

CHAPTER 25

EXPIRED AND CLOSED APPROPRIATION ACCOUNTS

Section A--General Information

25-1. Appropriation Life Cycle. Air Force appropriations are normally one-year or multiple-year appropriations and are available for incurring new obligations during their period of availability. The National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510, November 5, 1990) made major changes to the appropriation life cycle. At the end of the period of availability, 30 September of the particular year, the appropriation expires, and it is no longer available for new obligations. Upon expiration, the obligated and unobligated balances in the appropriation retain their fiscal-year identity in an "expired account" status for an additional five years. During this five-year period, the expired account is available for liquidating the obligations and for making legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make within-scope upward adjustments to previously recorded obligations. At the end of the fifth expired year, the appropriation account is "closed". Any remaining unexpended balance (unliquidated obligations plus unobligated balance) is canceled and returned to the general fund of the Treasury, and is thereafter no longer available for obligation or disbursement for any purpose. Once the account has been closed, if payment of either a canceled obligation or a future within-scope upward adjustment becomes necessary, it must be charged to an appropriation currently available for the same general purpose at the time the payment is made. The use of current-year funds is subject to the limitations and procedures discussed in paragraph 25-7. Collections received after an account closes must be credited to receipt account "57 3200.XXXX (appropriate four-digit limit)", "Collections of Receivables from Canceled Accounts," (see paragraph 25-8).

25-2. Contract Changes. Per Public Law 101-510, contract changes applicable to expired and closed account obligations require special monitoring for possible reporting to DoD(C) and, in some cases, Congress. Contract changes for this purpose are defined as within-scope contract modifications that require the contractor to perform additional work. They do not include upward obligation adjustments to pay such things as award fees, price escalation clause adjustments, ratification actions, certain types of claims, or contract clause contingencies. Under the law, within-scope contract changes that may be financed with prior year funds, must be approved by DoD(C) when the funds required for the program, project, or activity (PPA) exceed \$4 million during a fiscal year (cumulatively against the PPA for a fiscal year). DoD(C) must notify Congress of contract changes to a PPA that exceed a cumulative \$25 million during a fiscal year. This function is performed by SAF/FMBMC based on information collected from its approval of contract change adjustments over \$100,000 and the monthly reports it receives from the field on adjustments made for \$100,000 and less. NOTE: Any contract change made to the PPA after the \$4 million threshold is met will have to be reviewed by DoD(C) including those items under \$100,000. (See DFAS-DE 7000.4-R (formerly AFR 170-8) for scope determination guidance.)

25-3. Foreign Currency Fluctuation Obligations and Payments.

a. The following guidance applies to making payments from expired and closed account appropriations that have a foreign currency centrally managed allotment (CMA) account. When obligations were originally recorded during a current year, they were recorded at the budget rate and should remain at that rate until paid or until the account closes.

b. Payments applicable to one of the expired years should follow current procedures, i.e., liquidate the obligation that is recorded at budget rate by charging the expired appropriation for that amount and then charge or credit any difference to the appropriate CMA account.

c. Payment of canceled obligations applicable to closed appropriation accounts must be paid from a current year appropriation for the same general purpose. For those involving a foreign currency fluctuation CMA, payment must be charged to the basic current year appropriation at the current year budget rate. The difference between the budget rate and the rate current when payment is made must be charged or credited to the appropriate foreign currency fluctuation CMA. Only the amount charged to the basic current year appropriation is coded with ESP code ZC and applied against the 1 percent limitation (see paragraph 25-7).

25-4. Approval Procedures for Upward Obligation Adjustments, Within-Scope Contract Changes, and Use of Current Appropriations to Fund Payments Applicable to Closed Appropriations.

a. Upward obligation adjustment over \$2 million and within-scope contract change requests over \$100,000.

(1) Upward obligation adjustments over \$2 million, including accounting error correction transactions, and within-scope contract changes greater than \$100,000 that involve any individual action or contract applicable to expired or closed accounts must be approved by SAF/FMBMC before the obligation adjustment is incurred and recorded in the accounting records. Obligations may not be the net of upward adjustments against downward adjustments to avoid this approval requirement.

