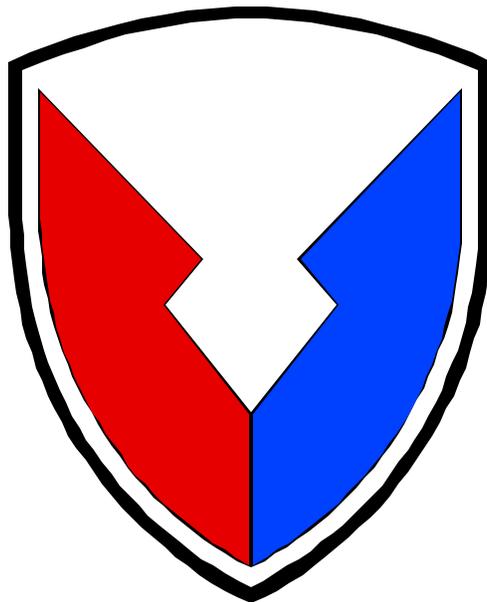


AMC  
EXECUTIVE TRAINING GUIDE  
FOR  
FINANCIAL MANAGEMENT



U.S. ARMY MATERIEL COMMAND  
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## PREFACE

The AMC Executive Handbook for Financial Management is a valuable educational and ready reference aid for the use of U.S. Army Materiel Command (AMC) officials in positions involving management of the AMC's financial resources. This publication is oriented toward installation level financial management, but the principles are generally applicable throughout the AMC.

AMC is vested with the public's trust and confidence for equipping our soldiers in the field. The members of AMC have a responsibility with respect to the assets with which we have been entrusted by the American people. Financial management is an integral part of the commander's role in fulfilling this responsibility. Moreover, judicious financial management is the basic means by which today's programs are executed and tomorrow's goals are formulated. Responsible financial management is the key to generation and maintenance of the essential Army readiness posture.

Commanders bear the responsibility to ensure that the highest standards attend the accounting for public assets; therefore, commanders and their key staff officers must have a basic understanding of the procedures and techniques of fund control. This handbook is designed to provide that understanding. Financial management matters will be handled through command channels, and those directly responsible for misuse of funds will be held personally accountable. It is essential that the highest standards of integrity and care characterize management of resources. Command emphasis on financial management at all levels will assure such standards.

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## Chapter 1 INTRODUCTION

1-1. GENERAL. Commanders and directors of engineering and housing of large continental U.S. (CONUS) installations often observe the handiwork of contractors and buildings and ground crews by making periodic surveillance flights over their real estate. At one installation a new building was discovered at a remote location, far from the main post, where a troop unit was performing a regularly assigned mission. The troop unit had built the building with misappropriated materials. At another installation a fire caused by faulty wiring resulted in unusually high dollar damage for the type building in which it occurred. Fire inspectors discovered that an unauthorized false ceiling had made the sprinkler system ineffective and the carpeting that was destroyed by water was not authorized in the first place. Both building improvements were so-called "self-help." Unfortunately, in many documented cases of regulatory and statutory violations, there is evidence of ignorance, misinterpretation, or illegal use of funds. In many cases, responsible officials ignore a violation and continue to march or attempt to cover it up. Should installation commanders and their senior leaders throw up their hands and conclude that laws, regulations, and computerized systems make fund usage and control impossible? Should we allow congressional leaders and Army historians to write that "Army commanders have lost their ability to control funds and render accurate stewardship on the use of those funds"? Hardly! There is a sound system for control and use of resources, but it requires understanding, command direction, and timely review of the actual versus the programed status of funds by the commander and his principal staff officers.

1-2. HANDBOOK OVERVIEW. This chapter presents an overview of the systems available to installation commanders that allow them to control and spend government funds properly in accomplishing their mission.

a. The Army installation management body for controlling funds. Financial management ultimately is a commander's responsibility. It cannot be delegated to directors for resource management (DRMs) or financial managers at lower levels. However, commanders can and typically do enlist the service of their senior staff in determining the priority use of funds. Sometimes called a Program Budget Advisory Committee (PBAC) or Resource Allocation Committee (RAC) as at Army Materiel Command headquarters (see figure 1-1), by whatever name, these advisory groups may also be involved in the critical function of reviewing actual use of funds versus programed use and recommending adjustments. When installation personnel know that the deputy commander or chief of staff chairs the PBAC to hear first hand the rationale leading to decisions, then the quality of installation management is more effective.

b. Standard fund control language. The Army Management Structure in the DFAS-IN Manual 37-100-XX series provides a standard language for fund control that extends from congressional leaders to the lowest ranking clerk who prepares vouchers for payment of the Army's bills. For a brief rundown on all the operating and investment funds, see Chapter 2.

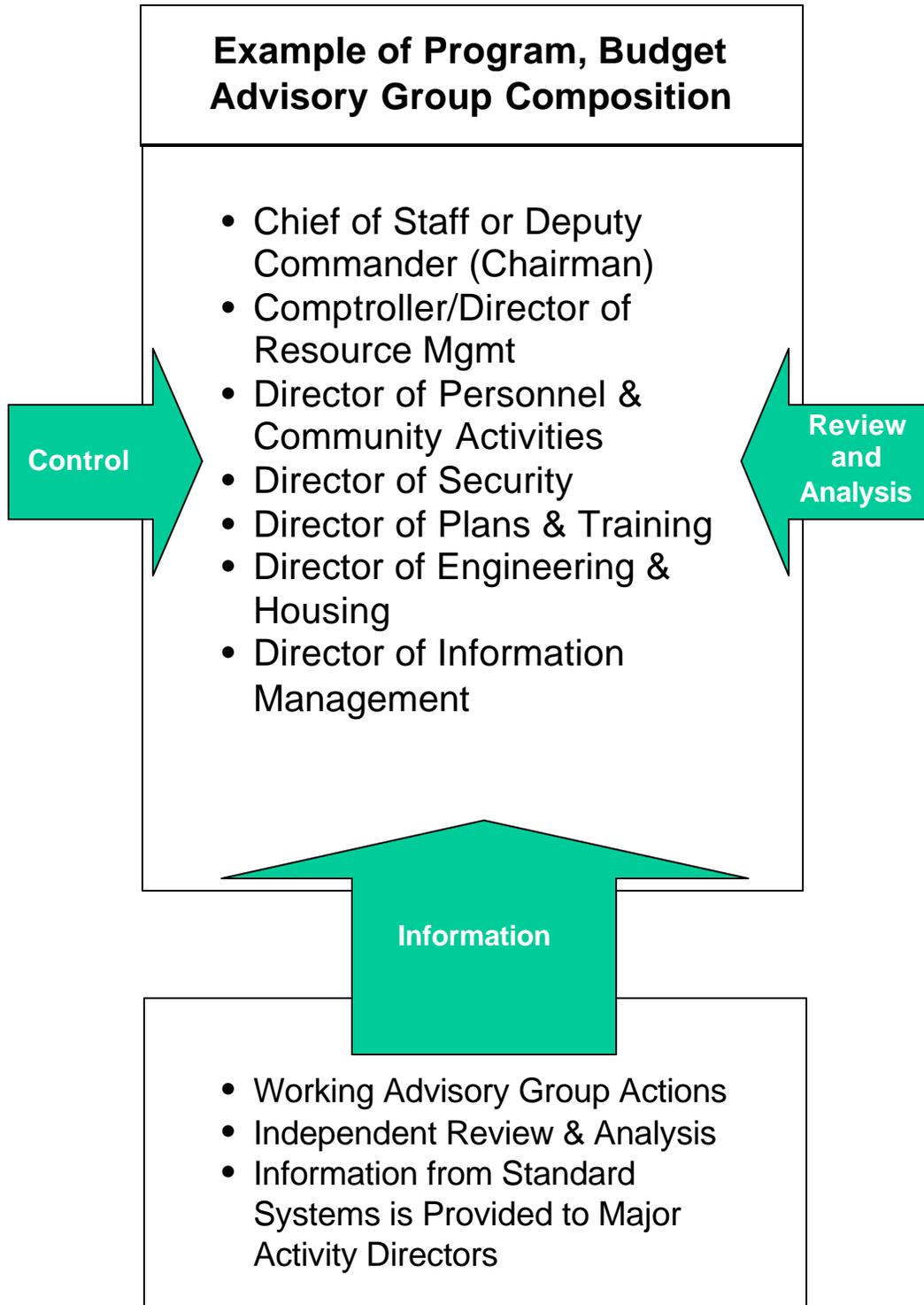


Figure 1-1. Installation principal staff support for the financial management process.

c. The current philosophy of fund control. Commanders may delegate the authority to establish and maintain procedures for controlling funds, but commanders are never relieved of their responsibility to insure that procedures established and maintained will prevent violations of laws and directives. Commanders receive their authority to spend public funds for accomplishing their mission by means of a funding authorization document (FAD) or fund allowance document. At that moment, commanders and members of their staffs delegated fund control responsibility become subject to DFAS-IN Regulation 37-1, Finance and Accounting Policy Implementation which implements provisions of the Antideficiency Act (ADA).

(1) The Antideficiency Act is not a specific statute. Rather, it is a collection of statutes, primarily Sections 1341, 1342, and 1517 of Title 31 of the United States Code, that contain provisions commonly referred to as the Antideficiency Act. (The ADA was formerly codified under Sections 3678 and 3679 of the Revised Statutes, from which violations once derived their common usage names: the old terms, "3678" and "3679" violations are still occasionally heard.) The ADA requires the head of each executive agency to prescribe by regulation a system of administrative control of funds. It describes the legal requirements for allotment structures and definition of the role of key officials; fixes responsibilities for antideficiency violations, or regulation relating thereto; and provides the means for reporting such violations to the President and Congress through the Office of Management and Budget (OMB). See Chapter 12 for information related to ADA violations and investigations.

(2) Chapter 7 of DFAS-IN Regulation 37-1 lists the ADA's main features, but suffice it to say at this point that if an *intentional* violation of the ADA is proven, those responsible are subject to a felony charge. For more information on decentralizing fund control to the major activity directorate level on Army installations, see Chapter 3.

d. Management of installation operating appropriations. The management of operating appropriations and funds at installations is a challenging task. This handbook discusses the appropriations received at installations and points out the areas where restrictions or other directives should be noted. See Chapter 4 for further information.

e. Army Working Capital Fund (AWCF) supply operations. Each year the installation spends large amounts for the supplies and equipment required to accomplish its mission. The timing of these purchases is critical. If a shortage occurs, work productivity can suffer. A more detailed explanation of purchasing supplies and equipment is in Chapter 5.

f. Construction, maintenance and repair. A number of the reported ADA violations in past years has occurred in this area. Decisions required in work classification (e.g., maintenance or repair versus new construction) as well as crossing funding threshold limitations, use of incorrect appropriations, failure to provide required congressional notifications, and unauthorized work performed by units on the installation that the post engineer learns of after the fact make this a very susceptible area for violations. The director of engineering and housing (DEH) is the installation commander's day-to-day manager of work projects. Training of all DEH employees

and awareness programs for all DEH customers can provide greater assurance that laws and statutes are not being broken. For further information, see Chapter 6.

g. Research, development, test and evaluation. Speed of execution and quality are essential characteristics of Army research and development. Every authorized action should be taken to reduce the time required to satisfy a materiel requirement or nonmateriel objective. Funds must be planned and programed within programing guidelines to insure the proper conduct of the development effort. For more on this subject, see Chapter 7.

h. Army procurement accounts. The Army procurement appropriation consists of two types of programs: the direct Army program and the customer program. Under the customer program, funded reimbursement authority permits establishing reimbursable orders against Army procurement appropriations. The Army procurement accounts actually consist of five separate procurement appropriations, each with their own reimbursable programs: i.e., Aircraft, Missiles, Weapons and Tracked Combat Vehicles, Ammunition, and Other Procurement, Army. See Chapter 8.

i. Morale, welfare, and recreation (MWR) funding. This is the name for activities supported by nonappropriated and appropriated funds, and it is big business on many Army installations. The MWR, which also includes family services, is primarily designed to be self sufficient but receives significant direct appropriations to support mission sustaining activities and community support services. As with any other funds and appropriations, the commander has a fiduciary responsibility to assure they are used as intended. For more information see Chapter 9.

j. The role of major activity directors. Most installations throughout the Army are organized with a directorate staff. Very little of the money received to operate an installation will be spent under the day-to-day scrutiny of the commander. Most of this day-to-day operation will be under the direction of the major activity directors such as the DEH or the director of logistics (DOL). The commander must insure that each directorate authorized to spend money properly controls its funds. For more information on directorate operations, see Chapter 10.

k. Installation programing and budgeting. An installation must express its plans for the future in terms of the amount of money that it will require to accomplish the mission. This is a highly technical, strictly time-controlled process that begins at the lowest level at which funds will be allocated and culminates with the final approval of the command operating budget by the commander. The details of this budget preparation are in Chapter 11.

l. MACOM resource management. The major command (MACOM) is the Army's intermediate management level. It is the command responsible for assignment of missions to subordinate commands and allocation of resources in support of these missions. For additional insight into the role of the major commander in the financial management process, see Chapter 12.

m. Sources of assistance to commanders. There are several sources of technical assistance available to the commander when he feels the need for an independent evaluation of an activity's financial operations. These sources include the installation internal review auditors, installation Inspector General, installation director of resource management, and command-requested audits performed by the U.S. Army Audit Agency. Chapter 14 discusses some of these more fully.

1-3. SUMMARY. This chapter has provided a brief overview of information contained in the remaining chapters. There is no substitute for knowledge of the laws and directives pertaining to fund control, and there is no commander who can be safely divorced from that knowledge.

## Chapter 2 THE ARMY MANAGEMENT STRUCTURE

### 2-1. GENERAL.

a. The main objective of the Army Management Structure (AMS) is to provide an integrated structure and specific definitions for use at all levels of command to control programing, budgeting, accounting, and reporting of all resources consumed by the Army. The numbers and symbols used become a language that is commonplace today and is required to describe actions taken.

b. All financial transactions must be identified as to the source of funding, purpose for which used, and nature of the expense. Each of these "levels" of information can have either congressional or regulatory limitations applied. This chapter will describe those levels of information and the general procedures used to provide the authority for incurring liabilities against the U.S. Government.

### 2-2. SOURCES OF FUNDING.

a. Congressional appropriations. Appropriations are the primary sources for the Army's financial requirements. Appropriated funds are functional in nature. The principal types can be categorized as operation and maintenance funds, military personnel funds, and investment funds. Another category is working capital funds, which are established for a unique operation. Specific coded symbol numbers are assigned to identify the type of funds for accounting and reporting purposes only.

b. Operation and Maintenance Appropriations. The following appropriations are primarily used to fund the day-to-day operations of the Army:

- Operation and Maintenance, Army.
- Operation and Maintenance, Army National Guard.
- Operation and Maintenance, Army Reserve.
- Army Family Housing.

The majority of the fund expenditures from these appropriations are primarily used to pay civilian personnel salaries, supplies, and contractual services. These appropriations are also used to purchase some small capital items and some maintenance, repair and minor construction costs.

c. Military Personnel Appropriations. The following appropriations are used to pay for the military manpower costs associated with the Army's force structure:

- Military Personnel, Army.
- National Guard Personnel, Army.
- Reserve Personnel, Army.

These appropriations finance the pay, allowances, individual clothing, subsistence, and permanent change of station travel for active duty, National Guard and Reserve personnel.

d. Investment Appropriations. The following appropriations are used to finance construction, procurement, and development costs.

- Military Construction, Army.
- Military Construction, Army National Guard.
- Military Construction, Army Reserve.
- Army Procurement Appropriation:
  - Aircraft Procurement, Army.
  - Missile Procurement, Army.
  - Procurement of Weapons and Tracked Combat Vehicles, Army.
  - Procurement of Ammunition, Army.
  - Other Procurement, Army.
- Research, Development, Test and Evaluation.
- Army Family Housing.

These funds are used for construction and to purchase major items of equipment ranging from tanks to chemical defensive equipment on the one hand and for research development, and testing of items not yet designated for procurement on the other hand.

e. Working Capital, or Revolving, Funds. These funds are a self-sustaining means for conducting and supporting a specific type of operation. They are not appropriated annually by Congress, as are operating and investment appropriations. A fund is initially approved and authorized by Congress through the approval of a corporate charter and initial capitalization. Capitalization or the "corpus" provides the fund with sufficient start-up cash to commence operations. The source of continued funding is based on acceptance of funded customer reimbursable orders for types of goods and services authorized and within the mission capability of the fund, as stated in the corporate charter. The Army has four revolving funds collectively called the Army Working Capital Fund (AWCF). Within the AWCF, the four Revolving Funds or Activity Groups are:

(1) Supply Management Army (SMA). SMA buys and maintains assigned stocks of materials for sale to its customers. SMA consists of a wholesale division with 6 subdivisions and a retail division with 8 subdivisions, all managed by HQAMC. Total net sales to customers in FY99 were \$2,603M for wholesale and \$3,865M for retail.

(2) Depot Maintenance (DM). The DM Activity Group provides the Army with an organic industrial capability to repair, overhaul, and upgrade weapon systems and equipment; store and distribute war reserve material, and other selected items; and provide tenant support to Army and other DOD activities. DM consists of five depots with management responsibility delegated from AMC to AMCOM, CECOM and TACOM. Total revenue for DM in FY99 was \$1,500M.

(3) Ordnance. The ordnance activity group consists of 10 arsenals and depots and is managed for AMC by IOC. Ordnance provides the Army an organic industrial capability to produce quality munitions and large caliber weapons, as well as a full range of ammunition maintenance for modern weapons systems. Ordnance installations manufacture, renovate, and demilitarize material for all branches of DOD and foreign customers. Total revenue in FY99 was \$417M.

(4) Information Services. The primary mission of the Information Services activity Group is to provide for the development and sustainment of automated information and communication systems. Services provided include requirements analysis and definition, system design, development testing, integration, implementation support, and systems documentation. Information Services is comprised of four Central Design Activities and is managed by CECOM. Total revenue for FY99 was \$122M.

### 2-3. OBLIGATION LIFE.

a. An obligation is the action taken to establish a liability against the U.S. Government that will ultimately result in a disbursement from the U.S. Treasury. The dollar amount established by Congress for a particular appropriation limits the amount of total obligations that may be incurred. However, a time factor may also limit the availability of an appropriation for obligations. In this regard, an appropriation may be referred to as an annual or multi-year appropriation or as a no-year fund.

b. An annual appropriation is available for incurring obligations only during the one fiscal year (that is, 1 October through 30 September of the following year) specified in the appropriation act. The operation and maintenance funds at an installation are a portion of an annual appropriation.

c. A multi-year appropriation is available for incurring obligations for a definite period in excess of one fiscal year. The RDTE and procurement appropriations are multi-year. Their programs may be obligated for 2 and 3 years, respectively.

d. A no-year fund is available for incurring obligations for an indefinite period of time, until exhausted, or until the purpose for which appropriated has been accomplished. The AWCF is a no-year revolving fund.

### 2-4. PROGRAM STRUCTURE.

a. Within the appropriations, various budget programs have been established. These programs become the focal point around which the financial management cycle revolves. The programs are formally structured for organized direction and control of Army activities. Installation managers are required to budget, control, and report the use of financial resources in terms of the Army programs.

b. The Office of the Secretary of Defense develops the Defense Program (DP), the official document that summarizes forces and resources associated with programs approved by the Secretary of Defense. The DP is comprised of the following 11 major force programs:

- Program 1 - Strategic Forces.
- Program 2 - General Purpose Forces.
- Program 3 - Intelligence and Communications.
- Program 4 - Airlift and Sealift Forces.
- Program 5 - Guard and Reserve Forces.
- Program 6 - Research and Development.
- Program 7 - Central Supply and Maintenance.
- Program 8 - Training, Medical, and other General Personnel Activities.
- Program 9 - Administration and Associated Activities.
- Program 10 - Support of Other Nations.
- Program 11 - Special Operations Forces.

c. The Department of Defense Appropriation Act of 1993 revised the structure of Operations and Maintenance appropriations from major force programs/program/subprogram structure to budget activity/activity group/ subactivity structure. The basis for this change was to provide a better display of readiness issues while maintaining reprogramming flexibility to support missions. All AMS codes (AMSCOs) were revised to match the new structure so that execution will match the new funding and reprogramming levels for the following budget activities:

- Budget Activity Group I - Operating Forces
- Budget Activity Group 2 - Mobilization
- Budget Activity Group 3 - Training and Recruiting
- Budget Activity Group 4 - Administrative and Servicewide Activities

Additional categories were added to show manpower/reimbursable AMSCOs. These categories are:

- Category 8 - Medical Manpower/Reimbursable
- Category 9 - Other Manpower

2-5. ELEMENTS OF RESOURCE. An element of resource (EOR) reflects the nature of the goods or services being procured, or performed, as distinguished from the budget program for which obligations are incurred. Examples are civilian labor, temporary duty, rents, and contractual services. The Army accounting system records these expenses against the designated program of the Army Management Structure. Figure 2-1 identifies the summary level elements of resource categories commonly used at the installation level.

