneous accounting entries or performance trends at region level. Regions are expected to prepare and analyze these measures monthly for their stores and work to resolve problem areas. Under the Unit Cost Concept, sales drives funding for all three DeCA appropriations, Commissary resale Stocks, Commissary Operations, and Surcharge Collections. It is vital that reported sales be accurate. Performance measures for sales include:

a. Flash sales comparison with prior year sales by commissary. This is especially important due to impending base closures, customer migrations, troop reductions and realignments, etc. In view of systems problems experienced with STANFINS it appears flash sales will be required indefinitely. It is imperative that flash sales include all sales. Instructions on validating store flash sales have been provided.

b. Flash sales comparison with Commissary Operating Program (COP) projections. It is recommended that the COP be updated monthly with flash sales. This will greatly facilitate the accomplishment of budget revisions; update inventory positions, and increase the value of the COP as an execution tool.

c. Flash versus STANFINS sales. STANFINS sales usually exceed flash sales at about 20 percent of CONUS region commissaries. Regions will compare differences between flash and STANFINS sales by commissary. Regions are expected to determine reasons for sales not being recorded, and most importantly, reasons why STANFINS sales exceed flash sales. Problems detected should be discussed with the appropriate service center for resolution. NOTE: STANFINS sales may be extracted from the AVK-902 Trial Balance, General Ledger Account Code (GLAC) 5100.00, Revenue from Goods Sold. General Ledger two digit store codes correspond to the first and last digits of the three digit materiel category, fund code, and store code. Example: Store Code BC represents Little Rock AFB, BEC. The AVK-105, Stock Fund Inquiry 3 may also be used.

d. STANFINS sales versus obligations. This compares differences by store between sales and obligations. Obligations may be extracted from the AVK-099, Stack Fund Inquiry 1. As a general rule, obligations should not exceed sales, and significant differences should be researched.

e. Negative on order balances. GLACs 4811.10 and 4821.20 are credit balance accounts representing orders placed but not received. Debit balances in these accounts represent receipts in excess of obligations and should be researched.

f. Negative intransit balances. GLAC 1580.00 is a debit balance account representing prepaid inventory, such as MILSTRIP, which is paid prior to receipt. Analysis should be directed to the magnitude of debit balances (relevancy to MIPSTRIP). The account should never show a credit balance.

g. STANFINS inventory versus COP program. Inventory on hand (Sum of GLACs 1510.01,

1510.02, 1510.03 and 1510.10) should be compared to the inventory on hand program on the COP. Inventory on order/intransit (Sum of GLACs 4811.10, 4821.20, and 1580.00) should be compared to the COP intransit/on order program. NOTE: It is suggested that where Store Block Control Journal inventory on hand data is available that assistance be provided the service centers in reconciling differences.

h. The ratio between monthly inventory and sales should be compared to the COP goals for both on hand and aggregate inventory. NOTE: Compute by comparing prior month inventory to current month sales.

i. STANFINS inventory turns. The formula for computing inventory turns is inventory beginning of period plus inventory end of period divided by two divided into sales for the period.

| Example: | <u>1 Oct 92</u> | <u>31 Oct 92</u> | <u>Total</u> | <u>-2=</u> |
|-------------------|-----------------|------------------|--------------|------------|
| Inventory on hand | 18,500 | 16,500 | 35,000 | 17,500 |
| Sales - October | | | 28,000 | 1.6 |

To express in days, divide into 30 = 19

j. Computed inventory gain or loss. Difference between sum of GLACs 7191.XX and 7193.XX minus sum of GLAC 7291.XX. Suggest this be further broken down as follows:

Gains

Purchase Price Variance
Physical Inventory Adjustment
Incoming Shipments
Other

Losses

Purchase Price Variance
Physical Inventory Adjustments
Incoming Shipments
Price Reduction on Sales
Inventory Shrinkage/Theft
Other

k. Projected inventory savings by store. Compares FY92 ending on hand inventory with FY93 projected ending inventory as shown on the COP.

14-7. Year-End Closeout Procedures. Accurate and timely processing of accounting transactions is essential throughout the year, but timeliness of recording for the period ending September 30th is especially critical. Closeout instructions are jointly issued by DeCA/RMA and DeCA/RMB to ensure smooth transition to the new fiscal year. Reference Memorandum, dated Sep 23, 1992, Subject: Fiscal Year 1992 Year-End Instructions.

a. Upon receipt of information requested by referenced memorandum, DeCA/RMB will provide Miscellaneous Obligation Document (MOD) inputs to the respective Service Centers. The MOD estimates will be input into the region headquarters account; however, DeCA/RMB will maintain backup documentation showing store breakout for audit purposes.

b. The MOD will be reversed early in October and DeCA/RMB will provide regions with the distribution of the MOD by store to offset the MOD reversal in the region headquarters account.

14-8. Central Distribution Centers (CDCs), Reference DeCAD 40-23.

a. One of DeCA's primary goals is to reduce backup inventory levels in commissaries thru increased emphasis on central distribution. This is being done by maximizing the benefits of mass buying and reduced handling costs while minimizing transportation and other support costs.

b. The following terms are defined that pertain to central distribution:

(1) Direct Store Delivery (DSD). A method where subsistence items are delivered on a daily basis and are usually vendor stocked. Quantities received are normally the amount needed to support one day's sales such as dairy products, bread, soft drinks, chips, etc., and are placed directly onto the commissary shelves. Some quantities may be placed in a backup area for replenishing the shelves during the day when shelf space is not sufficient for one days sales. Shipments from a storage facility can be considered daily delivery when quantities ordered are to replenish shelves to support daily sales.

(2) Frequent Delivery System (FDS). Is a set schedule of delivery for items needed to go into a holding area and then be placed on the shelves during the restocking operation. Frequent delivery may be daily or less often as determined by needs of the commissary. Items received under this procedure are those that would normally be ordered once a month but under frequent delivery procedure, there is no warehousing of these items required.

(3) Central Distribution Center (CDC). A facility established to support the needs of designated commissaries for items received and stored in a central warehouse for both CONUS and OCONUS locations.

(4) DLA/DeCA Central Distribution Center (CDC). A facility established to support the needs of designated commissaries and CDCs for those items designated by DeCA Regions for both CONUS and OCONUS support.

c. Subsistence inventories. All inventories will be performed as prescribed by DeCA Directive 40-21. Documentation for determining the status of the account based on an accountability inventory will be processed IAW DeCA Directive 70-6, Chapter 18. The allowable variance between accountability inventories is .2 tenths of one percent (Ref: DeCA Directive 40-1, Chapter 11). This allowance percentage cover losses to the central distribution center VRGC account for salvage, food bank donations, damaged item(s) price reduction/markdown for issue to the commissaries and unidentifiable losses.

d. CDC Transfers, Reference DeCAD 70-6. Transfers from CDC's to supported commissaries will be accomplished as transfer in and transfer out within the same accounting period to avoid the appearance of inventory gains or losses, transfer of stocks between regions will be processed as inter-regional transfers as prescribed in the automated System for Army Commissaries (ASAC) Functional Users Manual.

e. Military Standard Requisitioning and Issue Procedure (MILSTRIP), reference DeCAD 70-6.

(1) The MILSTRIP system is used to order, issue, and receive subsistence including Fresh Fruits, and Vegetables (FF&V). MILSBILLS procedures are used to bill and pay for MILSTRIP shipments. MILSBILLS procedures are commonly called the interfund billing system (IBS). The interfund billing system is used by the Defense Personnel Support Center (DPSC) for subsistence items sold to commissaries.

(2) Interfund Billing System. The interfund billing system is an automated system for billing and collecting for sales from one DoD fund to another DoD fund. The actual bill part of an interfund

bill goes from the seller to the United States Treasury, which transfers the amount of the bill from the fund balance of the buyer to the fund balance of the seller. In the case of commissary purchases, DPSC sends the interfund bill to the United States Treasury, which transfers funds from the Defense Commissary Agency (DeCA) stock fund to the Defense Logistics Agency (DLA) stock fund. (NOTE: DPSC is a DLA activity). DPSC also sends a copy of the interfund bill to the Defense Finance and Accounting Service, Columbus (DFAS-CO) and to the appropriate East or West Service Center. The copy of the bill that goes to Treasury and to DFAS-CO includes only the summary billing record (SBR). The copy of the bill that goes to the Service Center includes the SBR and all the supporting detail billing records (DBR).

Chapter 15

SURCHARGE COLLECTIONS

SECTION A - BACKGROUND AND POLICY

15-1. General. A recurring general provision of the annual Department of Defense (DoD) appropriations act requires certain expenses of commissary store operations be reimbursed or paid directly from proceeds obtained from a surcharge levied upon sales. Funds collected through this surcharge are deposited with the United States Treasury and held in a trust revolving fund account, titled the Defense Commissary Agency (DeCA) Surcharge Collections.

15-2. Surcharge Collections Apportionment. DoD(C) has established an annual apportionment on Surcharge Collections (97X8164). It is a no-year fund, but obligation authority (OA) has a one year limitation.

a. **Apportionment Document.** HQ DeCA/RMB is responsible for preparing the DD Form 1105, the Apportionment and Reapportionment Schedule, according to Department of Defense Budget Guidance Manual 7110-1-M. The DD Form 1105 is submitted to DoD(C), Directorate for Program and Financial Control (DoD Compt, P&FC) not later than August 14 each year. P&FC will review and forward to Office of Budget and Management for final approval and signature. The signed copy will be returned to DeCA by October 1st so that funding authority is available for a new year.

b. **Sources of Revenue.** Funds are generated from a surcharge on retail sales, sale of cardboard, sale of salvaged equipment, vendor discounts, transportation discounts, Military Audits Market Information (MAMI) and Corporate Merchandising Agreements (CMA).

(1) **Surcharge on Retail Sales.** Approximately 97 percent of total sales are retail sales and a 5 percent surcharge is added to the price of goods at the cash register. This portion of the revenue accounts for approximately 95.4 percent of total revenue earned.

(2) **Sale of Cardboard/Salvaged Equipment.** The sale of cardboard and salvaged equipment equates to .3 percent of revenue.

(3) **Vendor Discounts.** This source of revenue is derived from the prompt payment of bills on the resale stock side. The discount amount is transferred from the resale stock to the Surcharge Collections on a monthly basis. This source of revenue equates to 2.9 percent of total revenue.

(4) **Transportation Discounts (CONUS Only).** This is a rebate from the vendors delivering resale stock to a CDC instead of individual commissaries. The percentage of the rebate is determined by each individual region. The checks are received quarterly from the vendors and deposited into the Surcharge Collections. This revenue helps offset the transportation costs from the CDC to the commissaries. The transportation discounts earnings is approximately 1 percent of total revenue.

(5) **Miscellaneous Income.** This category includes the MAMI, which is marketing information collected off the scanning equipment and sold to a private corporation. CMAs pays for specific shelf space allocation. Both of these categories equate to .4 percent of earnings.

c. **Expenses Paid by Surcharge.** Except for the limitations noted below, the surcharge pays for all expenses incurred for the day-to-day resale operation of commissaries, warehouses, central distribution

centers and administrative areas at these locations. The Defense Business Operations Fund (DBOF) pays for all expenses incurred at HQ DeCA, regions and district offices.

(1) Supplies. All operating supplies. Examples are paper grocery bags, meat wrap and office supplies.

(2) Purchase, Lease and Maintenance of Equipment. All equipment costs including automated data processing equipment, installation, preventive maintenance and repair, and contract cost of commercial or government maintenance. (Surcharge also pays for major ADP systems installed at HQ DeCA, regions and district offices.)

(3) CONUS Utilities. Electricity, heat, steam, water, ice, oil, gas, coal, compressed air, air-conditioning, refrigeration, and telephone and all communications in the 48 contiguous joining United States (CONUS). Utilities in Alaska, Hawaii and outside CONUS (OCONUS) will be paid for by the Defense Business Operations Fund (DBOF).

(4) CONUS Transportation. The movement of supplies and equipment and resale stock from Central Distribution Centers (CDCs) to stores or cross leveling between stores within CONUS as well as Alaska and Hawaii. All transportation to and in OCONUS will be paid by DBOF.

(5) Construction. All new construction, major modifications, additions/alterations, minor construction and design.

d. Cost Codes and Object Classes. All commitments and obligations of Surcharge Collections funds will adhere to the cost codes and object class codes provided in attachment 1.

15-3. Cash Flow Management.

a. A cash flow methodology is used to project program availability for current and future years. The cash flow takes into consideration obligations, outlays, beginning year cash in treasury, ending year cash in treasury and earnings/revenue.

b. A disbursement typical profile is used to determine outlays in a given year. This profile is worked into the cash flow model by major category of expense, i.e. construction, operating expenses and equipment.

(1) Historically, the disbursement profile for construction is 5 years, with payout as follows:

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------|--------|--------|--------|--------|
| 13% | 42% | 34% | 7% | 4% |

(2) Operating expenses are disbursed in a two year period, with 80 percent in year 1 and 20 percent in year 2. Fourth quarter purchases and contracts can cause these percentages to vary.

(3) Equipment disburses 75 percent in year 1 and 25 percent in year 2 if the equipment is ordered during the first half of program year. These percentages can vary depending on the procurement time.

c. Funded and unfunded contract authority is determined by using the cash flow method.

(1) Funded contract authority is the ability to obligate in advance of earning revenue.

The revenue is projected and the DD Form 1105 gives the authority to obligate up to the amount of projected revenue.

(2) Unfunded contract authority gives the authority to obligate over and above the amount of projected revenue. In essence, its a line of credit based on the cash balance in treasury, future projected earnings and future outlays. Again, this is derived from the cash flow method.

15-4. Responsibilities.

- a. The DeCA Director has full authority for the control and distribution of Surcharge Collections.
- b. The Director of Resource Management (DRM) exercises all financial control over Surcharge Collections.
- c. The Director of Operations (DO) exercises principal managerial control over all store operating expenses (except utilities), equipment purchases, and equipment authorizations and transportation for CDCs.
- d. The Director of Facilities (DF) has principal managerial control over major and minor construction, facilities equipment, utilities, and the maintenance of heating, air conditioning, ventilation, automatic doors, dock levelers, lighting and the purchase of these items.
- e. The Director of Information Resource Management (IRM) has principal managerial control over all ADP equipment purchases and maintenance.
- f. The Director of Safety, Security and Administration (SSA) has control over administrative type equipment (FAX machines, copiers, etc).
- g. Region commanders and directors are responsible for the budgeting and execution of region programs.
- h. The Commissary Officer has the responsibility of maintaining fund control of Surcharge Collections issued by the Region and to implement procedures to control the target ceiling issued by the Region.
- i. All DeCA managers are responsible to manage the Surcharge Collections program and its assets to ensure the maximum economical benefits.

15-5. Surcharge Collections Budgeting.

- a. HQ DeCA/RMB is responsible for issuing annual and mid-year review Surcharge Collections budget calls and command review of the budget submissions. It will provide a copy of budget submissions to each staff agency that has a management responsibility for any portion of the submission.
- b. HQ DeCA/RMB will provide planning budgets to each region after budget requests are approved. The planning amounts will be by category of expense. The region will be given explanations of requirements not approved by the review committee. This budget will be used for planning purposes.
- c. All out-of-cycle requests will be given the same close attention as the annual budget. All out-of-cycle requests must be approved by Directorate with responsibility for category. Adequate justification must be given for all out-of-cycle requests with a statement as to reason item was not included on

the annual budget request.

d. Region/RMBs are responsible for issuing annual and mid-year Surcharge Collections budget calls to their stores and CDCs and responding to the HQ DeCA/RMB budget calls. They will provide a copy of budget submissions to each region element that has a management responsibility for any portion of the submission.

15-6. Financial Management Procedures.

a. On October 1, HQ DeCA/RMB will issue and distribute fund targets for the regions via Funds Authorization Documents (FADs) - DeCA Form 70. CONUS Region FADs will be sent to the regions with copies to DFAS-CO. European Region FADs will be sent to the 9th Finance and Accounting Office with a copy to the region.

(1) CONUS targets for operating expenses will be based on the region budget submissions and will be issued with an annual limitation. The following categories will be used:

- (a) Supplies
- (b) General Maintenance
- (c) HVAC and Refrigeration Maintenance
- (d) Other Utilities (electricity, water etc.)
- (e) Communications
- (f) Laundry/linen
- (g) Other Expense (Lease, rental etc.)
- (h) Transportation

(2) European targets for operating expenses are similar to CONUS but will not include other utilities, communications or transportation.

(3) Fund targets for replacement equipment will be based on requirements approved by HQ DeCA/DO and the available program.

(4) Targets for facilities managed equipment will be based on the HQ DeCA/DF analysis of annual requirements and will be issued as required.

