

DLA FO PROCESS IMPROVEMENT MEETING

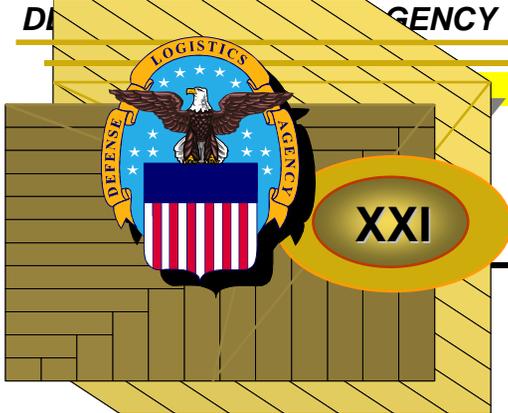
DEFENSE LOGISTICS AGENCY



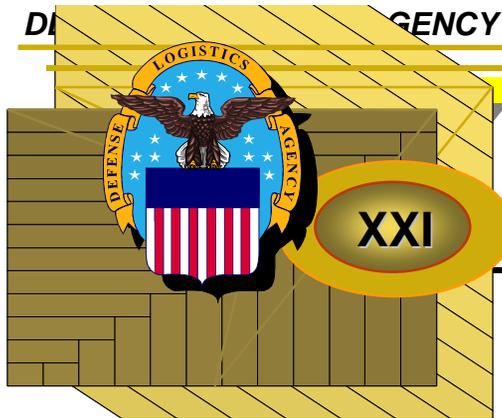
Financial Policy Update 2000

**Presented By: Financial Policy Team
DLA-FOXP**

Purpose

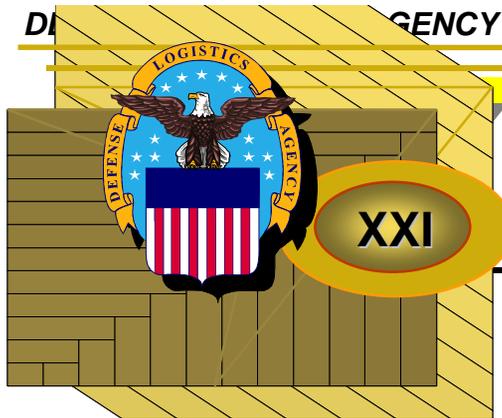


- Who we are
- What we do
- Financial Policy Areas of Interest
 - FMR Revisions
 - Recent Updates
 - Chapters in Coordination
 - FO Policy Issuances
 - Funded Orders
 - Property, Plant and Equipment
 - Where to Find Policy Information



Who We Are & What We Do

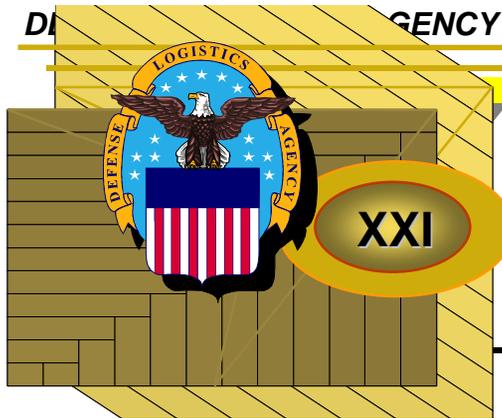
- We are the Financial Policy Team (FOXP)
 - Victoria Stirrup (Supervisor) DSN 427-7292
 - Barbara Donegan DSN 427-7249
 - Barbara Shaffer DSN 427-7234
 - Jeff Stagnitti DSN 427-6290
- We do...
 - Policy (Interpretation, Issuance, and Coordination)
 - Debt Deferment
 - Cash Administration



