

NOTE: This document contains hyperlinks that contain further information on topics discussed in this paper. To access the hyperlinks left click the mouse on the highlighted word. To return to your original place in the document place your cursor/mouse over the blue arrow and left click the mouse.

FINANCIAL MANAGEMENT INFORMATION

The information contained below is a tool for personnel to familiarize themselves with the various statutes, regulations and policies regarding financial management and provide financial information to assist those drafting statements of work (SOW).

By law (the Budget and Accounting Act of 1921) the President must submit an annual budget request to Congress for the entire Federal Government (by the first Monday in February). The President submits the budget to Congress because, in accordance with the Constitution, only Congress can propose the appropriation of Federal money – they hold the “power of the purse.” An appropriation is the authority provided by an Act of Congress to incur obligations for specified purposes and to make payments out of the Treasury. Appropriations are classified in several different categories based on their purpose and length of availability for new obligations. The appropriation provides both the framework for formulating budget requirements and the legal source from which to execute and account for authorized programs. Appropriations are made for specified purposes and cannot be expended for purposes other than that stipulated. Stated another way, the expenditure of public funds is proper only when authorized by Congress, not that public funds may be expended unless prohibited by Congress.

The President’s budget sets forth the overall financial plan for the Federal Government and indicates the priorities, programs, and financing as well as the detailed budget requests for the individual departments and agencies. A budget is a planned course of action for a specified period of time, a statement of priorities and the appropriate resources to achieve those priorities. It is an instrument of planning, decision making, and financial management control. A budget is also a control mechanism to ensure that financial resources are used as authorized and appropriated by Congress. During execution, a budget is a baseline against which actual results are measured (i.e., metrics are established).

Although Congress does not appropriate two years worth of funding to the Department of Defense (DoD), there is a requirement to submit a biennial budget on even years (often referred to as "on-years"). Planning for this requirement begins during the odd-year (often referred to as the "off-year"). During the even year Strategic Planning Guidance (SPG) and Joint Programming Guidance (JPG) will be issued and there is a concurrent program and budget review that culminates with the submission of the President's budget submission. The SPG is a single fiscally-informed document that replaced the policy/strategy sections of the Defense Planning Guidance. The JPG is issued by the Secretary of Defense (SECDEF) and provides firm guidance in the form of goals, priorities, and objectives, including fiscal constraints, for the development of the program objectives memoranda (POM). The POM documents the Navy's program proposals and covers the two budget years and four out-years. Program Decision Memoranda (PDM) are issued to document programming decisions. The Navy Components prepare a budget baseline, repricing or restructuring as necessary, which forms the basis of the budget submission to the Office of the Secretary of Defense (OSD) which is known as the Budget Estimate Submission (BES). The Program Budget Decisions (PBDs) are issued against the BES and ultimately become part of the military Department's revised baseline to support the

President's budget submission. During an odd year, SPG and JPG are issued at the discretion of SECDEF. The second year of the biennial budget is revisited and revised as required although major changes are not expected unless directed by SECDEF. During the odd year, a program review (PR) is conducted and Program Change Proposals are issued to reflect programmatic changes from the original POM submission and prior FYDP. The PR covers only five years; the second budget year of the original POM submission and the four out-years. Final decisions regarding proposed program revisions are documented in the PDMs. Budget Change Proposals are issued during odd years in lieu of a BES to reflect pricing changes (e.g., fact-of-life changes such as cost increases, the impact of schedule delays, management reform savings, workload changes, etc.) as well as changes resulting from Congressional actions and they are adjudicated through the PBD process.

The budget process is guided by the [Planning, Programming, Budgeting and Execution System](#) (PPBES) that is used throughout DoD. DoD uses the PPBE process to determine priorities and allocate resources. The purpose of the PPBES is to produce a plan, a program, and finally, a budget for the DoD. This process culminates with the President's budget submission that is forwarded to the Congress for authorization and appropriation. PPBES establishes the framework and process for decision making on future programs and permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. Decisions are based on and consistent with a set of objectives, policies, priorities, and strategies derived from National Security Decision Directives. The ultimate objective of the PPBES is to provide the Fleet with the best mix of forces, equipment, and support attainable within fiscal constraints.

The Planning Phase identifies the capabilities required to deter and defeat threats. It defines for the upcoming Programming Phase national defense policies, objectives, strategy, and guidance for resources and force requirements to meet the identified capabilities and objectives. The Planning Phase ends with the issuance of the JPG in the on-years (or even-years). The purpose of the Programming Phase is to allocate resources to support the roles and missions of the Military Departments (i.e., Army, Air Force, and Navy and Marines) and Defense Agencies. In the Programming Phase, force requirements are prioritized and resources are allocated to best meet the needs within fiscal, manpower, and force structure constraints. The Budgeting Phase of the PPBE process occurs concurrently with the Programming Phase. In the Budgeting Phase, the components and OSD scrub their programs to ensure efficient use of scarce budget authority and prepare budget estimates and exhibits which will form the basis of the President's budget submission. Finally, in the Execution Review, program output is assessed against planned performance to determine the best return on investment. The purpose of the execution review is to provide feedback to the senior leadership concerning the effectiveness of current and prior resource allocations. To the extent performance goals of an existing program are not being met, the execution review may lead to recommendations to adjust resources and/or restructure programs to achieve desired performance goals.

The Future Years Defense Program (FYDP) summarizes resources, by fiscal year (FY), associated with DoD approved programs. These programs reflect decisions that occurred during the PPBES and that are contained in documents such as the SPG, Fiscal Guidance, JPG, PDMs, and PBDs. The [FYDP](#) resides in an automated database and is updated twice a year during the PPBE cycle to reflect the Services combined POM/BES in August/September and (2) the President's budget in January of the following year to reflect what will be submitted to Congress the following month. It is also provided to the Congress in conjunction with the President's budget. The FYDP contains forces, manpower, and total obligational authority (TOA) identified to a program element structure aggregated into eleven major defense programs (six combat force-oriented and five support programs) and represents the

program and financial plan for DoD as approved by the SECDEF. The FYDP arrays cost data and force structure over a 6-year period (force structure for an additional 3 years), portraying this data by major force program for DoD internal review for the program and budget review submission. The FYDP contains the prior year (PY), current year (CY) and the two (biennial) budget years (BY1 and BY2) through BY2 + 4 years (BY2 + 7 years for forces). For example during the June/July timeframe in 2007 the Navy prepared the FY 2009 budget submission. The FYDP would be comprised of 2006 and 2007 (the PY and CY respectively), FY 2008 and FY 2009 (BY1 and BY2) through 2013.

The budget process consists of four phases. The first is the submission of budget estimates to the Office of Budget (FMB) by budget submitting offices (BSOs) throughout the Department for review and final approval by the Secretary of the Navy (SECNAV). The second phase is the submission of budget estimates by the Department of the Navy (DON) to the OSD and the Office of Management and Budget (OMB) for review and final approval by the SECDEF and the President. The third phase is the submission of budget estimates by the President to the Congress for its review and approval. The final phase is the enactment of appropriations by the Congress and execution of these appropriations by the DON.

Within the DON the development of estimates to support the President's budget occurs during the DON and the OSD/OMB budget reviews. These events take place during specific timeframes. The first phase consists of the submission of budget estimates to FMB by BSOs throughout the Department for review and final approval by SECNAV. After a detailed review of these exhibits, subsequent POM changes (if any), a question and answer phase normally takes place and FMB budget analysts may request additional information prior to issuing adjustments to the BSOs' budgets (marks) in the form of issue papers to the respective BSOs, appropriation and resource sponsors. If any recipients disagree with the recommendations contained in the adjustments, they are permitted to submit reclaims or issue paper comments stating their position. Final FMB adjustments (decisions) are then incorporated into the Navy's budget submission.

The second phase is the submission of budget estimates by the DON to OSD and OMB for review and final approval by SECDEF and the President. The OSD and OMB budget staffs review these exhibits and conduct hearings to gather additional information. These staffs then prepare PBDs and Management Initiative Decisions (MIDs) that are ultimately signed by the SECDEF, the Deputy SECDEF or the Under SECDEF (Comptroller) (USD(C)). These PBDs/MIDs are reviewed in draft form by all interested offices (BSOs, appropriation and resource sponsors, and other staff offices). If appropriate, a DON position is forwarded by the Assistant SECNAV Financial Management and Comptroller (ASN (FM&C)) in a formal coordination document. After consideration of the Department's position, the PBD/MID is signed. As part of the concurrent program/budget review process, OSD Program Analysis and Evaluation (PA&E) conducts a review, with those results documented in the PDMs. Near the end of the review, normally in mid December, the ASN (FM&C) meets with USD(C) to resolve outstanding issues in an Out-Of-Court meeting. SECNAV is then given the opportunity to discuss with the SECDEF those PBDs/MIDs/PDM issues that are deemed most critical to the DON in a Major Budget Issues (MBI) meeting. Following the MBI meetings with all the Military Departments, the SECDEF meets with the Director of OMB and the President to resolve any issues raised by OMB and to receive final Presidential decisions. Following this meeting, final decisions are issued in the form of PBDs/MIDs and appropriate controls are issued for preparation of the President's budget.

The third phase is the submission of budget estimates by the President to the Congress for its review and approval. The final phase is the enactment of appropriations by the Congress and execution of these appropriations by the DON. Congress reviews the President's budget and authorizes and

appropriates funds for various purposes, timeframes and amounts. The President's budget as modified by Congress, becomes the basis for the financial plan for each agency. Authorization Acts establish the purpose and guidelines for a given activity and the maximum amounts that may be appropriated, however they do not convey obligational authority. Appropriations Acts provide us with the budget authority to enter into obligations that will result in immediate or future outlays involving Government funds (i.e., to [commit, obligate and expend funds](#)).

Once the Authorization and Appropriation Acts are passed and funds are released for spending, Systems Commands (SYSCOMs) receive funds through the apportionment and allocation process. [Apportionment](#) is the process by which funds flow from OMB to DOD to DON for program execution (i.e., are made available for obligation in appropriation and fund accounts for specified time periods on the basis of programs, activities, projects, etc.). OMB apportions funds at the appropriation level and DOD breaks the funds down and distributes the Navy's share to DON (i.e., the Navy Comptroller (NAVCOMPT)). OMB normally apportions procurement and RDT&E accounts in a lump sum while military personnel and operation and maintenance accounts are apportioned by quarters in such a manner as to prevent obligations or expenditures in excess of available funding. NAVCOMPT allocates funds to CNO and CNO allocates the resources to the administering offices and operating budget holders. Chief of Naval Research distributes the Small Business Innovation Research program RDT&E,N funds to the various BSOs. The SYSCOMs distribute their respective funds to various projects by budget activity/program element/line item as requested in the approved budgets for execution.

Budget execution is the process established to carry out the programs for which funds were appropriated. Administering offices, operating budget and suballocation holders, and fund administrators execute the budget through the signing of contracts, projects orders, work requests, and other funding documents. Funding documents authorize organizations to provide specified goods and/or services and obligate the government to make payments for such goods and services. Reporting of actual execution performance in terms of obligations and expenditures is key to the management of resources. Reports are prepared at the appropriation, budget activity, project, and line item levels to provide oversight of the execution process and to measure program performance against financial plans. OSD publishes obligation and outlay rates to be used as a benchmark to assess specific program performance and the Navy does as well to support the midyear review.

During execution, program, competency, and comptroller personnel receive and analyze execution data to determine the need for an upward or downward reprogramming of resources to properly align program requirements and resources in accordance with changes in timing, program emphasis, pricing or other determinants of financial requirements. A budget is a plan and during execution requirements can change for a variety of reasons. Accounting status reports as well as program performance reports indicate the need for additional funding, descoping of program requirements, or availability of savings for diversion to other urgent requirements. Mid-year reviews are conducted by major SYSCOMs and NAVCOMPT in the March through May timeframe for the operations and investment appropriations. During midyear review, the Navy publishes its own obligation and expenditure benchmarks against which programs are evaluated. Other accounts may also undergo regularly scheduled, in-depth execution reviews of obligations to date and projected requirements for the balance of the year. Programs submit an obligation and expenditure plan by month, which are compared against actuals by OSD Comptroller (OSD(C)) and FMB on a monthly basis. Execution data (i.e., obligations and expenditures) tie back to the program and appropriation. To the extent that a program fails to meet performance goals, recommendations may be made either to restructure or cancel the program or to adjust funding levels as appropriate. As a result, programs are adjusted throughout the year to meet emerging conditions. At mid-year, comprehensive reviews of all performance indicators are conducted

throughout DoD and programs are adjusted as required. The goal of these reviews is to identify funds that can be used to resolve previously unfunded requirements caused by unforeseen program or pricing changes.

Congress recognizes that priorities change dictating the need for flexibility during budget execution. Within stated guidelines and specified dollar thresholds, Congress allows Federal agencies to reprogram existing funds to finance unfunded or under-funded requirements. FY 1991 marked the first year of omnibus reprogramming which, except for construction accounts, consolidates all DoD reprogramming actions for submission at the same time subsequent to mid-year review of program execution. Most prior approval reprogramming requests are consolidated by each service/defense agency for submission as part of the annual DoD “Omnibus” reprogramming action. However, in urgent cases, DoD may forward an individual prior approval reprogramming request addressing a specific requirement outside of the omnibus request. Normally, after midyear review the departments know where they have shortfalls or assets and they make recommendations to realign those resources accordingly. These realignments are often included in the Omnibus Reprogramming Action/Request.

Whether appropriated funds are legally available for something depends on three things: 1) the purpose of the obligation or expenditure must be authorized (purpose); 2) the obligation must occur within the time limits applicable to the appropriation (time); and 3) the obligation and expenditure must be within the amounts Congress has established (amount). Accordingly, SOWs should be consistent with the proposed appropriation to be charged from a Purpose-Time-Amount standpoint. Specifically, the funds being cited on the SOW should be used for the proper **purpose**, within the legal **timeframes** established by Congress, and within the **amounts** authorized, appropriated and allocated to the program. Appropriations are divided into smaller accounts for various purposes for execution.

Financial Management Questions to Consider

1. Are the efforts and/or services identified in SOWs consistent and in sync with the President’s budget submission for that specific fiscal year? If this is an emergent requirement not previously budgeted for, it may be considered a new start program. Some type of Congressional notification is required for *all* new starts.
2. Is the work/service a bona fide need of the fiscal year sought to be charged?
3. Does the SOW meet the necessary expense test?
4. What appropriation is being charged?

Treasury Symbol Code

<u>Aircraft Procurement, Navy (APN)</u>	1506
<u>Weapons Procurement, Navy (WPN)</u>	1507
<u>Other Procurement, Navy (OPN)</u>	1810
<u>Procurement of Ammunition Navy and Marine Corps (PAN&MC)</u>	1508
<u>Shipbuilding and Conversion, Navy (SCN)</u>	1711
<u>Operation and Maintenance, Navy (O&MN)</u>	1804
<u>Operation and Maintenance, Navy Reserve (O&MNR)</u>	1806
<u>Research, Development, Test and Evaluation (RDT&E)</u>	1319

By understanding the elements that comprise a [line of accounting](#) you can determine the Service designator, fiscal year, appropriation, subhead, object class, plant UIC, suballotment, authorized accounting activity, transaction type, and WBS element/cost element. [Treasury symbol](#) codes (account codes) are 4 digit codes indicating the type of funds or major purpose of the appropriation.

5. By law, [18 U.S.C. 1001](#), a SOW should be an accurate and true representation/description of the work to be procured and accomplished. The SOW should describe in as clear and unambiguous terms as possible the work to be performed, the deliverable(s), and the specified period of performance (in Section F). Ensure that the “[efforts and services](#)” contained in the SOW are consistent with the appropriation sought to be charged. When multi-appropriation tasking statements are used, separate line items need to clearly delineate appropriation specific efforts. For example, multi-appropriation tasking statements accompanying funding documents need to clearly delineate appropriation specific efforts much like separate line items on contracts. The funding document should then cite the exact task(s) contained in the associated attachment that supports the funding being issued. Only one appropriation, one subhead under an appropriation, and one fiscal year may be cited on a funding document (i.e., PR). Some language or “[verbiage](#)” is more commonly used for one appropriation over another. It is important to note, however, that the context of *how* the words are being used will determine whether they are appropriate for the appropriation cited. In addition, some “[services or deliverables](#)” are associated with specific appropriations.

6. **Where** is this program in its life cycle (i.e., at what [milestone](#))? For programs that have not received an LRIP (Milestone (MS) C) or MS III decision the program essentially has no authority to enter into production and therefore has no authority to be using procurement funds. For such programs, RDT&E funding is the **only** appropriate source of funding to support the developmental effort. [Management headquarters \(HQ\) functions](#), however, to include 1) developing and issuing policies and providing policy guidance; 2) reviewing and evaluating program performance; 3) allocating and distributing resources; or 4) conducting mid- and long-range planning, programming and budgeting should be O&M,N funded. Understand the difference between functions that can be funded with program funds supporting that program and those considered to be management headquarters functions.

7. If the work has already begun or been funded in a previous year, is the proposed funding source for this fiscal year consistent with funds used in prior years? If not, can this be justified in terms of the program transitioning from one phase to another (e.g., research and development (R&D) to production or production to operations and support)? If not, is there a potential augmentation issue where the appropriate source of funding has been exhausted and other appropriations are being proposed to “augment” the appropriate funding source?

8. Is the proper [funding document](#) being used?

a. Going to other non-NAVAIR activities and/or non-Navy Working Capital Fund (NWCF) NAVAIR activities & complying with the Navy's 51/49 percent rule?

b. Going to NAVAIR NWCF activities and complying with the 65/35 percent rule & funds not to exceed two months “carryover” beyond the fiscal year for annualized procurement and research and development (R&D) efforts?

9. Are funds being placed on contract? If yes, are the funds cited [legally available \(time\)](#) for new [obligations](#)? Expired funds are only available for [obligational adjustments](#) and expenditures and not for new obligations (reprocurement contracts are an exception). This principle applies to funds

accepted on a direct citation and/or reimbursable basis. For example, Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. Funding cited on Economy Act Orders must be deobligated by both the requesting and servicing agency to the extent that the servicing/performing agency or unit filling the order has not, before the end of the period of availability of the appropriation of the requesting or ordering agency, (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services. There are specific thresholds involved in the approval of upward obligational adjustments for expired and cancelled accounts.

10. If a contract, are there [contingent liabilities](#) arising during execution for which the PMA/RFM should be administratively reserving funds to preclude Antideficiency Act Violations? Are the contract line items on the contract and accounting classification reference numbers (ACRNs) in line with the work breakdown structure in the budget?

11. Are major end items (i.e., aircraft, missiles, etc.) being procured? Do the quantities specified agree with the Congressional conference reports? Quantities in excess of that specified in the conference tables require Navy approval (FMB and OPNAV) unless there is committee language that allows for additional quantities to be procured within the amount appropriated (in such cases where specific congressional language is provided allowing for additional quantities to be procured within appropriated funds, a DD 1415-3, Internal Reprogramming action shall be submitted to the USD(C) for approval). In accordance with the FY 2003 Authorization Act, Congress authorized the head of an agency to acquire a higher quantity of the end item than the quantity specified in applicable Appropriations Acts provided that certain conditions can be met. DoD incorporated this language into the FAR and the DoD FMR and delegated this approval authority to the Component level (e.g., at the Navy level, not the claimant/BSO level). If we have additional quantities of major end items that we would like to procure (in excess of that specified in the conference committee report tables), then we must consult and obtain prior approval from FMB. This requirement must also be supported/approved by the Resource Sponsor as well and the proposed quantities should not exceed the inventory objectives for that program. Has funding been released for the FULL quantity (i.e., some funding might be deferred)? For example, for new production programs, if the conference report identified a quantity of 12 aircraft but funds for 2 were deferred, then the contract should identify a quantity of 10 aircraft with a variation in quantity clause to provide for the option of the additional 2 aircraft if funds are released.

12. Are kits being installed and is the installation funding annualized? Actual kit procurements adhere to the full funding policy while installation costs are annualized based on the fiscal year the actual installation is planned to occur (e.g., kits installed during FY 2009 should cite FY 2009 funds.) Installation costs are provided on a purchase requisition (e.g., a work request or WX) or PID/PR to the performing activity or contractor respectively with funds available for obligation at the time the installation will take place. [In addition, by law \(10 U.S.C. 2244a\), there is a five year rule that states in part "the Secretary of a military department may not carry out a modification of an aircraft, weapon, vessel, or other item of equipment that the Secretary plans to retire or otherwise dispose of within five years after the date on which the modification, if carried out, would be completed."](#) There are exceptions to this prohibition and they include 1) modifications which cost less than \$100K; 2) modifications that involve reusable items that will be removed from the item of equipment upon retirement or disposal whose cost is less than \$1M; and 3) safety modifications. The Secretary of the military department may waive this prohibition if the modification is in the national security interest of the United States and shall notify the congressional defense committees in writing prior to initiation.

13. Is this a multiyear procurement (MYP)? Does this program have specific authority to enter into a multiyear procurement? Proposed legislation and funding must accompany the MYP request in the President's budget submission; or the MYP request must be formally submitted as a budget amendment; or SECDEF must request MYP approval in writing to the congressional defense committees.
14. If a contract, is it funded with R&D funds? R&D fixed-price contracts must contain an estimated period of performance for each increment (typically these increments conform to the Government fiscal year to comply with the incremental funding policy). While the incremental funding policy is a budgeting technique, changes may be required due to late appropriations, fund deferrals, technical difficulties, etc., and the two-year obligational availability of this appropriation allows for flexibility during execution to deviate from the planned increment period. During execution, however, if the actual incremental payment differs from the planned incremental payment, the entire incremental payment schedule must be amended to accommodate the change. R&D funded cost contracts do not need a planned incremental payment schedule but must have an estimated period of performance.
15. Is this considered a Special Interest program (e.g., funds appropriated by Congress for which the Navy did not submit a requirement – “Congressional adds”, or items specifically designated by Congress as special interest programs)? If so, is the SOW consistent with Congressional committee language – i.e., “Congressional Intent”? When in doubt, a PBIS run can determine whether a program is classified as congressional interest (for plus ups), congressional action (for reductions), or supplemental appropriation by adding the “EXEC_TRANS” field.
16. [Reprogramming actions](#) requiring prior Congressional approval or a notification waiting period may **NOT** be executed prior to obtaining the appropriate approvals. Care must be exercised that funding documents and/or contracts are not being issued/executed prior to the proper approvals being obtained.
17. If a service, is it [severable](#) or [non-severable](#)? The specific services requested in the contract SOW or PO/DO SOW will determine the type of task. By law, 10 U.S.C. 2410a, severable service contracts may not exceed a period of performance of 12 months (i.e., one year).
18. Are services being procured (i.e., labor costs)? What function(s) would these personnel perform (e.g., in-service/out-of-production support = O&M, in-production = procurement, development = R&D, I/O/D level maintenance/repair = O&M (I & O being fleet O&M and D being NAVAIR O&M).
19. Should the work in the SOW be annualized (i.e., funded on a fiscal year basis) or [fully funded](#) or [incrementally funded](#)?
20. Does the SOW include the procurement of equipment/end items to which the [expense/investment threshold](#) would apply or that are [centrally managed](#) end items that should be funded with a procurement appropriation? Are items being procured to which the capital purchase threshold applies?
21. Ensure that any SOW that involves the procurement of IT, both general purpose and embedded IT in weapon systems, to include hardware, software, support services, training, and other related services that meet the definition of IT as outlined in the Clinger-Cohen Law, states that fact in order to ensure the proper NAVAIR CIO approval process is followed.
22. Funding documents which involve facility construction/modification and/or equipment installation projects that may involve facility modifications must be approved by the AIR-7.10, Infrastructure

Business Operations Division, prior to being forwarded the appropriate AIR-10.1 budget office in accordance with AIR-10.3 letter Ser AIR-10.3CM/02-020 of 21 June 2002. This funding policy letter does not apply to Government-Owned Contractor-Operated (GOCO) facilities. All work related to GOCO facilities must be coordinated with the AIR-7.10 Infrastructure Business Operations Division. All activity level approvals are delegated by NAVAIR headquarters to the Commanding Officer of the individual field activity. During execution, if it appears that an approved project will exceed statutory thresholds, no work may proceed which will create an obligation of the Government in excess of the limitation, and AIR-7.10 should be notified immediately.

