



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Funds Control

Financial and Business Operations Directorate
OPR: DCMA-FBB

DCMA-INST 791
August 7, 2014

1. PURPOSE. This Instruction:

- a. Reissues and updates DCMA Instruction (DCMA-INST) 791 “Funds Control” (Reference (a)). This instruction supersedes the previous version in its entirety and must be read and understood in its whole.
- b. Implements Federal regulations and policy.
- c. Prescribes a system for positive administrative control of funds designed to restrict obligations and expenditures (disbursements) to the amount available in each appropriation and/or fund account.
- d. Provides procedures for reporting and resolving violations of the Anti-Deficiency Act (ADA) as well as violations of other administrative subdivision of funds that are not violations of the ADA.
- e. Identifies and defines roles and responsibilities for funds control representatives.
- f. Is established in accordance with (IAW) the authority in DoD Directive 5105.64, “Defense Contract Management Agency (DCMA)” (Reference (b)), and all references listed.

2. APPLICABILITY. This Instruction applies to all DCMA activities given administrative control over funds functions.

3. MANAGERS’ INTERNAL CONTROL PROGRAM. IAW DCMA-INST 710, “Managers’ Internal Control Program” (Reference (c)), this Instruction is subject to evaluation and testing. The process flow is located at the Policy Resource page for this Instruction.

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODE.

- a. Process: 221 – Resourcing and Budgeting.

- b. Programs: ACAT/Other Customers (when applicable).
- c. Other National; Training and Travel; Local Programs (when applicable).

6. POLICY RESOURCE PAGE. <https://home.dema.mil/policy/791r>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective August 7, 2014, and all applicable activities shall be fully compliant within 60 days from this date.



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Executive Director
Financial and Business Operations/Comptroller

SUMMARY OF CHANGES

This Instruction has been rewritten and shall be read in its entirety. The following identifies the most notable changes.

- The superseded version, dated February 2010, was determined to be outdated and was rewritten in its entirety.
- Defines prohibited actions, personal responsibility and penalties.
- Establishes procedures for reporting violations within the department:
 - Reporting Requirements
 - Actions Required After Violations Are Reported
 - Apparent Violations Caused by Accounting Errors
 - Apparent Violations Caused by Inappropriate Withdrawal of Funds
- Defines the roles and responsibilities of individuals who are primarily responsible in the execution of the policy.
- Establishes procedures for funds control:
 - Budgetary Resources and Distribution
 - Withdrawal of Funds
 - Execution of Allotments and Approved Funding Programs
 - Control Over Execution
 - Funds Control for Expired Appropriations
 - Accounting Support for Funds Control Systems
 - Deficiency Apportionments
 - Continuing Resolution Authority (CRA)
 - Federal Government Shutdown

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REFERENCES

- (a) DCMA-INST 791, “Funds Control,” February 2010 (hereby canceled)
- (b) DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013
- (c) DCMA-INST 710, “Managers’ Internal Control Program,” April 14, 2014
- (d) Section 1341 of Title 31, United States Code, “Limitations on expending and obligating amounts”
- (e) Section 1517 of Title 31, United States Code, “Prohibited obligations and expenditures”
- (f) Section 1342 of Title 31, United States Code, “Limitation on voluntary services”
- (g) Department of Defense Financial Management Regulation (DoD FMR) 7000.14-R, Volume 14
- (h) Section 1501-1558 of Title 31, United States Code, Chapter 15, “Appropriation Accounting”
- (i) Section 1301-1354 of Title 31, United States Code, Chapter 13, “Appropriations”
- (j) DCMA-INST 701, “Resourcing and Budgeting,” May 2004
- (k) DoD FMR 7000.14-R, Volume 5, Chapter 33, “Certifying Officers, Departmental Accountable Officials, and Review Officials”
- (l) Office of Management and Budget (OMB) Circular No. A-11, July 2013
- (m) OMB Circular No. A-11, Part 1, Section 20, “Terms and Concepts,” July 2013
- (n) DCMA-INST 709, “International and Federal Business Reimbursable and Non- Reimbursable Support,” March 10, 2014
- (o) OMB Circular No. A-11, Part 4, Section 130, “Budget Execution Reports,” July 2013
- (p) U.S. Government Accountability Office (GAO) Title 7 Fiscal Guidance, Chapter , “Obligations”
- (q) DoD FMR 7000.14-R, “Budget Execution – Availability and Use of Budgetary Resources,” Volume 3, Chapter 13, “Receipt and Distribution of Budgetary Resources- Department Level”

CHAPTER 1

POLICY

1.1. POLICY. This Instruction establishes policy and procedures to follow in budget execution and specifies basic funds control principles and concepts.

