

## VOLUME 3, CHAPTER 10: “ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (\*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1001	Added a new <i>General</i> section with new <i>Purpose</i> and <i>Authoritative Guidance</i> paragraphs.	Addition
1002	Inserted the <i>Definitions</i> paragraph as a separate section and renumbered the <i>Policy</i> section.	Revision
100301	Renamed this section <i>Standards</i> ; and added a new <i>Accounts</i> paragraph. Added the <i>Department of Defense Standard Chart of Accounts</i> and the <i>DoD United States Standard General Ledger Transaction Library</i> references.	Addition
100303.F.3	Added a reference to the <i>National Archives and Records Administration</i> to the first paragraph that discusses document retention requirements.	Revision
100310	Revised this paragraph to improve clarity.	Revision
100310.A.3	Replaced the reference to the <i>National Defense Authorization Act of 1991</i> with the transitional provisions of 31 U.S.C. § 1551 (Public Law 101-510, as amended).	Revision
100315.J.2	Replaced the address with the source references to ensure users have the most current information for fiscal year-end processing.	Revision
All	Made editorial revisions throughout the chapter for clarity and consistency.	Revision
All	Verified all references and updated where appropriate.	Revision
All	Corrected acronym usage, hyperlinks, and format.	Revision

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## CHAPTER 10

**ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS****\*1001 GENERAL**

## 100101. Purpose

This chapter prescribes the accounting requirements, restrictions, and limitations for expired accounts and closed (cancelled) accounts. It addresses the fiscal year identity, periods of availability, obligation adjustments, and exceptions applicable to these accounts.

## 100102. Authoritative Guidance

This chapter implements provisions of Title 31, United States Code, sections 1551 through 1557 (31 U.S.C. §§ 1551 – 1557); and 10 U.S.C. § 7313. It includes internal control requirements as specified in the Office of Management and Budget (*OMB Circular A-123*, Appendix A; and the United States Department of the Treasury (Treasury) requirements in the Treasury Financial Management Manual (TFM) Volume 1, Part 2, Chapter 2000.

**\*1002 DEFINITIONS**

The definitions provided in this section describe terminology associated with expired and closed/cancelled accounts.

A. Adjustments to Expired or Closed/Cancelled Accounts. Increases or decreases to obligations or expenditures. Adjustments involve recording obligations or expenditures that were made or incurred, but not recorded, during the period prior to expiration or cancellation of the account.

B. Closed/Cancelled Accounts. Accounts with balances that have been cancelled under 31 U.S.C. §§ 1552, 1555, or 1557. When balances are cancelled, the amounts are not available for obligation or expenditure for any purpose.

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

D. Fixed Accounts. Appropriation or fund accounts with balances that are available for a definite period of time. The fixed accounts are comprised of annual and multi-year accounts. The universe of appropriation or fund accounts are made up of fixed accounts and no-year accounts.

E. Unexpired Accounts. Appropriation or fund accounts in which the balances are available for incurring obligations because the time available for incurring such obligations has not yet expired. Audit requirements, limitations on obligations, and reporting requirements applicable to unexpired accounts must continue to apply after the end of the period of availability for obligation or expenditure of that account.

F. Unrecorded Obligations. Obligations that were incurred legitimately during the period of fund availability, but were not recorded in the Component's records prior to expiration of the appropriation or fund. For purposes of this [chapter](#), "unrecorded" obligations are included in obligation adjustments. Current accounts may be used to pay previously unrecorded obligations chargeable to a closed account.

### 1003 STANDARDS

#### \*100301. Accounts

General ledger accounts and transactions required to record cancellations, account closure, and expired transactions are defined in the Department of Defense (DoD) Standard Chart of Accounts and in the DoD United States Standard General Ledger (USSGL) Transaction Library. These documents can be accessed on the [Standard Financial Information Structure \(SFIS\) web page](#).

