



DCMA Manual 2501-03

Funds Lifecycle

Office of Primary Responsibility	Contract Maintenance Capability
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Purpose: This issuance, in accordance with the authority in DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)":

- Implements policy established in DCMA Instruction 2501
- Assigns responsibility for executing funds lifecycle management
- Provides procedures to ensure proactive management of contract funds by identifying and dispositioning unliquidated obligations in excess of contract requirements
- Provides procedures to diminish at risk funds from canceling

- Identifies a Resource Page for additional information related to funds lifecycle management and enables enterprise-wide sharing of dynamic information such as hyperlinks to stated references, additional administrative guidance, Agency goals, related correspondence, form letters, training materials, and point of contact names

SUMMARY OF CHANGES

This Manual was rewritten. Agency users and stakeholders should read this Manual in its entirety. The most notable changes in this rewrite include:

- Adding actions to work funds at risk of canceling in year 4 of the expired period in addition to expired year 5
- Establishing thresholds to work funds at risk of canceling in expired years 4 and 5
- Changing the Agency system of record for managing funds at risk of canceling and processes associated with it from the Canceling Funds eTool to the new Agency system of record identified on the Resource Page for this manual
- Adding a requirement to send a Disposition of Funds At Risk of Canceling Form to the contractor with the letter notifying the contractor of funds at risk of canceling in expired years 4 and 5
- Expounding on uses of the Funds At Risk data
- Expounding on requirements to work dormant funds
- Expounding on Foreign Military Sales and the Building Partner Capacity programs as they pertain to canceling funds
- Introducing the Standard Financial Information Structure and the Standard Line of Accounting

TABLE OF CONTENTS

SUMMARY OF CHANGES 3

SECTION 1: GENERAL ISSUANCE INFORMATION..... 6

 1.1. Applicability. 6

 1.2. Policy..... 6

SECTION 2: RESPONSIBILITIES 7

 2.1. Contracts/Pricing Policy and Processes Division Director. 7

 2.2. Performance and Systems Management Division Director. 7

 2.3. Headquarters Performance Advocate 7

 2.4. Operation Unit Contracts Director..... 7

 2.5. Contracts Director 7

 2.6. First Level Supervisor (FLS)..... 7

 2.7. Administrative Contracting Officer (ACO) and Contract Administrator (CA)..... 8

SECTION 3: FUNDS LIFECYCLE BASIC CONCEPTS..... 9

 3.1. Overview 9

 3.2. Surveillance of Funds Authority..... 9

 3.3. Appropriation Information 10

 3.4. Funds Types 13

 3.5. Foreign Military Sales 13

SECTION 4: SURVEILLANCE OF FUNDS IN EXPIRED PERIODS YEARS 4 AND 5 . 16

 4.1. Overview..... 16

 4.2. Funds At Risk Data..... 16

 4.3. Funds Lifecycle Reconciliation Actions 18

 4.4. Excess Funds 20

 4.5. Managing Funds..... 21

 4.6. Dormant Account Review Quarterly (DAR-Q) 22

 4.7. Coding Funds At Risk of Canceling..... 23

SECTION 5: SURVEILLANCE OF FUNDS IN EXPIRED PERIOD YEAR 5..... 24

 5.1. Canceling Year Overview..... 24

 5.2. Canceling Funds Agency Goal and Burn Down Plan 25

 5.3. Status and Reason Coding and Tracking 25

 5.4. Resolution of Canceling Funds..... 27

 5.5. Special Programs Procedures 28

GLOSSARY..... 29

 G.1. Definitions..... 29

 G.2. Acronyms. 33

REFERENCES..... 35

TABLES

 Table 1. Primary Actions to Manage Funds by Year.....9

 Table 2. Funds Lifecycle Periods..... 12

 Table 3. FMS Funds Requirements..... 15

 Table 4. Limitation of Funds/Limitation of Cost Requirements 22

Table 5. DAR-Q Review Periods 23
Table 6. Canceling Funds Fiscal Year Timeline 27

FIGURES

Figure 1. Primary Process Steps to Manage Funds.....16

SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to Operational Units (OU) and Headquarters (HQ) Directorates that administer contracts or support funds lifecycle management administration. Additionally, it applies to contracts that are paid by Defense Finance and Accounting Service (DFAS) only (payment offices HQ0337, HQ0338, and HQ0339) and not to contracts paid by other disbursement offices. Exceptions to this Manual apply to DCMA Special Programs Command (DCMAS) and sensitive compartmented information contracts that must be processed in accordance with DCMAS security requirements following the intent of this Manual.

1.2. POLICY. It is DCMA policy to:

- a. Manage funds early and throughout the funds lifecycle to prevent them from canceling.
- b. Execute surveillance activities of funds lifecycle management for obligated and unliquidated obligations (ULO).
- c. Ensure obligated funds and disbursements are correctly posted.
- d. Promptly identify and disposition ULO funds in excess to contract requirements.
- e. Mitigate at risk ULO from canceling.
- f. Execute this Manual in a safe, efficient, effective, and ethical manner.

SECTION 2: RESPONSIBILITIES

2.1. CONTRACTS/PRICING POLICY AND PROCESSES DIVISION DIRECTOR. The Contracts/Pricing, Policy and Processes Division Director will disseminate the DFAS memorandum to the OU identifying the last day of the fiscal year (FY) DFAS will accept invoices for processing funds.

2.2. PERFORMANCE AND SYSTEMS MANAGEMENT DIVISION DIRECTOR. The Performance and Systems Management Division Director will oversee Agency performance of funds lifecycle management to the Agency's goal.

2.3. HQ PERFORMANCE ADVOCATE. The HQ Performance Advocate will:

- a. Monitor Agency performance in the Agency system of record for canceling funds.
- b. Collaborate with this Manual's process owner to identify changes affecting DCMA procedures for surveillance of funds management activities.
- c. Consolidate the canceling funds burn down plans from the OUs and track the Agency level progress in comparison to the Agency's goal monthly.
- d. Report the Agency's funds at risk of canceling annual performance and achievement towards the Agency's goal.

2.4. OU CONTRACTS DIRECTOR. The OU Contracts Director will prepare and manage the OU burn down plan for their Region.

2.5. CONTRACTS DIRECTOR. The Contracts Director will ensure timely and compliant execution of funds management to meet their organization's burn down plan and the Agency's canceling funds goal.

2.6. FIRST LEVEL SUPERVISOR (FLS). The FLS will:

- a. Ensure adequate training is provided and resources are available for the execution of surveillance of funds management.
- b. Ensure activities in the surveillance of funds management comply with this Manual, to include Agency performance measures and internal controls.
- c. Manage the execution and performance of the surveillance of funds management activities that contribute to accurate funding transactions, early identification and disposition of excess funds, and mitigation of at risk funds from canceling.
- d. Ensure the integrity, accuracy, and completeness of codes entered into the Agency system of record for funds at risk of canceling in expired years 4 and 5 above the thresholds throughout the FY.

2.7. ADMINISTRATIVE CONTRACTING OFFICER (ACO) AND CONTRACT ADMINISTRATOR (CA). The ACO or CA has primary accountability for the responsibilities listed below. The use of the term ACO and CA are interchangeable, except when warranted ACO functions are required. Terminations Group personnel will support the ACO/CA with the following responsibilities for contracts in termination status as requested by the ACO/CA. The assigned ACO/CA will:

- a. Mitigate and resolve expiring and canceling funds for assigned contractors.
- b. Perform analysis and reconciliation, provide information, and communicate with the contractor and the Procurement Contracting Officer (PCO) concerning the status of at risk ULO for expiring and canceling funds.
- c. Review at risk funds identified to cancel in the Agency system of record for canceling funds and code each Accounting Classification Reference Number (ACRN) in expired years 4 and 5 above the thresholds established on the Resource Page, using the Canceling Funds Coding Guidance on this Manual's Resource Page.
- d. Identify and reconcile at risk ULO funds that are in excess to contract requirements.
- e. Identify Mechanization of Contract Administration Services (MOCAS) input errors and initiate correction of database errors to DFAS or the Trusted Agent for correction as required by the MOCAS Guides or Trusted Agent Procedural Guidance provided on the MOCAS Documents link on this Manual's Resource Page.
- f. Monitor obligations and disbursements and ensure the canceling fund's coding and comments are accurate and complete in the Agency's system of record for canceling funds throughout the FY.