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FMR Policy Coordination

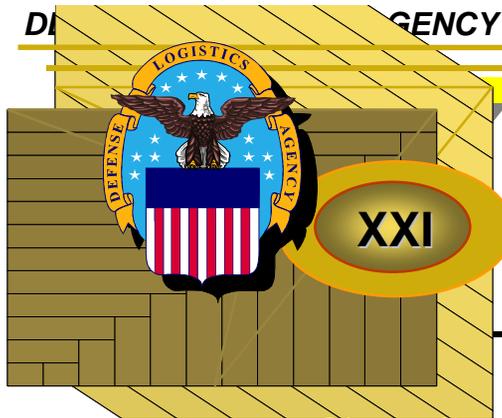
- Download chapters from the OUSD(C) website
- FOXP reviews chapters to identify potential agency concerns and provide comments
- Forward draft FMR revisions to cognizant areas within the HQ for review and comments
- Collect and consolidate DLA Comments
- Process is largely electronic



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FMR Revisions in Coordination (or recently out for comment)

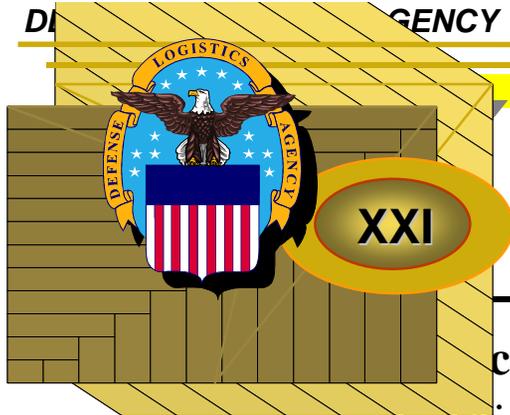
- Volume 9 – Travel Policy and Procedures
- Volume 4, chapter 6 – Property, Plant & Equipment
- Volume 10, chapter 20 – Roles and Responsibilities for Contract Reconciliations and Related Adjustments to Accounting and Finance Records
- Volume 3, chapter 11 – Cash, UMDs, NULOs, and In-Transit Disbursements



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Volume 9 Travel Policy and Procedures

- **Significant proposed changes:**
 - New chapter addressing policy for Defense Travel System (DTS)
 - Revised policy on non-DTS temporary Duty travel
 - Revised policy on Permanent Duty travel policy
 - Authorizing Officials must sign travel vouchers; this requirement is built into the DTS process, but is new for manual processing
- **DLA comments/concerns:**
 - Effective date needs to recognize that once the chapter is finalized, time will be required for impact and implementation (I&I) discussions with union
 - Records retention requirements are not consistent with National Archives General Records Schedule requirements

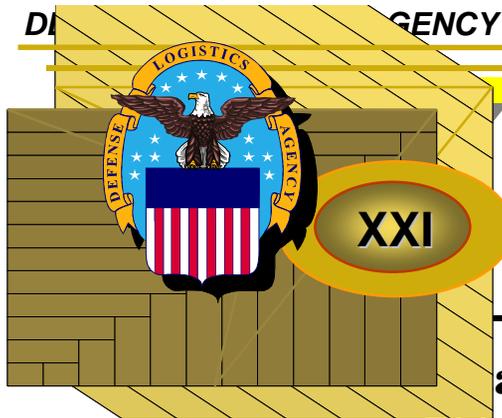


Volume 4, chapter 6

Property, Plant and Equipment

Key proposed changes:

- This chapter, formerly Fixed Assets, was completely
- Defines four categories of PP&E (General PP&E, National Defense PP&E, Heritage Assets, Stewardship Land)
- Addresses preponderant use
 - When Defense Agencies use facilities titled to Military Departments and facilities are significant to the operations of the Agency, the facilities should be reported on the financial statements of the Defense Agencies and excluded from the statements of the Military Departments.
- Addresses asset recognition and Government property in the possession of contractors.
- **DLA comments/concerns:**
 - Organization of the chapter was confusing
 - Recommended more guidance on Supporting Documentation requirements, internal control and financial statements, depreciation approaches, and criteria for depreciation methods.



