DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT)
WASHINGTON, D.C. 20350

0 3 AUG 1995

MEMORANDUM FOR DISTRIBUTION

Subj: RECORDING OBLIGATIONS FOR PROBLEM DISBURSEMENTS

Ref: (A) USD(C) Memo, Subj: Obligation of Amounts for Unmatched Disbursements and Unliquidated Obligations of 30 Jun 95

Encl: (1) Procedures for Obligation of Amounts for Problem Disbursements

Reference (a) directed the Department of the Navy to record obligations for unresolved problem disbursements meeting the following criteria:

1. All problem disbursements in accounts that canceled on or before 30 September 1994

2. All problem disbursements in accounts that will cancel on 30 September 1995

3. Problem disbursements that have occurred after 31 March 1994, are 180 days old or older, and are in active and expired accounts, other than those that will close on 30 September 1995.

My office will assume responsibility for recording obligations for problem disbursements in the canceled accounts. Addressees are responsible for recording obligations for accounts canceling on 30 September 1995 and all other active and expired accounts, including the Defense Business Operations Fund (DBOF) and Foreign Military Sales (FMS) accounts.

The Under Secretary of Defense (Comptroller) (USD(C)) has expressed concern that the Department is not moving forward in implementing the direction provided in Reference (a). The Defense Finance and Accounting Service has been able to provide some data which can be used to record obligations for unresolved problem disbursements in accordance with USD(C) guidance. You are directed to use that data and the data available within the accounting systems to immediately post obligations to cover problem disbursements meeting criteria 2 and 3 above. Addressees

supported by the Standard Accounting and Reporting Systems (STARS) should make every effort to post the obligations in the July 1995 accounting reports.

Guidance for posting obligations to cover problem disbursements, excluding the DBOF and FMS accounts, is provided as Enclosure (1). A complete guidance package for posting obligations to cover problem disbursements for all DON funds will be provided under separate cover.

Gladys J. Commons

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Principal Deputy
Assistant Secretary of the Navy
(Financial Management)

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Procedures for Obligation of Amounts For Problem Disbursements

I. General:

A. In compliance with the USD(C) direction, an obligation is to be recorded for problem disbursements greater than 180 days old for the following conditions:

- o Disbursements that occurred after 31 March 1994 and have not been matched to the proper obligation within the 180 days following the date of the disbursement. This will be done on a continuing basis.

- o Disbursements charged to an appropriation that is scheduled to close on 30 September 1995, irrespective of the date the disbursement was made, that have not been matched to the proper obligation. This will be done on a continuing basis.

- o Disbursements charged to an appropriation that closed on or before 30 September 1994, that are not now matched to the proper obligation.

B. Obligation for problem disbursements are not required at this time for the following categories:

- o Disbursements made before 31 March 1994 that have not been matched to the proper obligations and are NOT charged to an appropriation that is closed or an appropriation scheduled to close on 30 September 1995. The DoN will continue efforts to research and resolve these disbursements.

- o Disbursements where correcting accounting adjustments have been identified and submitted to the Defense Finance and Accounting Service (DFAS).

C. Making an obligation adjustment does not eliminate the requirement to research and correct problem disbursements. A one-time exception has been granted to suspend research on certain document types. These document types include contracts, transportation payments,MILSTRIP requisitions, reimbursable orders, travel orders and training requests. Suspension of research is largely dependent on the timeframe in which the associated transactions took place. Detailed guidance on the criteria to suspend research will be provided by separate correspondence. This one-time exception expires on 30 September 1995. After this date, if continued research is deemed to not be warranted, approval to discontinue the research process is required. Approval to discontinue research should be submitted after coordination with DFAS-CL or DFAS-KC to the ASN(FM&C).

II. Scope:

A. This guidance is applicable to appropriated funds and is applicable to all four categories of problem disbursements: unmatched disbursements, negative unliquidated

obligations, in-transit disbursements, and disbursements not sent. Disbursements not sent are those which have not been registered with the accounting activity by the disbursing officer. For in-transit disbursements, the 180 day aging period begins on the earlier of (1) the date that the transaction exceeds the current distribution timeframe for disbursements -- no more than 120 days for cross- disbursement transactions and for MILSTRIP billings, and no more than 60 days for transactions by or for others (TBOs/TFOs) or (2) the date the detail transaction fails an edit or validation in the transmission or matching process.

B. Obligations for unresolved problem disbursements in accounts which have been closed by operation of Public law 101-510 will be recorded at the Departmental level.

III. Procedure: The following provides an overview of the process and procedures concerning the obligation of problem disbursements that have not been resolved.