23. If work is being performed at a WCF activity and equipment (especially IT) is being procured then the items should be used solely to support that customer's order for it to be a direct charge to the order. If this equipment can be used on multiple customers' orders, then the item should be funded by the WCF out of its operating budget or capital purchase program based on the expense/investment criteria.

24. Will Advisory and Assistance Services (A&AS) be procured? Funds issued for A&AS must cite object classification code 25.1. Contract efforts being performed for A&AS should not contain inherently government functions (e.g., functions that are exclusively the responsibility of the PMA/RFM such as policy development, planning, programming and budgeting, etc.).

25. As a result of recent audits, special reviews and approvals are required when DoD funding will be cited on non-DoD contracts. All headquarters IPRs that will result in contracts being awarded for property or services by non-DoD entities (e.g., GSA, DOE, Library of Congress, FAA, etc.) must be approved by an AIR-2.0 SES* for non-Economy Act covered acquisitions over \$100,000 but not to exceed \$50,000,000; DASN(A&LM) for acquisitions greater than \$50,000,000 but not to exceed \$500,000,000; ASN(RDA) for acquisitions greater than \$500,000,000. For the NAWC Aircraft Division and Weapons Division, the chief of the contracting office has been delegated authority to approve non-Economy Act interagency acquisitions that are over \$100,000 but less than or equal to \$5,000,000. NAVAIRINST 4200.10 requires the format of either a Memorandum for Record or an Economy Act Determination and Findings (D&F) – no other form of approval is acceptable (e.g., a route sheet chop is unacceptable).

* For Economy Act covered interagency acquisitions, an Economy Act D&F is required regardless of dollar amount. The approval authority is either an AIR-2.0 SES or, if the servicing agency is not required to follow FAR in its acquisitions**, that D&F must be approved by ASN(RD&A) in accordance with FAR 17.5, DoDI 4000.19, and NAVAIRINST 7030.5D. **Rare, but include IPRs to FAA, Library of Congress, Tennessee Valley Authority, Central Intelligence Agency.

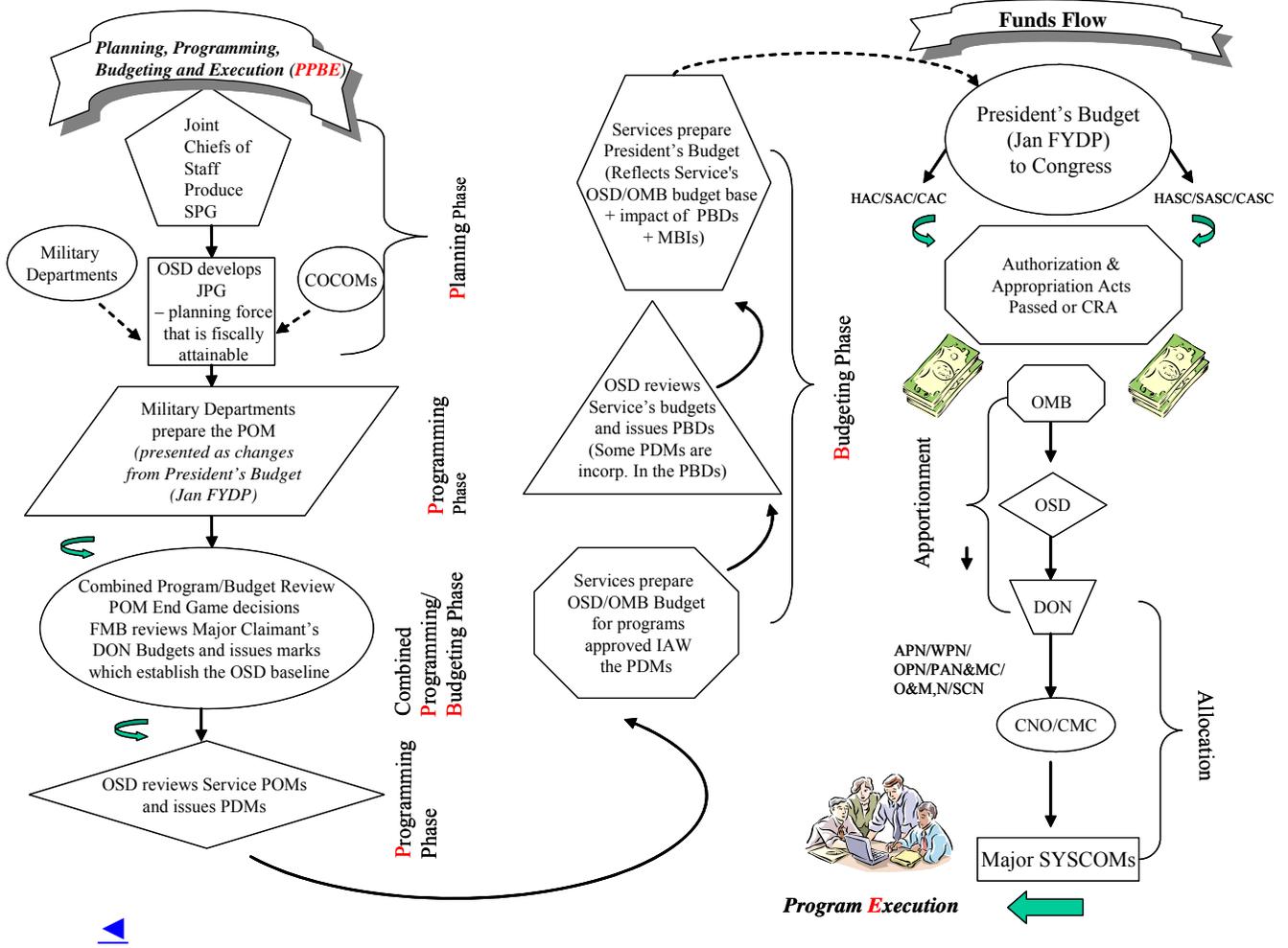
26. Within NAVAIR Headquarters, O&M,N and RDT&E,N appropriations finance expenses. Travel and training of headquarters personnel are funded from agency operating funds. The general rule is that the same source of funds that finances civilian personnel salaries and benefits finances their travel and training costs. Accordingly, travel and training costs of NAVAIR Headquarters personnel should be funded by the O&M,N headquarters accounts (e.g., Command and Administration, OSF, and program executive office (PEO) operating budgets) managed by AIR-7.0. Travel and training costs of AIR-6.0 and the ERP personnel as well as their salaries and benefits are financed out of 1A6A (with reimbursement from the WCF for the AIR-6.0 personnel). Training costs incurred in support of subjects such as change management, Microsoft Word/Excel, DAWIA and various supervisory courses should comply with this funding policy. Exceptions to this rule include travel integrally related to the **technical** execution of a specific RDT&E,N or O&M,N project; travel incurred in **direct** support of a foreign military sales (FMS) program; and travel for special mission assignments (e.g., travel that is not directed by the activity to which the personnel are permanently assigned (in this case NAVAIR

Headquarters) would be financed out of the agency operating funds of the activity requesting the special mission assignment).

27. Verify that the chosen work breakdown structure (WBS) elements cited on PRs and PID/PRs are consistent with the SOW. This is done by viewing the HQ budget structure in Navy ERP using the CJ20N transaction. Verify that the receiving billing element references the HQ budget WBS in CJ20N.
28. The SOW should NOT require [personal services](#).
29. The contract SOW should NOT require tasks that are [inherently governmental functions](#).
30. Are you familiar with the [laws](#), regulations, and policies that govern financial management?
31. Are you familiar with the various [periods of performance](#) for different types of funding documents and contracts?
32. Do you know the applicable [contract sections](#) to review based on the appropriations that are funding the contract?
33. Are you familiar with the concept of a [funded delivery period](#)?
34. Are you familiar with the [12-month rule](#) regarding modification programs?
35. Additional information regarding appropriations is synopsized in the [appropriation summary](#).

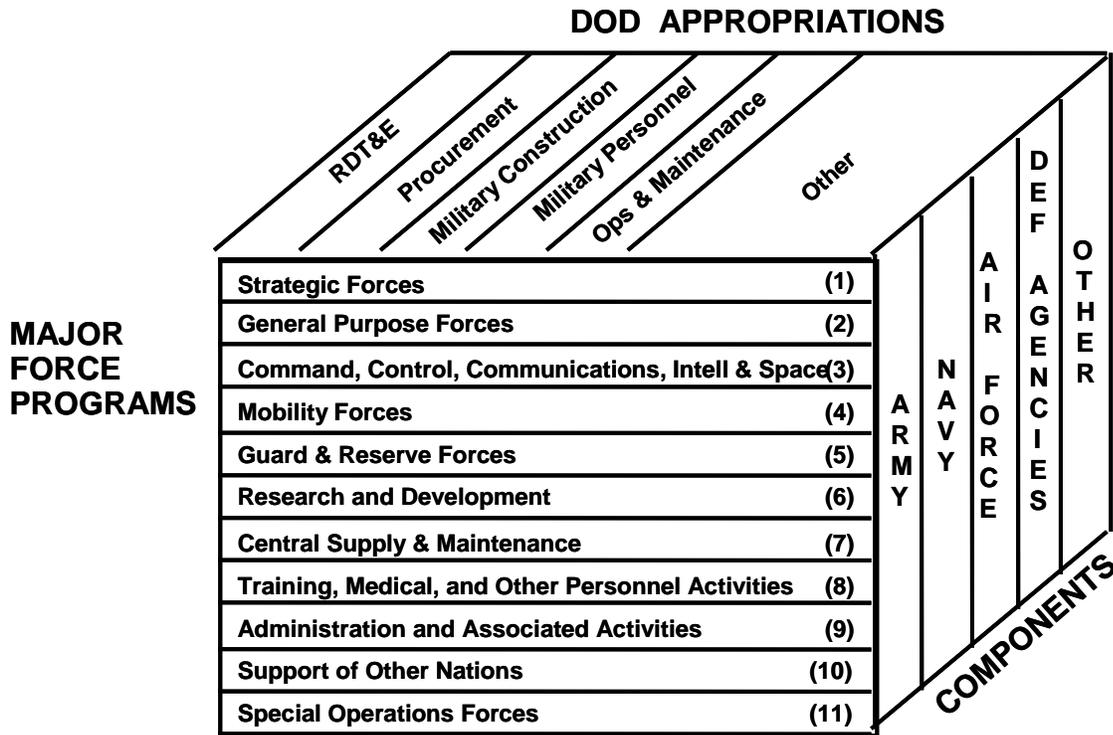
DoD's Resource Allocation System:

Planning, Programming, Budgeting and Execution System



Future Years Defense Program

The Future Years Defense Program is the program and financial plan for DoD as approved by the SECDEF. The FYDP arrays cost data and force structure over a 6-year period (force structure for an additional 3 years), portraying this data by major force program for DoD internal review for the program and budget review submission. It is also provided to the Congress in conjunction with the President's budget.



General Accounting Definitions. All expenditures must be preceded by an authorization to expend from the available funds. In theory, every transaction progresses through the following stages:

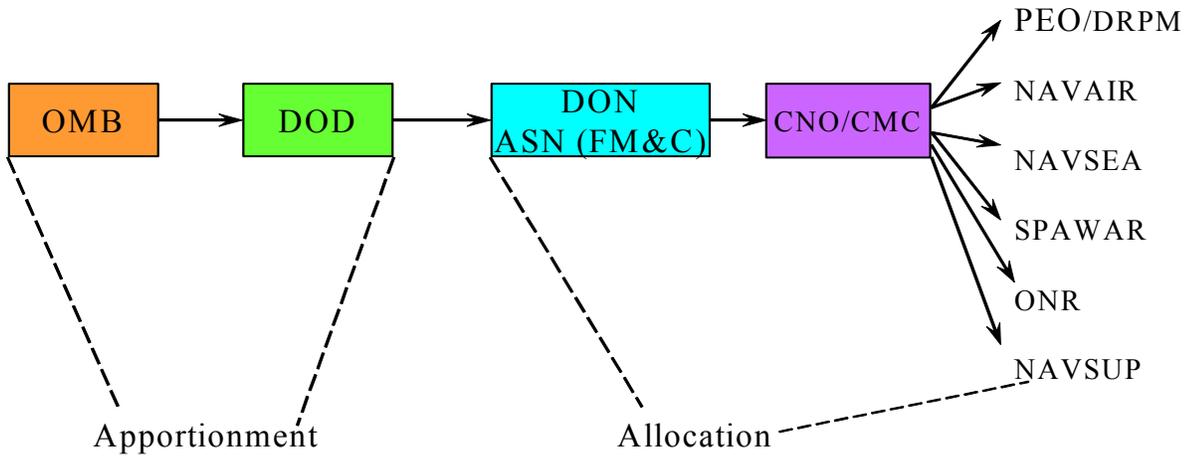
Commitment: A firm administrative reservation of funds based on firm procurement requests, unaccepted customer orders, directives, and equivalent instruments which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds.

Obligation: A legal liability incurred by the government, representing the amount of an order placed, a contract awarded, a service rendered, or other transaction that legally encumbers a specified amount of an appropriation or fund for expenditure. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another. Payment may be made immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Expenditure: An actual payment of funds when checks are issued or cash is disbursed for work performed that liquidates the outstanding obligation associated with that work.



Funds Flow Process



Purpose: 31 U.S.C. 1301(a) requires that appropriated funds only be used for the purposes and programs set forth by Congress in the appropriation. The agency's budget request is an important reference standard for determining proper purpose and the relationship of an expenditure to an appropriation. A three-part test for proper purpose to expend appropriated funds is that 1) the expenditure must make a direct contribution to carrying out either a specific appropriation or an authorized agency function for which more general appropriations are available; 2) the expenditure must not be prohibited by law; and 3) the expenditure must not be otherwise provided for, that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.

If an agency has a specific appropriation for a particular item, and also has a general appropriation broad enough to cover the same item, it does not have an option as to which to use. It must use the specific appropriation. Were this not the case, agencies could evade or exceed congressionally established spending limits.

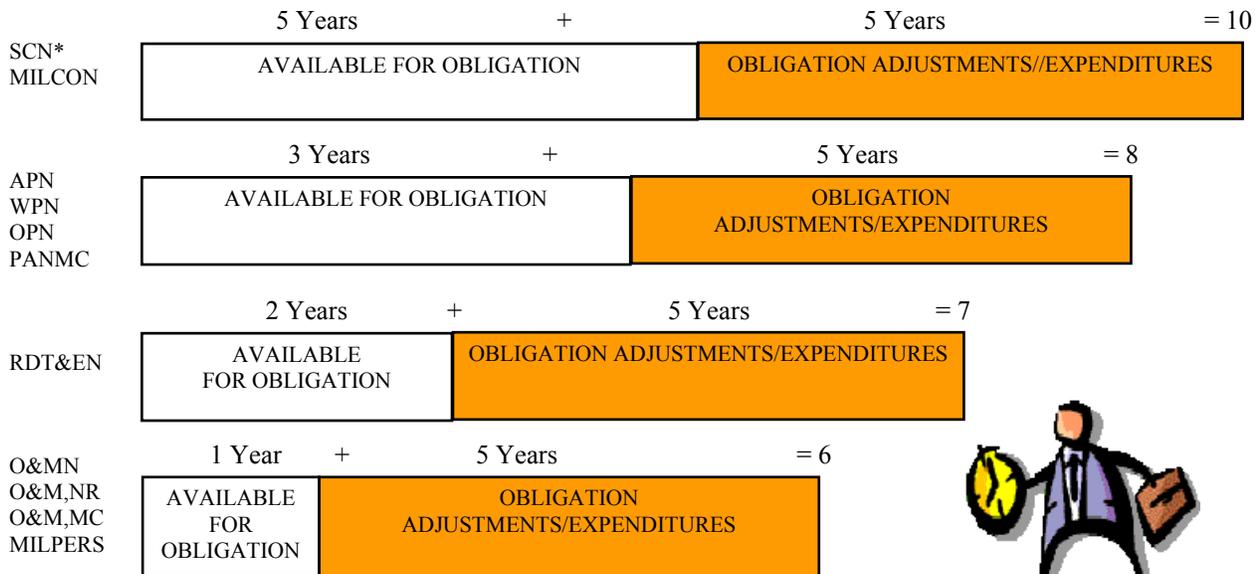
Originally enacted in 1809, this statute is one of the cornerstones of congressional control over the Federal purse. Because money cannot be paid from the Treasury except under an appropriation, and because an appropriation must be derived from an act of Congress, it is for Congress to determine the purposes for which an appropriation may be used. Simply stated, 31 U.S.C. 1301(a) says that public funds may be used only for the purpose or purposes for which they were appropriated. It prohibits charging authorized items to the wrong appropriation, and unauthorized items to any appropriation. Anything less would render congressional control largely meaningless.



Time: By law, 31 U.S.C. 1551-1557, appropriations are available for limited periods. An agency must incur a legal obligation to pay money within an appropriation's period of availability. If an agency fails to obligate funds before they expire, they are no longer available for new obligations (e.g., issuance of a new/basic funding document, awarding a new contract, etc.). Appropriations Acts specify time period for availability for new obligations. Differences in time periods reflect Congressional understanding of various timeframes to accomplish work. Expired funds retain their "fiscal year identity" for five years after the end of the period of availability for new obligations. During this time, the funds are available to adjust existing obligations or to liquidate prior valid obligations. Closed Appropriations are no longer available for any purpose. An appropriation becomes "closed" five years after the end of its period of availability as defined by the applicable Appropriations Act.

- ◆ **Annual appropriations:** available for incurring new obligations only during one fiscal year specified in the Appropriations Act (e.g., O&MN, MPN). *In fact the DoD FMR Volume 4 Chapter 5 (050402) states: "In the absence of specific legal authority, DoD Components are not authorized to incur obligations using operation and maintenance appropriations for goods and services to be provided in future years."*
- ◆ **Multiple-year appropriations:** available for incurring new obligations for a definite period in excess of one fiscal year (e.g., OPN, WPN, APN, PAN&MC, SCN, MILCON, RDT&EN, etc.).

APPROPRIATION AVAILABILITY CHART



*Effective in FY 1994, SCN may be available for 5 years for obligation adjustments/expenditures after leaving SCN envelope (i.e., 11 months after completing of fitting out)
 *Obligation adjustments and expenditures may extend beyond 10 years, depending on the ship class construction requirements
 Obligation adjustments: Change orders/cost overruns within program scope



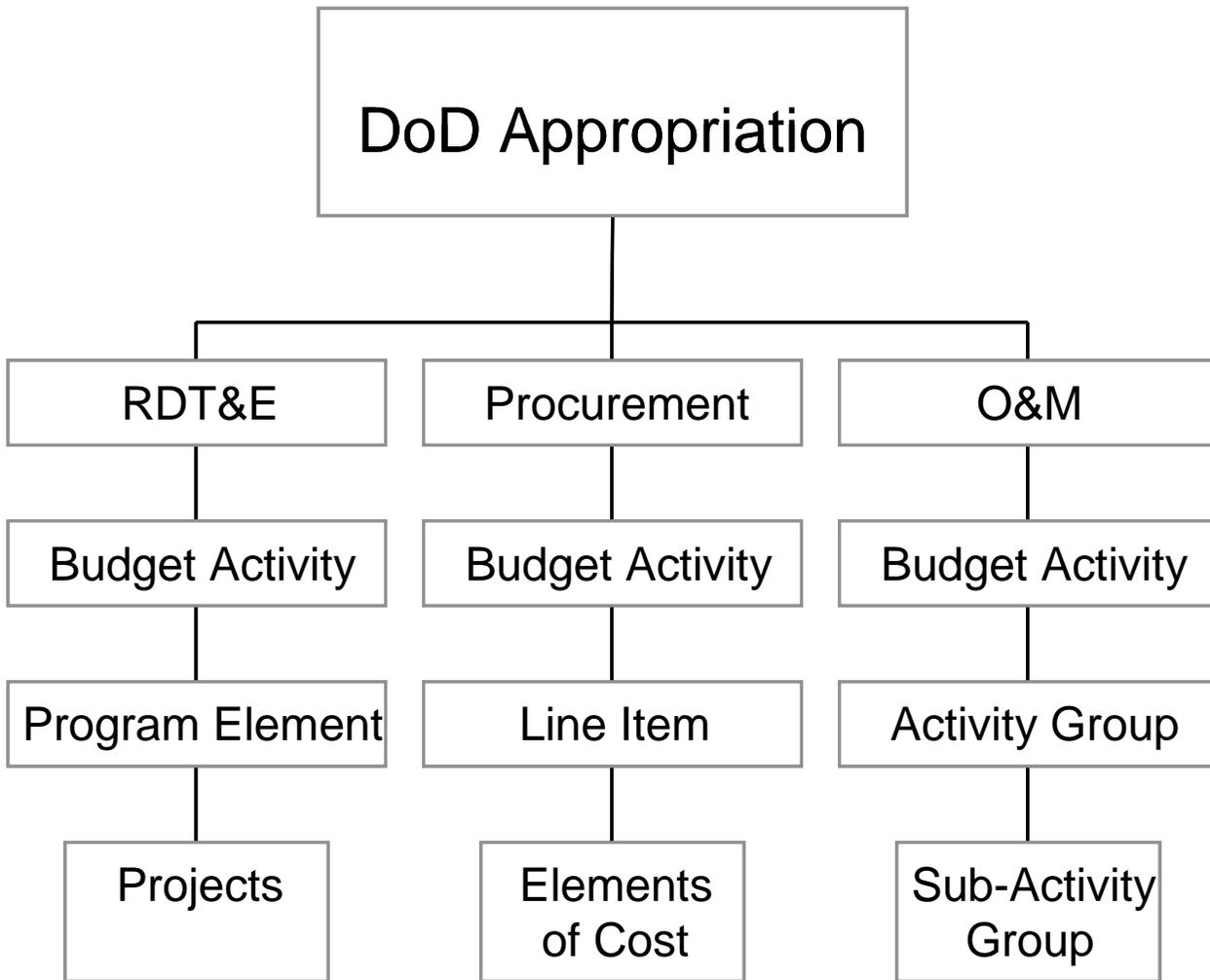
Amount: The Antideficiency Act, restricts agencies from incurring obligations or making expenditures in excess of the appropriation/apportionment or from obligating the government for payment of money for any purpose in advance of appropriations made for such purpose. The take away here is that you can't spend more than you have and you can't spend in advance of having it. When a 31 U.S.C. 1301(a) purpose violation is discovered, the charges must be transferred to the proper appropriation. If sufficient funds are not available in the properly chargeable appropriation, then a potential Antideficiency Act violation exists that must be officially investigated.