SECTION 3: FUNDS LIFECYCLE BASIC CONCEPTS

3.1. OVERVIEW.

a. DCMA Responsibility in Funds Management. DCMA has the responsibility of performing payment administration and ensuring all funds appropriated against a contract are obligated accordingly or any excess funds are deobligated and returned to the DoD contracting activities. Settling obligations and disbursements to a low or zero balance prior to funds canceling contributes to accurate financial statements and maximum utilization of funds for our customers.

b. Funds Lifecycle. The funds lifecycle process begins at the point of contract award and ends when funds have been fully disbursed or with resolution of funds that have been determined excess to contract requirements. It is important that the amount of funding obligated throughout the life of the contract is appropriate and has the correct appropriation category. Early identification of dormant balances and funds in excess to contract requirements provides the services and DoD contracting activities with an opportunity to realign or reprogram funds thereby avoiding the need to obtain current year or replacement funds for outstanding prior year obligations. The ACO/CA will work to reduce funds at risk of canceling throughout the life of the contract, regardless of MOCAS Section, and take immediate action when obligated funds are identified as at risk of canceling within the current FY.

c. Actions to Manage Funds by Year. This Manual provides guidance to manage funds throughout the funds lifecycle with specific actions for different periods.

Table 1. Primary Actions to Manage Funds by Year

Expired Period	Actions	Manual Coverage
Years 4 and 5	Notify contractor of all ACRNs in the expired period years 4 and 5 above the thresholds on the Resource Page.	Section 4 Paragraph 4.2.
Years 4 and 5	Reconcile funds above the thresholds to work ahead of canceling year and in the canceling year.	Section 4 Paragraph 4.3.
Years 4 and 5	Code all ACRNs above the thresholds.	Section 4 Paragraph 4.7.
Year 5 (canceling year)	Prepare burn down plan. Achievement will be measured to Agency goal.	Section 5

d. Records File Plan. The ACO/CA will upload all funds management actions and key control supporting documents in the Agency systems of record stated on this Manual’s Resource Page and retain them in accordance with this Manual’s Records File Plan on the Resource Page.

3.2. SURVEILLANCE OF FUNDS AUTHORITY. DCMA’s objective is to actively administer contracts from contract award to closeout to prevent at risk ULOs from canceling. This authority derives from:

- Section 1553, Title 31, (a), United States Code (U.S.C.): On September 30th of the 5th FY after the period of availability for obligations of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose
- Section 1341, Title 31, (a), U.S.C.: It is a violation of the Antideficiency Act, to involve the Federal Government in a contract or obligation for payment of money before or in excess of an appropriation, unless authorized by law
- Federal Acquisition Regulation (FAR) 4.804-5(a): The contract administration office must review the contract funds status and notify the contracting office of any excess funds the contract administration office might deobligate
- FAR 42.302(a)(70): Deobligate excess funds after final price determination
- FAR 42.302(b)(4): Negotiate or negotiate and execute supplemental agreements providing for the deobligation of unexpended dollar balances considered excess to known contract requirements
- FAR 52.232-20, “Limitation of Cost”
- FAR 52.232-22, “Limitation of Funds”
- Defense Federal Acquisition Regulation Supplement (DFARS) 217.7404-4, “Limitations on Obligations”
- DoD 7000.14-R, “DoD Financial Management Regulation (FMR),” Volume 3, Chapter 8, “Standards for Recording and Reviewing Commitments and Obligations,” identifies the contracting officer as a stakeholder in the management of funds and initiates responsibility for the ACO to participate in the Dormant Account Review Quarterly (DAR-Q) process
- DoD 7000.14-R, FMR Volume 3, Chapter 10, “Accounting Requirements for Expired and Closed Accounts,” requires identifying valid unliquidated obligations subject to cancellation to determine whether appropriations are available for future adjustments or payments against such obligations
- DoD 7000.14-R, FMR Volume 3, Chapter 11, “Unmatched Disbursed, Negative Unliquidated Obligations, and In-Transit Disbursements,” requires researching and correcting negative unliquidated obligations (NULO)

3.3. APPROPRIATION INFORMATION. There are several major, common types of appropriation categories, also referred to as funds or color of money, with varying periods of obligation availability.

a. Appropriation Category. The appropriation category will be identified in the line of accounting (LOA) of the contract. A breakout of the DoD Accounting Classification Structure is on this Manual’s Resource Page. The appropriation category is critical to determining the lifecycle of funding as it establishes the length of the obligation availability, leads to the funds expiration year, and drives the timeline for funds management.

- Operations and Maintenance (O&M). Obligation period: 1 year
- Research, Development, Test, and Evaluation (RDT&E). Obligation period: 2 years
- Procurement. Obligation period: 3 years

- Military Construction (MILCON). Obligation period: 5 years
- Ship Conversion Navy. Obligation period: 5 years

b. Building Partner Capacity (BPC) Appropriation. BPC programs, which encompass security cooperation and security assistance activities, are funded with U.S. Government (USG) appropriations and executed through a BPC Letter of Offer and Acceptance or a BPC Case within the FMS infrastructure. Congress appropriates funding to DoD for specific BPC programs through the annual DoD Appropriations Act, and in certain cases, through other appropriations acts. Pursuant to the Economy Act, when the Office of the Under Secretary of Defense (Comptroller) (OUSDC) or other DoD component transfers funds to Defense Security Cooperation Agency in support of a BPC program, the funds must be obligated within their period of availability (reference Security Assistance Management Manual (SAMM), 5105.38-M, Chapter 15, “Building Partner Capacity Programs”).

c. BPC Programs Obligation Period. BPC programs are implemented via the Foreign Military Sales (FMS) trust fund, which are financed with appropriations that expire usually in 1 to 2 years. These funds are required to be obligated prior to the appropriation expiring, and expended prior to the appropriation canceling. The appropriation fund cite financing BPC programs reflects an expiration date; however, once the funds are transferred into the FMS trust fund, the FMS trust fund cite is used on financial documents. Therefore, do not rely on the fund cite associated with the case to determine whether funds should be treated as expiring or canceling.

d. Appropriation Lifecycle. Appropriations pass through three phases of availability, current, expired, and canceled as shown in Table 2, Funds Lifecycle Periods.