(2) MAJCOM/FOA/DRU comptrollers must provide the following information to SAF/FMBMC when requesting upward obligation adjustment and within-scope contract change approvals over these thresholds:

- (a) Program and/or project name.
- (b) Name of contractor or vendor.
- (c) Contract number.
- (d) Date of original contract.
- (e) Type of contract. If a time and materials contract, indicate whether the effort is/is not severable.
- (f) Contract purpose.
- (g) Appropriation.
- (h) Fiscal year of adjustment.
- (i) Budget program account code (BPAC) for procurement funds, budget authorization account number (BAAN) for Military Family Housing and Military Construction funds, and program element (PE) for RDT&E and O&M funds.
- (j) Amount of the adjustment.
- (k) Expected obligation/liquidation date for the adjustment.
- (l) Amount of additional obligation authority needed, if any.
- (m) Purpose of the adjustment. There may be situations where more than one condition is applicable. Cite all conditions to expedite processing to the request. Include the name, title and telephone number of the contracting and/or legal personnel making this determination. Select from the following list of standardized purposes: claims, contract close-out costs, incentive fee, award fee, administrative error, cost overrun, price inflation (escalation or economic price adjustment), foreign currency fluctuations costs, contract definitization and reprocurement.
- (n) Justification for using expired funds or current funds when the appropriation properly chargeable has been closed. This justification should be complete and explain why an adjustment is properly chargeable to the type of funds requested. Do not merely restate the purpose of the contract. State what events have occurred that require an increase in the amount of funds originally obligated for this effort. When the increase is caused by a design or specification change, state when the change was incorporated into the contract. If the increase is due to an estimating error, explain the basis of the original estimate. For research, development, test, and evaluation appropriation (57*3600) upward adjustments, provide the period of performance as well as the date of the contractual instrument authorizing the work. For all adjustments, include supporting and convincing arguments for justifying the obligation of expired or current year funds.
- (o) Current amount obligated against this contract.
- (p) Total amount obligated for the program, project, or activity.
- (q) Amounts previously deobligated from this contract or other relevant obligating document.
- (r) Amounts previously deobligated for the program, project, or activity.
- (s) Identify the appropriation to be used for funding the adjustment. If current year funds must be used to support an upward obligation adjustment related to a closed account, indicate this requirement. If expired year funds are used to support an upward adjustment, only identify the appropriation to be used. Even though no other additional information must be supplied, the certifiers of the request must verify that statutory limits are not exceeded by the increase in funding.
- (t) Source of deobligations, if applicable. State contract number, fiscal year, appropriation and PE, BPAC, MFP/BA, or project for each deobligation that will finance the upward obligation adjustment.

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(u) Determination that this adjustment is a within-scope contract change. Applicable definition for within-scope contract change is contained in paragraph 25-2 of this guidance. Include the name, title, and telephone number of the contracting officer making this determination (along with the name of any legal personnel providing advice, if desired). Signature required.

(v) Determination that this adjustment is a proper charge to the funds identified in (g), (h), and (i) above. Include the name, title, and telephone number of the Financial Service Officer making this determination. Signature required.

(w) Determination that the adjustment will not exceed the statutory and administrative limits per DFAS-DE/AF Interim Guidance, Procedures for Administrative Control of Appropriation and Funds Made Available to the Department of the AF, and public law (authorization/appropriation bill limitations) established for the program, project, budget line, or appropriation. Include the name, title, and telephone number of the Budget Officer making this determination. Signature required.