Examples of How Antideficiency Act (ADA) Violations Occur

- Exceeding limits on the use of O&M funds for minor construction projects
- Using O&M funds to acquire equipment items that exceed the designated amount for the mandatory use of procurement funds (expense versus investment threshold rule).
- Funding authority is issued in excess of the amount available and the excess amount is obligated or expended. The issuance of funds by means of a formal subdivision of funds (allocation, allotment, suballotment or other formal designation of a limitation), in an amount that exceeds the amount currently available, would result in a violation of the ADA if those excess funds distributed actually are obligated or expended. The individual authorizing the release of those funds would be responsible for the violation. The issuance of a funded order in excess of available funds may also result in a violation of the ADA. This often results through failure to record obligating documents in a timely or accurate manner that results in overobligating funds already obligated (because the obligating document was not recorded in a timely or correct manner).
- Obligations or expenditures are authorized or incurred in excess of the amount of funds available at the formal subdivision of funds level. Incurring an obligation or disbursement in excess of a target (vice a formal subdivision of funds) does not in itself create a violation of the ADA; however, if exceeding a target causes the governing formal fund subdivision or limitation to be breached, then a potential violation of the ADA arises.
- Special and recurring statutory limitations or restrictions on the amounts for which an appropriation or fund may be used are violated.
- Regulatory limitation on the amounts for which an appropriation or fund may be used are violated, when specifically carrying an antideficiency limitation.
- Statutory limitations on the purposes for which an appropriation or fund may be used are violated.
- Regulatory limitation on the purposes for which an appropriation or fund may be used are violated, when specifically carrying an antideficiency limitation and corrective funding is not available.
- Obligations are authorized or incurred in advance of funds being available.
- Obligations or expenditures of funds do not provide for a bona fide need of the period of availability of the fund or account and corrective funding is not available.
- Voluntary services are accepted, or personal services are employed, in excess of that authorized by law.



Appropriation Subdivisions



New Start Program - New starts pertain to specific appropriation line-items and include any new programs, projects, subprojects, or modifications that were not disclosed to Congress in the justification material supporting a Presidential budget request for which a subsequent appropriation was made. A new start occurs even when such activities may be funded in another appropriation belonging to the same or different military department or defense agency.

FY 2008 Appropriation Act Language

SEC. 8085. None of the funds provided in this Act shall be available for obligation or expenditure through a reprogramming of funds that creates or initiates a new program, project, or activity unless such program, project, or activity must be undertaken immediately in the interest of national security and only after written prior notification to the congressional defense committees.



Bona Fide Need - The bona fide needs statute, 31 U.S.C. 1502, states that a fixed-term appropriation “is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period...” This law requires that a fiscal year appropriation may only be obligated to meet a legitimate, or "bona fide" need arising in or in some cases arising prior to but continuing to exist in the fiscal year for which the appropriation was made. Such a determination takes into account procurement lead-time, time phased procurement, consumption rates, funded delivery periods, etc. To truly be a bona fide need, work efforts should begin shortly after the contract has been awarded or the activity has accepted the funds for the work. . Generally, bona fide needs are determined by when the government actually requires (will be able to use or consume) the supplies being acquired. Two recognized exceptions are the lead-time exception and the stock-level exception.

For example, as the end of a fiscal year approaches, an agency purchases a truckload of pencils when it is clear that, based on current usage, it already has in stock enough pencils to last several years into the future. It would seem apparent that the agency was merely trying to use up its appropriation before it expired, and the purchase would violate the *bona fide* needs rule. The *bona fide* needs rule does not, however, prevent maintaining a legitimate inventory at reasonable and historical levels, the “need” being to maintain the inventory level so as to avoid disruption of operations. The problem arises when the inventory crosses the line from reasonable to excessive. Stated another way, “An appropriation should not be used for the purchase of an article not necessary for the use of a fiscal year in which ordered merely in order to use up such appropriation. This would be a plain violation of the law.”

As another example, the Army contracted for a specific quantity of thermal viewers and the contract provided for a downward adjustment in the contract price in the case of an “underrun,” (i.e., if the contractor was able to perform at less than the contract price). *After* the appropriation charged with the contract had expired, the contractor incurred an underrun and proposed to use the excess expired funds to supply an additional quantity of viewers. The Army did need additional viewers and the need could be attributed to the year in which the contract was entered into, and that the need continued to exist. The question is what funds would be proper to procure the additional quantities. The Government Accountability Office (GAO) ruled that the proper course of action was to deobligate the excess expired funds and, if the Army still wished to procure the additional quantities, to charge the obligation for the additional quantity to current year appropriations. The fact that the need arose in a prior year was immaterial. The Army could have used underrun funds to procure additional viewers at any time during the period those funds remained available for new obligations but chose not to do so and the need continued to exist in the subsequent fiscal year. Nothing in the *bona fide* needs rule suggests that expired appropriations may be used for an item for which a valid obligation was not incurred prior to expiration merely because there was a need for that item during that period. Once the obligational period expired, the procurement of an increased quantity must be charged to funds currently available for new obligations, and this is not affected by the fact that the need for that increased quantity may in effect be a ‘continuing need’ that arose during the prior period.” It is important to note, however, that if the agency has no discretion as to the timing of an obligation (for example, in situations where the obligation arises by operation of law), or, even in discretionary situations, if the agency has actually *incurred* a valid obligation in the prior year (whether recorded or unrecorded), then the “continuing need” concept has no application and the obligation must be charged to the prior year.

As a final example, National Labor Relations Board (NLRB) exercised a contract option on September 30, 2005, specifying a period of performance of October 1, 2005, through September 30, 2006 (i.e., FY 2006) and charged its obligation to its FY 2005 appropriation. The Comptroller General ruled that the contract that NLRB entered into for severable services for FY 2006 improperly charged its FY 2005 appropriation and directed NLRB to deobligate its FY 2005 funds and obligate its FY 2006 funds.

NLRB, would prefer to remedy its improper obligation of FY 2005 funds by adjusting its contract period of performance instead of its accounts. NLRB asserts that it had intended a performance period commencing September 30, 2005 (i.e., in FY 2005), and the fact that the contract does not reflect its intent is due to “an inadvertent ministerial error” that it can now correct. The Comptroller General ruled that NLRB may not now remedy its improper obligation by adjusting its contract’s performance period instead of its accounts in order to use its FY 2005 expired appropriation. Were NLRB to proceed with its proposed remedy, NLRB would need to adjust not only the performance period of option four but also the performance period of option three. Otherwise, NLRB would be left with two contracts (options three and four) acquiring the same severable services from the same contractor for the same day, violating the bona fide needs rule.

A fiscal year appropriation, such as NLRB’s Salaries and Expenses appropriation, is available for obligations consistent with the time statute (and the bona fide needs rule) and the recording statute. The time statute states that an appropriation limited to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with 31 U.S.C. 1502(a). The recording statute provides that an agency may record a contractual obligation only when the contract is executed before the end of the period of availability of the appropriation being used. 31 U.S.C. 1501(a)(1)(B). Here, the option as exercised on the last day of the fiscal year is for a bona fide need of the next fiscal year (i.e., FY 2006) that, consistent with 31 U.S.C. 1501(a)(1) and 1502(a), obligates FY 2006 funds. Expired appropriations are **not** available for this purpose. FY 2005 appropriations remain available *only for* adjustments to obligations properly incurred in FY 2005.

LEAD-TIME EXCEPTIONS

a. Delivery Time. This aspect of the exception recognizes that the agency has a need for, but cannot obtain the item in the current fiscal year. If an agency cannot obtain materials in the same fiscal year in which they are needed and contracted for, delivery in the next fiscal year does not violate the Bona Fide Needs Rule as long as the purchase meets the following:

- (1) the time between contracting and delivery must not be excessive, and
- (2) the procurement must not be for standard, commercial items readily available from other sources.

b. Production Lead-Time. This aspect of the exception permits the agency to consider the normal production lead-time in determining the bona fide needs for an acquisition. Thus, an agency may contract in one fiscal year for delivery in the second fiscal year if the material contracted for cannot be obtained on the open market at the time needed for use, so long as the intervening period is necessary for the production. Chairman, Atomic Energy Commission, B- 130815, 37 Comp. Gen. 155, 159 (1957).

(1) For example, if the normal lead-time between order and delivery of an item is 45 days, an obligation of FY 2005 funds is appropriate for a delivery on or before a required delivery date of 14 November 2005. (Remember 1 October 2005 is the beginning of FY 2006). This represents a bona fide need of FY 2005. However, if the government directs the contractor to withhold delivery until after 14 November 2005, there is not a bona fide need for the item in FY 2005 because the necessary lead-time prior to delivery permits the government to order and deliver the item in FY 2006.

(2) If the government establishes a delivery date for an item that is beyond the normal lead-time and in the next fiscal year, then the government must use funds for the next fiscal year. In the example

above, if the government does not require the item until after 14 November 2005, then the government must use FY 2006 funds.

STOCK-LEVEL EXCEPTION

a. Stock-Level Exception to the Bona Fide Needs Rule. The stock level exception permits agencies to purchase sufficient supplies to maintain adequate and normal stock levels.

(1) The government may use current year funds to replace stock consumed in the current fiscal year, even though the government will not use the replacement stock until the following fiscal year.

(2) For example, the government may award a contract to maintain the normal, authorized stock levels of repair parts in August 2005 and may require delivery in September 2005, using FY 2005 funds, even if the government knows that the government will not use the repair parts until early October 2006 (i.e., FY 2006).

(3) Fiscal year-end stockpiling of supplies in excess of normal usage requirements is prohibited.



Necessary Expense Doctrine

When applying the necessary expense rule, an expenditure can be justified after meeting a three-part test:

1. The expenditure must bear a logical relationship to the appropriation sought to be charged. In other words, it must make a direct contribution to carrying out either a specific appropriation or an authorized agency function for which more general appropriations are available.
2. The expenditure must not be prohibited by law.
3. The expenditure must not be otherwise provided for, that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.



Aircraft Procurement, Navy (APN) – Funds the construction, procurement, and production of new Navy and Marine Corps aircraft; the modification of in-service aircraft; and the procurement of peculiar and common ground support equipment; tooling; test equipment; specialized equipment; training aids and training equipment; simulators; spare parts and support of aircraft industrial production facilities (i.e., government owned, contractor operated facilities).

May Fund: Efforts required to acquire and initially deploy the production system to include production engineering; quality assurance; product improvement within the current performance envelope for items in production; production acceptance test and evaluation; contractor engineering and technical services for multiple sites being stood up (not to exceed 12 months after acceptance of the 1st production article/unit); integrated logistics support; training planning; site activation planning; production scheduling/planning; and project office and acquisition manager technical support services, whether performed under contract or by in-house field activity personnel, when integral to execution of procurement program (e.g., production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly).

May NOT Fund: Functions performed by HQ personnel performed as part of HQ oversight; policy development and guidance; management and distribution of resources; program performance review and evaluation; planning, programming and budgeting; travel of HQ/PEO personnel; other direct expenses of HQ/PEO personnel; and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for three fiscal years. This appropriation is controlled at the command level on a program-year and weapons system line-item basis. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope program cost changes are funded from the program-year account under which the basic transaction occurred.

Funding Policy: Fully Funded. Under the flyaway concept, the investment end-item is the complete new procurement or modified aircraft including the cost of approved allowances of items carried on-board. It excludes all other supply system items.

Types of Costs: Investment costs and intrinsic items of expense when included in the production aircraft/modification kits.

Acquisition Milestone: Must be authorized by the Milestone Decision Authority (MDA) for procurement LRIP or have received a full rate production decision.

Quantities: 1) aircraft production quantities must match Conference Appropriations Committee tables or Navy approval (FMB and OPNAV) must be obtained to buy-to-budget, but 2) aircraft modernization/retrofit kits may be accelerated from amounts specified in the President's budget submission but should not exceed inventory objectives.

Budget Activities (BAs):

BA-1 - Combat Aircraft provides for the procurement of all aircraft used in combat missions. Combat aircraft, including both fixed-wing and rotary-wing configurations, are generally grouped into the categories of attack, fighter, assault, and antisubmarine warfare aircraft. In addition to the foregoing categories, aircraft employed in specialized missions (such as electronic warfare,

reconnaissance, and observation) that directly support combat operations also are procured under this activity.

BA-2 - Airlift Aircraft provides for the procurement of aircraft needed for personnel and cargo airlift.

BA-3 - Trainer Aircraft provides for aircraft specially designed for different types of air crew training. Aircraft procured in this BA are used to train students in basic and advanced flying techniques, navigation, instrument flying, and numerous other skills they must acquire before making the transition to high performance fleet aircraft.

BA-4 - Other Aircraft provides for the procurement of special purpose aircraft other than those associated with combat, airlift, and training missions.

BA-5 - Modification of Aircraft funds the procurement of modification kits for incorporation of improvement in in-service aircraft to correct deficiencies and improve operational capabilities.

BA-6 - Aircraft Spares and Repair Parts provides for the procurement of spare equipment and repair parts to support aircraft procurement and operating programs.

BA-7 - Aircraft Support Equipment and Facilities finances the procurement of aircraft common ground support equipment (GSE) which meets the investment criteria and is common to multiple aircraft models. Investment GSE peculiar to a single aircraft model is budgeted and funded as part of the aircraft cost in BAs 1 through 4. Included in common ground equipment are aircraft operational training devices, simulation devices, and training aids; handling, test, and servicing equipment such as carrier tractors, shore-based aircraft-towing equipment, propulsion support equipment, and electronic and fluid servicing equipment; the aircraft industrial facilities program provides funds for the modernization, maintenance, and pollution control projects at Government-owned aircraft production facilities; and the war consumables program funds the procurement of auxiliary fuel tanks, pylons, and ejector racks. These items are of a consumable nature and requirements are related primarily to the number of sorties flown by combat or training aircraft; other production charges that provide funds for miscellaneous production support and testing services, various equipment for United States Coast Guard aircraft, aircraft cameras, special support equipment for aircraft procured with prior year funds. This BA also includes first destination transportation that finances the movement of newly procured equipment and materials from the contractor's plant to the initial point of receipt by the Government.



Weapons Procurement, Navy (WPN) - Procurement of missiles, torpedoes, guns, and supporting equipment for Navy and Marine Corps forces. Supporting equipment includes: equipment for modification and installation of in-service missiles; torpedoes, guns, and gun mounts; drones and decoys; aerial targets used in weapon training exercises and weapon evaluation; hardware for Navy navigation and communications satellite and other space programs; spare parts; ground support and training equipment; and industrial facilities (i.e., government owned, contractor operated facilities) and tools required for the production and maintenance of missiles.

May Fund: Efforts required to acquire and initially deploy the production system to include production engineering; quality assurance; product improvement within the current performance envelope for items in production; production acceptance test and evaluation; contractor engineering and technical services for multiple sites being stood up (not to exceed 12 months after acceptance of the 1st production article/unit); integrated logistics support; training planning; site activation planning; production scheduling/planning; and project office and acquisition manager technical support services, whether performed under contract or by in-house field activity personnel, when integral to execution of procurement program (e.g., production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly).

May NOT Fund: Functions performed by HQ personnel performed as part of HQ oversight; policy development and guidance; management and distribution of resources; program performance review and evaluation; planning, programming and budgeting; travel of HQ/PEO personnel; other direct expenses of HQ/PEO personnel; and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for three fiscal years. This appropriation is controlled at the command level on a program-year and weapons system line-item basis. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope program cost changes are funded from the program-year account under which the basic transaction occurred.

Funding Policy: Fully Funded. The investment end-item is the complete new procurement weapon/equipment including the cost of items that must be issued with the weapon/equipment to render it initially operable, e.g., special tools and test equipment, protective gear, other equipage, manuals, software, spare and repair parts, etc. Items "issued with" means those items issued with the weapon/equipment when it is sent to a ship, an aircraft, a unit, a training activity or issued for any other end-use purpose.

Types of Costs: Investment costs and intrinsic items of expense when included in the production weapon/modification kits.

Acquisition Milestone: Must be authorized by the MDA for procurement LRIP or have received a full rate production decision.

Quantities: 1) weapon production quantities must match Conference Appropriations Committee tables unless Congressional language allows for the procurement of additional quantities or Navy approval (FMB and OPNAV) is obtained to buy-to-budget but 2) weapons modernization/retrofit kits may be accelerated from amounts specified in the President's budget submission but should not exceed inventory objectives.

Budget Activities (BAs):

BA-1 - Ballistic Missiles funds the procurement of fleet ballistic missiles, ancillary check-out and test equipment, and missile modifications, support equipment and industrial facilities.

BA-2 - Other Missiles funds the procurement and modification of guided missiles and aerial targets required for Navy and Marine Corps aircraft and Navy ships, as well as procurement and support of naval space satellites and weapons industrial facilities.

BA-3 - Torpedoes and Related Equipment funds the procurement of torpedoes, mines, underwater targets and related equipment; modification of torpedoes and related equipment; and torpedo support equipment. This activity also finances first destination transportation.

BA-4 - Other Weapons provides for procurement of guns and gun mounts associated modifications.

BA-6 - Spares and Repair Parts funds the procurement of spares and repair parts for Navy weapons systems.



Other Procurement, Navy (OPN) - Procurement, production and modernization of equipment not otherwise provided for. Such equipments range from the latest electronic sensors required to update the naval forces, to trucks; training equipment; aviation life support equipment; sonar systems; radars; sonobuoys; weapons range support equipment; and spare parts. This equipment is an integral part of programs to improve the fleet and shore establishment by expanding or maintaining existing capabilities or replacing ineffective units.

May Fund: Efforts required to acquire and initially deploy the production system to include production engineering; quality assurance; product improvement within the current performance envelope for items in production; production acceptance test and evaluation; contractor engineering and technical services for multiple sites being stood up (not to exceed 12 months after acceptance of the 1st production article/unit); integrated logistics support; training planning; site activation planning; production scheduling/planning; and project office and acquisition manager **technical** support services, whether performed under contract or by in-house field activity personnel, when **integral** to execution of procurement program (e.g., production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly).

May NOT Fund: Functions performed by HQ personnel performed as part of HQ oversight; policy development and guidance; management and distribution of resources; program performance review and evaluation; planning, programming and budgeting; travel of HQ/PEO personnel; other direct expenses of HQ/PEO personnel; and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for three fiscal years. This appropriation is controlled at the command level on a program-year and weapons system/equipment line-item basis. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope program cost changes are funded from the program-year account under which the basic transaction occurred.

Funding Policy: Fully Funded. The investment end-item is the complete new procurement weapon/equipment including the cost of items that must be issued with the weapon/equipment to render it initially operable, e.g., special tools and test equipment, protective gear, other equipment, manuals, software, spare and repair parts, etc. Items "issued with" means those items issued with the equipment when it is sent to a ship, an aircraft, a unit, a training activity or issued for any other end-use purpose.

Types of Costs: Investment costs and intrinsic items of expense when included in the production item/modification kits.

Acquisition Milestone: Must be authorized by the MDA for procurement LRIP or have received a full rate production decision.

Quantities: Procurement quantities may be accelerated from amounts specified in the budget but should not exceed inventory objectives and sponsor approval is obtained.

Budget Activities (BAs):

BA-1 - Ships Support Equipment provides funds for the procurement of shipboard components for surface ships and submarines, reactor plant equipment and components; deep submergence support

equipment; small boat procurement; and production facilities equipment. Included are navigation, underway replenishment and ship propulsion equipment as well as periscopes, propellers and other shipboard equipment such as for pollution control and firefighting. This BA is coordinated by the Naval Sea Systems Command.

BA-2 - Communications and Electronic Equipment provides funds for the procurement of shipboard, submarine, satellite and shore communications and electronics equipment. Included are shipboard surface and air search radars; antisubmarine warfare electronics equipment which furnishes surface ships, submarines, and special shore activities with equipment used for detection, tracking, localization, and classification of submarines; equipment which will provide the fleet the capability of deceiving, intercepting, and analyzing airborne, electromagnetic and underwater radiation; the procurement of communications equipment for active fleet ships, worldwide shore facilities; and electronics equipment for fleet support, and continental shore and harbor defense activities, including cryptographic and cryptologic aids and devices for the Navy and Marine Corps. This BA is coordinated by the Space and Naval Warfare Systems Command.

BA-3 - Aviation Support Equipment provides funds for the procurement of air-launched antisubmarine detection, sonobuoys and other general support equipment associated with aircraft systems. Other support equipment includes ground electronics equipment, aircraft launch and recovery equipment, photographic equipment, reconnaissance and electronic warfare processing and analysis equipment, and miscellaneous other categories of equipment. This BA is coordinated by the Naval Air Systems Command.

BA-4 - Ordnance Support Equipment provides funds for the procurement of gun, missile, and ASW fire control and support equipment, mine components, FBM support equipment, and support for other expendable ordnance. This BA is coordinated by the Naval Sea Systems Command.

BA-5 - Civil Engineering Support Equipment provides funds for the procurement of passenger carrying vehicles, ambulances, truck, trailers, construction, earth moving, fire fighting, weight-handling, amphibious and specialized construction battalion equipment, telephone equipment, mobile utilities support equipment, fleet moorings, public works equipment, ocean construction equipment, and pollution control, occupational safety and health equipment. Also included is collateral equipment related to a military construction project not elsewhere provided. This BA is coordinated by the Naval Facilities Engineering Command.

BA-6 - Supply Support Equipment provides funds for the procurement of forklift trucks and other materials-handling equipment used afloat and at non-NWCF shore activities. Also funded is the purchase of high-speed copiers and printing equipment; office automation equipment and the procurement of automated-teller-machines installed aboard Navy ships. In addition, this BA finances first destination transportation. This BA is coordinated by the Naval Supply Systems Command.

BA-7 - Personnel and Command Support Equipment is administered by the Fiscal Management Division on behalf of the CNO, but is subdivided for direct administration by various second echelon commanders. This BA provides funds for the procurement of training aids and devices, scientific and technical equipment, information technology equipment, and other general command support equipment not otherwise provided for. The procurement of these items is subdivided into the following categories of support equipment: training, command, operating forces, medical, intelligence, environmental, physical security and education. Funding is also included for mobile sensor platforms.

BA-8 - Spares and Repair Parts provides funds for the procurement of spares and repair parts for equipment that is financed by BAs 1 through 7.



Procurement of Ammunition, Navy and Marine Corps (PAN&MC) – Funds the construction, procurement, production, and modification of ammunition, and accessories therefore; specialized equipment and training devices; practice and general purpose bombs; airborne rockets; and related support equipment, including spare parts.

May Fund: Efforts required to acquire and initially deploy the production item to include production engineering; quality assurance; product improvement within the current performance envelope for items in production; production acceptance test and evaluation; contractor engineering and technical services for multiple sites being stood up (not to exceed 12 months after acceptance of the 1st production article/unit); integrated logistics support; training planning; site activation planning; production scheduling/planning; and project office and acquisition manager technical support services, whether performed under contract or by in-house field activity personnel, when integral to execution of procurement program (e.g., production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly).