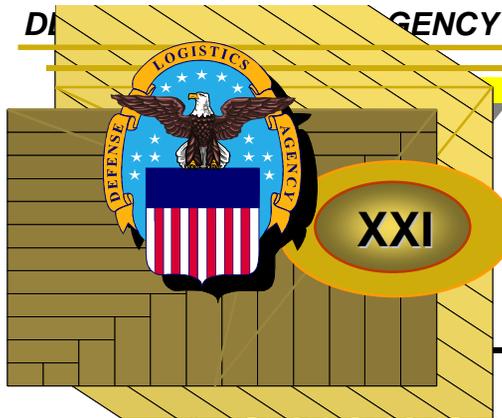
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Volume 10, chapter 20

Roles and Responsibilities for Contract Reconciliations and Related Adjustments to Accounting and Finance Records

ant proposed changes:

- This is a proposed new chapter.
 - Defines roles of DoD Components in reconciliation of contracts and documentation and processing of adjustment transactions
 - Institutes shared responsibility for supporting contract accurate contract payments among funding, contracting, accounting, receiving, and paying officials.
 - Identifies process for Department-wide contract reconciliation
-
- **DLA comments/concerns:**
 - DLA (DCMC) forwarded a substantial number of serious concerns with the proposed policy:
 - As written, policy would require ACO certification of obligation and accounting records
 - Takes primary responsibility for contract payment reconciliations away from DFAS
 - Provides for negotiated settlements, but offers no guidelines for determining when a settlement is cost effective
 - To date, this chapter has not been issued (Oct 1998)

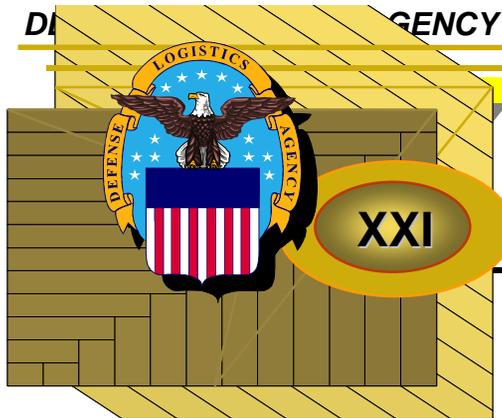


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Volume 3, chapter 11

Cash, UMDs, NULOs, and In-Transit Disbursements

- **Significant proposed changes:**
 - Defines in-transit disbursements versus UMDs/NULOs
 - Identifies responsibilities for DOs, paying centers, accounting centers, accounting stations and DFAS-HQ with respect to processing, recording and monitoring in-transit disbursements.
 - Provides guidelines for obligating unresolved in-transit disbursements based on the age of the disbursement and effective date of the guidance.
 - Defines what constitutes sufficient supporting documentation
- **DLA comments/concerns:**
 - Recommend that the accounting station contact the fund holder if recording a disbursement would create a UMD or NULO. Fund holder would have 10 business days to research and resolve before disbursement would be recorded.
 - Recommend the Department issue additional budget authority (without an associated increase in customer rates) for obligating undocumented in-transit disbursements.
 - Object to allowing DFAS to obligate other than their own funds, since other fund holders have to certify annually to the validity of their obligations.

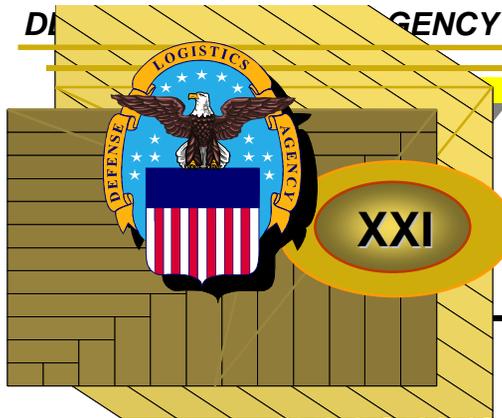


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Recent FMR Revisions

- Volume 5 – Disbursing Policy and Procedures
 - Pertains primarily to DFAS.
 - Released in August 1999.