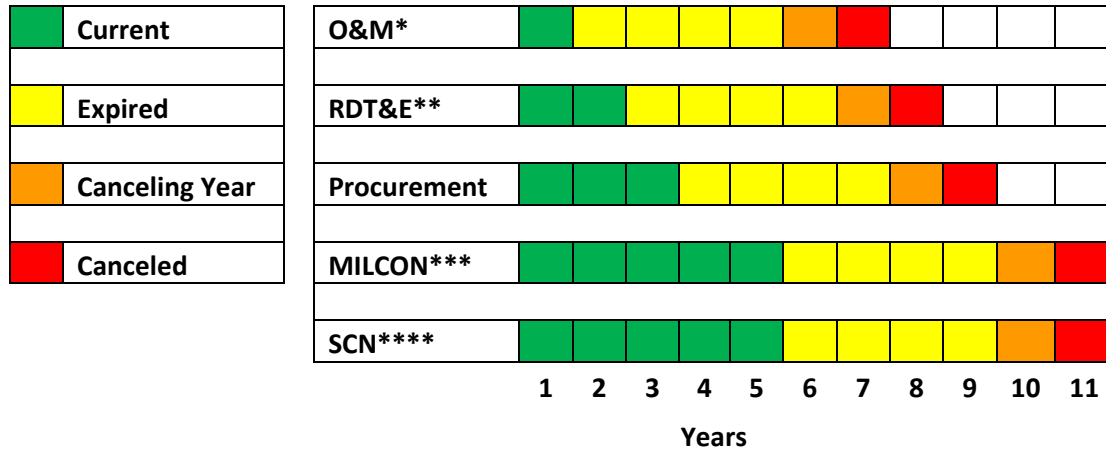
(1) Current Appropriation. Appropriations are added to contracts when a contract is awarded or a modification is executed to add funding to a contract at the ACRN level. During this period of funds lifecycle management, funds are available for new obligation, obligation adjustment, and disbursement. The length of funds availability in the current period varies by appropriation category as stated in Paragraph 3.3.a. These different categories are commonly referred to as the color of money.

(2) Expired Appropriation. Funds are no longer available for new obligation, but are still available for obligation adjustment and disbursement. The appropriation remains available for these purposes for 5 years, regardless of the appropriation category.

(3) Canceled Appropriation. The canceling of obligations is the final period of the appropriations lifecycle. Funds are not available for obligation, obligation adjustment, or disbursement on September 30th of the 5th FY after the expiration of an appropriations period of availability for incurring new obligations (Section 1552(a), Title 31, U.S.C.). The appropriation closes at the end of the 5th FY of expiration and any remaining ULO is canceled (Section 1552(a), Title 31, U.S.C.). When balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

(4) Funds Lifecycle Periods. Table 2 shows the current, expired and canceled years for the different appropriation categories. The yellow and orange blocks reflect the expired period which covers 5 years with the orange blocks indicating the canceling year.

Table 2. Funds Lifecycle Periods



- *Operations & Maintenance
- **Research, Development, Test & Evaluation
- ***Military Construction
- ****Ship Conversion Navy

e. ACRN and Agency Accounting Identifier (AAI). Traceability of funds from accounting systems to contract actions is accomplished using an ACRN and AAI. The ACRN and AAI must be identified in a contract in accordance with DFARS Procedures, Guidance and Information (PGI) 204.7107, “Contract accounting classification reference number (ACRN) and agency accounting identifier (AAI).” DCMA funding reports are at the ACRN and contract line item number level to allow the ACO/CA to monitor funds at this discrete level.

f. Standard Line of Accounting (SLOA). The Standard Financial Information Structure (SFIS) is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across the DoD enterprise. SFIS standardizes financial reporting in DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables decision-makers to efficiently compare programs and their associated activities and costs across the department and provides a basis for common valuation of DoD programs, assets, and liabilities. The DoD SLOA/Accounting Classification is a subset of the SFIS data standard elements. The SLOA/Accounting Classification is comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger. This includes commitments, obligations, expenditures, and disbursements. It provides data standardization end to end and better audibility at the transaction level. The SLOA accommodates Treasury reporting requirements for daily cash reporting.

3.4. FUNDS TYPES.

a. Excess Funds. Monitoring funds throughout the contract lifecycle will lead to early identification of excess funds. Excess funds are funds relating to a specific ACRN or deliverable in excess to known contract requirements. These funds are in excess of the amount needed for payment of that ACRN. Excess funds may be used by the contracting activity to fund other similar requirements as long as the funds have not canceled. Excess funds relate to a specific deliverable or ACRN on the contract and may result from the following but not limited to:

- Contract effort/scope is reduced
- Partial termination is issued
- Work-in-progress negative ULO (NULO) (unliquidated balance is less than zero)
- Significant cost reduction on cost reimbursement contract
- Final price determination
- Unperformed work

b. Remaining Funds. Remaining funds are those left on a contract/order due to quantity variance or price rounding and where all contract/order performance as required by the contract/order has been completed and paid in full. These funds are removed using a Q-Final process provided in DCMA Manual (DCMA-MAN) 2501-07, "Contract Closeout."

c. Dormant Funds. Funds are defined as dormant if they have not been liquidated; and no obligations, adjustments, contract modifications, disbursements, or withdrawals occur within a 90 calendar day period. An example of dormancy is when no activity has occurred within 90 calendar days of the last paid invoice.

d. MOCAS Section 3 Funds. MOCAS Section 3 dormant contracts are contracts where performance has ceased and contracts are typically subject to pending litigation action. When contracts are in this status, the ACO/CA must reference the docket number in the MOCAS ACO Notebook. These contracts cannot be closed until after the occurrence of an event or action that is beyond the ACO/CA's control. MOCAS contracts in Section 3 should be reviewed quarterly to discern if the Reason code still accurately reflects the current status of the contract.

e. NULO. A NULO is a disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation. NULO balances generally occur when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. A NULO may be caused when a modification is issued after payment.

3.5. FMS. The FMS program may be funded by country national funds (non appropriated funds) or USG funds (appropriated funds for BPC programs). New FMS procurements will directly cite the FMS trust funds account as the source of contract funding.

a. Trust Funds. The FMS trust fund represents the aggregation of security cooperation cash received from the USG, purchaser countries, and international organizations. Budget authority, except for USG appropriations, is classified as permanent, indefinite, no-year authority and

treated as non-expiring funds. Obligations may be placed as long as money is on the case. In most cases, the contract designates these contracts with an FMS case number that consists of a two-character alpha-alpha or alpha-numeric country code identifier; a one-character Agency code; and a three-character specific case number. An example FMS case number is AT-B-UBS, where AT = Australia, B = agency code for the Army and UBS is the specific designator assigned to the FMS case. The FMS case number may be found stamped on the first page, listed in Section B or other sections of the contract, and may be identified as the FMS Case Number, FMS Case Identifier, or FMS Country/Case. The FMS trust fund is used for payments received from purchasers and disbursements made against implemented FMS cases. This fund is cited directly on contracts for the procurement of defense articles and/or services for the purchaser, or is used to reimburse DoD Component appropriations for deliveries from DoD stocks or services performed by DoD employees. These funds, are not subject to a burn down plan; however, the funds must be surveilled to ensure all funds appropriated against a contract are obligated properly or any excess funds are deobligated in a timely manner. The Defense Security Cooperation Agency manages the FMS trust fund and is responsible for the solvency of each purchaser's FMS trust fund account (reference Security Cooperation Management, Edition 41, Chapter 12, "Financial Management").

b. BPC Programs. BPC programs are for the purpose of building the capacity of a partner nation security forces and enhancing their capability. They are funded with USG appropriations and are currently executed within the FMS infrastructure. The BPC program code is depicted by a two-character alpha-numeric designator or an alpha-alpha designator assigned to the BPC program as identified in Table C15.T2, SAMM 5105-38-M. An example of a BPC program case number is G9-P-GDA, where G9 is the two-character country code assigned to the Pakistan Counterinsurgency Capability Fund BPC program. The BPC program case number may be found stamped on the first page, listed in Section B, or in other sections of the contract, and may be identified as FMS case number, FMS case identifier, or FMS country/case. BPC programs are financed with funds that expire/cancel; the funds must be obligated within the period of appropriation availability, expended within 5 years after the appropriation expires for new obligations, and any unexpended funding returned to the U.S. Treasury or the original funds holder before the end of the 5th year after funds expire for obligation. BPC program funds are subject to a burn down plan and should be surveilled to ensure all funds appropriated against a contract are obligated accordingly or any excess funds are deobligated and returned to the Treasury. Timelines to process BPC funds are on this Manual's Resource Page. BPC program ACRNs are identified in the BPC column of the Funds At Risk data.

c. FMS Funds Requirements Recap. Table 3 provides a recap of the requirements to manage the different types of FMS funds.