May NOT Fund: Functions performed by HQ personnel performed as part of HQ oversight; policy development and guidance; management and distribution of resources; program performance review and evaluation; planning, programming and budgeting; travel of HQ/PEO personnel; other direct expenses of HQ/PEO personnel; and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for three fiscal years. This appropriation is controlled at the command level on a program-year and line-item basis. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope program cost changes are funded from the program-year account under which the basic transaction occurred.

Funding Policy: Fully Funded.

Types of Costs: Investment costs and intrinsic items of expense when included in the production item/modified item.

Acquisition Milestone: Must be authorized by the MDA for procurement LRIP or have received a full rate production decision.

Quantities: 1) production quantities, when specified, must match Conference Appropriations Committee tables unless Congressional language allows for the procurement of additional quantities or Navy approval (FMB and OPNAV) is obtained to buy-to-budget. The majority of these programs do not have quantities specified and may accelerate procurement buys so long as inventory objectives are not exceeded and sponsor approval is obtained.

Budget Activities (BAs):

BA-1 - Navy Ammunition funds the procurement of ammunition, artillery, general purpose bombs, munitions, ancillary check-out and test equipment, and modifications, support equipment and industrial facilities for active and reserve Navy forces.

BA-2 - Marine Corps Ammunition funds the procurement of ammunition, artillery, general purpose bombs, munitions, ancillary check-out and test equipment, and modifications, support equipment and industrial facilities for active and reserve Marine Corps forces. 

Shipbuilding and Conversion, Navy (SCN) – The SCN appropriation funds the construction of new ships and the acquisition, major reactivation, conversion, and service life extension of existing ships to include all hull, armor and armament, mechanical and electrical equipment, electronics, guns, torpedo and missile launching systems, communications systems, plant equipment, appliances, ship outfitting and post delivery projects, and machine tools as well as surface ship and submarine nuclear refueling overhauls. Construction consists of that work necessary to build a new ship, including all hull, mechanical and electrical equipment, electronics, combat systems, communications systems, etc. Acquisition is the procurement of an existing ship, including the addition of equipment and systems required to meet approved initial operating characteristics. Reactivation is that work necessary to recommission a ship which was previously in the active fleet. If the work is of such magnitude to change the mission/characteristics or extend the useful life of a ship, it is considered a major reactivation which constitutes an extension of the original capital investment in lieu of replacement by new procurement. A conversion consists of that work necessary to change the mission or type classification of a ship and/or to appreciably change the military characteristics of a ship. A service life extension program consists of that work necessary to significantly extend the useful life of a ship beyond that expected of the construction design considering normal maintenance, repair, and overhaul.

May Fund: Efforts required to acquire and initially deploy the production system to include production engineering; quality assurance; product improvement within the current performance envelope for items in production; production acceptance test and evaluation; contractor engineering and technical services for multiple sites being stood up (not to exceed 12 months after acceptance of the 1st production article/unit); integrated logistics support; training planning; site activation planning; production scheduling/planning; and project office and acquisition manager **technical** support services, whether performed under contract or by in-house field activity personnel, when **integral** to execution of procurement program (e.g., production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly).

May NOT Fund: Functions performed by HQ personnel performed as part of HQ oversight; policy development and guidance; management and distribution of resources; program performance review and evaluation; planning, programming and budgeting; travel of HQ/PEO personnel; other direct expenses of HQ/PEO personnel; and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for five fiscal years. Based upon statutory language for the SCN appropriation, however, additional obligations may be incurred after the 5-year limitation for those work elements performed in the final stages of ship construction. The extended availability is authorized to cover those items essential to delivering a complete ship and encompasses items such as engineering services, tests, evaluations, trials, and deferred work. These obligations can be related to within scope obligations or can be new scope obligations if used for the purpose of completing the ship as originally intended. For a basic ship construction or conversion project (excluding post delivery and initial outfitting projects) the obligation and work limiting date (OWLD) is established as 11 months following completion of fitting out the ship. For purposes of completing required SCN class design agent efforts under contract, performance for such required efforts may be completed after OWLD. Obligations for such efforts must occur prior to the OWLD for each ship although performance for work already under contract for such required efforts may be completed after OWLD.

Funding Policy: Fully Funded. SCN programs should be fully funded to include all costs necessary to construct/convert/acquire a ship, subject to time-phased procurement and advance procurement guidance. This includes the cost of approved allowances of on-board support items. It excludes all

other supply system items. An item will not be budgeted in the SCN appropriation if delivery of the item is scheduled to occur after ship delivery.

Types of Costs: Investment costs and intrinsic items of expense when included in the production/converted ship.

Acquisition Milestone: Must be authorized by the MDA for procurement LRIP or have received a full rate production decision. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using procurement funds.

Quantities: 1) production quantities, when specified, must match Conference Appropriations Committee tables unless Congressional language allows for the procurement of additional quantities or Navy approval (FMB and OPNAV) is obtained to buy-to-budget. SCN funding has historically been appropriated with subdivisions (line-item appropriations) that reflect specific programs. Each such subdivision is treated as a separate appropriation. Any movement of funds into or out of an SCN subdivision requires a reprogramming action that involves the use of transfer authority and also requires formal and specific Congressional approval. This applies regardless of the age of the account, the purposes to which the funds will be applied, or whether action is taken during or after the initial period of the appropriation.

Budget Activities (BAs):

BA-1 - Fleet Ballistic Missile Ships provides for ballistic missile submarines and ships required for their direct support, such as tenders and cargo ships.

BA-2 - Other Warships provides for aircraft carriers, cruisers, frigates, destroyers, attack submarines, and other warships as assigned by the CNO.

BA-3 - Amphibious Ships provides for amphibious assault ships, dock landing ships, tank landing ships, amphibious command ships, amphibious cargo ships, amphibious transport dock ships, and other ships as may be assigned by CNO.

BA-4 - Mine Warfare and Patrol Ships provides for minesweepers, gunboats, destroyer escorts, patrol craft, and other ships as may be designated by CNO.

BA-5 - Auxiliaries, Craft, and Prior Year Program Costs provides for ammunition ships, store ships, surveying ships, replenishment oilers, tugs, tenders, landing craft, barges, and other ships and craft as may be assigned by CNO. Funds also are included for outfitting, post delivery, and prior year program cost growth and escalation for all ships regardless of the BA in which the basic ship construction is budgeted. First destination transportation is also financed in this activity. Separate subheads are established in this BA for each procurement ((P-1) exhibit) line item and separate budget projects are also established under these subheads.



Operation and Maintenance, Navy (O&M,N) - For expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and the Marine Corps. Funds aircraft operations, ship operations, combat operations and support, and weapons support; funds to maintain combat ready forces necessary to respond to national objectives in joint, Naval and combined operations and maintenance of forces for rapid response to unforeseen contingencies including fast sealift ships, maritime prepositioning ships, hospital ships and aviation maintenance ships; centrally managed or directed individual training required to meet an established Navy standard, including accession training, basic skills and undergraduate flight training, and professional military education; logistic operations and technical support for Service-wide transportation; planning, engineering and design; acquisition and program management; air systems support; hull, mechanical and electrical support; combat/weapon systems support; and space and electronic warfare systems support.

May Fund: Engineering and logistics services and related support for an in-service/out-of-production end item and support for fielded weapons systems (i.e., no longer in production but still in the operational inventory); management HQ functions to include policy development and guidance; management and distribution of resources; program performance review and evaluation; planning, programming and budgeting; travel of HQ/PEO personnel; and other direct expenses of HQ/PEO personnel.

May NOT Fund: Efforts that are integral to a developmental, production or modification program/effort and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for one fiscal year.

Funding Policy: Annualized

Types of Costs: Expense costs

Acquisition Milestone: Operations and Support Phase. Support of fielded, in-service/out-of-production systems.

Quantities: N/A

Budget Activities (BAs):

BA-1 - Operating Forces funds aircraft operations, ship operations, combat operations and support, and weapons support. Funds are used to maintain combat ready forces necessary to respond to national objectives in joint, Naval and combined operations. This BA supports the forward presence and crisis response capabilities of the National Military Strategy as well as base operations support requirements. Included in these costs are ship and aircraft operations, ship overhauls, aircraft depot maintenance, alterations and modernization efforts, repairs, equipment maintenance and technical support. Also included are combat operations in support of force operations, oceanography and environmental prediction support, war planning/exercises and wargaming, combat communications and surveillance systems support, operation and maintenance of weapon systems, and in-service support for conventional and strategic weapons.

BA-2 - Mobilization funds maintenance of forces for rapid response to unforeseen contingencies including fast sealift ships, maritime prepositioning ships, hospital ships and aviation maintenance ships. This BA also includes funds for activation and inactivation of existing naval assets including ships, aircraft and weapons and for maintaining selected assets for future mobilization.

BA-3 - Training and Recruiting funds all centrally managed or directed individual training required to meet an established Navy standard, including accession training, basic skills and undergraduate

flight training, and professional military education. Also included is funding for Navy recruiting and advertising, off-duty voluntary education, civilian centralized training programs, Junior Navy Reserve Officer Training Corps and base operations. Team training for ships or battle groups is funded in the Operating Forces (BA-1), as is all advanced and refresher flight training and aircraft carrier qualifications.

BA-4 - Administration and Servicewide Support funds activities which provide Servicewide support for administration, civilian manpower, military manpower, Servicewide communications and other personnel support. These programs also provide logistic operations and technical support for Servicewide transportation; planning, engineering and design; acquisition and program management; air systems support; hull, mechanical and electrical support; combat/weapon systems support; and space and electronic warfare systems support. This BA also funds investigations and security programs, support of other nations and base operations.



Operation and Maintenance, Navy Reserve (O&M,NR) – O&M,NR funds the cost of operating Naval Reserve forces and maintaining their assigned equipment at a state of readiness which will permit rapid deployment in the event of full or partial mobilization. Concurrently, the Naval Reserve's mission is to complement the active force through contributory support. Forces remain closely linked with the active Navy and provide real-time, everyday services. The Naval Reserve operating force consists of aircraft, ships, combat support units, and associated weapons.

May Fund: For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Navy Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications.

May NOT Fund: Efforts that are integral to a developmental, production or modification program/effort and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for one fiscal year.

Funding Policy: Annualized

Types of Costs: Expense costs

Acquisition Milestone: Operations and Support Phase. Support of fielded, in-service/out-of-production systems.

Quantities: N/A

Budget Activities (BAs):

BA-1 - Operating Forces funds four activity groups consisting of reserve air operations, reserve ship operations, reserve combat operations/support, and reserve weapons support. This BA funds the operation and maintenance (including depot) of Reserve force ships and aircraft, air stations, Reserve stations, and Reserve facilities supporting the Naval Reserve forces. Funding is provided for such functions as aircraft flying hours, underway steaming hours, regular ship overhauls, ship and aircraft maintenance and modernization, and aviation and ship fuels. The cost of operating and maintaining the Fourth Marine Air Wing is also funded in O&M,NR.

BA-4 - Administration and Servicewide Support funds one activity group for administration and servicewide support. This BA provides for general and administrative services not specifically assignable to combat or combat support units. It includes the costs of the Naval Reserve Force management headquarters, civilian and military manpower and personnel management, servicewide communications capabilities, base support and General Defense Intelligence programs.



Research, Development, Test and Evaluation, Navy (RDT&E,N) – RDT&E,N finances expense and investment costs necessary for basic and applied scientific research, development, test and evaluation including maintenance, rehabilitation, lease of operation of facilities and equipment.

May Fund: RDT&E,N finances research, development, test and evaluation efforts performed by contractors and government installations, including equipment, material and instrumentation required for RDT&E effort as well as maintenance of R&D test articles during the development phase; basic research; applied research; advanced technology development; advanced component development and prototypes; system development and demonstration; RDT&E Management Support; and operational system development; theoretical studies; scientific experiments; feasibility studies; design studies; engineering studies; related weapon studies; analysis of alternatives; definition studies; the various systems development stages; product improvement efforts that exceed the current performance envelope; related test and evaluation, and project travel for HQ/PEO personnel when integral to the R&D project

May NOT Fund: Policy development and guidance; management and distribution of resources; program performance review and evaluation; planning, programming, and budgeting; other direct expenses of HQ/PEO personnel; and any other costs more appropriately funded by other specific appropriations.

Time Limitation: Available for new obligations for two fiscal years.

Funding Policy: Incremental Funding Policy/Incremental Programming Policy

Types of Costs: Expense and investment costs

Acquisition Milestone: Normally pre-MS C/MS-III efforts although some programs are executed in a concurrent manner or have block upgrades or spiral developmental increments that require R&D.

Quantities: LRIP test articles must be specifically identified in the budget documentation but during execution programs may increase the number of engineering and design models, and test articles as needed.

Budget Activities (BAs):

BA-1 - Basic Research is the systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. It includes all scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It is farsighted high payoff research that provides the basis for technological progress. Basic research may lead to: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. Program elements in this category involve pre-MS A efforts.

BA-2 - Applied Research is the systematic study to understand the means to meet a recognized and specific need. It is a systematic expansion and application of knowledge to develop useful materials, devices, and systems or methods. It may be oriented, ultimately, toward the design, development, and improvement of prototypes and new processes to meet general mission area requirements. Applied research may translate promising basic research into solutions for broadly defined military needs, short

of system development. This type of effort may vary from systematic mission-directed research beyond that in BA-1 to sophisticated breadboard hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific technology efforts. The dominant characteristic is that applied research is directed toward general military needs with a view toward developing and evaluating the feasibility and practicality of proposed solutions and determining their parameters. Applied Research precedes system specific technology investigations or development. Program control of the Applied Research program element is normally exercised by general level of effort. Program elements in this category involve pre-MS B efforts, also known as Concept and Technology Development phase tasks, such as concept exploration efforts and paper studies of alternative concepts for meeting a mission need.

BA-3 - Advanced Technology Development (ATD) includes the development of subsystems and components and efforts to integrate subsystems and components into system prototypes for field experiments and/or tests in a simulated environment. ATD includes concept and technology demonstrations of components and subsystems or system models. The models may be form, fit and function prototypes or scaled models that serve the same demonstration purpose. The results of this type of effort are proof of technological feasibility and assessment of subsystem and component operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. ATD demonstrates the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Program elements in this category involve pre-MS B efforts, such as system concept demonstration, joint and Service-specific experiments or Technology Demonstrations and generally have Technology Readiness Levels of 4, 5, or 6. Projects in this category do not necessarily lead to subsequent development or procurement phases, but should have the goal of moving out of Science and Technology and into the acquisition process within the future years defense program. Upon successful completion of projects that have military utility, the technology should be available for transition.

BA-4 - Advanced Component Development & Prototypes (ACD&P) finances efforts necessary to evaluate integrated technologies, representative models or prototype systems in a high fidelity and realistic operating environment are funded in this BA. The ACD&P phase includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program elements in this category involve efforts prior to MS B and are referred to as advanced component development activities and include technology demonstrations. Completion of Technology Readiness Levels 6 and 7 should be achieved for major programs. Program control is exercised at the program and project level. A logical progression of program phases and development and/or production funding must be evident in the FYDP.

BA-5 - System Development & Demonstration programs have passed MS B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production. This BA is characterized by major line item projects and program control is exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics of this BA involve mature system development, integration and demonstration to support MS C decisions, and conducting live fire test and evaluation and initial operational test and evaluation of production representative articles. A logical progression of program phases and development and production funding must be evident in the FYDP consistent with the Department's full funding policy.

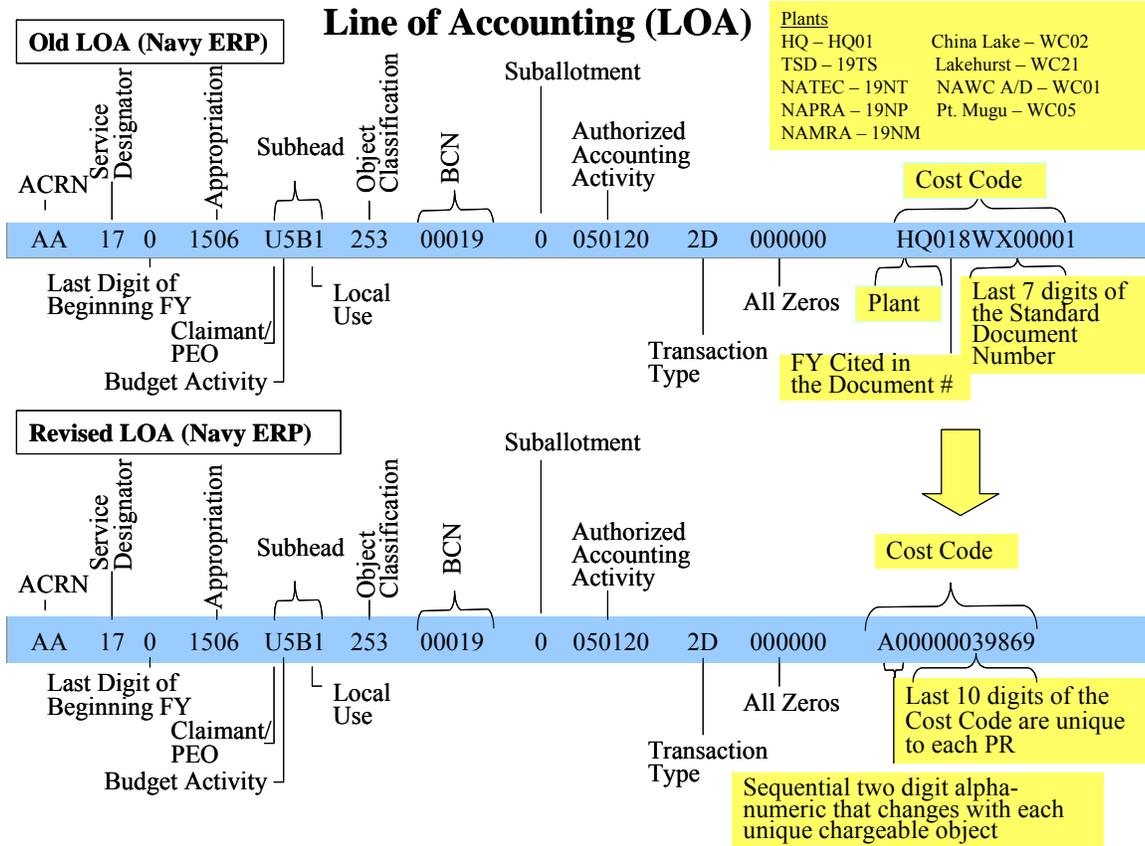
BA-6 - RDT&E Management Support includes research, development, test and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general research, development, test and evaluation. Test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support

of the RDT&E program are funded in this BA. Costs of laboratory personnel, either in-house or contractor operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or Advanced Technology Development program areas, as appropriate. Military construction costs directly related to major development programs are included.

BA-7 - Operational System Development includes development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate production funding in the current or subsequent fiscal year. All items are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control is exercised by review of individual projects. Programs in this category involve systems that have received MS C approval. A logical progression of program phases and development and production funding must be evident in the FYDP, consistent with the Department's full funding policy.



Line of Accounting



Navy Treasury Symbol Codes (Treasury Financial Manual)

17 0703 Family Housing, Navy and Marine Corps
17 0730 Family Housing Construction, Navy and Marine Corps
17 0735 Family Housing Operation and Maintenance, Navy and Marine Corps
17 1000 Medicare-Eligible Retiree Health Fund Contribution, Navy
17 1001 Medicare-Eligible Retiree Health Fund Contribution, Marine Corps
17 1002 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Navy
17 1003 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Marine Corps
17 1105 Military Personnel, Marine Corps
17 1106 Operation and Maintenance, Marine Corps
17 1107 Operation and Maintenance, Marine Corps Reserve
17 1108 Reserve Personnel, Marine Corps
17 1109 Procurement, Marine Corps
17 1205 Military Construction, Navy and Marine Corps
17 1235 Military Construction, Naval Reserve
17 1319 Research, Development, Test, and Evaluation, Navy
17 1405 Reserve Personnel, Navy
17 1453 Military Personnel, Navy
17 1506 Aircraft Procurement, Navy
17 1507 Weapons Procurement, Navy
17 1508 Procurement of Ammunition, Navy and Marine Corps
17 1711 Shipbuilding and Conversion, Navy
17 1804 Operation and Maintenance, Navy
17 1806 Operation and Maintenance, Navy Reserve
17 1810 Other Procurement, Navy



18 U.S.C. Sec. 1001

Sec. 1001. Statements or entries generally

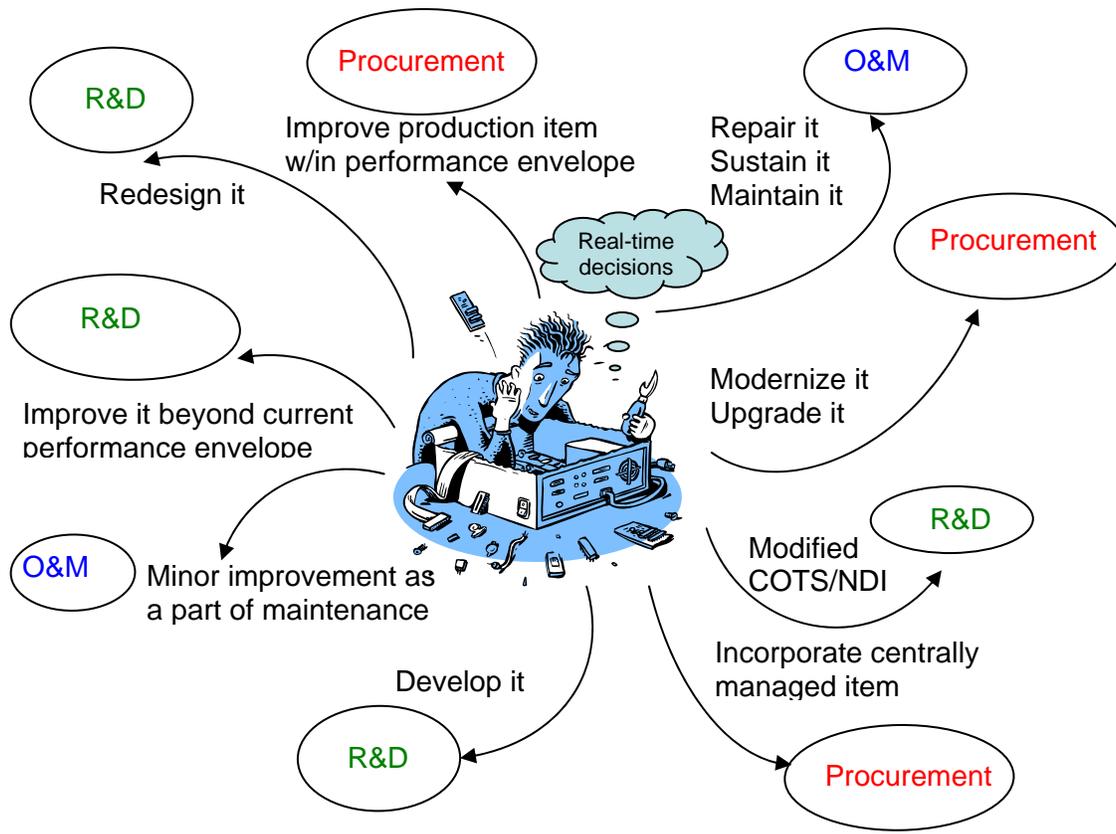
(a) Except as otherwise provided in this section, whoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully -

(1) falsifies, conceals, or covers up by any trick, scheme, or device a material fact;

(2) makes any materially false, fictitious, or fraudulent statement or representation; or

(3) makes or uses any false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry; shall be fined under this title, imprisoned not more than 5 years or, if the offense involves international or domestic terrorism (as defined in section 2331), imprisoned not more than 8 years, or both.