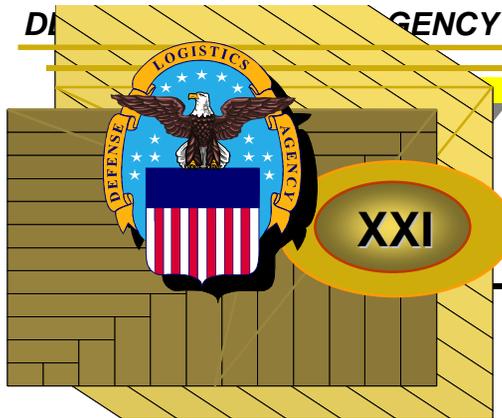
- Volume 1, chapter 9 – Financial Records Retention



Volume 1, chapter 9

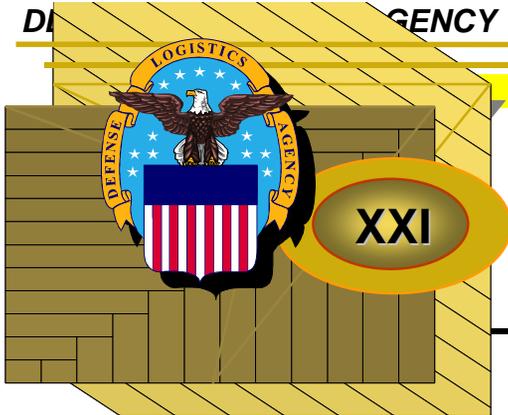
Financial Records Retention

- **Significant changes:**
 - This is a new chapter that provides guidance on retention policy for financial records:
 - All financial records shall be maintained for a minimum period of 6 years and 3 months. Retention may be longer if compelling reason exists or other guidance so directs.
 - Travel settlement vouchers are excluded and covered in Volume 9.
 - FMS documents must be retained 10 years from data of case closure.
 - Capitalized/PP&E asset records are retained as long as the cost of the asset is included in the financial statements.
 - Appropriations records shall be maintained for 6 months following the cancellation of a funding appropriation.
 - Property records in connection with litigation shall be retained until litigation is concluded.
 - Provides information on disposition of federal records.



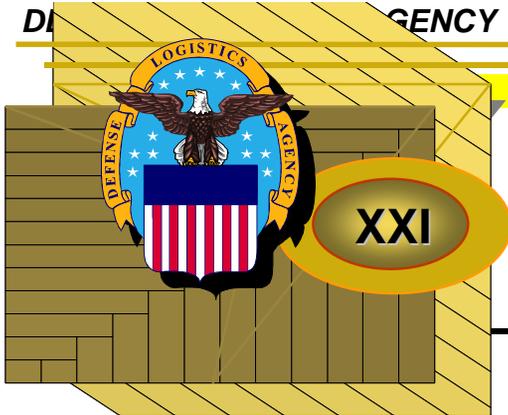
DLA Policy Issuances

- **Policy Letters Issued on the Following:**
 - Issuing Interservice and Intragovernmental Orders (August 1998)
 - Amending MIPRs (August 1998)
 - Additional Rules For Processing Funded Orders (January 2000)
 - Revisions to Depreciation of Property, Plant, and Equipment (PP&E) (September 1999)
 - Investment Policy Papers



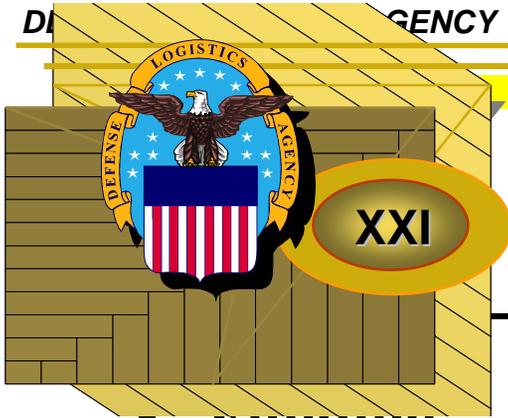
Project Order vs. Economy Act

- **Project Order vs. Economy Act**
 - Funding Rules
 - Obligation Date
 - Year-end adjustments
- **Funding Source Limitations**
 - Appropriated funds and the DWCF