1.2. FUNDS CONTROL (FC).

1.2.1. Purpose. FC is the authority exercised over the receipt, distribution, use, and management of budget authority to ensure:

1.2.1.1. Funds are used economically, efficiently, and properly, IAW fiscal law and regulations.

1.2.1.2. Distributions, commitments, obligations and expenditures do not exceed amounts authorized and available.

1.2.2. Requirement for DCMA Personnel. DCMA personnel directly involved in budget and accounting will be familiar with the provisions of the Anti-Deficiency Act (ADA) section 1341 of Title 31, United States Code (U.S.C.), “Limitations on expending and obligating amounts” (Reference (d)); section 1517 of Title 31, U.S.C., “Prohibited obligations and expenditures” (Reference (e)); and section 1342 of Title 31, U.S.C., “Limitation on voluntary services” (Reference (f)) and how it relates to informal and formal subdivisions of funds. The responsibility for training, education, and prevention of ADA violations is placed on commanders, managers, and supervisors IAW Department of Defense Financial Management Regulation (DoD FMR) 7000.14-R, Volume 14, Chapter 2 (Reference (g)).

1.3. PROHIBITED ACTIONS, PERSONAL RESPONSIBILITY, AND PENALTIES.

Employees shall not violate DCMA administrative control of funds policies and procedures. Discussed below are the prohibited actions, the persons to be held liable, and penalties for a violation of the ADA (legal limitations), and actions that violate DCMA policy (administrative limitations). DoD FMR 7000.14-R (Reference (g)), has a concise chart that shows potential ADA violations.

1.3.1. Prohibited Actions.

1.3.1.1. Violations of the ADA (Legal Limitations).

1.3.1.1.1. IAW section 1341 of Title 31, U.S.C. (Reference (d)) and section 1517 of Title 31, U.S.C. (Reference (e)), new obligations and expenditures or adjustments to obligations and expenditures that exceed original appropriations include any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund account in excess of the amount available in the original appropriation or fund when the balance as a whole (including net accounts receivable, unfilled Federal customer orders, and advances from others) is insufficient

to cover the total of all current liabilities (including accounts payable and the estimated amount of leave payments upon termination to be made to employees to be separated during the current month).

1.3.1.1.2. Contracts or Obligations in Advance of an Appropriation. IAW section 1341 of Title 31, U.S.C. (Reference (d)), an officer or employee shall not involve the Government in a contract or other obligation to pay money for any purpose in advance of appropriations made for such purpose unless the contract or obligation is authorized by law. If authorized by law, but not financed by an appropriation, the budget authority to cover such transactions is known as contract authority. If the contract authority is provided in anticipation of receipts, obligations incurred against the contract authority should not be liquidated until the receipts are collected and credited to the account or an appropriation to liquidate has been enacted.

1.3.1.1.3. New obligations or any expenditures in closed accounts include any case in which an officer or employee has made or authorized an expenditure from or created or authorized an obligation against an account that has been closed pursuant to section 1501-1558 of Title 31, U.S.C., Chapter 15, "Appropriation Accounting" (Reference (h)).

1.3.1.1.4. Acceptance of Voluntary Service. IAW section 1342 of Title 31, U.S.C. (Reference (f)), an officer or employee shall not accept voluntary service for the United States or employ personal service exceeding that authorized by law, except for an emergency involving the preservation of human life or property.

1.3.1.1.5. IAW section 1517 of Title 31, U.S.C. (Reference (e)), new obligations and expenditures or adjustments to obligations and expenditures that exceed the amount apportioned or reapportioned include any case in which an officer or employee has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund account in excess of the amount apportioned or reapportioned to the original appropriation or fund account. In no case may more than 1 percent of unexpired funds be used to pay for valid obligational adjustments liquidating obligations for closed accounts. This authority also may not be used to exceed the original appropriation.

1.3.1.1.6. Over Obligation or Over Expenditure of Other Administrative Subdivisions of Funds. IAW section 1517 of Title 31, U.S.C. (Reference (e)), an officer or employee shall not over obligate other administrative subdivisions of funds, such as approved funding programs (AFP). The AFP is the basis for the annual execution of programs as approved by Congress. It is the document issued to DCMA setting forth the funds available for obligation (not to exceed the amount allotted) in each appropriation account and specifying the obligational control levels (established by Congress) applicable to each program, subprogram, or activity. The AFP process provides a means for distributing program funding authority at a level of detail designed to achieve the optimal efficiency of program management consistent with the budget as appropriated. When such an action causes an over obligation or over expenditure of an allotment, apportionment, or appropriation, a legal violation has occurred unless the apportionment or the DCMA fund control system specifies otherwise.

1.3.1.1.7. Misuse of Funds. An officer or employee shall not obligate or expend funds for a purpose other than that for which the funds were appropriated. Such an action is a violation of section 1301-1354 of Title 31, U.S.C., Chapter 13, "Appropriations," (Reference (i)) and could potentially culminate in an ADA violation.