A. DFAS will provide the fund authorization holder monthly listings of problem disbursements which are greater than 180 days old that were created after 31 March 1994. There will be separate listings for each fund authorization holder for negative unliquidated obligations, unmatched disbursements, and in-transit disbursements. These listings will be distributed within ten days of the month end close. Each subsequent monthly list will be cumulative and will include new problem disbursements that are now 180 days old and any problem disbursements that have not been cleared from the previous month's list. In addition, a listing will be provided for each category of problem disbursement showing transactions which have been added from the prior month and those transactions which have been removed from the problem disbursement report. Each detailed list will be distributed by Claimant and will provide the document number, supplemental procurement instrument identification number (SPIIN), accounting classification reference number (ACRN) and long line of accounting data (appropriation, beginning/ending fiscal year, subhead, bureau control number, cost code) and will also provide the transaction date. These listings are to be accompanied by supporting information detailing the research that had been conducted by DFAS for these problem disbursements during the initial 120 day period in which DFAS is responsible for the resolution of these transactions. Finally, these lists will be provided in a mechanized format.

B. Fund authorization holders should review this listing to determine the programmatic impact of obligating the problem disbursements over 180 days old. If the requirement to record obligations will have a significant impact on operational requirements or contract performance/deliveries, an impact statement requesting a waiver from the obligation requirement should be submitted via the chain of command to the ASN(FM&C). This waiver request should be submitted in the format of Attachment A and should include the following information as a minimum:

1. The specific impact the enforcement of the requirement to obligate will have such as contracts that will not be executed, planned training exercises that will not be accomplished, or stopping the ongoing production or delivery of weapons systems or end items to meet force readiness.

2. Specific actions that have been taken by the funds authorization holder, since becoming aware of the problem disbursements, to research and correct the situation and prevent the adverse impact to the program in question. This should include the actions taken within the 60 days prior to the requirement to obligate where research and resolution responsibility has passed from DFAS to the DON.

3. An assessment as to potential termination costs or claims that would arise as a result of terminating contracts or reducing the scope of contracts.

A waiver request will not be accepted earlier than 60 days prior to the requirement to record the obligation adjustment for the problem disbursements.

C. The fund authorization holder will review and annotate the list to exclude the value of the following problem disbursements:

1. Correction packages submitted for FMO approval and forwarded to DFAS
2. Other corrective actions (i.e. NAVCOMPT Form 621, NAVCOMPT Form 2277, Requests for Billing Corrections) which are supported by the appropriate documentation
3. Overpayments to contractors for which DFAS has issued a demand letter

D. A summary level obligation will be posted in the accounting system for each fiscal year/appropriation in which problem disbursements have been identified to exist. This summary level obligation will be prepared in the format of Attachment B. The amounts reflected in the detailed listings provided by DFAS will serve as the supporting documentation for the summary level obligation.

E. Each transaction correcting a problem disbursement and each summary obligation shall be supported by documentation to form the necessary audit trails. This documentation shall be maintained by DoN funds authorization holders and their servicing DFAS organizations when the transaction involves a disbursement correction. Forms of documentation shall include but not be limited to work papers and other related material produced by DFAS during the initial 120 day research period, vouchers, Correction Notices, and document histories.

F. Obligations will be recorded, at the discretion of the Claimant, either at the Claimant level or within the operating budget where problem disbursements have occurred. Irrespective of the level in which the obligations are recorded, a specific document number will be used in all official accounting and reporting systems for each category of problem disbursements for which an obligation has been recorded. Instructions on the construction of these document numbers is provided in Attachment (C). In addition, when a summary level obligation for problem disbursements is recorded at the Claimant level, a separate and unique subhead is to be used. These subheads shall have the following titles:

Obligations for Unmatched Disbursements
Obligations for Negative Unliquidated Obligations
Obligations for Over Aged In-transit

Instructions on the construction of these subheads are provided in Attachment C.

G. The obligation value of the summary level posting will be adjusted based on the subsequent months detailed listing. These obligations are to be recorded on the day prior to the close of business for the month, and will be dependent on the system the funds authorization holder is using.

H. Each Claimant will provide a monthly report, by fiscal year/appropriation, of the value obligated for problem disbursements. This report should be forwarded to the ASN(FM&C) Office of Financial Operations (FMO) by the 10th workday of the month following the recording of these obligations.

I. Reprogramming thresholds do not apply to the budget authority reprogrammed into or out of the subheads established for problem disbursements within appropriations. However, reprogramming constraints are applicable to the programs within lump sum appropriations from which the budget authority is being reprogrammed out of for the purpose of financing the problem disbursements. For example, the Research, Development, Test, and Evaluation, Navy appropriation is subject to a number or reprogramming restrictions for both increases and decreases which must be adhered to by all fund authorization holders.

J. Accounts enacted with statutory subdivisions are separate appropriations, therefore, obligation adjustments for problem disbursements must be recorded within the statutory subdivision. In these cases, the obligation adjustments should be recorded within the subhead for the statutory subdivision using the problem disbursement document numbers as specified in Attachment (C).

K. Unpaid obligations should be reviewed periodically to deobligate all available budget authority to preclude the overobligation of a fund authorization (allocation, suballocation, allotment, or operating budget).