Project Order Rules

- **Funding**
 - Reimbursable funding only
- **Obligation Date**
 - Obligation upon written acceptance of the order
- **Year-end Adjustments**
 - For work underway and progressing according to schedule, FY end obligation adjustment is not required
 - “Carry over” of three months is allowed for project orders



Economy Act Rules

- **Funding**

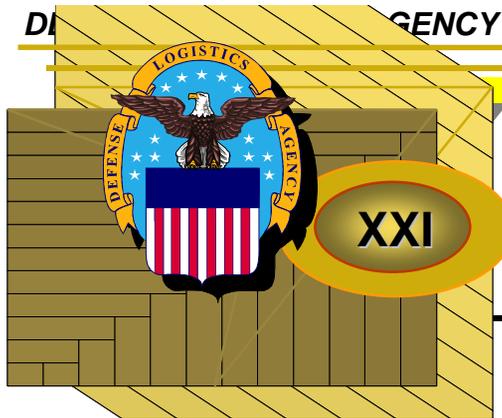
- Reimbursable funding required for government performed work
- Direct cite is permitted for orders fulfilled via contract if:
 - the order form specifically states that the order is a direct cite order
 - the performing activity accepts the order as a direct cite order

- **Obligation date**

- Obligation upon written acceptance of the order (for government performed work)
- Obligation upon receipt of executed contract from the performing activity (if order fulfilled via contract)

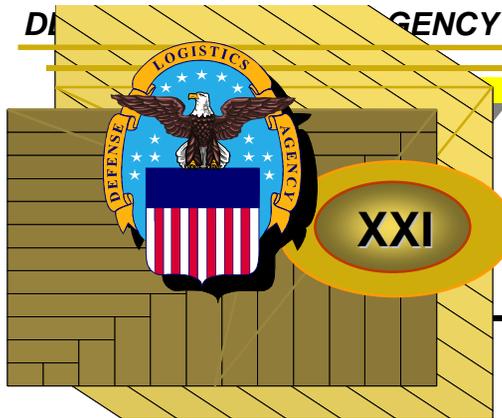
- **Year-end Adjustments**

- Obligations must be adjusted downward at FY end for any work not completed (if government performed) or contracts not executed (if filled via contract)



Funding Source Limitations

- Appropriated Funds and the DWCF
 - Orders must cite the original appropriation, even if another funding source (e.g. DWCF) is used for billing purposes
 - Orders funded with appropriated funds, which are issued to the DWCF and subsequently processed out by the DWCF, are still subject to the limitations of the original funding source
 - Processing appropriated funds through the DWCF does not change the limitations of the original appropriation



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PP&E Major Changes - August 1999 (FOX Policy Letter of Sep 22, 1999)

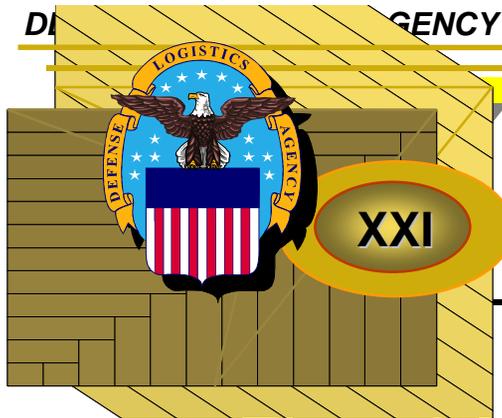
- **Depreciation of Improvements**
 - Applicable to General PP&E assets improved after August 1, 1999 only.
- **Depreciation Recovery Periods**
 - Applicable to General PP&E assets acquired after August 1, 1999.
 - Applicable to DWCF General PP&E assets acquired on or after October 1, 2000
 - Software recovery period revised to 2, 5, or 10 years depending on the nature of the asset
- **Preponderant Use**
 - Adds materiality as fourth criteria
 - Effective August 1, 1999

