



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Review of Commitments and Obligations

Financial and Business Operations Directorate
OPR: DCMA-FB

DCMA-INST 702
April 21, 2014

1. PURPOSE. This Instruction:

a. Reissues and updates policy DCMA Instruction (DCMA-INST) 702, “Review of Commitments and Obligations” (Reference (a)).

b. Establishes policy, assigns roles and responsibility, and outlines processes and procedures for achieving daily and triannual review of execution transactions supporting Agency financial reports in accordance with DoD Instruction (DoDI) 5105.64, “Defense Contract Management Agency (DCMA)” (Reference (b)).

2. APPLICABILITY. This Instruction documents the processes necessary for DCMA Funds Control Officers and management officials to ensure that financial data is current and accurate through the periodic review of outstanding commitments, unliquidated obligations, accounts payable, accounts receivable, and open reimbursable orders.

3. MANAGERS’ INTERNAL CONTROL PROGRAM. In accordance with the DCMA INST 710, “Managers’ Internal Control Program” (Reference (c)), this Instruction is subject to evaluation and testing. The process flow is located on the Resource Web Page of 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 WEB PAGE. <https://home.dcma.mil/policy/702r>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective April 21, 2014, and all applicable activities shall be fully compliant within 60 days from this date.

A handwritten signature in dark ink, appearing to read "Pamela F. Conklin". The signature is fluid and cursive, with a prominent initial "P" and a long, sweeping tail.

Pamela F. Conklin
Executive Director
Financial and Business Operations/Comptroller

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REFERENCES

- (a) DCMA-INST 702, “Review of Commitments and Obligations,” May 2012 (hereby canceled)
- (b) DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013
- (c) DCMA Instruction 710, “Managers’ Internal Control Program,” September 12, 2011
- (d) DoD Financial Management Regulation 7000.14-R, Volume 3, Chapter 8: “Standards for Recording and Reviewing Commitments and Obligations,” September 2009
- (e) Office of Under Secretary of Defense (OSD), “Accounting Policy Update for TriAnnual Review of Obligations and Unfilled Orders,” February 28, 2013
- (f) Financial Liaison Center Director (FBLB) Standard Operating Procedures (SOP), “Document Master by Commitment Document Number Report (DPFN230A)”

CHAPTER 1

POLICY

1.1. POLICY. It is DCMA policy that the Defense Business Management System (DBMS) is the Agency tool used for the entry and certification of financial execution data. DBMS is the official data entry and repository system for financial reporting.

1.2. OVERVIEW. It is DCMA policy to maximize the benefit of the TriAnnual Review of Commitments and Obligations required pursuant to DoD Financial Management Regulation (FMR) 7000.14-R, Volume 3, Chapter 8: “Standards for Recording and Reviewing Commitments and Obligations,” (Reference (d)) through conscientious performance of the review. The objective of this review is to:

1.2.1. Increase DCMA ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the cancellation of the appropriation.

1.2.2. Ensure DCMA Component appointed Fund Holders, in conjunction with key stakeholders, review dormant commitments and unliquidated obligations, including accounts payable and accounts receivable, to ensure the accuracy and status of execution transactions.

1.2.3. Maintain documentary evidence of Fund Holders’ TriAnnual review to support audit readiness for 2 years after cancellation of related appropriation (or 10 years in the case of no-year funds).

1.2.4. Perform sampling of TriAnnual review obligations to ensure review is effective.

1.3. DELEGATION OF RESPONSIBILITIES. The duties and responsibilities for each position in Chapter 2 may be delegated by the individual holding that position to an individual of their discretion unless expressly prohibited by this Instruction, another DCMA Instruction, higher-level guidance, regulations, law, or statute. Specifically, the authority and responsibility to attest to the completeness and accuracy of the component TriAnnual Review may not be delegated below the level of Deputy Executive Components, or below the level of the Director, Chief Financial Officer (CFO) Compliance Division, for the Agency attestation.

CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. OVERVIEW. This Chapter defines the roles and responsibilities of individuals who are primarily responsible for the execution of the policy established in this Instruction. This chapter identifies key officials who must carry out the policy and also lists the overarching obligations and associated duties that each individual must perform.

2.2. COMPTROLLER. The Comptroller, DCMA relies upon the Director, CFO Compliance Division to ensure that financial documents are accurate and processed timely to support financial reporting. This is accomplished while ensuring the Agency reaches its goal of obtaining and sustaining a clean audit opinion through the oversight and review of Agency systems.

2.3. DIRECTOR, CFO COMPLIANCE DIVISION (CFO). The Director, DCMA CFO ensures completion and submission of TriAnnual Review in compliance with DoD FMR 7000.14-R (Reference (d)) and Office of the Under Secretary of Defense (OSD) “Accounting Policy Update for TriAnnual Review of Obligations and Unfilled Orders” (Reference (e)), by means of:

2.3.1. Ensuring submission of the confirmation questionnaire to OSD confirms the proper completion of the TriAnnual Review.