#### 100302. Expired Accounts

A. Expired funds retain their fiscal year identity for [five](#) years after the time an appropriation expires (see Chapter 13, subparagraph 130208.B). Expired funds are not available for new obligations. Both the obligated and unobligated balances of expired appropriations must be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

B. Before an account closes/cancels, the affected DoD Component must identify valid unliquidated obligations subject to closure/cancellation to determine whether appropriations are available for future adjustments or payments against such obligations. Also, the DoD Component must confirm whether adequate resources are available to pay for obligations that will close/cancel with an account.

#### 100303. Closed/Cancelled Accounts

A. Certain appropriations are available for obligation for a specific period, i.e., annual and multi-year appropriations. Both the obligated and unobligated balances of such appropriations must be closed/cancelled, and [are](#) no longer available for obligation or expenditure for any purpose, on September 30th of the fifth fiscal year after the expiration of an appropriation's period of availability for incurring new obligations (31 U.S.C. § 1552(a)).

B. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations must be closed/cancelled when no disbursements have been made from the indefinite appropriation for a period of two years and the President, the Secretary of Defense, or the Secretary's designee determines the purposes for which the appropriation was made have been carried out (31 U.S.C. § 1555)

C. In some instances, following closure/cancellation of an appropriation, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before closure/cancellation. Should such an adjustment become necessary, the obligation must be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in subparagraph 100303.D. If an adjustment to an obligation otherwise properly chargeable to a closed/cancelled appropriation pursuant to 31 U.S.C. §§ 1551 – 1557 is required, and the related program or function has migrated from one DoD activity to another, the adjustment is chargeable to the current DoD activity to which the program has transferred. The current DoD activity is responsible for providing current-year funds from an appropriation account available for the same purpose to satisfy the obligation.

D. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation, the total of all such payments from that current appropriation may not exceed the lesser of:

1. The unexpended balance of the closed/cancelled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of closure/cancellation, adjusted for obligations and payments which are incurred or made subsequent to closure/cancellation, and which would otherwise have been properly charged to the appropriation except for the closure/cancellation of the appropriation); or

2. The unexpired unobligated balance of the currently available appropriation; or

3. One percent of the total original amount appropriated to the current appropriation being charged.

- a. For annual accounts, the one percent limitation applies to the annual appropriation for the applicable account; not total budgetary resources (e.g., reimbursable authority).

- b. For multi-year accounts, the one percent limitation applies to the total amount of the appropriation. For example, if a multi-year account enacted for fiscal year (FY) 2007 through FY 2008 was \$100 million, the one percent limitation in FY 2007 would be \$1 million. At the end of FY 2007, if \$650,000 had been used for payment of obligations of closed/cancelled accounts, the amount available to be used for such payments in FY 2008 would be \$350,000 (\$1 million minus \$650,000).

c. For contract changes (as specified in paragraph 100304), charges made to currently available appropriations **has** no impact on the **one** percent limitation rule, **i.e.**, the **one** percent (of the currently available appropriation) amount **is** not decreased by the charges made to current appropriations for contract changes.

E. In order to prevent overpayments and ensure that applicable limitations are not exceeded, DoD Components must:

1. Identify the unobligated balance and unpaid obligations of all expired appropriations at the time they expire.

2. Identify the unobligated balance and unpaid obligations of all closed/cancelled appropriations at the time they are closed/cancelled.

3. Identify **for** closed/cancelled accounts all obligations and payments **that were** charged to currently available appropriations that otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation (as specified in subparagraph 100303.D).

4. **Identify and maintain** the amount **that** it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation. This amount is determined by subtracting all subsequent obligations and payments made from the unexpended balance of the appropriation at the time it was closed/cancelled as indicated in subparagraph 100303.E.3.

F. Official accounting activities must maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to closed/cancelled accounts. General ledger controls must be perpetuated until all obligations are paid and accounts receivable collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts **are** closed/cancelled.) In addition, official accounting activities must:

1. Ensure that the beginning, unpaid obligation balance of each closed/cancelled appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure/cancellation.

2. Perform a one-time review of each closed/cancelled appropriation to ensure that the beginning accounts payable (obligations unpaid) balance of each closed/cancelled appropriation accurately reflects the balances on the Standard Form (SF) 133, *Report on Budget Execution and Budgetary Resources*, as of the date of closure/cancellation.