2-6. DELEGATION OF FUNDING AUTHORITY. The authority to use certain funds is provided by regulation or by a funding document. In the case of military pay, for example, the

Description	Summary EORs
Civilian Pay, Full-Time (FTP) and Military Pay	1100
Civilian Benefits, FTP and Military Benefits (Government contributions to Life Insurance, Military Allowances, etc.)	1200
Travel and Transportation of Persons	2100
Transportation of Things (Government bills of lading of supplies, etc.)	2200
Rents, Communications, and Utilities	2300
Printing and Reproduction	2400
Other Contractual Services	2500
Supplies and Materials	2600
Equipment	3100

Figure 2-1. Summary level elements of resource categories commonly used at installations.

use of the Military Personnel, Army appropriation is administered under an open allotment system as authorized Army-wide by DFAS-IN Manual 37-100-xx Army Management Structure. If not authorized by regulation, then the funding document must provide authority to use an appropriation. We refer to this as receiving an allotment of funds. A subordinate command may receive more than one allotment from different funding sources. These are "specific allotments." Chapter 3 discusses the responsibilities connected with the receipt of an allotment.

## Chapter 3 CONTROL OF FINANCIAL RESOURCES

### SECTION I. INTRODUCTION

3-1. GENERAL. This chapter discusses current principles, rules, and philosophies for preventing violations of laws and directives. While commanders may delegate authority for controlling funds, they retain responsibility for ensuring that procedures are established and maintained that will prevent the violation of laws and directives. An understanding of the material in this chapter will help commanders carry out their financial responsibilities more effectively.

### SECTION II. FUND DISTRIBUTION

#### 3-2. CONCEPT OF FUND DISTRIBUTION.

a. The use of the term "funds" implies that the authority to create obligations against the U.S. Government has been granted. An obligation is an action that will bind the government to pay a known or estimated amount. Distribution of funds is any documented action that makes funds available for obligation. This distribution is made in a stated amount for specific purposes and to a specific organization.

b. The commander's authority to incur obligations will be received on either a Funding Authorization Document (FAD) or Funding Allowance Document (also FAD) specifying the appropriation and budget programs for which the funds may be used and imposing both administrative and legal restrictions and limitations. This process is used to facilitate administrative control over funds and documentation of potential violations of laws and directives.

#### 3-3. BASIC POLICIES OF FUND DISTRIBUTION.

a. Although distribution of funds is a means of controlling obligations and fixing responsibility, the policy is to minimize the formal distribution and to finance an operation at the highest practicable level. The Military Personnel, Army, appropriation (MPA), for example, is held and controlled centrally at HQDA. On the other hand, the Operation and Maintenance, Army (OMA), appropriation by necessity is formally distributed through the major commands to their installations and decentralized for control.

b. To achieve the Army's objective of integrating programing, budgeting, and financial control in one financial management system, the principal responsibilities for financial control must be decentralized and aligned with management responsibilities. At installations, this requires maximum decentralization of financial controls to major activity, or possibly subactivity, directors.

c. Financial restrictions, administrative limitations, and operating expense targets within which activities and subactivities must operate will be established by the installation commander. They will provide the foundation for installation resource control. The trend toward more numerous and complex programs emphasizes the need for effective decentralization of financial controls. Most of the limitations found on the FAD can be controlled only by the activities responsible for initiating actions that result in the consumption of resources.

### SECTION III. ADMINISTRATIVE CONTROL OF FUNDS

#### 3-4. GENERAL.

a. Purpose. The commander who receives a funding document authorizing him to incur obligations is at that moment subject to DFAS-IN Regulation 37-1 and the Antideficiency Act (ADA). The ADA prohibits any officer or employee from authorizing obligations, disbursement, or further distribution in excess of the amount of funds made available to him. Violations may result in severe penalties, which include suspension; removal from office; or, if done knowingly, a \$5,000 fine and/or imprisonment for not more than 2 years. Figures 3-1 and 3-2 contain the salient provisions of the ADA itself and information regarding potential violations of DFAS-IN Regulation 37-1. Employees authorized to control funds and incur obligations must be thoroughly acquainted with the content of the ADA, as implemented by the DOD Financial Management Regulation (Vol 14) and DFAS-IN Regulation 37-1.

b. Prevention. It behooves the commander to call upon both internal and external audit and review capabilities to ensure that his command's procedures are timely and accurate. This is done by:

(1) Insuring major activity directors review unliquidated obligations for validity at least three times per year. At other times, such as fiscal year end, it would be prudent to accomplish this review more frequently.

(2) Establishing clear lines of authority and responsibility.

(3) Arranging for financial audits by the installation's internal review auditors.

(4) Insuring positive response and follow-up to audit, assistance and inspection findings from such agencies as the General Accounting Office (GAO), DOD Inspector General (DODIG), Army Audit Agency (AAA), the U.S. Defense Finance and Accounting Service (DFAS), and major command headquarters.

3-5. RESPONSIBILITY OF THE MAJOR ACTIVITY DIRECTORS. After funds are received at the installation, the issuance of budgetary allowances or targets to the major activity directors charges them with the following responsibilities:

## ***The ADA Prohibits:***

Making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund **in excess** of the amount available in the appropriation or fund unless otherwise authorized by law;

Involving the government in any contract or other obligation for the payment of money for any purpose **in advance** of appropriations made for such purpose, unless the contract or obligation is authorized by law;

Accepting **voluntary services** for the United States, or employing personal services in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property; and

Making obligations or expenditures **in excess** of an **apportionment or reappropriation**, or in excess of the amount permitted by agency regulations;

And it **provides a penalty** for a violation: The person who caused the violation may be subject to adverse personnel actions and administrative discipline to include suspension without pay or removal from office. Good faith or mistakes of fact do not relieve an individual from responsibility for a violation. If action is done knowingly and willfully, the person may be fined up to \$5,000, imprisoned for not more than 2 years, or both. A knowing or willful violation (or concealment) is a felony.

***DoD's Implementing  
Regulation is***

DFAS-IN R 37-1

Figure 3-1. Prohibitions of the Antideficiency Act.

***With the prohibitions in mind, an  
ADA violation occurs:***

When a formal subdivision of funds is overobligated, overdisbursed, or obligated in advance of the appropriation;

When a revolving, management, or working capital fund has an appropriation level deficit cash balance with the U.S. Treasury;

When a statutory limitation is exceeded by more than the stated reprogramming authority...

- at budget line level for unexpired procurement appropriations;
- at program element level for unexpired research, development, test, and evaluation (RDTE) appropriations;
- at budget activity or project level for unexpired military construction and family housing construction appropriations;

When voluntary services are accepted, except as authorized by statute;

When new obligations or any expenditures or adjustments are made or authorized in a closed account except as authorized by special circumstances, such as to correct clerical errors as provided by Treasury Financial Management Bulletin No. 94-04;

When a specific statutory limitation (e.g., minor construction limit, investment/expense threshold, etc.) is breached.

Figure 3-2. Violations of the Antideficiency Act.

a. Certifying that funds are available when initiating a financial transaction. Before an obligation of funds can be incurred, there must be sufficient funds to cover the obligation. Under decentralized fund control, a major activity director who is issued a target would be given written fund certification authority. However, there may be times when, for reasons of very tight control, the certification responsibility is centralized. This could occur for a particular expense with a severe restriction. The main idea is to fix responsibility for ensuring that the obligation authority is not exceeded. This is the first important step in fund control. Before an official, such as the contracting officer, can proceed with letting a contract, he must receive from his major activity director a purchase request certifying that funds have been made available. It is imperative, then, that the person charged with certification authority knows the balance of his available funds.

b. Knowing and verifying the status of unliquidated obligations. Unliquidated obligations are obligations incurred as a result of issue of a supply item by the stock fund or ordering a service, but for which payment (i.e., a disbursement against the obligation) has not been made. The emphasis on decentralized control must be accompanied by an increased emphasis on the prompt and accurate recording of obligations. Following this is the review of unliquidated obligations--accomplished by a direct and open communication between the finance and accounting office and the major activity. The finance and accounting officer does not have authority to unilaterally make an adjustment affecting funds except adjustments resulting from processing disbursement vouchers; he must have an action document from the activity. The accounting records are the source from which the management data are derived, but verification of the unliquidated obligations is accomplished by the activity. The recording of obligations requires supporting documentation and is subject to laws and rules that vary by type of expense. Anyone authorizing or reviewing obligations must know these rules because the point in time and the amount to be recorded must conform to the rules. As an example, an obligation for TDY is recorded with an estimated amount and then must be adjusted to equal the actual amount of per diem and travel allowance computed at time of settlement. This process is simple enough until the travel is cancelled and the finance office is not notified, or until a traveler fails to file a claim for reimbursement. Verification by both the accounting branch and the applicable program activity director's representative is necessary to ensure that funds are both available and controlled. At least three joint reviews are required annually and should be scheduled in advance for the entire fiscal year. The first review will include accounts that have merged, or will merge, plus all current year unliquidated obligations in excess of \$5,000. The second review will include accounts that have expired plus all unliquidated obligations in excess of \$5,000. The third review will be for unexpired accounts with special emphasis on Miscellaneous Obligation Documents (MODs). This review will be conducted during the last 60 days of the fiscal year with the results approved by the Deputy Chief of Staff for Resource Management.

#### SECTION IV. REIMBURSEMENT PROGRAMS

3-6. GENERAL. An Army organization may receive its funding authorization from one or more of three types of authorizations: direct obligational authority, reimbursable authority, and Army Working Capital Fund (AWCF) operating cost authority. This section will explain the

fundamentals of reimbursement programs at an installation, the impact of those programs on the total obligation authority, and the methods for financing a remote activity.

3-7. REIMBURSABLE FINANCIAL AUTHORIZATIONS. Financial programs at installations typically involve providing support in terms of goods and services to individuals, certain activities, and tenant organizations. This support is provided in part on a reimbursable basis, which means that although the support is initially provided using mission funds, the customer will reimburse the installation through a billing procedure. The authority to provide goods and services on a reimbursable basis must be included on the funding document received at an installation. It applies to all appropriations. There are two types of reimbursements (automatic and funded). Automatic reimbursements are reimbursements to appropriated funds that are budgeted, controlled, and accounted for at the level of performance -- normally the installation. Funded reimbursements are those controlled at high levels (figure 3-3).

3-8. FUNCTION OF REIMBURSEMENT PROGRAMS. The authorization for funded and automatic reimbursements, in essence, constitutes additional resources that are available to preclude "borrowing" from direct mission funds to finance the cost of goods and services provided to reimbursable activities. The reimbursement program allows the installation to increase its funds available for obligation for specific purposes. The control procedures for direct funds, discussed in Chapter 10, apply to those additional funds generated at the installation through the reimbursement program as well.

3-9. IMPACT ON OBLIGATION AUTHORITY. To increase the total funds available for obligation legally, there must be a documented reimbursable order from a customer. The amount of the order received and then earned (actual delivery of supply or services) is the amount by which the installation's total obligation authority may be increased. Since the order is normally an estimate, the cost of goods or services provided is accumulated to determine the actual amount earned. The estimated amount must be adjusted to equal the actual amount earned, which is the earned reimbursement. Failure to do so could cause the balance of available funds to be overstated, which in turn could lead to an overobligation. Documented cases exist in which this very point was the cause of an ADA violation. As an aid to understanding how the operation of the reimbursement programs will increase total obligation authority, figure 3-4 illustrates that certain steps must be followed and certain stages exist.

3-10. FUNDED REIMBURSEMENT ACTIVITIES. A funded reimbursement activity is one in which the revenues produced are collected by a DA agency, or DOD agency in the case of foreign military sales for reimbursements to DA. Therefore, funds are received back at the installation to support the operations of that activity. Examples of funded reimbursement activities are:

- a. Timber harvesting.
- b. Services or supplies furnished forces or individuals of foreign governments for which collections are not made locally.

c. Laundry and dry cleaning services furnished to individuals for which the collection is deducted from the service members' pay.

3-11. **AUTOMATIC REIMBURSEMENT ACTIVITIES.** An automatic reimbursement activity is one in which the revenue earned by that activity is collected by the installation. (An activity may only accept reimbursable orders for work that is consistent with its mission capabilities.) Most reimbursements are automatic in nature. Examples of reimbursement activities are:

- a. Laundry and dry cleaning services furnished to individuals on a cash collection basis.
- b. Medical services furnished to certain authorized patients.
- c. Services provided to tenant or satellite activities that are financed by another appropriation.
- d. Research performed for other DOD agencies.

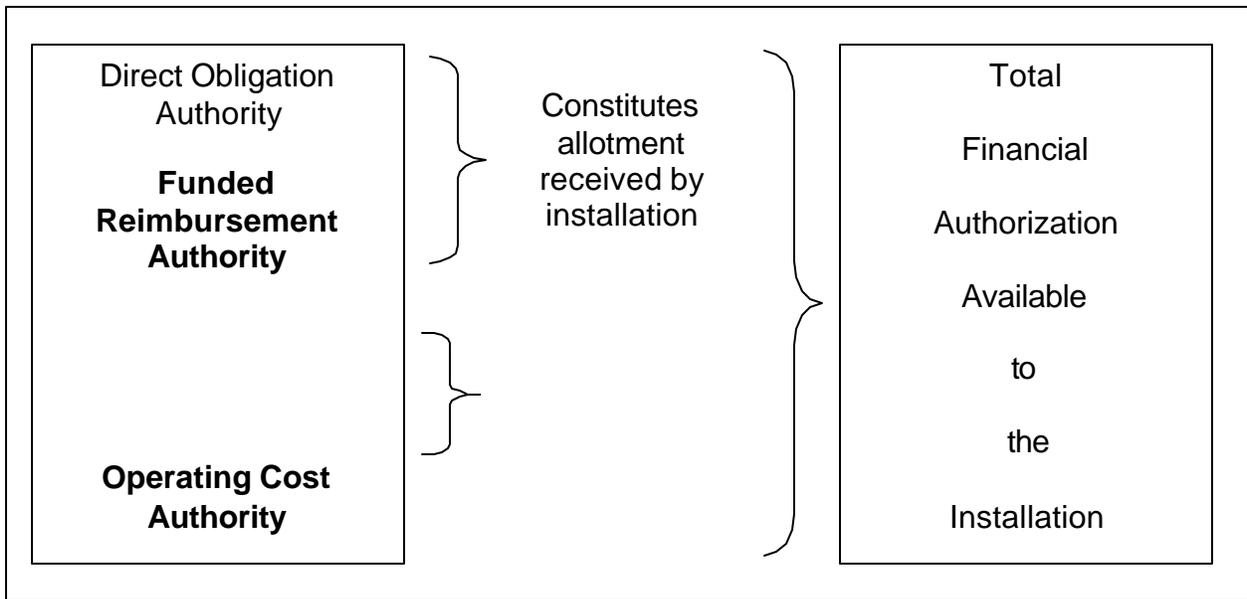


Figure 3-3. Types of financial authorizations.

<b>Stage</b>	<b>Funded Program</b>	<b>Automatic Program</b>
Authority Received (Funding document)	Dollar amount received on funding document placed in a reserve account represents temporary financing by HQDA for support of certain activities	General statement on funding document allows the installation to temporarily finance the cost of goods or services sold.
Order Received (i.e., DA 2544, DD448/MIPR) (Available funds increased)	Based on an estimate of reimbursable expense, that amount will decrease the reserve account and increase the funds available for obligation.	Based on an estimate of revenues, that amount is used to "generate" funds to increase funds available for obligation.
Earned Reimbursement (i.e., expense listing) (Establishes actual amount)*	Based on accumulated data, the actual amount of reimbursable support provided.	Based on accumulated data, the actual amount of sales is determined.
Collection	Offsets the temporary financing by HQDA.	Offsets the temporary financing by the installation.

\*CAUTION: Failure to adjust Orders Received (estimate) to Earned Reimbursement (actual) could cause an overobligated status, hence an ADA violation.

Figure 3-4. Stages of reimbursement.

## SECTION V. ARMY WORKING CAPITAL FUND (AWCF)

### 3-12. GENERAL

a. The current AWCF consists of four businesses or Activity Groups, Supply Management, Army (SMA), Depot Maintenance (DM), Ordnance, and Information Services. The precursor of the AWCF was Defense Working Capital Fund (DBOF) and, prior to 1992, the Army Stock Fund (ASF) and the Army Industrial Fund (AIF). In 1992, the Defense Management Review Decision 971, "DOD Financial Systems," created the DBOF. The ASF and AIF were incorporated into the DBOF as Business Areas. Subsequently, in 1996, the DBOF was consolidated and realigned into the current AWCF. The purpose of the AWCF is provide the Army, on a reimbursable basis, organic capability to procure certain supplies and materials and secondary items, perform depot repair and maintenance, and fabricate and renovate parts and equipment, as well as design and

develop information and communication data systems. There was another revolving fund, the Conventional Ammunition Working Capital Fund (CAWCF) that centrally funded conventional ammunition for all the services. Operated by DOD as part of the Defense Working Capital Fund and managed by DA, the CAWCF was eliminated at the end of FY97. Ammunition is now funded through the procurement appropriations, with each service purchasing its own.

b. Activity Groups in the AWCF may only provide goods and services to customers as stated in the Activity Groups mission statements. Criteria for the establishment of an AWCF Activity Group are that the outputs of the business can be identified, that a cost accounting system is in place to collect costs of producing outputs, that the customers of the business can be identified, and that there is a distinct buyer/seller relationship between the AWCF and customer.

c. One of the goals of the AWCF is to break even, that is, to recoup all costs of the business through the revenue rate charged to customers. All costs related to the operation of an Activity Group must be included in the operating budget of the business, except for major construction and costs associated with the Defense Commissary Agency. In general, the revenue rate is established by dividing total budgeted costs by total budgeted direct labor hours. The revenue rate is established in the President's Budget, which is published in the Feb/Mar time-frame prior to start of the fiscal year for which the rate was established. The establishment of a stable revenue rate allows the customer to adequately budget for proposed AWCF purchases.

3-13. ORGANIZATION AND RESPONSIBILITIES. The DOD Chief Financial Officer has the official responsibility for overall implementation and oversight of concepts and policies for all AWCF and Defense Working Capital Fund (DWCF) activity groups. The DWCF corporate board develops, reviews, approves and coordinates all policy, procedures, and implementation including fund composition, operating and capital investment goals, rate setting, financial systems, and business performance standards, as well as cash management. Possible Antideficiency Act violations caused by either exceeding approved cost/obligation authority or incurring a negative cash balance will be incurred in the AWCF at no lower than the Department level.

#### 3-14. FINANCIAL MANAGEMENT.

a. Apportionment: OMB apportionment of appropriated amounts are allocated by the Office of DOD Comptroller to the Components.

b. Budget Authority: The DOD Comptroller issues operating and capital budgets to each component within the Program/Budget approved by the Deputy Secretary of Defense. Components must meet overall cost authority provided in operating budgets. Cost authority, or the amount "earned," is a function of the actual work load times the individual costs goals for each business area. Individual activities and business areas can continue to incur costs as long as the total costs for all activities and business areas in the Component do not exceed the total cost authority/earnings for that Component as of fiscal year end. Within operating budgets, Components may reprogram between business areas as long as the Component does not exceed

its unit cost goal. For AWCF business areas that are authorized to incur costs in anticipation of customer orders, (e.g., supply operations), receipt of an operating budget will provide authority to incur costs up to the amount earned based on the actual workload. For AWCF business areas that are authorized to incur cost only after receipt of a customer order, (e.g., depot maintenance), receipt of an operating budget will provide the overall cost goal. The total costs that can be incurred are a function of the cost goals applied to the actual customer-funded workload.