(5) Targets for minor construction funds for projects not to exceed \$100,000 will be issued as Commander/Director approves project funds. The amount issued will be determined by HQ DeCA/DF, based on budget submission and will be used as the Region Commander/Director deems appropriate.

b. Major construction funds will not be issued at region level. These funds will be processed centrally through HQ DeCA/RMB. See Paragraph 15-7a (Funding for Directorate of facilities Programs).

c. ADP Equipment will be managed centrally by HQ DeCA/IM. All fund requests will be initialed by the HQ DeCA/IM budget monitor before funding action is taken by HQ DeCA/RMB.

15-7. Funding for Directorate of Facilities Programs.

a. Construction.

(1) Minor construction (Projects up to \$500,000). HQ DeCA/DFFB will establish the Minor Construction funding level for each region based on the HQ DeCA/DF approved minor construction program and the status of projects. The funds will be issued by HQ DeCA/RMB as required: Funds will be issued to the Region/RMB who will prepare the applicable procurement document using Cost Code 921.10, for projects under \$25,000 and Cost Code 944.60 for projects \$25,000 or more. Use Object Class 32.50 and a Job Order Number for this category.

(2) Major Construction.

(a) Major Construction will be centrally managed at HQ DeCA. HQ DeCA/DF will send fund requests to HQ/RMB using format at Attachment 2. HQ DeCA/RMB will prepare MIPR and send to the appropriate contracting agency. These funds will be issued on a project by project basis. Cost code 921.10 and object class 32.20 will be used for construction, contingency amounts, Title II A-E Services and other forms of construction inspection services.

(b) Funds for design and equipment of major construction will be handled the same as the construction portion. Use the following for accounting purposes:

| | Cost Code | Object Class |
|--------|-----------|--------------|
| Design | 921.10 | 32.30 |
| Equip | 921.10 | 32.40 |

(c) JOB ORDER NUMBER. All construction projects, major and minor, must be assigned a Job Order Number, using the store codes at paragraph 15-22. The Job Order Number will be a combination of 6 alpha/numeric characters in the following order:

- 1 position = 0
- 2 position = FY
- 3-5 position = Store Code
- 6 position = Number of project

NOTE: The Job Order Number will be a part of the accounting classification and will appear between the organization code and Account Processing Code (APC) as follows:

97X8164 6400 460_ 92110 3220 033181 F 02BEA1 LBA3 MIPLBF00205553

(d) A Job Order Master Record Form DFAS-FM29 (Attachment 4) must be sent to DFAS-CO for every new construction project.

(e) A Job Order Cost Adjustment Form DFAS-FM30 (Attachment 5) must be submitted to DFAS-CO for each adjustment to existing projects.

(f) HQ DeCA/RMB and Regions/RMB will monitor the monthly DBMS Job Order Report, number UPFE820A, to ensure obligations are recorded accurately.

b. Facilities Equipment. Funding for the following equipment will be approved by the HQ DeCA/DF:

- Refrigeration
- Heating, Ventilation, Air Conditioning (HVAC)
- Dock levelers
- Automatic Doors
- Lighting

NOTE: Funds for facilities equipment will be issued by HQ DeCA/RMB to the regions as required. Regions will use object class 31.48 for non capital investment and 31.58 for capital investment equipment.

SECTION B - REGION PROCEDURES

15-8. Budget Call. A budget call will be prepared by Region/RMB and forwarded to all store and CDC locations by May 15th, to be ready to respond to the HQ DeCA/RMB budget call.

a. The budget call will request the following:

(1) Estimated current year obligations and anticipated annual requirements in each of the following categories:

- (a) Supplies
- (b) General Maintenance
- (c) HVAC and Refrigeration Maintenance (OCONUS Only)
- (d) Other Utilities (CONUS Only)
- (e) Communications (CONUS Only)
- (f) Laundry/linen
- (g) Other Expense
- (h) Transportation (CONUS, Alaska and Hawaii Only)
- (i) DO Equipment
- (j) DF Equipment
- (k) DIRM Equipment
- (l) Safety, Security Administrative (SSA) Equipment

(2) A further breakdown of the above categories that indicates estimated annual MIPR requirements and the address (including the department code and point of contact) for each MIPR. MIPRs may be required for all or part of the following categories:

- (a) Supplies
- (b) General Maintenance

- (c) HVAC and Refrigeration Maintenance (OCONUS Only)
 - (d) Other Utilities (CONUS Only)
 - (e) Communications (CONUS Only)
 - (f) Other Services (Part of Other Expense)
 - (3) Completed copies of the Commissary Category I and II Equipment study forms (Sample at attachment 6)
 - (4) Listing of required DF Equipment
 - (5) Listing of required DIRM Equipment
 - (6) Listing of required SSA Equipment
 - (7) Identification of at least one area of relatively high operating cost and a plan of action to reduce that cost
 - (8) Return to the region by June 15
- b. Responses should be reviewed for consistency with current trends and the following criteria:
- (1) Stores with similar sales volume require approximately the same funds for maintenance, supplies and linen service. It is recognized there are certain variables that could affect requirements, such as regional cost differences, source of operating supplies, and linen service.
 - (2) One method of setting up standards is to take operating year targets by budget category and determine what percentage of annual store sales these targets represent. For example, if operating supplies for previous year averaged .9 percent of retail sales, then this will be a good baseline.
 - (3) In reviewing base submissions, compare amounts requested with the standards devised. Significant deviations will need further review and analysis.
 - (4) Funds requests for amounts less than standard must also be analyzed to make sure that requested funds are adequate to purchase the required supplies and services. If "less than standard" funds are determined adequate, these savings may apply to other stores.
- c. Submission of Annual Operating Budget to HQ DeCA/RMB. The annual budget call will be issued in mid-June with the response due by the last work day in July.

15-9. Heating, Ventilation and Air Conditioning (HVAC) and Refrigeration Maintenance Contracts (CONUS Only). HQ DeCA/DF will determine the requirements for CONUS HVAC and refrigeration maintenance contracts, advise HQ DeCA/RMB to include in CONUS Region Budget, and indicate by memorandum to regions the contracts that will be prepared by the 338th Contracting Squadron. MIPRs will be prepared according to the guidance provided by HQ DeCA/DF.

15-10. Planning Program.

- a. By September 15, HQ DeCA/RMB will forward an approved budget to be used for planning purposes until the Funding Authorization Document (FAD) is provided at the beginning of October.

b. Upon receipt of the approved budget, the monthly obligation execution plan should be prepared following attachment 7. The completed plan is due at HQ DeCA/RMB by October 15.

c. The planning program, and the time before the FAD is received, should also be used to ensure the following is accomplished before October 1. If appropriate, items on this list may be accomplished before the receipt of the planning program.

(1) (CONUS Only) Update as necessary attachment 8, the list of items or services and basic fund cites that stores/CDCs will complete by adding the store/CDC code, and document number.

(2) Provide Region/DOL updated guidance on preparing fund cites for equipment and an updated copy of attachment 8. (Their ability to apply fund cites will facilitate RMB's certifying funds are available).

(3) Provide Region/DOL the approved equipment budgets (costs and items) so that they can develop monthly equipment obligation execution plan and equipment targets for each commissary/CDC. Region/DOL will provide targets by the last work day of September.

(4) (CONUS Only) Prepare or request Region/DOL to prepare annual gasoline credit card targets for each location.

(5) (CONUS Only) Prepare or request Region/DOL to prepare Miscellaneous Obligation Reimbursement Documents (MORDs) to cover the first two months for gasoline credit cards for each commissary/CDC) using cost code 921.10 object class code 26.71.

(6) (CONUS Only) Prepare or request Region/DOL to prepare MORDs for Blanket Purchase Agreements (BPAs) for each commissary/CDC to cover the first quarter.

(7) Set up separate document control number logs for MORDs, MIPRs, Contracts, and Orders.

(8) Prepare MIPRs required for each location with sufficient funds to cover the first eleventh months of the year. MIPRS will normally be required to cover supply purchases, utilities, and communications.

(9) (CONUS Only) Formulate and prepare a funding letter for each commissary/CDC location indicating the portion of funds for commercial items that will be controlled at store level. Funding letters for CDCs that will provide supplies for commissaries should cover the funding for those supplies if they will be controlled at CDC level.

(10) Develop targets for each commissary/CDC at the three digit object class level (eg., 26.7) based on plans previously submitted by commissaries and submitted changes, actual prior year obligations, and planned sales. Use input from Region/DOL for equipment targets. CONUS Regions also use input from Region/DOL on credit cards and BPAs.

(11) Set up file to maintain FADs.

15-11. Action Taken Upon Receipt of Initial FAD.

a. Post FAD to obligation plan program.

- b. Load ASS targets for each commissary/CDC at 3 digit object class level, e.g., 25.2 and 25.7.
- c. (CONUS Only) Provide funding letter to each store/CDC indicating portion of funds for commercial items that will be controlled at store level.
- d. Send MIPRs already prepared to appropriate organizations. Keep suspense copy in Surcharge Branch and provide copies to commissaries.
 - (1) CONUS Regions. Post commitment to document control log, send copies to Liaison Office (LO) for commitment.
 - (2) European Region. Post to symphony file and record in DCAS as a commitment.
- e. (CONUS Only) Review and certify MORDs that have been prepared for the gasoline credit card and BPAs. Forward to LO to input as commitments and obligations and send copies to DFAS-CO.

15-12. On Going Procedures.

- a. The following actions should be completed within 24 hours of receipt at the region office:
 - (1) Upon receipt of purchase requests, certify fund cite. Send original to addressee. In accordance with individual region policy DOL or RMB send copy to commissary/CDC receiving service. Keep suspense copies.
 - (a) CONUS Regions. Post commitment to document control log, send copies to LO for commitment.
 - (b) European Region. Post to symphony file and record in DCAS as a commitment.
 - (2) Upon request for funding by MIPRs (usually for construction, DF equipment, transportation, printing) prepare MIPR and certify fund cite (printing requires a copy of the DoD printing requisition form, DD Form 282). Send original to addressee and copy to commissary/CDC receiving service. Keep suspense copies.
 - (a) CONUS Regions. Post commitment to document control log, send copies to LO for commitment.
 - (b) European Region. Post to symphony file and record in DCAS as a commitment.
 - (3) Upon receipt of contracting documents or MIPR acceptance, match with suspense copy, file and provide copy of contracts to store/CDC receiving service if not automatically provided by contracting.
 - (a) CONUS Regions. Indicate on document control log, adjust commitment on log if required, forward to LO to record as obligation in system and send to DFAS-CO.
 - (b) European Region. Record in DCAS as an obligation, adjust commitment if required on symphony file and forward copy of the document and an updated diskette of the DCAS program to Subsistence Finance and Accounting Office (SF&AO), Europe which records in STANFINS as an obligation.
 - (4) (European Region Only) Process government billings received from the commissaries/CDCs:

- (a) Send the original to the SF&AO, Europe, Installation Accounts.
- (b) Retain one copy, attach it to the front of the MIPR, and file it in a completed file, if complete.
- (c) In no instance should the receiving report be held awaiting an invoice. Any invoices inadvertently received should be sent directly to the SF&AO, Europe, Commercial Accounts.
- (5) (CONUS Regions Only) Assist region/RMA to resolve problems concerning insufficient funds, invalid document numbers etc. surfaced by DFAS-CO.
 - b. By the 10th day of each month receive the logs from CDCs indicating supplies shipped to each store. Maintain the logs to provide data when needed.
 - c. (CONUS Regions Only) By the 10th working day after the end of each month, receive copies of blotters from each store/CDC. Review blotters to ensure that the region has received all commitment and obligation documents to be recorded in the system.
 - d. As indicated by DOL or commissaries, adjust the MORDS for the BPAs and the gasoline credit cards.

15-13. Monthly Exception Report. At the end of each month an exception report will be prepared and submitted to DeCA/RMB, in sufficient time to insure receipt 15 days after the close of the month being reported. Attachment 9 provides guidance on preparing the report including performance parameters to evaluate cumulative results.

15-14. Changes to the Surcharge Collections Obligation Execution Plan. Guidance is provided in Chapter 3 of Attachment 7.

SECTION C - COMMISSARY AND CENTRAL DISTRIBUTION CENTER PROCEDURES

15-15. Submission of Annual Budget Requirements to DeCA Regions. The annual operating budget call will be issued by Regions to their commissary/CDC locations in mid-May with response due by mid-June.

15-16. Funding for Installation Support. Maintenance by Government Facilities Engineer, (i.e., telephone, laundry, utilities, graphics, commissary supply account, and military supply support).

- a. Funds will be provided to the installations on an initial 11 months basis using a DD Form 448, Military Interdepartmental Purchase Request, copy furnished to the commissary officer.
- b. (CONUS Region Stores Only) Fund Control.
 - (1) Maintenance of blotters for reimbursable orders is required. Close coordination with the respective servicing activity is necessary to ensure that proper costs are charged against the commissary. When a requirement for an increase or decrease in funding is known, notify the Region/RMB immediately so that a change order can be prepared and issued to the servicing activity.
 - (2) Upon receipt of the government billing, verify that service or item has been received, certify for payment and ensure that if more than one fund cite applies, each is listed with the dollars that apply. Within three days of receipt, the original will be sent to the Defense Finance and Accounting Service, Defense Finance & Accounting Service ATTN: DFAS-CO-ABRB P.O. Box 369016 Columbus OH

43236-9016.

(3) Retain one copy, attach it to the front of the MIPR, and file it in a completed file, if complete.

(4) Send on copy to the Region/RMB.

c. (European Region Only) Fund Control.

(1) Maintenance of blotters for reimbursable orders is not required. Close coordination with the respective servicing activity is necessary to ensure that proper costs are charged against the commissary.

(2) Upon receipt of the government billing, verify that service or item has been received and forward within 24 hours to Region/RMB.

15-17. CONUS Region Stores Only. Funding for Supplies and Contractual Services (Maintenance of equipment by commercial contracts, rents, propane gas tanks, knives, background music, rentals, etc.)

a. Funds that will be controlled by the commissary/CDC will be provided on a Surcharge Collections funding letter.

b. Fund Control.

(1) For funds that have been provided on a funding letter, the Commissary Officer and assistant are authorized to certify funds on purchase requests prepared. At the end of each business day, the purchase requests prepared that day will be faxed or mailed (as directed by Region/RMB) to Region/RMB to record as commitments. Two copies of the purchase order will be forwarded to region (one copy to RMB and one copy to DOL).

(2) Approved fund ceilings will not be exceeded. Request for increase and decrease among categories (i.e., telephone, laundry, utilities, supplies, etc.) will be submitted to Region/RMB.

(3) Blotters will be maintained to control funds allocated. Blotters will be posted as each transaction occurs (commitment, receipt of contract, receipt of item or service). Any document forwarded to any source reflecting estimated dollars to be expended will be recorded. Any adjustments whether increases or decreases, will be posted. Use Attachment 10 (DeCA 40-29).

(4) Separate call logs will be maintained for each BPA.

(5) One control log will be maintained for the gasoline credit card.

(6) Copies of the blotters must be provided to Region/ RMB, by the 10th working day following the end of each month.

(7) Copies of the logs for the BPAs and gasoline credit cards must be provided to the Region DOL.

(8) Surcharge Collections purchase requests should be kept in an open commitment file pending receipt of a purchase order or contract.

(9) Upon receipt of the purchase order or contract, two copies should be forwarded

immediately to the Region/RMB. Copy should be attached to the front of the blotter and a suspense established for the estimated delivery date. If an installation wide contract is involved, the order or contract should clearly indicate the amount applicable to the commissary.

(10) Upon receipt of the item or service, a receiving report will immediately be prepared.

(a) When certifying for payment, ensure that if more than one fund cite applies, each is listed with the dollars that apply.

(b) Within three days of receipt, the original will be sent to the Defense Finance and Accounting Service, Defense Finance & Accounting Service ATTN: DFAS-CO-AEO P.O. Box 369016 Columbus OH 43236-9016.

(c) Retain one copy, attach it to the front of the purchase order or contract, and file it in a completed file.

(d) In no instance should the receiving report be held awaiting an invoice. Any invoices inadvertently received should be sent directly to the Defense Finance and Accounting Service, Attn: DFAS-CO-AEWCA P.O. Box 182204 Columbus Oh 43218-2204.

(e) Receiving reports for calls against a BPA will be routed the same way.

(f) Receiving reports for the gasoline credit card will be routed the same way.

15-18. European Region. Funding for Supplies and Contractual Services (Maintenance of equipment by commercial contracts, rents, propane gas tanks, knives, background music, rentals, etc.) is as follows:

(a) Funding authority will remain at the region. Purchase requests will be submitted to Region/DOL.

(b) Upon receipt of the item or service, a receiving report will immediately be prepared and forwarded to the SF&AO, Europe.

15-19. Supplies Drawn from a CDC.

a. A log, by object class and store, will be maintained by each CDC to record supplies sent to each store during the month.

b. By the tenth day of each month, a copy of each log will be sent to the Region/RMB.