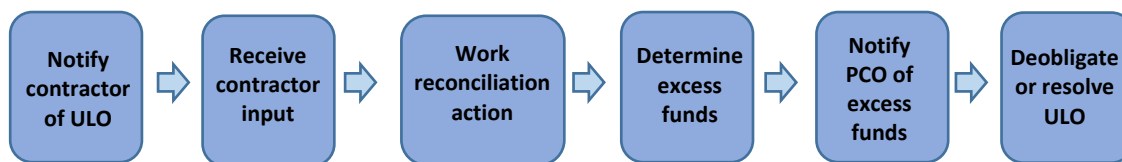
Table 3. FMS Funds Requirements

Type of FMS Funds	Do Funds Expire?	Is a Burn Down Plan Required ?	Measured in Performance of Agency Goal?	How these funds are identified in the contract
FMS Case (Non USG appropriations)	No	No	No	Country code is an alpha-alpha designator or alpha-numeric that is assigned to an FMS organization /project or multinational FMS case (reference SAMM Table C.4.T2, Security Cooperation Customer and Regional Codes and FMS Eligibility Tables).
BPC Program (USG appropriations)	Yes	Yes	Yes	Country code is an alpha-numeric or alpha-alpha designator that is assigned to a BPC program (reference SAMM 5105.38-M, Table C15.T2). The Funds At Risk data identifies BPC program ACRNs in the BPC column.

SECTION 4: SURVEILLANCE OF FUNDS IN EXPIRED PERIODS YEARS 4 AND 5

4.1. OVERVIEW. It is important that funds are managed early and throughout the funds lifecycle process to prevent them from canceling. Funds management is a substantial part of contract surveillance and the ACO/CA is responsible for financial surveillance activities and oversight. This section provides guidance to work funds at risk of canceling in expired year 4 in addition to the canceling year. The purpose of shifting this work earlier in the process is to provide for reconciliation of funds, discovery of excess funds, return of funds to contracting commands as they transpire, and prepare contracts for swift closeout. Funds that are deobligated and returned may be used by the contracting activity to fund similar program requirements. **The ACO/CA's goal is to determine the maximum amount of funds that may be disbursed or deobligated while retaining enough money to cover future billings.** During the performance of contract administration, the ACO/CA must collaborate with the contractor and communicate with the PCO. Resolving at risk funds becomes crucial in the 5th year of this period, known as the canceling year, to prevent the funds from canceling. Funds are closed and canceled at the end of the 5th year of the expired period. While ACRNs for all years of the expired period are shown in the Agency system of record for canceling funds, the ACO/CA is required to code only ACRNs in years 4 and 5 of the expired period above the thresholds established on the Resource Page. **Processes in this section of the Manual apply when the contract is in MOCAS Section 1, and are independent of the contract closeout process.** The primary steps to manage funds are shown in Figure 1:

Figure 1. Primary Process Steps to Manage Funds



4.2. FUNDS AT RISK DATA.

a. Funds At Risk Data. The Funds At Risk data identifies contract ACRNs within the expired period as at risk of canceling is updated daily in the Agency system of record for canceling funds identified on the Resource Page. This data identifies expired funds, during the 5-year period after the current appropriation period expires, that have obligations that have not yet been fully disbursed. The data also identifies ULOs considered at risk of canceling, defined as the amount of obligations remaining after removing work in process and adding in withholds. The report incorporates data from various external sources such as Defense Contract Audit Agency (DCAA). The Agency system of record for canceling funds contains the Funds At Risk data and this Manual's Resource Page has a Funds At Risk Data Definitions document that provides explanations and calculations for each of the data fields. The ACO/CA should review the funds at risk data monthly to assess the status of funds expended, invoices submitted, payments processed, funding modifications, dormancy, indication of settlement of direct or indirect costs, and unliquidated obligation amount. The Funds At Risk data delivers data driven actionable information at the ACRN and contract line item number level, such as:

- Expiration year
- Canceling year
- Dormancy indicator
- Unliquidated obligation amount
- Disbursed amount
- Percent disbursed overall
- Amount disbursed each FY
- Most recent year an final indirect cost rates (FICR) proposal was determined adequate by DCAA
- Date DCAA determined the FICR adequate
- MOCAS Section of the ACRN
- BPC program funds

b. Notification to Contractor of Funds At Risk of Canceling. The ACO/CA is required to notify the contractor of funds at risk of canceling. The ACO/CA will generate the letter from the Agency system of record for canceling funds that will populate the letter with data above the thresholds established on the Resource Page. The ACO/CA will take these actions:

- **Action:** Notify contractor of ACRNs at risk of canceling
- **When:** By November 15
- **Deliverable:** Letter and Disposition of Funds At Risk of Canceling Form to contractor
- **Population:** ACRNs in years 4 and 5 of the Funds At Risk data above the thresholds on the Resource Page
- **Notification to Contractor.** Bundle ACRNs in the expired period years 4 and 5 above the thresholds on the Resource Page. This data allows the ACO/CA to focus on contractors or contracts with the largest dollar amount of ULOs. The ACO/CA must provide written notification to the contractor when the funds will cancel. To do this, the ACO/CA will bundle ACRNs that are in the expired period surveillance window to the same contractor to notify the contractor of funds at risk of canceling. The ACO/CA must request the contractor to provide status on outstanding ULOs for expired years 4 and 5 above the thresholds. The notification letter to the contractor, Notification to Contractor of Funds At Risk of Canceling, will include an attachment, the Disposition of Funds At Risk of Canceling Form (both documents are on this Manual's Resource Page). This letter and form require the contractor to provide specific information on the status of each ACRN, reconcile internal records, confirm funds that are remaining and/or excess, and submit invoices/vouchers. The letter requests the contractor's acknowledgment and for the contractor to code the ULO status on the Disposition of Funds At Risk of Canceling Form. This information will be used for reconciliation action and to code the Agency system of record for canceling funds. The letter also includes phased suspense dates providing for the contractor to submit status on the canceling year ACRNs by December 31 and providing status on year 4 of the expired period by January 31. The ACO/CA must document the date the letter is issued in the Agency system of record for canceling funds.

c. Contractor's Response to Funds At Risk. The ACO/CA must establish the contractor's intent to invoice for expired and canceling funds based on the contractor's response on the notification letter and Disposition of Funds At Risk of Canceling Form. Based on the contractor's feedback, take any appropriate reconciliation action required and determine if potential ULO exists. Ensure canceling funds invoices/vouchers are submitted as soon as possible, but no later than the date DFAS establishes each year to allow processing time for DFAS. In general, DFAS requires invoice/voucher submission by July 1st. Communicate with the contractor to develop a comprehensive action plan to determine status of contracts and ACRNs, upcoming billings, or opportunities to deobligate excess funds.