1.3.1.1.8. Failure or Delay in Recording an Obligation. An officer or employee shall not fail to or delay in recording an obligation in anticipation of additional funding when such action would cause an over obligation or over expenditure of an allotment, apportionment, or appropriation.

1.3.1.2. DCMA Administrative Violations. This type of prohibited action does not necessarily violate the ADA, but they are violations of DCMA policy for controlling appropriations and funds. Specific prohibited actions that give rise to administrative violations include, but are not limited to:

1.3.1.2.1. Exceeding an Administrative Limitation. An administrative limitation is an upper limit placed on the amount of obligations or expenditures that may be incurred. Exceeding an administrative limitation is subject to DCMA, rather than statutory, rules and penalties. For example, administrative limitations can be imposed on DCMA (1) by Congress, through congressional conference reports; (2) by OMB, through any executive branch directive containing an administrative limitation attached to an apportionment; or (3) by internal DCMA management (e.g., through ceilings on travel). Administrative limitations specified in AFP may not be exceeded. Although administrative limitations should not be exceeded, they differ from legal limitations because violations of administrative limitations are not necessarily violations of law. Violations of administrative limitations are violations of DCMA policy and must be reported immediately to the Executive Director, Financial and Business Operations Directorate/Comptroller. Exceeding an administrative limitation may, however, result in a legal violation at the Department level. Any person causing an administrative limitation to be exceeded shall then be responsible for the resultant legal violation and shall be subject to the penalties for such violations.

1.3.1.2.2. Exceeding Budgetary Resources for a Reimbursable Agreement. Incurring obligations or expenditures for a reimbursable order in excess of the budgetary resources for that order is an administrative violation.

1.3.1.2.3. Exceptions. Essential activities, such as the preservation of human life or property, may be obligated in excess of limitations for specified purposes. Exceptions are detailed in DCMA-INST 701, "Resourcing and Budgeting" (Reference (j)).

1.3.2. Personal Responsibility for Violations. The person who occupied the position at the time a violation occurred shall be charged with the violation, rather than the person who occupies the position at the time the violation is discovered.

1.3.2.1. If the person who caused the obligation to arise was not a funds holder, the person to be held responsible will be one of the following:

1.3.2.1.1. The unauthorized person causing the obligation to arise.

1.3.2.1.2. The program manager.

1.3.2.1.3. The certifying official, unless bypassed, who was supposed to verify that funding documents (commitment documents) had been signed only by authorized fund holders.

1.3.2.1.4. The contracting, personnel, or travel official, unless bypassed, who was supposed to verify that funds had been certified as available and that funding document (commitment document) had been signed only by an authorized fund holder.

1.3.2.1.5. The allottee.

1.3.2.2. If the obligation was based on an erroneous allotment or AFP, but was within the limitations stated on the allotment or AFP, the Director of Budget Division (FBB) shall be held responsible.

1.3.2.3. If the contracting, personnel, or travel official processed an obligation document without first ensuring that sufficient funds had been certified as available, that official shall be held responsible.

1.3.2.4. If obligations exceeded the amount appropriated, apportioned, or allotted as a result of obligation adjustments to correct a violation resulting from funds being used for purposes other than those intended by Congress, the program manager shall be held responsible.

1.3.2.5. If an expenditure was made or authorized or an obligation was created or authorized under any appropriation or fund in excess of the amount available in the appropriation or fund, the person who made or authorized the expenditure or created or authorized the obligation shall be held responsible for the violation.

1.3.2.6. If an obligation was authorized or created or an expenditure was made in excess of an apportionment or reapportionment, the person who authorized or created the obligation or made the expenditure shall be held responsible for the violation.

1.3.2.7. If the Government was involved in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for this purpose, unless the contract or obligation was authorized by law, the person authorizing the obligation or payment under the contract shall be held responsible for the violation.

1.3.2.8. If voluntary service was accepted for the United States or if personal services were employed in excess of those authorized by law, except in emergencies involving the preservation of human life or property, the person who accepted the voluntary service or employed the personal services shall be held responsible for the violation.

1.3.2.9. If an obligation or expenditure was authorized or created in excess of the amount permitted by an allotment, the fund holder and the person authorizing the obligation or expenditure shall be held responsible for the violation.

1.3.3. Penalties.

1.3.3.1. Severe penalties are provided for violating the ADA and DCMA fund control limitations. In addition to any penalty or liability under law, a DCMA officer or employee who authorizes or makes expenditures exceeding available funds is subject to administrative discipline, including suspension from duty without pay or dismissal. If convicted of knowingly and willfully violating legal limitations, the officer or employee is subject to fines or imprisonment, or both.

1.3.3.2. The following offices are responsible for determining whether a violation has occurred and the appropriate disciplinary action to be taken:

1.3.3.2.1. The Executive Director/Comptroller of Financial and Business Operations (FB) shall review, in coordination with the Office of General Counsel (GC), all reports of violations or alleged violations of legal or administrative limitations and advise the Secretary or the Under Secretary of Defense as to whether a report shall be made to Congress and, through Office of Management and Budget (OMB), to the President; recommend disciplinary actions when appropriate; and promptly notify the DCMA component of any disciplinary action taken.

