

**SUMMARY OF MAJOR CHANGES TO  
DoD 7000.14-R, VOLUME 11B, CHAPTER 1  
“DEFENSE WORKING CAPITAL FUNDS  
GENERAL POLICIES AND PROCEDURES”**

All changes are denoted by blue font

Substantive revisions are denoted by a \* preceding the section,  
Paragraph, table or figure that includes the revision

Hyperlinks are denoted by *underlined, bold, italic, blue font*

<b>PARA</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Various	Inserted references and hyperlinks.	Update
010103	Deleted verbiage on conformance with policy issuances. Clarified that charter is reviewed annually and changes shall be prepared and submitted to USD(C) for approval.	Delete/Update
010104	Clarified customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations.	Update
010109	Updated stabilized rate billing policy.	Update
010111	Updated information and links on reporting requirements.	Update
010112	Reworded paragraph on mobilization capacity for clarity.	Update
0102	Updated responsibilities of DWCF and its customers.	Update
0103	Deleted language involving hierarchy of accounting standards because policies are already captured in Volume 1, Chapter 8 and added appropriate link.	Delete/Add
0104	Renumbered “0104” to “0105”. Added information on system requirements.	Update/Add
0105	Renumbered “0105” to “0106”. Clarifies continuing operations are generated by reimbursements received.	Update
0106	Renumbered “0106” to “0107”. Updated information and links on requirements of the USSGL.	Update
0107	Added ‘other parties’ to potential audit organizations.	Update

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**DEFENSE WORKING CAPITAL FUNDS GENERAL POLICIES AND REQUIREMENTS**

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## CHAPTER 1

**DEFENSE WORKING CAPITAL FUNDS**  
**GENERAL POLICIES AND REQUIREMENTS**0101 GENERAL

**010101.** Treasury Fund Symbol. The DWCF are established under the authority of 10 U.S.C. 2208. The Treasury Account Symbol for the DWCF is 97X4930. The Military Departments and Defense Agencies subnumbered account identifiers assigned are shown in the below table.

<u>DoD Component</u>	<u>Treasury Assigned Account No.</u>
Army	97X4930.001
Navy	97X4930.002
Air Force	97X4930.003
Defense Commissary Agency	97X4930.004
Defense Agencies	97X4930.005

**010102.** Activity Groups. The DWCF consist of activity groups that are managed by Department of Defense (DoD) Components for providing goods and services, on a reimbursable basis, to other activities within the DoD and to non-DoD activities when authorized.

\* **010103.** Charters. The DoD Component activity groups financed through the DWCF shall be chartered under the DWCF to achieve the objectives contained in Annex 1 to this chapter. A charter shall be prepared in accordance with Chapter 2 of this volume and submitted to the Under Secretary of Defense (Comptroller) (USD(C)) for approval. Before charter preparation, ensure that the proposed business entity meets the criteria established as described in Chapter 2, paragraph 020202, of this volume. Each DWCF business entity shall review its charter annually to assure it remains current. Changes shall be prepared and submitted to the USD(C) for approval.

\* **010104.** Funding. The DWCF receives its initial working capital through an appropriation or a transfer of resources from existing appropriations of funds and uses those capital resources to finance the initial cost of products or services. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. The Supply Management activity groups, below) and the Capital Investment Program receive contract authority. Contract authority permits obligations to be incurred in advance of appropriations or in anticipation of receipts from customers but in accordance with an apportionment, allotment, or other limiting authority. Other than the Supply Management activity groups and the Capital Investment Program, all other DWCF obligations must be supported by budgetary resources that are immediately available for outlay even though

the outlay may not occur until a future date. After initial capitalization, a DWCF activity's operations are funded by the reimbursements it receives from its customers for the goods or services provided. Amounts earned by the DWCF are available in the fund corpus without fiscal year limitation, although DWCF activity obligation authority is dependent on receipt of contract authority, and/or cost authority provided in the DWCF activity annual operating budget. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds (see paragraph 010110). Additional guidance applicable to all working capital funds can be found in [Volume 3, Chapter 19](#) of this Regulation.

010105. Authorized Customers. Customers of the DWCF activity may be:

1. Any DoD command, organization, office, or other element.
2. Non-DoD federal government agencies.
3. Private parties and concerns when authorized by law including foreign governments, and state and local governments.
4. Those United States (U.S.) manufacturers, assemblers, or developers authorized by [10 U.S.C. 2208\(h\)](#) and in accordance with [10 U.S.C. 2563](#) and [Section 4543](#).