4.3. FUNDS LIFECYCLE RECONCILIATION ACTIONS. Managing funds throughout the funds lifecycle requires many different actions depending on the contractor's completion of performance, billing and payment status, and finalization of rates on the contract for the contractor's FY. Take appropriate reconciliation action(s) listed in Paragraphs 4.3.a., through 4.3.c., as required based on the status of the funds, and the contractor's response to the notification letter, the Disposition of Funds At Risk of Canceling Form. Code the Agency system of record for canceling funds, for funds at risk of canceling in expired years 4 and 5 above the thresholds, throughout the FY as conditions change. The ACO/CA should coordinate with multifunctional team members, as required.

a. Review Dormant Funds. The Funds At Risk data captures data showing the last date the ACRN had movement of funds due to an obligation, adjustment, modification, disbursement, or withdrawal. The Funds At Risk data indicates if the funds on the ACRN are dormant with a Yes/No column indicator. If the funds are dormant and have **not** moved within the last 90 calendar days, the DORMANT - LAST ACTION DATE field will have a date which indicates the last date of funds movement on the ACRN. If funds are not dormant and there has been movement within the last 90 calendar days, the DORMANT - LAST ACTION DATE field will be blank. The ACO/CA should take these actions:

- **Action:** Review obligations and disbursements to confirm dormant funds
- **When:** When no monetary transaction has occurred within the last 90 days
- **Deliverable:** 1) Follow up with contractor on dormant funds, 2) Notification of Potential Excess Funds to the PCO
- **Population:** Dormant ACRNs in years 4 and 5 of the Funds At Risk data above the thresholds on the Resource Page
- **Confirm Dormant Funds.** The ACO/CA should review the contracts in years 4 and 5 of the expired period and confirm if the apparent dormancy is valid (e.g., the contract did not require activity within the reported time period). If the funds are under review by DCMA or DCAA or the contract is currently in Section 3 in MOCAS and the ACO has determined the funds cannot be resolved after following the guidance contained in Paragraph 5.4, no further action is required. If the dormancy is valid, the ACO/CA should follow up with the contractor to determine the reason for the dormancy and the resolution of the unliquidated funds.

b. Reconciliation Actions for All Contracts. The ACO/CA will take these actions:

(1) Perform data integrity by validating appropriation obligation data on the contract and each funding modification issued against the MOCAS data.

(2) Ensure invoices/vouchers submitted by the contractor match what DFAS disbursed to the contractor against obligations.

(3) If MOCAS data or invoice/voucher payment data is incorrect, submit a DCMA Form 1797, "Request for MOCAS Action/Information," (MOCAS documents link on this Manual's Resource Page) to DFAS or the Trusted Agent. Provide explicit contract information stating the required change following the instructions on page 2 of the DCMA Form 1797. Submit the form to the Trusted Agent or the appropriate DFAS payment division as shown in the DFAS Information Library at the MOCAS "Documents" link on this Manual's Resource Page. Monitor that the adjustment was made correctly.

(4) If there is a NULO at the contract or ACRN level, coordinate with the contractor and PCO. Complete DCMA Form 1797 (located on this Manual's Resource Page) and submit it to DFAS with supporting documentation explaining the discrepancy.

(5) Confirm any contractual performance incentives are calculated and obligated as required.

(6) Ensure the ACRN work in process ULO balance equals zero.

(7) Determine if any amount withheld may be released where the ACO deems it appropriate and in accordance with applicable contract terms. Actions that play a role in this determination include, but are not limited to whether the contractual requirements have been satisfied or there is reasonable confirmation the contractor is working toward a cited corrective action plan. See appropriate manual on releasing amounts in DCMA-MAN 2101-02, "Payments;" DCMA-MAN 2301-01, "Contractor Business Systems;" and DCMA-MAN 2303-01, "Surveillance."

(8) Reference DCMA-MAN 2501-07 for additional information on process steps on working funds after the contract is physically complete.

c. Reconciliation Actions on Flexibly Priced Contracts. As the ACO/CA processes reconciliation actions on flexibly priced contracts and identifies the maximum amount of excess funds possible for potential deobligation, adequate funds must be retained for rate adjustments and any amounts withheld.

(1) Upon receipt of a FICR proposal deemed adequate by DCAA, the ACO/CA may perform an analysis of historical rate adjustment trends by comparing the contractor's proposed rates versus final negotiated rates over the three previous years in accordance with FAR 42.704(e). This data is submitted within 6 months after the expiration of each of the contractor's FY based on FAR 52.216-7, Allowable Cost and Payment, paragraph (d)(2). When the F/U EXCESS FUNDS DETERM DUE data field is populated in the Funds At Risk data, the

ACO/CA may review the contract for potential excess funds and coordinate with the contractor to validate if the funds are excess.

(a) If the contractor has fairly accurate rate projections, greater reliance may be placed on the proposed rates to make an excess funds determination.

(b) If the contractor does not have accurate rate projections, less reliance should be placed on the proposed rates to make an excess funds determination.

(2) If the at risk ULO amount or percent of the total ACRN value is significant, the ACO/CA may request an interim voucher from the contractor 60 days after final rates are settled for the contractor's FY. The contractor is required to submit this updated billing on flexibly priced contracts within 60 days after annual settlement of FICRs in accordance with FAR 52.216-7, Allowable Cost and Payment, paragraph (d)(2)(v). The contract may not be physically complete, but annual indirect cost rates have been settled for certain appropriation years within the contract in accordance with this clause. See DCMA-MAN 2201-03, "Final Indirect Cost Rates," for more information on obtaining the FICR proposal and appropriately settling final indirect rates. If the interim voucher is obtained, the ACO/CA may compare the settled rates to the rates paid during the same billing period to determine if there are excess funds. The ACO/CA must confirm performance on the ACRN is complete when making an excess funds determination and ensure sufficient funds remain on the ACRN to cover any additional performance and to cover any future billings.

(3) The Agency system of record for canceling funds maintains a record of all obligations and disbursements. The ACO/CA must monitor and document this record of funding and payments on all flexibly priced contracts over \$50 million and review against contract file documents to confirm accuracy every six months. The ACO/CA will document this confirmation in a memorandum for record in the Agency system of record for the official contract file.

4.4. EXCESS FUNDS.

a. Determine Excess Funds. Throughout contract administration and funds lifecycle management, the ACO/CA has many opportunities to identify potential excess funds. After the ACO/CA has reviewed obligations, disbursements, and government records, the ACO/CA will notify the contractor of potential excess funds and receive input from the contractor on the status of the funds. Based on the contractor's input, the ACO/CA will take any appropriate reconciliation action required and determine if potential ULO exists. The ACO/CA **must** coordinate with the contractor and obtain the contractor's agreement on the specific ULO amount of funds that are considered excess to the contract requirements and may be deobligated before making an excess funds determination. To assist in determining if excess funds exist, an Excess Funds Determination Checklist is provided for optional use on this Manual's Resource Page.

b. Notify PCO of Excess Funds. If excess funds exist, the ACO/CA **must** notify the PCO within 30 calendar days of identifying excess funds. This notification may be accomplished

through email or through issuance of a Notification of Potential Excess Funds Determination (template is on this Manual's Resource Page). If the ACO/CA is unable to locate the PCO, the ACO/CA will follow the PCO Locator Process on the DCMA-MAN 2201-04, "Contract Audit Follow Up," Resource Page. Information provided by the ACO/CA is considered documentary evidence and may be used by the PCO and/or the funds holder to support their intended action and determine how excess funds may be used. The PCO may use the funds for realignments, billings, rate settlements, associated subcontract costs, incomplete administrative actions associated with Contract Data Requirements List activities, review of contract for limitation of cost, or funds clause requirements.

c. Deobligated or Resolve Excess Funds. After notifying the PCO of excess funds, the PCO may delegate to the ACO the responsibility to negotiate and execute supplemental agreements in accordance with FAR 42.302(b)(4). The ACO/CA **must** obtain this delegation in writing from the PCO prior to issuing a deobligation modification and the modification **must** be issued as a bilateral agreement. When authorized, the ACO will issue a modification to deobligate the unexpended dollar balances considered excess to known contract requirements for a specific appropriation category. The PCO that obligated the funds may choose to issue the deobligation modification. For purposes of tracking progress of resolution of canceling funds against the burn down plan, when the PCO retains the authority to deobligate funds, the issue will be considered resolved upon the PCO's determination of intention to issue a deobligation modification. This status must be updated in the Agency's system of record for canceling funds.