15-20. Sale or Salvage of Equipment.

a. Paragraph 3-6 and 3-7 of DeCAD 40-2, Equipment, Supplies and Services Directive provides guidance on the disposal of unserviceable and excess equipment.

b. DeCAD 70-6, Financial Procedures for Commissary Management Support Center (MSC, and DeCAD 70-7, Appropriation Accounting Subsystem (AAS), provide additional guidance on the disposal of equipment.

15-21. Transfer of Equipment.

a. On Property Books. Paragraph 3-6 of DeCAD 40-2 provides guidance on adjusting the

property books to account for the transfer of equipment.

b. Appropriation Reimbursement.

(1) If equipment is transferred within the same appropriation, such as when transferred between stores, there is no reimbursement. Only follow the guidance in paragraph 15-20.

(2) If equipment is transferred between appropriations, for example from Surcharge Collections to DBOF, the reimbursement will be done at HQ DeCA/RMB.

(a) The region making the transfer will advise HQ DeCA/RMB of the losing and gaining appropriation and depreciated value of equipment being transferred.

(b) HQ DeCA/RMB will prepare a Standard Form 1081, Voucher and Schedule of Withdrawals and Credits, to reflect the transfer between appropriations and forward it to HQ/RMA for processing.

→15-22. Budget Formulation.

a. HQ Resource Management (RM) will issue budget call to Regions to determine requirements for the following:

- (1) IMPAC purchase card
- (2) Operating supplies
- (3) General Maintenance
- (4) HVAC (Heating, Ventilation, Air conditioning) and Refrigeration Maintenance
- (5) Other utilities (CONUS only)
- (6) Communications (includes Region costs identified as ADP)
- (7) Laundry/linen
- (8) Other expense
- (9) Transportation (CONUS, Alaska and Hawaii only)
- (10) DO equipment
- (11) DF equipment
- (12) IM equipment
- (13) SSA equipment (Safety, Security Administrative)
- (14) MCIP (Minor Construction Improvement Program)

b. HQ RM will consolidate requirements and make all required budget submissions to DoD and defend requirements at DoD/OMB hearings and reviews.

- c. The Regions will be responsible for:
 - (1) Budgeting all region requirements and submission of budgets to HQ RM.
 - (2) Determining the portion of the budget to be distributed to the Regions and Operations Support Center (OSC) respectively.
 - (3) Using reports received from the OSC pertaining to the operating expenses, equipment, and IMPAC credit card by store, to assist in the preparation of total Region budget.
- d. The OSC will budget for requirements to support its operations and provide budget submissions to HQ RM in the format and categories requested in the budget call.

15-23. Budget Execution.

- a. HQ RM will:
 - (1) Have overall responsibility for the Command Surcharge Budget to include assessment and consolidation of requirements, briefing Agency CEO and other officials, internal and external to DeCA, defending recommendations affecting the Agency's overall budget or its execution.
 - (2) Be responsible for all reprogramming actions between Regions, OSC, and HQ programs, providing justification and obtaining approval of the Agency Director or CEO as required.
 - (3) Break out funding between the Regions and the OSC (as recommended by the Regions) to support execution and administration of such services.
 - (4) Issue planning program to Region by each category of expense, and provide guidance prior to September 15 for funds to be managed and administered by the OSC and Regions.
 - (5) Issue Fund Authorization Documents (FADs) by October 1 as follows:
 - (a) The FAD for the OSC will be by Region, by major category of expense (Operating expenses, DO equipment, SSA equipment, IM equipment) and HQ programs (Major Construction, ADP, other). An info copy of FAD will be furnished to Region.
 - (b) The FAD for Region will be by major category of expense (Operating expense, DO equipment, DF equipment, SSA equipment, IM equipment, MCIP, Major Construction equipment, if applicable).
 - (6) Prepare monthly obligation plans for centrally managed programs based upon input from responsible components (such as DF, IM, DO).
 - (7) Consolidate monthly execution for Regions and OSC by Region, to portray a total overview of Region execution and provide to regions monthly for analysis.
- b. The Regions will:
 - (1) Prepare upon request from HQ RM annual obligation plan for operating expenses, DF equipment and MCIP.
 - (2) Follow procedures in Chapter 15-9 through 15-14 for execution.

(3) Be responsible for the overall execution of the Region's operating expenses, DF equipment and MCIP Surcharge budget, whether funds are distributed to the Region or to the OSC.

(4) Advise HQ RM of required reprogramming actions of the distribution of funds between the Region and OSC.

(5) Advise HQ RM of required reprogramming actions between major categories of expense.

(6) Advise the OSC of the distribution of region operating expense funds and necessary changes.

(7) Issue targets, by appropriate category of expense to each store.

c. The OSC will:

(1) Have execution responsibility for service contracts, DO, IM and SSA equipment, major construction, ADP services and other centrally managed programs procured through the Acquisition Business Unit.

(2) Prepare upon request from HQ RM annual obligation plan for:

(a) Equipment procured through the Acquisition Business Unit.

(b) Funds authorized specifically for OSC operation.

(3) Accept Fund Authorization Documents.

(4) Load targets into DBMS by applicable organization code as follows:

OPERATIONS SUPPORT CENTER ORGANIZATION CODES - SURCHARGE COLLECTIONS

CENTRALLY MANAGED PROGRAMS

H - FACILITIES (CONSTRUCTION)

D - IM

K - OPERATIONS (MISC)

V - SSA

VL - SAL (SUPPLIES, EQUIPMENT)

J - RESOURCES

REGIONS

N - NORTHEAST

C - CENTRAL

S - SOUTHERN

G - MIDWEST

P - NORTHWEST-PACIFIC

W - SOUTHWEST

U - EUROPE

OPERATIONS SUPPORT CENTER

OC - OFFICE OF THE DIRECTOR

EC - ELECTRONIC COMMERCE MANAGER

IT - INFORMATION TECHNOLOGY BUSINESS UNIT

RA - ACQUISITION BUSINESS UNIT

TR - TRANSPORTATION BUSINESS UNIT

MB - MARKETING BUSINESS UNIT

AR - ANALYSIS AND RECONCILIATION BUSINESS UNIT

BL - BUDGET LIAISON BUSINESS UNIT

FS - FOOD SAFETY AND QUALITY ASSURANCE BUSINESS UNIT

Y - MULTIPLE BUY CONTRACTS

- (5) Receive requests for procurement actions from applicable proponents.
- (6) Prepare MIPRs for OSC and centrally managed programs (Major Construction, DO, IM and SSA equipment and other).
- (7) Certify fund availability.
- (8) Commit, obligate, and expense funds in DBMS using Purchase Request, MIPR or appropriate document.
- (9) Control and maintain documents, conducting research to prevent or resolve negative unliquidated obligations and un-matched disbursements.
- (10) Research as required to reconcile obligation/disbursement differences with DFAS-CO for all documentation initiated or administered by the OSC.
- (11) Coordinate directly with the commissaries to receive copies of missing receiving reports.
- (12) Establish procedures to ensure the integrity of each of the following fenced categories as identified on FAD:
 - (a) Direct costs to operate the OSC
 - (b) Major Construction
 - (c) DO equipment
 - (d) SSA equipment
 - (e) IM equipment
 - (f) IMPAC Purchase Card
 - (g) Store operating expenses
- (13) Provide HQ RM with a monthly execution report by Region and category of

expense.

(14) Provide Region monthly data by category of expense at the commissary level.

d. IMPAC Purchase Card. Regions will include requirements in their budget submissions and the OSC will:

(1) Establish a single fund cite and document number for all IMPAC Card purchases.

(2) Establish a Miscellaneous Obligation Document (MOD) to record estimated annual purchases.

(3) Commit, obligate, and expense agency wide IMPAC Card purchases against a single document number upon receipt of invoice.

(4) In September, establish MOD to cover charges for September that will be billed in October.

(5) Provide monthly feedback to the Region of usage by commissary.

15-24. Prior Year Funds.

a. Prior Year funds will be maintained at Region where contract was initiated.

b. Adjustments to prior year contracts will be made after authority has been received from Region that prior year funds are available.

c. OSC must provide the Region a copy of obligation document for input into DBMS.

15-25. Commissary Codes.

| CODE | LOCATION | REGION |
|------|--------------------------|---------|
| BRU | BERMUDA | CENTRAL |
| CHP | CHERRY POINT | CENTRAL |
| CRN | CRANE NWS, IN | CENTRAL |
| DGS | DGSC, RICHMOND | CENTRAL |
| BEH | FT BEN HARRISON, IN | CENTRAL |
| BRG | FT BRAGG, NC | CENTRAL |
| CMB | FT CAMPBELL, KY | CENTRAL |
| EUS | FT EUSTIS, VA | CENTRAL |
| KNX | FT KNOX, KY | CENTRAL |
| LVN | FT LEAVENWORTH, KS | CENTRAL |
| LEE | FT LEE, VA | CENTRAL |
| LEJ | CAMP LEJEUNE, NC | CENTRAL |
| LEO | FT LEONARD WOOD, MO | CENTRAL |
| COY | FT MCCOY, WI | CENTRAL |
| MOR | FT MONROE, VA | CENTRAL |
| STR | FT STORY, VA | CENTRAL |
| GRC | GRANITE CITY (PRICE), IL | CENTRAL |
| GLK | GREAT LAKES NTC, IL | CENTRAL |
| SAW | KI SAWYER AFB, MI | CENTRAL |

| | | |
|-----|------------------------------|---------|
| LNG | LANGLEY AFB, VA | CENTRAL |
| LCK | LITTLE CREEK NAB, VA | CENTRAL |
| LRK | LITTLE ROCK AFB, AR | CENTRAL |
| MLN | MALLONEE VILLAGE, (BRAGG) NC | CENTRAL |
| NRV | NEW RIVER, JACKSONVILLE, NC | CENTRAL |
| NAB | NORFOLK NAVAL BASE, VA | CENTRAL |
| OCN | OCEANA NAS, VA | CENTRAL |
| POP | POPE AFB, NC | CENTRAL |
| POR | PORTSMOUTH NNSY, VA | CENTRAL |
| RIA | ROCK ISLAND ARSENAL, IL | CENTRAL |
| SCT | SCOTT AFB, IL | CENTRAL |
| SEL | SELFRIDGE ANGB, MI | CENTRAL |
| SEY | SEYMOUR JOHNSON AFB, NC | CENTRAL |
| WHT | WHITEMAN AFB, MO | CENTRAL |
| WPT | WRIGHT- PATT AFB, OH | CENTRAL |
| | | |
| ALT | ALTUS AFB, OK | MIDWEST |
| BEL | BELLE FOURCHE AFB, SD | MIDWEST |
| BRO | BROOKS AFB, TX | MIDWEST |
| CAN | CANNON AFB, NM | MIDWEST |
| CRP | CORPUS CHRISTI NAS, TX | MIDWEST |
| DYE | DYESS AFB, TX | MIDWEST |
| ELL | ELLSWORTH AFB, SC | MIDWEST |
| FEW | FE WARREN AFB, WY | MIDWEST |
| FIT | FITZSIMONS CO | MIDWEST |
| FOR | FORSYTH AFB, MT | MIDWEST |
| BLI | FT BLISS, TX | MIDWEST |
| CAR | FT CARSON, CO | MIDWEST |
| HOO | FT HOOD, TX | MIDWEST |
| HOD | FT HOOD 2, TX | MIDWEST |
| RIL | FT RILEY, KS | MIDWEST |
| SAM | FT SAM HOUSTON, TX | MIDWEST |
| SIL | FT SILL, OK | MIDWEST |
| GOO | GOODFELLOW AFB. TX | MIDWEST |
| GRF | GRANDFORKS AFB, ND | MIDWEST |
| HLO | HOLLOMAN AFB, NM | MIDWEST |
| KEL | KELLY AFB, TX | MIDWEST |
| KIN | KINGSVILLE, TX | MIDWEST |
| KIR | KIRTLAND AFB, NM | MIDWEST |
| LAJ | LA JUNTO AFB, CO | MIDWEST |
| LAC | LACKLAND AFB, TX | MIDWEST |
| LAU | LAUGHLIN AFB, TX | MIDWEST |
| MCN | MCCONNELL AFB, KS | MIDWEST |
| MIN | MINOT AFB, ND | MIDWEST |
| OFF | OFFUTT AFB, NE | MIDWEST |
| PET | PETERSON AFB, CO | MIDWEST |
| RAN | RANDOLPH AFB, TX | MIDWEST |
| REE | REESE AFB, TX | MIDWEST |
| SHE | SHEPPARD AFB, TX | MIDWEST |
| TIN | TINKER AFB, OR | MIDWEST |
| ACA | USAF ACADEMY, CO | MIDWEST |
| VAN | VANCE AFB, OK | MIDWEST |

| | | |
|-----|------------------------------|------------|
| WSM | WHITE SANDS MR, NM | MIDWEST |
| ABE | ABERDEEN PG, MD | NORTHEAST |
| AND | ANDREWS AFB, MD | NORTHEAST |
| ANN | ANNAPOLIS, MD | NORTHEAST |
| ARD | PICATINNY ARSENAL(ARDEC), NJ | NORTHEAST |
| BGR | BANGOR AFB, ME | NORTHEAST |
| BOL | BOLLING AFB, WASH DC | NORTHEAST |
| BRU | BRUNSWICK, ME | NORTHEAST |
| BVR | FT BELVOIR, VA | NORTHEAST |
| CRI | CARLISLE BKS, PA | NORTHEAST |
| CUT | CUTLER, ME | NORTHEAST |
| DAH | DAHLGREN, VA | NORTHEAST |
| DDR | NEW CUMBERLAND, PA | NORTHEAST |
| DET | FT DETRICK, MD | NORTHEAST |
| DEV | FT DEVENS, MA | NORTHEAST |
| DOV | DOVER AFB, DE | NORTHEAST |
| DRU | FT DRUM | NORTHEAST |
| GIS | GOVERNORS ISLAND, NY | NORTHEAST |
| GRI | GRIFFIS AFB, NY | NORTHEAST |
| HAI | FT HAMILTON, NY | NORTHEAST |
| HNS | HANSCOM AFB, MA | NORTHEAST |
| KEF | KEFLAVIK, ICELAND | NORTHEAST |
| KLS | KELLY SUPP FACILITY, PA | NORTHEAST |
| LAK | LAKEHURST, NJ | NORTHEAST |
| MCA | FT MCNAIR, DC | NORTHEAST |
| MCG | MCGUIRE AFB, NJ | NORTHEAST |
| MEA | FT MEADE, MD | NORTHEAST |
| MIT | MITCHEL FIELD, NY | NORTHEAST |
| MON | FT MONMOUTH, NJ | NORTHEAST |
| MYE | FT MYER, VA | NORTHEAST |
| NEL | NEW LONDON, CT | NORTHEAST |
| NEP | NEWPORT, RI | NORTHEAST |
| PHI | PHILADELPHIA, PA | NORTHEAST |
| PLA | PLATTSBURG AFB, NY | NORTHEAST |
| PRT | PORTSMOUTH NS NH | NORTHEAST |
| PTU | PATUXENT, MD | NORTHEAST |
| QUA | QUANTICO, VA | NORTHEAST |
| RIT | FT RITCHIE, MD | NORTHEAST |
| SCO | SCOTIA, NY | NORTHEAST |
| TOB | TOBYHABBA ARMY DEPOT, PA | NORTHEAST |
| VIH | VINT HILL FARMS, VA | NORTHEAST |
| WAR | WALTER REED, DC | NORTHEAST |
| WEP | WEST POINT, NY | NORTHEAST |
| WIH | WINTER HARBOR, ME | NORTHEAST |
| ADA | ADAK NAS,AK | NW PACIFIC |
| BAN | BANGOR NSB, WA | NW PACIFIC |
| BRE | BREMERTON NB,WA | NW PACIFIC |
| EIE | EIELSON AFB, AK | NW PACIFIC |
| ELM | ELMENDORF AFB, AK | NW PACIFIC |
| EVE | NS PUGET SOUND, EVERETT, WA | NW PACIFIC |