Terminology

			Contracted Services Functions/Tasks	
RDT&E	Procurement	O&M,N	Should NOT Perform	Should Perform
Research	Production	Operate	Manage	Analyze
Development	Modification	Maintain	Select Plan	
Test	Modernization	Sustain	Act as Government spokesperson	Technical support
Evaluation	Service Life Extension Program (SLEP)	Repair	Organize	Technical Review
Design	Operational Safety Improvement Program (OSIP)	Refurbish	Make decisions	Provide advice
Redesign	Forward-fit	Track	Select	Provide assistance
Prototype	Retrofit	In-service	Direct	Provide support
Expense	Manufacture	Overhaul	Authorize	Provide advice
Investment	Full-rate	Rework	Control	Provide recommendations
Concept Development	Investment	Expense	Oversee	Provide evaluations
Concept Refinement	Centrally Managed	In-service	Approve	Provide information
Establish performance capabilities	In-production	Operational	Lead	Provide opinions
Determine program thresholds and objectives	Fully funded	Out-of-production	Conduct/ administer/ supervise	
Develop system configuration	Initial Outfitting	Annualized	Represent	
Incrementally funded	Production support services	Out-of-production support services	Award	
Experimentation	Train the trainer	Fleet training	Budget	
Mock-ups	Production testing	Maintenance testing	Determine/ Establish	
Models/Modeling	Production engineering	In-service engineering		



Services/Deliverables

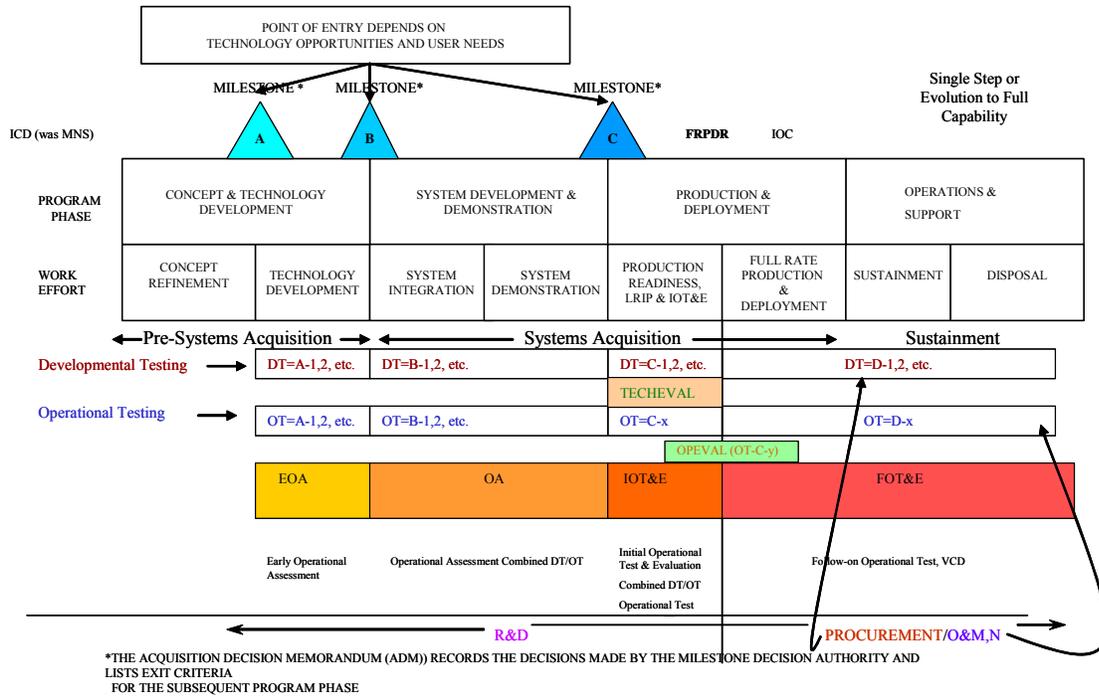
Appropriation	Services/Deliverables
APN	<ul style="list-style-type: none"> • Production Aircraft/Aircraft flyaway costs • Aircraft Modernization/Retrofit efforts (kits/install costs) • Aircraft production line shut down costs • Aircraft Support Equipment • Aircraft Spares • Aircraft Trainers/Training Equipment • Flight Simulators • Aircraft Test Equipment • Aircraft Technical Manuals/Publications • LRIP assets to establish an initial production base for the system and permit an orderly increase in production rate for the system.
WPN	<ul style="list-style-type: none"> • Weapons • Missiles • Torpedoes • Weapons Support Equipment • Weapons Spares • Weapons Training Devices • Drones and Decoys • Aerial Targets
PAN&MC	<ul style="list-style-type: none"> • Ammunition • General Purpose Bombs • Practice Bombs • Cartridges and Cartridge Actuated Devices • Airborne Rockets • Joint Direct Attack Munition • Linear Charges • JATOS • Decoy Flares • Marine Location Markers • Grenades
OPN	<ul style="list-style-type: none"> • Passenger Vehicles • Combat Vehicles • Ship Sonar Systems • Catapults and Arresting Gear • Optical Landing Aids • Visual Landing Aids • Ship radars • Air Traffic Controls Systems • Sonobuoys

Services/Deliverables

Appropriation	Services/Deliverables
SCN	<ul style="list-style-type: none"> • New Ship Construction • Ship Conversions • Major Reactivations • Ship Outfitting Costs • Ship Sail-away costs • Frigates • Aircraft Carriers • Patrol Boats & Minesweepers
RDT&E	<ul style="list-style-type: none"> • Scientific R&D • Analysis of Alternatives • Engineering and Design Models • Prototypes • LRIP articles to provide production configured or representative articles for operational test performed by an independent operational test agency • Initial pilot line and tooling for R&D test articles • Feasibility studies • Redesign efforts • R&D related minor construction projects \leq \$750K
O&M,N	<ul style="list-style-type: none"> • SYSCOM headquarters operating budgets • Minor construction projects \leq \$750K • Phased Depot Maintenance and Intermediate Maintenance • Equipment Maintenance • Aircraft Maintenance • Weapons Maintenance • Rework/refurbishment/overhaul/repair of end items • Digitization/scanning of previously procured technical documentation • Support of in-service (i.e., operational) or out-of-production systems
MILCON	<ul style="list-style-type: none"> • Major MILCON projects (new real property facility) $>$750K • Unspecified Minor Construction $>$ \$750K $<$ \$1.5M • Land associated with MILCON projects • Built-in equipment associated with MILCON projects



Acquisition Phases, Test and Evaluation, and Funding



Mission Funded O&MN Management Headquarters Functions

Management headquarters functions are reflective of the mission statement of the activity. For example, as an acquisition command, NAVAIR is responsible for cradle-to-grave support of naval aviation programs. As an acquisition command, program managers are responsible for the total oversight of their programs to include the preparation of acquisition documentation required at various program milestones, programming for resources that will ultimately be reflected in the program's controls, and formulating the appropriation budget requests for their respective programs. When functions are reflective of the total program level (e.g., programming funds to address emergent requirements, preparing the appropriation budget exhibits, preparing reclamation, congressional staffer briefs, etc.), then these functions are financed with agency operating funds (i.e., O&M,N expense operating budget (EOB) or funds authorization document) because NAVAIR headquarters receives mission funding (in the form of a funding authorization document) to finance these functions integrally related to its mission. Likewise, when competencies are developing and providing policy guidance that spans headquarters and all of its subsidiary echelons (e.g., the promulgation of engineering or logistics policy that is disseminated to all field levels), then these functions are more reflective of O&M,N funded management headquarters functions. Field activities may then put out implementing guidance of a policy nature specific to their respective activities (e.g., Major Range and Test Facility Base (MRTFB), WCF, etc.) but such activity specific implementing guidance would not be considered a management headquarters function. In making a determination it is the actual function/service being performed and not the activity or location where it is being accomplished.

Policy Development and/or Guidance

- Developing/defining/analyzing/structuring mission, objectives, responsibilities (in-house and support), organization staffing, etc.
- Developing management and control system, procedures, techniques, methods, etc.
- Preparing/developing/reviewing/analyzing documentation for programs such as Initial Capabilities Document/Capabilities Development Document/Capabilities Production Document.
- Developing or providing support for acquisition strategies.
- Studying/analyzing/developing operational plans, strategies, tactics concerning deployment of weapons, equipment, warfare, readiness, requirements, etc.
- All support in these areas and like areas, including providing guidance, advice, preparing reports, briefings, presentations, manuals, handbooks, etc.

Planning, Programming and Budgeting

- Development of program planning estimates and funding requirements.
- Budget formulation, including preparation of POM/budget submissions, backup documentation, etc.
- Development of related procedures, planning or operating manuals, summary notebooks, etc.
- Prepare responses to FMB/OSD/OMB (reclamation to marks/PBDs, appeals) and Congressional inquiries, proposed reductions/ rescissions etc.
- Preparation of reports, presentations, briefing materials, etc.
- All support in this area.

<p>Management and Distribution of Resources.</p>	<ul style="list-style-type: none"> • Establishing and managing total program costs. • Planning/allocating funds. • Budget execution oversight of the total program (e.g., preparation of funding documents, monitoring program funds obligation and outlay rates, metrics, etc.). • Fund/authorization accounting and control: allotments, reimbursable orders, contracts, etc. • Planning/allocating/scheduling personnel.
<p>Program Performance Review and Evaluation</p>	<ul style="list-style-type: none"> • The program manager at the acquisition command headquarters level is the central authority to direct the development, production, deployment, operations, support and disposal of a defense acquisition system (provide cradle to grave support) within limits of cost, schedule and performance. Program management is a management headquarters function and includes the planning, directing and overseeing the acquisition programs to include overall accountability, responsibility and decision authority. Part of the headquarters program planning and oversight entails establishing projects (discrete activities with definitive beginnings and endings) that are then performed by in-house government field activities or contract personnel and funded with program funds appropriate to the task/service being requested. • Developing, operating, maintaining management information systems, dependency networks, milestone charts, work breakdown structures, etc. • Collecting/assembling management data; establishing/maintaining management data files, libraries. • Preparing management reports, briefings, and presentations. • Participating in meetings; maintaining liaison with contractors, field activities, etc.
<p>Whereas the program management function discussed above is at the <i>total</i> program level, the role of a project manager at the field activity is to oversee the execution of discrete projects/subprojects (below the total program level) established by the program manager via the issuance of formal funding documents. Functions performed by the project manager include selecting project-level objectives and metrics to evaluate progress and monitoring work accomplishment against the project funds and schedule requirements. Project management consists of managing specific projects within the program, to include implementing or conducting/assigning the actual work, ensuring satisfactory project progress and completion and reporting the project status to the program manager. Provided below are examples of efforts that would be performed below the headquarters level (i.e., the total program level) and funded with various types of program funds appropriate to the tasks being performed.</p>	
<p style="text-align: center;">Production Related Activities Funded with the Procurement Appropriations</p> <p>Project office and acquisition manager <u>technical</u> support services obtained from in-house field activities or by contract that are integral to the execution of procurement programs under the cognizance of the project office or manager are considered direct procurement support costs and are classified as investments. Production testing, quality assurance, production engineering, and equipment assembly performed under contract or by in-house field activities are examples of procurement/production direct support costs and are thus investments. Thus technical support that provides specific products or technical services would be excluded from the definition of “management headquarters” and funded with program funds appropriate to the function or service being procured.</p>	

<i>Production engineering</i>	<ul style="list-style-type: none"> • Engineering functions integral to the manufacturing of the end item (e.g., application of new manufacturing methods, tooling, equipment, evaluation of engineering changes to correct deficiencies in the production line, and technical evaluation of waivers and deviations).
<i>Quality assurance</i>	<ul style="list-style-type: none"> • Examinations, tests and inspections during production necessary to deliver an item which meets quality specifications.
<i>Product improvement within the performance envelope for items in production</i>	<ul style="list-style-type: none"> • Engineering services to extend the service life of an item or improve the item within the current performance envelope (improve safety, efficiency, effectiveness) as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required.
<i>Production acceptance test and evaluation</i>	<ul style="list-style-type: none"> • Efforts to demonstrate the item meets the technical requirements and specifications of the contract (including range costs).
<i>Contractor Engineering and Technical Services (CETS)</i>	<ul style="list-style-type: none"> • CETS not to exceed 12 months after acceptance of the first production unit of the model being produced.
<i>Integrated logistics support activities</i>	<ul style="list-style-type: none"> • Acquire and deliver logistics support elements: <ul style="list-style-type: none"> ✓ Procure and deliver major end item/system/equipment ✓ Procure technical data/directives, maintenance manuals and publications consistent with the chosen logistics support strategy ✓ Procure engineering drawings ✓ Procure training curricula ✓ Procure initial trainers/training devices ✓ Procure test equipment, common and peculiar support equipment and install as applicable to support site activation requirements ✓ Procure/order spares and repair parts
<i>Training planning –</i>	<ul style="list-style-type: none"> • Develop the Navy training plan, develop and deliver a usable training program for systems in production and train an initial cadre of instructors and maintenance personnel
<i>Technical Pubs</i>	<ul style="list-style-type: none"> • Initial outfitting of technical publications, maintenance manuals, etc., to support the production systems being fielded/deployed.
<i>Initial Outfitting Costs</i>	<ul style="list-style-type: none"> • Initial outfitting is the complement of support items required to make a newly deployed end-item complete and ready to operate. This would include the initial baseline of spares allowances. Allowance list changes for operating end-items are also considered initial outfitting.
<i>Interim Contractor Support (ICS)</i>	<ul style="list-style-type: none"> • ICS is the temporary or “interim” contractor support pending establishment of organic/in-house logistics capabilities, such as maintenance, supply, and technical support. It may consist of the identification and procurement of spares and repair parts; requirements determination including organizational, intermediate and depot requirements; warehousing and inventory control of government-owned material; compilation of usage and performance data; and, all levels of maintenance and repair including labor, materials engineering and logistics support. ICS is financed on an annualized basis in the same procurement appropriation and line item as the end item and should not be budgeted more than three years beyond the initial operational capability (IOC) or the material support date (whichever comes first).

Developmental efforts funded in the RDT&E appropriation

Support services obtained from in-house field activities or by contract that are integral to the execution of RDT&E,N programs are considered direct RDT&E,N support costs and are funded by the RDT&E,N appropriation. In addition, travel of department-level personnel that is integrally related to the technical execution of a specific RDT&E,N project may be funded by RDT&E,N. However, expenses of R&D management and administrative organizations at major systems command, headquarters organizations, and administrative organizations at DoD component departmental headquarters levels will be financed in the O&M appropriations.

<i>AOAs/COEAs</i>	<ul style="list-style-type: none"> • Analysis of alternatives (AOAs) (previously referred to as cost, benefit or effectiveness analyses) of concepts, plans, tactics, forces, systems, policies, personnel management methods, and programs. AOAs evaluate the costs and benefits (e.g., operational effectiveness or military value) of alternative courses of action to meet recognized defense needs, define the deficiencies of existing systems in meeting those needs, and identify opportunities for satisfying these needs and alleviating deficiencies.
<i>Studies</i>	<ul style="list-style-type: none"> • Theoretical studies, design studies, and definition studies.
<i>Assessments/Studies</i>	<ul style="list-style-type: none"> • Technology assessments and management and operations research studies in support of R&D objectives.
<i>Analyses</i>	<ul style="list-style-type: none"> • Perform design trade-off analyses.
<i>Analyses</i>	<ul style="list-style-type: none"> • Perform proof of concept analyses.
<i>CETS</i>	<ul style="list-style-type: none"> • CETS required in direct support of R&D program effort for systems and other items, from inception through completion of initial operational test and evaluation, will be budgeted under the RDT&E,N appropriation and funded under the appropriate RDT&E,N project.
<i>Redesign Efforts</i>	<ul style="list-style-type: none"> • Redesign of major end items and/or major components currently in production or in the operational inventory that results in a change allowing the system and/or component required to reach/meet the original system performance and design specification.
<i>COTS/NDI</i>	<ul style="list-style-type: none"> • Procurement and testing of modifications to existing commercial off-the-shelf (COTS)/nondevelopmental items (NDIs) which require engineering, design, integration, test, or evaluation.
<i>Integrated logistics support</i>	<ul style="list-style-type: none"> • Forecast the physical and operational maintenance environment of the proposed system. • Given the forecasted environment, assess the functional characteristics of the proposed system, its complexity, and the obstacles and enablers to effective sustainment in that environment. • Assess the impact of the proposed system on the maintenance capabilities planned for the period in which the system will be introduced. • Assess preliminary manpower and personnel requirements and constraints in both quantity and skill levels, and use of contractor support. • Begin compilation of information and requirements for logistics footprint reductions, deployment requirements, and other factors affecting the in-theater operational concept. • Initiate the development of operating and support reliability objectives

	<p>and their corresponding benefits and resource requirements. Consider the performance histories of prior systems or systems of similar capability where feasible.</p> <ul style="list-style-type: none"> • Assess the concept and technology with regard to their ability to facilitate the use of embedded diagnostics, prognostics, and similar maintenance enablers. • Initiate the compilation and assessment of data on the projected sustainment demand, standardization of platforms, and required support equipment. • Development of warfighter and support provider agreements.
<i>Training</i>	<ul style="list-style-type: none"> • Initial training and temporary duty travel costs of military or civilian personnel attending factory training courses to support operational evaluation (conducted by COMOPTEVFOR testers) and technical evaluation (by the developing activity) testing. The rationale is that without this testing, the testers could not adequately conduct the requisite testing to determine operational effectiveness, suitability, and survivability of the systems/equipment in question and whether the design meets technical specifications that are required to support a beyond LRIP approval (i.e., to support the full rate production decision).
<i>Training Curricula/ Prototype Trainer/ Training Device</i>	<ul style="list-style-type: none"> • Training curricula to support initial training of the testers as well as the cost of development and acquisition of initial or prototype training devices. Training deliverables procured with RDT&E,N funds should only be supporting the R&D phase/effort.
<i>Product Improvement</i>	<ul style="list-style-type: none"> • RDT&E,N-financed product improvement includes the research, development, engineering, testing and evaluation effort related to redesign of major end-items and major components (currently in production or in the operational inventory) to increase the current performance envelope in order to extend the useful military life of such items.
<i>Maintenance & Repair</i>	<ul style="list-style-type: none"> • Repair of test articles used exclusively for R&D testing purposes.
Operations and Support Activities funded in the O&M Appropriations	
<i>Maintenance</i>	<ul style="list-style-type: none"> • The routine, recurring effort conducted to maintain/sustain an end item of investment equipment at its intended capability or designed performance level. It includes depot and field level maintenance that encompasses refurbishment and overhaul of end items, removal and replacement of secondary items and components, as well as repair and remanufacturing of reparable components.
<i>Product Improvement</i>	<ul style="list-style-type: none"> • Engineering services or related manufacturing efforts applied to an out-of-production, but still operational item to extend its useful military life within the current performance envelope should be financed by O&M appropriations as long as no DT or OT&E by an independent operational test agency is required.
<i>Contractor Maintenance</i>	<ul style="list-style-type: none"> • Life-of-type contractor logistics support or contractor maintenance services where the system/equipment will be commercially supported and no organic or in-house capability is ever anticipated for a system. As a result, these systems do not have a material support date established.
<i>Engineering &</i>	<ul style="list-style-type: none"> • In-service engineering and logistics sustainment support for the Navy

<i>Logistics</i>	and Marine Corps operational inventory of aircraft, associated support equipment and automatic test equipment, and other peculiar and common aircraft systems to maintain the safety, readiness and supportability of in-service/out-of-production fielded systems.
<i>Software Maintenance</i>	<ul style="list-style-type: none"> • Software maintenance of all naval aviation platforms and on-board avionics systems. Products and services include software life cycle sustainment including addressing Fleet reported software maintenance/corrective actions, correcting software trouble reports for tactical/support aircraft, ensuring platform tactical interoperability, and addressing aging software/obsolescence issues.
<i>Training Curricula Updates</i>	<ul style="list-style-type: none"> • Updates to the curriculum and the associated teaching materials required after the initial development of the course for non-ECP driven changes (i.e., not driven by a forward fit production engineering change order incorporation or retrofit production engineering change proposal incorporation).
<i>CETS</i>	<ul style="list-style-type: none"> • CETS required to support follow-on test and evaluation efforts (i.e., CETS authorized after the 12-month limitation using procurement funds) directed for the demonstration of operational suitability of systems and other items being introduced into inventory.
<i>Training</i>	<ul style="list-style-type: none"> • Fleet training for operators/maintainers (i.e., train the Fleet).
<i>Rapid Action Minor Engineering Changes</i>	<ul style="list-style-type: none"> • RAMECs, to include publications and engineering drawings, to an in-service/out-of-production aircraft, weapon or other end item (NAVAIR O&M,N for ECP Costs and Fleet O&M,N for Implementation/Parts/Installation Costs).
<i>Technical Manuals and Publications Updates</i>	<ul style="list-style-type: none"> • Updates to publications and manuals that are not driven by a forward-fit or retrofit production configuration change (e.g., non-ECP driven).
<i>Analysis of Fleet operational data</i>	<ul style="list-style-type: none"> • Continued assessment of in-service systems to identify needs for system redesign to address inadequate characteristics, e.g., reliability, obsolescence, fatigue life expended, structural issues, etc.