(x) Any upward obligation adjustment request over \$2 million or within-scope contract change request in excess of \$100,000 must be signed by the MAJCOM/FOA/DRU comptroller before forwarding to SAF/FMBMC. We recommend that the packages be prepared at the lowest level (i.e., action officer/FM personnel at base level) with a cover letter from the MAJCOM/FOA/DRU comptroller. Approval authority at the MAJCOM comptroller level may be delegated to the MAJCOM Director of Budget. SAF/FMBMC will return to the sender all upward obligation adjustment and within-scope contract change requests where the requesting signature is at a level lower than MAJCOM/FOA/DRU comptroller or delegated FMB.

b. Upward obligation adjustments \$2 million or under and within-scope contract changes \$100,000 or less. Other than 7040 and 3300 appropriations, expired or closed appropriation account upward obligation adjustments \$2 million or under and within-scope contract changes \$100,000 or under shall be approved by MAJCOM/FOA/DRU comptrollers. All 7040 and 3300 upward obligation adjustments and within-scope contract changes must be reviewed by SAF/FMBIC. Approval may be delegated below MAJCOM level provided such adjustments are clearly identified and periodically reviewed at MAJCOM level. Supporting documentation regarding these adjustments must be readily available to support reporting requirements to DoD(C) and Congress. MAJCOMs must be assured that all necessary reviews are conducted at lower levels prior to submission.

c. Inquiries for status on requests. Base activities should follow-up with MAJCOM budget offices regarding information on requests forwarded to SAF for approval. SAF/FMBMC will provide status information in response to MAJCOM/FOA/DRU budget office inquiries. Lower levels should work through the MAJCOM/FOA/DRU for information regarding status. Under no circumstances will SAF/FMB provide information to contractor inquiries. Contractor questions should be directed to the program offices.

d. Timing of requests for adjustment. Emergency requests will be worked on a case-by-case basis for valid urgent requirements. Requests for upward adjustments or within-scope contract changes should routinely be submitted at least two weeks in advance of the need, to allow time for staffing. At fiscal year-end all requests should be submitted not later than 10 September. Any request after 10 September should be discussed with FMBMC prior to submission. The time for staffing will increase for adjustments: without funding sources at the MAJCOM level, of accounts under dispute, on accounts that SAF/FMB may request SAF General Counsel review, or on accounts that may have to go to DoD(C) for approval.

Section B--Expired Appropriation Accounts

25-5. General Information. When an appropriation expires, it has 4 distinct balances in the account: (1) unliquidated obligations made up of undelivered orders outstanding (UOOs) and accrued expenditures unpaid (AEUs), (2) accrued expenditures paid (AEPs), (3) unobligated balance, and (4) commitments for contingent liabilities and other necessary fund reservations. These 4 balances exist throughout the 5-year expired period of the appropriation. The unobligated balance is available for obligation adjustments, but not new obligations, until the expired account is closed after the fifth expired year. Because expired appropriations continue to be available for obligation adjustments, field-level funding documents (allocations, allotments, etc.) will remain. Fund authorizations established by these funding documents remain in effect until they are revised or until the expired appropriation is closed at the end of the fifth expired year. Obligations cannot exceed the amount of these authorizations. Any limitation on obligations

applicable to an appropriation continue to apply to that appropriation during the 5-year period following expiration of the appropriation. All commitments must be canceled at the end of the fifth expired year.

Section C--Closed Appropriation Accounts

25-6. General Information:

a. Fixed year appropriations are closed at the end of the fifth expired year. Any remaining unexpended balance (unliquidated obligations plus unobligated balance) in the appropriation is canceled by Treasury and is not available for obligation or expenditure for any purpose. If it becomes necessary to pay a closed account unliquidated obligation, or a within scope adjustment to an obligation, current-year funds which are available for the same general purpose must be used, i.e., use current O&M to pay a closed O&M obligation (see paragraph 25-7). Any collections applicable to a closed account must be deposited into receipt account 573200.XXXX (appropriate four-digit limit), Collections of Receivables from Canceled Accounts (see paragraph 25-8).