1.3.3.2.2. The Office of GC shall review any report of an apparent violation submitted by the Executive Director/Comptroller of FB; issue a determination within 30 days as to whether the apparent violation is reportable to the President or Congress, or both; and either concur or decline to concur with the Executive Director/Comptroller of FB recommendation on disciplinary actions. See the DoD FMR 7000.14-R, Volume 14 (Reference (g)) Chapters 6, 7, and 8, for specific training requirements for investigators appointed to conduct ADA investigations. These requirements must be met before a report can be prepared and determinations regarding culpability can be made. Specific formats for ADA investigation reports are also provided.

1.4. REPORTING OF VIOLATIONS WITHIN THE DEPARTMENT.

1.4.1. Reporting Requirements. Suspected violations should be reported to FB.

1.4.1.1. Any person who knows about a possible violation is responsible for forwarding a report to the appropriate fund holder. This report shall form the basis for fund holder reports to the Executive Director/Comptroller of FB on violations or apparent violations of legal or administrative control limitations.

1.4.1.2. The fund holder shall prepare formal reports in memorandum form and make the distribution IAW the DoD FMR 7000.14-R, Volume 14 (Reference (g)). All formal reports and related materials shall be marked, "FOUO – FOR OFFICIAL USE ONLY."

1.4.2. Actions Required After Violations Are Reported.

1.4.2.1. The responsibility of fund holder concerning a reportable violation does not end when they report a violation. Fund holders should ensure Financial Compliance Division (FBL) and FBB are notified to take immediate action to lessen the impact of the violation. Such actions may include, but are not limited to, the following measures:

1.4.2.1.1. Canceling sufficient noncritical obligations to eliminate the deficit.

1.4.2.1.2. Initiating contract modifications to reduce or terminate sufficient items not representing critical requirements.

1.4.2.1.3. Requesting additional funding through FBB.

1.4.2.2. Subsequent actions taken to correct the cause of a violation do not eliminate the violation; it still must be reported.

1.4.3. Apparent Violations Caused by Accounting Errors. If (after reviewing the circumstances surrounding the apparent violation of a legal limitation or an administrative control level limitation and applying facts to applicable laws and directives) FBL concludes that the apparent violation was the result of an accounting error, the fund holder, in coordination with FBB and FBL, shall prepare a memorandum explaining the circumstances, the violation, and the corrective actions taken or planned. The memorandum shall also include the specific contract, purchase order, travel order, or other type of procurement instrument that was obligated or paid incorrectly; the account (fund type, AFP, standard general ledger code, program code, and construction project number or all equipment not related to construction, when applicable) to which the obligation or payment was charged by the correction entry; the date and document references of both the erroneous and the correction entries; and the name and title of the approving official for the correction entry.

1.4.4. Apparent Violations Caused by Inappropriate Withdrawal of Funds. An excessive or invalid reduction in an allotment or AFP (that is, an erroneous withdrawal of funds in excess of the allotted or unobligated balance) is not a violation if either of the following conditions is met:

1.4.4.1. Additional obligations have not been authorized or incurred against the funds.

1.4.4.2. The withdrawn funds have been immediately restored or made available, through deobligation, to the account from which they were withdrawn in sufficient amount to cover obligations previously authorized or incurred. Headquarters program offices are responsible for obtaining certification of funding availability with fund holders prior to withdrawing funding through the allotment and/or AFP process.

CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. DCMA DIRECTOR OR DEPUTY DIRECTOR. Unless delegated, the DCMA Director retains the final authority for FC by representing DCMA with leadership, receiving guidance, and providing decisions as required.

2.2. EXECUTIVE DIRECTOR, FINANCIAL AND BUSINESS OPERATIONS DIRECTORATE/COMPTROLLER (FB). The FB Executive Director must:

2.2.1. Serve as the primary authority for FC.

2.2.2. Report to the DCMA Director and the Director of OMB, through Office of the Secretary of Defense (OSD), any actions prohibited by the ADA within 10 days.

2.2.3. Officially appoint certifying officers through the DD 577 Appointment/Termination Record form process and maintains a record of certifying officers' appointments and terminations and required training completion.

2.3. DIRECTOR, BUDGET DIVISION (FBB). The Director, Budget Division must:

2.3.1. Request apportionment of funds, primarily through submission of the President's Budget (PB), but also based on special circumstances, such as continuing resolutions and contingency operations.

2.3.2. Control funds and ensure compliance with the ADA, section 1341 of Title 31, U.S.C. (Reference (d)); section 1517 of Title 31, U.S.C. (Reference (e)); and section 1342 of Title 31, U.S.C. (Reference (f)). On behalf of the FB Executive Director, manage the distribution and withdrawal of direct and reimbursable obligation authority through the use of allotments and suballotments.