Reimbursable Funding Documents

<p>WORK REQUEST (WR) AN ECONOMY ACT* ORDER NAVCOMPT FORM 2275</p>	<ul style="list-style-type: none"> • Passes funding and tasking authority between Navy activities either on a cost-reimbursable or fixed price basis • Only issued and accepted on a reimbursable basis • Performing Navy activity must perform 51% of the work in-house*** (Navy policy) • Performing NAVAIR NWCF activity must perform 65% of the work in-house*** (NAVAIR policy) • Funds may not be used to fund the mission of the performing activity (Expense Operating Budgets (EOBs) or Funds Authorization Documents are used to fund mission requirements) • Funded on an incremental or fully funded basis • Funds must be used within the timeframe of the appropriation (i.e., during their period of availability for new obligations) • Work completion date cannot be extended beyond life of the appropriation (i.e., the work completion date cannot be extended beyond the statutory expiration date of the appropriation funding the effort). • Typically used to fund severable services or level of effort (recurring) work rather than a specific, definite, and certain end-product (i.e., engineering, technical support, logistics, maintenance, hours of support, etc.) • Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not, <u>before the end of the period of availability</u> (i.e., before the funds expire) (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services. The rationale, is that expired funds are not legally available to pay for new obligations (and the payment of in-house salaries or the awarding of a contract would constitute a new obligation and you must use funds currently available for new obligations) • Orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal year (or years) for which the appropriation is available for obligation • WR is issued funds are already committed (PR created and approved). Funds are obligated (by the issuer) upon receipt of the acceptance copy (a PO is created) but the performing activity only obligates funds when a contract is awarded, materials are ordered, travel orders are approved, or government labor is performed.
<p>PROJECT ORDER (PO)** NAVCOMPT FORM 2275</p>	<ul style="list-style-type: none"> • Passes funding and tasking authority between Navy activities either on a cost-reimbursable or fixed price basis • Only issued and accepted on a reimbursable basis • Performing Navy activity must perform 51% of the work in-house (Navy policy) • Performing NAVAIR NWCF activity must perform 65% of the work in-house (NAVAIR policy) • Funds may not be used to fund the mission of the performing activity (EOBs or Funds Authorization Documents are used to fund mission requirements) • Funded on a fully funded basis (fully finances the task up front) • Must specify work completion date and this date is when the work and services must be delivered (not just when funds must be obligated) • Work should begin within a reasonable time after acceptance of the PO (usually within 90 days) • Does not expire at the time the appropriation cited on the PO expires • Work completion date can be extended beyond the life of the appropriation (i.e., once the funds are obligated they remain available for completion of the work and services requested regardless of the date that the funds expire but work must cease after the funds cancel) • Must have a bona fide need for the work in that fiscal year – the PO should not be used at the end of the fiscal year for the sole purpose of extending the appropriation • Tasking statement should clearly state the work and services to be performed • Typically used to fund nonseverable services/specific project-type work (i.e., issued for work/services involving production, modification (excluding installation costs), weapons, vehicles, ammunition, clothing, machinery, equipment, spare parts, supplies and other components) where there is a clear deliverable • Never cites RDT&E appropriation as funding source (due to the incremental funding policy) unless Navy approval is obtained • Funds are already committed when PO is issued and obligated upon receipt of the acceptance copy

MILITARY INTER-DEPARTMENTAL PURCHASE REQUEST (MIPR) DD FORM 448	<ul style="list-style-type: none"> • Used for cross-service procurement and services between DoD agencies and the U.S. Coast Guard • Accepted reimbursably, direct cite, or a combination thereof (accepting activity decides how) • Expires with the appropriation unless issued as a PO under the authority of 41 U.S.C. 23. If issued as a PO the funding document must explicitly state that fact; otherwise it is automatically accepted as an Economy Act Order (31 U.S.C. 1535). • If issued as an Economy Act Order, the work completion date cannot be extended beyond life of the appropriation (i.e., the work completion date cannot be extended beyond the statutory expiration date of the appropriation funding the effort). Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not, <u>before the end of the period of availability</u> (i.e., before the funds expire), (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services. The rationale, is that expired funds are not legally available to pay for new obligations (and the payment of in-house salaries or the awarding of a contract would constitute a new obligation and you must use funds currently available for new obligations) • If issued as a PO, work completion date can be extended beyond the life of the appropriation (i.e., once the funds are obligated they remain available for completion of the work and services requested regardless of the date that the funds expire but work must cease after the funds cancel) • While this form does not contain blocks for the work completion date and funds expiration date, this information should be supplied in the description. • Orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal year (or years) for which the appropriation is available for obligation • Funds are already committed when MIPR is issued and obligated by issuing activity upon receipt of the acceptance copy. Direct cite funds are obligated upon receipt of the signed contract
INTERDEPARTMENTAL PURCHASE REQUEST (IPR) DD FORM 448	<ul style="list-style-type: none"> • Passes funding authority to non-DoD agencies (i.e., DOE, DOT, FAA, Library of Congress, etc.) • Only issued and accepted on a reimbursable basis • Requires written determination and findings (also referred to as a D&F) approved by the PCO and Office of Counsel (time consuming to get approved). A D&F is not required if all work will be done by the government activity accepting the IPR. • Governed by 31 U.S.C. 1535 (Economy Act). If issued as an Economy Act Order, work completion date cannot be extended beyond life of the appropriation (i.e., the work completion date cannot be extended beyond the statutory expiration date of the appropriation funding the effort). Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not, <u>before the end of the period of availability</u> (i.e., before the funds expire), provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services. The rationale, is that expired funds are not legally available to pay for new obligations (and the payment of in-house salaries or the awarding of a contract would constitute a new obligation and you must use funds currently available for new obligations) • While this form does not contain blocks for the work completion date and funds expiration date, this information should be supplied in the description. • Orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal year (or years) for which the appropriation is available for obligation • Funds are already committed when IPR is issued and obligated by the issuing activity upon receipt of the acceptance copy
ORDER FOR WORK & SERVICES/ DIRECT CITE - WX NAVCOMPT FORM 2276A	<ul style="list-style-type: none"> • May be used as a WR or combination of a WR (2275) and a direct citation document for request for contractual procurement (RCP) (2276) • Sent to any Headquarters or performing activity that will accept it • Accepting activity may pass a portion of the funds on a direct cite basis to another activity for contracting • Performing activity determines how the funds will be accepted (i.e., no specific split): • Funds accepted direct cite are 100% contracted out • Funds accepted reimbursably – at least 51% of the work should be performed in-house and 49% may be contracted out (Navy policy) • Funds accepted reimbursably by NAVAIR NWCF activities – at least 65% of the work should

	<p>be performed in-house and 35% may be contracted out (NAVAIR policy for NAVAIR WCF activities)</p> <ul style="list-style-type: none"> Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not, before the end of the period of availability (i.e., before the funds expire), (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services. The rationale, is that expired funds are not legally available to pay for new obligations (and the payment of in-house salaries or the awarding of a contract would constitute a new obligation and you must use funds currently available for new obligations) Orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal year (or years) for which the appropriation is available for obligation Funds are already committed when the WX is issued. The same rules apply as the WR for funds accepted reimbursably. Specifically, the issuing activity will obligate that portion of the funds accepted on a reimbursable basis upon receipt of the acceptance copy and obligate the direct cite funds upon receipt of the signed contract
<p>ORDER FOR WORK & SERVICES/ DIRECT CITE – PX NAVCOMPT FORM 2276A</p>	<ul style="list-style-type: none"> May be used as a PO or combination of a PO 2275 and direct citation for Request for Contractual Procurement (RCP) (2276) Sent to any Headquarters or performing activity that will accept it Accepting activity may pass a portion of the funds on a direct cite basis to another activity for contracting Performing activity determines how the funds will be accepted (i.e., no specific split) Funds accepted direct cite are 100% contracted out Funds accepted reimbursably – at least 51% of the work should be performed in-house and 49% may be contracted out (Navy policy) Funds accepted reimbursably by NAVAIR NWCF activities – at least 65% of the work should be performed in-house and 35% may be contracted out (NAVAIR policy for NAVAIR WCF activities) Work should begin within a reasonable time after acceptance of the PX (usually within 90 days) Does not expire at the time the appropriation cited on the PX expires Work completion date can be extended beyond the life of the appropriation (i.e., once the funds are obligated they remain available for completion of the work and services requested regardless of the date that the funds expire but work must cease after the funds cancel) Must have a bona fide need for the work in that fiscal year – the PX should not be used at the end of the fiscal year for the sole purpose of extending the appropriation Tasking statement should clearly state the work and services to be performed Typically used to fund nonseverable services/specific project-type work (i.e., issued for work/services involving production, modification (excluding installation costs), weapons, vehicles, ammunition, clothing, machinery, equipment, spare parts, supplies and other components) where there is a clear deliverable Never cites RDT&E appropriation as funding source (due to the incremental funding policy) unless Navy approval is obtained Funds are already committed when the PX is issued. The same rules apply as the PO for funds accepted reimbursably. Specifically, the issuing activity will obligate that portion of the funds accepted on a reimbursable basis upon receipt of the acceptance copy and obligate the direct cite funds upon receipt of the signed contract
<p>Direct Citation Funding Documents</p>	
<p>REQUEST FOR CONTRACTUAL PROCUREMENT (RCP) NAVCOMPT FORM 2276</p>	<ul style="list-style-type: none"> Used between Navy activities to place/request contracts for material services from a commercial vendor. Receiving Navy activity does not have to be capable of making the contractual procurement to award the contract Funds must be accepted on a direct citation basis in full (not partially accepted) Funds are subject to 31 U.S.C. 1517 (This statement must be on the RCP when issued) Funds are already committed when the RCP is issued and obligated by the issuing activity upon receipt of the signed contract
<p>ORDER FOR WORK & SERVICES/ DIRECT CITE –</p>	<ul style="list-style-type: none"> Sent to any Headquarters or performing activity that will accept it Receiving Navy activity must be capable of making the contractual procurement to award the contract (i.e., must have a contracts office) Funds must be accepted on a direct citation basis (i.e., 100% contracted out)

RX NAVCOMPT FORM 2276A	<ul style="list-style-type: none"> Funds are already committed when the RX is issued and funds are obligated by the issuing activity upon receipt of the signed contract
MILITARY INTER-DEPARTMENTAL PURCHASE REQUEST (MIPR) DD FORM 448	<ul style="list-style-type: none"> Used for cross-service procurement and services between DoD agencies and the U.S. Coast Guard Expires with the appropriation unless it is issued as a PO under the authority of 41 U.S.C. 23. If issued as a PO, a statement must be on the documents otherwise it is automatically accepted as an Economy Act Order under the authority of 31 U.S.C. 1535 Funds are already committed when the MIPR is issued and funds are obligated by the issuing activity upon receipt of the signed contract
NO SPECIAL FORM	<ul style="list-style-type: none"> Results from direct citation documents Mutually binding and obligates the seller to furnish services/supplies and the buyer to pay for them Issued to commercial vendors (i.e., outside of the Government) Covered by Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement

Notes:

*Economy Act Orders (31 U.S.C. 1535). Economy Act Orders fund level-of effort, recurring, severable services usually performed on an incremental basis. Examples include: (1) efforts where the stated or primary purpose is to acquire a level of effort (e.g., 100 hours, 20 weeks, or 1 year) rather than a specific, definite, and certain end-product; (2) annualized mod installation costs; (3) annualized logistics services; and (4) annualized engineering services. Work may not extend beyond the funds expiration date. Obligations established by the ordering activity must be adjusted to the amount of valid obligations actually incurred by the performing activity during the period that the funds cited in the order are available for obligation purposes. Funds must be deobligated by both the requesting and servicing activity to the extent that the servicing activity has not, before the end of the period of availability of the appropriation of the requesting activity, provided the goods and services or entered into an authorized contract with another entity to provide the requested goods or services.

Project Orders (41 U.S.C. 23). To qualify for the use of a project order, the primary purpose of the order should be to acquire a specific, definite, and certain end-product. Further, the workload should represent a single undertaking to meet a bona fide of the fiscal year issued, is fully funded at the time the order is issued and accepted, and may cross fiscal years to complete. Amendments which increase the scope or value of a project order may be made at any time during the period that the appropriation obligated by the order is available for further obligation. After the appropriation cited in the order expires for obligation purposes, any increase or expansion of the scope of work must be financed from current year appropriations through the issuance of a **new project order. After the appropriation cited in the order expires, amendments may be made which involve no increased cost to the Government and do not increase or expand the scope of the order, as well as amendments to fund within scope price increases.

***In-house shall include the cost of all direct labor, material and supplies, travel and minor equipment. Contracts for technical support usable only to the performing activity in accomplishing the overall work for the requesting activity are also included. In the case of working capital fund activities, "in-house" resources also include authorized overhead costs



Currently Available Appropriations: Appropriations are available for new obligations for a specific period of time that is specified the Appropriations Act. If funds are not obligated during their period of availability, then the funds “expire” and are generally unavailable for further obligation.

Expired Appropriations: Appropriations whose availability for new obligations has expired, but which retain their fiscal identity and are available to adjust and liquidate previous obligations. 31 U.S.C. 553(a).

Closed Appropriations: Appropriations that are no longer available for any purpose. An appropriation becomes “closed” five years after the end of its period of availability as defined by the applicable appropriations act. 31 U.S.C. 1552(a)



Obligational Adjustments: Do not consist of new obligations (e.g., a new contract or new order) but rather adjustments to the amounts of funds/appropriations that have already been previously obligated. Expired appropriations may no longer be used for new obligations but they do retain their fiscal identity and are available to adjust and liquidate previous obligations.

Funding Approval Requirements for Obligation Adjustment

Type of Adjustment (After Funds Have Expired for New Obligations)	Funding Source	Requires ASN(FM&C) approval if adjustment \geq \$1M	USD(C) Approval (If Change \geq \$4M) and Congressional Notification (if Change \geq \$25M)
Incentive, Award Fees, and Target-to-Ceiling Cost Growth on Incentive Fee Contracts	Expired Funds	Yes	No
Price Inflation (Escalation, Economic Price Adjustment or Foreign Exchange Rate Adjustment)	Expired Funds	Yes	No
Within-Scope Contract Changes			
a. Within-scope contract amendment	Expired Funds	Yes	Yes
b. Within-scope error corrections or formalization of an informal agreement that does not result in a new procurement	Expired Funds	Yes	Yes
c. Within-scope claims and settlements	Expired Funds	Yes	Yes
Change-in-Scope Contract Changes			
a. Increases in quantities	Current Year Funds	No	No
b. Increases in required levels of service performance	Current Year Funds	No	No
c. Change-in-Scope claims and settlements	Current Year Funds	No	No
Contract Default Resulting in Reprocurement Contract Actions	Expired Funds	Yes	Yes
Billings for Work Performed Before Fund Expiration (if an obligation is incurred – but not documented before funds expire)	Expired Funds	Yes	Yes
Reimbursement to the Department of the Treasury for Claims for Contract Disputes (Judgment Fund)	Current Year Funds at the time of Judgment or future appropriation for the same purpose	Yes	No
Amounts Which Would Otherwise Be Chargeable to a Canceled Account Were it Not Canceled	Current Year Funds	Yes	No



Contingent Liability: A contingent liability is a conditional commitment which may become an actual liability because of a future event beyond the control of the Government. There are contingent liabilities for price or quantity increases or other variables that cannot be recorded as valid obligations in the cases of (1) outstanding fixed-price contracts containing escalation, price redetermination, or incentive clauses; or (2) contracts authorizing variations in quantities to be delivered; or (3) contracts where allowable interest may become payable by the U.S. Government on contractor claims supported by written appeals pursuant to the “Disputes” clause contained in the contract. Amounts to cover these contingent liabilities should be carried as outstanding commitments pending determination of actual obligations. The amounts of such contingent liabilities, however, need not be recorded at the maximum or ceiling prices under the contracts. Rather, amounts should be committed that are estimated conservatively to be sufficient to cover the additional obligations that probably will materialize, based upon judgment and experience. In determining the amount to be committed, allowances may be made for the possibility of downward price revisions and quantity underruns. Each contingent liability shall be supported by sufficient detail to facilitate audit.



Reprogramming Thresholds

<p>DD-1415-1, Prior Approval (PA): Prior approval of the congressional committees is required in writing prior to initiating the action.</p>	<ol style="list-style-type: none"> 1. Affects a congressional special interest item (unless the funds will be used for the same purpose; then an internal reprogramming is used). 2. Uses general transfer authority (unless the funds will be used for the same purpose; then an internal reprogramming is used). 3. Exceeds established thresholds: <ol style="list-style-type: none"> a. Military Personnel: Increase of \$10 million or more in a budget activity. b. Operation and Maintenance: Increase of \$15 million or more in a budget activity, depot maintenance sub-activity group or Defense Agency. N82 approval is required for any transfer between budget activities and readiness SAGs (both into and out of the SAG): Mission and Other Flight Operations (1A1A), Fleet Air Training (1A2A), Aircraft Depot Maintenance (1A5A), Mission and Other Ship Operations (1B1B), Ship Operational Support/Training (1B2B), and Ship Maintenance (1B4B). Because Congress has imposed specific reprogramming restrictions on Depot Maintenance SAGs (1A5A and 1B4B), and the other readiness SAGs continue to receive high levels of visibility, N82 approval for any transfers in these lines. <ol style="list-style-type: none"> c. Procurement: Increase of \$20 million or more or a decrease of \$20 million or 20% of the appropriated amount of the P-1 line item, whichever is less. d. RDT&E: Increase of \$10 million or more or a decrease of \$10 million or 20% of the appropriated amount of an R-1 line (or program element), whichever is less. 4. Establishes New Programs (i.e., new starts) 5. Terminates programs <ol style="list-style-type: none"> a. Eliminates a procurement program, or a subprogram, of \$20M or more b. Eliminates an RDT&E program element, or project or subproject of \$10M or more. <p>Exception: PA reprogramming is required for all transfers out of the Direct (or In-House) Care budget activity group or into the Private Sector Care budget activity group for the Defense Health Program, Operation and Maintenance appropriation.</p>
<p>DD-1415-3, Internal: Reprogramming actions internal to DoD are audit-trail type actions processed within DoD and approved by the Comptroller.</p>	<p><u>Below threshold reprogramming (BTR) Ground Rules:</u></p> <ol style="list-style-type: none"> 1. A BTR threshold is established for each appropriation and allows funds to be reprogrammed internal to the appropriation without obtaining congressional prior approval to finance cost increases to existing programs, with some exceptions. Any movement of funds between appropriations or legal subdivisions within an appropriation is a “transfer” and requires the use of transfer authority. 2. The BTR shall not exceed the established thresholds. Each threshold reflects aggregate levels of reprogramming activity within procurement line items and within RDT&E program elements. The BTR thresholds represent the <i>cumulative</i> amount that may be reprogrammed over the life of the appropriation. 3. The Components shall not use BTR authority to reduce congressional special

	<p>interest items.</p> <p>4. The Components shall not BTR authority to increase lines specifically reduced by congressional action. Components may use BTR authority to restore non-specific reductions to these items, but only to the original level of the budget request or the level determined in the specific account tables reflected in the Statement of Managers accompanying the applicable Appropriations Act, whichever is less.</p> <p>DD-1415-3 Internal Reprogramming Actions are required for the following:</p> <ol style="list-style-type: none"> 1. Realigns funds to a different line item or appropriation for proper execution of the same requirement with no change in purpose or congressional intent. 2. May use general transfer authority and may involve Congressional special interest items (when funds will be used for the same purpose as originally contemplated). 3. May reprogram funds from Transfer accounts (Foreign Currency Fluctuations, Environmental Restoration, Drug Interdiction, Overseas Contingency Operations Transfer Fund, etc.). 4. May increase procurement quantities when specific congressional language allows additional quantities within the appropriated funds (i.e., use of the buy-to-budget authority). 5. May document transfers identifying specific line items when a letter notification is being used to satisfy congressional or specific transfer notification requirements.
<p>Notification Letter: Advance notification letters are transmitted directly by the DoD Component, with prior OUSD(C) coordination, to the congressional committee for notification.</p>	<p>Notification letters (prior to initiation of the action) are required for:</p> <ol style="list-style-type: none"> 1. Below threshold reprogramming for new programs or line items not otherwise requiring prior approval actions. 2. Establishing a new procurement program including modifications, costing less than \$20 million for the entire effort. 3. Establishing a new development program costing less than \$10 million for the entire effort. 4. Initiating safety programs or safety modifications whose total costs (both Procurement and RDT&E) are less than \$20 million for the entire effort; can be initiated immediately following congressional notification. 5. Terminations falling within the below threshold reprogramming amounts, (procurement programs or subprograms costing less than \$20 million or RDT&E programs, projects, or subprojects costing less than \$10 million), as long as the procurement line item or RDT&E program element is not eliminated. 6. Transfers identifying specific line items when a letter notification is being used to satisfy congressional or specific transfer notification requirements. <p>Note: Requires a 30-day notification to the Defense Committees prior to implementation. The Component may implement the reprogramming action 30-days after congressional notification unless an objection is received from a committee.</p>
<p>New Starts</p>	<p>Any program not explicitly justified to, and funded by, the Congress is considered to be a new start program. In accordance with Section 8106 of P.L. 108-287, the 2005 DoD Appropriations Act and Section 8093 of P.L. 109-148,</p>

the DoD, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza, 2006, the congressional oversight committees and the OSD(C) must be notified in writing, prior to the initiation of any new start program. The determination as to whether a particular activity is a new start is made based upon the justification material presented to the Congress for the program year in which the new program is proposed. Particular care must be taken in making a determination of whether a program should be considered a new start. If the program is not explicitly addressed in the relevant justification material, then it is considered to be a new start.

1. New Starts requiring 1415-1 Prior Approval Reprogramming Actions:

a. Establishes a new procurement program or subprogram estimated to cost \$20M or more for the entire effort.

b. Establishes a new RDT&E program, RDT&E project, or RDT&E subproject estimated to cost \$10M or more for the entire effort.

Note no action may be taken on a 1415-1 action without written approval from all the applicable congressional committees.

2. New start programs falling below the thresholds above require a notification letter to the oversight committees and to the Under SECDEF Comptroller. Components may initiate the new program after expiration of the 30-day notification period unless an objection is received from a committee. New start notification letters must be staffed with the OUSD(C) prior to the delivery to the oversight committees.

3. New start safety modifications or safety programs costing less than \$20M for the entire effort may be initiated immediately after the written notification is delivered to the congressional oversight committees.

General New Start Guidelines:

1. O&M Appropriations: New starts would be significant new programs that have not been previously justified. This determination is made at the O-1 (Activity Group) subactivity group (SAG) level.

2. Procurement Appropriations: An activity that requires the establishment of a new line item (at the P-1 level) or establishes a new subprogram not included in the procurement justification material (such as the P-40A and P-5A exhibits) is considered a new start.

(1) Modifications: Modifications not included as specific lines on the P-40 exhibit are considered to be new starts.

(2) Aggregate lines (Items less than \$5M): End items not specifically justified in the P-40 exhibit are considered to be new starts

(3) Information Technology: A new start is one not identified in the IT 300 exhibit, provided that the proposed program would require the preparation and submission of an IT 300 exhibit.