\* 3. Ensure that an adequate audit trail is maintained for all corrections affecting closed/cancelled appropriations, including any offsetting corrections to current or expired appropriations. **Records must be maintained in accordance with** Volume 1, Chapter 9 that prescribes DoD policy on records retention in accordance with the National Archives and Records Administration **General Records Schedules**.

## 100304. Contract Change Provisions

A. A contract change is defined in [31 U.S.C. § 1553\(c\)\(3\)](#) as a change to a contract under which a contractor is required to perform additional work. Paragraphs 100306 and 100307 contain procedures for requesting approval of obligation adjustments for contract changes in excess of \$4 million.

B. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of subparagraph 100304.A. To the extent otherwise appropriate, such amounts may be charged to applicable accounts that otherwise have expired for incurring new obligation but have not yet been closed/cancelled. Such charges or adjustments must be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. For funding contract changes resulting from the contracting officer's final decision in accordance with the *Contract Disputes Act*, apply obligation adjustment rules in this chapter and in Chapter 8, subparagraph 080304.B. *Contract Disputes Act* litigation judgments payable from the *Judgment Fund* result in a new agency obligation to reimburse the *Judgment Fund*. See Chapter 8, subparagraph 080304.F. For reimbursements, use funds for the same purpose that are current at the time of the judgment.

D. 10 U.S.C. § 7313 permits expired appropriations available to DoD to be used for new obligations of appropriations for certain ship overhaul, maintenance, and repair efforts. Those purposes are obligation of expired funds for unusual cost overruns incident to overhaul, maintenance and repair of vessels under commercial contract or by industrial-fund activity (10 U.S.C. § 7313(a)), and changes in scope of work for ship overhaul, maintenance, and repair performed under a contract or by an industrial-fund activity (10 U.S.C. § 7313(b)). There is a statutory congressional notification requirement for funding of unusual cost overrun obligational adjustments. Requests must be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C), Deputy Comptroller (Program/Budget) (P/B).

1. While expired appropriations may be used in certain instances for new obligations; those appropriations are not available beyond the end of the fifth fiscal year following their expiration.

2. The DoD appropriations, primarily the Operation and Maintenance appropriations as covered by 10 U.S.C. § 7313(b), expire and are closed/cancelled at the same time as other appropriations. For example, within the Navy, these appropriations are not available for the payment of changes in the scope of work for ship overhaul, maintenance, and repair beyond the end of the fifth fiscal year following the expiration of such appropriations for other purposes.



## 100305. Shipbuilding and Conversion, Navy

A. The period of availability to incur obligations in the [Shipbuilding and Conversion, Navy \(SCN\)](#) appropriation for all purposes is normally [five](#) years. For limited purposes, SCN funds are available for obligation after the [five](#)-year period has ended. Appropriation language for the SCN appropriation often contains a provision to the effect that additional obligations for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction may be incurred after the appropriation otherwise would expire for obligation. This additional period allowed for incurring new obligations for such purposes is called “extended availability.”

B. DoD and Treasury employ special procedures to establish extended availability authority for the SCN appropriations because not all work required to induct a ship into the fleet can be completed within the first [five](#) years of availability of an SCN appropriation. The procedures are summarized as follows:

1. The fiscal year of the latest obligation work limiting date (OWLD) for the last vessel financed by a particular SCN appropriation must represent the period of availability for obligation. After such date, the appropriation enters an expired status for [five](#) years and the balances are available only for obligation adjustments and payments.

2. An SCN appropriation is closed/cancelled on September 30 of the fifth year following the year of the last OWLD. Before the end of each fiscal year, DoD notifies Treasury of the last OWLD for the SCN appropriation that will be expiring on September 30 of that fiscal year. By the ninth workday of November of each year, the unobligated and obligated balances of that SCN appropriation are transferred by preparing the SF 1151, *Nonexpenditure Transfer Authorization*, to a new Treasury fiscal year symbol. (See the TFM Volume I, Part 2, Chapter 2000.) [For example:](#)

On September 18, 1995, the Navy notified Treasury that the last OWLD for the FY 1991/1995 SCN appropriation was September 30, 2001. Before November 14, 1995, the balances of that SCN appropriation were transferred to the FY 1991/2001 SCN appropriation with a cancellation date [five](#) years later, September 30, 2006.