2.3.3. Be responsible for budget execution of all DCMA appropriations, including the establishment of program controls and reprogramming policy.

2.3.4. Ensure that proper administrative and statutory controls are maintained on funding documents, in conjunction with the fund holders.

2.3.5. Maintain the reprogramming base and provide technical advice on reprogramming actions.

2.3.6. Re-allot unobligated balances from unexpired accounts carried forward to the new fiscal year that are reapportioned by OMB. This must be done before balances can become available for obligation.

2.3.7. Prepare all apportionment documents for DCMA appropriations based on Office of the Under Secretary of Defense (OUSD) guidance or a request for a special apportionment.

2.4. DIRECTOR, CHIEF FINANCIAL OFFICER COMPLIANCE DIVISION (FBL).

The Director, FBL must:

2.4.1. Take immediate action to lessen the impact of the violation once notified by the fund holder.

2.4.2. Review the circumstances surrounding the apparent violation of a legal limitation or an administrative control level limitation and apply facts to applicable laws and directives to conclude whether the apparent violation was the result of an accounting error.

2.4.3. Assist the fund holder and FBB in preparing a memorandum explaining the circumstances, the violation, and the corrective actions taken or planned for any apparent violations that are the result of an accounting error.

2.4.4. Assist the fund holder and FBB with initiating obligational adjustments to expired accounts that will exceed an obligational control level to preclude initiating a formal reporting process.

2.5. DIRECTOR, FINANCIAL LIASON CENTER (FBLB). The Director, FBLB must establish the standard procedures for processing funding documents and obligation documents through the fund holder and in conjunction with the procurement, travel, and personnel offices and distributes to all affected fund holders.

2.6. COMPONENT FUND HOLDERS. DCMA fund holders include any person designated as a responsible party for execution of component funds. DCMA fund holders frequently act as certifying officers to certify vouchers for payment. The roles and responsibilities for a certifying officer are more specific than that of a fund holder. IAW the DoD FMR 7000.14-R, Volume 5, Chapter 33, "Certifying Officers, Departmental Accountable Officials, and Review Officials" (Reference (k)), DCMA fund holders that may perform the duties of a certifying officer require a DD 577 Appointment/Termination Record form. The fund holders must:

2.6.1. Remain current on fiscal or appropriation law training, as required by the DoD FMR 7000.14-R, Volume 5, Chapter 33 (Reference (k)) for certifying officers.

2.6.2. Ensure funding documents are completed properly and are in compliance with legal and regulatory guidance.

2.6.3. Assign proper funding citations and validate funds are available for obligation.

2.6.4. Review the monthly financial reports, perform reconciliations to verify that the reports are complete, and immediately notify FBB and FBL of any discrepancies within 30 days.

2.6.5. Track balances for expired appropriations for an additional 5 years only for valid upward and downward adjustments to liquidate obligations properly incurred during the period of

obligational availability. Coordinate any obligation adjustments to expired accounts that will exceed an obligational control level with fund holders and FBB to preclude initiating a formal reporting process.

2.6.6. Prepare formal reports in memorandum form for any violations within the component and distributes accordingly.

CHAPTER 3

PROCEDURES

3.1. BUDGETARY RESOURCES AND DISTRIBUTION.

3.1.1. Management of Budgetary Resources.

3.1.1.1. Appropriations. Appropriations are acts of Congress, signed into law by the President, that provide budget authority and permit a Federal agency to incur obligations and to spend public funds, including authority to obligate and expend offsetting receipts and collections that are provided in appropriations acts and other provisions. The appropriation process is detailed in Office of Management and Budget (OMB) Circular No. A-11 (Reference (l)).

3.1.1.2. Apportionments. Apportionments are distributions made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. DCMA requests apportionment of funds by submitting the PB or by special request. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by DCMA into allotments, suballotments, and allocations. The apportionment process is detailed in DCMA-INST 701 (Reference (j)), and in OMB Circular No. A-11 (Reference (l)).