4.5. MANAGING FUNDS.

a. Surveillance of Funds Clauses. When clause FAR 52.232-20, "Limitation of Cost," or FAR 52.232-22, "Limitation of Funds," is in the contract, the ACO/CA should monitor funds to include all obligations, expenditures and limitations of costs/funds. The Agency system of record for canceling funds maintains a record of all obligations and disbursements. Cost-reimbursement contracts must include a contract clause limiting the Government's obligation to reimburse contractor costs in accordance with these clauses. These clauses are used to:

- Limit the Government's obligation;
- Require the contractor to notify the ACO/CA in writing if additional funds are required to continue timely performance under the contract provide for government monitoring of contracts when the contractor notifies the ACO/CA of costs expected to exceed a stated percentage in accordance with the requirements in Table 5; and
- Notify the PCO of overruns and underruns in the performance of the contract

b. Table 4, Limitation of Funds/Limitation of Cost Requirements, provides the criteria when a contractor is required to notify the ACO/CA.

Table 4. Limitation of Funds/Limitation of Cost Requirements

Contractor Notification Requirements		
If the contract is:	Contract must include:	Requires the contractor to notify the Government when:
A fully-funded cost-reimbursement contract	FAR 52.232-20, Limitation of Cost	Whenever the Government share of contract costs is expected to... - Exceed a stated percentage (normally 75 percent) of estimate contract cost within a stated period (normally 60 days); or Be either greater or substantially less than previously estimated
An incrementally-funded cost-reimbursement contract	FAR 52.232-22, Limitation of Funds	Whenever the Government share of contract funds is expected to exceed a stated percentage (normally 75 percent) of the amount so far allocated to the contract cost within a stated period (normally 60 days) Sixty days before the end of the period specified in the contract schedule of the estimated amount of funds (if any) required to continue timely performance
A time-and-material or labor-hour contract	FAR 52.232-7, Payments Under Time-and-Materials and Labor-Hour Contracts	Hourly rate payments and material costs are expected to... - Exceed 85 percent of the ceiling price within the next 30 days; or Be substantially greater or less than the stated ceiling price

4.6. DORMANT ACCOUNT REVIEW QUARTERLY (DAR-Q). The DAR-Q is a DoD-wide policy and tool hosted in Advana that replaces the former Triannual Review. The purpose of implementing the quarterly review is to track the dormancy and or validity of the DoD Components obligations and ensure proper actions are being taken to correct and or expedite the timely execution and full utilization of appropriated funds. The DAR-Q process requires synchronization of efforts from each of the stakeholders responsible to include but not limited to the following Funds Holder, Accountants, Budget Analysts, Program Managers, Contracting Officers, and Acquisition/Logistics representatives. DAR-Q sampling methodology focuses on high-risk, high-value balances in accordance with DoD 7000.14-R Volume 3, Chapter 8. High-risk comprises dormant balances in expiring and canceling appropriations. When requested, the ACO/CA must support the DAR-Q team to provide supporting information or confirm closeout status within 10 calendar days. The link to the DAR-Q is on this Manual’s Resource Page. Table 5 provides the DAR-Q review periods.

Table 5. DAR-Q Review Periods

Quarter	Dormancy Period	DAR-Q Review Period
1	October 1 through December 31	January through March
2	January 1 through March 31	April through June
3	April 1 through June 30	July through September
4	July 1 through September 30	October through December

4.7. CODING FUNDS AT RISK OF CANCELING. Throughout the administration of funds at risk of canceling, the status of the funds may change as issues are resolved and the ULO moves from one period to another. The ACO/CA must code the status of each ACRN above the threshold in expired years 4 and 5 in the Agency system of record for canceling funds early in the FY and update the status throughout the FY as conditions change. The Agency system of record for canceling funds is the repository to capture the status of at risk funds of canceling. Final coding must be entered by September 1.

SECTION 5: SURVEILLANCE OF FUNDS IN EXPIRED PERIOD YEAR 5

5.1. CANCELING YEAR OVERVIEW. Guidance in this Section pertains to funds at risk of canceling in expired period year 5 only. While the Agency policy is to work funds at risk of canceling in expired years 4 and 5 above the thresholds, only expired year 5 contract ACRNs above the thresholds require:

- a burn down plan
- measurement to the Agency goal

a. In the canceling year, it becomes more critical for the ACO/CA to reconcile canceling year ULOs, billings, and payments. Any outstanding invoices/vouchers that have not been paid by September 30th will require current year funds. Reconciliation of canceling year at risk ULO requires reviewing all obligations, funding modifications, and disbursements to ensure accuracy of accounting records.

b. Annually, by October 7th, the Agency system of record for canceling funds will post the initial baseline data identifying contract ACRNs at risk of canceling in the FY for the OUs to review. The Agency system of record for canceling funds provides daily updates on resolution of funds that result from MOCAS actions, such as disbursement of funds, modification input (e.g., deobligation), and DFAS accounting adjustments.

c. DFAS annual memorandum, DFAS will issue an annual memorandum in the second quarter of the FY advising in accordance with Public Law 101-510, “National Defense Authorization Act for Fiscal Year 1991,” certain appropriations will cancel on September 30th of that FY end. To ensure all invoices or vouchers against these appropriations are paid before the funds cancel, DFAS will request these invoices or vouchers be received at DFAS by a specific date in the 4th quarter of the FY, generally July 1. To eliminate payment delays, the following conditions must be met:

- Invoice or voucher must be accurate, complete and comply with contract terms
- Invoice or voucher must be entered into Wide Area Work Flow unless a waiver has been granted
- DD Form 250, “Material Inspection and Receiving Report,” if applicable, must be distributed and approved in Wide Area Work Flow
- Contractors must have active and current System for Award Management registrations in accordance with FAR 4.11
- Any contract deficiency affecting payment must have been corrected via modification or DCMA Form 1797 and input into MOCAS
- Sufficient funds must be available on the contract and respective ACRNs to process the invoice

d. The Contracts/Pricing, Policy and Processes Division Director will issue a C-Note or other type of written notification disseminating the DFAS memo to the OUs identifying the last

day DFAS will accept invoices for processing canceling funds. See this Manual's Resource Page, "Fiscal Year End Processing for Canceling Year Invoices," memorandum.

5.2. CANCELING FUNDS AGENCY GOAL AND BURN DOWN PLAN.

a. Agency goal. The Agency performance goal for funds at risk of canceling in expired year 5 (the canceling year) is stated in the Canceling Funds Metric document on this Manual's Resource Page. The objective is to reduce funds at risk of canceling to meet the Agency goal by September 1. Status codes for all ACRNs in expired year 5 above the threshold must be entered in the Agency system of record for canceling funds by September 1.

b. OU burn down plans. The burn down plan is the OU's approach to reduce the total baseline population of ACRNs identified as at risk of canceling in expired year 5 above the threshold. The burn down plan must include monthly targets culminating in 100 percent reduction by September 1, with the understanding that the Agency goal will be established at less than 100 percent. The plan will be developed at the OU level and may include a breakout of the individual offices within the OU. Plans must be developed to target submission of all invoices and reconciliation requests to DFAS to allow adequate processing time. Throughout the FY, OUs will track performance monthly against the burn down plan to measure progress to the Agency goal. A template burn down plan titled "Canceling Funds Burn Down Plan Template" is on this Manual's Resource Page.

c. Prepare burn down plan. By December 15th of each year, the OU Contracts Director will prepare the OU burn down plan and submit it to the HQ Performance Advocate. The OU Contracts Director may reach out to the Contract Management Offices (CMO) for input and may appoint a canceling funds performance advocate to assist in this effort. DCMAS will submit their burn down plan by February 15th each year.

d. Review and consolidate burn down plans. By December 30th of each year, the HQ Performance Advocate will review and verify if the OU burn down plans ensure all at risk dollars will be resolved by September 1st of that FY and consolidate the OU plans into an Agency plan.

e. Changes to a burn down plan. Requests to modify a posted burn down plan must be approved by the OU Contracts Director and coordinated with the HQ Performance Advocate prior to changing a plan.