100306. Obligation Adjustment for a Contract Change [Greater Than](#) \$4 Million

An obligation adjustment for a contract change under which a contractor is required to perform additional work may be incurred only if that obligation adjustment has been approved by the Under Secretary of Defense (Comptroller) (USD(C)), as designee of the Secretary of Defense. [The DoD Component must request approval for an obligation amount that](#) would cause the total amount of charges in any fiscal year for a single program, project, or activity to exceed \$4 million and the account being used to fund [the](#) obligation [is](#) no longer available for new obligation.



A. If necessary, the applicable Component must submit requests for approval to OUSD(C), P/B.

B. The request for approval must include the following documentation:

1. The amount to be obligated.
2. The purpose for which the funds are to be obligated.
3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices that necessitated the adjustment.

C. Components must retain supporting documentation in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention.

100307. Obligation Adjustment for a Contract Change Equal to or Greater than \$25 Million

Special handling is required to process any obligation adjustment to an expired appropriation for a contract change, under which a contractor is required to perform additional work, for amounts of \$25 million or more in any fiscal year. Such adjustments may be made only after the USD(C), as designee of the Secretary of Defense, submits a notice of intention to make the obligation to the Armed Services and Appropriation Committees of the Senate and the House of Representatives. The notice of intention must include the legal basis and policy reasons for the obligation.

A. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless the congressional committee notifies the USD(C) of its disapproval.

B. The charges or adjustments must be supported by a written comprehensive statement concerning the reason for the adjustment. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. When notification to Congress is necessary, the applicable DoD Component must submit the required documentation including letters to the appropriate congressional committees for the USD(C) signature to OUSD(C), P/B.

100308. Replacement Contracts

Expired funds also may be used to fund a replacement action (a replacement contract) under certain conditions. When a procurement action will result in a replacement contract, it may be funded from expired funds if all of the conditions in subparagraphs 100308.A-D are met. If all of these conditions cannot be met, current year funds must be used to fund the requested action.

A. The DoD Component has a continuing bona fide need for the goods or services involved.

B. The original contract was made in good faith.

C. The original contract was terminated for default or for the convenience of the Government. If the original contract was terminated for the convenience of the Government, the termination must have been the result of a:

1. Court order;

2. Determination by a contracting officer that the contract award was improper due to explicit evidence *that* the award was erroneous and the determination is documented with appropriate findings of fact and of law; or

3. Determination by other competent authority (e.g., a Board of Contract Appeals) that the contract award was improper.

D. A replacement contract is used to obtain the goods or services that originally had been ordered under another contract that was terminated either for default or convenience of the Government. The replacement contract is:

1. The same size and scope as the original contract; and

2. Executed without undue delay after the original contract is terminated.

E. If a replacement action will result in an obligation that exceeds \$4 million, the action must first be submitted to the USD(C) for approval.

F. If a replacement action will result in an obligation *equal to \$25 million or greater*, a notice of intention (as discussed in paragraph 100307) must be submitted to the appropriate congressional oversight committee at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the congressional oversight committees notifies the USD(C) of its disapproval.

**100309.** Obligation Adjustments or Payments from Current Appropriations for Closed/Cancelled Accounts

A. When making payments from a current appropriation account for obligations of a closed/cancelled account, DoD Components must *submit a written request for* a “subclass” account from Treasury through the Defense Finance and Accounting Service (DFAS), and include the purpose for the payment. Use these subclass accounts to record applicable payments *with* Treasury. *These payments are reported* monthly on each Component’s *Statement of Transactions* (see Volume 6A, Chapter 3).