3.1.1.3. Allotments.

3.1.1.3.1. The Executive Director/Comptroller of FB distributes and withdraws obligation authority through the use of allotments, suballotments where applicable, and the corresponding AFP. Allotments and suballotments authorize recipients to incur obligations for a specified amount and purpose, record legal limits on the use of funds, and are made IAW OMB Circular No. A-11 (Reference (l)). As directed by section 1514 of Title 31, U.S.C., Chapter 15 (Reference (h)), allotments will be issued at the highest level that is practical and consistent with effective and efficient management. Accordingly, fund holders shall not be financed from more than one allotment for each appropriation or fund account. Allotments are the formal mechanism by which DCMA assigns responsibility IAW section 1514 of Title 31, U.S.C., Chapter 15 (Reference (h)) for compliance with DCMA administrative control of funds and the ADA. Suballotments represent a formal subdivision of the total amount reflected on an allotment and, as such, establish separate legal limitations under the ADA. Allotments and suballotments, if used, ensure strict compliance with statutory limitations/restrictions, congressional items of interest imposed by Congress and OMB, as well as critical administrative limitations imposed by the Department. The DCMA funding authorization document (FAD) is processed using the Program Budget Accounting System (PBAS) and identifies the funding source (appropriation, reimbursements), the amounts available for obligation for both direct and reimbursable work, time period of availability, the position title of the official responsible and other agency limitations, justification for changes in allotments and any specific legal limitations or administrative remarks. PBAS is the official system of funds control for the Agency. Applicable suballotments will be identified in the instruction section on the DCMA FAD distribution/funding letter; related dollar amounts will be specified either by direct citation on the form, or by explicit reference to a program, project, or activity contained in the associated AFP

or other attendant documentation. For a complete description of the DCMA allotment and AFP process, see DCMA-INST 701 (Reference (j)).

3.1.1.3.2. Appropriation laws are sometimes passed too late to allow the normal administrative lead time necessary to obtain apportionment and warrant documents. When the passage of such legislation clearly shows that Congress intended to continue Departmental operations, DCMA shall proceed to allot sufficient funds on an interim basis, within the guidance of the law, to permit operations until the necessary apportionments and warrants are obtained, thus avoiding a possible no- funds situation.

3.1.1.3.3. Restrictions.

3.1.1.3.3.1. The sum of allotment and amounts issued will not exceed the apportionment.

3.1.1.3.3.2. The sum of suballotment amounts issued will not exceed the allotment amount.

3.1.1.3.3.3. The amount of allotments or other administrative subdivisions will be fixed and will be changed only when authorized by the authority who initially issued the subdivision.

3.1.1.3.3.4. Congressional restrictions contained in appropriation acts will be enforced.

3.1.2. Types of Budgetary Resources. FBB allots direct obligational and reimbursable obligational authority.

3.1.2.1. Direct Obligational Authority. Direct obligational authority consists of new budgetary authority, unobligated balances, recoveries of prior-year obligations, appropriation refunds, and restorations. Direct obligational authority allotments are legal funding limitations. If the direct obligational allotments are either exceeded or used for a purpose other than that intended by Congress, a legal violation may occur.

3.1.2.1.1. New Budgetary Authority. DCMA receives its primary source of direct new budget authority and obligational authority through appropriations. An appropriation act specifies the amount of obligations that can be incurred and the period of obligational availability.

3.1.2.1.2. Unobligated Balances. Unobligated balances from unexpired accounts carried forward to the new fiscal year must be reapportioned by OMB and reallocated by the Executive Director/Comptroller of FB before unobligated balances can become available for obligation.

3.1.2.1.3. Recoveries of Prior-Year (PY) Obligations. Canceling or downward-adjusting contract amounts may make obligation authority available. PY recoveries are available

for use only to the extent that amounts are reapportioned, approved for release by the Director of FBB, and reallocated.

3.1.2.1.4. Expired Accounts. Expired accounts are appropriation or fund accounts in which the balances are no longer available for incurring new obligations. In certain circumstances, these accounts are available for recording, adjusting, and liquidating obligations. For further discussion of the types of expired accounts, the limitations placed on them, and the restoration of unobligated balances, see OMB Circular No. A-11, Part 1, Section 20, “Terms and Concepts” (Reference (m)).

3.1.2.2. Reimbursable Obligational Authority. Reimbursable Obligational Authority provides DCMA authority to perform work or services for a Federal or non-Federal customer. Before an obligation is incurred, there must be a budgetary resource and reimbursable obligation authority provided by OMB via an allotment. The reimbursable agreement/order placed and the cash advance provides the actual budgetary resources. OMB places limits on the amount of reimbursable work that DCMA can perform in a fiscal year. These limits are explained below.

3.1.2.2.1. OMB apportions reimbursable obligatory authority, which is subsequently allotted by DCMA. Reimbursable obligation authority allotments reflect the amounts of reimbursable work that can be performed for non-Federal entities and for other Federal agencies. Exceeding the reimbursable obligatory authority constitutes an administrative violation, as opposed to a legal violation. However, exceeding the reimbursable obligation authority may lead to a legal violation if the total allotment is exceeded. To obligate funds to perform reimbursable work, both an allotment providing reimbursable authority and a budgetary resource are necessary. Reimbursable budgetary resources arise from the following:

3.1.2.2.1.1. Reimbursable agreements received from other Federal Government accounts represent valid obligations of the ordering account. DCMA must adhere to the same fiscal limitations as the customer agency, as denoted on the reimbursable agreements.

3.1.2.2.1.2. Reimbursable agreements include orders received from the public, local, and State governments, and foreign governments via the Foreign Military Sales program. Unlike agreements received from other Federal agencies, these agreements must be accompanied with an advance.