| | | |
|-----|---------------------------------|-------------------|
| FAR | FAIRCHILD AFB, WA | NW PACIFIC |
| GRE | FT GREELY, AK | NW PACIFIC |
| LEW | FT LEWIS, WA | NW PACIFIC |
| RIC | FT RICHARDSON, AK | NW PACIFIC |
| WAI | FT WAINWRIGHT, AK | NW PACIFIC |
| HAV | HAVRES AFB, MT | NW PACIFIC |
| KOD | KODIAK, AK | NW PACIFIC |
| MAL | MALMSTROM AFB, MT | NW PACIFIC |
| MCH | MCCHORD AFB, WA | NW PACIFIC |
| MOU | MT HOME AFB, ID | NW PACIFIC |
| SEI | SEATTLE, WA | NW PACIFIC |
| WHI | WHIDBEY ISLAND NB, WA | NW PACIFIC |
| | | |
| ADE | ANDERSEN AFB, GUAM | HAWAII/NW PACIFIC |
| BRB | BARBERS POINT NB, HI | HAWAII/NW PACIFIC |
| SHA | FT SHAFTER, HI | HAWAII/NW PACIFIC |
| GUA | GUAM NS, GUAM | HAWAII/NW PACIFIC |
| HIC | HICKAM AFB, HI | HAWAII/NW PACIFIC |
| KAN | KANEOHE BAY MCAS, HI | HAWAII/NW PACIFIC |
| PEA | PEARL HARBOR NB, HI | HAWAII/NW PACIFIC |
| SCH | SCHOFIELD BKS, HI | HAWAII/NW PACIFIC |
| | | |
| ATS | ATSUGI NAF, JAPAN | KOREA/NW PACIFIC |
| CRL | CAMP CARROLL, S. KOREA | KOREA/NW PACIFIC |
| CAS | CAMP CASEY, S KOREA | KOREA/NW PACIFIC |
| COU | CAMP COURTNEY, OKINAWA | KOREA/NW PACIFIC |
| EDW | CAMP EDWARDS, S KOREA | KOREA/NW PACIFIC |
| FOS | CAMP FOSTER, OKINAWA | KOREA/NW PACIFIC |
| HUM | CAMP HUMPHREYS, S KOREA | KOREA/NW PACIFIC |
| KNS | CAMP KINSER, OKINAWA | KOREA/NW PACIFIC |
| PAG | CAMP PAGE, S KOREA | KOREA/NW PACIFIC |
| STA | CAMP STANLEY, S KOREA | KOREA/NW PACIFIC |
| ZAM | CAMP ZAMA, JAPAN | KOREA/NW PACIFIC |
| CHH | CHINHAE NAS, S KOREA | KOREA/NW PACIFIC |
| HAA | HANNAM VILLAGE, S KOREA | KOREA/NW PACIFIC |
| IWA | IWAKUNI MB, JAPAN | KOREA/NW PACIFIC |
| KAD | KADENA AB, OKINAWA | KOREA/NW PACIFIC |
| KUS | KUNSAN AB, S KOREA | KOREA/NW PACIFIC |
| KUR | KURE, JAPAN | KOREA/NW PACIFIC |
| MIS | MISAWA AB, JAPAN | KOREA/NW PACIFIC |
| OSA | OSAN AB, S KOREA | KOREA/NW PACIFIC |
| PUS | PUSAN, S KOREA | KOREA/NW PACIFIC |
| SAG | SAGAMI, JAPAN | KOREA/NW PACIFIC |
| SAA | SAGAMIHARA, JAPAN | KOREA/NW PACIFIC |
| SAS | SASEBO NB, JAPAN | KOREA/NW PACIFIC |
| TAE | TAEGU, S KOREA | KOREA/NW PACIFIC |
| YOA | YOKOSUKA NB, JAPAN | KOREA/NW PACIFIC |
| YOK | YOKOTA AFB, JAPAN | KOREA/NW PACIFIC |
| YON | YONGSAN, S KOREA | KOREA/NW PACIFIC |
| OKI | OKINAWA CDC, KADENA AB, OKINAWA | CDC/NW PACIFIC |
| | | |
| ALB | ALBANY MC, GA | SOUTHERN |

| | | |
|-----|-----------------------|-----------------|
| ARN | ARNOLD AFB, TN | SOUTHERN |
| ATN | ATHENS NSCS, GA | SOUTHERN |
| BAR | BARKSDALE AFB, LA | SOUTHERN |
| MRL | CAMP MERRILL, GA | SOUTHERN |
| CEC | CECIL FIELD NAS, FL | SOUTHERN |
| CHF | CHARLESTON AFB, SC | SOUTHERN |
| CHN | CHARLESTON NS, SC | SOUTHERN |
| CHW | CHARLESTON NWS, SC | SOUTHERN |
| COL | COLUMBUS AFB, MS | SOUTHERN |
| EGL | EGLIN AFB, FL | SOUTHERN |
| BNG | FT BENNING, GA | SOUTHERN |
| BUC | FT BUCHANAN, PR | SOUTHERN |
| GIL | FT GILLEM, GA | SOUTHERN |
| GOR | FT GORDON, GA | SOUTHERN |
| JAC | FT JACKSON, SC | SOUTHERN |
| MCC | FT MCCLELLAN, AL | SOUTHERN |
| MCP | FT MCPHERSON, GA | SOUTHERN |
| POL | FT POLK, LA | SOUTHERN |
| RUC | FT RUCKER, AL | SOUTHERN |
| STE | FT STEWART, GA | SOUTHERN |
| GUT | GUANTANAMO BAY, CUBA | SOUTHERN |
| GUP | GULFPORT NCBC, MS | SOUTHERN |
| GUN | GUNTER AFB, AL | SOUTHERN |
| HUN | HUNTER AAF, GA | SOUTHERN |
| HUR | HURLBURT FLD, FL | SOUTHERN |
| JAN | JACKSONVILLE NAS, FL | SOUTHERN |
| KES | KESSLER AFB, MS | SOUTHERN |
| KYW | KEY WEST NAS, FL | SOUTHERN |
| KGB | KINGSBAY NSB, GA | SOUTHERN |
| MAC | MACDILL AFB, FL | SOUTHERN |
| MAX | MAXWELL AFB, AL | SOUTHERN |
| MAP | MAYPORT NS, FL | SOUTHERN |
| MEM | MEMPHIS NAS, TN | SOUTHERN |
| MER | MERIDIAN NAS, MS | SOUTHERN |
| MOO | MOODY AFB, GA | SOUTHERN |
| NWO | NEW ORLEANS NAS, LA | SOUTHERN |
| ORL | ORLANDO NTC, FL | SOUTHERN |
| PAI | PARRIS ISLAND MC, SC | SOUTHERN |
| PTR | PATRICK AFB, FL | SOUTHERN |
| PEN | PENSACOLA NAS, FL | SOUTHERN |
| RDS | REDSTONE ARSENAL, AL | SOUTHERN |
| ROS | ROBINS AFB, GA | SOUTHERN |
| ROR | ROOSEVELT ROADS, PR | SOUTHERN |
| SHW | SHAW AFB, SC | SOUTHERN |
| TYN | TYNDALL AFB, FL | SOUTHERN |
| WHF | WHITING FIELD NAS, FL | SOUTHERN |
| COR | COROZAL | PANAMA/SOUTHERN |
| ESP | FT ESPINAR | PANAMA/SOUTHERN |
| HOW | HOWARD AFB | PANAMA/SOUTHERN |
| COZ | COROZAL CDC | PANAMA/SOUTHERN |
| ALA | ALAMEDA, CA | SOUTHWEST |

| | | |
|-----|-------------------------|---------------|
| BRS | BARSTOW, CA | SOUTHWEST |
| BEA | BEALE AFB, CA | SOUTHWEST |
| CMP | CAMP PENDLETON, CA | SOUTHWEST |
| CSL | CASTLE AFB, CA | SOUTHWEST |
| CHL | CHINA LAKE, CA | SOUTHWEST |
| DMN | DAVIS-MONTHAN AFB, AZ | SOUTHWEST |
| HAM | DOD HOUSING-HAMILTON CA | SOUTHWEST |
| DGY | DUGWAY PG, UT | SOUTHWEST |
| EDA | EDWARDS AFB, CA | SOUTHWEST |
| ELC | EL CENTRO, CA | SOUTHWEST |
| ELT | EL TORO, CA | SOUTHWEST |
| FAL | FALLON, NV | SOUTHWEST |
| FTH | FT HUACHUCA, AZ | SOUTHWEST |
| FTI | FT IRWIN, CA | SOUTHWEST |
| FTO | FT ORD, CA | SOUTHWEST |
| HIL | HILL AFB, UT | SOUTHWEST |
| HLG | HUNTER LIGGETT, CA | SOUTHWEST |
| IMB | IMPERIAL BEACH, CA | SOUTHWEST |
| LEM | LEMOORE, CA | SOUTHWEST |
| LGB | LONG BEACH, CA | SOUTHWEST |
| LOS | LOS ANGELES AFB, CA | SOUTHWEST |
| LUK | LUKE AFB, AZ | SOUTHWEST |
| MAR | MARCH AFB, CA | SOUTHWEST |
| MRE | MARE ISLAND, CA | SOUTHWEST |
| MCL | MCCLELLAN AFB, CA | SOUTHWEST |
| MIR | MIRAMAR, SAN DIEGO, CA | SOUTHWEST |
| MOF | MOFFETT FIELD, CA | SOUTHWEST |
| NLS | NELLIS AFB, NV | SOUTHWEST |
| NIS | NORTH ISLAND, CA | SOUTHWEST |
| OAK | OAKLAND AB, CA | SOUTHWEST |
| PTH | PORT HUENEME, CA | SOUTHWEST |
| PTM | PORT MUGU, CA | SOUTHWEST |
| PRS | PRESIDIO OF SF, CA | SOUTHWEST |
| SDG | SAN DIEGO NAS, CA | SOUTHWEST |
| SND | SAN DIEGO NS, CA | SOUTHWEST |
| SOF | SAN ONOFRE, CA | SOUTHWEST |
| SRA | SIERRA AD, CA | SOUTHWEST |
| STK | STOCKTON, CA | SOUTHWEST |
| TVS | TRAVIS AFB, CA | SOUTHWEST |
| TRE | TREASURE ISLAND, CA | SOUTHWEST |
| TNP | TWENTYNINE PALMS, CA | SOUTHWEST |
| VRG | VANDENBERG AFB, CA | SOUTHWEST |
| WMS | WILLIAMS AFB, AZ | SOUTHWEST |
| YMA | YUMA, AZ | SOUTHWEST |
| YPG | YUMA PG, AZ | SOUTHWEST |
| | | |
| ANK | ANKARA, TURKEY | MEDITERRANEAN |
| ATH | ATHENS, GREECE | MEDITERRANEAN |
| AVI | AVIANO, ITALY | MEDITERRANEAN |
| CAI | CAIRO, EGYPT | MEDITERRANEAN |
| CON | CONSTANZO, ITALY | MEDITERRANEAN |
| DHA | DHAHRAN, SAUDIA ARABIA | MEDITERRANEAN |

| | | |
|-----|-------------------------|-------------------|
| INC | INCIRLIK, TURKEY | MEDITERRANEAN |
| IAM | IZMIR, TURKEY | MEDITERRANEAN |
| LAF | LAJES FIELD, AZORES | MEDITERRANEAN |
| LIV | LIVORNO, ITALY | MEDITERRANEAN |
| NAP | NAPLES, ITALY | MEDITERRANEAN |
| RIY | RIYADH, SAUDIA ARABIA | MEDITERRANEAN |
| ROT | ROTA, SPAIN | MEDITERRANEAN |
| SIG | SIGONELLA, ITALY | MEDITERRANEAN |
| VIC | VICENZA, ITALY | MEDITERRANEAN |
| ASC | ASCHAFFENBURG, GERMANY | NORTHERN GERMANY |
| BKI | BAD KISSINGEN, GERMANY | NORTHERN GERMANY |
| BAM | BAMBERG, GERMANY | NORTHERN GERMANY |
| BUD | BUEDINGEN, GERMANY | NORTHERN GERMANY |
| CHI | CHIEVRES, BELGIUM | NORTHERN GERMANY |
| GEL | GELNHAUSEN, GERMANY | NORTHERN GERMANY |
| GIB | GIEBELSTADT, GERMANY | NORTHERN GERMANY |
| GIE | GIESSEN, GERMANY | NORTHERN GERMANY |
| HAN | HANAU, GERMANY | NORTHERN GERMANY |
| KRC | KIRCHGOENS, GERMANY | NORTHERN GERMANY |
| KIT | KITZINGEN, GERMANY | NORTHERN GERMANY |
| SCF | SCHWEINFURT, GERMANY | NORTHERN GERMANY |
| WUE | WUERZBURG, GERMANY | NORTHERN GERMANY |
| ANS | ANSBACH, GERMANY | SOUTHEAST GERMANY |
| AUG | AUGSBURG, GERMANY | SOUTHEAST GERMANY |
| BAI | BAD AIBLING | SOUTHEAST GERMANY |
| FUE | FUERTH, GERMANY | SOUTHEAST GERMANY |
| GAR | GARMISCH, GERMANY | SOUTHEAST GERMANY |
| GRA | GRAFENWOEHR, GERMANY | SOUTHEAST GERMANY |
| HOH | HOHENFELS, GERMANY | SOUTHEAST GERMANY |
| ILL | ILLESHEIM, GERMANY | SOUTHEAST GERMANY |
| KLY | KELLEY, BKS, GERMANY | SOUTHEAST GERMANY |
| PAN | PANZER, GERMANY | SOUTHEAST GERMANY |
| PAT | PATCH BKS, GERMANY | SOUTHEAST GERMANY |
| RBN | ROBINSON BKS, GERMANY | SOUTHEAST GERMANY |
| VIL | VILSECK, GERMANY | SOUTHEAST GERMANY |
| BAB | BABENHAUSEN, GERMANY | SOUTHWEST GERMANY |
| BKR | BAD KREUZNACH, GERMANY | SOUTHWEST GERMANY |
| BNA | BAD NAUHEIM, GERMANY | SOUTHWEST GERMANY |
| BAU | BAUMHOLDER, GERMANY | SOUTHWEST GERMANY |
| BIT | BITBURG, GERMANY | SOUTHWEST GERMANY |
| DAR | DARMSTADT, GERMANY | SOUTHWEST GERMANY |
| DEX | DEXHEIM, GERMANY | SOUTHWEST GERMANY |
| FRA | FRANKFURT, GERMANY | SOUTHWEST GERMANY |
| HED | HEIDELBERG, GERMANY | SOUTHWEST GERMANY |
| IDA | IDAR OBERSTEIN, GERMANY | SOUTHWEST GERMANY |
| KAR | KARLSRUHE, GERMANY | SOUTHWEST GERMANY |
| MAI | MAINZ, GERMANY | SOUTHWEST GERMANY |
| MAN | MANNHEIM, GERMANY | SOUTHWEST GERMANY |
| MCU | MCCULLY BKS, GERMANY | SOUTHWEST GERMANY |

| | | |
|-----|--------------------------|---------------------|
| NEU | NEUBRUECKE, GERMANY | SOUTHWEST GERMANY |
| PIR | PIRMASENS, GERMANY | SOUTHWEST GERMANY |
| RAM | RAMSTEIN, GERMANY | SOUTHWEST GERMANY |
| RHE | RHEIN-MAIN, GERMANY | SOUTHWEST GERMANY |
| SEM | SEMBACH, GERMANY | SOUTHWEST GERMANY |
| SPA | SPANGDAHLEM, GERMANY | SOUTHWEST GERMANY |
| VOG | VOGELWEH, GERMANY | SOUTHWEST GERMANY |
| WIE | WIESBADEN, GERMANY | SOUTHWEST GERMANY |
| WOR | WORMS, GERMANY | SOUTHWEST GERMANY |
| EDZ | EDZELL, UK | UNITED KINGDOM DIST |
| ALC | RAF ALCONBURY, UK | UNITED KINGDOM DIST |
| CHC | RAF CHICKSANDS, UK | UNITED KINGDOM DIST |
| CRO | RAF CROUGHTON | UNITED KINGDOM DIST |
| FAI | RAF FAIRFORD, UK | UNITED KINGDOM DIST |
| LKE | RAF LAKENHEATH, UK | UNITED KINGDOM DIST |
| MEN | RAF MENWITH HILL, UK | UNITED KINGDOM DIST |
| MIL | RAF MILDENHALL, UK | UNITED KINGDOM DIST |
| GER | GERMERSHEIM CDC, GERMANY | EUROPE CDC'S |
| LKA | LAKENHEATH, UK | EUROPE CDC'S |
| MAK | MAINZ-KASTEL, GERMANY | EUROPE CDC'S |
| SPI | SPINELLI BKS, GERMANY | EUROPE CDC'S |

← →(C1, December 1, 1995)←

Chapter 16

PERFORMANCE MEASURES

16-1. General.

a. The Chief Financial Officers (CFO) Act requires organizational efficiency, effectiveness performance indicators, and outcomes be incorporated into Annual Financial Statements for revolving and trust fund activities. The Office of Management and Budget (OMB) has led an aggressive effort to implement this Act. In addition, Congress mandated that the Defense Business Operations Fund (DBOF) activities report on performance goals in the U.S. House of Representatives FY 1993 DoD Authorization Bill.

b. In response to congressional and OMB mandates and in keeping with the effort to improve management practices, OSD(C) will explicitly include effectiveness performance measures as well as unit cost per output goals in resource management processes. Policy definition and direction are required to ensure that performance measures developed in support of congressional and other management requirements reinforce, rather than compete with unit cost resourcing and Business Operations Fund policies. DoD managers are influenced by how they and their organizations are resourced and measured. Organizational performance measures need to set consistent and appropriate incentives.

