

**Financial Administration**

**FINANCIAL MANAGEMENT GUIDE FOR NATIONAL GUARD EXECUTIVES**

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**By Order of the Secretaries of the Army and Air Force:**

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**Summary.** This pamphlet provides general knowledge and understanding of the funding procedures and techniques of funds control.

**Applicability.** This pamphlet applies only to the Army National Guard (ARNG).

**Interim changes.** Interim changes are not official unless they are authenticated by the Chief, Office of Policy and Liaison. Interim changes will be destroyed

on their expiration dates unless sooner superseded or rescinded.

**Suggested improvements.** Users of this pamphlet are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) to NGB-ARC-BE.

**Distribution. A**

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**Chapter 1  
 Introduction**

**1-1. Purpose**

The National Guard Bureau is charged by statutory and regulatory requirements to spend funds properly. It is essential that National Guard Executives understand that public funds must be fully accounted for and be spent for the right things. Violation of U.S. Law occurs when a funds manager spends money that he/she doesn't have, or when money is spent on the wrong things. This pamphlet is designed to give National Guard managers the knowledge to prevent violations and manage these funds efficiently.

**1-2. References**

- a. DFAS-IN Regulation 37-1, Finance and Accounting Policy Implementation.
- b. DFAS-IN Manual 37-100-FY, The Army Management Structure.
- c. NGR 130-6/ANGR 11-02, United States Property and Fiscal Officer Appointment, Duties, and Responsibilities

**1-3. Explanation of abbreviations and terms**

Abbreviations and special terms used in this pamphlet are explained in the **glossary**. Also see glossary contained in DFAS-IN Regulation 37-1 for definition of terms.

**1-4. Overview**

Funds are provided through the NGB to the United States Property and Fiscal Officers (USPFOs) of the

54 States & Territories in Fund Authorization Documents (FADS). The USPFOs are authorized to appoint key personnel to be Program Managers and may issue funds to them. Program Managers may commit and obligate Federal funds as long as they have a system to ensure that they can manage and account for these funds.

a. Control of Federal funds at State level. Financial Management is a responsibility of the USPFO. This responsibility cannot be delegated to Financial Managers or Program Managers. To aid the USPFO in carrying out this responsibility, there must be a Program Budget Advisory Committee (PBAC) (**fig 1-1**), to assist in determining the priorities in management of funds as expressed by the Adjutant General. The PBAC is appointed by the Adjutant General.

b. The role of the PBAC is to develop and review the State Budget and make recommendations on all matters relating to the financial operation of the State. Committee membership varies from State to State, with up to two levels being used. Level I (Decision Maker/Approving PBAC) is normally composed of senior staff representatives. Level II (Recommends/Working PBAC) is generally composed of the functional or activity managers.

c. **Philosophy of fund control.** The USPFO may delegate the authority to commit and obligate Federal funds by appointing Program Managers. In the ARNG, funds issued to these Program Managers are "Targets" and the USPFO is never relieved of his/her responsibility to ensure that procedures established and maintained will prevent violations of statutes, regulations and directives. USPFOs receive their authority to spend public funds to accomplish their mission by means of a Funding Authorization Document (FAD), DA Form 1323-C. At the time of receipt, the USPFO has been delegated fund control responsibility and is subject to Title 31, United States Code, 1517(a). Expenditures in Excess of Apportionment are often referred to as 1517(a) or Antideficiency Act (ADA) violations. The main features of 1517(a) are listed in chapter 2. If a violation of 1517(a) is proven, those responsible are subject to being charged with a felony under Federal law. If the USPFO grants the authority to commit or obligate to other personnel of the ARNG, he/she retains statutory and regulatory responsibility. For more information on decentralizing fund control to Program Managers at the State level, see chapter 3.

d. **Sources of assistance.** There are at least three sources of technical assistance available to the Adjutant General or USPFO when they feel that an independent evaluation of some activity is required. These sources are the USPFO Internal Review per-

sonnel, Operational Review teams, and command requested audits performed by the Army Audit Agency.

**e. The role of Program Managers.** Very little of the funding received to operate will be managed under the day-to-day scrutiny of the Adjutant General or the USPFO. Most of this day-to-day operation will be under the direction of Program Managers. The Adjutant General and USPFO must ensure that funds are properly administered within each activity to which authority to manage has been delegated. For more information on Program Manager's operations, see chapter 5.

**f. State budgeting.** A State must express its plans for the future in terms of the amount of funding that will be required to accomplish the mission. This is a highly technical, strictly time controlled process that begins at the lowest level at which funds are managed and culminates with the final approval of the State Operating Budget (SOB) by the Adjutant General following a Program Budget Advisory Committee (PBAC) recommendation. This State Operating Budget is then forwarded to the National Guard Bureau for further action and funding. The details of this budget preparation are in chapter 6.

**g. Purchasing supplies for the State.** Each year the State obligates large amounts for the supplies and equipment required to accomplish the mission. The timing of these purchases is critical from two aspects:

(1) If a shortage of supplies occurs, work productivity can suffer.

(2) Also, the ordering of supplies must be watched carefully at fiscal year-end. Since the funding to pay for those supplies cannot be carried over to the next fiscal year, ordering of those supplies in the proper fiscal year is extremely important.

**h. Construction, maintenance, and repair.** A large number of Antideficiency 1517(a) violations experienced by the US Army in past years have occurred in this area. Chapter 3, Paragraph 4 explains the Antideficiency Act in detail. This area is very susceptible to violation. Subjective decisions required in work classification as well as unauthorized work performed by units at training sites that the facilities management officer learns of "after the fact," are possible problem areas. The Facilities Management Officer should be the USPFO's day-to-day manager of Federal work projects. Training of all facilities employees and awareness programs for all customers and facility employees can provide greater assurance that laws and statutes are not being broken.