(4) Spares and Repair Parts: Items procured by these lines are normally not

	<p>individually justified; therefore, procurement of additional items, based upon demand, would normally not be considered to be new starts.</p> <p>3. RDT&E Programs: A program which establishes a new program element, a new project, and a new task under a project not previously justified to the Congress on the R-2/R-2A exhibit is considered to be a new start.</p>
<p>General Reprogramming Prohibitions</p>	<ul style="list-style-type: none"> ◆ Can't reprogram funds into lower priority programs ◆ Can't add funds to a program that underwent a specific Congressional reduction (or was zeroed out) ◆ Can't reprogram funds to an item specifically denied by Congress ◆ Can't decrease congressional special interest programs or items



Severable - Severable tasks are efforts that are continuing and recurring in nature (e.g., level of effort work), lack specific and definite end products, do not represent a single undertaking, are not sufficiently definitized so a contractor *will* require further direction, are not priced at the outset, are dependent on other actions, and have costs that are easily segregated. Severable services include efforts where the stated or primary purpose of the order is to acquire a level of effort (e.g., 100 hours, 20 weeks or 1 year) rather than a specific, definite, and certain end-product. Severable service efforts should be budgeted on an annual basis commensurate with the Federal fiscal year. For example the DoD Financial Management Regulation (FMR), Volume 2A Chapter 1, requires the budget for RDT&E funds to be prepared on an incremental basis, with the budget estimate formulated to cover all costs expected to be incurred during each fiscal year of performance. Similarly the DON Financial Management Policy Manual NAVSO P-1000 articulates the policy requiring the annualization of budget estimates for severable service efforts funded from the procurement appropriations. Lastly, the Federal Appropriation Law Manual and DoD FMR are just one of many authorities providing the policy for development of the O&MN budget, an annual appropriation that is made available for obligation for a specific fiscal year to finance expenses incurred during that fiscal year. 10 U.S.C. 2410a, provides the authority to enter into a severable service contract for a period that begins in one fiscal year and ends in the next fiscal year and to finance the entire effort with one fiscal year's funds. The period of performance for severable services should not exceed a 12 month period exclusive of any option to extend. After the 12 month period of performance has been reached on an existing severable service contract or order, one may not extend the period of performance by simply adding a new contract line item or subline item number for additional performance time. During execution, however, programs *do* have the authority to award 12 month severable service contracts at any time during the fiscal year, provided that a bona fide need exists, and cite one fiscal year's funding on the contract. Because these services should be annualized, the fiscal year funding cited on the contract would normally be the same fiscal year in which the contract is awarded. Exceptions to charging current year funds are approved by the individual AIR-10.0 Budget Divisions. This authority should be used prudently because severable service contracts should continue to be budgeted coincident with the fiscal year to avoid potential budget reductions levied due to forward financing, and to comply with existing budget policies.

Examples of severable tasks include:

1. Custodial or housekeeping services.
2. Security or fire protection services.
3. Trash collection.
4. Routine maintenance in general, including: Grounds or surfaced area maintenance, heating and air conditioning systems operation and maintenance, and other real and personal property maintenance.
5. Efforts where the stated or primary purpose of the order is to acquire a level of effort (for example, 100 hours, 20 weeks, or 1 year) rather than a specific, definite, and certain end-product.

Test: The deliverable will determine the type of task (i.e., severable or nonseverable). If contract is terminated before performance is completed - the product **is** useful.



Non-severable - For a task to be considered non-severable, the need must be present in the fiscal year in which the order is issued, require a series of actions over a period of time which may cross a fiscal year, call for work or services that are not reasonably severable between fiscal years, produce a tangible end product, not dependent on other actions and be priced at the outset. An order for an “entire” nonseverable end item or service would call for a single or unified outcome or product, and would be one in which few, if any, benefits would accrue if the work were terminated without completion at the end of the fiscal year in which it was placed. Non-severable services may cross fiscal years and be funded with the same appropriation current on the date the contract is awarded, regardless of whether services continue beyond the initial fiscal year. Periods of performance for non-severable tasks should be established based on when the deliverable/product will be completed but performance may not extend beyond the funds cancellation date.

Examples of nonseverable task include:

1. Manufacture, production, or assembly of items to include ships, aircraft, guided missiles, other weapons, vehicles of all kinds, ammunition, and equipment.
2. Renovation, rebuild, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state.
3. Construction or conversion of items (including buildings and other structures), utility and communication systems, and other public works.
4. Update of a technical publications/maintenance manuals.

Test: The deliverable will determine the type of task (i.e., severable or nonseverable). If contract is terminated before performance is completed - there is **no** useful product.

Do's and Don'ts When Preparing Non-severable Tasks	
<i>Avoid Tasks That:</i>	<i>Reason</i>
1. Do not begin until the following fiscal year (FY) (unless procurement lead time makes it necessary to contract in advance of the fiscal year).	No bona fide need exists to begin work in the current fiscal year.
2. Require delivery of an approximate number of items, e.g., - “Prepare approximately 5 proposals.”	Implies that task has not been specifically defined.
3. Require a specific rate of output for a period beginning at the end of the current fiscal year and going through the next fiscal year, e.g., “Beginning Aug 2007 and ending Sept 2008, prepare 2 progress reports per month on the design.”	Not a single undertaking but a series of ‘level-of-effort’ undertakings. Those beginning next fiscal year can be funded with next fiscal year funds without affecting output.
4. Require presentation of training courses, some of which will not be presented until the following FY, e.g., “Prepare a training course for writing specifications. Present 3 courses in FY 2008 and two in FY 2009.”	The 2 courses being taught in FY 2009 are severable and should be charged to FY 2009 funds. The presentation of these 2 courses do not meet a bona fide need of FY 2008.
5. Solely carry over manhours and dollars into the next fiscal year, e.g., “This task is issued to carry over 14,000 manhours and \$140,000 into FY 2009.	Unliquidated obligations should be returned at the end of the fiscal year. The effort required for the subsequent fiscal year should be charged to that fiscal year's funds. No definite, specific tasks exist.

6. Require the contractor to perform a number of unrelated tasks, e.g., “Review 40 specifications and 10 life cycle support plans; and make recommendations on each.”	This task is not a single under-taking. Tasks should be definitized and separately funded in the years in which they will be accomplished.
7. Are issued at the end of the fiscal year requiring a contractor to work with information that is not yet available, e.g., “Fix problems identified with drawings prepared by contractor B as soon as those drawings are completed.”	Tasks should not be dependent upon other actions. Tasks must be able to be specifically defined when issued to be non-severable.
8. The contractor cannot perform the task without further direction, e.g., “Prepare drawings. The requirements and format for the drawings will be established based on monthly meetings held at NAVAIR.”	Tasks must be specifically defined to meet test for non-severability.
9. Provide technical support including progress reports, e.g., “Provide agendas, program reviews, and briefing in support of program X.	Reports are not considered an end product if the primary objective of the contract is to obtain manhours of labor to review programs or perform other labor.
10. Provide inputs to an end product being produced by someone else, e.g., “Provide technical inputs to support the development program plan developed by contractor B.”	This task is not producing a specific end product, but is providing manhours assistance on an as-needed basis. To be a valid non-severable task, this task would have to define a specific end product that the contractor is to produce as an input to the program plan.



Full Funding - Full funding is the preferred policy of DoD and the Oversight Congressional Committees that the procurement and construction accounts are to fully fund in one fiscal year the total cost of end-items and construction projects to be acquired. The objective is to ensure that the Congress and the public can see the full dimensions and cost of an acquisition program when presented in the budget. To comply with the full funding policy, at the time of contract award, funds are available to cover the total estimated cost to deliver the contract quantity of complete, militarily usable items. If a future-year appropriation is required for delivery of the end-items, the contract is not fully funded. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. Advance EOQ procurement and advance procurement are two exceptions to the full funding policy. All other exceptions to full funding are approved at the OSD(C) level.



Incremental Funding Policy/Incremental Programming Policy (IFP/IPP) – The RDT&E program is budgeted on an annual incremental funding basis; i.e., those costs expected to be incurred during the budget year. In other words, R&D budgets reflect funding required for 12 months worth of effort from 1 October through 30 September or some lesser amount if the contract period of performance does not cover the full 12 month period. Congress then authorizes and appropriates RDT&E funds for the specific “increments” of work to be accomplished during the fiscal year for which the funds were requested. Therefore, the objective of IPP is to use RDT&E funds during the initial (i.e., first) year of obligational availability. Thus, R&D work is usually programmed on an annual, incremental basis coincident with the fiscal year. This is evidenced by the obligation and outlay rates established by OSD(C) for this appropriation. Programs executing below these benchmarks place themselves in jeopardy of losing funds during the ASN (RDA) midyear review, the Navy Comptroller’s summer review and the OSD Comptroller’s fall review. Further, congressional rescissions often reflect Defense Committee’s sensitivity to poor execution rates. Although RDT&E,N is a 2-year appropriation to allow for obligations in the second year when delays are encountered because of significant technical difficulties or protracted negotiations, all second year obligations of RDT&E,N funds must be restricted to only those tasks within the scope of the approved budget year program. Exceptions to the IFP/IPP are discussed in the DON FMPM, NAVSO P-1000, 075402.



Expense/Investment threshold: DoD policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the Defense budget. Costs are categorized as either expenses or investments. Purchases (i.e., obligations) of non-centrally managed items with a unit cost of \$250,000 or less, are considered expenses funded from appropriations available to DoD for operation and maintenance. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Purchases of non-centrally managed items with a unit cost greater than \$250,000 are investments funded from appropriations available for investments. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. If an item is centrally managed, it is **always** considered an investment cost regardless of the unit cost.

There is a difference between the expense/investment threshold established by the Congress and the capitalization threshold established for accounting purposes. The expense/investment threshold determines whether a DoD activity purchases an asset using O&M or procurement appropriations. For DWCF activities this limit determines whether an asset is purchased using the operating budget or the capital budget. For accounting purposes, the capitalization threshold determines when an activity records and depreciates an asset on the financial statement. The two criteria are not the same. Activities will establish DWCF rates using the expense/investment threshold of \$100,000 for Minor Construction projects and \$250,000 for all other capital assets. DWCF activities will record all items purchased using Capital Budget Obligation Authority on the balance sheet and depreciate those assets over its useful life. For accounting purposes, the capitalization threshold is \$20,000 for Minor Construction and \$100,000 for all other Capital Investments. If an asset meets the accounting capitalization threshold, but is less than the budget investment threshold, the DWCF activity will record this asset on the financial statements as a capital asset and depreciate it over its useful life. However, at the end of each fiscal year, activities will make an accounting adjustment to treat the gain generated by this transaction as non-recoverable for rate setting purposes. The gain is the difference between the cost of the asset and the depreciation recorded.

- ◆ Multi-Year Appropriations: Often referred to as investment appropriations because they are available to fund investment costs (e.g., OPN, WPN, APN, PAN&MC, SCN, MILCON, RDT&EN, etc.). These funds are available for new obligations for multiple years.
- ◆ Annual “Expense” Appropriations: Often referred to as expense appropriations because they are available to fund expense costs. These are primarily O&M accounts (e.g., O&M,N, O&M,NR, MPN, RPN, etc.). These funds are available for new obligations only for the fiscal year authorized and appropriated.
- ◆ The question to ask is what are you buying, what is the unit cost, is the item centrally managed or non-centrally managed, is this an expense or an investment cost, and are you using the right funds that can legally finance that specific type of cost?



Centrally managed equipment: The expense/investment threshold forms the basis for determining the financial contents of the various appropriations that make up the defense budget. It is important to note, however, that items of equipment that are subject to centralized individual item management and asset control (excluding items designated for WCF management in the central supply system/inventory control point stock fund managed items), are considered investment costs regardless of the unit cost (e.g., designated as Appropriation Purchases Account (APA) and Marine Corps Appropriation Stores Account.) For example, major end items such as aircraft, engines, engine modules, ships and tanks are centrally managed, treated as investment costs, and funded with investment appropriations. Ammunition cartridges may be very low dollar value per unit cost, and are expendables vice repairables, but since they are centrally managed items, they are considered investment costs. Normally a SYSCOM or other organization is the APA cognizance symbol manager responsible for funding service-wide procurement of the specific, centrally managed, items (i.e., one program office is designated to acquire that item for the DON).



Personal Services - Unless authorized by law, an activity may not enter into a personal services contract. This prohibition has a statutory basis and is contained in the Antideficiency Act, 31 U.S.C. 1342, that states that “An officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services for either government or employ personal services exceeding that authorized by law except for emergencies involving the safety of human life or the protection of property. . . .” A personal services contract results when the Government assumes the right to instruct or supervise or control a contractor’s employee in how he/she performs his/her work. It is one thing, for example, to sit down in a restaurant, to order a steak medium rare, and to accept it or reject it when it arrives. It is quite another to insure that it is cooked to satisfaction by going out to the kitchen, looking over the chef’s shoulder, and telling him/her how to adjust the flame, when to turn the steak over, and how to season it. When the Government exercises this sort of direct supervision and control over contract personnel, it is using them as if they were its own civil service or military personnel. Control such as this, however well-intentioned, renders the services personal and the contract illegal.

A personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor’s personnel.

An employer-employee relationship under a service contract occurs when, as a result of (i) the contract’s terms or (ii) the manner of its administration during performance, contractor personnel are subject to the relatively continuous supervision and control of a Government officer or employee. However, giving an order for a specific article or service, with the right to reject the finished product or result, is not the type of supervision or control that converts an individual who is an independent contractor (such as a contractor employee) into a Government employee.

The key question is: Will the Government exercise relatively continuous supervision and control over the contractor personnel performing the contract?

The following descriptive elements should be used as a guide in assessing whether or not a proposed contract is personal in nature:

- (1) Performance on site.
- (2) Principal tools and equipment furnished by the Government.
- (3) Services are applied directly to the integral effort of agencies or an organizational subpart in furtherance of assigned function or mission.
- (4) Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil service personnel.
- (5) The need for the type of service provided can reasonably be expected to last beyond 1 year.
- (6) The inherent nature of the service, or the manner in which it is provided, reasonably requires directly or indirectly, Government direction or supervision of contractor employees in order to—
 - (i) Adequately protect the Government’s interest;
 - (ii) Retain control of the function involved; or
 - (iii) Retain full personal responsibility for the function supported in a duly authorized Federal officer or employee.



Inherently Governmental Function - An inherently governmental function is defined as an activity that is so intimately related to the public interest as to mandate performance by government personnel. These activities require the exercise of substantial discretion in applying government authority and/or in making decisions for the government. Inherently governmental activities normally fall into two categories: the exercise of sovereign government authority or the establishment of procedures and processes related to the oversight of monetary transactions or entitlements. OMB Circular A-76, Performance of Commercial Activities, contains a listing of inherently Governmental functions. An inherently governmental activity involves:

- a. Binding the United States to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise;
- b. Determining, protecting, and advancing economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise;
- c. Significantly affecting the life, liberty, or property of private persons; or
- d. Exerting ultimate control over the acquisition, use, or disposition of United States property (real or personal, tangible or intangible), including establishing policies or procedures for the collection, control, or disbursement of appropriated and other Federal funds.

The following is a list of examples of functions considered to be inherently governmental functions or which shall be treated as such. This list is not all inclusive:

- The direct conduct of criminal investigations.
- The control of prosecutions and performance of adjudicatory functions other than those relating to arbitration or other methods of alternative dispute resolution.
- The command of military forces, especially the leadership of military personnel who are members of the combat, combat support, or combat service support role.
- The conduct of foreign relations and the determination of foreign policy.
- The determination of agency policy, such as determining the content and application of regulations, among other things.
- The determination of Federal program priorities for budget requests.
- The direction and control of Federal employees.
- The direction and control of intelligence and counter-intelligence operations.
- The selection or non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment.
- The approval of position descriptions and performance standards for Federal employees.
- The determination of what Government property is to be disposed of and on what terms (although an agency may give contractors authority to dispose of property at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency).
- In Federal procurement activities with respect to prime contracts—

- Determining what supplies or services are to be acquired by the Government (although an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency);
 - Participating as a voting member on any source selection boards;
 - Approving any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria;
 - Awarding contracts;
 - Administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services);
 - Terminating contracts;
 - Determining whether contract costs are reasonable, allocable, and allowable; and
 - Participating as a voting member on performance evaluation boards.
- The approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and the approval of agency responses to the administrative appeals of denials of Freedom of Information Act requests.
 - The conduct of administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in Government programs.
 - The approval of Federal licensing actions and inspections.
 - The determination of budget policy, guidance, and strategy.
 - The collection, control, and disbursement of fees, royalties, duties, fines, taxes, and other public funds, unless authorized by statute.



Financial Management Laws

<p style="text-align: center;">10 U.S.C. 114 Annual Authorization of Appropriations</p>	<p>No funds may be appropriated for any fiscal year to or for the use of any armed force or obligated or expended for -</p> <ul style="list-style-type: none"> (1) procurement of aircraft, missiles, or naval vessels; (2) any research, development, test, or evaluation, or procurement or production related thereto; (3) procurement of tracked combat vehicles; (4) procurement of other weapons; (5) procurement of naval torpedoes and related support equipment; (6) military construction; (7) the operation and maintenance of any armed force or of the activities and agencies of the DoD (other than the military departments); (8) procurement of ammunition; or (9) other procurement by any armed force or by the activities and agencies of the DoD (other than the military departments); unless funds therefore have been specifically authorized by law.
<p style="text-align: center;">10 U.S.C. 127 Emergency & Extraordinary Expenses</p>	<p>Subject to the limitations of subsection (c), and within the limitation of appropriations made for the purpose, the SECDEF, the Inspector General of the DoD, and the Secretary of a military department within his department, may provide for any emergency or extraordinary expense which cannot be anticipated or classified.</p>
<p style="text-align: center;">10 U.S.C. 2204 Obligation of Appropriations</p>	<p>To prevent overdrafts and deficiencies in the fiscal year for which appropriations are made, appropriations made to the DoD or to a military department, and reimbursements thereto, are available for obligation and expenditure only under scheduled rates of obligation, or changes thereto, that have been approved by the SECDEF.</p>
<p style="text-align: center;">10 U.S.C. 2208 Working Capital Funds</p>	<p>SECDEF may require the establishment of working capital funds in the DoD to finance inventories of such supplies as he may designate and provide working capital for such industrial-type activities, and such commercial-type activities that provide common services within or among departments and agencies of the DoD, as he may designate.</p>
<p style="text-align: center;">10 U.S.C. 2307 Contract Financing</p>	<p>(a) Payment Authority. - The head of any agency may -</p> <ul style="list-style-type: none"> (1) make advance, partial, progress, or other payments under contracts for property or services made by the agency; and (2) insert in solicitations for procurement of property or services a provision limiting to small business concerns advance or progress payments.
<p style="text-align: center;">10 U.S.C. 2410a Miscellaneous Procurement (Severable Service Contracts)</p>	<p>The SECDEF, the Secretary of a military department, or the Secretary of Homeland Security with respect to the Coast Guard when it is not operating as a service in the Navy, may enter into a contract for the procurement of severable services or the lease of real or personal property for a period that begins in one fiscal year and ends in the next fiscal year if (without regard to any option to extend the period of the contract) the contract period does not exceed one year.</p>
<p style="text-align: center;">10 U.S.C. 2667 Leases: Non-Excess Property of Military Departments</p>	<p>When advantageous to the United States, the Secretary of a military department may lease real or personal property to such lessee to promote the national defense or be in the public interest for not more than five years unless a lease for a longer period will promote the national defense or be in the public interest.</p>

<p>10 U.S.C. 2681 Use of Test and Evaluation Installations by Commercial Entities</p>	<p>The SECDEF may enter into contracts with commercial entities that desire to conduct commercial test and evaluation activities at a Major Range and Test Facility Installation.</p>
<p>10 U.S.C. 2701 Environmental Restoration Program</p>	<p>The SECDEF shall carry out a program of environmental restoration at facilities under the jurisdiction of the Secretary. The program shall be known as the "Defense Environmental Restoration Program". Goals of the program include the (1) the identification, investigation, research and development, and cleanup of contamination from hazardous substances, pollutants, and contaminants; (2) correction of other environmental damage (such as detection and disposal of unexploded ordnance) which creates an imminent and substantial endangerment to the public health or welfare or to the environment; (3) demolition and removal of unsafe buildings and structures, including buildings and structures of the DoD at sites formerly used by or under the jurisdiction of the Secretary.</p>
<p>10 U.S.C. 2703 Environmental Restoration Accounts</p>	<p>Establishes Environmental Restoration Accounts to carry out environmental restoration functions.</p>
<p>10 U.S.C. 2801 Military Construction</p>	<p>The term "military construction" includes any construction, development, conversion, or extension of any kind carried out with respect to a military installation, whether to satisfy temporary or permanent requirements. A military construction project includes all military construction work, or any contribution authorized by this chapter, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility (or to produce such portion of a complete and usable facility or improvement as is specifically authorized by law).</p>
<p>10 U.S.C. 2803 Emergency Construction</p>	<p>The Secretary concerned may carry out a military construction project not otherwise authorized by law if the Secretary determines that the project is vital to the national security or to the protection of health, safety, or the quality of the environment, and that the requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or the protection of health, safety, or environmental quality, as the case may be.</p>
<p>10 U.S.C. 2805 Unspecified Minor Construction</p>	<p>The Secretary concerned may carry out unspecified minor military construction projects not otherwise authorized by law. An unspecified minor military construction project is a military construction project that has an approved cost equal to or less than \$2,000,000. If the military construction project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, an unspecified minor military construction project may have an approved cost equal to or less than \$3,000,000.</p>
<p>10 U.S.C. 2811 Repair of Facilities</p>	<p>Using funds available for operation and maintenance the Secretary concerned may carry out repair projects for an entire single-purpose facility or one or more functional areas of a multipurpose facility. A repair project costing more than \$7,500,000 may not be carried out under this section unless approved in advance by the Secretary concerned. Construction of new facilities or additions to existing facilities may not be carried out under the authority of this section.</p>
<p>10 U.S.C. 401 Humanitarian and Civic Assistance provided in conjunction with military operations</p>	<p>(a)(1) Under regulations prescribed by the SECDEF, the Secretary of a military department may carry out humanitarian and civic assistance activities in conjunction</p>

	with authorized military operations of the armed forces in a country if the Secretary concerned determines that the activities will promote - (A) the security interests of both the United States and the country in which the activities are to be carried out; and (B) the specific operational readiness skills of the members of the armed forces who participate in the activities.
2 U.S.C. 681 Impoundment Control Act	Specifies that the President may propose to Congress that funds be rescinded. If both the Senate and the House of Representatives have not approved a rescission proposal (by passing legislation) within 45 days of continuous session, any funds being withheld must be made available for obligation.
31 U.S.C. 1301 Proper Use of Appropriations	Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law. There is no requirement to report a violation of this statute. The accounting, however, must be corrected to reflect the proper funding. This accounting correction can lead to a reportable violation of the Anti-deficiency Act if the proper funds were not available at the time of the obligation or expenditure.
31 U.S.C. 1304 Judgments, Awards, and Compromise Settlements	Congress enacted a permanent, indefinite appropriation ("the Judgment Fund") for the payment of final judgments which were "not otherwise provided for." This fund is intended to provide a mechanism that would alleviate the procedural burdens of judgment payment, allow for prompter payments, and reduce the assessment of interest against the United States (where such was allowed by law) during the period between the rendering and payment of an award.
31 U.S.C. 1341 Antideficiency Act - Limitations on Expending and Obligating Amounts	An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation or involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law.
31 U.S.C. 1342 Voluntary Service Limitation	An officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services for either government or employ personal services exceeding that authorized by law except for emergencies involving the safety of human life or the protection of property.
31 U.S.C. 1349 Adverse Personnel Actions	An officer or employee of the United States Government or of the District of Columbia government violating section 1341(a) or 1342 of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.
31 U.S.C. 1350 Criminal Penalty	An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1341(a) or 1342 of this title shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.
31 U.S.C. 1351 Reports on Violations	If an officer or employee of an executive agency or an officer or employee of the District of Columbia government violates section 1341(a) or 1342 of this title, the head of the agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and