16-2. Performance Measures. Performance measures are objective indicators of program effectiveness and/or efficiency that are directly tied to program results. Program results are, in turn, directly justified by the Department's or agency's mission. The principal purpose of performance measures is to gauge progress against stated program goals and objectives, presupposing that the strategic program objectives are known. Basically, performance measures document the relationships between resources and results (Figure 1). Other uses of performance measures include resource allocation, management, and to serve as a basis for individual and organizational assessment, recognition, and rewards.

Figure 1

INPUT -----> PROCESSES -----> OUTPUTS -----> OUTCOMES

16-3. Types of Performance Measures. Performance measures used in the private sector and government typically fall under three major categories: factor of production indicators, outcome indicators, and work process indicators. Most measures are quantitative; however, selected effectiveness measures such as customer satisfaction may be qualitative. Examples of these measurement types are:

a. **Factors of Production Performance Measures.** Factor of production performance indicators typically describe the resource to output relationship. They often focus on different aspects of the resources to output relationship.

(1) Input measures describe the resources, time and staff used for a program; e.g., total funding and end strength. Financial resources can be identified as current dollars, or discounted, based on economic or accounting practices. Nonfinancial resources can be described in proxy measures, such as work-hours.

(2) Output measures describe goods or services produced; e.g., line items shipped. Outputs may be characterized by a discrete definition of the service; e.g., pay account maintained, or by a proxy measure that represents the product; dollar of sales for commissary and other transaction based services. Highly dissimilar products can be rolled up into a metric such as net operating result. "Work load"

is a common term used to articulate projected and actual output.

(3) Efficiency is the measure of the relationship of outputs to inputs usually expressed as a ratio. Sometimes characterized as "doing the thing right," efficiency measures may be expressed in terms of actual expenditure of resources as compared to expected expenditure of resources or may be expressed as the expenditure of resources for a given output. Efficiency measures include:

(a) Unit cost per output is the relationship of total resource expenditure for a given output. It requires output identification and uses managerial accounting techniques to rationally attribute direct and indirect costs to that output. Unit cost per output is the measure of efficiency, and the resourcing and financing tool for DoD Business Operations Fund activities and will become the budget metric in most of the support functions in DoD. Other common efficiency measures include:

(b) Work Measurement. Ratio of a predetermined standard time for a given task ("should take time") compared to the labor hours consumed.

(c) Labor Productivity. Ratio of final outputs produced to labor input (hours of full time equivalents) consumed compared to a base period.

(d) Cycle Time. Amount of time elapsed between the initiation of the demand for a product or service and the actual receipt by the user of the output. Cycle time includes the work process time and the wait time between work processes. Cycle time is emerging as an important efficiency measure because it captures the time interval that resources are committed to producing a final good or service. It includes the actual work process time and the wait time between actual work. The longer the cycle time, the more resources will be tied up in inventory, and in "insurance" items because the production process will not be able to respond quickly to changes in output requirements. (For example, in hiring a person, the actual time to conduct work procedures such as documenting the requirement, advertising the position, screening candidates, etc., may take 100 hours. The actual time between identification of need to hire and the new employee coming on board may be months because of delays between execution of specific work processes.)

(4) Effectiveness. Measure of output conforming to specified characteristics sometimes referred to as "doing the right thing." Indicators include:

(a) Quantity. Number of outputs produced/level of or access to services; e.g., inventory fill rate, number of engines repaired. Sometimes, effectiveness measures associated with quantity are expressed as the ratio of actual versus planned work load.

(b) Timeliness. Outputs meet scheduled completion dates and products/services are provided within objective time standards; e.g., rate of ontime receipt of requisitioned items, customer wait time.

(c) Quality. Outputs conform to objective use requirements for the output. For instance, in supply operations the item shipped met customer requirements in terms of being the right part received on time. Other measures of quality are the number of defects in the product received by the customer, or number of complaints received, or cost of rework.

(d) Customer Satisfaction. Measure of conforming to customer expectations. Typical direct measures may be customer satisfaction surveys, and complaint rates. Indirect measures are error rates, returns, and the like.

16-4. Outcome Measures. Outcome measures describe the direct results achieved by the product being produced with given characteristics. These measures assess the effect of output against given objective

standards; e.g., materiel readiness rate, or health status of eligible population provided with medical care. Impact measures describe how outcome of a program affects strategic organization or mission objectives; e.g., the impact of materiel readiness on execution of OPERATION DESERT STORM.

16-5. Work Process Measures. Work process measures are indicators of the way work gets done in producing the output at a given level of resources, efficiency, and effectiveness. These measures are a direct by-product of the technique, but do not measure the attributes of the final product per se. However, work process measures and trends typically correlate with the characteristics of output. For example, improved process control results in improved product quality. Work process measures typically refer to internal factors of production including labor, capital, work flow, technology, training, etc. These measures can capture external and internal supplier relationships in the work process and the customer-supplier relationship with those who use the product. Some objective methodologies to evaluate and help improve work processes are as follows:

a. Cost-effectiveness is an evaluation process to assess changes in the relationship of resources to (1) an outcome (2) and efficiency rate, or (3) an effectiveness rate. For instance, a cost-effectiveness analysis of resources to outcome might assess whether it is cost-effective to spend 10 percent more resources to improve base security by 5 percent. A cost-effectiveness analysis of efficiency might assess whether investment in equipment whose depreciation increases unit cost by 5 percent will reduce operating costs by more than that amount. An effectiveness analysis might assess whether a change in process results in the same efficiency rate but at a much improved effectiveness rate as measured by quality, timeliness, or customer satisfaction.

b. Efficiency Reviews or Management Analysis are basic industrial engineering-based approaches which: (1) identify the essential output; (2) flow chart the existing work processes and subprocesses used to achieve that output; (3) identify resources associated with those tasks; (4) identify and eliminate unnecessary tasks; (5) perform methods analyses to complete necessary tasks in the most efficient and effective manner; and (6) estimate cost benefits of investment necessary to support alternative methods of performing tasks, e.g., for automation or other capital equipment, training, reorganization. Efficiency reviews achieve average savings of 10 to 15 percent while competition (A-76, etc.) produce savings of 20 to 30 percent. These reviews usually make limited changes in work processes.

c. Variations of the Efficiency Review. Variations of efficiency evaluation techniques have been widely used by such organizations as the Air Force Manpower Engineering Agency and their counterparts in Army and Navy establish models to forecast manpower requirements. These models typically assess labor hours and cost impact as opposed to total cost. The Navy shipyards have developed automated methods and work measurement techniques for purposes of planning, estimating, and production control. The Defense Logistics Agency maintains a similar standard time data base. These models use standard time data as the basic building block, then roll up data to assess the "should take" time of alternative work processes.

d. Flow Charting is work process evaluation tool that graphically maps the activities that make up a process. It illustrates how different elements and tasks and subtasks fit together. It is an effective discipline to identify all tasks and activities in a work process and the associated resources (particularly time) associated with those tasks and activities. Flow charts can be designed to describe a business process, functional process, and the physical flow over space and time, all of which provide insight about efficiency and effectiveness opportunities. Flow charting deserves separate mention because it is a basic analysis tool used in management analysis, theory of constraints, cost-based activity modeling and other work process evaluation techniques.

e. The Cost-Based Activity Modeling System or IDEF modeling (widely used techniques to capture the processes and structure of information in an organization) is currently advocated by the Director

of Defense Information Systems Agency. This is another example of an automated version of the industrial engineering work process analysis approach which charts work processes and subprocesses; identifies and eliminates nonvalue added tasks; identifies costs of remaining tasks; and then focuses on process changes including identification of automation opportunities to accomplish needed tasks at reduced costs.

f. "Theory of Constraints" is a work engineering process which specifically focuses on maximizing throughput, inventory reduction, and turnaround time as key work process indicators.

g. Macro Management Analysis Reviews (such as consolidation studies of alternative work methods that consolidate organizations or work processes to achieve economies of scale) typically use economic analysis techniques rather than industrial engineering approaches to assess alternative organizations or work processes.

h. Benchmarking systematically compares performance indicators of an organization for efficiency, effectiveness, or outcome for a similar process or product against indicators of other internal or external organizations. Benchmarking can identify potentially improved processes through more radical changes in processes. This analysis will uncover best practices that can be adopted for improvement.

i. Statistical Process Control is a measurement method used for assessing the performance of processes. Statistical evaluation techniques identify whether a process is in control (e.g., produces results in a predictable manner) and assesses the impact of method changes on process results.

j. Status of Conditions Indicators are measures such as accident rates, absenteeism, and turnover rates. They are indirect measures of quality of work life that impact on efficiency and effectiveness.

k. Organizational Assessment Tools are measurement tools designed to identify organization culture and management style, work force and management knowledge, application of quality and process improvement tools, and organizational outcomes. This form of measurement is increasingly used in leading private sector corporations to assess potential for innovation, employee empowerment to contribute to process improvement, internal and external customer relations and satisfaction, as well as status of conditions indicators. The DoD-developed "Quality and Productivity Self-Assessment Guide," and automated version of this type of tool, is widely used in DoD and other sectors including government and industry.

l. Innovation measures are qualitative indicators of the rate of introduction of managerial or technological innovations into the work process. Innovation is used in some public and private organizations as a barometer of organizational health and openness to new methods and processes.

m. Quality indicators for work processes are various methods of identifying costs of waste due to work processes or methods that produce less than standard output. These include such indicators as defect rates, rework, and "cost of quality" such as the total resources of time, personnel, and materials engaged in inspection, rework, scrap, etc.

16-6. Requirements for Performance Measurement.

a. The Department of Defense traditionally used performance measures for budgeting and program assessment. Often measures were developed and collected through functional stovepipes and applied in terms of the mission of that particular function. For instance, the financial management community would use resource input and efficiency indicators to assess budget execution. Functional proponents would establish effectiveness performance measures. Line managers would establish outcome measures, and so forth.

b. During the 1980s the President issued Executive Order 12637, "Productivity Improvement

Program for the Federal Government," which required Federal Agencies to improve productivity by 3 percent annually. The Executive Order mandated that the agencies list activities and prepare a report that assessed performance in terms of efficiency and effectiveness, specifically identifying total costs, outputs, and output characteristics such as quality, timeliness, and customer satisfaction. While federal productivity planning and the reporting process has been discontinued, Congress has mandated reporting requirements that cover much the same themes.

c. Current requirements for performance measures reflect the recent legislated mandates and the major DoD management initiatives in organization and financial management system.

16-7. DeCA Workload Indicators for the Commissary Operations Business Area. DoD(C) has approved the following workload indicators for the Commissary Operations business area.

a. In-Stock Rate. Selected as a measure of quality. In-Stock Rate is the percentage of line items on stores' shelves for resale versus the total number of line items allocated shelf space. Stocking policies are primarily based on customer feedback, trends in product movement, and industry marketing initiatives. In-Stock rate indicates whether the commissary has what the customer wants, when the customer wants it, and where the customer wants it. The In-Stock Rate also represents a measure of timeliness and customer satisfaction, in addition to quality. Goal: 94% In-Stock Rate.

b. Wait-time in check out line. Selected as a measure of timeliness. Data on wait-time is not currently collected, however, a system for collecting the data is under development. Goal: A goal will be established during FY 1994 when more information is available.

c. The Customer Service Evaluation System (CSES). Selected as a measure of customer satisfaction. The CSES uses customer feedback through surveys and actual store data. Six subjective variables and six objective variables are combined into a weighted composite to produce a numerical indicator that represents the level of customer service at each store. CSES has been tested, and is scheduled for DeCA-wide implementation by the end of FY 1993. Goal: A goal will be established during FY 1994 when more information is available.

16-8. DeCA Workload Indicators for the Commissary Resale Stocks Business Area. DoD(C) has approved the following workload indicators for the Commissary Resale Stocks business area.

a. In-Stock Rate. In-Stock Rate is the percentage of line-items on the store's shelves that have product stocked on the shelf for resale versus the total number of line-items allocated shelf space. Stocking policies are primarily based on customer feedback, trends in product movement and industry marketing initiatives. In-Stock Rate indicates if this business area is providing the commissary stores with what the customer wants, when the customer wants it, and where the customer wants it. Consequently, the In-Stock Rate represents a measure of quality, timeliness, and customer satisfaction. Goal: 94% In-Stock Rate.

b. Inventory Turns. Inventory Turns are the number of times the average on-hand inventory is sold annually (value of sales divided by value of inventory). Store inventories (not on shelf) have been reduced through increased use of just-in-time inventories. The number of turns should increase as even more just-in-time direct vendor delivers drive inventories further down. High inventory turns indicate Defense Commissary Agency is buying the right items (what the customer wants) in the right amounts. Goal: 14 Inventory Turns annually.

c. Inventory Accuracy. A performance measure based on inventory accuracy will also be developed for this business area. Goal: A goal will be established when more information is available.

Chapter 17

FINANCIAL SYSTEM REPORTS

17-1. Background. Financial System Reports are used by budget analysts to track execution of funded programs, usually on a month to month basis for the period of one fiscal year. DeCA relies primarily on two major automated systems to track budget execution: (1) Standard Army Financial System (STANFINS) for all DBOF-Commissary Resale Stocks. In Europe, funds status for DBOF-Commissary Operations, DBOF-Commissary Resale Stocks, and Surcharge Collections is accounted for by STANFINS. In CONUS, the Defense Business Management System (DBMS) tracks funds status for DBOF Commissary Operations and Surcharge Collections.

17-2. General Provisions. The listings of reports included in this chapter have proven to be the most useful for budget analysis, though there are a large number of other financial systems reports available. The usefulness or availability of certain reports are likely to change, as system change requests become effected or system upgrades occur.

17-3. Defense Business Management System Reports. Appropriated Accounting System (AAS) reports are identified by various means. The primary accounting identifier for DeCA financial reports is the DBOF appropriation account symbol 97X4930. DeCA's two business areas in DBOF are designated by subhead codes. Subhead code 5J00 designates Commissary Operations and 5K00 designates Commissary Resale Stocks. The Surcharge Collections appropriation account symbol is 97X8164. The Surcharge Collections subhead code is 6400.

a. The designated DBOF Commissary Operations fund code will remain N2. The Surcharge Collections fund code is subject to change annually.

b. Other report listing identifiers are the Allotment Serial Number and the Activity Code.

| Allotment Serial No | Activity Code | Location |
|---------------------|---------------|------------------|
| 460 | LB | HQ DeCA |
| 4601 | LC | Central Region |
| 4602 | LD | Northeast Region |
| 4603 | LE | Southern Region |
| 4604 | LF | Midwest Region |
| 4605 | LG | Southwest Region |
| 4606 | LH | Northwest Region |
| 4607 | LI | East Service Ctr |
| 4608 | LJ | West Service Ctr |

c. Refer to DeCA Directive 70-7 to determine specific interpretation of cost account codes, object class codes, and organization codes.

d. DeCA's DBMS data base is resident on a mainframe computer system located in Dayton, OH. The data base is split along two lines. Accounting for activities LB, LC, LD, LE, and LI occurs on the East Data Base, while accounting for LF, LG, LH and LJ occurs on the West Data Base.

e. Reports are generated by the mainframe system in Dayton, OH in various cycles. The cycles are defined at Attachment 1. Cycles are scheduled monthly. Schedules are set by DFAS-CO and DITSO, Dayton. Once set, a schedule is faxed to affected players, i.e., HQ and regional liaison offices, Accounting

and Budget Division points of contact, and affected DeCA Information Processing Centers (IPCs). A sample AAS reports schedule is shown at Attachment 2. Once generated, reports are routed to DeCA's IPCs on the published schedule for the month. If trouble with receiving reports is experienced, the DFAS Technical Support Office should be contacted. If DFAS Technical Support is unable to resolve the trouble, then DITSO (DAYTON) should be contacted.