2.3.3. Relying upon the Director, Financial Liaison Center (FBLB) to oversee the timely and accurate performance of the TriAnnual Review.

2.3.4. Relying upon Director, FBLB to promptly act on requests to adjust or research open commitments, obligations, or other financial records in the completion of the TriAnnual Review.

2.4. DIRECTOR, FINANCIAL LIAISON CENTER (FBLB). The Director, FBLB:

2.4.1. Ensures the timely and accurate completion of the TriAnnual Review by issuing guidance and providing training.

2.4.2. Validates Component Reviews by ensuring adjustments to financial records that are identified during the TriAnnual Review are completed accurately and in a timely manner.

2.5. FINANCIAL LIAISON CENTER (FBLBA). FBLBA ensures compilation and distribution of TriAnnual master transaction list through the following actions:

2.5.1. Generates and distributes the TriAnnual Review master transaction list to the Deputy, Executive Components and their designees every 4 months of each fiscal year.

2.5.2. Compiles the results for trend analysis and reports.

2.5.3. Ensures completion of corrective actions to financial records, as indicated by the Component reviews.

2.5.4. Maintains TriAnnual Review documentation in compliance with audit readiness.

2.6. COMPONENT DEPUTY EXECUTIVE DIRECTORS. The Component Deputy Executive Directors ensure a comprehensive review of open financial transactions identified in the TriAnnual Review process via the following actions:

2.6.1. Formally attest to the validity of the financial data and address all questions in the TriAnnual Questionnaire (located on the Resource Web Page of this Instruction)

2.6.2. Delegate review of specific transactions to the appropriate Funds Control Officer, review the work and supporting documentation of the Funds Control Officer, endorse corrective transactions, and maintain the official record of the Component review.

2.6.3. Initiate timely modification of transactions to ensure realignment of funds for other uses.

CHAPTER 3

PROCEDURES

3.1. CONDUCT TRIANNUAL REVIEW. Director, FBLB defines the parameters for each thrice review based on timelines and schedules established in the DoD FMR 7000.14-R and Directors of the Defense Agencies, Directors of the DoD Field Activities, Accounting Policy Update (References (d) and (e)) adjustments by higher authority, or local conditions. This guidance is issued in an official tasking to the Components.

3.1.2. The following steps are required for completion of the DCMA TriAnnual Review:

3.1.2.1. FBLBA prepares the following for the review:

3.1.2.1.1. Downloads the DPFN 230A Report as the official data source for the TriAnnual Review.

3.1.2.1.2. Prepares the master data spreadsheet by removing non reportable Defense Finance and Accounting Service (DFAS) adjustments and personally identifiable information and prepares draft attestation and de-obligation letters for distribution.

3.1.2.1.3. Distributes the information to the appropriate points of contact for the tasking.

3.1.2.2. Fund Holders review all dormant transactions identified in the data call to determine the completeness, accuracy, and supportability of the financial records.

3.1.2.2.1. There are specific questions that must be addressed concerning the attestation (located on the resource page). These can be summarized as a verification of whether recorded transactions that have not had current financial activity still represent valid obligations, liabilities, or assets of the government. If they are merely the difference between estimated amounts and actual amounts, they should be properly documented and adjusted.

3.1.2.2.2. The Funds Holders often do not have all information to determine the validity of a record. They must engage other key stakeholders, such as program managers, contract officers, or the FBLB financial technicians when necessary to perform additional research or initiate modification of documents such as the categories below:

- Military Interdepartmental and Intradepartmental Purchase Requests
- Purchase orders/requests
- Permanent change of station orders
- Travel claims
- Physical fitness memberships
- Professional Liability Claims
- Reimbursable work authorities
- Letters of authority

3.1.2.2.3. Maintain documentation supporting requested TriAnnual actions for 2 years after cancellation of related appropriation (or 10 years in the case of no-year funds), as requested by the Component.

3.1.2.2.4. Submit completed review package that includes the master data file populated with official TriAnnual reason codes; attestation letter signed by the Head or Deputy of the Organization; authoritative source documents and de-obligation letters authorizing FBLB to act on a document; and the TriAnnual Review Attestation Questionnaire.

3.1.2.3. FBLB reviews Fund Holders' submissions for completeness and contacts those Fund Holders to resolve missing or invalid submissions.

3.1.2.4. FBLB compiles Component responses to the tasking, consolidates attestation letters and questionnaires, and saves responses so they can be provided readily in a required audit.

3.1.2.5. FBLB records supportable actions identified in response master spreadsheet within 10 working days and notifies Fund Holder when actions are complete.