(1) Components provide financial goals to each level of activity managed in the AWCF, based on their approved operating and capital budgets. Activity goals may vary from the Component business area total goal. However, the sum of the activity goals may not exceed the Component total cost authority.

(2) The annual AWCF operating budget as approved in the President's Budget may not be revised, altered or changed without the express written permission of the DWCF Corporate Board and the Department.

c. Cash Management: As long as each business area operates within the cost goals provided in approved operating and capital budgets, AWCF cash reserves should be sufficient. Components are responsible for ensuring that cost goals are not exceeded. The DOD Comptroller will maintain constant oversight over the flow of disbursements and collections to ensure adequate cash balances and will initiate corrective action when potential negative cash flows are identified.

### 3-15. AWCF PRICING.

a. Activity Pricing: Prices established for each AWCF activity will be set to produce revenues sufficient to cover all costs included in the President's budget; i.e., annual operations costs, additional capital outlays (if any), recovery of prior year operating losses or return of prior year gains, and other adjustments to cash approved by the DOD Comptroller. This will ensure that cost reductions made by an activity will be passed on to the customers of that activity.

b. Price Stabilization: Prices will be established for the President's budget and will not change during the year of program execution without the prior written approval of the DOD Comptroller, except for subsistence commodities.

## SECTION VI. FINANCING REMOTE ACTIVITIES

3-16. GENERAL. Often an installation requires funds to finance a unit or activity that is not located at the installation. Even though distance separates the two and the remote activity depends on another installation for support, the home installation has operational control and the responsibility of financing the operating expenses of the remote activity.

### 3-17. CONTROL.

a. Distance becomes a critical factor because it increases the time needed to record and maintain the accurate status of obligations incurred on behalf of a remote activity. Basically, there are four methods that may be employed to provide financial support. The one selected must provide the best support for the given situation. These four methods are as follows:

(1) Direct fund cite. This authorizes a supporting installation to cite the home installation's funds on a document or contract, usually not to exceed a specific amount. It is considered to be an expedient method for one-time transactions.

(2) Reimbursable order. This is a request for services based on a firm agreement between two installations. The supporting installation will use its funds to provide services to the remote activity (up to the amount stated on the reimbursable order) and then "bill" the home installation.

(3) Suballotment. This transfers a portion of the home installation's funds to the supporting installation, This decreases the home installation's obligation authority and, in essence, removes the home installation from the direct management of those funds.

b. Common and critical to all of the above procedures is the requirement that the method selected for controlling funds must be specified in writing and signed by the specific responsible fund control officers at both the home and remote stations.

## SECTION VII. FUNDING FOR MATRIX SUPPORT TO PROGRAM EXECUTIVE OFFICES

The program executive offices (PEOs) have been given authority and the resources to manage program cost, schedule, and performance. This authority includes system development, acquisition, testing, product improvement, and fielding. The role of AMC is to provide the matrix support needed by the PEOs in such a way to ensure program successes. Since FY92, all reimbursable matrix support for PEO-managed systems has been funded from Procurement or Research, Development, Test and Evaluation (RDTE) dollars provided to the PEO/PM. PMs engaged in primarily OMA-defined activities shall remain OMA-funded. The PM will establish the support needed from the materiel commands, and other external sources.

## SECTION VIII. MONITORING BUDGET EXECUTION

3-18. GENERAL. The Army's responsibility is better management of resources. The method used emphasizes centralized control of policies and programs and decentralized execution of approved policy and programs. In striving to improve the execution phase of all of these Army programs, the Chief of Staff directed incorporation of an execution function into the Army

programing and budgeting system. At the installation level, the primary method is review and analysis.

### 3-19. REVIEW AND ANALYSIS.

a. Budget review and analysis is a continuous process by which financial managers and commanders compare actual performance against previously established programs, and make necessary adjustments to avoid possible funding crises and ensure the accomplishment of missions. Budget review and analysis serves as an important evaluation tool for the commander during program execution. At the installation level the activity directors, major activity directors, and the DRM normally perform this function on a continuous basis. The commander and chief of staff receive periodic updates. The frequency of these periodic updates will depend on local conditions and the desires of the commander. The commander and chief of staff should receive as a minimum, quarterly updates during the first three quarters of the fiscal year, with monthly updates during the last quarter.

b. An effective budget review and analysis program must focus not only on historical performance (obligations to date), but also upon the programed requirements for the balance of the fiscal year. Only by incorporating this "forward looking" approach will the review and analysis process reveal problems and sources of excess funds. Usually the process combines deviation analysis for year-to-date data, and a projection analysis for the balance of the fiscal year.

Chapter 4  
INSTALLATION OPERATING APPROPRIATIONS

4-1. GENERAL

a. Without a doubt, a major challenge that commanders must constantly face is the accomplishment of missions within the limited resource levels provided. Congress has placed many limitations and restrictions on the use of appropriated funds. For example, we cannot use funds from a specific appropriation for other than the stated purpose; we cannot exceed fund ceilings; we cannot shift funds between major programs without specific approval; we are limited on the dollar amount that may be spent on maintenance and repair for a given set of government quarters; and so on. Even though the functional managers and financial management experts at an installation should be aware of the various restrictions and limitations, violations still occur. In fact, violations can occur in any area and level and no one is immune. Consequently, the management of financial resources at the installation level requires constant vigil and technical expertise. Figures 4-1 and 4-2 illustrate the problem and highlight the need for command emphasis.

b. This chapter explains the purpose of the two major operating appropriations at installations and points out areas where restrictions or other directives should be noted. The RDTE appropriation, which to a lesser extent has operations and maintenance applications, is covered in Chapter 7. The Army Working Capital Fund (AWCF) also has operations and maintenance applications at AWCF installations (see Chapter 5).

4-2. OPERATION AND MAINTENANCE, ARMY (OMA) AND OPERATION AND MAINTENANCE, ARMY RESERVE (OMAR).

a. Purpose. The OMA and OMAR appropriations are for the operation and maintenance of all organizational equipment and facilities of the Army; procurement of requisite equipment and supplies; production of audio-visual instructional materials and training aids, operation of service-wide and establishment-wide activities; medical activities; and operations of depots, schools, training, recruiting, and programs relating to the operation and maintenance of the Army. They also fund information, education, religious activities and expenses of courts, boards, and commissions, and partially fund morale and welfare activities (which are primarily supported by nonappropriated funds).

b. General restrictions.

(1) Obligation authority is received on a Funding Authorization Document (DA Form 1323) or Fund Allowance Document and the annual ceilings are subject to 31 USC 1511 -- 1517 and implementing regulations.

- Exceeding minor construction limitations
- Exceeding family housing limitations
- Exceeding subdivision of funds
- Improper recording of customer orders
- Accepting voluntary services absent statutory authority
- Augmenting an appropriation
- Improper purpose/expense
- Obligating funds before or after availability

Figure 4-1. Common violations.

- Deviation from the normal project control procedures
  - Incrementation of projects to circumvent approval authority or statutory dollar limits
  - Short-cutting chain of approval
  - Accomplishing design during or after actual construction
  - After-the-fact recording of project costs
  - Misclassification of costs
  - Misclassification of work
- Dual source of funding for a single project
  - Combining Operations and Maintenance, Army (OMA) and Military Construction, Army (MCA) funds
- Failure to fund equipment maintenance costs when troop labor is used
- Lack of knowledge of the various limitations
- Command influence

Figure 4-2. Factors contributing to minor construction limitation violations.

(2) Budget programs for which expenses may be incurred will be specified on funding document.

(3) Shifting funds between budget programs or allotments is prohibited.

(4) Funds may be used for minor construction subject to specific limitations (Chapter 6).

(5) Floors are established for maintaining real property facilities.

(6) Use and procurement of automatic data processing equipment is subject to specific limitations outlined in AR 18-1.

#### 4-3. FAMILY HOUSING MANAGEMENT ACCOUNT (FHMA).

a. Purpose. This account includes:

(1) Management: the cost of operating family housing offices at the installation level; and services: initial procurement, moving, handling, storage, maintenance, repair, and replacement of furnishings for family housing.

(2) Indirect support: utility services, except telephone service. It also includes administrative and general support type service provided by the installation. In addition it includes the maintenance and repair of buildings, roads, driveways, walks, exterior and interior utility systems, and grounds as well as fixtures and equipment that are integral components of a housing unit.

(3) The FHMA is authorized funded reimbursement authority (FRA) in an amount equal to the value of orders received. FHMA is not authorized automatic reimbursements.

b. General restrictions.

(1) The receipt of obligation authority is on a Funding Authorization Document (DA Form 1323) or Fund Allowance Document, and the ceilings are subject to 31 USC 1511 -- 1517 and implementing regulations.

(2) The amount for operation and the amount for maintenance are specified..

(3) Alterations and additions (incidental improvements) must be performed under authority of Section 2674 of Title 10, United States Code. (Discussed in Chapter 6 of this book.)

(4) The OMA appropriation will initially finance the maintenance and utilities furnished by the Director of Engineering and Housing. This is done by reimbursable order.

Chapter 5  
ARMY WORKING CAPITAL FUND (AWCF) SUPPLY OPERATIONS

5-1. GENERAL. There are two major sources from which an installation activity (the consumer) may obtain supplies and equipment.

a. Free issue or unfunded items are items of inventory issued to the installation on a nonreimbursable basis. These items are budgeted and accounted for at HQDA, are funded by the procurement appropriation, and are not part of the financed resources provided the installation commander. However, accountability and responsibility for the supplies and equipment remain with the installation. Examples of free issue items are weapons, vehicles, munitions, certain end items costing \$15,000 or more and Army managed spare parts which were previously purchased with procurement appropriations, prior to October 1991; now they are funded through the AWCF and were free issue until March 1992.

b. Funded items of supply are purchased with the installation's operating funds. Procurement may be from local sources or from the AWCF.

(1) Normally, supply procurement actions are processed through the AWCF. However, items such as periodicals, professional books, and decals are procured with the installation's operating funds direct from commercial sources.

(2) Procurement of all other items of supply, except those falling into the free issue category (ref. 5.1.a, above) must be processed through the AWCF.

5-2. SUPPLY MANAGEMENT CONCEPT. The purpose of the AWCF is to provide financing for the cost of supplies held in inventory until such time as the supplies are sold (issued) to installation consumer activities. The AWCF is then reimbursed from installation activity funds (usually OMA).

5-3. REVOLVING FUND CONCEPT.

a. The AWCF is an example of a revolving fund. It consists of funds with the U.S. Treasury (cash) and inventory held for resale. Theoretically, this capital should remain constant.

b. The concept is as follows:

(1) When supplies are procured, there is an increase in the AWCF inventory; but since payment must be made for the procurement, there is a corresponding decrease in AWCF cash.

(2) When a sale (issue of supplies) is made at the installation, there is a decrease in the amount of AWCF inventory; since the customer must pay for the items received, there is a corresponding increase in AWCF cash.

#### 5-4. AWCF BUDGETTING.

a. The organization of the AWCF consists of a home office, sub-home offices, and branch offices.

(1) The home office is located at the major command headquarters that establishes policy and procedures and reports to HQDA for the AWCF.

(2) The sub-home office is located at subordinate commands. The sub-home administers and manages branch offices in accordance with home office policies and procedures.

(3) The branch offices are located at installations subordinate to the major command. The branch office is the office that procures, stores, and distributes (issues) the inventory to the customer.

b. Because of the revolving fund concept, the AWCF is able to operate without an annual appropriation from Congress. However, the need for effective planning with respect to the AWCF's operating budget is no less significant than the planning and budgeting associated with annual appropriations.

c. Essential elements in preparing the AWCF budget are as follows:

(1) Knowledge of the installation's mission. The stock fund manager of the installation branch office is the director of logistics (DOL). The manager must know the installation's mission priorities and must continually disseminate this knowledge to installation supply managers.

(2) Accurate estimates of customer purchasing capability. These estimates provide a basis for determining the quantity of supplies to be sold on a reimbursable basis from the stock fund.

(3) Troop strength to be supported, including reception center input, feeding strength, field exercises, etc.

(4) Cooperation of the unit supply officers and activity chiefs in making their supply requirements known.

(5) Complete accurate data reflecting the previous year's operation.

(6) Latest planning data on mobilization reserves.

d. The DOL is responsible for preparing the AWCF budget at the branch office. The DOL's supply managers receive the supply requirements from the consuming activities, in the form of supply requirement schedules. Those schedules are prepared by materiel category and,

when added together, should reflect the dollar value of supplies and equipment requirements at the resourced level.

(1) The DOL reviews and consolidates supply requirements into the installation AWCF budget.

(2) The DRM and DOL must insure that the AWCF budget sales forecast and the supply requirements and corresponding resources reconcile.

e. As stated above, the AWCF does not require an appropriation for its operation. However, it must have operating cost authority (OCA) and cash to purchase inventory and finance the stock fund order and ship time.

(1) The AWCF OCA budget is submitted through command channels to the Office of the Undersecretary of Defense, Comptroller who sends it to the Office of Management and Budget (OMB), which approves the OCA for the AWCF. Although it is not an appropriation, the action by OMB is an apportionment and the OCA is managed on the basis of Unit Cost Goals (UCG), in accordance with OSD guidance.

(2) Vital management controls and indicators in management of AWCF supply management operations are the OCA and UCG. The OCS/UCG for supply management activities is a percent of each dollar of wholesale stock fund sales. This includes cost for replenishment of consumable items at a percent of gross sales at cost, replenishment of repairable items at a percent of net issues/sales at cost, and for Integrated Materiel Management Center (IMMC) operation. The UCG constitutes authority to incur costs in anticipation of the amount that will be earned on actual workload during the fiscal year.

#### 5-5. PROCUREMENT SOURCES.

a. The installation AWCF procurement sources are as follows:

(1) General Services Administration (GSA). GSA is the source for supplies (common-use) used by more than one Government agency (pens, pencils, paper products, etc).

(2) Defense Logistics Agency (DLA). DLA is the source for supplies (common-use) used by more than one military service (subsistence, medical supplies, clothing, etc).

(3) U.S. Army Materiel Command (AMC). AMC is the source for supplies (common-use) used by more than one Army installation (repair parts for vehicles, electronics, etc.)

b. Items that cannot be purchased from one of the Government sources may be procured by the AWCF from commercial sources.

5-6. WHOLESALE AND RETAIL OPERATIONS WITHIN AWCF. The GSA, DLA, and AMC perform wholesale operations. Installation stock funds of the AWCF, performing the retail operation, and the National Guard may submit supply requisitions direct to one of these wholesale activities. Installation activities (the consumer) must deal with the installation supply management of the AWCF, which is operated by the DOL retail operation.

5-7. FUNDING FLOW OF THE SUPPLY MANAGEMENT BUSINESS AREA OF THE AWCF. The supply management funding flow of the AWCF is organized as shown in figure 5-1.

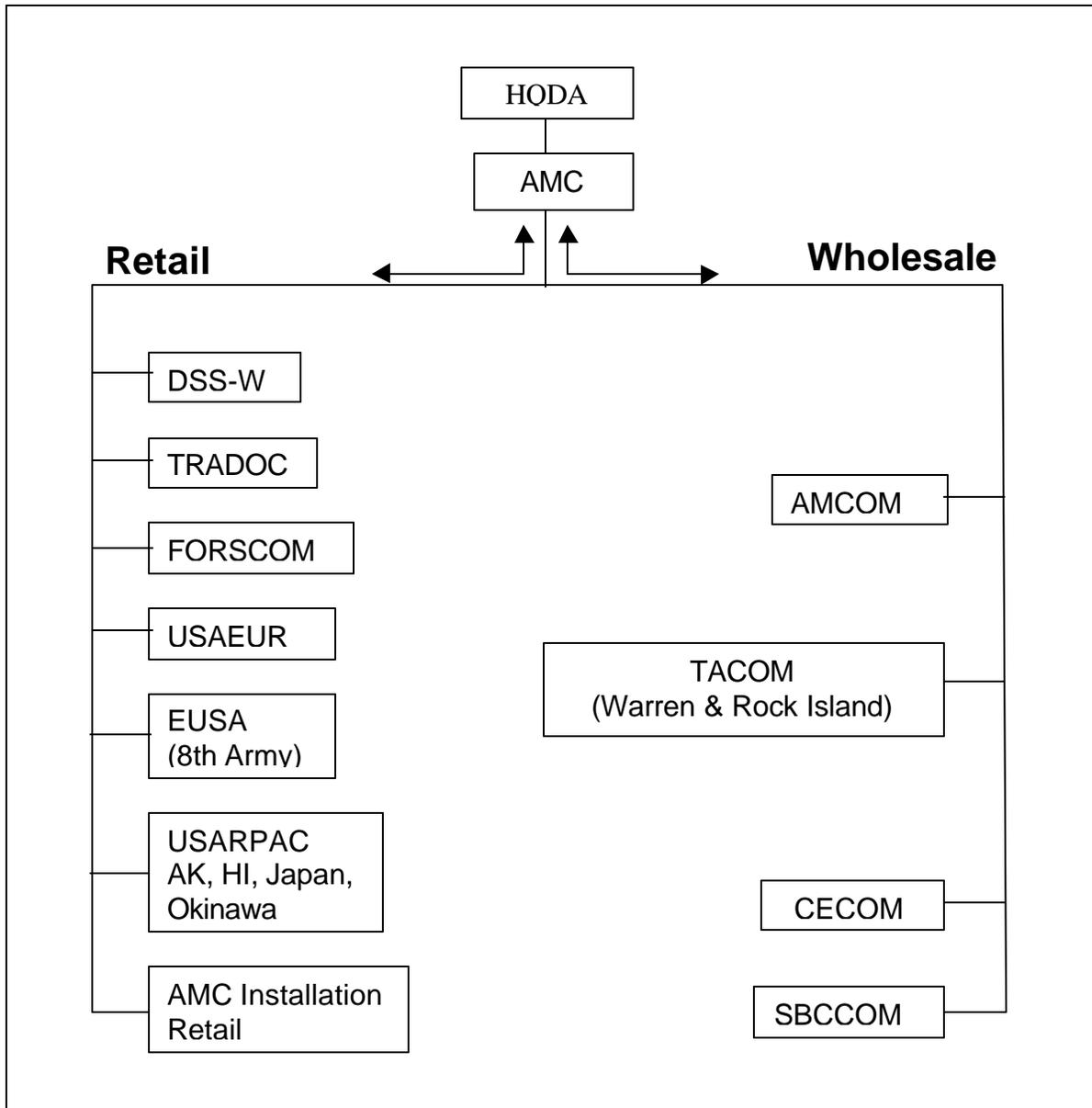


Figure 5-1. Funding flow of the supply management business area of the AWCF.

5-8. SUPPLY MANAGEMENT AWCF LIMITATIONS. The OCA/UCG is an annual limitation placed on procurement. The balance decreases with each procurement action. Supply managers must exercise good judgment in their procurement actions. Obligations may not exceed the OCA at the end of the fiscal year, even though the consumer has the ability to pay. On the other hand, the OCA balance at year end is lost. There is no carry-over.

5-9. SINGLE STOCK FUND. Implementation of the Single Stock Fund will change from two points of sale to one, with elimination of retail supply management activities. Implementation will begin 1 October 2000 and be phased in over 6 months. This will substantially change how the AWCF supply management will operate.

## Chapter 6 CONSTRUCTION, MAINTENANCE, AND REPAIR

6-1. GENERAL. Many of the violations reported from past fiscal years occurred as a result of violations of the laws and regulations addressed in this chapter. A large portion of the violations can be prevented by effective Real Property Master Plans IAW AR 210-20. Planning to meet existing and future requirements is critical to the success of AMC. Plans must be up to date and approved by the Real Property Planning Board and personally by the Commander. This is not just an engineer plan, but one with input from all elements of an installation, including tenants.

### 6-2. MASTER PLANNING.

a. The Installation Master Plan traditionally has been an unconstrained future development plan. The AMC guidance is to concentrate on utilizing and modernizing existing facilities and identifying new construction as the last resort. The Master Plan, which is based on installation requirements, is the basis for all maintenance, repair, and new construction. It evaluates existing facilities and requirements. It is incumbent upon commanders and staff to evaluate all real property to ensure proper utilization before resources are expended on new construction. The commander-approved engineer "Annual Work Plan," in accordance with DA PAM 420-6 and AR 210-50, guides the installation maintenance and repair within budgetary and legal constraints. Additional facility requirements that cannot be fulfilled with existing assets are identified in the Master Plan.

b. The Master Plan must be a living document that is updated and adhered to by the command structure. This prevents overbuilding, with associated funding violations and costly changes required as a result of uncoordinated planning. Commanders will continue to identify their total requirements. Projects will be submitted into the MCA program as a last resort. Installations, major subordinate commands, and headquarters must first seek alternate methods of funding, alternate ways of doing business, or mission changes between installations.

c. A component of the Master Plan is the Installation Design Guide (IDG). The IDG is a guide to the engineer and all agencies on the installation to ensure that work done on the installation is coordinated and has conformity to style and esthetics. This ensures that the installation improves the quality of life and working conditions for its military and civilian employees.