b. Public Law 101-510 provides that the original appropriation authority of a closed account cannot be exceeded and that the provisions of the Anti-deficiency Act still apply. Therefore, if a disbursement, a collection, or an adjustment to obligations applicable to a closed account occur, although current year funds and receipt accounts are used, postings must also be done in the closed account records (see procedures below). Thus, when an appropriation closes, the year-end conversion process will move the closing appropriation account funding authority, obligation, and expense records to fund type "X" and the reimbursable records (balance identifier [BID] codes J, D, F, and R) to fund type "Z". The fiscal year identity will be maintained indefinitely with "M" being the fiscal year identity for all appropriations that expired at the end of FY 88 and prior (appropriations that had been transferred into the M account before it was eliminated). Appropriations that expired at the end of FY 89 (for example, 57 9 3400, 57 8 3600, 57 7 3010, and 57 5 3300) and after will maintain their original appropriation year.

25-7. Use of Current Appropriations.

a. Public Law 101-510 permits the use of current appropriations for the same general purpose to finance payment of obligations and upward obligation adjustments applicable to closed appropriations.

b. The amount that may be obligated and paid from a current appropriation is limited to the lesser of:

(1) One percent of the total original current appropriation amount. This means 1 percent of the direct program at appropriation level. For multi-year appropriations, the 1 percent limitation applies to each of the appropriations that have not yet expired for obligation purposes. Any of the unexpired years may be charged, but generally the oldest appropriation would be used first up to its 1 percent limit. The 1 percent limitation will be controlled through limitations placed on funding documents.

(2) The unobligated balance of the current appropriation at the time of payment.

c. Requests for approval to use current-year funds must follow the same procedures and thresholds as those described in paragraph 25-4.

d. When using current year appropriations to fund obligations that would otherwise have been properly chargeable to a closed appropriation, record the obligation only when payment is imminent and will be made during the current FY. If payment is not made before the current-year funds expire, the obligation must be canceled and recorded against a subsequent current FY, i.e., current-year funds must be used when the payment is made.

e. The use of current appropriations to cover obligations and payments that would otherwise have been charged against a closed appropriation must be identified for monitoring the 1 percent limitation. This is done by using emergency and special program (ESP) code "ZC". The program summary record (PSR) used to record the obligation and payment against the current-year appropriation must be coded with an ESP code of "ZC". Do not use this code when increase-in-scope contract adjustments are funded by current appropriations, because they are not obligations applicable to a closed account.

f. Anytime an obligation is paid using a current-year appropriation that would otherwise have been charged against a closed account, corresponding expense/liquidating (AEP) entries must be made to the appropriate closed account records in fund type "X". Record a disbursement against the appropriate closed account PSR using ESP code of "PA". This ESP code is to be used exclusively for the recording of expenses (AEP) in a closed account for disbursements made against a current-year appropriation coded with an ESP code "ZC". When recording AEP amounts to closed accounts use merged accountability and

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fund reporting (MAFR) code "8". This MAFR code is to be used solely for the recording of BID codes "E" and "R" for closed accounts. Its use does not affect daily MAFR cash reconciliations and will not appear on the daily appropriation summary list (DASL) or be reported in the 7113 report.

g. Disbursing (paying) offices receiving invoices for payment of unliquidated obligations in a closed account will:

(1) Place the invoice on hold and within 7 work days of invoice receipt issue a dated request notification to the accountable station (fund holder that is financing and has the obligation on its books in a closed account) that current funds are required to make payment of the invoice(s) on hold. Include the payee, invoice date, amount, contract number or purchase order, complete fund cite, including accounting classification reference number (ACRN) if applicable, and dollar amount of current year funds needed. Include a 30-day suspense date for the fundholder's reply, a point of contact at the paying office with phone and fax numbers, and email address.

(2) Accumulate copies of all notifications issued during the month for each military department and forward them to DFAS-AAIP/DE, 6760 East Irvington Place, Denver, CO 80279-8000. Copies are due by the 4th workday after month-end.

(3) Upon receipt of a current year fund cite, schedule the invoice for payment and pay the invoice or bill within 10 work days from date fund cite was received.