B. Record amounts for obligations that otherwise would have been properly chargeable to a closed/cancelled account (but are required to be charged to current accounts) only in the current account when payment is imminent during the current fiscal year. Unless payment was made, do not report amounts for such obligations on the year-end Financial Management Service Form 2108 (FMS 2108), *Year-End Closing Statement*. If, at year-end, such amounts for obligations are known to be payable in the coming fiscal year, that information must be footnoted on the year-end FMS 2108. Reporting guidance and preparation of the FMS 2108 is specified in Volume 6A, Chapter 4.

C. Enter current year obligation adjustments required due to closed/cancelled balances as negative amounts against specific applicable line items in column “k” of Department of Defense (DD) 1416, *Report of Programs*. If these adjustments cause the line item to exceed current year reprogramming thresholds, the amount in column “k” must be footnoted to indicate the amount is “applicable to closed/cancelled account adjustments.” No reprogramming action is required. In addition, enter the total of all closed/cancelled account adjustments charged to the applicable appropriation in column “k” as a separate line item titled *Reduction to Finance Closed Account Adjustments*. Show this amount as a positive number.

100310. Current Appropriations Used for Expired Appropriations with Insufficient Obligation Authority

\* If the appropriation’s period of availability has expired and the account has a negative unliquidated balance (insufficient funds), an obligation or adjustment of an obligation may be charged to a current appropriation that is authorized for the same purpose. However, if a subsequent review or investigation discloses that sufficient funds were available in the expired account, any charge made against the current account must be reversed. Charges against a current appropriation are prohibited if a sufficient balance exists in the expired account.

A. Charges to current year funds when sufficient obligation authority does not exist in expired appropriations may be made if all of the following conditions are met:

1. The obligation is charged to an appropriation available for the same purpose as the applicable expired account and is otherwise properly chargeable (except as to amount) to the applicable expired account before closure/cancellation of the expired account.

2. The Assistant Secretary of a Military Department for Financial Management and Comptroller, or the Comptroller of a Defense Agency, has determined that sufficient obligation authority does not exist in the applicable expired account to fund the applicable obligation.

\* 3. The obligation is not otherwise properly chargeable to any DoD current appropriation under the transitional provisions as noted in 31 U.S.C. § 1551 (Public Law (Pub. L.) 101-510 (1990), section 1405(b), as amended by Pub. L. 102-484 (1992), section 1004).

B. The amount charged to a current appropriation may not exceed an amount equal to **one** percent of the total appropriation for that account (see subparagraph 100303.D that applies to charges that can be made to a current account when the account that should have been charged has been closed/cancelled.)

100311. Collection **Credits** After an Account is Closed/Cancelled

A. **It is inappropriate to write-off** valid accounts receivables as a result of closure/cancellation of appropriations with negative unliquidated obligations. Maintain proprietary accounts until settled by the debtor or until **the** debt is closed in accordance with guidance in Volume 4, Chapter 3.

B. When collections that are authorized or required to be credited to an account are received after the closure/cancellation of an account, deposit those collections in Treasury **as miscellaneous receipts** (31 U.S.C. § 1552). **Accounting entries are specified in the DoD USSGL Transaction Library that can be accessed on the SFIS web page.** See Volume 4, Chapter 3 for receivable accounting policy.

100312. Exceptions to **an Account's** Period of Availability for Adjusting and Liquidating Obligations

A. Requirements applicable to the closure/cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing/cancelling of accounts and may fix the period **the** appropriation remains available for expenditure (31 U.S.C. § 1557). Additionally, an appropriations act applies only to the appropriation for a specific fiscal year. **In order for an appropriation** to preclude application of the limitations on expenditure specified in new provisions of Title 31, the statute must:

1. Identify the appropriation account for which the availability for expenditure is to be extended;
2. Provide that the appropriation account **must** be available for adjusting and liquidating obligations properly chargeable to the account; and
3. Extend the availability for expenditure of the obligated balances.

B. The availability for expenditure of specific accounts may be changed only through specific legislation. Request this authority only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the **one** percent limitation or would severely impact the current program.

1. When the nature of a DoD Component's program requires disbursements beyond the **five**-year period, the Component must submit proposed changes in appropriation language to OUSD(C), P/B. OUSD(C), P/B **will** submit the proposed changes to OMB for approval.