3.1.2.2.2. Orders received or funds advanced and accepted in excess of the reimbursement authority do not provide additional reimbursable authority. The general policies and procedures on financial management of and accounting for reimbursable work are covered in DCMA-INST 709, “International and Federal Business Reimbursable and Non-Reimbursable Support” (Reference (n)).

3.2. WITHDRAWAL OF FUNDS. As with the distribution of funds, withdrawals are accomplished by DCMA FAD distribution in PBAS.

3.2.1. Withdrawal of Funds. Funds are withdrawn from fund holders through a reduction in the allotment and the AFP. Detailed procedures for the withdrawal of funds are in DCMA-INST 701 (Reference (j)).

3.2.2. Recovery of PY Obligations. Detailed policy and guidance for determining the availability of appropriation and fund balances are covered in OMB Circular No. A-11, Part 4, Section 130, "Budget Execution Reports" (Reference (o)). Additional guidance is provided in DCMA-INST 701 (Reference (j)).

3.2.3. Deferrals and Rescissions. Funds may be withdrawn from a program due to a deferral or rescission. For a comprehensive discussion of deferrals and rescissions, see DCMA-INST 701 (Reference (j)).

3.3. EXECUTION OF ALLOTMENTS AND APPROVED FUNDING PROGRAMS.

Execution of allotments and AFPs is accomplished through commitments and obligations, which are processed by FBLB.

3.3.1. Commitment (synonymous with reservation). A commitment occurs each time a funding document is signed by an authorized funds certifying official and transmitted to be acted upon. Commitments are recorded before or at the same time that an obligation is recorded. The commitment and the certification of fund availability apply only to the fiscal year in which they are accomplished. If no obligation is incurred in the final fiscal year for which it was appropriated, the commitment will be withdrawn on September 30th of that same fiscal year.

3.3.2. Obligation. An obligation occurs when a legal responsibility arises for which DCMA must expend funds (whether or not it is recorded in the accounting system). Obligations may only be incurred during the period of obligational availability as stated in the appropriation. Detailed policy and guidance covering appropriations are in DCMA-INST 701 (Reference (j)). All reported obligation amounts will be supported by documentary evidence of transactions authorized by law pursuant to section 1501 of Title 31, U.S.C., Chapter 15 (Reference (h)) and as stated by the U.S. Government Accountability Office (GAO) Title 7 Fiscal Guidance, Chapter 3 "Obligations" (Reference (p)).

3.4. CONTROL OVER EXECUTION. Controls over the commitments and obligations of obligational authority provided by the allotments include authorizations, certifications of funds availability, documents and procedures, and reconciliations and verifications.

3.4.1. Authorizations. The DCMA FAD is processed using the PBAS and identifies the funding source (appropriation, reimbursements), the amounts available for obligation for both direct and reimbursable work, time period of availability, the position title of the official responsible and other agency limitations, justification for changes in allotments, and any specific legal limitations or administrative remarks. PBAS is the official system of funds control for the agency. Applicable suballotments will be identified in the instruction section on the DCMA FAD distribution/funding letter; related dollar amounts will be specified either by direct citation on the form, or by explicit reference to a program, project, or activity contained in the associated AFP or other attendant documentation.

3.4.2. Certification of Funds Availability. Funding documents must be certified for availability of funds by the appropriate fund holder before they are forwarded to FBLB for commitment.

3.4.3. Documents and Procedures. FBLB has established standard procedures for processing funding documents and obligation documents. The procedures are distributed to all affected certifying officer/fund holders. The procedures emphasize that officials/officers ensure authorization and certification of funds availability before a commitment may be incurred and prompt recording of incurred obligations in the accounting system.

3.4.4. Reconciliations and Verifications. Fund holders review the monthly financial reports, perform reconciliations to verify that the reports are complete, and immediately notify FBB and FBLB of any discrepancies within 30 days.

3.5. FUNDS CONTROL FOR EXPIRED APPROPRIATIONS. To provide fund holders flexibility to accommodate valid upward or downward adjustments to previously recorded obligations (e.g., due to cost overruns, closeout audit adjustments), the obligational control levels (administrative controls) within each expired appropriation account(s) by fund holders will be deductive. Currently, an obligation that exceeds an obligational control level in an unexpired account will result in an administrative violation. However, if it is determined that a vendor invoice is to be paid from an expired appropriation account, but the remaining obligated balance in the associated obligational control level is less than the amount of the invoice, even though payment will cause the obligational control level to be exceeded, it will not result in a formally reportable violation. However, if this payment exceeds the remaining obligated balances within the overall allotment, then a violation will have been incurred and must be reported IAW procedures contained in this policy. Accordingly, fund holders initiating obligational adjustments to expired accounts that will exceed an obligational control level must coordinate this activity with FBL and FBB to preclude initiating a formal reporting process.