### 6-3. MAINTENANCE AND REPAIR OF REAL PROPERTY FACILITIES.

a. All facilities listed on an installation's real property records require maintenance and repair. Maintenance is the day-to-day scheduled work required to preserve or restore a real property facility to the condition required for it to be effectively used for its designated purpose. Repair is the restoration of a failed or failing real property facility to that same condition; it includes upgrading real property facilities to current building codes and standards. Limitations on

maintenance and repair approval authority and use of funds are depicted in figure 6-1 for the Active Army, figure 6-2 for the Reserve, and figure 6-3 for Army Family Housing.

b. A backlog of facilities engineering maintenance and repair will probably occur due to lack of funds. This backlog has been formalized as Backlog of Maintenance and Repair (BMAR) and Defense Maintenance and Repair (DMAR). It is defined as the end of fiscal year measurement of maintenance and repair work remaining as firm requirements of the annual work plan (AWP), the accomplishment of which was prohibited in that fiscal year due to lack of resources. Potential BMAR/DMAR projects need not be validated by the major command before they may be categorized as such. The extent to which BMAR must be addressed is normally outlined in tasking documents or policy directives from major commands. BMAR projects that are 4 years or older are to be deleted at year end. If the requirements are still valid, revised cost and work scope should be incorporated into the following year's AWP.

#### 6-4. CONSTRUCTION PROGRAM.

a. The installation construction program is based on major command priorities and guidance. HQDA approved construction, and the Army's portion of the Future Year Defense Program. The Real Property Planning Board is the group that is responsible for developing this list of projects with accompanying justification in priority order.

b. Major construction projects are submitted and prioritized through command engineer channels and are coordinated through engineer (District and Division Engineer) channels. After Congressional approval, Military Construction Army (MCA) funds flow through engineer, not command, channels to the District Engineer. A project must be fully funded before work can be initiated; this means that funds appropriated by Congress for a specific project must be sufficient to cover the acceptable contractor bid for that same project. Additionally, funds remain under Corps of Engineer control, to be spent on that project and cannot be diverted for other uses without DA authorization and congressional approval.

c. Besides major construction projects, alteration and minor MCA construction are used as a means of accomplishing urgently needed construction costing \$1,500,000 or less for the Active Army and \$200,000 or less for the Reserve forces. Such projects costing \$500,000 or less are normally funded from the OMA account or mission account that funds the program the facility will support. Certain requirements must be met before a project may be categorized as minor MCA construction. Limitations on minor MCA construction approval authority and use of funds are depicted in figure 6-1 for the Active Army and figure 6-2 for the Reserve.

6-5. USE OF MILITARY LABOR. Military personnel may be used to perform functions relating to construction, repair, maintenance, and operation of real property in the following situations:

a. Military personnel may perform construction, repair, maintenance, and operation activities either as separate real property maintenance units (TOE) or as trained individuals in an integrated work force for the following purposes:

(1) To provide the capability of meeting military requirements for initial wartime employment and contingency mission.

(2) To ensure maintenance of combat support readiness and mobility.

(3) To enhance training, skill development, career progression and an adequate continental U.S. rotation base. Military personnel may be authorized for use in cases other than the above when civilian skills are not available in the local economy.

b. Military personnel, other than those assigned to real property maintenance activities (paragraph 6-5a. above), will not perform construction, repair, maintenance, or utilities operations activities. This policy does not preclude the use of prisoners or enlisted personnel, who are undergoing nonjudicial punishment, for routine maintenance tasks such as grounds maintenance, or of military personnel for construction, repair and maintenance of welfare, recreation or troop living facilities on a self-help basis when it does not conflict with military requirements. (See AR 210-50 and AR 420-22 regarding self-help programs).

#### 6-6. FAMILY HOUSING.

a. The laws, rules, regulations and limitations for Army Family Housing Appropriation differ significantly from those covering the Real Property Maintenance Activity (RPMA) and the Military Construction Appropriation (MCA). Family housing funds are derived from the following budget activities: New Construction (BP 1000000); Post Acquisition Improvements (BP 6000000) Accounts; and Operations, Maintenance and Repair (BP 190000) Account.

b. Congressional limitations and approval authorities governing these activities are identified in figure 6-3.

c. Army Family Housing Whole Neighborhood Revitalization will be funded from the budget activities discussed above and identified by MDEP E32R.

d. New construction is considered when adequate private housing is not sufficient to meet needs. Commanders prepare and submit construction programs with supporting data to justify these requirements as determined by the Army housing justification process (AR 210-50) and economic analysis.

e. An alternative means of providing new construction for housing facilities is the Section 801/802 programs which enable private industry to construct new housing. These programs are summarized in figure 6-4.

OMA Operations and Maintenance, Army			MCA Military Construction, Army	
Dollar Limitations*	Maintenance and Repair	Minor Construction	Unspecified Minor Construction	Major Construction
\$0-\$500,000	Major command	Major Command (May delegate all)***	N/A	N/A
\$500,000-\$1,500,000	Major Command**	N/A	DA selection and Congressional notification	Congressional approval required above \$1,500,000
\$1,000,000 - \$3,000,000			N/A	N/A
Over \$3,000,000	HQDA		N/A	N/A

\* For World War II temporary buildings, the total cost for maintenance, repair and minor construction must not exceed \$20.00 per square foot.

\*\* AMC elected to delegate all to MSC Commanders, with authority to redelegate.

\*\*\* Minor construction limit increases to \$1M for health, safety, or life-threatening conditions.

f. Operations, Maintenance and Repair, and Utilities, BP 190000, fund the cost of ownership (COO) which is defined as those actions a prudent landowner does to maintain his properties. Operations are divided into three accounts which are: Management, (all costs necessary to support the housing office); Services, (refuse, fire, police, snow removal, etc.); and Furnishings; (control, moving, handling, repair and replacement of equipment in place). Maintenance and Repair is distributed on the basis of routine maintenance and repair, design and project fund requirements. Routine M&R is fully funded to preclude further deterioration of housing units. Design is funded one year in advance of project award. Projects are funded in the year of execution. Maintenance and Repair funds the Deferred Maintenance and Repair (DMAR) program. DMAR is defined as M&R projects, excluding incidental improvements, which are included in the Annual Long Range Plan and are not funded due to lack of funds during a given fiscal year and reported as DMAR as of the end of that fiscal year. Utilities are funded in a separate account for family housing.

Funded Cost (\$000)	OMAR Maintenance and Repair (Cost less than 50% of replacement cost of facility)	OMAR Maintenance and Repair (Cost exceeds 50 percent of replacement cost of facility)	OMAR Minor Construction	MCAR Minor Construction
50	FORSCOM*	FORSCOM*	FORSCOM*	FORSCOM*
75			Not Authorized	
200	OCAR	ASA (IL)	Not Authorized	Not Authorized
400				
Over 400	ASA (IL)			

\* May be further delegated by CG, FORSCOM

Figure 6-2. Levels of approval authority for construction, maintenance, and repair using appropriated funds -- Army Reserve.

6-7. NONAPPROPRIATED FUND CONSTRUCTION.

a. Construction projects using a combination of appropriated funds (APF) and non-appropriated funds (NAF) are subject to the following approvals regardless of the source of NAF:

- \$0 - \$199K      Major Command approval
- \$200K - \$999K      Assistant Chief of Engineers
- \$1M and above      Secretary of the Army Dual funded projects will be developed and submitted for approvals in accordance with AR 415-35.

b. The NAF Capital Expenditure Program is composed of two parts, the NAF Major Construction (AFMC) program and the NAF Capital Purchase and Minor Construction (CPMC) program. The following project approval requirements apply regardless of the NAF funding source.

(1) The NAFMC program for morale, welfare and recreation (MWR) facilities includes all NAF funded real property maintenance, repair and construction projects costing over \$500K. MWR projects are required to have prior programming approval by the MWR board of directors and must be approved by the House Armed Services Committee on Morale, Welfare and Recreation prior to execution.

Level of Command	New Construction (BP1000000)	Improvement (BP6000000)	Maintenance & Repair (BP19200)	Incidental Improvements (BP19200)	Operations and Maintenance (BP19000)
Congress	Authorization and appropriation.	Authorization and appropriation.	Authorization and appropriation.	Authorization and appropriation.	Authorization and appropriation.
OSD	Apportionment/ program authorization	Apportionment/ program authorization	Apportionment/ program authorization	Apportionment/ program authorization	Apportionment/ program authorization
HQDA	Reprogram projects less than \$1.5M.	<b>Per DU:</b> Less than \$50K.  <b>Per Project:</b> Re-program projects less than \$2.0M when DU cost is less than \$50K.	<b>Per DU:</b> \$15,000 or more for major M&R per FY.  <b>Per Project:</b> \$1,000,000 or more not to exceed 50% of DU replacement cost.	<b>Per DU:</b> \$3,000/FY; over \$15,000/FY when work supports the physically handicapped.  <b>Per Project:</b> delegated	<b>GFOQ only:</b> Approves total combined O&M estimated to exceed \$50,000/DU/FY where M&R component is less than \$25,000.
Major Command (HQ AMC)	None.	None.	<b>Per DU:</b> \$15,000 or more for major M&R per FY (cumulative for non-GFOQ and per project for GFOQ). <b>Per Project:</b> Less than \$1,000,000 not to exceed 50% of DU replacement cost.	<b>Per DU:</b> \$3,000 or less per FY; \$15,000 or less per FY when work supports the physically handicapped.  <b>Per Project:</b> \$500,000/project	<b>GFOQ only:</b> Total combined O&M less than \$50,000/DU/FY where major M&R is less than \$25,000.
Major Subordinate Command (MSC)	None.	None.	<b>Per DU:</b> Less than \$15,000 for major M&R per FY (cumulative for non-GFOQ and per project for GFOQ). <b>Per Project:</b> Less than \$500,000 not to exceed 50% of DU replacement cost.	<b>Per DU:</b> \$3,000 or less per FY; 5,000 or less per FY when work supports the physically handicapped.  <b>Per Project:</b> \$100,000/project	<b>GFOQ only:</b> Total combined O&M less than \$50,000/DU/FY where major M&R is less than \$25,000.
Installation	None.	None.	As delegated by MSC Commander	As delegated by MSC Commander	<b>GFOQ only:</b> Total combined O&M less than \$25,000/DU/FY where major M&R is less than \$15,000.

**LEGEND:**

DU - Dwelling Unit  
FY - Fiscal Year  
GFOQ - General/Flag Officer Quarters  
M&R - Maintenance and Repair  
(x.x) - See note x.x on page B-2  
O&M - Operations and Maintenance

Figure 6-3. AMC Family Housing approval authority and cost limitation (administrative and technical). (See Notes to Figure 6-3 at end of Chapter 3.)

(2) The NAFMC program for billeting facilities includes all NAF construction projects costing over \$500K. Billeting projects are required to have prior programming approval by the Assistant Chief of Staff for Installation Management and must be approved by the House Armed Services Committee on Morale, Welfare and Recreation prior to execution.

c. The NAF-CPMC program includes any single item, group purchase of like items or real property maintenance and repair or construction project costing \$500K or less, and any single item or group purchase over \$500K that involves no new construction if capitalized in accordance with AR 215-5.

<b>801</b> <b><u>Build-to-Lease</u></b>	<b>802</b> <b><u>Rental Guarantee</u></b>
<ul style="list-style-type: none"> <li>• Government Contract</li> <li>• 20 Years</li> <li>• Built to DoD Spec's</li> <li>• Newly Built Units</li> <li>• Option to Purchase</li> <li>• Direct Gov't Lease</li> <li>• Assign as Family Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Service Member Contract</li> <li>• 15 Years</li> <li>• Built to DoD Spec's</li> <li>• Newly Built Units</li> <li>• No Purchase Option</li> <li>• 97% Rental Guarantee</li> <li>• Lease Between Owner and Service Member</li> </ul>

Figure 6-4. Provisions of Sections 801 and 802 concerning build-to-lease agreements and rental guarantees.

(1) Capital purchases are items ranging from \$1,000 - \$199,999, regardless of new construction involvement and over \$200,000 where no construction is involved. These projects are approved by the major command during the normal budget submission process.

(2) Minor construction (includes maintenance and repair) projects, ranging from \$200,000 to \$500,000, must be submitted through the budget process to include completion of the Department of Defense Commander's Certification. Approval by DOD is required prior to execution. This program also includes billeting facility maintenance and repair projects funded with nonappropriated funds which are subject to limitations as outlined in AR 420-10 for appropriated fund activities. All project approval requirements apply regardless of the NAF funding source. A reference for the use of APFs, NAFs, and private funds for MWR construction is provided in AR 215-1.

#### 6-8. REPORTING AND DOCUMENTATION REQUIREMENTS.

a. Project files must be established for all engineer projects to ensure that all accumulated project costs are identified and controlled. Each file must also include all correspondence and other documentation (to include memorandum for record pertaining to decisions resulting from discussions, meetings, and telephone conversations) concerning that particular project.

b. To minimize the accounting and administrative workload related to maintaining separate project records, files, and certificates for routine onetime construction undertakings of nominal cost, the costs related to these undertakings may be charged to appropriate work orders

(AR 420-17) with no requirements for separate identification of the actual costs by specific undertakings, provided:

- (1) Funded costs do not exceed \$1,000.
- (2) Work is limited to additions, expansions, or extensions.

c. On projects approaching regulatory or statutory limitations, a day-to-day blotter record must be maintained, showing all actual costs incurred to date.

6-9. FINANCING GOVERNMENT OWNED CONTRACTOR OPERATED (GOCO) FACILITIES CONSTRUCTION. When real property is acquired or constructed on an installation that is contractor operated and the contractor is responsible for the operation and maintenance of the facility complex, such real property will be financed under Procurement or RDT&E funds. Congressional approval is required for all such construction.

## NOTES TO FIGURE 6-3

### 1. Statutory Limitations.

a. (New Construction (BP 10000000)). Cost limit is approved by project in Public Law of FY.

b. Improvements (BP 60000000). Cost limit is \$50,000 per dwelling unit (DU) except as otherwise approved by individual project in Public Law of FY. Cost per DU includes proportional costs of other real property serving the DU. The \$50,000 limit includes concurrent M&R and incidental improvements. DU cost limit is as adjusted by area cost factor. The \$50,000 limit is effective only during execution of the project and is not limited by FY. This limit does not apply to repair or restoration of DU damaged by fire, flood, or other disaster.

c. Incidental Improvements (BP 19200). Cost limit is \$500,000 per project.

### 2. Administrative Limitations (Congressional).

a. Maintenance and Repair of DU (non-General/Flag Officer Quarters (GFOQ)). Major maintenance and repair (M&R) projects (including concurrent incidental improvements) inside the 5-foot building line expected to cost in excess of \$15,000 (absolute) in a FY must be identified and submitted to Congress in the annual budget request. Congress must be notified of unforeseen projects that develop during the budget year.

b. Maintenance and Repair of GFOQ. Total M&R (including incidental improvements) estimated to exceed \$25,000 (absolute) per DU per FY must be included in the budget justification material for congressional review and approval. For purposes of this threshold, M&R costs include work done outside the 5-foot line. Increases that exceed \$5,000 above the congressionally-approved limit and out-of-cycle work not included in the budget must be submitted to Congress over the signature of the Secretary of the Army. Congress will accept only one such request per year except in those situations considered to be emergency or safety related.

### 3. Administrative Limitations (HODA).

a. Construction. All construction projects for GFGQ will be included in the annual budget submittal to Congress. No construction projects will be done for GFOQ through reprogramming action.

b. Damaged or Destroyed DU. The restoration of damaged or destroyed DU will be funded with M&R funds in accord with the following: \$15,000 or less approved at MACOM level; over \$15,000 but less than 50% of replacement cost approved at DA level. Where restoration cost exceeds 50% of replacement cost, HQDA will determine whether the repairs will be funded with M&R funds or construction funds. Except for GFOQ, the FY M&R limitations per DU do not apply to repair or restoration of DU damaged by fire, flood, or other disaster.

c. Operations and maintenance of GFOQ. Total O&M estimated to exceed \$50,000 (absolute) per DU per FY, where the M&R component is less than \$25,000, must be approved by ASA(I&L).

### 4. Other Administrative and Technical Approval.

a. The projected cumulative total of all non-routine maintenance & repair and incidental improvements cannot exceed \$15,000 per dwelling unit during any fiscal years unless approved in advance. MACOM can approve Congressional notification two years in advance. MSC Commander can approve \$1-5,000 and below. Installations can approve as MSC commander delegates with the exception noted in paragraph 4d below.

(Notes continued next page)

## NOTES TO FIGURE 6-3 (Cont)

b. Administrative and technical approvals are delegated to MSCs and installations as follows:

(1) MSCs - For M&R work, \$15,000/DU/FY and/or \$500,000/project, administrative and technical. For incidental improvement work, \$3,000/DU/FY and/or \$100,000/project, administrative and technical. The total per DU cumulative of \$15,000 M&R includes cumulative incidental improvements for non-GFOQs.

(2) Installations - As redelegated by MSC Commander, administrative and technically.

c. GFOQs. Congressional language states, "... the total amount of all obligations for maintenance and repair (excluding operations) on each GFOQ is limited to \$25,000 per year, unless specifically included in the annual budget justification material."

(1) Unlike non-GFOQ, all costs directly attributable to the GFOQ, including other associated real property, which is for the sole use of the GFOQ occupant must be captured for record in the quarterly obligation report. Other real property includes such items as carports, garages, driveways, fences, etc. The logical yard is normally considered to be within the 50 foot line of the dwelling unit.

(2) Major M&R (non-routine) work, exceeding \$15,000 for a single project, must be reported to HQDA, accompanied by a front page DD Form 1391 electronically, for inclusion in the congressional notification. Prior congressional approval is not necessary, provided total M&R costs for the GFOQ does not exceed \$25,000/FY.

(3) Design, supervision, and administration costs for M&R projects involving GFOQ are chargeable to the unit.

(4) Installation commanders have the authority to approve combined costs for operations (management, services, furnishings and utilities), maintenance and repair (OM&R) up to \$25,000/DU/FY. A MACOM is authorized to approve up to \$50,000 for OM&R. Requests which exceed \$50,000 OM&R require ASA(IL&E) approval.

d. Furnishings. The furnishings management account limits carpeting, draperies and sheers replacement in DUs occupied by general officers and 0-6 installation commanders.

(1) Installation commanders have authority to approve requests if age is ten (10) years or greater.

(2) MACOM commander or his general officer representative has the authority to approve all requests for installation commanders and if carpeting, draperies, and sheers have been in place for less than ten (10) years.

(3) HQDA retains approval authority for all initial issue requests.

Chapter 7  
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION,  
ARMY (RDTE,A) APPROPRIATION

7-1. GENERAL. Congress provides the RDTE,A appropriation on an annual basis for expenses necessary for basic and applied scientific research, development, test and evaluation (RDTE). Funding for maintenance, rehabilitation, lease, and operation of facilities and equipment was changed to OMA beginning in FY00. The ultimate objective of Army RDTE is timely development of weapons, equipment, and systems, all at minimum total cost, with adequate performance to meet approved operational requirements, and with the capability of being effectively manned and supported in any environment, and under all conditions of war. Each RDTE,A annual appropriation remains available for obligation for two fiscal years by Public Law 92-156.

7-2. INCREMENTAL FUNDING. Although each RDTE,A appropriation is legally available for obligations for two fiscal years, it is the policy of Congress (imposed by the Senate Armed Services Committee Report, 17 September 1971), the Department of Defense (DoD), and the Department of the Army (DA) that the development of an annual funding program for any RDTE,A project will be on an incremental funding basis. Incremental programming will provide funding year by year, as distinguished from fully funding the total costs at the time the program is initially authorized. Generally, the annual funding increment of any RDTE project will be limited to the obligation authority necessary to cover all costs expected to be incurred during a 12-month period, including only those costs which are necessary to further the project toward its objective during that increment of the total schedule. Incremental funding principles pertain to all stages of planning, programming, budgeting, and executing the RDTE,A appropriation.

