

Chapter 20

ACCRUED EXPENDITURES UNPAID (AEU)

20-1. Concept. Accrued expenditures unpaid (AEU) are a part of total obligations. Therefore the related transactions must conform to the policies and procedures in DFAS-DE 7000.4-R (formerly AFR 170-8) as outlined in paragraph 19-1 of this regulation. DoDFMR, volume 4 (formerly AFR 177-11, Accounting and Reporting for Accrued Expenditures and Revenues), establishes uniform criteria for determining the time, or point in the procurement process, at which specific types of transactions become AEU; it also sets forth requirements for acceptable documentation to support the amounts owed. The guidance in DoDFMR, volume 4, supersedes any conflicting instructions in this regulation on accounting and reporting for accrued expenditures and revenues.

20-2. AEU Stage in Fund Accounting. AEU is the third stage in the process of accounting for funds received. When the next and final stage (that is, AEP) occurs, these entries are reversed. In some cases, the first recording of a transaction may be the AEP stage. If so, it is unnecessary to record an AEU, UOO, or an unobligated commitment. For example, when an AFO replenishes an imprest fund, record the payment as AEP.

20-3. Recordable AEU. Actual or estimated unpaid liabilities for: all contractual or other services performed; goods or other tangible property physically or constructively received; interest payable to commercial vendors under the prompt payment act (DFAS-DE 7010.2-R (formerly AFR 177-102), paragraph 11-4 and 12-5); and amounts becoming owed for which no current service or other performance is required (for example, annual leave on termination of service, retired pay, and some grants). Give special attention to the part of the concept of constructive receipt in DoDFMR, volume 4 (formerly AFR 177-11) that requires AEU to be established in the amount of work performed on tangible items, to the government's specifications, under contracts or special agreements. The amount of work performed may be measured in terms of costs incurred plus earned profit or fee, or percent of completion, whichever is most appropriate. For example, amounts shown on contractor billings which are withheld from payment (holdbacks) under progress payment provisions of contracts, or under payment provisions of cost reimbursable contracts, qualify as amounts performed or earned under this concept and therefore qualify as AEU. Amounts under other contracts involving special manufacture or fabrication of tangible items, or performance of services, constitute AEU to the extent that work has been performed, regardless of completion status, delivery status, or the fact that work performed has not been accepted by the government. Post AEU in amounts obtained from documents on file. Make up administrative or internal documents to back up the recording of accruals, where circumstances permit determination of the actual amount or a reasonable estimate. For example, make up these documents for annual service contracts where the monthly performance can be reasonably determined, for utility and communication services furnished, and for construction, maintenance, and repair services performed locally.

20-4. Centrally Administered Contracts. Documentation to support accruals under contracts centrally administered and paid is available only at Defense Logistics Agency (DLA) paying stations. These central activities perform all AEU accounting for these contracts and report directly to DFAS-DE/AD. These procedures apply at the levels indicated with respect to accruals under centrally administered contracts:

a. DFAS-DE/AD. For departmental reporting purposes, DFAS-DE adds these data to field-reported AEU, except for amounts relating to contracts funded by O&M appropriation (57*3400) and stock and industrial funds.

b. Accountable Stations:

(1) For O&M appropriation (57*3400) contracts centrally administered, accountable stations post and report the related AEU based on the best estimates available. (Also include these estimates in the status of funds data base transmission RCS: HAF-ACF(AR)7801 report.)

(2) For centrally administered contracts other than those funded by O&M appropriation (57*3400) accountable stations post only the UOO and AEP stage, bypassing the AEU stage.

(3) Accountable stations do not include accruals for centrally administered contracts in their records and reports, other than O&M appropriation (57*3400), since this would result in major duplications at departmental level.

c. Industrial Fund Division Accounting and Finance Offices (DAFOs). Industrial fund DAFOs receive data on centrally-administered contracts:

- (1) The Defense Contract Management Operations Office (formerly AFCMD) reports AEU for industrial funds direct to accountable industrial fund DAFOs (see DFAS-DE 7220.2-R (formerly AFR 177-120)).
- (2) DFAS-DE relays DLA AEU data for industrial funds to industrial fund DAFOs.
- (3) Industrial fund DAFOs include data in (1) and (2) above in monthly financial statements per applicable directives.

d. Stock Funds. DFAS-DE/AD receives AEU data from the DLA paying stations. This data is included in financial statements per applicable directives.

20-5. Locally Administered Contracts and Contracts Administered by One Base or Activity for Another:

- a. Accountable stations make sure that accruals associated with such contracts are properly accumulated and reported. Use estimates or, if necessary, request paying station to furnish AEU data.
- b. If requested, paying stations furnish AEU data to accountable stations cited in funding documents. To avoid duplication, do not include holdbacks on progress payments (see d and e below).
- c. DFAS-DE centrally applies in-transit payments and collections at month-end as a reduction of field-reported accounts payable and receivable.
- d. DFAS-DE computes holdbacks on in-transit progress payments made by other than DLA paying offices and increases field-reported AEU.
- e. To preclude duplication at departmental level (see d above), accountable stations post holdbacks on these contracts only after posting the related progress payment.
- f. Accountable stations may simultaneously obligate and expense locally administered service and real property facility contracts and orders under \$1,000. When this takes place, do not duplicate AEU based on documentation received later supporting the payable.

20-6. Terminated Contracts. Post termination settlement costs as AEU immediately on termination of the contract or contract item. The termination contracting officer (TCO) estimates the funds required to settle the termination claim. See FAR, section 49.105-2. See chapter 25 of this regulation for additional information on claims to be paid from expired and closed accounts. Release funds obligated under the contract in excess of this estimate. FAR 49.604 gives the format for the TCO to use to report estimate of settlement costs and the excess funds available for release. Use the TCO's estimate shown in the request for Release of Excess Funds Under Terminated Contracts to support accruals for termination settlement costs. Furnish copies of this request to paying offices and accountable stations whose funds are cited in the related contract. Using the TCO's estimate of settlement costs shown in these requests, these procedures apply:

a. Paying Offices. DLA paying offices include accruals for termination liabilities of centrally administered contracts, other than O&M appropriation contracts, in their monthly AEU reports.

b. Accountable Stations. Accountable stations for locally administered contracts and centrally administered O&M appropriation contracts include accruals for termination liabilities in their monthly AEU report.

NOTE: Accountable stations deobligate excess funds on all terminated contracts (including those centrally administered) only on receipt of SF 30, Amendment of Solicitation/Modification of Contract, or other administrative document issued as a result of the request for Release of Excess Funds Under Terminated Contracts. Do not deobligate based on the request for release of excess funds.

20-7. Reconciliation and Validation. Reconcile ULOs, including AEU, as prescribed in paragraph 19-5 of this regulation. See DoDFMR, Volume 6 for supplemental status of funds reporting requirements.