5.3. STATUS AND REASON CODING AND TRACKING. The ACO/CA will take these actions for expired year 5 ACRNs above the threshold:

a. ACRN Review. Review the contract ACRNs in the Agency system of record for canceling funds at the start of the new FY and code each contract ACRN identified as at risk of canceling above the threshold and update the Agency system of record for canceling funds with the status code, reason code, and comments, if applicable, indicating the current status of the funds. Status and reason codes for the Agency of system of record are in the Canceling Funds Coding Guidance on this Manual's Resource Page.

b. Contractor's intent to invoice. Establish the contractor's intent to invoice for canceling funds by following the procedures stated in Paragraph 4.2. As feedback with status is received from contractors, the ACO will update the coding appropriately

c. Update codes as conditions change. While continuing reconciliation actions monthly, the ACO/CA will review the Agency system of record for canceling funds monthly and update the code and comments as conditions change. Updates should be made as frequently as required based on communications with the contractor, the PCO, DFAS, and changes in funds status. Examples of this are noting how much the contractor will be billing on an interim voucher, and that the PCO has been notified of excess funds.

d. Code for new ACRNs. Code the Agency system of record for canceling funds for new (Not Reported) ACRNs received throughout the FY.

e. Coding Agency system of record for funds at risk of canceling. If the ACO/CA has taken all reasonable efforts possible to resolve the at risk dollars and the dollars cannot be resolved due to contractor unwillingness to take action or other actions beyond the ACO/CA's control, the effort and cause of not resolving the at risk dollars must be documented, coded as required, and may be considered exhausted. It is recognized in managing at risk funds that certain actions are not within DCMA's control, which may require the PCO to provide current year funds if at risk amounts are not disbursed/resolved prior to FY end. The Canceling Funds Coding Guidance (on this Manual's Resource Page) provides codes that may be used when the contract is awaiting settlement of a legal issue (e.g., investigation, litigation, bankruptcy, etc.) or the PCO does not provide agreement to deobligate the funds. When these situations occur and the ACO/CA has demonstrated due diligence and the codes provided for this circumstance are used, this does not count against the Agency's achievement to goal.

f. FLS review. The FLS will ensure the integrity, accuracy, and completeness of codes entered into the Agency system of record for funds at risk of canceling.

g. HQ Performance Advocate tracking. The HQ Performance Advocate will track performance monthly against the Agency burn down plan for the current FY. The Performance and Systems Management Division Director will oversee Agency performance of funds lifecycle management to the Agency's goal.

h. Manage burn down plan. The OU Contracts Director, CMO Contracts Director, and FLS will manage their respective burn down plan monthly and track at risk canceling funds status in the Agency system of record for canceling funds to ensure performance is commensurate with the burn down plan. Any offices not meeting the plan may be requested to provide status and a plan to meet the year end goal.

i. Report Agency performance. After completion of the FY, the HQ Performance Advocate will report the Agency's FY performance and achievement towards the Agency goal for funds at risk of canceling in expired year 5, as reflected in the Agency system of record for canceling funds, to the Executive Director, Contracts and the Agency Director.

j. Quarterly schedule of actions. A quarterly schedule of actions to guide timely management of at risk funds in the canceling year to prevent funds from canceling is on this Manual's Resource Page for optional use.

k. Canceling Funds fiscal year timeline. Table 6 provides the FY canceling funds timeline.

Table 6. Canceling Funds Fiscal Year Timeline

Suspense Date	Who	Action
NLT Oct 7	Agency System of Record	Post initial baseline data in Agency system of record for OUs
NLT Nov 15	ACO/CA	Bundle ACRNs and send letter to contractor advising when funds will cancel in accordance with Paragraph 4.2.
NLT Dec 15	OU Contracts Director	Prepare annual burn down plan Forward to HQ Performance Advocate
NLT Feb 15	DCMAS	Prepare annual burn down plan Forward to HQ Performance Advocate
NLT Dec 30	HQ Performance Advocate	Consolidate and review burn down plans to verify all at risk dollars will be resolved by September 1st
Monthly	ACO/CA	Update Status and Reason codes and comments as conditions change
Monthly	OU Contracts Director, CMO Contracts Director, and FLS	Track monthly at risk canceling funds in the Agency system of record to the burn down plan
NLT Apr 30	Contracts/Pricing, Policy and Processes Division Director	Issue C-Note identifying the last day DFAS will accept invoices for processing canceling funds to ensure payment by FY end
NLT May 15	ACO/CA	Communicate to contractors the last day DFAS will accept invoices for processing canceling funds to ensure payment by FY end
15th of each month	DCMAS OU Point of Contact	Collect Regional data and send to HQ Performance Advocate
Monthly	HQ Performance Advocate	Track monthly at risk canceling funds to Agency burn down plan
Sep 1	HQ Performance Advocate	Measure Agency performance and achievement to Agency goal
October	HQ Performance Advocate	Report Agency performance and achievement to Agency goal

5.4. RESOLUTION OF CANCELING FUNDS.

a. MOCAS Section 3. The ACO will make the decision whether or not to resolve funds at risk of canceling after consulting with the PCO, assigned legal counsel, Termination Contracting Officer, and other agencies or specialists as appropriate, and obtain written concurrence from the PCO and assigned legal counsel for action.

b. Canceled Funds. The ACO/CA will advise contractors to promptly submit payment requests to ensure processing before funds cancel. Any outstanding invoices or vouchers that have not been paid by September 30th will require current year funds.

(1) If the PCO elects to have funds cancel, the ACO/CA must obtain written documentation from the PCO, place it in the Agency system of record for the official contract file documentation prior to the funds canceling, and code it in the Agency system of record for canceling funds. MOCAS R9 Code 34 will indicate canceled funds on the contract in Funds At Risk data. This code will be generated automatically by MOCAS when the funds cancel because it is based on the appropriation date. The R9 Code 34 cannot be removed from the ACO/CA coded remarks field when the canceled funds at the contract level is not equal to zero.

(2) If funds cancel and the contractor subsequently bills, the submission will be listed as a DFAS Deficient Merged Account invoice or voucher and requires current year funding from the PCO. The DFAS Deficient Merged Account process is shown in a brief on this Manual's Resource Page. It is the responsibility of DFAS to pursue funding with the PCO. For replacement and additional funds, reference DCMA-MAN 2501-07.

(3) Once DFAS receives new monies for canceled ACRNs, the contractor will be paid.

5.5. SPECIAL PROGRAMS PROCEDURES. DCMAS will follow the procedures stated in this Manual for unclassified contracts. For classified contracts tracked outside the Agency system of record, DCMAS will follow the intent of the procedures stated in Sections 3 and 4 to the maximum extent possible. With regard to this Section, DCMAS will validate and update status and reason detail codes for canceling funds line items, however, the results will not be entered into the Agency system of record for canceling funds. The DCMAS Performance Advocate will share the results with the HQ Performance Advocate.

GLOSSARY

G.1. DEFINITIONS.

ACRN. Must be identified in a contract in accordance with DFARS PGI 204-7107, Contract ACRN and AAI.

Advana. A centralized data and analytics platform that provides DoD users with common business data, decision support analytics, and data tools.

Agency system of record. DCMA's authoritative data source for a given data element or piece of information. This Manual's Resource page identifies the current Agency systems of record for this process.