17-4. DBMS Reports. A limited list of reports that are useful to budget analysts are defined below:

| <u>Report Number</u> | <u>Report Name</u> | <u>Cycle</u> |
|----------------------|--------------------|--------------|
|----------------------|--------------------|--------------|

a. UPFA 150A Violation Control Listing FMDAILYR. Used primarily to highlight where individual transactions are rejected by the system because the DeCA Cost Code is unmatched to the Master Accounting Document (MAD) or object class code is unmatched to the accounting matrix. Breaks by activity code, fund code, object class code, document number, dollar amount, cost code and date of rejection.

b. UPJA 100A Summary Authorized Versus Actual Personnel Strength. Used to verify personnel on board at the end of the month by organization. Useful in calculating civilian pay requirements. Breaks by activity code and organization code, shows an authorized and actual strength by grade, calculates an average grade by organization.

c. UPFA 501A Transaction Journal Part 1A FMDAILYR/FMMTHRP. Used primarily by liaison offices to verify previous day transactions affecting individual document numbers. Breaks by activity code, fund code, document number, transaction code, dollar amount, object class and date of transaction.

d. UPFA 503A Transaction Journal Part III FMDAILYR/FMMTHRP. Used primarily by liaison offices to verify previous day transactions affecting target maintenance. Breaks by activity code, fund code, FY and FQ. Shows transactions that increase or decrease summary and detail operating targets.

e. UPFA 700A Fiscal Ledger by Object Class As Requested/FMDAILYR/FMMTHRP. Used to check obligations and unliquidated obligations. Breaks by activity code, fund code and four position object class data. Shows current month and FYTD commitments, obligations and disbursements. Report can be run daily.

f. UPFA 740A Operations Cost Listing As Requested/FMDAILYR/FMMTHRP. Used to identify expenses for individual organizations by summarizing pertinent cost codes. Breaks by activity code and appropriation/fund code. Shows by five position cost code and organization code all current month, current quarter and current fiscal year obligations and expenses. Provides a summary of program costs by two position object class data for current month, current quarter and current fiscal year obligations and expenses. Will reconcile to the trial balance.

g. UPFA 890A Summary/Detail Operating Target As Requested/FMDAILYR/FMMTHRP. Used to check the status of summary and detail level operating targets. Breaks by activity code, fund code, fiscal year, fiscal quarter, three position cost code, and three position object class data. Shows commitments and obligations against targeted amounts and reflects available balances.

h. UPFA 900B Detail Operating Target Sched/Qtr As Requested/FMDAILYR/FMMTHRP. Used to check the status of detail operating targets. Breaks by activity code, fund code, organization code, cost code, fiscal year and fiscal quarter. Shows three position object class data that reflects funding target, actual commitments and obligations, available balance and a percentage of targets used.

i. UPFA 910B Detail Operating Target Sched/FYTD As

Requested/FMDAILYR/FMMTHRP. Used to check status of detail operating targets. Breaks by activity code, fund code, organization code and cost code. Shows by three position object class data the commitments and obligations for available balances in prior fiscal year, shows a target for FYTD, shows an actual for FYTD, an available balance FYTD, and a percentage of target used.

j. UPFA 920B Summary Operating Target Sched/FYTD As Requested/FMDAILYR/FMMTHRP. Primarily used to check the status of summary level operating targets. Breaks by activity code, fund code, fiscal year, fiscal quarter, three position cost code and three position object class data. Shows summary level commitments and obligations against targeted amounts and reflects available balances.

k. UPCC 760A Summary Budget Project Data COSTFIN. Used primarily to track detail level civilian labor obligations. Detailed payroll analysis tool. Not applicable to Surcharge Collections. Breaks by activity code, three position organization code, three position cost code and three position object class code for object class series 10.

l. UPCC 770A Summary Manhour/Labor Cost Data COSTFIN. Used to track summary level civilian labor obligations. Not applicable to Surcharge Collections. Breaks by activity code, three position cost code and three position organization code. Provides summary level data for program costs by total manhours worked and object class 10 for labor dollars paid.

m. UPCE 300A Oblig Rpt RCS DLA (M) 48 (C) MIN COSTMN3. Used to monitor obligations incurred for specific cost accounting codes. Not available for Surcharge Collections. Shows by activity code and five position cost code all obligations by four position object class data. Provides program roll up by three position cost code. Provides activity level roll up at end of report that reconciles to the trial balance.

n. UPCE 450B Military Personnel - Auth & Actual COSTFIN. Used to monitor authorized and actual military personnel strength. Breaks by activity code and cost code. Provides summary level information on authorized and actual officer and enlisted personnel strength.

o. UPCE 500A Civilian & Military Manhours COSTFIN. Breaks by activity code and cost code. Shows total civilian manhours excluding O/T, regular paid overtime manhours, holiday manhours including O/T. Also includes military manhours worked.

p. UPFE 100A Fiscal Accting Ledger by Object Class FMMTHRP. Extremely useful budget execution tool that tracks all obligations and reconciles to the trial balance. Breaks by activity code, fund code, and four position object class data. Provides a profile of unobligated commitments, unliquidated obligations, commitments, obligations and disbursements on a current month and FYTD basis.

q. UPFE 150A Reimbursement Ledger FMMTHRP. Used to track operational reimbursements earned for commissary operations and surcharge collections. Breaks by appropriation and activity code. Provides by reimbursement source code a prior month balance, month to date, current quarter, FYTD, and cumulative balance. Shows reimbursement orders accepted, reimbursements earned, unfilled orders, accounts receivable billed, reimbursements collected-by self and by others, operational reimbursement authority transferred for obligation and amount of earnings-current quarter.

r. UPFE 250A Unobligated Commitments FMMTHRP. Used to track commitments. Breaks by activity code and fund code. Shows four position object class data by document number and age of those documents. Provides organization code, cost code and unobligated amounts by document number.

s. UPFE 300A Undelivered Orders FMMTHRP. Used to track the status of undelivered

orders. Can be used to scrub documents and recoup cost authority. Breaks by activity code and fund code. Shows four position object class data by document number and age of those documents. Provides organization code, cost code and an undelivered order dollar amount and intransit dollar amount by document number.

t. UPFE 350A Accrued Expenditures - Unpaid FMMTHRP. Used to monitor all accrued expenditures. Breaks by activity code and fund code. Shows four position object class data for each document number, a purchase order/delivery order number, and organization code, cost code and dollar amount of the accrued expenditure.

u. UPFE 380A Realtime Expenditure Data Listing FMMTHRP (DBOF/Surcharge). Used to provide a detailed status of funds as they pertain to individual document numbers. Breaks by activity code, fund code and organization code. Shows cumulative history by four position object class; five position cost code and individual document number. Profiles a current month profile of commitments, obligations, expenses and disbursements for each document. Shows a FYTD summary for each organization code.

v. UPFE 400A Status of Fin Res Listing Part I - FMMTHRP Commitments. Used to track commitments by organization. Breaks by activity code, fund code, allotment serial number, organization code and cost code. Shows by object class against each month in a quarter, the commitments against a target. Also shows FYTD commitments against a target and a percent of funds used.

w. UPFE 400B Status of Fin Res Listing Part II - FMMTHRP Obligations. Used to track obligations by organization. Same breaks as UPFE400A only is shown for obligations.

x. UPFE 400C Status of Fin Res Listing Part III - FMMTHRP Expenditures. Used to track the status of expenditures by organization. Same breaks as UPFE400A. However, expenditure totals are for current quarter and FYTD and are not shown against targets.

y. UPFE 420A Outstanding Advances FMMTHRP. Used to scrub balances reflected on outstanding advances. Can be used to monitor delinquency of travel advancement reimbursement. Not applicable to Surcharge Collections. Breaks by activity code, fund code, estimated travel completion date, document number, nomenclature (traveler name) last account activity date, and remaining balances (debits and credits).

z. UPFE 600A Suballotment Trial Bal (DBOF/Surc) FMSUBAL. Used to reconcile the balance of funds by appropriation within a given allotment serial number. Breaks by appropriation, allotment serial number, and general ledger account code (GLAC). Shows debit balances, credit balances and within government transactions.

aa. UPFE 650A Trial Balance FMMTHRP. Used to reconcile the consolidated balance of funds by appropriation for all DeCA allotment serial numbers. Breaks by appropriation, consolidates all allotments by general ledger account code (GLAC). Shows month end debit balances, credit balances and within government transactions at month end. Does not include final adjustments.

bb. UPFE 820A Job Order Cost Journal FMMTHRP. Used to track the fund status as it applies to individual job order numbers. Breaks by activity code, fund code and responsible organization. Will show obligation activity for assigned job order number, across multiple fiscal years if required.

cc. UPFZ 700A Suballotment Trial Balance FMCNSTBC. Used to reconcile the balance of funds by appropriation within a given allotment serial number. Breaks by appropriation, allotment serial number and general ledger account code (GLAC). Shows debit balances, credit balances and within government transactions by GLAC. Includes all final adjustments.

dd. UPFZ 750A Consolidated Trial Balance FMCNSTBC. Used to reconcile the consolidated balance of funds by appropriation for all DeCA allotment serial numbers. Breaks by appropriation, consolidates all allotments, by general ledger account code (GLAC). Shows consolidated debit balances, credit balances and within government transactions by (GLAC). Includes all final adjustments.

ee. AAS Downloads - This process can be used to pull all pertinent information to a flat ASCII file from the Dayton computer. Once retrieved the information can be manipulated DBASE IV or ENABLE or PC based software programs to tailor specific reports. This process is a preferred means of using financial data in DBMS. Coordination with Regional Information Managers is required to obtain the correct file. Procedures on the DBMS/AAS download process are contained in DLAM 4745.12, Volume VI.

17-5. DBMS Regulations. The definition and use of these reports, including formats, is contained in DLAM 7000.1, Accounting and Finance Manual, DLAM 7000.3, Volume 1, DBMS Payroll and Cost Subsystem Procedures Manual, and DLAM 4745.12, Volume VI, DBMS Users Manual, Part 5 Comptroller Users Manual and Part 6 Manpower Users Manual. Reports may be viewed on personal computers through the On-Line Reporting System (ORS), once generated and routed by DITSO, Dayton to HQ DeCA and its regions. Documentation on the use of the ORS is included as a tutorial in the ORS software package.

17-6. Communication. TELNET communications software can be used to access ORS through the 3B2 minicomputer in each IPC where the AAS reports are received, spooled and printed. This will permit the user to view what has been received in the IPC. This allows the user to verify what has been or has not been received and to notify the computer room to print the reports, if necessary.

17-7. STANFINS Reports. STANFINS produces several output reports from subsidiary ledgers for maintaining financial management control of the commissary and monitoring execution of Sales, Obligations, and Receipts versus Program for Commissary Resale Stocks. A list of Automated System for Army Commissaries (ASAC) and STANFINS reports available to the CONUS Regions on ORS and an explanation of each is attached. These reports should be analyzed and balanced to the General Ledger to ensure proper posting of account balances. Listed below is the report (AVK) number, report title, and run frequency of the STANFINS reports available to the applicable Regions via the On-Line Reports System (ORS) under the STANFINS Stock Fund Reports heading.

| | <u>AVK</u> | <u>Report Title</u> | <u>Run Frequency</u> |
|----|------------|--|----------------------|
| a. | AVK-099 | Stock Fund Control Inquiry 1 | Daily |
| | | Used to measure Item d, Policy Letter 70-17, costs (obligations) to output (sales). The cumulative and current month total obligations should equal net obligations on the AVK-329 status of approved resources. The AVK-099 lists Current Month Obligations, FYTD Obligations, Current Month Receipts, and FYTD Receipts. This report furnishes current month and cumulative obligation information which should be used for comparing STANFINS Sales versus Obligations. | |
| b. | AVK-102 | Stock Fund Control Inquiry 2 | Daily |
| | | Used to monitor pre-paid intransit, item F, Policy Letter 70-17, and should equal General Ledger Account Code 1580 on the AVK-901 and AVK-902 Trial Balance Reports. The AVK-102 lists Current Month Collections, FYTD Collections, Current Month Disbursements, FYTD Disbursements, and Prepaid Inventory in Transit. This report furnishes current month and cumulative information. | |
| c. | AVK-105 | Stock Fund Control Inquiry 3 | Daily |
| | | Since it includes other income, the AVK-901 and AVK-902 Trial Balances, GLAC 5100.00 and not this report should be used to monitor item c, Policy Letter 70-17, sales processed by STANFINS versus Flash Sales reported by commissaries. In conjunction with the AVK-901, Trial Balance, General Ledger Account | |

5100, it is the basis for input of the year-end miscellaneous obligation document for unrecorded sales. The AVK-105 lists Current Month Sales, FYTD Sales, and the Annual Sales Program. This report furnishes current month cumulative information. This report should be used to prepare the Flash versus STANFINS Sales comparison. The current month sales activity and the FYTD sales activity on this report should equal the respective values reflected in the AVK-902 Installation Fund Entity General Ledger Trial Balance General Ledger Account Code (GLAC) 4222.2T.

d. AVK-287 Stat of Reimb CSCAA 112-R3 PT 1 & 2 Monthly

The AVK-287 also known as the statement 7 narrative, lists Commissary Stock Fund reimbursement data applicable to each commissary region by Reimbursement Source updated once a month. Even though the monthly reports may be available on ORS days after month-end processing has been completed, the balances will not update until the monthly jobs are run again.

e. AVK-295 Stat of Reimb CSCAA 112-R3 PT 3 - 8 Monthly

Used to research aging reimbursables and outstanding receivable balances. Shows beginning balances, new balances, repayments, reclassifies, written off and ending balances. Also ages the receivable by number of days delinquent.

f. AVK-296 Status of Reimbursement Parts 1&2

Used to monitor receivables and unfilled orders at a summary reimbursement source code level. Shows annual reimbursement program, orders received, reimbursements earned, collections, end of period receivables and end of period unfilled orders.

g. AVK-329 Status of Approved Resources CSCFA 218 Monthly
CSCFA 218 Section 1: Source of Funding - Direct (D)
Schedule 1: Primary Data

Used to monitor region summary totals for obligations and deobligations. Breaks by cost code and four position object class data. Provides program, funds received, obligations, deobligations, disbursements, end-strength and man months data. Schedule 2: Expenses. Used to monitor region summary totals for expenses. Breaks by cost code and four position object class data.

h. AVK-901* Installation Trial Balance Report Monthly

Used to monitor region totals for sales, obligations, and inventory on hand, on order and intransit. It equals the sum of the AVK-902 Trial Balance.

i. AVK-902* Installation Fund Entity Gen Ledger Monthly

Used to monitor individual store totals for sales, obligations, and inventory on hand, on order and intransit. * These reports may be run on as "As-Required" basis at times other than month-end. At a minimum they will be run each time a STANFINS monthly cycle job is run.

j. Each individual Region should receive data applicable to that region only on AVK-099, AVK-102, and AVK-105. The remainder of the STANFINS reports listed above are not distributed through ORS by specific region only; therefore, the outputs must be analyzed in order to obtain amounts for a specific region. That is to say that the data on these reports is separated by region, but the reports are not distributed to that individual region only.

17-8. Automated System for Army Commissaries (ASAC). Listed below are ASAC reports which are available to the applicable Regions via the On-Line Reports System (ORS) under the ASAC reports heading. The reports are produced when the applicable Service Center requests that the job be run.

| <u>AGN</u> | <u>Report Title</u> |
|------------|---|
| AGN-265 | Voucher Register and General Control (Grocery, Meat, and Produce) |

AGN-266 Voucher Register and General Control (Troop and War Reserve)

The AGN-265 and AGN-266 are essentially the same. The only difference is that the Grocery, Meat and Produce departments are reported on the AGN-265 and the Troop and War Reserve departments are reported on the AGN-266. These reports provide a list of all blocks processed in ASAC for a given period, and break out data for each DoDAAC. Activity for the departments is listed under each section, which includes receipts, sales, surcharge, and adjustments. The last page of the report shows the beginning and ending book inventories. These reports are used by the Service Centers to reconcile with the SBCJ, ACOS/ASAC Cross Reference Report, and/or DIBS Summary Audit Log, and the STANFINS AVK-619 Monthly Status of Inventory Report.

17-9. STANFINS and ASAC Regulations. Further guidance on the use of reports and data elements contained in the STANFINS and ASAC systems can be found in the following:

- a. STANFINS Users Manual, Change in Force 47, 1 October, 1991.
- b. AR 37-600-93.
- c. AR 37-1.
- d. Functional Users Manual ASAC 360E Plus.
- e. Automated System for Army Commissaries, April, 1982.
- f. Analysis and Reconciliation Operations Procedures, DeCA Directive 70-16, July 10, 1992.

**Management Control Review
Checklist (Page 1 of 2 Pages)**

TASK: Comptroller/Resource Management

SUBTASK: Budget

THIS CHECKLIST: Fund Control

ORGANIZATION:

ACTION OFFICER:

REVIEWER:

DATE COMPLETED: ASSESSABLE UNIT: DeCA HQ Budget Division and DeCA Accounting Operations Division in the Resource Management Directorate. The Assessable Unit Managers responsible for completing this Checklist is shown in the DeCA Management Control Plan.

EVENT CYCLE 1: Receipt and issuance of cost authority for Defense Business Operations Fund (DBOF) and Surcharge Collections Appropriations.

Step 1: Control of Cost Authority.

Risk: Issuing funds in excess of cost authority.

Control Objectives: Funds issued do not exceed cost authority.

Control Techniques: Budget analysts receive and develop proposed fund distribution. Chief, Budget Division and Chief, Accounting Operations Division approve.

Test Questions:

1.a. Is a fund distribution record maintained to reflect funds received, funds issued, and balance?

Response: YES ___ NO ___ NA ___

Remarks:*

b. Does funding received agree with latest unit cost document, DBOF fund guidance, or DD Form 1105R Apportionment?

Response: YES ___ NO ___ NA ___

Remarks:*

2.a. Are DeCA forms 70-7, Funding Authorization Documents and the Fund Control Record initialed by the Chief, Budget Division prior to release to the Accounting Operations Division?