7-3. RDTE PROGRAM/BUDGET FORMULATION.

a. In 1987, DoD's direction was to submit a biennial budget, with outyear funding streams, to the congressional armed services and appropriations committees for approval, commencing with FY90 and FY91 budgets. Prior to this time, submission of the President's budget to Congress was on an annual basis. As a result of this change, formulation of the planning, programming, and budgeting of RDTE,A programs was on a biennial basis through submission of the FY96/97 budget in 1994. However, to better respond to rapidly changing requirements the Army implemented a new annual planning, programming and budgeting process in 1994 for RDTE,A and procurement programs as described below.

b. Program requirements are developed, and compete for resourcing at the developing agencies level through the Research, Development and Acquisition Plan (RDAP) process, conducted annually in the October to March timeframe. The President's Budget is converted into management decision packages (MDEPs) that are grouped into different Budget Operating Systems (BOSs), previously known as mission areas. TRADOC submits requirements through the Warfighting Lens Analysis (WFLA) and AMC submits the Science, System and Infrastructure RDA Plan (SSIRDAP). TRADOC and AMC generate and submit to HQDA

issues that define the program changes to the MDEPs in each of the BOSs. The RDA Plan data base is changed if the issues are approved by HQDA and becomes the source document for the Army's Program Objective Memorandum (POM) development cycle.

c. The POM addresses resource levels for six years, the two budget years and four program years. The Army's total integrated RDA program covering the Future Years Defense Plan (FYDP) is reviewed and ultimately prioritized by Modernization Program Evaluation Groups (PEGs) during the POM build in the January through March timeframe. PEGs' responsibilities are to determine the warfighting impact of program changes, deviations from DA, OSD and statutory guidance, and ensure that CINC and Army level priorities and modernization principles are adhered to and properly addressed within funding constraints. Reviews culminate in councils of colonels, and multiple-level general officer reviews for decision making and/or resolution of issues.

d. In the mid-to-late April timeframe, Army's POM is submitted to OSD by a project listing, reflecting recommended funding level for each program/system by program element and project in the RDTE appropriation. Research and Development Description Summaries (RDDS), which provide justification at the project level for the budget as outlined in the POM, are prepared by the developing agencies, when required by HQDA, to accompany the project listing. OSD drafts issue papers, Program Decision Memoranda, that document its evaluation, present the alternatives, and invite comments by the Army Staff.

e. During May and June, developing agencies conduct in-depth budget reviews to assess the impact of POM decisions/changes on the budget years. The intent is not to restore HQDA decrements taken during the POM exercise unless the program otherwise becomes unexecutable and cannot be restructured in outyears without seriously impacting the program. Other factors considered are execution status of current and prior years' programs; congressional marks or known congressional intent of the current President's Budget; "fact of life" changes; or new higher headquarters' direction. Recommended changes to the budget years are presented to HQDA as POM-to-Budget Issues in late July. This action culminates in a rewrite of the RDDS to accompany the Army's Budget Estimate Submission (BES) to OSD the following mid-September.

f. The OSD analyst reviews the Army's BES in October and November. The OSD hearings begin the final "budget scrub" in a budget formulation process which began almost two years earlier. The OSD hearings are detailed and are conducted at a very low level, program element, project and sometimes at the task level. Emphasis is placed on correct cost pricing; status of requirements documents; adequately programed procurement funds; the feasibility of whether the program objectives can actually be accomplished with the requested resources; adherence to the RDTE incremental funding policy; and the obligation and disbursement rates of each RDTE project. The objective is to submit to Congress a budget which is fully justifiable and supportable. Program Budget Decisions (PBDs) are issued for comment after the OSD hearings, revising specific programs based on the OSD review of the budget submissions. The

Army staff may "reclama" (formally submit objections to) the PBDs and a signed PBD reflecting the reclama decision is then issued. At the end of this process, the Chief of Staff, Army (CSA) and Secretary of the Army (SA) meet with the SECDEF, who makes the final decisions, on major unresolved issues.

g. The last phase of budget formulation occurs in the following January, when OMB submits the Army budget to Congress, as finally approved and incorporated into the President's Budget. The Army's portion of the President's Budget is accompanied by Congressional Descriptive Summaries, which like the RDDs, provides justification at the project level as to why the program is needed, how it will meet the Army's missions, and what shortfall it would satisfy.

7-4. BUDGET JUSTIFICATION. The second stage of budgeting is the presentation and justification of budget requests before congressional committees (the House and Senate Armed Services and Appropriations Committees). The Army staff and/or developing agencies may testify before all four committees and subsequently provide additional information and justification or answer questions resulting from their testimony. At the conclusion of the congressional reviews, the committee bills are voted upon and differences between the House and Senate are resolved in a joint conference. This process culminates in the passing of the authorization and appropriation bills. The appropriations act permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. Provisions of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 94-344) require the Congress to pass the annual Department of Defense (DoD) Appropriations Act by 1 October. Historically, passage of the Appropriations Act has been delayed well beyond this date. In the event the act is not passed by 1 October, Congress passes and the President signs into law a Continuing Resolution Authority (CRA), which provides budget authority to Federal agencies to continue operations until the appropriations act is enacted.

#### 7-5. BUDGET EXECUTION.

a. In the absence of an appropriations act by mid-September and under the operations of CRA, HQDA prepares, with specific guidance from DoD(C), and forwards to developing agencies the Initial Approved Program (IAP), which authorizes the developing agencies to begin execution of their individual programs commencing 1 October. While operating under a CRA, the following limitations/restrictions apply:

(1) Rate of execution will not exceed the amount contained in the President's Budget, the previous year's rate of execution, or the amount recommended by the House or Senate appropriations committees, whichever is the lower or more restrictive (provides less discretion in obligating and disbursing funds).

(2) Prohibits use of funds for new projects or activities for which appropriations, funds, or other authority were not available during prior fiscal year.

(3) Deferral of execution of programs, end-items, or activities for which one or more congressional committees have denied funds.

b. The IAP reflects "worst case" congressional action taken through approximately 15 September.

c. Once Congress passes the appropriations act and the President signs, actions are initiated to release the full funding provided by the act as quickly as possible. Program authority, in the form new appropriations. Programs are approved for the full amount contained in the act. However, DoD(C) may withhold a portion of the program for a variety of reasons (e.g., appropriated but not authorized, congressional requirements for reports, etc.). Program release documents are generally made available one to two weeks after enactment of final appropriations acts. Obligation authority is granted by OMB based on the appropriations act and Army's and DoD(C)'s requests. Within five working days of passage of the act, Army submits to DoD(C) Apportionment and Reapportionment Requests (DD Form 1105) for all new appropriations for the full amount contained in the appropriations act. The requests are forwarded to OMB for approval, which normally takes two to four weeks. Disbursement authority, in the form of an appropriation warrant, which is provided by the Department of the Treasury, is not prepared until the final printed acts are available. This normally takes three to four weeks. The warrant is backdated to reflect the day of enactment of the final appropriation act, making the authority retroactive to that date.

d. Once the Army receives the approved documents, program releases, appropriation warrants and apportionment documents, a Revised Approved Program is developed, reflecting Congressional changes, DA and DoD(C) withholds, and distributed to the MACOMs. Additionally, this information is loaded into the Program Budget Accounting System (PBAS), thus providing program and funding authority for the current approved program. All Congressional committees' reports must be reviewed and interpreted to determine special congressional guidance and/or limitations imposed upon the execution of the RDTE program.

e. A research, development and acquisition (RDA) execution review is conducted by the HQDA, Office of the Assistant Secretary of the Army for Research, Development and Acquisition (ASA(RDA)) in early to mid April of each calendar year. The intent of the review is to scrub all programs with an emphasis on execution. In preparation for this executive review of the RDTE appropriation, developing agencies conduct detailed RDTE execution reviews of each program element and project which do not meet the HQDA and/or developing agencies' established obligation and disbursement goals, during mid to late March of each calendar year. Detailed justification for variances between actual versus established obligation and disbursement goals are reviewed and analyzed. Emphasis is placed on identifying program slippages; eliminating for-ward financing and aligning funds against the Army's highest priorities of unfinanced requirements.

## 7-6. MANAGEMENT AND CONTROL.

a. It is mandatory for developing agencies to remain within their current approved program. Funding for a project will not be increased beyond delegated reprogramming authority. Except in the research and exploratory development categories, developing agencies will not undertake new projects or extend projects to areas previously not funded. Similarly, contractors will not be permitted to include additional costs in a contract that will require funds to be reprogrammed from other sources until the funding sources have been authorized.

b. DA will be notified as early as practicable of potential cost increases that will exceed the developing agencies' reprogramming authority. Notification will include recommended adjustments within the program elements on projects concerned to accommodate the increases. Further action will be delayed until these recommendations have been reviewed and approved by DA and/or Congress.

c. Developing agencies will monitor and control the total RDTE resources available to installations/activities under their control to ensure compliance with the Congressional, DOD, and DA guidance and directives and statutory regulations. Installations/activities prepare obligation plans which reflect the installations/activities planned obligations for the prior and current years. They provide these plans in turn, to HQDA and DOD(C) and for use during decrement drills and/or subsequent budget hearings. Forecasted obligation goals versus actual obligations are reviewed and analyzed to ascertain the status of program slippages and to ensure compliance with the RDTE Incremental Funding Policy; and optimum use of RDTE resources. The collection, distribution, and control of costs under a cost center concept is used in management accounting systems for the RDTE appropriation at installation/activity level.

d. Specific authority for obligation of available funds is administratively controlled at the budget subactivity (program element) level. Therefore, in accordance with 31 USC 1514 and implementing regulations, legal limitations on obligations are at the budget subactivity level.

## 7-7. REPROGRAMMING.

a. The nature of the RDTE effort requires flexibility in the application of financial resources. It is a principal function of management to make "trade offs" (i.e., move resources between programs and projects for their most productive use). Congress generally accepts the view that unforeseen requirements or changes in operating conditions may require some diversion of funds from the specific purpose for which they have been justified. Although sound effective management may require the shifting of funds from specific uses originally planned, funds should be used substantially for the purposes for which justified. No formal requests for reprogramming requiring Congressional approval will be considered unless it is for higher priority items based on unforeseen military requirements. Identification of high priority programs will be provided by Secretariat and/or Army Staff.

b. To allow the flexibility essential to the most productive use of funds, below-threshold reprogramming authority has been delegated to the major subordinate commands (MSCs) responsible for program execution. The annex at the end of this chapter lists RDTE reprogramming policies.

ANNEX  
RDTE,A APPROPRIATION REPROGRAMING POLICIES

1. Reprograming policies.

a. The Department of the Army is authorized to reprogram funds between program elements as long as the increase does not exceed \$3.999 million to an existing program element or \$1.999 million to a new program, subject to the following restrictions:

(1) A reprograming action, single or cumulative, involving an increase of more than \$3.999 million in any existing RDTE,A program element requires prior OSD approval and prior approval of the House and Senate Armed Services Committees and House and Senate Appropriations Committees. Implementation of the reprograming action is prohibited if rejected by OSD or any one of the four Congressional Committees.

(2) The FY 1992 Appropriations Conference Report established a reprograming floor for reprograming decreases. The reprograming threshold for decreases/reductions are set at 20 percent of the appropriated level of the program element or \$3.999 million, whichever is greater, cumulative for the life of the appropriation.

(a) Below-threshold reprograming actions that would cause a net increase to the program element are limited to \$3.999 million per year (cumulative for the 2-year life of the appropriation).

(b) Below-threshold reprograming actions that would cause a net reduction to the program element are limited to \$3.999 million or 20 percent, whichever is greater (cumulative for the life of the appropriation).

(c) No funds may be transferred without prior congressional approval for any effort to which the Congress added funds during the annual appropriations process. Implementation of this restrictive language means that any effort increased during the appropriations process has been assigned a floor equal to the appropriated level for the effort, allowing only increases to the affected project.

(3) Changes in the reprograming policy for new starts resulting from implementation of congressional direction contained in FY93 Senate Appropriations Committee report 102-408, page 214, are:

(a) Reprogramed funds may not be used for any new start project or subproject unless that effort and its required annual funding and total costs were listed in the original budget justification materials submitted with the budget request for the fiscal year funds to be used.

(b) No new starts should occur without congressional approval and, except in extraordinary circumstances when the national security of the United States is directly at stake, new starts should not be initiated through the reprogramming process.

(c) No funds may be used for in-house or contractor risk reduction efforts that, in effect, initiate a new start without required prior congressional approval.

(4) Funds appropriated for a particular purpose may not be diverted for other purposes within projects or program elements, or between program elements, without prior congressional approval, unless the diversion satisfies the criteria for a below threshold reprogramming.

(5) Below threshold programings may only be used to address minor, fact-of-life financial changes or unforeseen programatic occurrences within the existing scope of a project or subproject; they may not be used to expand the scope of any project or subproject, especially with respect to developing new technologies or expanded capabilities not specifically within the existing statement of work for the project or subproject.

(6) Reprograming of funds (regardless of amount) to or from an item that has been designated as a matter of special interest by one of the House and Senate committees on armed services or House and Senate committees on appropriations requires prior approval by OSD and all four congressional committees.

(7) Any reprogramming to or from a program element designated as a Tactical Intelligence and Related Activity (TIARA) program requires prior approval by OSD and/or Congress (as determined by OSD).

(8) Reprograming of funds (regardless of amount) from an item that has been designated as an OSD special interest item requires prior approval by OSD.

(9) Reprograming of funds (regardless of amount) from an item that has been designated as a HQDA special interest item requires prior approval by HQDA.

(10) Reprograming is prohibited which results in an increase to a program element or project that was deleted or reduced with prejudice by Congress.

(11) Reprograming of funds between appropriations requires prior approval by OSD, ONIB and all four congressional committees.

(12) Reprograming which results in a program termination, the elimination of an R-1 line, or a subprogram or project requires prior notification to the appropriation committees.

(13) Reprograming of funds (regardless of amount) into or out of a special access program (SAP) requires prior approval of the Under Secretary of the Army and coordination through the HQDA's Technology Management Office (TMO).

(14) Reprogrammings of funds into or out of shared program elements between two or more developing agencies and/or program executive officers (PEOs) are restricted and controlled by HQDA ASA(ALT). Increases and decreases into or out of split program elements are allowed, based on a pro rata share of the reprogramming threshold. (Share is based on percent of program owned.)

b. Reprogramming which exceeds the criteria in 1a (1) through (8) above will be submitted to DA by letter, with complete justification for approval prior to implementation. Requests for reprogramming actions that exceed the authority delegated to developing agencies must be financed, for the most part, within the developing agency's total current available resources. DA, in conjunction with the developing agency, will attempt to find mutually agreeable sources of funds, known in the resource management vernacular as "bill payers." When additional, new, or unprogrammed requirements are forwarded for consideration, reprogramming requests will include the following:

(1) The priority of the requirement, in relation to:

(a) Other unfinanced requirements previously forwarded for consideration.

(b) Other currently approved programs from which funds might be taken.

(2) A recommendation of a source for the required funds (from sources available to the developing agency) and the impact on the source.

2. Delegation of reprogramming authority.

a. Subject to the policy restrictions in paragraph 1a, developing agencies are delegated authority to reprogram RDTE funds without prior approval of HQDA. In accordance with set dollar limitations.

b. DA specifically reserves the right to disapprove any command reprogramming action that circumvents guidance provided to the developing agencies on work priorities and directed fund increases and decreases.

## Chapter 8 ARMY PROCUREMENT APPROPRIATIONS

8-1. GENERAL. The five Army procurement appropriations are: Procurement of Aircraft, Army; Procurement of Missiles, Army; Procurement of Weapons and Tracked Combat Vehicles, Army, Procurement of Ammunition, Army; and Other Procurement, Army. All of these procurement appropriations are part of what is referred to as the "investment appropriations." The procurement appropriations are available for obligation for 3 years and 5 additional years for obligation adjustments. The procurement appropriations consist of two types of programs: direct and customer. The direct program is to satisfy the Army's direct needs. The customer program consists of those requirements placed on the Army by authorized customers for Army items, which include other U.S. governmental agencies and foreign governments considered friendly or strategic to American interests.

### 8-2. BUDGET FORMULATION.

a. Direct Program. Each year the Army must update programs and budget for the five program years for its procurement needs by individual budget line item number (BLIN), such as the M- I tank, the Blackhawk helicopter, and individual rounds of ammunition. The Congress annually authorizes this direct program and appropriates funds for material purchases based on specific quantities requested and justifications submitted for each appropriation category, i.e., aircraft, missiles, etc. This is a relatively structured procedure and permits both Congress and the Army to know what was authorized/appropriated for procurement.

b. Customer Program. Each year, the Army sells equipment to many customers. For sales when the customers' funds citation cannot be directly cited to a contract to a vendor or when the items being sold come from existing Army stock, Funded Reimbursable Authority (FRA) is required to allow AMC to incorporate the customers' money into the Army's financial processes. FRA needs are evaluated and projected each year as part of the budget cycle. After full review by Headquarters, Department of the Army (HQDA), Office of the Secretary of Defense (OSD), Office of Management and Budget (OMB), and Congress, AMC receives its FRA allocation each fiscal year. FRA is treated like a one year appropriation in that it can be used only in the year for which it is approved.

c. The process for developing program requirements for procurement appropriations is the same as for RDTE (Chapter 7). Long range requirements are identified in AMC's Science, System, and Infrastructure RDA Plan (SSIRDAP) and U.S. Army Training and Doctrine Command's (TRADOC's) Warfighting Lens Analysis (WFLA) that are used to input the HQ RDA Plan. This becomes the source document for the Army's Program Objective Memorandum (POM) development cycle.

### 8-3. BUDGET EXECUTION.

a. The approved direct program is established by passage of both the authorization and appropriation acts by the Congress. These acts reflect adjustments made to the President's Budget. DA submits to DOD and OMB an apportionment request for funds for the current year. This request is supported by a detailed line item program, that reflects the appropriation levels enacted by Congress.

b. The Army is required to control its direct Army procurement programs at the budget-line-item level, with programs released to the field identified in quantities and dollar amounts. The approved level of FRA is loaded into the Program Budget Allocation System (PBAS) by appropriation. Since FY88, these amounts are further subdivided at the AMC level by major subordinate commands and are based upon each command's forecast. This type of customer program control is due to the present system whereby the commodity command that manages the procurement programs receive orders directly from the U.S. Army Security Assistance Center (USASAC) and other DOD components. Therefore, HQDA does not release the customer program identified in quantities and dollar amounts, since obligation authority can only be used after receipt of a firm customer order. Once received and recorded by the commodity commands, the customer order establishes reimbursable obligation authority that may be used in procuring the materiel for the customers. Therefore, customer program authority and obligation authority applied cannot exceed the total amount of the confirmed order that will ultimately be billed and collected.

c. Many problems had developed over the years since the Army's direct obligation authority and the reimbursable obligation authority were not tightly controlled and in some cases became co-mingled. This type of management and control system contributed to the overallocation and overobligation of several of the procurement appropriations in recent years. Since the customer program is an estimate at the beginning of each year, it must be adjusted to that amount of program authority that will be available for incurring obligations in order to satisfy orders received during that year. The total program authority is normally less than the total orders received, since some orders are filled from stock without replacement. Without the need to buy these items, program authority is not required.

d. Once a year, HQDA may request reprogramming of current funds to meet higher priority requirements that occurred subsequent to the time of the original budget submission. The Army's reprogramming request is combined with other Service's requests for reprogramming and submitted as a total DOD omnibus reprogramming request. Annex A to this chapter covers reprogramming thresholds.

8-4. REPROGRAMMING AUTHORITY. Reprogramming authority is illustrated in Annex B. Reprogramming between program years can only be accomplished by the submission of a reprogramming request to HQDA for OSD and congressional approval. Direct Army reprogramming authority will not be construed to permit the addition of quantities, the expansion of approved scopes of work, or the addition of a new item to prior year programs.

## 8-5. REFERENCES.

a. DOD Financial Management Regulation (FMR) [pursuant to DOD Instruction 7000.14, DOD Financial Policy and Procedures, 15 Nov 92.]. All 15 volumes of the FMR are available on the Internet at the following Universal Resource Locator:

<http://www.dtic.mil/comptroller/fmr>

(1) Volume 2A, Chapter 1, of this regulation includes many useful procurement terms.