L. Overobligation of a fund authorization as a result of recording obligations for problem disbursements shall be reported via the chain of command to the ASN (FM&C) as an apparent violation of the Anti-deficiency Act. However, a formal investigation shall not be undertaken until there is evidence to indicate the violation is not merely attributable to the recording of the unresolved problem disbursements.

Request For Waiver From Requirement To Obligate Problem Disbursements

Date: _____ Organization: _____ Page __ of ___

FY/Appropriation: _____

Cumulative Amount Required To Be Obligated For Problem Disbursements: _____

Amount Of Waiver Request (Amount From Above Which Cannot Be Covered): _____

Actions Taken Prior To Waiver Request (i.e. Deobligation):

Programs Affected If Waiver Request Is Not Granted:

Program Title	Subhead	Program Value	Unobligated Balance	Amount To Be Reprogrammed	Amount Of Waiver Request	Impact

Attachment A

Problem Disbursement/Obligation Adjustment

Document Number	Modification/Amendment	Period Covered	Page __ of ____

ACRN	APPROPRIATION BFY	EFY	SYMBOL	SBHD	OBJ CLS	BCN	SA	AAA	TRNS TYP	PAA	JOB ORDER NO. COST CODE	AMOUNT
											Page Total	
											GRAND TOTAL	

Prepared/Authorized By:	Comptroller Approval:
Date:	Date:

Attachment B

Document Numbers and Subheads For Recording Problem Disbursement Obligations

General: The following provides the formats to be used for the recording of obligations for problem disbursements. These documents are to be established only for the recording of these administrative obligations, no disbursements are to be charged to these documents. Also, specific formats are provided for subheads to be used when recording obligations for problem disbursements at the Claimant level. The remaining elements of the long line of accounting used to record the obligations (i.e. Bureau Control Number, Authorization Accounting Activity, etc.) should be comprised of the elements that would be used by the obligating activity during the normal course of business.

Document Numbers: Obligations for problem disbursements shall be recorded in the format as displayed in the attached examples. Three formats will be used. The format used will depend on the type of problem disbursement the obligation is being recorded for: Unmatched Disbursements, Negative Unliquidated Obligations, and In-transit Disbursements. Document number format will be as follows:

- Position one will be N
- Positions two through six will be the unit identification code of the funds authorization holder recording the obligation
- Positions seven and eight will be the fiscal year.
- Positions nine and ten will be MD to indicate a miscellaneous document type
- Position eleven will be either U (Obligations for unmatched disbursements), N (Obligations for negative unliquidated obligations), or T (Obligations for In-transit disbursements).
- Positions twelve through fifteen will be the four character Treasury Symbol of the appropriation being cited to record the obligation for each type of problem disbursement. For Department of Defense Accounts, when issued by FMO with an alpha character, the leading zero of the Treasury Symbol will be dropped, and the fifteenth position of the document number will be the alpha character associated with that portion of the appropriation (i.e. 0100A will become 100A).

Subheads: Subheads to be used in recording obligations for problem disbursements will follow the normal format as used in the normal course of business as shown in the attached. The subhead construction will be dependent on the system being used to record the obligation. Please note that a new activity group identifier, Z, must be used. The three types of problem disbursements will be identified by the last position of the subhead in STARS-FL, SABRS, and other systems and by the last two positions of the subhead for STARS-HQ.

Attachment C

Problem Disbursement
Standard Document Number

	Acitivity Unit Identification Code										Treasury ** Symbol				
N	__	__	__	__	__	9	5	M	D	U	__	__	__	__	(Unmatched Disbursements)
"	"	"	"	"	"	"	"	"	"	N	"	"	"	"	(Negative Unliquidated Obligations)
"	"	"	"	"	"	"	"	"	"	T	"	"	"	"	(In-transit Disbursments)

Example:

N 0 0 0 1 9 9 5 M D U 1 5 0 6

** Note:

For Treasury symbols citing DoD accounts, the leading zero of the symbol will be dropped and an alpha character will be placed in the last position of the document number.

Example:

N 0 0 0 2 4 9 5 M D U 1 0 0 A

Problem Disbursement Subhead Structures

_ _ Z _

STARS-FL	Position 1/2 - Claimant Identifier		
SABRS	Position 3 - Activity Group	Z	- All Problem Disbursement Obligations
Others	Position 4 - Alpha Code	U	- Unmatched Disbursements
		N	- Negative Unliquidated Obligations
		T	- In-transit Disbursements

Example: 1 8 Z N

_ Z _ _

STARS-HQ	Position 1 - Claimant Identifier		
	Position 2 - Activity Group	Z	- All Problem Disbursement Obligations
	Position 3/4 - Alpha Code	UU	- Unmatched Disbursements
		NN	- Negative Unliquidated Obligations
		TT	- In-transit Disbursements

Example: W Z U U