2. Absent specific authority, DoD Components may request reappropriations of closed/cancelled balances through OUSD(C), P/B and defer payment until the appropriation is available. Treat the receipt of a reappropriation as adding new budget authority.

#### 100313. Antideficiency Act Violations

The DoD Components are required to investigate and report potential violations of the Antideficiency Act (ADA) when certain limitations are exceeded. An ADA violation can occur when an obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account, and insufficient resources exist to fund the obligation in the applicable expired account. ADA investigation and reporting policy is specified in Volume 14.

#### 100314. Control, Reporting, and Certification Requirements

31 U.S.C. §§ 1554 and 1556, as amended, contain permanent audit, control, and reporting requirements pertaining to the liquidation of obligations.

##### A. Control Requirements

1. 31 U.S.C. § 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation must continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. If an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose; that limitation continues during the five-year period after the period of availability for new obligations expires. Additionally, the limitation continues after the appropriation has been closed/cancelled.

2. DoD Components must establish and test internal controls to ensure that an adequate review of obligated balances is performed to support the certification in accordance with OMB Circular A-123, Appendix A. Components are also responsible for retaining documents in accordance with Volume 1, Chapter 9.

3. Proper general ledger controls must be maintained for closed/cancelled valid unpaid obligations and accounts receivable in closed/cancelled accounts. Balances in unexpired accounts may be used to fund closed/cancelled obligations. Closed/cancelled obligations can be posted to unexpired accounts only when a disbursement will be paid during the current year.

B. Reporting and Certification Requirements. Under the provisions of 31 U.S.C. § 1554, the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, closed/cancelled balances, and adjustments made to appropriation accounts during the preceding fiscal year.

1. Due Date. This report is due not later than 15 days after the President submits his budget to Congress.

2. Distribution Requirements. A copy of the report **must** be submitted to the Speaker of the House of Representatives, the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3. Contents. 31 U.S.C. § 1554(b) requires that these reports must contain:

a. An itemization of related appropriation accounts, identified by fiscal year and the balances identified in each account. This itemization is reported on the fiscal year-end FMS 2108.

b. A listing of each current and expired appropriation. This list is included in the fiscal year-end FMS 2108.

c. Identification of payments made from each applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed/cancelled (31 U.S.C. § 1553). These payments are reported on the DoD Component's *Statement of Transactions*.

d. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These amounts are reported on FMS 2108.

e. Identification of all balances closed/cancelled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. § 1552(a)). These balances are reported on the fiscal year-end FMS 2108.

f. Identification of those appropriation accounts available for an indefinite period that have been closed because: No disbursements have been made from the account for a period of **two** years; and the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. § 1555).

g. A certification by the DoD Components that the obligated balances in each **DoD** appropriation account reflect properly existing obligations; and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

## 100315. Other Requirements

The following paragraphs specify detailed information about other review, accounting, and correction [requirements](#) regarding current and expired accounts.

A. Apportionment Procedures. The SF 132, *Apportionment and Reapportionment Schedule*, must reflect the following footnote: “Up to [one](#) percent of the original amount of the appropriation (\$xxx.xx), or the unobligated balance, whichever is less, may be used for the purpose of obligation adjustments and payments, which otherwise would have been properly chargeable (both to purpose and amount) to a closed/cancelled appropriation.” To the extent that supplemental appropriations are enacted, reapportionment of the initial “[one](#) percent” amount may be requested.

B. Unliquidated Obligations. DoD Components must review remaining unliquidated balances in expired accounts and deobligate all amounts not supported by documentary evidence [prior to closure/cancellation](#). [Financial and program managers:](#)

1. [At](#) each of the various levels of contract and program management retain the responsibility to ensure [that](#) all transactions are appropriately concluded. [If](#) services and materials remain undelivered at the time of expiration, [they must be](#) subsequently delivered or, where such deliveries cannot be made, action is taken to terminate contractual obligations and revert the funds to maintain integrity of the funds until such time as all outstanding obligations are liquidated or claims are cancelled or liquidated.

2. [At](#) all activities must actively review uncompleted contracts, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure validity of such items.