(2) Volume 2B, Chapter 4, includes OSD's requirements for procurement exhibits (i.e., P-forms) in the budget preparation, justification, and submission process.

(3) Volume 3 establishes DOD procedures for budget execution and includes chapters on reprogramming, commitments, obligation of funds, and disbursements.

b. Defense Finance and Accounting Service (DFAS) Regulation 37-100-XX, The Army Management Structure. Sections AO-2031 through AO-2035 of this regulation include rules pertaining to the appropriate use of procurement funds. Updated annually.

<http://www.asafm.army.mil/pubs/37-100/FY2000/37-100-2000.htm>

c. The Federal Acquisition Regulation (FAR).

<http://www.arnet.gov/far>

ANNEX A  
PROCUREMENT APPROPRIATION REPROGRAMING THRESHOLDS

1. Direct Army. DOD and/or congressional approval is required. Specific approvals will be obtained with respect to reprogramming actions pertaining to the following:

- a. Transfer budget authority from one appropriation to another.
- b. Items omitted, reduced or deleted by Congress without prejudice.
- c. An increase in procurement quantity of an individual aircraft, missile, tracked combat vehicle, or other weapons for which fund authorization was enacted in compliance with 10 USC 138.
- d. Any items when the resources to finance the increase are derived in whole or in part from unprogramed balances previously reported.
- e. An increase of \$10 million or more in a budget line item or the addition of a new program line item in the amount of \$2 million or more.
- f. A decrease to a budget line item within a single fiscal year by \$10M or 20 percent, whichever is greater.
- g. The addition of a new program line item irrespective of the dollar amount if it requires significant follow-on costs.
- h. Any reprogramming action involving the application of funds, irrespective of the dollar amount, to items in which one or more congressional committees are known to have a special interest also any reprogramming action which, by nature of the action, is known to be or has been designated as a matter of special interest to one or more committees (e.g., reprogramming between appropriations, reprogramming between program years).

2. Customer. Customer reprogramming of quantities and scope of work will be accomplished by appropriate amendments to the customer orders, since customer programs are not subject to line-item reprogramming controls.

ANNEX B  
 PROCUREMENT APPROPRIATION REPROGRAMING AUTHORITY

Reprogramming for:	Advance approval of Congress required	Notification of Congress; advance approval OSD	AMC HQDA	USAISC authority
1. Transfers budget authority from one appropriation to another.	X			
2. Items omitted, reduced or deleted by Congress without prejudice.			X	
3. Item of special interest to any Congressional committee.	X			
4. Any increased quantity of 10 USC 138 items, (Acft, Msl, Trkd, Cbt Vehs & other Wpns).	X			
5. Any items, when the resources to finance the increase are derived in whole or in part from unprogramed balances previously reported.	X			
6. Increase of \$10 million or more to a budget line item.	X			
7. Addition of new programs, subprograms, projects, or sub-projects whose total cost is less than \$2M, if not seen before by Congress (FY00 Appn Act).	X			
8. Decreases a budget within a single fiscal year by \$10M or 20 percent, whichever is greater.	X			

ANNEX B (con't)  
 PROCUREMENT APPROPRIATION REPROGRAMING AUTHORITY

Reprogramming for:	Advance approval of Congress required	Notification of Congress; advance approval OSD	AMC HQDA	USAISC authority
9. Elimination of a budget line item \$10M or greater.	X			
10. Addition of a new program line item irrespective of the amount if it requires significant follow-on cost.	X			
11. Addition of a new program, subprogram, project, or sub-project not otherwise requiring prior approval.		X		
12. Increases of approved program line item under \$10 million (cumulative) above the current base for reprogramming.			X	X
13. Terminations falling within below-threshold reprogramming amounts (procurement programs or subprograms costing less than \$10M; RDTE programs, projects, or subprojects costing less than \$4M) as long as the procurement line item or program element is not eliminated.		X		
14. Decreases of less than \$10M or 20 percent, whichever is greater of the dollar value of an approved program line item.			X	X

ANNEX B (con't)  
 PROCUREMENT APPROPRIATION REPROGRAMING AUTHORITY

Reprogramming for:	Advance approval of Congress required	Notification of Congress; advance approval OSD	AMC HQDA	USAISC authority
15. Safety modifications costing less than \$10M for the entire effort require congressional notification but may be initiated before the congressional notification letter is submitted (due to the urgent nature of the requirement).		X		
16. Except for 10 USC 138 items and other Congressional restrictions, increase quantities within dollar limitations and reduce quantities with no limit.			X	

Chapter 9  
MORALE, WELFARE, AND RECREATION (MWR) FUNDING

9-1. GENERAL. The financial management of Morale, Welfare and Recreation (MWR) programs is an important element in the overall operation of an installation. There are approximately 1,000 activities that generate revenue in excess of \$42 million per year. (See figure 9-1 for categories of MWR activities.) During the past several years, significant inroads have been made in the automation of nonappropriated fund (NAF) accounting, reporting, and payroll functions under the auspices of the Nonappropriated Fund Information Standard System (NAFISS). MWR activities are businesslike and should be viewed as such.

9-2. BUDGETING.

a. There needs to be an established relationship between the budgeting and programming processes and activity operations. Each activity manager needs to develop a specific business plan showing the operational programs. The nonappropriated fund budgets are a meaningful, quantitative expression of these business plans. This process tasks the activity level manager to initiate program requirements and quantify them in dollars, i.e., sales, cost of goods, labor, supplies, maintenance and repair, etc. It tasks management to ensure there is an established relationship between program development and budgetary proceedings. And it tasks the commander to ensure the program is funded and implemented.

b. MWR budgets, prepared by operating managers, provide staff proponents and higher officials with resource data to be used in command management decisionmaking. The budgetary process for MWR activities identifies total anticipated appropriated and nonappropriated fund resources and provides the basis for considering MWR funding alternatives. Army policy is that the MWR will utilize appropriated funds (APF) where authorized, and can be supplemented by NAF when APF is not available or authorized.

c. Four types of budgets should be prepared for all NAFIs except chaplain funds. Actual and programmed performance by these budgets is compared monthly to provide for the identification and correction of significant variances.

(1) The annual operating budget (AOB) projects income and expenses and permits the comparison and analysis of programmed data with actual data.

(2) Capital purchase/minor construction (CPMC) budgets show projections for acquisition, renovation, expansion, and/or replacement of fixed assets, and indicate sources of funding.

(3) Cash flow budgets show existing cash resources and anticipated cash receipts and disbursements, and forecast cash balances on specified dates. The cash budget should reconcile

## **CATEGORY A - MISSION SUSTAINING ACTIVITIES**

### Libraries

Gym-phys fitness/aquatic tng (and/or athletic equipment checkout)

Recreation centers

Unit activities

Professional entertainment overseas

Parks and picnic areas

Sports/athletics (and/or athletics self-directed)

## **CATEGORY B - COMMUNITY SUPPORT PROGRAMS**

Sports (above intramural level)

Arts and crafts (skill development)

Auto crafts (skill development)

Entertainment (music and theater)

Outdoor recreation program general

Recreational swimming pools

Child development centers

Youth development fitness and sports

Youth leisure and social rec service (youth activities)

Small travel camps/campgrounds

Bowling (12 lanes or less)

Boating activity without private berthing (without resale)

Outdoor recreation checkout

Information, ticketing and reg (rec info, tickets & tour service)

Stables (riding stables without private boarding)

Outdoor recreation skeet and trap ranges

## **CATEGORY C - REVENUE GENERATING PROGRAMS**

Bowling centers (over 12 lanes)

Clubs (Officers', NCO, Community)

Recreation equipment rental and sales

Figure 9-1. Categories of MWR activities.

**CATEGORY C - REVENUE GENERATING PROGRAMS  
(Cont'd)**

Flying activities  
Other resale  
Golf courses  
Marinas and boating activities with resale or private  
berthing  
Unit lounges (USAEUR)  
Motorcycle activities  
Parachute/skydiving activities  
Rod and gun activities  
Skating rinks  
Skeet/trap ranges  
Stand alone snack bars  
Stables (with boarding of private mounts)  
Commercial travel operations  
Vending and amusement machines  
Temporary guest facilities, cabins/cottages/cabanas/rec  
guest houses  
Guest houses (PCS)  
Large travel camps, campgrounds  
AFRC (accommodations, dining, resale)  
Recreation membership clubs - other

Figure 9-1. Categories of MWR activities (cont.).

with the operating and capital expenditure budgets. The cash flow budget should serve as the focal point for a weekly or monthly cash flow analysis.

(4) The NAF/APF Support Budget is prepared annually to identify the sources of appropriated and nonappropriated funds that will be applied to projected activity requirements.

d. The APF and NAF budgets for MWR activities should be prepared concurrently (although documented separately) and considered conceptually as one total requirement. MWR programs should be reviewed, both APF and NAF, by the commander as a total requirement. Commands must ensure that local generation of income is maximized.

e. Original budget submissions must be as accurate and realistic as possible and reflect all known and planned events, changes, etc. Budget revisions are not a substitute for realistic planning and management action to adjust operations to achieve budgeted goals. However, when budget variances are within the Army MWR financial goals or major command (MACOM) approved budget goals, budget revisions for the rest of the year are required.

9-3. FINANCIAL MANAGEMENT. Activity managers must be able to analyze and identify reasons for variances from budget. A monthly narrative explaining variances from budget to actual should be submitted to the fund manager. It should include reason for variance, corrective action taken, action to be taken with milestones, etc. Trend analysis, customer surveys and market analysis should all be used to identify potential customers and programs.

#### 9-4. ACCOUNTING.

a. Appropriated fund and NAFISS accounting systems will furnish the reports to MWR operations as required by the Office of the Secretary of Defense (OSD). All direct, readily identifiable expenses incurred in support of MWR activities must be accumulated in the accounting systems. This requires full disclosure of NAF and APF costs to the installation commander and his staff. Inherent within this reporting requirement is the accumulation of related APF resources provided to MWR programs.

b. A Central Accounting Office (CAO), known as NAF Financial Service (NFS), is established at Red River Army Depot for all Army CONUS installations. It is designed to provide the installation with professional and standardized accounting and reporting functions for MWR activities at the installation. MWR activities perform basic operational functions and clerical duties, such as collecting receipts, preparing and making deposits, and furnishing the CAO all source data pertaining to cash receipts and obligations incurred. The CAO is an organizational entity of the Defense Finance Accounting Service (DFAS)

c. The central accounting officer, in addition to ensuring that his/her organizational entity actively complies with DA and DOD directives, provides analytical interpretation of financial stability. The preparation of accounting data for external distribution maximizes the effectiveness of the accounting system.

d. NAFISS has been implemented to provide standard automated accounting operations and to improve managerial decisionmaking by more timely reports. The system can also provide a payroll function wherein all CONUS NAF employees are paid from a central processing site in lieu of each installation doing its own payroll function.

#### 9-5. RESPONSIBILITIES AT THE INSTALLATION OR ACTIVITY.

a. NAF financial statements will be prepared by the CAO and submitted to Community Family Support Center (CFSC), MACOMs, and installations. Appropriated fund obligation data

and status reports (part IV of CSCFA 218 report) are prepared by the DFAS operating locations (OPLOCs) which then submit them to the DFAS Indianapolis Center.

b. MACOM and installation commanders are responsible for evaluating MWR programs at their installation(s)/command to determine whether maximum equitable benefit is accruing to military personnel from APF and NAF, and insuring that MWR budget guidance is followed. This responsibility also includes achieving the required NAF income objectives for the installation MWR activities and assuring that variances in actual performance from what was budgeted are accurately portrayed and documented for corrective action.

c. Directors of resource management (DRMs) are responsible for providing appropriated fund obligation data to MWR staff proponents in the format and detail specified by regulation or Army directive, supplying whatever technical assistance is required by the MWR staff proponent, and providing appropriated fund data that is required in formulating MWR budgets. Additionally, the DRM has a staff responsibility to insure that accounting services are provided and that financial management guidance to MWR managers is readily available.

d. MWR program managers are responsible for administering their APF and NAF funds in accordance with applicable regulations, except for signing checks and maintaining formal accounting records. Of great importance is the responsibility for gathering prescribed MWR expense information, preparing budgets in accordance with the parameters set by the director of personnel and community activities (DPCA) (MWR staff proponent) and managing their activities.

e. The DPCAs or their MWR staff proponents within the DPCA are responsible for planning, organizing, directing, controlling, and supervising the MWR program. This includes overall responsibility for budget formulation, justification, execution and day-to-day oversight.

Chapter 10  
INSTALLATION DIRECTORATE FINANCIAL RESPONSIBILITIES.

10-1. GENERAL. The majority of the installations throughout the Army are organized with a directorate staff. These mission directorates also serve as major activity directorates, and in most cases, are referred to as program directorates. The position of director carries the responsibility for direct involvement in the financial management of the installation. Typical major activity directorates are Personnel and Community Activities; Training, Plans, and Security; Logistics-, Engineering and Housing; Information Management; Medical Activities; and Reserve Components (where applicable).

10-2. DIRECTORS' FINANCIAL MANAGEMENT FUNCTIONS. Major activity directors typically have two distinctly different but clearly related financial management roles: first, as program managers for their functional areas and second, as members of the installation's budget advisor organization (e.g., Program Budget Advisory Committee).

a. The directors' financial management role is that of coordinating the financial management responsibilities of the subordinate organizations under their control. The directors accomplish this by directly and totally involving them in the two major areas of financial management--budget formulation and budget execution.

(1) Budget formulation. This is a highly technical, strictly time-controlled process that begins with the major activity directors' receipt of budget and manpower guidance from the installation director of resource management (DRM). Each activity within the directorate applies this guidance to its own specific projected work requirements. Those requirements can then be expressed as an annual plan in terms of the amount of money that will be needed to carry out the plan. The directors are then responsible for combining all of their respective activities plans into budgets for their entire areas of responsibility. Many of the technicalities of budget formulation (such as floors, limitations, and targets, which are designed to guide the spending in certain critical areas) are beyond the scope of this chapter.

(2) Budget Execution. Major activity directors are responsible for executing, reviewing, and analyzing budget programs and program elements for which they have been assigned staff responsibility, and for supervising operations to accomplish the projected workload and scheduled actions. Major activity directors must recognize that their activity chiefs will require policy guidance to determine the priorities for using available funds. A vital part of this budget execution process is quick reaction by the major activity directors when additional funds are going to be required for mission accomplishment or excess funds become available for reprogramming or withdrawal by the installation DRM. The major activity directors must provide prompt notification to the installation DRM in such cases. The significant financial management functions of budget execution are accomplished by applying the following techniques:

(a) Translating the mission to specific objectives. The evaluation of installation activities should be related to the major mission of the installation. For example, the mission of many installations may involve: (1) basic, advanced, and specialist training of individuals; (2) unit training of divisional, nondivisional, and supporting elements of the Army; (3) unit participation in field exercises, tests, and maneuvers; and (4) support of the Reserve components. (The operation and maintenance of facilities comprise a large part of the activities of most installations. These activities should be reviewed in light of their relationships to the major mission they support).

(b) Measuring accomplishments against objectives. Reviews and analyses become more meaningful when accomplishments are measured against previously determined objectives. Those objectives may be expressed in a wide variety of ways, such as mission goals, operating programs, schedules, forecasts, estimates, targets, and ceilings. Performance may also be measured against such criteria as standards, factors, rates, ratios, yardsticks, and other units for measuring the actual accomplishment against predetermined objectives.

(c) Analysis of deviations. The evaluation of accomplishment against objective assumes added significance when reported variations from objectives are supported by analyses of the causes of deviations beyond established tolerances. (Why did the deviations occur?) The explanation of these deviations may reflect on the soundness of plans and programs rather than on the effectiveness of accomplishment. It may indicate that the objectives were unattainable, that the resources allocated were inadequate; or that unforeseen circumstances, such as the assignment of unprogramed and unbudgeted activities, affected both missions and accomplishment. It may reveal that shortfalls resulted from ineffective use of the resources provided in support of missions. It may demonstrate that the criteria for measuring performance against a predetermined standard is unrealistic and requires revision. It may indicate long-range trends or developing patterns, or it may reflect seasonal variations or particular circumstances that have occurred.

(d) Evaluation of impacts. The review and analysis function assumes its full value as a management tool only when cause and effect evaluations enable the commander to use it as a basis for command management decisions.

(e) Statement of problems. The reasons for deviations and their impacts on accomplishment of missions (the cause and effect approach) should result in clearly stated problems. A clearly stated problem stimulates a clean-cut decision. The statement of a problem should indicate clearly whether it is susceptible to corrective action at installation level, whether action is required at a higher level of authority, or whether the installation must learn to live with the problem.

(f) Indication of corrective actions. The review and analysis should indicate the actions which have been taken, will be taken, or should be taken to solve the problems that are susceptible to corrective action. If a command decision is required for corrective action at the

installation level or for referral of a problem to higher authority, the review and analysis should initiate that type of action.

(g) Trend analysis. There are circumstances in which a trend analysis of past performance provides the most practical and meaningful evaluation of accomplishment in lieu of a comparison with predetermined objectives.

(h) Management by exception. The universe of installation activities is ordinarily too large and detailed to warrant complete coverage in a periodic review and analysis. The "management by exception" technique should, therefore, be used in the review and analysis to highlight only those activities in which there have been major accomplishments, significant deviations, exceptional situations, critical problems, or important actions that have a direct bearing on the execution of the missions of the installation.

(i) Communicating the results. Directors must be ready to channel the results of their continuing review and analysis efforts into the many staff meetings, briefings, publications, staff papers, and other media that provide avenues of communication between the staff and top command and management. From this viewpoint, review and analysis must be a continuous process.

b. The director participates with all other directors in evaluating budget guidance from higher headquarters and preparing recommendations for the commander with respect to the staffing and funding of the installation. Chapter 11 discusses this rather structured and technical function.

### 10-3. YEAR-END OPERATIONS.

a. Philosophy. A 99.9 percent obligation rate is not necessarily a viable measure of effective or efficient fund utilization. Rather, managers must use available funds realistically in support of command goals. Obligations should occur as long as valid requirements exist to a point short of overobligating. The 99.9 percent obligation rate serves as an informal bench mark of this philosophy. For example, an installation approaching yearend with a 95 percent obligation rate and an additional 3 percent valid unfinanced requirements should attempt to obligate funds to accomplish the unfinanced requirements and then report excess funds for withdrawal by the major command. Obligating less than 99.9 percent is not a "stigma," nor does it detract from the efficiency and effectiveness of the installation, provided the missions and functions of the installation have been accomplished. Next year's fund distribution will be based strictly on the missions or functions to be accomplished, not on the obligation rate of the current year. However, not funding valid unfinanced requirements when there are unobligated funds available at yearend, and instead, turning those unobligated funds back to the MACOM, falls into the realm of fund mismanagement, because it would deprive the installation of significant items for which it had the means to acquire.

b. Reprograming. To insure maximum obligations, reprograming actions take place. Reprograming consists of identifying areas in which funds available exceed requirements and transferring this fund excess to areas in need. Obviously, care must be exercised to insure that directed or statutory limitations are not violated and that reprograming at the installation does not occur between major programs. Reprograming can take place at the activity, major activity, and installation levels. Major commands should be notified of unused funds so that reprograming can take place at that level. However, an installation must exercise particular care before offering funds for withdrawal to its major command. Many instances have occurred in which installation accounting records were not totally up to date at the time of offering; therefore, later transactions created overobligations and violations of the Antideficiency Act.

c. Validating unliquidated obligations. Managers at all levels are responsible for insuring that obligations incurred for goods or services not yet received are still valid, justifiable requirements. Those that are no longer valid should be reported through proper channels to the installation DRM for deobligation, withdrawal, and redistribution to other purposes for which valid needs exist. Those "freed" funds will most likely be applied to existing unfinanced requirements -- such as the Backlog of Maintenance and Repair (BMAR), discussed in Chapter 6.

d. Procedure. Year-end operations are centrally controlled and are characterized by quick reaction and total coordination. The DRM is the focal point, but the major activity directors are the operators who report funds available for withdrawal, acting to use redistributed funds and warning about potential trouble areas.