DoD Standard Recovery Periods For Depreciating General PP&E

Description of Assets	Recovery Period
General purpose vehicles (includes heavy duty trucks and buses), ADP systems and hardware (computers and peripherals), high tech medical equipment, equipment used in RDT&E, radio and television broadcasting equipment, and software** Improvements to personal property (equipment and machinery)	5 years*
All other equipment, machinery, and software** ----- Improvements to fences, roads, bridges, sewers, and other utilities, ship and railroad wharves and docks, dry docks, fuel storage facilities, etc.	10 years
Vessels, tugs, barges and similar water transportation equipment (non-National Defense PP&E vessels/ships) Steam (12.5K pounds per hour or more) and electric generation equipment (500 Kilowatt or more) and other utilities Fences, roads, bridges, sewers, and other utilities, ship and railroad wharves and docks, dry docks, fuel storage facilities, etc. ----- Improvements to buildings, hangars, warehouses, air traffic control towers, and other real property structures	20 years
Buildings, hangars, warehouses, air traffic control towers, and other real property structures	40 years
Improvements to leased buildings and other property	Remainder of lease period

* A recovery period of less than 5 years is permitted, when acquiring DoD Component is certain that the useful life of the asset is at least 2 years but less than 5 years. In such instances, the recovery period shall be the known useful life (2-4 years as appropriate).

** Depending on the nature of the software, it can be depreciated over a period of less than 5 years, 5 years, or 10 years. The determining factor should be the actual estimated useful life of the software, consistent with that used for planning the software's acquisition.

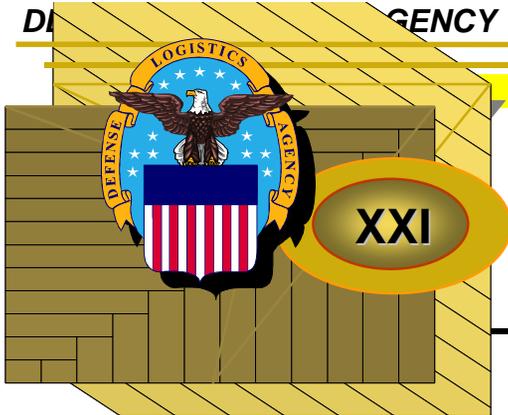


More DLA Policy Issuances

- **Financial Policy Tips Issued on the Following:**

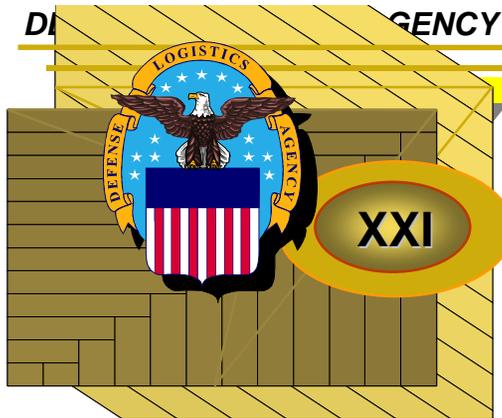
- Sponsoring Light Refreshments at DLA Conferences
- Identity and Characteristics of Funded Orders
- Repayment of VSIP Payments
- Funding for Severable Service Contracts
- Software Depreciation
- Expense Investment Threshold
- Capitalizing Costs Associated with a Capital Asset
- When to Record Obligations for PCS
- Rules for Funding Minor Construction Projects
- Flexibility Provided by Project Orders
- Differences Between Net Outlays and Net Operating Result
- Augmentation of an Appropriation

...and more!!!



Where to Find Financial Policy

FO Web Page	www.fo.hq.dla.mil
FMR	www.dtic.mil/comptroller/fmr
US Code	www.law.cornell.edu/uscode
OMB Circulars	www.omb.gov
DoD Directives/Instructions	www.dtic.mil:80/defenselink/pubs/
Comp Gen Decisions	www.gao.gov/decisions
DLA Regs. and Manuals	www.dlaps.hq.dla.mil/
Travel Regulations	www.perdiem.osd.mil



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POLICY CONCERNS

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