C. Payments After Closure/Cancellation of Appropriations. [Payment is prohibited](#) for amounts that cite closed/cancelled appropriations until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Closed/Cancelled Accounts. When a disbursement is made properly before the closure/cancellation of the appropriation but is not identified and matched with the proper obligation until after the closure/cancellation of the appropriation, charge that disbursement to the closed/cancelled appropriation. Make appropriate corrections to accounting records and reports as necessary; [and submit those reports to Treasury within six months of account closure](#). If an error is discovered in a closed/cancelled account for a disbursement made prior to the closure/cancellation of that account, see subparagraph 100315.J [for correction of reporting errors](#).

E. Negative Unliquidated Obligations. Negative unliquidated obligation (NULO) balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions that must be researched and corrected as quickly as possible. [See Chapter 11 for policy on NULOs](#).



F. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail facilitates cost determinations and program assessment and evaluation. The detail provides visibility over expired accounts, an appropriate audit trail, and meets the objectives of the closing accounts legislation.

G. Uncollectible Accounts Receivable. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs result in a reclassification to a direct program obligation of an obligation previously incurred. See the *DoD USSGL Transaction Library* for entries to account for uncollectible accounts receivable in closed/cancelled accounts.

H. Closing/Cancelling an Account with a Negative Balance. The existence of a negative balance does not preclude an account from being closed/cancelled. DoD Components must clear the negative balance and establish a receivable for the amount of the negative balance before the account can be closed.

1. Submit informational accounting reports (i.e., FMS 2108 and SF 133) for the applicable account until the negative balance is resolved. These informational reports must indicate that the account is closed/cancelled, show the amount of the negative balance at the time the account was closed/cancelled, and identify the current amount of the applicable receivable.

2. Liquidate a negative balance by receiving offsetting collections. Deposit collections of overpayments to Treasury as miscellaneous receipts. An account with a negative balance may indicate that an ADA violation has occurred. If an ADA violation is suspected, see Volume 14 for ADA investigation and reporting requirements.

I. Accounting for Uncollectible Accounts Receivable in Closed/Cancelled Accounts. Budgetary accounts corresponding to accounts receivable must be closed/cancelled when an account is closed/cancelled. Total obligations within budgetary accounts do not change when the budgetary accounts are closed/cancelled. The write-off of an uncollectible reimbursement receivable results in a reclassification of an obligation previously incurred under the reimbursable program to a direct program obligation.

1. For expected refunds, the status of obligation authority must be tracked is necessary to assure that cumulative payments do not exceed the original appropriation of the closed/cancelled account even though paid from a current account.

2. Reclassify proprietary accounts established for accounts receivable applicable to closed/cancelled accounts. Deposit the subsequent collections of such amounts for this account to Treasury as miscellaneous receipts.

3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, write-off the account by charging a bad debt account. The write-off of an uncollectible account applicable to the reimbursable program results in a reclassification of obligations previously incurred under the reimbursable program [to a direct program obligation](#).

J. Correction of Reporting Errors in Closed/Cancelled Accounts

1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority; and (b) errors made in classifying a payment made prior to the closing/cancellation of an account, but not discovered until after the account was closed/cancelled.

a. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

b. For classification errors, Treasury accepts reporting to correctly classify payments previously reported to suspense/clearing accounts or to correct classification errors between current and closed/cancelled accounts.

\* 2. Requests for corrections must be submitted by April 1 of the year after the account in question was closed/cancelled. [The TFM Volume 1, Part 2, Chapter 2000 and the TFM Volume 1 Bulletins issued for fiscal year-end processing identifies the address for submission and other contact information.](#)

3. If a request for the correction of errors affects another DoD Component, coordinate the request with the affected Component and submit to: the DFAS Deputy Director for Accounting Operations, 8899 East 56<sup>th</sup> Street, Indianapolis, IN 46249. DFAS must submit requests to Treasury after completion of its review.

4. See Chapter 11 for [policy on](#) the research and correction of unmatched disbursements and [NULO](#) transactions, and the resulting adjustments to Treasury.