3.1.2.6. FBLB maintains transactional documentation in separate component level folders.

3.1.2.7. FBLB conducts analysis of responses and prepares analyses and recommendations to Director, FBLB. Standard metrics include:

- Total dollar value of adjustments
- Total dollar value of adjustments
- Total transactions
- Official reason codes
- Summary and transactional type trend analysis, such as comparison between Components of count, age, and dollar value of categories of transactions to identify potential erroneous transactions
- Component and organizational responses or concerns identified in attestation letters
- All key financial observations

3.1.2.8. Director, FBLB reviews analysis and submits to CFO.

3.1.2.9. CFO reviews results and approves submission of Agency Confirmation Statement of completion of TriAnnual review within 45 working days after each of the 4-month periods ending on January 31, May 31, and September 30 of each fiscal year. CFO or FBLB will keep senior leadership apprised of the status of the TriAnnual Review via forums such as the Resource Management Panel, Budget Execution Review, or DCMA Council.

3.2. ON-GOING REVIEW OF EXECUTION TRANSACTIONS.

3.2.1. Fund Holders:

3.2.1.1. Are responsible for frequent review of financial system reports to validate the execution of their budget as prescribed in the Financial Liaison Center Director FBLB Standard Operating Procedures (SOP), "Document Master by Commitment Document Number Report (DPFN230A)" (Reference (f)).

3.2.1.2. Ensure commitments are recorded in the accounting period using the date signed by authorized office.

3.2.1.3. Ensure all obligating documents are submitted to FBLB in a timely manner for posting to the financial system within 10 business days. Obligations of \$100,000 or more per fund citation or account line must be recorded in the financial system in the same month in which it occurred, even if month-end is less than 10 business days from the date of obligation.

3.2.1.4. Research and initiate corrective actions as soon as it is apparent that a disbursement transaction has resulted in an unmatched disbursement or negative unliquidated obligation.

3.2.5. FBLB personnel will:

3.2.5.1. Record and monitor assigned financial transactions, and maintain transactional documents in a readily accessible and secure format.

3.2.5.2. Process supported commitments and obligations promptly, at a minimum within the guidelines of DoD FMR 7000.14-R and Directors of the Defense Agencies, Directors of the DoD Field Activities, "Accounting Policy Update" (References (d) and (e)) and notify the funds holder of the status.

GLOSSARY

DEFINITIONS

COMMITMENTS. A commitment is an administrative reservation of funds based upon firm procurement requests, orders, directives, and equivalent instruments. Since an obligation equal to or less than the commitment may be incurred without further recourse to an authorizing official, commitments are required for some appropriations (see subparagraph 150202.C) and are permissible for others. A commitment, when recorded in the accounting records, reduces the allotment's available fund balance. A commitment document must be signed by a person authorized to reserve funds; i.e., the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure that the subsequent entry of an obligation will not exceed available funds. (DoD FMR 7000.14-R Volume 3, Chapter 15, 150202)

DORMANT COMMITMENTS OR OBLIGATIONS. No obligation, adjustments, contract modifications, disbursements, or withdrawals occur within a 120 day period. (DoD FMR 7000.14-R Volume 3, Chapter 15, 080406). A dormant commitment or obligation may be valid and does not necessarily mean a record can be closed.

EXPIRED AND CANCELLED ACCOUNTS.

a. For 5 years after the time an appropriation expires for incurring new obligations, both the obligated and unobligated balances of that appropriation will be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

b. For appropriations that are available for obligation for a specific period; i.e., annual and multi-year appropriations, on September 30th of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, both the obligated and unobligated balances of that appropriation are required to be cancelled and will no longer be available for obligation or expenditure for any purpose. (DoD FMR 7000.14-R Volume 3, Chapter 15)

FUND HOLDERS. DoD officials that receive a documented administrative subdivision of funds including apportionments, allocations, suballocations, allotments, suballotments, through their fund chain of command or from other government departments, agencies and activities holding an administrative subdivision of funds. (DoD FMR 7000.14-R Volume 3, Chapter 8, 080401a)

OBLIGATIONS. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or future period. These amounts include payments for obligations that were not previously recorded, adjustments for differences between obligations previously recorded, and actual payments to liquidate those obligations. (DoD FMR 7000.14-R Volume 3, Chapter 15, 150203.A)

REIMBURSEMENTS. Reimbursements are collections earned for selling goods or services. Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. (DoD FMR 7000.14-R Volume 3, Chapter 15, (150204.A))

GLOSSARY

ACRONYMS

| | |
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| CFO | Chief Financial Officer |
| DBMS | Defense Business Management System |
| DCMA-INST | DCMA Instruction |
| FBLB | Financial Liaison Center |
| FBLBA | Financial Liaison Center - Accounting Division |
| FMR | Financial Management Regulation |
| OSD | Office of the Secretary of Defense |
| PLAS | Performance Labor Accounting system |