3.6. ACCOUNTING SUPPORT FOR FUNDS CONTROL SYSTEMS. The DCMA accounting system must fully support agency funds control systems.

3.6.1. Recording all Financial Transactions. The accounting system should provide for recording all financial transactions affecting: apportionments; reapportionments; allotments; suballotments; agency restrictions; financial plans; program operating plans; obligations and expenditures; as well as anticipated, earned, and collected reimbursements.

3.6.2. Preparing and Reconciling Financial Reports. The accounting system should provide for preparing and reconciling financial reports that display cumulative obligations, the remaining unobligated balance by appropriation and allotment, and cumulative obligations by budget activity and object class.

3.7. DEFICIENCY APPORTIONMENTS.

3.7.1. Apportionments that Anticipate the Need for A Deficiency Appropriation. Apportionments that anticipate the need for a deficiency appropriation or a supplemental under

section 1515 of Title 31, U.S.C., Chapter 15 (Reference (h)) will be specifically identified on the apportionment request.

3.7.2. Deficiency Apportionment Qualifications. To qualify as a deficiency apportionment, the request must be required by:

3.7.2.1. Laws enacted subsequent to the transmittal of the annual budget for the year to Congress.

3.7.2.2. Emergencies involving human life, the protection of property, or the immediate welfare of individuals.

3.7.2.3. Specific authorization by law.

3.7.3. OMB Approves Deficiency Apportionment. When OMB approves a deficiency apportionment and transmits it to Congress, OMB is merely notifying the Congress that funds appropriated to date are being obligated at a more rapid rate than previously anticipated. This notification does not guarantee that the Congress will approve any part of any associated supplemental requests and does not authorize the use of any amounts not yet provided by Congress.

3.8. CONTINUING RESOLUTION AUTHORITY (CRA). When appropriation bills are delayed in enactment past 1 October, Congress can pass a joint resolution to provide authority to continue operations pending the passage of the appropriation. Continuing Resolution Authority (CRA) is an interim appropriation to be used until permanent appropriations are enacted. CRAs allow the Agency to continue operations at the anticipated budget levels or at a specified percentage of prior year costs, whichever is lower. Initial budget allocations are subject to CRA restrictions in most years. CRAs are discussed in the DoD FMR 7000.14-R, "Budget Execution – Availability and Use of Budgetary Resources," Volume 3, Chapter 13, "Receipt and Distribution of Budgetary Resources – Department Level" (Reference (q)). OMB Circular No. A-11, Part 4, Section 130 (Reference (o)) is for conducting of operations under a continuing resolution. CRA apportionments are handled differently than annual appropriations by FBB.

3.9. FEDERAL GOVERNMENT SHUTDOWN. When neither a regular appropriation nor a continuing resolution is passed by Congress, a hiatus occurs and most operations of the Federal government must shutdown. FBB will publish a contingency plan to be used in this situation. The plan will list the activities which are considered essential and must be continued; the estimated time to complete the shutdown of operations; the number of employees expected to be on board before implementation of the plan, the number to be retained under the plan, and why (e.g., law enforcement, funded by other resources); and the rules under which contractors funded from available multi-year appropriations may continue to work. Initiating new activities included in the proposed budget by using available money in the prior year should be avoided. OMB Circular No. A-11, Part 4, Section 130 (Reference (o)), provides further guidance for this situation.

GLOSSARY

DEFINITIONS

The definitions, terminology, and concepts in OMB Circular No. A-11 applies.

Apportionment. Apportionment means a distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. The apportioned amount limits the obligation that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.

Allotments. Allotments are subdivisions of apportionments that are made by the heads of agencies.

Allowances. Allowances and allocations are subdivisions of suballotments.

Policy. A set of principles and associated guidelines to direct and limit DCMA actions in pursuit of objectives, operations, and plans. Establishes Agency-wide rules. Describes the “what,” “who,” and “why” of operations by defining roles and responsibilities.

Procedures. A set of mandatory step-by-step instructions established to implement DCMA policy. It describes the process that must be followed to achieve the desired outcome.

Suballotments. Suballotments are subdivisions of allotments.

GLOSSARY

ACRONYMS

ADA	Anti-Deficiency Act
AFP	Approved Funding Programs
CG	Comptroller General
CRA	Continuing Resolution Authority
DCMA-INST	DCMA Instruction
DoD FMR	Department of Defense Financial Management Regulation
FAD	Fund Authorization Document
FB	Financial Business and Operations
FBB	Budget Division
FBL	Financial Compliance Division
FBLB	Financial Liaison Center
FC	Funds Control
GC	General Counsel
IAW	in accordance with
OMB	Office of Management and Budget
PB	President's Budget
PBAS	Program Budget Accounting System
PLAS	Performance Labor Accounting System
PY	Prior-Year
USC	United States Code