(4) Submit a monthly report to DFAS-AAIP/DE showing the status of all on-hold invoices, i.e., those awaiting current fund cites, or if funds have been received, funding receipt date and payment date. Reports are due 4 workdays after month-end. Submit reports by datafax to DFAS-AAIP/DE, DSN 926-6220 or commercial (303) 676-6220. Reports can be submitted by email after contacting DFAS-AAIP/DE, DSN 926-7227 or commercial (303) 676-7227, for the proper email address. DFAS-AAIP/DE needs this information in order to be able to report to DFAS-HQ the status on all requests for current year funding to pay closed account obligations.

(5) If current fund cites have not been received after 5 months from initial notification date, immediately (5 work days after expiration of the 5-month period) notify the fundholder and provide a copy for the fundholder's FM/comptroller. Copies of the notifications for the FM/comptrollers should be sent to DFAS-AAIP/DE, in the same manner as provided in subparagraph 2 above, for distribution to the FM's. This follow-up notification must include another request for current funds and advise the fundholder that in 30 days, (which will be 6 months after the initial notification date) the DoD Deputy Comptroller (program/budget) (DC(P/B)) will withdraw current year funds from the DoD component sufficient to cover payment of the on-hold invoices.

(6) If current year fund cites have not been received after 6 months from initial notification date, advise DFAS-AAIP/DE within 10 work days, giving the basic closed account symbol charged with each invoice on hold, and the total amount of currently available funds needed by account symbol. DC(P/B) will then withdraw the necessary funds and reallocate them back for the specific purpose of paying such invoices.

25-8. Collections Received Applicable to Closed Accounts.

a. Collections that would have otherwise been collected into an account before it was closed must now be collected into receipt account 573200 (requires a limit), Collections of Receivables from Canceled Accounts. Limit ".0001" must be used to record the collection of refunds, and limit ".0002" must be used to record the collection of reimbursements.

b. Collections deposited into 573200 (with a limit) require a corresponding entry to the appropriate closed account in either fund type "X" or "Z". When the collection is recorded, the closed account PSR entry must be coded with ESP code "XC" and MAFR code "8". Using MAFR code "8" does not affect daily MAFR cash reconciliations and will not appear on the daily appropriation summary list (DASL) or be reported in the 7113 report.

(1) If the collection deposited into 573200.0001 has a refund receivable recorded in the closed account in fund type "X", liquidate the receivable at the time you record the collected amount to the closed account PSR record coded with ESP code "XC".

(2) If the collection deposited into 573200.0002 has a previously established order in the closed account in fund type "Z", liquidate the unfilled order (BID D) or filled order uncollected (BID F) at the time you record the collected amount to the closed account PSR record coded with ESP code "XC".

25-9. For-Others Transactions that Affect Closed Accounts. Do the following when you are making a disbursement or collection to a current account that would otherwise have been for a closed account of another accountable activity:

- *a. Record for-others (miscellaneous) disbursements against the current account being charged with an ESP code of "ZC". This also applies to non-Air Force appropriations.
- b. Record collections to receipt account 573200 when the collection is for an Air Force account. There is no limitation used unless you are both the disbursing and accountable station.

25-10. By-Others Transactions that Affect a Closed Account.

- a. When an accountable activity is contacted by a disbursing activity requesting approval to cite current-year funds to pay a closed account obligation, the accountable activity should record the approval as an AEU with an ESP code "ZC" against the current-year funds authorized for use. The disbursing activity should be requested to add ESP code "ZC" to the hard-copy voucher being sent to the accountable activity.
- b. When an accountable activity receives a by-others transaction citing ESP code "ZC" on the supporting voucher, liquidate the recorded AEU with ESP code "ZC" if so recorded, otherwise, record the disbursement transaction against a current-year address with an ESP code of "ZC". Also record the liquidation of the obligation in the appropriate closed account using ESP code "PA".
- c. When an accountable station receives a by-others transaction after an account closes but the transaction occurred before closure, record the transaction in the closed account only, fund type "X" or "Z", and do not use the special closed account ESP codes. Current accounts are not affected.
- d. Record by-others in closed accounts using MAFR code "8" and transaction type "O".