010106. Sources of Budgetary Resources. When an activity receives budgetary resources from more than one source (for example, reimbursable authority from customer orders accepted and direct authority from appropriations, or allocations of appropriations received), the receiving activity must [maintain records](#) to control and report separately the transactions relating to each type of source. Budgetary resources may be received at any level of an organization, from the individual activity up to the departmental-level. (See [Volume 3, Chapter 19](#) for further details.)

010107. Annual Operating Budgets. Annual operating budgets for the DWCF provide official management cost goals to the Military Services and Defense Agencies for each activity group. The annual budget consists of two primary parts—the operating budget and the capital budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses. The capital budget represents the amount of financial resources that are authorized for use in the acquisition of capital assets. [Volume 2B, Chapter 9](#), and [Volume 3, Chapter 19](#), of this Regulation provides additional details on the annual operating budgets for the DWCF.

010108. Customer Orders. Customer orders (funded requests for goods or services) provide the budgetary and cash resources necessary to finance operations. To be valid, customer orders must be obligations of a federal government activity and cash advances from nonfederal customers. Cash advances may also be requested from federal government activities when directed and approved in advance by the USD(C). When accepted, customer orders create a quasi binding contractual relationship between a DWCF activity and its customer since

acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity. Except as authorized in Chapter 11 of this volume, a DWCF business entity shall not initiate work or services or incur obligations until customer orders are signed and advanced funding is received unless approved by OUSD(C). Customers may request a deobligation of their funds for goods or services ordered that were not provided. Return of customer funds is permissible only if the DWCF activity has not commenced work on the good or service ordered or incurred an obligation for those goods or services.

\* 010109. Stabilized Rates and Prices. The DWCF business entities operate on a break-even basis in accordance with budgetary guidance contained in Volume 2A and 2B. Rates are required to be established during the budget process at levels estimated to recover the budgeted costs of goods or services to be provided including all general and administrative overhead costs, prior period gains and losses, and, applicable surcharges. The budget process ensures that adequate resources are requested in the customers' fund accounts to pay the established rates and prices. Specific budget formulation requirements are contained in Volume 2B, Chapter 9.

010110. Restrictions on Use of Customer Appropriations. Statutory limitations and restrictions imposed on the appropriated funds of a DWCF customer are not changed when the customer places an order with the DWCF. A DWCF customer cannot use its appropriated funds to do indirectly, i.e., through placement of an order with a DWCF activity, what it is not permitted to do directly. Thus, the availability of an appropriation cannot be expanded or otherwise changed by transfer to the DWCF. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity is primarily responsible for the determination of the applicability of the ordering appropriation. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the order should be returned with a request for an applicable appropriation fund cite.

\* 010111. Financial Reporting. Under the provisions of 31 U.S.C., 3515, the Department is required to have audited financial statements covering all accounts and associated activities of the Department. The DWCF financial information will be included in DoD's Annual Financial Report. Specific financial statement reporting requirements are contained in OMB Circular A-136, Financial Reporting Requirements. Volume 6B of this Regulation also identifies recurring reporting requirements applicable to the DWCF.

\* 010112. Mobilization Capability. Each DWCF activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to meet an operational contingency as documented in Defense Planning Guidance or operational plans. All costs at entities within the DWCF related to maintaining a capacity to meet mobilization requirements will be reimbursed by funds that are from direct appropriations and will not be financed through customer rates. Volume 2B, Chapter 9 provides specific guidance for the types of mobilization costs that can be funded by a direct appropriation.

0102 RESPONSIBILITIES OF MANAGEMENT

- \* 010201. The USD(C) of the DoD shall:
- A. Establish DoD policy on DWCF operations.
  - B. Provide oversight on all financial management activities relative to the operations of the DWCF.
  - C. Authorize or approve DWCF Charters of specific activities to be included in the DWCF and the terms under which such activities shall be operated.
  - D. Rescind the DWCF Charters of specific activities **that** no longer meet DWCF criteria or that may be operated more efficiently under other financing.
  - E. **Establish** all necessary budget preparation, accounting, and reporting policies.
  - F. Review and approve operating **and capital** budgets, **and** monitor **and analyze budget** execution.
  - G. Provide **DWCF operations oversight through budget execution reviews.**
  - H. **Advise DWCF managers on accounting and reporting policies.**
  - I. **Monitor compliance with this guidance and other policy issuances through analysis of reports, audits, and reviews of business entity operations.**
010202. The Director, DFAS shall:
- A. **Advise and assist the USD(C) in the development of requirements, systems, and procedures** to comply with statutory and regulatory requirements.
  - B. **Advise DWCF activities on the accounting and reporting procedures.**
  - C. Issue supplementary instructions to guidance contained within this Regulation for unique requirements within the DoD Components and to provide detailed operating instructions.
  - D. Review DWCF accounting systems for compliance with established financial systems requirements.
  - E. Prepare **external and internal** accounting reports for the DWCF.
010203. The Secretaries of the Military Departments and the Directors of Defense Agencies, or their designees, who have activities financed under the DWCF shall:

- A. Manage DWCF activities within approved funding limitations.
- B. Designate a management agency or command to be responsible for effective management of each DWCF activity.
- C. Comply with, and recommend changes to, this and other governing regulations.
- D. Provide periodic financial and management information as required by the USD(C).
- E. Submit to the USD(C) proposed Charters authorizing new DWCF activities or rescinding Charters of existing DWCF activities.

010204. The Management Agency or Command Assigned Responsibility for DWCF Activities Shall:

- A. Budget and provide appropriated funds for the costs of maintaining unutilized plant and facilities being held for mobilization purposes at DWCF activities. Mobilization maintenance costs for unutilized plant and facilities include costs of labor, materials, contractual services, and overhead that were incurred for that purpose. Retention of facilities in excess of those necessary for current or planned workload shall be in accordance with DoD Directive 4275.5, "Acquisition and Management of Industrial Resources." The acquisition, retention, or disposal of unutilized plants and facilities at transportation activities must be approved by the Deputy Under Secretary of Defense (Logistics).
- B. Assign responsibility and authority to designated officials for management and operation of DWCF activities.
- C. Assure that DWCF business entities operate within approved funding limitations.
- D. Evaluate the operation of DWCF activities to determine compliance with established requirements.
- E. Initiate change, as needed, to the charter of the DWCF business entities.

010205. The Management of Each DWCF Activity Shall:

- A. Incur obligations and costs as necessary and allowable to perform the activity mission.
- B. Control performance costs in line with the annual budget approved by the USD(C).

C. Evaluate the operation of DWCF activities to determine compliance with established requirements.

D. Identify to higher management any impediments in achieving performance and cost goals.

E. Identify and justify to higher management investments that will produce future improvements in effectiveness and efficiency.

F. Establish, monitor and assess internal controls and resolve internal control weaknesses.

010206. The Customers of Each DWCF Activity Shall:

A. Be responsible for budgeting for the cost of material, work, and services ordered from a DWCF activity.

B. Manage budgetary resources provided in annual operating budget for the cost of material, work, and services ordered from DWCF activities.

C. Be responsible for notifying the DWCF business entity manager as early as possible if it wishes to terminate a previously ordered service. The customer is liable for funding all costs associated with service delivery until termination.

\*0103 ACCOUNTING STANDARDS. The DWCF will adhere to the accounting standards hierarchy in Volume 1, Chapter 8 of this Regulation.

0104 DWCF SYSTEMS AND CONTROL.

\* 010401. DWCF financial management systems must ensure that:

A. Transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are reported in accordance with Statement of Federal Financial Accounting Standards.

B. Assets are properly safeguarded to deter fraud, waste and abuse.

C. Performance measurement information is adequately supported.

\* 010402. DWCF accounting systems shall have the capability to account for the status of budgetary resources on a continuous basis. Budgetary controls shall be designed to prevent incurring of obligations in excess of budgetary resources.

\*0105 FUNDS MANAGEMENT. Financial resources establishing a DWCF must be appropriated. Continuing operations are generated by reimbursements received. Anticipated reimbursements and anticipated customers' orders are not considered a budgetary resource.



Obligations incurred (undelivered orders and accrued expenditures-paid and unpaid) are claims against budgetary resources. A sufficient fund balance with the Treasury must support all DWCF cash outlays. Refer to [Volume 3, Chapter 19](#) for further guidance on funds management.

\*0106 [GENERAL LEDGER ACCOUNTS](#). All DWCF activities shall adhere to the [United States Standard General Ledger \(USSGL\)](#) published by the Department of Treasury Financial Management Service. The USSGL [Standard Financial Information Structure \(SFIS\) Transaction Library](#) provides a decomposition of USSGL accounting transactions for DoD. See [Volume 1, Chapter 7](#) for further details.

\*0107 [AUDITING](#). Under [31 U.S.C. 3515](#), the DWCF activities are required to prepare audited financial statements. The DWCF is subject to audit by the DoD Inspector General, the Government Accountability Office, and other parties when contracted or otherwise authorized.