10-4. RESPONSIBILITY. The major activity director has the most significant impact on whether or not his or her activities are supported with adequate financial resources. It is therefore incumbent upon the director to insure that his or her requirements are properly stated, adequately justified, and properly managed.

Chapter 11  
INSTALLATION PROGRAMING AND BUDGETING

11-1. GENERAL.

a. The commander must express the installation's missions, activities and programs in terms of required resources. The Department of the Army's program-budget cycle above the installation level is a very technical, rigid and time-constrained process. The need for uniformity and standardization on the part of the subordinate commands and installations as they prepare critical feeder data for presentation and evaluation in the Department of the Army and Department of Defense program-budget submission dictates the need for this disciplined process. The program-budget process is vital to the installation commander since it provides the very lifeblood to his command. Without adequate funds, the installation commander cannot acquire the personnel, goods and services necessary for mission accomplishment. If the installation program-budget process is to have any integrity and credibility, it must be an active part of the installation commander's decisionmaking process. This chapter will address in summary terms the formal installation program-budget cycle.

b. The appropriation funding the installation's mission determines/drives the installation programing and budgeting process.

(1) Commanders of AMC Operations and Maintenance, Army (OMA)-funded major subordinate commands and installations identify and defend their resource requirements and spending plans for planning, budget, and execution years through a variety of data calls and reviews and staff coordination between HQ AMC and its major subordinate commands. Some of the data calls and reviews include the Program Objective Memorandum (POM), budget schedules, budget year reviews (the AMC Resource Summit), the funding letter process, obligation planning, midyear reviews, the Omnibus Programing data call, unfinanced requirements (UFRs) lists, MSC/separate reporting activity (SRA)-initiated actions, and the yearend closeout (YECO) process. The MSCs and SRAs receive guidance and feedback from HQ AMC for these data calls through a variety of sources, including the POM/Budget Instructions, Resource Summit Guidance, the Program Budget Guidance (PBG), funding authorization documents (FADs), and daily interaction between HQ AMC and subordinate command analysts.

(2) The Research, Development and Acquisition Plan (RDAP), formerly the LRRDAP (Long-Range Research, Development and Acquisition Plan). Long range resource requirements for RDTE and acquisition programs are captured in the HQDA Research, Development and Acquisition Plan. Major subordinate commands and HQ AMC staff develop the AMC Science, Systems and Infrastructure RDA Plan (SSIRDAP) which is used to input both the HQDA RDA plan and the AMC POM.

(3) Depots and arsenals that are funded by the Army Working Capital Fund (AWCF) identify their resource requirements in the annual AWCF installation budget submit. All AWCF installations are 100% funded by the AWCF customer orders and do not receive direct appropriated funds. The AWCF installation budget is developed in the third quarter, submitted to the managing MSC and consolidated at the Activity Group level by AMC. In the following February, the AWCF activity group budget becomes part of the President's Budget, which sets and locks the DLH revenue rate for the following year of execution. The annual AWCF budget normally includes prior year (PY), current year (CY), budget year (BY), and budget year plus one (BY+1). The AWCF installations also provide data for the out years in the POM. The AWCF installation budget is not constrained by funded appropriation levels, but rather by projected customer workload in the budget year. Installation expenses articulated in the budget are the main factor in determining direct labor hour (DLH) rates charged to customers, if the DLH rate becomes too high the installation becomes uncompetitive and customers find other sources to fill their requirements. Therefore, the installation commander must keep costs at the lowest level possible and make every effort to insure that the installation operates at the highest level of efficiency while still maintaining mission capability.

c. There are significant differences between these processes in format, reporting requirements, procedures, schedules, and years covered, that are too complex to deal with in this forum. However, these management processes are documented in great detail, and the installation or major subordinate command comptroller/resource manager can provide information on the system employed at that installation or command. For the sake of simplicity, this chapter will use the MACOM POM and budget process to serve as an example to describe the installation PPBES.

d. Regardless of type of funding and the associated programing and budgeting processes, the critical objective is to build balanced and executable programs and budgets that direct resources to essential and high priority missions. The commander has the responsibility to justify and defend the installation resource requirements. Where possible, resource requirements should be supported by performance data, manpower staffing standards, or other quantifiable data. One of the most vital and effective portions of the POM submission is the Commander's Statement that accompanies the various fiscal documents. The commander's statement must translate the detailed fiscal data into meaningful statements concerning the impact on combat effectiveness and mission accomplishment. It is of little value and has little impact when it contains such vague and meaningless comments as, "without additional funds in this account, I will be required to reduce the staffing and operating hours of the organization." Impacts should be stated in quantitative terms, if possible, indicating the specific effect that the reduced staffing and funds will have on mission tasks such as providing maintenance support to combat vehicles or critical training tests that will affect the combat readiness of the Army.

e. While the programing and budgeting processes are annual events, execution is a perennial process. Historically, requirements exceed funds available, especially within the OMA appropriation, with the result that throughout the year, appropriation managers continuously

rebalance and reprioritize limited dollar resources to meet the most critical requirements without reducing readiness.

## 11-2. PROGRAM-BUDGET FORMULATION.

a. Prior to implementation of the biennial budget concept, commands prepared and submitted both their program (PARR, Program Analysis Resources Review) and budget documents each year. The current fiscal year was the year of execution, the next year was the budget year, and the year following the budget year was the first program year. With the transition to biennial budgets, programs and budgets were to be submitted during alternate calendar years, i.e., programs during odd numbered calendar years, two-year budgets during even numbered years. However, due to political circumstances, the reluctance of Congress to fully accept the concept, and changing fiscal realities, some form of budget and/or program update has been required each year.

(1) The MACOM POM indicates the missions, issues, or initiatives that the MACOM would like to see included in the Army Program Objective Memorandum (POM). The Army POM addresses resource levels for 6 fiscal years, beginning with the program year. Guidance for developing the MACOM POM is distributed by DA biennially in an Army guidance document. MACOMs, in turn, supplement and distribute this guidance to their subordinate commands. The subordinate commands submit their input to the MACOM POM in the November -- January timeframe. The MACOM consolidates these in its POM, which it submits to HQDA during February.

(2) The MSC/installation budget submission, or Command Budget Estimate (CBE), occurs during the even number years of the biennial process. It is updated during the odd number years through the Resource Management Update (RMU) or mini-POM process. During the update process the budget estimates and selected schedules of the CBE are refined. Although the CBE covers 7 years (The current year, 2 Budget years and 4 Program years) CBE schedules make the most impact on the 2 budget years. It is an important financial document between the installation and MACOM. It consists of fiscal schedules and detailed costing manpower justification of the installation's resource requirements, and it documents the installation's proposed use of its resources. The financed resource levels are issued in the Program Budget Guidance (PBG), and reflect the levels established as a result of the POM decisions. Installations are expected to develop execution plans to live within those resources. After distribution of all the available resources, if installations have unfinanced requirements, they surface them through the budget submission and compete for additional funding against lower priority missions. Given the scarce resources, this is a zero-sum game, with fierce competition. Reallocation of funds during the budget years is not as likely as during the program years. The installations submit their budgets to the MACOMs between January and May, depending on appropriation, and the MACOMs send their submissions to HQDA between March and July, depending on appropriation.

(3) The HQDA prepares a Budget Estimate Submission (BES), a near-years budget guidance document that presents the Army plan for the budget year or years to the Office of the Secretary of Defense. The Army uses data submitted by the MACOMs in their POMs and budget schedules in developing the BES. The OSD uses the Army BES to prepare the President's Budget, with the Army's help. The BES contrasts with the POM in that the latter is concerned with developing guidance for the program years. The first year or two of the POM will eventually become the base guidance for the BES.

b. The MSC/installation POM, budget, and execution processes include the reviews, justifications, and recommendations of the command's program and budget advisory body (sometimes called a Program Budget Advisory Committee or PBAC at installations). This organization serves as a top management advisory group to the commander. The chief of staff is normally the chairman. Other members are principal staff officers responsible for the functional areas of resource management, engineering, personnel, operations, logistics, and other representatives as desired by the commander. The group considers all aspects of the internal management of the command. Each member ensures that his/her area of staff responsibility is accorded full consideration by the group. The goals and requirements of individual areas are coordinated and molded into overall goals, requirements, and priorities for the command. The recommendations of this group represent the consensus of the top management officials of the command.

## Chapter 12 MAJOR COMMAND FINANCIAL MANAGEMENT

12-1. GENERAL. The major commands (MACOMs) of the U.S. Army are essentially distributors of funds rather than users. The MACOMs are the organizational interface of the programming and budgeting system. The MACOMs prepare input to the programming process with the MACOM Program Objective Memorandum (POM) and Research Development and Acquisition Plan (RDAP) which present analysis, new initiatives, recommendations for change, and detail costing of approved Management Decision Packages (MDEPs). Simultaneously, the MACOMs formulate, monitor, analyze and coordinate the budget formulation and execution activities of subordinate installations.

12-2. ORGANIZATION FOR RESOURCE MANAGEMENT. Generally there are two configurations for the organization performing the MACOM resource management function, the traditional Comptroller or a Resource Management concept. The resource management concept recognizes the broad scope of comptroller functions and interrelationships while including additional aspects of resource management. Typically, the Deputy Chief of Staff for Resource Management (DCSRM) has responsibilities in management, budgeting, accounting, cost analysis and force development. The inclusion of force development recognizes the resource implications of changes to the force structure and manpower documents. Typically, the traditional comptroller organization did not have responsibility for force development.

12-3. MACOM ROLE IN ARMY PLANNING, PROGRAMING, BUDGETING AND EXECUTION. The Army Planning, Program, Budgeting and Execution System (PPBES) is a management system employed by the Department of the Army to ensure effective use of resources. In conjunction with DOD and Joint Chiefs of Staff (JCS) guidance, the Army PPBES is designed to provide timely input of Army views that will appropriately influence the policy, strategy, force objectives, and other considerations of the Secretary of Defense and Joint Staff and also provide timely guidance to the Army Staff and commanders. The Army Program Objective Memorandum (POM) is the Army's primary programming document of the programming phase of the PPBES cycle. The POM is a single document that details the total Army requirements for the program year and the five outyears. It represents the Army's response to OSD's formal guidance and is constrained by all guidance published by DA and OSD prior to POM development. Forces, manpower, materiel, and costs are covered in the POM. The 5-year POM is developed 2 years prior to the program year contained therein and is normally published and distributed to the major commands in late May of each year.

a. Each MACOM commander submits to HQDA in December a long-range plan outlining requirements 15 years into the future. As a minimum, the long-range plan must reflect functional mission requirements, goals, and objectives, strategies for achieving them, and the relationship with warfighting concepts, doctrine and Army functional area long-range plans. (Army functional areas are defined in the Army Long-Range Planning Guidance, and correspond to the

functional panels used to build the POM). The MACOM's long-range plan serves as the basis for justifying requirements appearing in the MACOM POM and RDAP that support the MACOM's long-range goals and objectives. The process seeks to produce plausible plans that consider risk, threat, resource availability and affordability, ensuring linkage to near- and mid-range planning and budget documents.

b. As indicated in Chapter 11, the POM is a biennial budget in which the first two years of the 6-year POM are submitted to Congress as fully supported "stand alone" budgets. But because Congress has yet to approve a two-year appropriation for DOD, during the second year of the biennial cycle (the odd year) DOD reviews its previous year's budget submission and submits an updated one-year budget request for the second year of the biennial budget. This off-year review process is variously referred to as the "Amended POM," "Mini-POM," or "Program Review." The off-year review typically adjusts the remaining 5 years of the POM to reflect changes to programs. Incorporation of new requirements or major program changes is usually restricted to the regular POM process. Each MACOM is required to submit its POM input to HQDA in February of even years. The MACOM POM and RDAP are based on DA guidance received initially in October and updated in January. The MACOM prepares its POM input addressing DA initiatives, its own initiatives, and recommended changes. The MACOM POM and RDAP are then screened, analyzed, and approved by HQDA. Through the use of the MACOM POM and RDAP, the major commanders are able to influence the optimum allocation of program resources within their commands while reinforcing sound analysis and program management at the HQDA level.

(1) The current MACOM POM represents the command's resource requirements and reflects all potential direct resources, both dollars and manpower, and all anticipated expenditures. The MACOM POM encompasses all appropriations and records MACOM's midrange investment and funding decisions. Within the POM, the command identifies both those missions it can accomplish within the given resource levels and those that it cannot fully accomplish because there are not sufficient resources available. Funding shortfalls are identified as unfinanced requirements (UFRs). These shortfalls are typically reviewed and prioritized by the command's program and budget advisory bodies (at AMC, by the Resource Integration Council or RIC, the Resource Action Committee or RAC, and finally by the AMC Resource Board or ARB) before submission to the commander for approval.

(2) Budget development is concurrent with, and continues after, the POM process. The budgeting process at the MACOM resembles in many ways the similar process in MSCs and installations. It is a highly technical, time-controlled process that produces prescribed documents, or "schedules," to HQDA. Many schedules have been eliminated from the previous budget process while others have been added to the POM process. For instance, the Schedule 1, Unresourced Programs, and Schedule 8, Reprogramming Requests, are due with the Commander's Statement POM deadline, with remaining schedules due one month later. The MACOM POM and Budget is built at the program element (PE) and management decision package (MDEP) level of detail. Submissions are built from HQDA approved distribution of funds provided in the Program Budget Guidance (PBG). Schedules 1 and other PBG changes are approved by the

MACOM commander upon recommendations of the command's program and budget advisory bodies (e.g., RIC and RAC).

(3) Bottom line program changes and funding decrements, whether to the POM or allocation, all come from HQDA. During budget execution, reprogramming between appropriations requires congressional approval. Changes are usually either commodity adjustments, mission changes, or across the board adjustments, such as an OMA tax (an OMA funding reduction applied to MACOMs), pay raises, or inflation. The resource manager coordinates these adjustments with the functional managers, who together review and analyze changes and identify impacts and MSCs affected. Proposed adjustments are considered and approved through the command's budget advisory groups, with command-approved adjustments passed to the MSCs.

(4) Upon appropriation and authorization of funds, HQDA distributes funds to MACOMs by means of funding authorization documents (FADs), at Activity Group (AG) level. MACOMs in turn distribute funds and adjustments to MSCs by Subactivity Group (SAG), based on coordinated functional input and as approved via the budget advisory group process. Any redistribution is limited by congressional and DOD reprogramming rules. MACOMs also send program budget guidance to MSCs at the program element (PE), management decision package (MDEP), and remarks levels, which provide details regarding use of funds

c. The result of the above process is an operating program that records the missions to be conducted and the resources required to accomplish those missions. The specific objectives of the operating program are:

(1) To announce command objectives, guidance for their attainment, and applicable policies and priorities.

(2) To provide the basis for development of a balanced program consistent with existing resources and planned workloads.

(3) To furnish adequate and timely guidance to major subordinate activities for use in budget formulation, justification and execution.

(4) To permit a continuing evaluation of performance measured against established performance workload schedules and programmed use of resources.

d. The MACOM's challenge is one of integration: to build a balanced program that satisfies the highest priorities of the Army, OSD and Congress, while recognizing the interrelationships that exist between the various functions assigned to the MACOM. This challenge is so broad in scope that MACOMs may establish an organizational element specifically to meet it. At AMC, the Integration Division of the DCSRM performs a wide range of integration functions to include: program-wide reviews to ensure that resource levels meet

workload requirements; identification of critical funding issues to functional managers; and development of guidance on multi-appropriation issues and decisions to AMC subject matter experts. It also serves as the AMC liaison with HQDA and other defense agencies and reviews and promulgates the impacts of pending policy and legislative proposals and authorization and appropriation legislation.

12-4. FUNDING. In chapter 2, operating, investment, and revolving funds were identified and discussed briefly. In most instances, a single Army installation would not be involved with all of those categories of funds. The MACOM, on the other hand, usually will be involved with budgeting and administering all of them, and subdividing them to the subordinate installations, whose mission accomplishment is dependent upon that funding. In addition to the categories of funds previously discussed, there are also contingency funds, a category of funds with which all MACOMs are involved. Contingency funds are for miscellaneous expenses incurred in celebrating national holidays, dedicating facilities, visits of distinguished guests, and a host of other representation functions. Contingency funds are closely monitored by the MACOM and are available to each installation commander. Guidelines for using them are in AR 37-47 (Contingency Funds of the Secretary of the Army). Strict accounting and reporting are required.

#### 12-5. SUBDIVIDING FUNDS.

a. Receipt and distribution of funds. The Comptroller or DCSR is responsible for the overall supervision, management, and control of the financial resources at the major commands. This responsibility includes receipt and issuance of funding documents to activities and maintenance of records that provide control over annual funding programs, allocations, suballocations, and other similar fund authorizations.

b. Limitations included in funding authorization documents. A limitation imposed upon the use of an appropriation or other fund or subdivision thereof has the same effect as a fund subdivision in the control of obligations and expenditures. Limitations prescribed in funding documents and in statutes or other applicable directives must be observed.

c. Legal responsibilities of finance and accounting officers. The commander is responsible for the administrative control of funds. Through the Comptroller or DCSR, the commander will establish adequate controls to prevent an overdistribution of funds and withdrawals in excess of available balances.

12-6. ACCOUNTING AND REPORTING. The MACOM, with its accounting office, is responsible for consolidating installation feeder data and further reporting to HQDA. This is done through computerized management information systems such as the Defense Joint Accounting System (DJAS), and others. Using this report receipt and consolidation process, accountants and technicians at the MACOM level may discover account balances indicating that a subordinate installation is on the threshold of an Antideficiency Act (ADA) violation. Appropriate action can

then be taken to adjust funds, in coordination with the subordinate command, to avoid the violation.

## 12-7. ACTIONS REQUIRED IN REPORTING AND INVESTIGATING ADA VIOLATIONS.

a. When a potential violation of the ADA is first suspected, the matter should immediately be brought to the attention of the DCSRM at the MACOM or subordinate command at which the alleged violation occurred. The DCSRM should determine whether there is reasonable cause to conclude that a potential violation may have occurred. It may be necessary for the DCSRM to quickly gather sufficient facts in order to make such a determination. If the conclusion is that a potential violation may have occurred, the DRM must submit a "flash report" (through MACOM DCSRM channels if at a subordinate command) to the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)). The flash report, due 15 days from the date of discovery of the alleged violation, provides DA with official notification of the alleged violation and sets in motion the formal investigation and reporting process.

b. The commander of the activity at which the alleged violation occurred is responsible for appointing an Investigating Officer (IO) and support team to conduct the investigation. (The investigation should be conducted at the lowest level of command at which the independence of the investigating officer from those potentially involved with the alleged violation can be assured, beginning with the activity where the alleged violation occurred. If such impartiality, or the perception of it, could be compromised within that activity, the case should be investigated by the next level of command. Thus, if the commander of the activity where the alleged violation occurred is implicated, the investigation should be conducted by the next level of command. For similar reasons, if two or more activities are involved in the alleged violation, the investigation should be handled the next level of command or by a neutral third party.)

(1) The IO, as a prerequisite, must have received training in fiscal or appropriation law. It is also recommended, although not required, that the IO be someone from within the resource or financial management community. There are several reasons for this. First, resource management is the functional expert for the ADA and the organizational channel through which ADA investigations are organized, coordinated, and reported to DA and ultimately Congress. Second, it is likely that an activity's pool of potential IOs who have taken the requisite fiscal law course is entirely within the DRM. And third, since a resource manager is also required to serve on the investigation's support team, selecting an RM as the IO reduces the size of the team.