25-11. Reconciliation Procedures. Do a reconciliation each month between current month disbursements coded with ESP "ZC" and closed accounts coded with ESP "PA". Also do a monthly reconciliation between 573200.0001 and ESP "XC" in fund type "X" plus another one between 573200.0002 and ESP "XC" in fund type "Z". The purpose of these reconciliations is to ensure disbursements and collections entered at the accountable station are properly recorded in both sets of records, i.e., current and closed.

25-12. Fund Control. After an account is closed, administrative subdivisions (allocations, suballocations, allotments, or operating budget authorities) distributing Air Force funds to MAJCOMs/FOAs and by them to operating activities are no longer in effect. Also, the limits imposed administratively on funding documents under the authority of 31 U.S.C. 1517 no longer apply. Since administrative subdivisions are no longer in effect, violations cannot occur at that level. However, statutory limits, such as the current limit of \$300,000 on the use of O&M funds for minor construction, remain in effect and must not be exceeded. After closing, gross obligations against appropriation availability in closed accounts are monitored at appropriation level by DFAS-DE/ADRA. If appropriation availability is ever exceeded, specific instructions will be issued at the time such a violation occurs. If closed account obligations are subsequently increased by valid upward adjustments, fund type X records should be adjusted accordingly.

25-13. Progress Payments.

- a. Unrecouped progress payments charged to appropriations before they were closed must be transferred to fund type "X" as progress payments and not applied in reduction of unliquidated obligations.
- b. Progress payments charged to closed accounts will be recouped as a previous payment against invoices submitted for payment after the amount charged for the related obligation has closed. Only the net amount due the contractor, after deduction of the progress payment charged to the closed account, will be paid from a current appropriation.
- c. In fund type "X", apply the progress payment in reduction of the related obligation and follow procedures in paragraph 25-7 above to record in the current account and in fund type "x" the net payment to the contractor that was charged to a current account. The net payment plus the progress payment then liquidates the contract obligation in the closed account to the extent of the gross amount of the invoice.
- d. Procedures in DFAS-DE 7010.2-R, paragraph 17-14 require posting the amount of outstanding (unrecouped) progress payments, identified with a 9940, to summary general ledger account (GLA) 166 at the end of each month and the reversal of this posting at the beginning of the next month. (For Fund Codes (FC) 11, 15, 17, and 29, the 9940 should appear in the material program code (MPC) field on the TRT, and

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for FC 30 the 9940 should appear in the last four columns of the BPAC field on the TRT, columns 61-64.) The same requirements apply to outstanding progress payments in closed accounts. September 30 of the fiscal year in which an expired account closes, post the unrecouped progress payments to GLA 166 and reverse this posting on October 1. The yearend conversion will automatically change the expired accounts to closed accounts in fund type "X" leaving all other data intact. The amount posted to FLA 166 will be the expenditures in 9940 remaining after liquidations that may have occurred during the month.

Liquidations occur when progress payments are reversed out of 9940 and applied to the liquidation of the contract obligation. There are two exceptions to posting 9940 progress payments to GLA 166. The first exception is for minor construction progress payments in FC 30 and EEIC 529. These progress payments are reported in another GLA through a different process. The second exception is for progress payments made from department 97 (DoD) funds. Do not include department 97 9940 progress payments in GLA 166 because this GLA is only for Air Force, Department 57, funds. When reporting GLA 166, footnote fund type "X" successor "M" year progress payment totals, one total for all positive, debit, 9940 amounts and one total for all negative, credit amounts.

25-14. Reporting. Closed accounts must be reported monthly in your data base transfer (DBT) report for both BQ and CPAS. For DBT reports out of the BQ system, an asterisk is required in position 77 of the control record. The monthly reporting is necessary so closed accounts can be monitored for Anti-deficiency Act violation purposes. The reported information is also provided to Air Force Budget so it can carry out its responsibilities in approving any within-scope upward adjustments to closed account obligations that would be paid using current-year funds.