Response: YES ___ NO ___ NA ___

Remarks:*

b. Are Fund Control Ledgers provided by Accounting Operations balanced to Budget's fund control record?

Response: YES ___ NO ___ NA ___

Remarks:*

*Explain rationale for YES responses or provide cross-references where rationale can be found. For NO responses, cross-reference to where corrective action plans can be found. If response is NA, explain rationale.

I attest that the above-listed management controls provide reasonable assurance that DeCA resources are adequately safeguarded. I am satisfied that if the above controls are fully operational, the management controls for this subtask through DeCA are adequate.

Director, Resource Management
FUNCTIONAL PROPONENT

I have reviewed this subtask within my organization and have supplemented the prescribed management control review checklist when warranted by unique environmental circumstances. The controls prescribed in this checklist, as amended, are in place and operational for my organization (except for the weaknesses described in the attached plan, which includes schedules for correcting the weaknesses).

ASSESSABLE UNIT MANAGER
(Signature)

**Management Control Review
Checklist (Page 1 of 3 Pages)**

TASK: Comptroller/Resource Management

SUBTASK: Budget

THIS CHECKLIST: Budget Execution

ORGANIZATION:

ACTION OFFICER:

REVIEWER:

DATE COMPLETED: ASSESSABLE UNIT: DeCA HQ Resource Management Budget Division, Region Resource Management Divisions. The Assessable Unit Managers responsible for completing this Checklist is shown in the DeCA Management Control Plan.

EVENT CYCLE 1: Recording and verifying Defense Business Operating Fund (DBOF) and Surcharge Collection Operating expenses.

Step 1: Verification of Accounting Classifications.

Risk: Misuse of funds within authorized category.

Control Objectives: Operating expenses are charged to correct Accounting classifications.

Control Techniques:

1. Accounting classifications are sometimes entered by other than Budget personnel.
2. Budget personnel verify Accounting classifications.

Test Questions:

- 1.a. Is funding propriety IAW DoDI 1330.17, Part D?

Response: YES __ NO __ NA __

Remarks:*

- b. Are Accounting classifications reviewed to determine validity?

Response: YES __ NO __ NA __

Remarks:*

Step 2: Validation of Accounting data.

Risk: Duplicate or invalid transactions may tie up cost authority.

Control Objectives: Obligation/expense include only valid transactions.

Control Techniques:

1. Liaison Office inputs transactions.
2. Budget Division verifies input.

Test Questions:

1.a. Are document registers being balanced with Real Time Expenditure Listings?

Response: YES __ NO __ NA __

Remarks:*

b. Are document registers verified daily with obligating documents?

Response: YES __ NO __ NA __

Remarks:*

2.a. Is coordination established with the Liaison Office and DFAS in the purification of undelivered orders and accounts payable.

Response: YES __ NO __ NA __

Remarks:*

b. Are commitments and obligations input into AAS by the Liaison Office and verified by Budget?

Response: YES __ NO __ NA __

Remarks:*

3.a. Are expenses being recorded upon receipt of goods on services or in the absence of receiving reports, upon the expense being incurred?

Response: YES __ NO __ NA __

Remarks:*

b. Are flash sales verified to ensure all sales are included?

Response: YES __ NO __ NA __

Remarks:*

*Explain rationale for YES responses or provide cross-references where rationale can be found. For NO responses, cross-reference to where corrective action plans can be found. If response is NA, explain rationale.

I attest that the above-listed management controls provide reasonable assurance that DeCA resources are adequately safeguarded. I am satisfied that if the above controls are fully operational, the management controls for this subtask through DeCA are adequate.

Director, Resource Management
FUNCTIONAL PROPONENT

I have reviewed this subtask within my organization and have supplemented the prescribed management control review checklist when warranted by unique environmental circumstances. The controls prescribed in this checklist, as amended, are in place and operational for my organization (except for the weaknesses described in the attached plan, which includes schedules for correcting the weaknesses).

ASSESSABLE UNIT MANAGER
(Signature)

Glossary

Acceptance. An acknowledgment by a authorized Government representative that the supplies or services conform with applicable contract quality and quantity requirements. Acceptance of supplies or services is the contracting officer's responsibility, which may be delegated to another official. Acceptance is usually evidenced by an acceptance certificate on an inspection or receiving report. The preferred method of transmission of acceptance reports is via electronic means. Acceptance reports need two dates: the date of delivery and the date of acceptance. The acceptance date is one of the factors used to establish a payment due date.

Accessorial Charges. Costs incurred for packing, crating, and handling related to sales or shipments of property.

Account. A group of like transactions under a descriptive or common heading. Also used interchangeably with appropriation, for example: DBOF account.

Accountable officer. An individual required to maintain accounting records for property or funds, whether public or in some degree thereof. The accountable officer may or may not have physical possession of the property or funds.

Accounting. The act of receiving, controlling, validating, recording, classifying, and summarizing transactions in terms of money, analyzing and interpreting those transactions, and reporting the operating results and related resource management information to higher headquarters.

Accounting classification. A series of data elements (that is, department, fiscal year, appropriation symbol, limitation, operating agency code, allotment serial number, program and subprogram, element of resource, accounting processing code, document number, and fiscal station number) that identifies an accounting transaction.

Accrual accounting. Public law and the Comptroller General Standards require accrual accounting. It is the method of accounting in which revenues and matching expenditures are recognized in the period earned, regardless of when payment is received or made. Accrued expenditures represent expenses incurred but not due until a later period in time. Accrued revenue represents amounts earned based on performance by the Government. Accrual accounting can contribute materially to the effective financial control over resources and costs of operations, and is essential for developing adequate financial management information.

Accrued expenditures. Changes during a given period that reflect liabilities incurred for (1) services performed by employees, contractors, other Government agencies, vendors, lessors, and so forth; (2) goods and other tangible property received; and (3) amounts becoming owed under programs for which no current service or performance is required, such as annuities, insurance claims, and other benefit payments. Expenditures accrue regardless of when cash payments are made or invoices have been rendered.

Accrued expenditure--paid. The budgetary account which matches the proprietary account "funds disbursed." It represents the dollar value of goods and services received for which payment has been made.

Accrued expenditure--unpaid. The budget account which matches the proprietary account "accounts payable." It represents the dollar value of goods and services received for which payment has not been made.

Accrued revenue. Revenue earned for goods, services, or other assets furnished to other that are recorded and accounted for in the period earned, whether or not billed or collected. Also called a reimbursable earning

or reimbursement earned, this transaction decreases unfilled orders and increases accounts receivable.

Accrued variance (Foreign Currently Fluctuations). The difference between unliquidated obligations at the budget rate (approved execution rate) and the foreign exchange rate current at the time of payment.

Acquisition cost. Consists of the amount, net of both trade and cash discounts, paid for the property, plus the transportation costs.

Actual cost method. Billing method whereby actual costs are used as the billing basis in lieu of fixed prices/rates. The actual cost method is used for all non-government agencies, private parties, foreign military sales, and all other entities excluded from the rate stabilization provisions.

Administrative limitation. Limitation in the funding regulation to control obligation or expenditure of funds. Offices or agencies establishing other limitations on obligations and expenditures will monitor and enforce them, but not under the anti-deficiency statutes.

Administrative approval. An approval officer's signature on a payment voucher to indicate the voucher is correct. Or, a statement by an approval officer that indicates the proposed payment is approved.

Administrative subdivision of funds. Any subdivision of an appropriation that makes funds available in a specified amount for incurring obligations or that can be further subdivided to make funds available in specified amounts for incurring obligations.

Advances and prepayments. Transfers of assets to cover future expenses or acquisition of other assets. Advances are prepayments in contemplation of the later receipt of goods, services, or other assets. Advances are ordinarily made only to payees to whom an obligation exists and not in excess of the amount of the obligation. A common example is travel advances which are amounts made available to employees before the beginning of a trip for costs to be incurred per the Travel Expense Act of 1949 and per standardized Joint Travel Regulations.

Allocation. An authorization making funds available in prescribed amounts to an operating agency for suballocation or allotment.

Allotment. The administrative action of a general operating agency making funds allocated or suballocated available to a subordinate installation or activity for obligation. An anti-deficiency violation occurs if obligations incurred against the allotment exceed the amount of the allotment.

Allowance. The administrative action of a general operating agency making funds allocated or suballocated available to a subordinate installation or activity for obligation through the use of an expenditure target. Incurring obligations in excess of this target does not automatically create an anti-deficiency violation. However, if the governing formal subdivision is exceeded, an anti-deficiency violation may exist. The person responsible for exceeding the target can be held responsible for the resulting and anti-deficiency violation.

Annual funding program. An annual budget, normally classified by a budget program and appropriation.

Annual Operating Budget (AOB)

Annual reimbursement program. Annual estimate of budget authority (funds) to be retrieved/reimbursed from other budgets, includes automatic, funded, and Stock Fund reimbursements.

Anticipated reimbursements. The dollar value of orders expected to be received during the forthcoming fiscal year. Anticipated reimbursements do not create obligational authority until an actual order is received

and accepted. There is an exception to this rule for stock funds.

Anti-Deficiency Act. Legislation enacted by the U.S. Congress to prevent the incurring of obligations or the making of expenditures (outlays) in responsibility within an agency for the creation of any obligation or the making of any expenditure in excess of an apportionment or reappropriation or in excess of other subdivisions established. The Act is sometimes known as Section of the Revised Statutes as amended, (31 USC 1517).

Anti-Deficiency Act violation. A violation 31 USC 1517 that occurs when a subdivision of funds (including statutory limitations) is overdistributed, overcommitted, overobligated, overdisbursed, or obligated in advance of an appropriation.

Applicable interest rate. The interest rate which the Secretary of the U.S. Treasury announces semiannually under section 12 of the Contract Disputes Act of 1978 (41 USC 611). This interest rate is used to figure the amount of interest to pay a vendor on a late payment. It is published in the Federal Register and ODDFAS-IN announces the amount by a message to all finance and accounting offices.

Apportionment. A determination by OMB specifying the amount of obligations allowed during a given period under an appropriation, contract authorizations, other statutory authorizations, or a combination of these per 31 USC 1512.

Appropriation. An authorization by an Act of the U.S. Congress to incur obligations for specified purposes and to make disbursements for them from the U.S. Treasury. This includes authorizations to create obligations in advance of appropriations or other fund authority.

Appropriation-annual. An appropriation account available for obligations only during the one fiscal year specified in the Appropriation Act.

Appropriation-closed. An appropriation account that is no longer available for payment of obligations and the balance of which is merged into successor "M" account. The closing normally will be accomplished two years after the appropriation has expired.

Appropriation-expired. An appropriation account that is no longer available for obligations but is still available for disbursement to liquidate existing obligations.

Appropriation-"M" account. Successor account into which is merged the balances of closed appropriation accounts for the same general purpose.

Appropriation-multi-year. An appropriation account that is available for incurring obligations for a definite period in excess of one fiscal year.

Appropriation-no-year. An appropriation account that is available for incurring obligations for an indefinite period of time, until exhausted or its designated purpose is accomplished.

Appropriation-unexpired. An appropriation account that is available for incurring obligations during the current fiscal year.

Appropriation limitation. An amount, fixed by the U.S. Congress, within an appropriation that cannot be exceeded for obligation or expenditure for certain objects or purposes.

Appropriation reimbursement-installation. Collection for commodities, work, or service furnished, to an individual, firm corporation, or other Federal agencies. The collection may be credited to the installations'

specific allotments as repayment.

Appropriation Warrant. An official U.S. Treasury document that provides the dollar amounts established in the general and detailed appropriation accounts of the U.S. Treasury pursuant to Appropriation Acts authorized by law. It serves as a convenient source document for entries into accounts that establish the amount of money authorized to be withdrawn from the U.S. Treasury.

Approved operating budget. The approved financial funding level for a major activity director or activity, normally on an annual basis.

Base Operating Support (BOS). Services provided by the host command to a tenant activity, such as utilities, police, fire etc. BOS is procured through a support agreement between the tenant and host command.

BRAC.

Budget. A planned program for a fiscal period in terms of (1) estimated costs, obligations, and expenditures; (2) source of funds for financing, including reimbursements anticipated, and other resources to be applied, and (3) explanatory and workload data on the projected programs and activities.

Budgeting. Process by which the funds required to carry out programmed objectives and workload are determined and sent to higher headquarters as the operating program and budget. Budgeting is the detailed distribution of resources to execute assigned missions.

Budget Authority. Authority provided by law to enter into obligations that will result in immediate or future outlays involving Federal Government funds. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. Budget authority relates to direct programs.

Budget cycle. The period of time necessary to formulate, review, present secure approval, and execute the Fiscal Program for a specified ensuing period of time.

Budget estimating. The process of determining the amounts, kinds, and costs of resources needed for accomplishing a mission.

Budget and manpower guidance. A document issued by a higher headquarters to its subordinate commands to provide information and guidance pertaining to missions, resources (manpower, material, and funds for specific fiscal year), objectives, policies, and related matters upon which the subordinate commands can base their programmed course of action for the fiscal year(s) concerned. (Also referred to as Program Budget Guidance (PBG)).

Budget rate. A foreign currency exchange rate provided to DoD Components for use in preparing budget submissions during budget formulation and for recording obligations during budget execution. Budget rates are provided by the DoD Comptroller and may be modified by the U.S. Congress. During execution, foreign currency obligations are recorded using the budget rate (rates approved for execution). Also see Foreign Currency Fluctuations.

Budgetary control. The financial control and management of a unit or function in accordance with an approved operating program and budget with a view of keeping obligations, expenditures, and costs within the limitations thereof, taking advantage of whatever fund flexibility exists without exceeding the limitations imposed by the annual funding program and/or the quarterly authority to obligate, that is, allocation or allotment advice.

Budget execution. The implementation and administration of the approved operating budget during the

budget year. Accomplishment of the mission within available resources without creating overobligations and/or overexpenditures. Budget execution is reflected in accounting records and reports.

Budget execution review. Process by which the funds required to carry out programmed objectives and workload for the current fiscal year are determined and forwarded to higher headquarters, as the operating program and budget. The budget execution review usually contains a revised listing of "urgent" unfinanced requirements.

Budget year. That fiscal year arrived at by adding one fiscal year to the current fiscal year. During fiscal year 1985, the budget year would be fiscal year 1986.

Budgetary (fund) accounting. Account necessary to support and control the budget execution process as distinguished for that required to report on financial conditions and operations (proprietary accounting). For example, includes commitments, obligations, expenditures, and conditions such as appropriations realized, contract authority, anticipated reimbursements, and so forth. Dual entries are required when transactions affect both budgetary and asset, liability and equity accounts.

Budgetary resources. For purposes of budget execution, budgetary resources include new budget authority, available unobligated balances at the beginning of the year, reimbursements and other income (also known as offsetting collections credited to an appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and restorations. In the case of reimbursable work, budgetary resources available for obligation are comprised of earned reimbursements and unfilled customer orders (limited by the amounts collected in advance for orders from the public). In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used.

Capital assets. Depreciable equipment acquired at a specific point in time for a determinable cost of \$15,000 or more which is to be used over some period (useful life), the length of which is estimated to be 2 years or greater and generally, become economically worthless, (except for salvage value) at the end of the estimated useful life.

Capitalization. The monetary value of inventories (material, supplies, and equipment), including undelivered orders due in under capitalized contracts; and allocations of cash less liabilities and equity reservations. In those instances of transfer of logistic responsibility or material, the value will be at the current standard prices.

Centralized fund control. Certification of fund availability that takes place within the finance and accounting office, with limited specific authority to certify allowed outside of the finance and accounting office.

Certifying officer. An individual authorized to certify the availability of funds on any documents or vouchers submitted for payment. He or she is responsible for the correctness of the facts and computations, and legality of payment.

Collections. Amounts received by the Federal government during the fiscal year.

Commitment. A reservation of funds based on a firm procurement directive, order, or request that authorizes the creation of an obligation without further approval by the official responsible for certifying the availability of funds.

Commitment authority. Authorization issued to a stock fund division for incurring commitments up to a specified amount in the current year.

Constant dollars. The term "constant dollars" is used when prices do not contain inflationary change that have occurred or are forecast to occur. Constant dollars are always identified with a specific time period, which is called a base year. Constant prices represent the total cost of an item or service if that item were purchased in the base year and the bill was completely paid in that year.

Contingent liability. A liability that exists but involves uncertainty as to amounts of the possible loss to an agency and will only be resolved when one or more future events occur or fail to occur.

Continuing Resolution Authority. An interim appropriation until permanent appropriations are enacted. Authorizes continuation of normal operations at a rate not to exceed the latest congressional action or the previous year's rate and no new starts or expansions to a program.

Contract. Any enforceable agreement or order to buy supplies or services. A subsequent modification becomes part of the contract. In this regulation, the term is expanded to include delivery and purchase orders and other procurement documents.