Antideficiency Act. This law, 31 U.S.C. Sections 1341, 1342, and 1517, states that an officer or employee of the U.S. government may not (1) make or authorize an expenditure or obligation exceeding an amount available in an appropriation, unless authorized by law; (2) involve the government in a contract or obligation for the payment of money before an appropriation is made, unless authorized by law; (3) make or authorize an expenditure or obligation exceeding an apportionment or a formal subdivision of funds; or (3) accept voluntary services on behalf of the United States or employ personal services except for emergencies involving human life or the protection of property, unless authorized by law.

Appropriations Act. The most common form of budget authority. An appropriation is a statutory authorization to incur obligations and make payments out of the Treasury for specified purposes. Appropriated funds are funds that may be obligated and disbursed. The authority of a federal agency to spend appropriated funds is limited. An agency may obligate and expend appropriations only for a proper **purpose**. An agency may obligate only within the **time** limits applicable to the appropriation (e.g., O&M funds are available for obligation for one fiscal year). An agency must obligate funds within the **amounts** appropriated by Congress and formally distributed to or by the agency.

Authorization Act. A statute, passed annually by Congress, which authorizes the appropriation of funds for programs and activities. An authorization act does not provide budget authority. That authority stems from the appropriations act. Authorization acts frequently contain restrictions or limitations on the obligation of appropriated funds.

BPC programs. Security cooperation and security assistance activities that are funded with USG appropriations and administered as BPC Letters of Offer and Acceptance within the FMS infrastructure. These programs provide defense articles and/or services to other USG departments and agencies under the authority of the Economy Act or other transfer authorities for the purpose of building the capacity of partner nation security forces and enhancing their capability to conduct counterterrorism, counter drug, and counterinsurgency operations, or to support U.S. military and stability operations, multilateral peace operations, and other programs.

Burn down plan. The OUs approach to reduce the total baseline population of ACRNs identified as at risk of canceling in expired year 5. The burn down plan must include monthly targets culminating in 100 percent reduction by September 1.

C-Note. C-Notes are contracting memorandums issued by the DCMA Contracts Directorate to disseminate information and provide additional guidance to the DCMA contracting community.

Color of money. Refers to an appropriation category for a DoD financial account such as O&M, RDT&E, Procurement, MILCON, and Ship Conversion Navy. Each category is considered to be a different color of money.

Disbursement. Payment for goods or services rendered to the Government.

Dormant funds. Funds are defined as dormant if they have not been liquidated and no obligations, adjustments, contract modifications, disbursements, or withdrawals occur within a 90 calendar day period in accordance with DoD 7000.14-R, Volume 3, Chapter 8.

Economy Act. The Economy Act (Sections 1535 and 1536, Title 31, U.S.C.) is a general authority for the interagency or the intradepartmental furnishing of goods and services on a reimbursable basis. Under the Economy Act, the purchasing department or agency must pay the performing agency's actual costs of the goods or services provided, to include direct and indirect costs.

Excess funds. Funds relating to a specific ACRN or deliverable in excess to known contract requirements of that ACRN. Excess funds may be used by the contracting activity to fund other program requirements as long as the funds have not expired or canceled.

Expired appropriation. An appropriation or fund account in which the balance is no longer available for incurring new obligations, but is still available for recording, adjusting, and liquidating valid obligations. The account remains available for such purposes for 5 years after expiration.

Flexibly priced contract. Means (1) Fixed-price contracts and subcontracts described at FAR 16.203-1(a)(2), 16.204, 16.205, and 16.206; (2) Cost-reimbursement contracts and subcontracts (FAR 16.3); (3) Incentive contracts and subcontracts where the price may be adjusted based on actual costs incurred (FAR 16.4); (4) Orders issued under indefinite-delivery contracts and subcontracts where final payment is based on actual costs incurred (FAR 16.5); and (5). The materials portion of time-and-materials contracts and subcontracts (FAR 16.6).

FLS. The lowest level supervisor who manages employees and not the supervisor who manages other supervisors.

FMS Letter of Offer and Acceptance. U.S. DoD letter by which the USG offers to sell to a foreign government or international organization U.S. defense articles and defense services pursuant to Section 2751, Title 22, U.S.C., also known as the Arms Export Control Act. The letter of offer and acceptance lists the items and/or services, estimated costs, and the terms and

conditions of sale; it also provides for the signature of an appropriate foreign government official to indicate acceptance. Also referred to as FMS case.

LOA. Identifies the activity responsible for an allotment or sub-allotment of funds to ensure activity receives all reports and transactions relative to a specific “pot” of money. Similar to a checking account number.

MILCON. Funds are used for development, conversion, or extension of construction of any kind carried out with respect to a military installation.

MOCAS. An integrated contract administration and payment system designed to provide DCMA and the DFAS with electronic information for contract and payment administration.

NULO. A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

Obligation. (1) An obligation is a legally binding agreement or action that will result in outlays, immediately or in the future. (2) The amount of funds authorized for disbursement by a contract. Each separate obligation amount is identified by a separate LOA. While a single order may be funded by multiple LOAs, each LOA represents a separate obligation amount to which the resulting disbursement must be matched.

O&M. Funds pay for current operations of the agency and for the maintenance of property. O&M funds cover such agency expenses as civilian salaries, awards, travel, training, utilities, leases and rents, service support contracts, annual software licenses, and other expenses necessary and required to operate and maintain the agency.

OU. These units are identified as Eastern, Central, Western, and Cost and Pricing Regional Commands; International, Special Programs, and Aircraft Integrated Maintenance Operations (AIMO) Commands; and the Business Operations, Contract Lifecycle Management Division, Logistics, Earned Value Management, and Safety Centers.

Procurement. Funds used for different categories of investment items such as ammunition, missiles, aircraft, weapons, shipbuilding and other procurement. Also used for the purchase of IT systems with a cost exceeding the expense-investment threshold of \$250,000.

RDT&E. Funds used to develop major upgrades to increase the performance of existing systems, purchase test articles, and conduct developmental testing and/or initial operational test and evaluation prior to system acceptance.

Remaining funds. Funds left on a contract/order due to quantity variances or price rounding and where all contract/order performance as required by the contract/order has been completed and paid in full.

Services. Short for military Services: Army, Navy, Air Force, Marines.

SFIS. A comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across the DoD enterprise.

SLOA. The DoD SLOA Accounting Classification is a subset of the SFIS data standard elements comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger.

ULO. The amount of obligation that has not been liquidated by payments (disbursements) (DoD 7000.14-R, Volume 3, Chapter 11).

GLOSSARY

G.2. ACRONYMS.

AAI	Agency Accounting Identifier
ACO	Administrative Contracting Officer
ACRN	Accounting Classification Reference Number
BPC	Building Partner Capacity
CA	Contract Administrator
CMO	Contract Management Office
DAR-Q	Dormant Account Review Quarterly
DCAA	Defense Contract Audit Agency
DCMA Form 1797	Request for MOCAS Action/Information
DCMA-MAN	DCMA Manual
DCMAS	DCMA Special Programs Command
DD Form 250	Material Inspection and Receiving Report
DFAS	Defense Finance and Accounting Service
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
FICR	final indirect cost rates
FLS	First Level Supervisor
FMR	Financial Management Regulation
FMS	Foreign Military Sales
FY	fiscal year
HQ	Headquarters
LOA	line of accounting
MILCON	Military Construction
MOCAS	Mechanization of Contract Administration Services
NULO	negative unliquidated obligation
O&M	Operations and Maintenance
OU	Operational Unit
PCO	Procurement Contracting Officer
PGI	Procedures, Guidance, and Information
RDT&E	Research, Development, Test, and Evaluation

SAMM	Security Assistance Management Manual
SFIS	Standard Financial Information Structure
SLOA	Standard Line of Accounting
ULO	unliquidated obligations
U.S.C.	United States Code
USG	United States Government

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