	<p>Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress.</p>
<p>31 U.S.C. 1352 Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions</p>	<p>None of the funds appropriated by any Act may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any Federal action described in paragraph (2) of this subsection.</p>
<p>31 U.S.C. 1501 Documentary Evidence Requirement For Government Obligations</p>	<p>An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of “(1) a binding agreement between an agency and another person (including an agency) that is— (a) in writing, in a way and form, and for a purpose authorized by law; and (b) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.”</p>
<p>31 U.S.C. 1502 Bona Fide Need</p>	<p>The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.</p>
<p>31 U.S.C. 1517 Antideficiency Act – Prohibited Obligations and Expenditures</p>	<p>An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding - (1) an apportionment; or (2) the amount permitted by regulations prescribed under section 1514(a) of this title.</p> <p>If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress.</p>
<p>31 U.S.C. 1535 & 1536 Agency Agreements Economy Act & Crediting payments from purchases between executive agencies</p>	<p>The head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if –</p> <ol style="list-style-type: none"> (1) amounts are available; (2) the head of the ordering agency or unit decides the order is in the best interest of the United States Government; (3) the agency or unit to fill the order is able to provide or get by contract the ordered goods or services; and (4) the head of the agency decides ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise. <p>An amount paid under section 1535 of this title may be expended in providing goods or services or for a purpose</p>

	<p>specified for the appropriation or fund credited. Where goods are provided from stocks on hand, the amount received in payment is credited so as to be available to replace the goods unless -</p> <ol style="list-style-type: none"> (1) another law authorizes the amount to be credited to some other appropriation or fund; or (2) the head of the executive agency filling the order decides that replacement is not necessary, in which case, the amount received is deposited in the Treasury as miscellaneous receipts. <p>This section does not affect other laws about working funds.</p>
<p style="text-align: center;">31 U.S.C. 1552 Closing Accounts</p>	<p>“On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.”</p>
<p style="text-align: center;">31 U.S.C. 1553 Expiring/Closing Appropriations – Availability of Appropriations to Pay Obligations</p>	<p>After the end of the period of availability for [new] obligation of a fixed appropriation account and before the closing of that account, the account shall retain its fiscal-year identity and remain available for recording, adjusting, and liquidating obligations properly chargeable to that account. [for five years per 31 U.S.C. 1552]</p> <p>After the closing of an account under section 1552(a) or 1555 of this title, obligations and adjustments to obligations that would have been properly chargeable to that account, both as to purpose and in amount, before closing and that are not otherwise chargeable to any current appropriation account of the agency may be charged to any current appropriation account of the agency available for the same purpose. The total amount of charges to a current appropriation account may not exceed an amount equal to 1 percent of the total appropriations for that account.</p> <p>In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount of obligations from that appropriation during a fiscal year for contract changes for that program, project, or activity to exceed \$4,000,000, the obligation may only be made if the obligation is approved by the head of the agency (or an officer of the agency within the Office of the head of the agency to whom the head of the agency has delegated the authority to approve such an obligation). In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount obligated from that appropriation during a fiscal year for that program, project, or activity to exceed \$25,000,000, the obligation may not be made until -</p> <ol style="list-style-type: none"> (A) the head of the agency submits to the appropriate authorizing committees of Congress and the Committees on Appropriations of the Senate and the House of Representatives a notice in writing of the intent to obligate such funds, together with a description of the legal basis for

	<p>the proposed obligation and the policy reasons for the proposed obligation; and (B) a period of 30 days has elapsed after the notice is submitted.</p> <p>In this subsection, the term “contract change” means a change to a contract under which the contractor is required to perform additional work. Such term does not include adjustments to pay claims or increases under an escalation clause.</p>
<p>31 U.S.C. 1555 Closing of appropriation accounts available for indefinite periods</p>	<p>An appropriation account available for obligation for an indefinite period shall be closed, and any remaining balance (whether obligated or unobligated) in that account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose, if -</p> <p>(1) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out; and</p> <p>(2) no disbursement has been made against the appropriation for two consecutive fiscal years.</p>
<p>31 U.S.C. 3302(b)/31 U.S.C. 1301(a)/18 U.S.C. 209 Concept of Augmentation of Appropriations</p>	<p>As a general proposition, an agency may not augment its appropriations from outside sources without specific statutory authority. When Congress makes an appropriation, it also is establishing an authorized program level. In other words, it is telling the agency that it cannot operate beyond the level that it can finance under its appropriation. To permit an agency to operate beyond this level with funds derived from some other source without specific congressional sanction would amount to a usurpation of the congressional prerogative. Restated, the objective of the rule against augmentation of appropriations is to prevent a government agency from undercutting the congressional power of the purse by circuitously exceeding the amount Congress has appropriated for that activity. While there is no statute which, in those precise terms, prohibits the augmentation of appropriated funds, the concept does nevertheless have an adequate statutory basis, although it must be derived from several separate enactments. Specifically, 31 U.S.C. 3302(b), the “miscellaneous receipts” statute, 31 U.S.C. 1301(a), restricting the use of appropriated funds to their intended purposes, and 18 U.S.C. 209, which prohibits the payment of, contribution to, or supplementation of the salary of a government officer or employee as compensation for his or her official duties from any source other than the government of the United States. Early Comptroller of the Treasury decisions often based the augmentation prohibition on the combined effect of 31 U.S.C. 3302(b) and 1301(a); and 18 U.S.C. 209.</p>
<p>31 U.S.C. 3528 Responsibilities and Relief from Liability of Certifying Officials</p>	<p>Certifying officers play a significant role in the accountability for public funds. A certifying officer is a government officer or employee whose job is or includes certifying vouchers (including voucher schedules or invoices used as vouchers) for payment. A certifying officer differs from other accountable officers in one key respect: the certifying officer has no public funds in his or her physical custody. Rather, accountability is statutorily prescribed because of the nature of the certifying function. A certifying officer’s liability is established by 31 U.S.C. 3528. Certifying officers are responsible for the legality of</p>

	<p>proposed payments and are liable for the amount of illegal or improper payments resulting from their certifications. The certifying officer is responsible for (1) the existence and correctness of the facts stated in the certificate, voucher, and supporting documentation; (2) the correctness of computations on the voucher; and (3) the legality of a proposed payment under the appropriation or fund involved.</p>
<p>31 U.S.C. 3902 Prompt Payment Interest Penalties</p>	<p>Encourages government managers to improve their bill paying procedures and provides for the use of interest penalties against the operating budgets of programs when managers fail to pay bills on time.</p>
<p>41 U.S.C. 11 Contracting Under Feed and Forage Act</p>	<p>The Feed and Forage Act gives DoD the unusual power to obtain goods and services prior to the enactment of an appropriations bill. Some restrictions apply, and the scope of the authority it grants is unclear. But these powers could be interpreted in a way that is sufficiently broad to sustain ongoing military operations for significant periods of time in the absence of enacted appropriations. The Secretary of Defense is required to advise Congress immediately of the exercise of this authority and to report quarterly on estimated obligations incurred under this authority.</p>
<p>41 U.S.C. 23 Project Orders</p>	<p>All orders or contracts for work or material or for the manufacture of material pertaining to approved projects heretofore or hereafter placed with Government-owned establishments shall be considered as obligations in the same manner as provided for similar orders or contracts placed with commercial manufacturers or private contractors, and the appropriations shall remain available for the payment of the obligations so created as in the case of contracts or orders with commercial manufacturers or private contractors.</p>
<p>5 U.S.C. 4501-4507 Government Employees Incentive Awards Act</p>	<p>The Government Employees' Incentive Awards Act authorizes an agency to use its operating appropriations to cover the "necessary expense for the honorary recognition of" the Government civilian employee or employees receiving the awards. It authorizes agencies to "pay a cash award to, and incur necessary expense for the honorary recognition of" employees.</p> <p>This Act does not apply to members of the armed forces. However, the uniformed services have similar authority, including the identical "necessary expense" language, in 10 U.S.C. 1124. Finally, the Government Employees' Incentive Awards Act is limited to government employees. Since no similar authority exists for persons other than government employees, an award may not be made to a nongovernmental employee who submits a suggestion resulting in savings to the government.</p>



Periods of Performance (POP)

	Funding Vehicle	RDT&E	Procurement	O&M
In-house (NAVAIR Field Activity) Level of Effort (LOE) Tasks	Economy Act Order (WR/WX)	No more than 2 months beyond fiscal year (i.e., 30 November) but in no case may performance extend beyond the obligational availability of the appropriation cited on the orders	No more than 2 months beyond fiscal year (i.e., 30 November) but in no case may performance extend beyond the obligational availability of the appropriation cited on the orders	Work completion date of 30 September (coincident with the fiscal year since Economy Act orders cannot extend the obligational availability of the appropriation beyond its legal limits which means the work completion date cannot extend beyond the funds expiration date)
Severable Service Contracts	Contract with a NTE 12-month period of performance	May be awarded any time during the fiscal year with a NTE 12-month period of performance	May be awarded any time during the fiscal year with a NTE 12-month period of performance	May be awarded any time during the fiscal year with a NTE 12-month period of performance
OEM/Prime Contracts	Contract	No more than 12 months POP from time of award**	POP reflects the completion date of the fully funded end item	POP through 30 September***
Nonseverable Efforts funded on Project Orders or Contracts	Contracts or Project Orders	POP on Contracts/Project Orders are reflective of the projected completion date of the effort (but performance may <u>not</u> extend beyond the funds cancellation date)	POP on Contracts/Project Orders are reflective of the projected completion date of the effort (but performance may <u>not</u> extend beyond the funds cancellation date)	POP on Contracts/Project Orders are reflective of the projected completion date of the effort (but performance may <u>not</u> extend beyond the funds cancellation date)
<p>*Exceptions approved by the individual Budget Divisions **Unless 18 month short-term contracts or 36 month contracts with educational institutions apply. ***Unless either the long lead-time procurement or stock level exceptions are applicable</p>				



Contract Sections

Appropriation	Section B	Section C	Section F	Section G	Section H
APN	X	X	X	X	
WPN	X	X	X	X	
OPN	X	X	X	X	
PAN&MC	X	X	X	X	
RDT&E,N	X	X	X	X	X
O&M,N	X	X	X	X	X

Note: When reviewing a new contract, review all the applicable clauses

When reviewing contract mods/amendments, 10.0 primarily reviews Sections B, C & F.

Parts of a Contract

Introduction	A contract is divided into four Parts that are subdivided into 13 Sections, each containing specific information that is used by the administrative contracting office (ACO).
Part I	Part I, the Schedule, is the first eight sections (Section A-H). Each section provides information that is necessary to input the contract into the Mechanization of Contract Administration Services (a database used by the Defense Contract Management Agency and the Defense Finance and Accounting Service to administer and pay contracts issued to defense contractors) and contains vital information regarding the payment terms.
Part II	Part II, Contract Clauses, consists of one section (Section I). This section provides the clauses that govern the performance of the contract. There are clauses in every contract awarded.
Part III	Part III, List of Documents, Exhibits, contains Section J of the contract. This section provides additional information on the payment terms.
Part IV	Part IV, Representation and Instructions, is three sections (Sections K-M) of the contract. Each section contains information used by the Procurement and Administrative Contracting Offices.

Sections of a Contract

Section A	SOLICITATION/CONTRACT FORM: This section of the contract contains the administrative
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	<p>data to include, but not limited to, the following:</p> <ul style="list-style-type: none"> • contract number • issuing office • administrative office • payment office • effective date • signatures • contract price, and • discount terms.
<p>Section B Review to ensure item description funds and quantities match budget</p>	<p>SUPPLIES OR SERVICES AND PRICE/COST: This section of the contract contains the description of the supplies and services and their costs. It specifies the quantity and measurement of the supplies and services to be delivered. Depending on the type of contract, it may also include the following:</p> <ul style="list-style-type: none"> • obligating Accounting Classification Reference Number(s) (ACRN) • Contract Line Item Number (CLIN), SUB-CLIN, Exhibit Line Item Number (ELIN), and SUB-ELIN • unit price • total price • inspection point • acceptance point • Free on Board (FOB) point • delivery schedule • delivery dates • receiving activity address, and • National Stock Number (NSN).
<p>Section C Review SOW which is essential to performing the 31 U.S.C. 1301(a) purpose review to ensure that the proper appropriation is being charged for the work specified/item.</p>	<p>DESCRIPTION/SPECS/WORK STATEMENT: This section contains a description of the items procured, including the SOW that the contractor uses for guidance.</p>
<p>Section D</p>	<p>PACKAGING AND MARKING: This section contains the instructions the contractor follows for special packaging and/or marking of the shipment of the materials purchased.</p>
<p>Section E</p>	<p>INSPECTION AND ACCEPTANCE: This section specifies who inspects the supplies and where the inspection occurs. The acceptance point is also identified.</p>
<p>Section F For procurement funds – Review the period of performance for contracts citing procurement funds to ensure that it is consistent with the data reflected on the P-5A and P-3a data. Installation of equipment is budgeted on an annualized basis,</p>	<p>DELIVERIES OR PERFORMANCE: This section contains the place of delivery. It also stipulates the government's required delivery schedule and documents the FOB point. The designation of dates and quantities for each delivery may also be cited here.</p>

so a delay in delivery can impact the budget.	
<p align="center">Section G</p>	<p>CONTRACT ADMINISTRATIVE DATA: This section contains the financial data for the contract (accounting and appropriation data, including the ACRN). Verify that the correct appropriation is being cited for the product/service being procured.</p>
<p align="center">Section H</p> <p>Applies to any contract for which funds will be put up in increments (e.g., R&D and O&M that is allocated quarterly). For R&D contracts, verify that the Limitation of Liability/Allotment of funds corresponds to the current funded value of the contract. The title Limitation of Government Liability/Allotment of funds is so reflected on the data sheet. Verify that the period of performance conform to the regulations governing that appropriation (e.g., annualization, specific efforts, incremental funding policy for R&D, etc.). For R&D – if this is an incrementally funded contract, we need to ensure that the effort is included in the budget for the period indicated in this section. The H clauses should restrict the period of performance for a given year. For R&D, review the incremental funding clause for period of performance and appropriateness of funding years involved. Ensure contract is incrementally funded over the life of the contract.</p>	<p>SPECIAL CONTRACT REQUIREMENTS: This section contains the clauses for the contract that are not standard. This includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> • special requirements/instructions to transfer, move, and/or invoice for items • instructions for awarding option items, and • warranty information.
<p align="center">Section I</p>	<p>Contract Clauses: This section contains what are considered the standard contract clauses. Some of the more familiar contract clauses that are in this section include:</p> <ul style="list-style-type: none"> • Quantity Variation • Performance Based Payments • Progress Payments • Commercial Item Financing • Withhold, and • Transportation.
<p align="center">Section J</p>	<p>List of Attachments: This section lists the attachments and exhibits to the contract, including but not limited to:</p> <ul style="list-style-type: none"> • Contract Data Requirements List (DD Form 1423) • Provisions Items • Contract Security Classifications, and • SOW
<p align="center">Section K</p>	<p>Representations, Certifications, Notice of Offerors</p>
<p align="center">Section L</p>	<p>Instructions, Conditions, Notice of Offerors</p>
<p align="center">Section M</p>	<p>Evaluation Factors for Award</p>



Funded Delivery Period

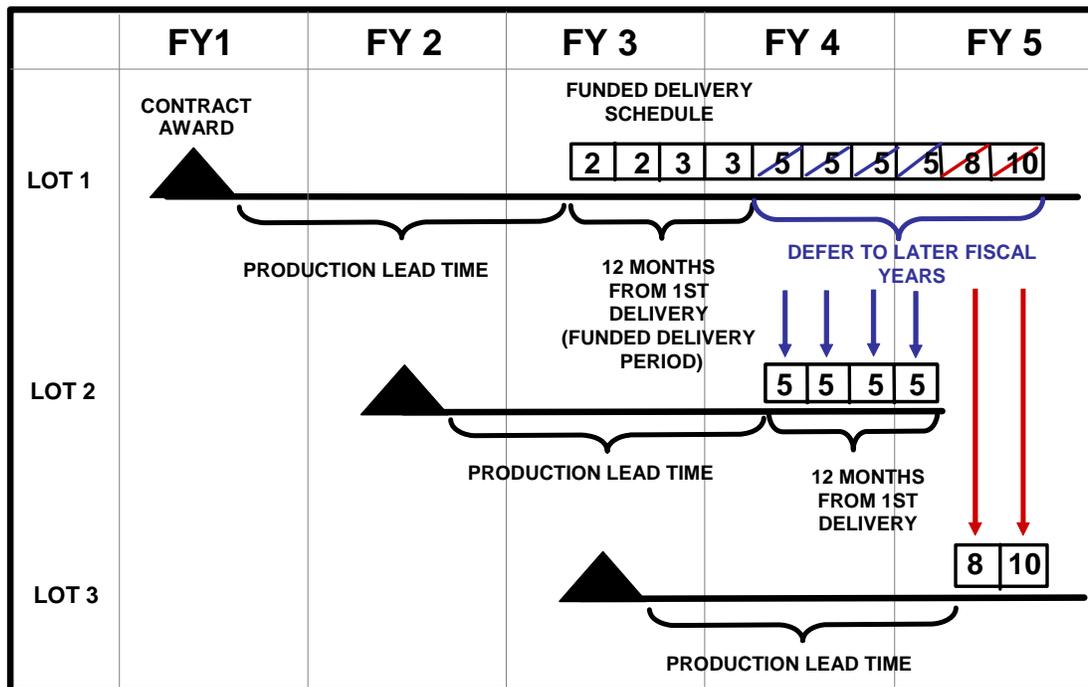
A funded delivery period encompasses a 12-month period that begins when the contractor delivers the first item of a fiscal year procurement. Confusion exists regarding this time period because, in many instances, accurate administrative and production lead-times (ALT/PLT) have not been included in the calculation. The calculation should begin with October 1. From this point in time, the ALT and PLT should be added. This amount of time plus the next 12 months are included in the funded delivery period. When excessive lead-times are included in the calculation, additional quantities are procured that could have been funded in the following fiscal year with no change in the delivery schedule.

Definitions:

Administrative Lead-time (ALT). This is the amount of time required to complete the administrative actions leading to contract award. In most cases, ALT actions do not require funding and can therefore be accomplished prior to October 1, at which time the next fiscal year's funding is appropriated. The ALT is used to forecast contract awards. Longer lead-times require that a larger quantity be purchased to support yearly requirements. Lead-times should therefore reflect an accurate assessment of the time required to process the administrative actions.

Production Lead-time (PLT). This is the amount of time required by a contractor to produce the first item after contract award until deliveries begin. Procurement Lead-time is the total of ALT and PLT. When used to determine quantity requirements, calculations should begin when the first ALT action begins.

Funded Delivery Period



12-Month Rule & Mod Programs

To calculate how many kits or equipment to buy in one fiscal year you must first calculate how many kits or equipment you can install in a 12-month period (since we budget on a fiscal year basis). This is based on the concept of a funded delivery period. It is most desirable to have no more than one quarter in the subsequent fiscal year (i.e. 2nd, 3rd, and 4th quarter of the first year, and then the 1st quarter of second fiscal year to complete the remaining aircraft). Make sure that you have at least 3 quarters of installations being done in the first fiscal year. What this method, or practice, does is ensures that we are not buying in advance of need for a given fiscal year. The risk if we do not follow this method or practice is that the program would be vulnerable to budget quantity reductions. Do not split 2 quarters in the first fiscal year and 2 quarters in the second fiscal year because your budget quantities will in all likelihood be reduced by 50% by the budget reviewers. In other words, exceeding the 12-month period looks like we are buying more than we need for that time period. Budget reviewers are always looking for weak areas and violating this budgeting practice gives them good cause to reduce budgets by the quantities that exceed the 12 month period because there should be no impact to the program schedule per se and the total obligational authority that FMB/OSD are taking from this program can be used to satisfy other bona fide needs of that same fiscal year for another program.



Appropriation Summary

Appn/ Treasury Symbol	Obligation Length	Funding Policy	Types of Costs Funded	Examples of Costs	Reprogramming ATR Threshold: Procurement \$20M R&D \$10M O&M \$15M
APN 1506	3 Years	Full Funding	Investments	<ul style="list-style-type: none"> • New Production Aircraft • Mods to Existing Aircraft • Initial Outfitting Costs • Peculiar/Common Support Equipment • Spares • Flight Simulators • Aircraft Test Equipment • Aircraft Technical Manuals/Publications 	Funds Allocated at the Line Item Level Reprogramming based on P-1 line item
WPN 1507	3 Years	Full Funding	Investments	<ul style="list-style-type: none"> • Missiles • Torpedoes • Weapons Support Equipment • Weapons Spares • Weapons Training Devices • Drones and Decoys 	Funds Allocated at the Line Item Level Reprogramming based on P-1 line item
PAN&MC 1508	3 Years	Full Funding	Investments	<ul style="list-style-type: none"> • Ammunition • General Purpose Bombs • Practice Bombs • Cartridges and Cartridge Actuated Devices • Airborne Rockets • Joint Direct Attack Munition • Linear Charges • JATOS • Decoy Flares • Marine Location Markers • Grenades 	Funds Allocated at the Line Item Level Reprogramming based on P-1 line item

Appn/ Treasury Symbol	Obligation Length	Funding Policy	Types of Costs Funded	• Examples of Costs	Reprogramming ATR Threshold: Procurement \$20M R&D \$10M O&M \$15M
OPN 1810	3 Years	Full Funding	Investments	<ul style="list-style-type: none"> • Passenger Vehicles • Combat Vehicles • Ship Sonar Systems • Catapults and Arresting Gear • Optical Landing Aids • Visual Landing Aids • Ship radars • Air Traffic Control Systems • Sonobuoys 	Funds Allocated at the Line Item Level Reprogramming based on P-1 line item
SCN 1711	5 Years but may be extended	Full Funding	Investments	<ul style="list-style-type: none"> • New Ship Construction • Ship Conversions • Major Reactivations • Ship Outfitting Costs • Ship Sail-away costs • Frigates • Aircraft Carriers 	Funds Allocated at the Line Item Level Reprogramming based on P-1 line item
RDT&E 1319	2 Years	Incremental	Expenses & Investments	<ul style="list-style-type: none"> • Scientific research and development • Analysis of Alternatives • Engineering and Design Models • Prototypes • LRIP articles to provide production configured or representative articles for operational test performed by an independent operational test agency • Initial pilot line and tooling for R&D test articles • Feasibility studies • Redesign efforts • R&D related minor construction projects ≤ \$750K 	Funds Allocated at the Project Unit Level Reprogramming based on R-1 line item

Appn/ Treasury Symbol	Obligation Length	Funding Policy	Types of Costs Funded	• Examples of Costs	Reprogramming ATR Threshold: Procurement \$20M R&D \$10M O&M \$15M
O&M,N 1804	1 Year	Annual	Expenses	<ul style="list-style-type: none"> • SYSCOM headquarters operating budgets (salaries and support costs) • Minor construction projects ≤ \$750K • Phased Depot Maintenance and Intermediate Maintenance • Support of in-service (i.e., operational) or out-of-production systems 	Funds Allocated at the Project Unit Level Reprogramming based on Budget Activity (Crossing BAs requires FMB approval and some SAGs are special interest)
O&M,NR 1806	1 Year	Annual	Expenses	<ul style="list-style-type: none"> • Operating costs of the Navy Reserve forces and maintenance of assigned equipment • Engineering Technical Services to Reserve forces • Contracted aviation maintenance services • Flying hour program • Intermediate and depot maintenance activities 	Funds Allocated at the Project Unit Level Reprogramming based on Budget Activity (Crossing BAs requires FMB approval and some SAGs are special interest)