Contract authority. Statutory authority that permits obligations to be incurred in advance of appropriations or in anticipation of receipts to be credited to a revolving fund or other account. By definition, contract authority is unfunded and must subsequently be funded by an appropriation to liquidate obligations incurred under the contract authority, or by the collection and use of receipts.

Contract modification. Any written change in the terms of a contract. Only contracting officers acting within the scope of their authority are empowered to execute contract modifications.

Cost analysis. The systematic examination of the cost of interrelated activities and equipment to determine the relative costs of alternative course of action.

Cost benefits. Refers to measuring the expense of obtaining certain information with the benefits to be derived by having the information. Information should not be provided if the costs of providing it exceed the benefits to be derived, unless it is required to meet legal or other specified purposes.

Cost center. A division, a department, or its subdivision; a group of machines or of people or of both; a single machine and its operating force; or any other unit of activity into which a depot maintenance plant and its operations are divided for cost assignment and allocation. The smallest organizational unit to which direct employees are assigned and for which costs are collected.

Cost objective. An activity, operation, or completion of a unit of work to complete a specific job for which management decides to identify, measure, and accumulate costs. The cost objective must be discrete enough and described in writing to such a level of detail to form a basis to establish cost centers and output products.

C/X MART. Retail outlets at military installations that combine both commissary goods and exchange products operated by AAFES. Only one C/X MART exists at Robinson Barracks in Europe and has only been approved as a conceptual test. The test was authorized by Report 102-527 attached to the DoD Authorization Act (HR 5006) which allows the "merging of commissary and exchange systems whenever such action is prudent to maintain mission support when there is a declining sales base as forces are reduced overseas".

Defense Business Operations Fund (DBOF). The DBOF, or fund as it is sometimes called, was created to provide government management with a business like structure that provided better cost visibility. The fund essentially combined existing business type operations that were previously managed by individual revolving funds into a single revolving business management fund. Consolidating costs under a single Treasury Code

allows the identification of total cost of operations.

Demurrage. Detention of a ship, freight car, other cargo conveyance, or cylinders during loading or unloading beyond the scheduled time of departure.

Direct citation. An agreement (DD Form 448/448-2, a letter, or message) authorizing a performing activity/acceptor of the agreement to cite the requestor's (one who issues the agreement) funds on a obligating document (for example, contracts, and travel orders). The customer's or issuer or the agreement funds will not be obligated until a copy of the contract/orders have been received from the performing activity/acceptor of the order.

Direct cost. Cost (labor, contracts, travel, and transportation) that can be identified directly with a final cost objective (that is customer order or work authorization).

Direct expense. The cost of resources consumed that may be identified specifically with any one function.

Disbursement. Payment of a legal liability of the U.S. Government that decreases the accountability of the finance and accounting office making the disbursement. Disbursements are made to transfer funds, advance funds, liquidate valid obligations of the U.S. Government.

Disbursing officer. An individual who is held accountable for disbursing monies only on the basis of vouchers certified by an authorized certifying officer.

Economy Act Orders. Orders placed on other governmental agencies, including orders for work or services to be performed by components of the Department of Defense, obligated in the amount stated in the order on written acceptance by the providing agency.

Expenditures. A payment by check or equivalent action that constitutes a charge against the appropriation cited. The term expenditures has the same definition as outlays.

Expired appropriation. An appropriation that is not longer available for obligation, except for obligation adjustments, but still available for disbursements to liquidate existing obligations.

Federal Emergency Management AGENCY (FEMA). A government agency who coordinates disaster relief efforts in the United States and its territories and possessions. FEMA assistance would be provided for any disaster caused by flood, fire, explosion, earthquake, storm, hurricane, tornado, drought, or other catastrophe that is the result of a natural element that the President determines is , or threatens to be of sufficient severity and magnitude to warrant major disaster assistance by the government.

Fiscal guidance. Annual guidance issued by the Secretary of Defense which provides the fiscal constraints that must be observed by the JCS, the Military Departments, and Defense Agencies, in the formulation of force structures and Future Years Defense Programs, and by the Secretary of Defense staff in reviewing proposed programs.

Fiscal Station. Any installation to which a station number is assigned for use in connection with administrative functions relative to appropriation and fund accounting and the furnishing of supplies or services.

Fiscal year. Any yearly accounting period without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on 1 October and ends on 30 September. The fiscal year is designated by the calendar year in which it ends; for example, fiscal year 1990 is the year beginning 1 October 1989 and ending 30 September 1990.

F.O.B. Origin. Free of expense to DeCA delivered under one of the following conditions:

- a. On board the indicated type of carrier conveyance at a designated point in the city, county, and State from which the shipment will be made and from which line-haul transportation (as distinguished from switching, local drayage, or other terminal service) will begin.
- b. To, and placed on the carrier's wharf or freight station.
- c. To a U.S. Postal Service facility.
- d. To any DeCA-designated point within the same commercial zone as the f.o.b. origin point specified in the contract. However, DeCA pays freight charges from the above location to the consignee destination. Commercial accounts payable personnel can pay up to the total amount of an estimated cost of shipment shown in a contract. If there is no estimated cost in the contract, commercial accounts payable personnel can pay up to 10 percent of the total contract value or \$100, whichever is less, for shipment costs.

Foreign Currency Fluctuations. The difference between budget rates approved for execution and actual foreign currency exchange rates in effect at time of payment that cause changes in obligations or contractual liabilities. Obligations are recorded using the budget rate, and payments are made using the current foreign currency exchange rate.

Foreign currency unliquidated or liquidated obligations. Foreign currency unliquidated obligations are derived by taking obligations at the budget rate less the disbursements at the budget rate. Foreign currency liquidated obligations is the actual disbursement at the budget rate.

Fund control. Refers to control over use and management of fund appropriations to ensure that (1) funds are used only for authorized purposes, (2) they are economically and efficiently used, (3) obligations and expenditures do not exceed the amounts authorized and available, and (4) the obligation or disbursement of funds is not reserved or otherwise withheld without congressional knowledge and approval. Each accounting system shall incorporate appropriate techniques to assist in achieving fund control objectives.

Fund reservation. The withholding through informal administrative action of a certain amount of obligation authority or other fund authorization based on the contemplated issuance of orders, requisitions, requests, or other planned incurring of obligations. Such action earmarks available funds for future obligation without the imposition of formal accounting control.

Funding ceiling. Administrative limit imposed on funding, specifying a dollar amount that must be expended in meeting a particular requirement or mission without approval from the next higher funding authority.

General and Administrative (G&A). Essentially overhead and not driven by sales (output). G&A costs do not fluctuate with sales trends and instead remain fixed or dependent upon actual usage. BOS costs are a part of G&A expense.

Indirect cost. Cost (labor, material, contracts, travel, and transportation) that cannot be identified directly with the final cost objective (that is, customer orders or work authorization).

Indirect hire. Foreign national personnel not hired or administered directly by DeCA who furnish support to the DeCA pursuant to contracts, agreements, or other arrangements with foreign governments.

Inflation. A general increase in price levels (economist's definition); increase in cost of an item without a

corresponding increase in real value received, that is not change in quality or quantity received (consumer's definition).

Internal control. A plan or organization intended to and coordinate methods and measures within an organization to safeguard assets, check the accuracy and reliability of accounting and related data, promote operating efficiency, and encourage adherence to managerial policies.

Internal control documentation. Written policies, organization charts, procedural write-ups, manuals, memoranda, flow charts, decision table, completed questionnaires, software, and related written materials used to describe the internal control methods and measures, to communicate responsibilities and authorities for operating such methods and measures, and to serve as a reference for persons reviewing the internal control.

Internal controls. The manner in which financial, manpower, and property resources are to be controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.

Internal control standards. The standards issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative functions, but are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policy making in an Agency.

Internal control technique. The application of prescribed processes and documents to efficiently and effectively accomplish an internal control objective and to help safeguard an activity from waste, loss, unauthorized use, or misappropriation.

Intra-Government Agreements. A project order under 41 USC 23, an Economy Act (31 USC 1535), or a procurement order to another military department for reimbursable procurement of direct citation.

Limitations. Usually, amounts specified in law which earmark an amount that may be obligated and expended for a specific purpose or project. Such amounts are legal limitations which must be observed through the budget execution process. Limitations may also be established by administrative action in which case similar steps must be taken to control the use of funds in accordance with the terms and amounts specified.

"M" Account. A successor account into which obligated balances under an appropriation are transferred (merged) at the end of the second full fiscal year following expiration. The "M" account remains available for payment of obligation and liabilities charged or chargeable to various accounts.

Major real property maintenance. Routine and recurring work of \$15,000 or more that is conducted to preserve the physical structure or its support system.

Military Interdepartmental Purchase Request. An order issued to procure services, supplies, or equipment between DeCA and other Military Departments and Defense Agencies. The MIPR (DD Form 448) may be accepted on a direct citation or reimbursable basis. It is an "Economy Act" (31 U.S.C. 1535) order subject to downward adjustment when the obligated appropriation is not longer valid for obligation.

Multiple-year appropriation. An appropriation account which is available for incurring new obligations for a definite period of time in excess of one fiscal year.

Multiple-year authority. Budget authority that is available for original obligation for a specified period of time in excess of one fiscal year.

NEXMARTS. Retail outlets at military installations that combine both commissary goods and exchange products operated by the Navy Exchange Service Command (NEXCOM). Nexmarts existed prior to DeCA as "Locations stores". Prior to DeCA becoming operational DeCA obtained concurrence from the Moral Welfare & Recreational Panel (MWR) allowing the continued operation of the original 15 NEXMARTS and 2 additional stores. Nexmarts only exist in OCONUS locations and are funded centrally by HQ DeCA.

No-year account. Available for new obligations until expended or rescinded by the U.S. Congress.

No-year appropriation. An appropriation account that is available for incurring obligations until exhausted, or the purpose for which it was designated is accomplished without a fixed restriction as to a period of time. An "X" located in the fiscal year code record position indicated a no-year appropriation.

Obligated balances. Represents obligations incurred for which disbursements have not been made. This balance can be carried forward indefinitely until the obligations are liquidated.

Obligations. Amounts of orders placed, contracts awarded, services rendered, or other commitments made by Federal agencies during a given period that will require outlay during the same or some future period.

Obligation ceiling. Each activity will receive an activity detail funding authorization document which will indicate the amount of funds available to it. Total obligations as established cannot be exceeded without prior approval with one exception as explained below. Automatic reimbursement amounts can be exceeded if earned. Obligations cannot be made against either the funded or automatic reimbursement authority until order is received.

Obligational authority. The sum of (1) budget authority provided for a given fiscal year, (2) balances of amounts brought forward from prior years that remain available for obligation, and (3) amounts authorized to be credited to a specific fund or account during that year, including transfers (See "Budget Authority.")

Obligational control. A method of providing for adherence to a financial plan by restricting the incurring of obligations to limitations prescribed by an approved operating budget.

Obligations incurred. Total amount of obligations that have been established against an appropriation of funds.

Offsetting collections. Collections from Government accounts or from transactions with the public. The two major categories of offsetting collections are offsetting receipts (amounts deposited to receipt accounts) and offsetting collections credited to appropriation or fund accounts.

Operating budget. The component of the operating program that details the financial plans in terms of costs (funded and unfunded) and obligations in support of the operating program for the budget year. At each level the operating budget provides a financial plan to support the activities and functions for which the commander is responsible.

Operating program. This program is prepared by Region Commanders and Directors and lists the annual objectives to be obtained relating the objectives to available resources, manpower, material, and money.

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

Outstanding commitment. Administrative reservations of funds (commitments) that have been posted to an activity commitment ledger that has not been reconciled with the Activity Detail Cost Report (ADCR) that the activity receives from the finance office (for example, actual expenses or obligations have not appeared on the ADCR).

Overobligation. A condition existing when total obligations incurred exceed total available obligational authority.

Packing, crating, and handling costs. A subset of accessorial costs that are incurred for sales, or shipments, of property.

Biennial Planning, Programming, and Budgeting. An integrated system for establishing maintenance and revision of the FYDP and DOD budget. Through this system, an attempt is made to combine policy formulation with budgetary allocation and to provide a mechanism for analysis. The Biennial Planning, Programming, and Budgeting is a cyclic process containing three distinct, but interrelated phases: planning, programming, and budgeting. In addition to establishing the framework and process for decision making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological and resources) and for the time period being addressed. The ultimate objective of PPBES is to provide operational commanders the best mix of forces, equipment, and support attainable within fiscal constraints.

President's Budget. The documentation sent to U.S. Congress by the President in January/February of each year in accordance with the Budget and Accounting Act of 1921, as amended, estimating U.S. Government receipts and outlays for the ensuing fiscal year and recommending appropriations in detail.

Program Objective Memorandum. A memorandum in prescribed format submitted to the Secretary of Defense by the Secretary of Military Department or the Director of a Defense Agency which recommends the total resource requirements within the parameters of the published Secretary of Defense Fiscal Guidance.

Program year. The first fiscal year after the budget year, or the second fiscal year after the current fiscal year. During fiscal year 1990, the budget year would be fiscal year 1991 and the program year would be fiscal year 1992.

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

Reappropriations. Congressional action to continue the obligational availability, whether for the same or different purposes of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. Reappropriations are counted as budget authority in the year for which the availability is extended.

Recoveries (formerly deobligations). A downward adjustment of previously recorded obligations. This may be attributable to the cancellation of a project or contract, price revisions or corrections of estimates previously recorded as obligations.

Reimbursements. Amounts received from the public or other government accounts which represent payments for goods or services furnished and are creditable to the appropriation originally charged for those goods and services.

Reimbursable order. An agreement to provide goods or services to certain activities, tenant activities, or individuals when the support is initially provided using mission funds and reimbursed to the installation

through a billing procedure.

Reimbursable orders versus direct cite funds. With reimbursable orders, the seller uses its funds to pay for the ordered goods or services, and then self reimburses or sends the buyer a bill. With a direct fund citation, the organization acquiring the goods or services cites the buying organizations funds on the obligation document; bills are then sent directly to the buyer for payment, or are paid locally using the funds of the buying activity.

Reprogramming. Realignment of budget authority from the purpose of which appropriated to finance another (usually emergency, unfunded) requirement.

Rescission. Congressional action by both Houses of Congress on a bill that withdraws budget authority which is otherwise available for agency use.

Reserves. Portions of budgetary resources set aside by OMB to (1) provide for contingencies, or (2) effect savings made possible by or through changes in requirements or greater efficiency of operations.

Restoration. An unobligated amount previously withdrawn by administrative action to the merged surplus balances that is again made available to fund with scope increases to original obligations.

Source document. This term includes all contracts, vouchers, forms and records of a documentary nature that are necessary to evidence the original transactions of receipt, issue, adjustment, transfer, and other similar transactions.

Support documents. The documents which authorize commercial accounts payable personnel to legally disburse funds. The minimum documentation necessary is procurement or other authorizing document, receiving and acceptance report, and an invoice.

Transactions by other. Term used by an installation describing disbursements or collections processed by another installation. The fiscal station number of the funded installation is cited.

Transactions for other. Term used by an installation indicating collections or disbursements of funds processed for another installation. The specific allotment accounting classification of the funded installation is cited

Transfer between appropriation accounts. A transaction which, pursuant to law, withdraws budget authority of balances from one appropriation account for credit to another appropriation account. The use of such transferred authority is charged to the appropriation credited with the transfer.

Transfer of funds. When specifically authorized by law, all or part of the budget authority or prior year unobligated balances in one account may be transferred to another account.

Trust revolving fund. The name given to a fund entity when a trust fund corpus is established to perform a continuing cycle of business-type operations in accordance with the trust agreement of statute, in which case a combined receipt and expenditure account is used.

Unfinanced requirement. Items or activities (requirements) considered necessary by the installation but which go unfunded and therefore in the eyes of the installation remain as "unfinanced requirements".

Unit cost. The factor obtained by computing the price of the goods or services provided verses total costs. Prices for goods or services are adjusted and set to break-even over the long term. In DeCA store level sales are used as the "price" and can not be adjusted. Under the Unit Cost concept DeCA funding is provided by computing the unit cost factor with actual sales. Unlike past years were budgets were funded with fixed

amounts DeCA is now funded under the unit cost concept by application of the unit cost factor multiplied against sales that actually pass through the door. As sales change so does the DeCA funding authority.

Unliquidated obligations. Unpaid bills for which the U.S. Government has recognized and recorded an eventual liability.

Unobligated allotments. Unobligated balance of allotments.

Warrants. Official documents which are issued to agencies pursuant to law to authorize monies to be withdrawn from the U.S. Treasury. Warrants are issued by the Secretary of the Treasury, and countersigned by the Comptroller General, pursuant to Congressional enactment of legislation (usually appropriation acts) providing budget authority for authorized programs or purposes.

Withdrawal. The transfer of the unobligated balance from an expired annual or multiple-year appropriation to the surplus account of the U.S. Treasury's general fund, or, if appropriate, to the special fund or trust fund from which derived.