(2) The support team at minimum should consist of an attorney, a resource manager (if the IO isn't one), and a technical advisor or advisors from any principal functional area(s) involved in the alleged violation *other than resource management* (e.g., an engineer if the case involves building construction). The names of the IO and support team should be provided to DA in the flash report.

c. The IO should immediately commence the investigation. Reporting times are short and are driven by statutory and regulatory requirements. The report of the first, or preliminary, phase

of the investigation must reach DA not later than 90 days of discovery. The second phase of the investigation, which concludes with a final report, is due 60 days later. The preliminary investigation is the evidence gathering phase and concludes with a determination by the IO as to whether an ADA occurred. The Preliminary Investigation Report is forwarded with subordinate commander endorsement and legal review through MACOM DCSRM to ASA(FM&C). If the preliminary reports no violation, and the DA Office of General Counsel (which reviews all ADA cases) concurs, the case is closed. However, if there is a finding of violation, the investigation continues into the second phase, which is concerned with identifying and notifying responsible individuals, reporting remedial actions taken by the command to correct the problem and prevent its recurrence, and reporting disciplinary actions taken, if any, against those named responsible, all of which is addressed in the Final Report.

d. This is a brief summary of the principal elements of an ADA investigation. As the foregoing implies, it is an involved, formal process that receives high visibility and commands the highest priority. To underscore that visibility, the status of ADAs through the preliminary investigation is tracked at the DA level, where status is reported monthly to the ASA(FM&C) and quarterly to the Secretary of the Army. If a violation is reported, DA advises OSD which then begins to track it as well. And of course, the ADA Final Report is ultimately reported, in turn, to OSD, OMB, the President, the President of the Senate (the Vice President), and the Speaker of the House of Representatives. Two important maxims should govern management's approach to ADAs: *when in doubt, flash*, and *be forthcoming*.

e. References include DA's "Antideficiency Act (ADA) Investigation Manual," January 1998 (available on web site <http://www.asafm.army.mil/financial.htm>); DFAS-IN Regulation 37-1; and the Army supplements to the DFAS regulation. The United States Code (USC) Title 31, Money and Finance, is available on the Army home web page, at <http://www.asafm.army.mil>, under the Directorate of Financial Operations, Antideficiency Act Documentation.

## Chapter 13 MANAGEMENT CONTROLS

### 13-1. GENERAL.

a. The proper stewardship of Federal resources is a fundamental responsibility of agency managers and staff. Federal employees must ensure that government resources are used efficiently and effectively to achieve intended program results. Management controls (also referred to as internal controls) are among the principal tools program and financial managers and commanders have to help them achieve more effective stewardship.

b. The Office of Management and Budget (OMB) has defined management controls as "the organization, policies, and procedures used to *reasonably* ensure that programs achieve their intended results, that resources are used consistent with agency mission, that programs and resources are protected from waste, fraud and mismanagement, that laws and regulations are followed, and that reliable and timely information is obtained, maintained, reported, and used for decision making."

Note the use of the conditional adverb "reasonably." OMB goes on to point out that management controls "guarantee neither the success of agency programs, nor the absence of waste, fraud, and mismanagement, but they are a means of managing the risk associated with Federal programs and operations. To help ensure that controls are appropriate and cost effective, agencies should consider the cost of controls relative to the importance and risk associated with the given program."

13-2. FOUNDATION. The importance of, and requirements for, management controls are addressed, both explicitly and implicitly, in many statutes and executive documents.

a. The **Federal Managers' Financial Integrity Act** (P.L. 97-255) establishes specific requirements with regard to management controls. The agency head must establish controls that reasonably ensure that obligations and costs comply with applicable law, that assets are safeguarded against waste, loss, unauthorized use or misappropriation, and that revenues and expenditures are properly recorded and accounted for [*31 U.S.C. 3512(c)(1)*]. In addition, the agency head annually must evaluate and report on the control and financial systems that protect the integrity of Federal programs [*31 U.S.C. 3512(d)(2)*]. The Integrity Act encompasses program, operational, and administrative areas as well as accounting and financial management.

b. Meeting the requirements of the **Chief Financial Officers (CFO) Act** (P.L. 101-576, as amended) should help agencies both establish and evaluate management controls. The CFO Act requires the preparation and audit of financial statements for 24 Federal agencies [*31 U.S.C. 901(b), 3515*]. In this process, auditors annually report on internal controls and compliance with laws and regulations. Therefore, the agencies covered by the Act (and DOD is among them)

have a clear opportunity both to improve controls over their financial activities, and to evaluate the controls that are in place.

c. The **Inspector General Act** (P.L. 95452, as amended) provides for independent reviews of agency programs and operations. Offices of Inspectors General (OIGs) and other external audit organizations frequently cite specific deficiencies in management controls and recommend opportunities for improvements. Agency managers, who are required by the Act to follow up on audit recommendations, should use these reviews to identify and correct problems resulting from inadequate, excessive, or poorly designed controls, and to build appropriate controls into new programs.

d. The General Accounting Office (GAO) publication, "**Standards for Internal Control in the Federal Government**" and the Office of Management and Budget (OMB) **Circular A-123, "Management Accountability and Control,"** define and implement the management control requirements of the Integrity Act. The GAO publication provides further definition, objectives, and fundamental concepts of internal control and internal control standards. The OMB circular provides general guidance to executive agencies for effecting the management control provisions of the Act. Within this context, the Army regulation **AR 11-2, Management Controls,** establishes specific, implementing Army management control policies and requirements.

13-3. ARMY IMPLEMENTATION. The Integrity Act's requirement that designated agencies must report annually to the President and Congress effectively establishes a pyramidal reporting network throughout those agencies. In the Army, AR 11-2 establishes the "assessable unit" as the lowest reporting unit at each level of command, with the heads of reporting organizations designating the assessable units of their respective organizations (generally, subordinate organizations headed by Colonel/GM-15 or higher). Heads of each reporting organization and assessable unit managers bear primary responsibility under the Army's management control program to establish and maintain effective management controls, assess areas of risk, identify and correct weaknesses, and keep their superiors informed.

#### 13-4. PRINCIPAL FEATURES AND REQUIREMENTS OF AMC'S MANAGEMENT CONTROL PROCESS.

- a. Pinpointed responsibilities.
- b. Prompt resolution of audit and inspection findings.
- c. Establishment and maintenance of individual management control plans at subordinate commands and headquarters, describing which key management controls (identified by Army staff) are applicable to the assessable units and establishing the frequency and schedule for their evaluation via checklists and alternative mechanisms.

- d. Identification, development, and inclusion in individual management control plans of additional management control evaluations (supplementing those identified by HQDA) to address command-unique or location-unique circumstances.
- e. Periodic application of management control checklists and evaluations as scheduled in the individual management control plans.
- f. Explicit management control standards in performance statements of responsible commanders and managers.
- g. Annual Statement of Assurance [(RCS) CSCOA-98)] from each level of command to the next, to include a report on the status of material weaknesses.
- h. Identification, correction, and periodic reporting of material weaknesses, at each level of command.

#### 13-5. SUGGESTED REFERENCES.

- a. Army Regulation (AR) 11-2, Management Control, 1 Aug 94.
- b. Government Auditing Standards (Yellow Book -- through Amendment 2), General Accounting Office, 2 July 99.
- c. Department of Defense Directive (DODD) 5010.38, Management Control (MC) Program, 26 Aug 96.
- d. Department of Defense Instruction (DODI) 5010.40, Management Control (MC) Program Procedures, 28 Aug 96.
- e. Internal Control - a Diagnostic Checklist, Office of Personnel Management, 1980.
- f. Management Accountability and Control, Circular A-123, Office of Management and Budget, 21 June 95.
- g. Chief Financial Officers' Act, 1990.
- h. Standards for Internal Control in the Federal Government, Government Accounting Office, GAO/AIMD-00-21.3.1, Nov 99.

Chapter 14  
INTERNAL REVIEW AND AUDIT COMPLIANCE

14-1. INTRODUCTION. The Internal Review and Audit Compliance (IRAC) function provides an important service to the Army installation or activity commander as part of the operational control system. The fundamental tenet of Army management philosophy is that commanders at all levels are responsible for the accomplishment of their missions and for obtaining, safeguarding, accounting for, and properly using the resources necessary for that mission accomplishment. Full responsibility is vested in commanders for compliance with policies, procedures and objectives; and for the accuracy, propriety, legality, and reliability of their actions. The IRAC function as well as appropriate internal controls can assist the commander in the discharge of his responsibility.

14-2. ORGANIZATIONAL PLACEMENT. To help achieve maximum effectiveness, the FPAC office should be a separate staff element organizationally aligned with and reporting to the commander, deputy commander, or chief of staff of the activity. Additionally, the IRAC office should be adequately staffed with qualified personnel.

14-3. FUNCTIONS. The functions of an IRAC office include, but are not limited to, performing audits, troubleshooting, followup, and liaison with external auditors. A brief overview of these functions is presented in the following paragraphs. Further information may be obtained from the references listed in paragraph 14-9.

14-4. AUDIT. An audit is an independent, objective, and systematic review of the operations and controls within an organization. Audits should be conducted in accordance with prescribed audit standards and generally result in the issuance of some form of audit report with recommended actions when appropriate. Audits may be made at a single location or as part of a multilocation audit. The types of government audits are generally classified as either financial audits or performance audits.

a. Financial Audits. Financial audits include financial statement audits and financial related audits.

(1) Financial Statement Audits. Financial statement audits provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Financial statement audits also include audits of financial statements prepared in conformity with any of several other bases of accounting discussed in auditing standards issued by the American Institute of Certified Public Accountants (AICPA).

(2) Financial Related Audits. Financial related audits include determining whether: financial information is presented in accordance with established or stated criteria; the entity has adhered to specific financial compliance requirements; or the entity's internal control structure

over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objective.

b. Performance Audits. Performance audits include economy and efficiency and program audits.

(1) Economy and Efficiency Audits. Economy and efficiency audits include determining: whether the entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently; the causes of inefficiencies or uneconomical practices; and whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

(2) Program Audits. Program audits include determining the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved; the effectiveness of organizations, programs, activities, or functions; and whether the entity has complied with significant laws and regulations applicable to the program.

14-5. TROUBLESHOOTING. Troubleshooting can be defined as quick-reaction audits, based on management requests, that are normally unprogrammed and are geared to prevent serious problems from developing. By definition, troubleshooting is an important mission of all IRAC offices. Quality audit analysis coupled with responsive, timely reporting to prevent or quickly arrest problems is a resource that commanders and their staff should take advantage of

14-6. FOLLOWUP. The purpose of the followup review is to determine whether or not the corrective actions specified and agreed to in an audit report have been implemented -- and in fact have solved the problem. Followup reviews should be performed on audit reports issued by the U.S. General Accounting Office (GAO), the Department of Defense Inspector General for Auditing (DODIG), the U.S. Army Audit Agency (USAAA), and commercial firms, as well as those reports issued internally by IRAC. Management is primarily responsible for directing action and followup on audit recommendations. However, auditors should establish a followup system that enables them to track the status of recommendations to determine whether appropriate corrective actions have been taken by management officials. The status of such actions should be reported by IRAC offices to HQ, AMC IRAC for inclusion in a semiannual follow-up status report which is provided to DA.

14-7. LIAISON. The IRAC office normally serves as the focal point for monitoring actions related to audits, surveys, and reviews performed by external agencies. IRAC offices are normally apprised at the onset of such efforts of the survey/audit objectives, parameters, operating plan, time schedules, and support requirements. This information should be passed promptly to senior managers and commanders whose operations may be audited. Liaison also includes such duties as providing administrative support, arranging office space, coordinating dates, times, and locations for conferences, and determining points of contact within various activities and functional areas.

14-8. AMC INITIATIVES. An initiative within the AMC IRAC community, established to maximize the benefits of internal and external audits, is the Audit Alert Network. This program involves analyzing audit reports to identify potential AMC-wide deficiencies. This information is then forwarded to subordinate activities so functional personnel may assess their operations.

14-9. REFERENCES.

- a. Audit Followup, Circular No. A-50, Office of Management and Budget, 1982.
- b. Audit Policies, DOD Directive 7600.2, 1991.
- c. Auditing Service in the Department of the Army, AR 36-5, 1991
- d. Government Auditing Standards, (Yellow Book, through Amendment 2), General Accounting Office, 1999.
- e. Internal Audit Manual, DOD 7600.7-M, Office of the Inspector General, Department of Defense, 1999.
- f. Internal Review, AR 11-7, 1989.
- g. Audit Reports and Followup, AR 36-2, 1991.

Chapter 15  
THE COST AND ECONOMIC ANALYSIS PROGRAM

15-1. GENERAL. The application of cost and economic analysis within the Department of the Army (DA) is an inherent function of effective resource management. The principles of cost and economic analysis are applicable at all levels of command. The program has two parts: cost analysis and economic analysis. Cost analysis produces cost estimates in support of materiel systems, automated information systems, force planning, and other Army programs and projects. Economic analysis produces a comparison of costs and benefits of two or more alternatives or a comparison of actual performance with the originally approved program or project. Army Regulation 11-18 implements the Cost and Economic Analysis Program in DA.

15-2. COST ANALYSIS. Cost analysis is the act of developing, analyzing, and documenting cost estimates through the use of analytical approaches and techniques. The baseline cost estimate (BCE) is the principle product of cost analysis. The BCE is a complete, detailed, and fully documented materiel system life cycle cost estimate (LCCE), updated throughout the acquisition cycle. The BCE provides the basis for subsequent tracking and auditing.

a. Cost analysis of materiel systems applies to major as well as non-major programs. The program, project, or product manager (PM) is responsible for the preparation of a BCE to support the major milestone decision review process and the Planning, Programing, Budgeting, and Execution (PPBES). The Army Materiel Command (AMC) provides the PM matrix support in the preparation of BCEs through the appropriate major subordinate command (MSC). The materiel system calendar prescribes the updating of the BCE in conjunction with budget or Program Objective Memorandum (POM) requirements and major milestone decision points.

b. The U.S. Army Cost and Economic Analysis Center (CEAC) develops an independent cost estimate (ICE) to test the reasonableness of the BCE and to provide a second opinion of a system's cost. Subsequently, CEAC develops the cost analysis brief (CAB) which contrasts the methodologies used in the BCE and ICE, explains major cost differences, and documents the Army Cost Position (ACP) which is a reconciliation of the differences between the BCE and the ICE.

c. The ACP supports the POM, the President's Budget, and the PPBES. The ACP is the approved cost position for all subsequent programing, budgeting, and cost analysis activities.

d. The MSC providing matrix support to the PM responsible for developing the BCE validates the BCE before submission to CEAC. The validation process is concurrent with the development of the estimate.

15.3. ECONOMIC ANALYSIS. Economic analysis is the systematic evaluation of alternative solutions to a specific mission requirement in terms of comparative costs and benefits. This approach allows the determination of the most efficient and effective manner in which to employ

resources. It is necessary to assess ongoing programs and new programs, projects, and activities periodically for their continued cost effectiveness.

a. Generally, all new and ongoing programs or activities forwarded to higher headquarters for approval require economic analysis. When there is not a requirement for an economic analysis, it is necessary to provide justification for not developing an economic analysis. Programs or activities justified on the basis of military necessity are not exempt from the requirement for economic analysis.

b. The Army activity having program proponent or project proponent responsibility should prepare the economic analysis. Documentation supporting the results of an analysis must include the methodology, rationale, and computations used to estimate the costs and benefits.

c. The Department of the Army or OSD approves all major automated information systems (MAIS). The Army Major Automated Information System Review Council (MAISRC) reviews and approves all MAISs. A similar review by the OSD MAISRC occurs unless OSD delegates decision authority to Army. The PM having cognizance of an AIS is responsible for the development of an economic analysis to support the major milestone decision review process and the PPBES. The economic analysis is updated as changes occur or as prescribed in the MAIS cost estimating calendar.

d. For economic analyses of MAIS, CEAC develops an ICE, independent assessment, or sufficiency review to test the reasonableness of the analysis and to provide a second opinion. The CEAC develops the CAB to document the contrasting methodologies between the ICE and the economic analysis, and it documents the ACP which is a reconciliation of the differences between the economic analysis and the ICE.

e. The ACP supports POM, BES, the President's Budget, and the PPBES. The ACP is the approved cost position for all subsequent programing, budgeting, and cost analysis activities.

f. The MSC providing matrix support to the PM who is responsible for developing the economic analysis validates the analysis before submission to CEAC.

15-4. VALIDATION OF ESTIMATES. Validation is the test of a cost estimate to confirm that it is sound, obtained with the use of acceptable cost estimating methods, and founded on fact or capable of being justified, supported, and defended. A significant function of cost analysis is validation of estimates and cost submissions prepared by proponent offices. Within AMC, validation is a function of the Cost Estimate Control Data Center (CECDC), located within cost analysis offices at each MSC/activity. These centers are responsible for review and validation of cost estimates, economic analyses, and data before release for official use. The AMC Regulation 37-4 governs the AMC validation process.

15-5. RESPONSIBILITIES OF AMC. Among the most important cost and economic responsibilities of the CG, AMC are:

- a. Providing technical leadership, expertise, and support through MSC cost analysis divisions to PEOs and PMs, as required, in support of cost and economic analyses.
- b. Ensuring that cost and economic analyses for designated PEO and PM systems supported by AMC MSCs are validated prior to submission to HQDA and that the analyses comply with functional standards and generally accepted principles and methodologies.
- c. Providing cost data to the U.S. Army Training and Doctrine Command for inclusion in Analyses of Alternatives (AOAs).
- d. Developing and providing LCCEs, as required.
- e. Ensuring the implementation and enforcement of cost and economic analysis discipline and procedures on all programs and projects for which AMC is responsible.

15-6. REFERENCES.

- a. The Cost and Economic Analysis Program, AR 11-18, 31 Jan 95.
- b. Cost Estimates Control Data Center Activities, AMC-R 37-4, 25 Jan 99.
- c. Economic Analysis for Decision Making, DODI 7041.3, 7 Nov 95.
- d. Economic Analysis Manual, HQDA, Jul 95 (Currently being updated).
- e. Cost Analysis Manual, HQDA, Jul 97 (Currently being updated).
- f. AMC sources of rates, factors, and other CA information: AMC WEB Site: <http://www.amc.army.mil/amc/rm/rmediv.html>

Chapter 16  
AUTOMATED ACCOUNTING SYSTEMS

16-1. GENERAL. Automated financial systems play an integral part in allowing the commanders to fulfill financial management responsibility. The automated systems are used to facilitate fund control, budget execution, and reporting for the funds entrusted to the commanders. To accomplish this, the Defense Finance and Accounting Operating Locations (OPLOCS) work to develop standard systems for use throughout the Army Materiel Command (AMC). The DFAS is responsible for maintaining the systems to support AMC.

16-2. STANDARD ACCOUNTING SYSTEMS. The standard systems are used to control financial resources and are four major segments, each consisting of one or more modules.

a. The systems and segments are as follows:

Segment I - Revolving

Module: Commodity Command Standard System (CCSS)

Module: Retail Army Stock Fund Financial Inventory Accounting and Reporting System (RASFIARS)

Module: Standard Industrial Fund System (SIFS)

Segment II - Operating

Module: Standard Operation & Maintenance Army and Research and Development System (SOMARDS). This module includes the previously separate Investment Module; the Standard Army Procurement Appropriation System (SAPAS).

b. A summary description of the AMAS segments is as follows:

(1) Segment I - Revolving. Accounting functions of the three modules comprise proprietary accounting, budget execution, and reporting. CCSS and CAWCF comprise the first revolving module. This module accounts for the wholesale stock fund and the CAWCF. AMC also performs proprietary accounting for other wholesale-level financed inventories. Other functions of the stock fund include buying selected secondary items for sale to customers Government-wide and to other external customers. The CAWCF finances the procurement and production of conventional ammunition. The second revolving module, RASFIARS, involves accounting for the retail or installation-level stock fund. The installation-level stock fund finances the day-to-day supply needs of selected AMC activities. The third module, SIFS, provides accounting support for the industrially funded missions of the depots and arsenals.

(3) Segment II – Operating and Investments. The SOMARDS module provides proprietary accounting and budget execution and reporting for the Operation and Maintenance Army, Research Development Test and Evaluation, and miscellaneous appropriations used to finance AMC missions. The previous investment system, SAPAS was the accounting module

for budget execution and reporting of the Procurement Appropriations. The Procurement accounts consist of five separate Procurement Appropriations: Aircraft, Missiles, Weapons and Tracked Combat Vehicles, Ammunition, and Other Procurement, Army.

16-3. NON-FINANCIAL STANDARD SYSTEMS. In addition to the standard accounting system, there are standard systems for the Manpower and Budget Systems.

a. The manpower system previously known as AMC Automated Manpower Management Information System (AAMMIS). AAMMIS automates the manpower management/force development information functions within AMC. The system provides for the gathering, definition, automation, and storage of common manpower management/force development information required.

b. The Budget MACOM Internal Support Module (B-MISM) and Heritage. The B-MISM and Heritage are systems that support the programming and budgeting functions of the command. The system captures Program and Budget Guidance, and obligation data. It reconciles forecast data with actual execution, and it has the capability to compare budget to execution data. Heritage is designed for installation level and B-MISM is designed for MSC or MACOM level. Each systems automatically interfaces with the other budget and accounting systems.