**i. Procurement and contracting.** Procedures and guidance for procuring contractual services and supplies are contained in the Federal Acquisition Regulation (FAR), Army Federal Acquisition Regulation Supplement (AFARS) and NGB

Procurement Directives. Chapter 7 provides a broad overview of this complex management function.

**j. Financial training.** See chapter 3, paragraph 13(e).

**1-5. Summary**

This chapter has provided a brief overview of information contained in the remaining chapters. There is no substitute for knowledge of the laws and directives pertaining to fund control.

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**LEVEL I PBAC**

- Chairman - The Adjutant General or Designee
  - Advisor - USPFO
  - Secretary - Financial Manager \*
  - Recorder - Budget Officer \*
  - Members - Program Managers
- NGB-ADP, Polly Page 3  
Major Commanders\*

\* Recommended

**LEVEL II PBAC**

- Chairman - Financial Manager \* or Designee
  - Members - Activity Managers
- Major Command Administrative  
Officers\*

\* Recommended

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**Figure 1-1**

**Chapter 2**

**The Army National Guard Management Structure**

**2-1. General**

**a.** The main objective of the ARNG management structure is to provide an integrated structure and specific definitions for use at all levels to control programming, budgeting, accounting, and reporting of all resources consumed. The numbers and symbols used constitute a language that is commonplace and required to describe actions taken.

**b.** All financial transactions must be identified as to the source of funding and purpose for which used. Each of these "levels" of information can have either congressional or regulatory limitations applied. This chapter will describe those levels of information and the general procedures used to provide the authority for incurring liabilities against the U.S. Government.

**2-2. Sources of funding**

a. Congressional appropriations provide the funds for the Army National Guard's financial requirements. The principal types of funds for National Guard use can be categorized as operating funds and investment funds. Specific coded symbol numbers are assigned to identify the type of fund for accounting and reporting purposes only.

b. Operating funds include appropriations that are used to provide the daily or operating needs of the ARNG. These operating appropriations are--

(1) National Guard Personnel, Army (NGPA).

(2) Operation and Maintenance, Army National Guard (OMNG).

c. Investment funds within the ARNG are used primarily to finance buildings and real estate and procurement of equipment. Such funds are appropriated for specific projects and contained in the appropriation entitled: Military Construction, Army National Guard (MCNG) and specific Budget Line Item Number (BLIN) for procurement. Other appropriations that provide additional funds for ARNG use are as follows: National Guard and Reserve Equipment (NGRE); Real Property Maintenance, Defense (RPM, D); Other Procurement Army (OPA); and Special Operations Forces (SOF), O&M, Defense.

### 2-3. Obligation life

a. An obligation is a legal reservation of funds; an action taken to establish a liability against the U.S. Government that will ultimately result in a disbursement from the U.S. Treasury. The dollar amount established by Congress for a particular appropriation restricts the amount of total obligations that may be incurred. However, a time factor may also be a limitation as to the availability of an appropriation for obligation. In this regard, appropriations pertaining to the ARNG are referred to as either annual or multi-year appropriations.

b. An annual appropriation is available for incurring obligations only during one fiscal year (i.e., 1 Oct through 30 Sep of the succeeding year) specified in the appropriation act. The operating funds (NGPA and OMNG) are annual appropriations.

c. A multi-year appropriation is available for incurring obligations for more than one year. The Military Construction, Army National Guard (MCNG) is a multi-year appropriation, and is available for new obligations for five years. Procurement appropriations are available for three years.

### 2-4. Element of resource

An Element of Resource (EOR) identifies the type of resource being employed or consumed, and classifies the resource according to the nature of the usage rather than the purpose. It is extremely important to

use the correct EOR on obligation documents. Details of the EOR coding structure can be found in DFAS-IN Manual 37-100-FY.

### 2-5. Federal funds furnished to the states

The authority to use certain funds is provided by regulation or by a funding document. If it is not authorized by regulation, the authority to use an appropriation must be provided with a funding document. This is referred to as receiving an allotment of funds. The responsibilities connected with the receipt of an allotment are discussed in chapter 3.

## Chapter 3

### Control of Financial Resources

#### 3-1. Introduction

This chapter discusses principles, rules and philosophies for preventing violations of laws and directives. While USPFOS are encouraged to delegate authority for controlling funds, they retain responsibility for ensuring that procedures are established and maintained that will prevent the violation of laws and directives.

#### 3-2. Concept of fund distribution

a. The use of the term "funds" or "has funded" implies that authority to create obligations against the U.S. Government has been granted. An obligation is an action that will bind the Government to pay a known or estimated amount. Distribution of funds is any documented action that makes funds available for obligation. This distribution is made in a stated amount for specific purposes and to a specific organization.

b. The USPFOS's authority to incur obligations will be received on a funding document specifying the appropriation by budget activity for which the funds may be used and imposing both administrative and legal restrictions and limitations. This process is used to facilitate control over funds to report violations of laws and directives.

#### 3-3. Basic policies of funds distribution

a. Although distribution of funds is a means of controlling obligations and fixing responsibility, ARNG policy is to minimize the formal distribution and to finance an operation at the highest practicable level.

b. To achieve the objective of integrating planning, programming, budgeting, and financial control in one financial management system, the principal responsibilities for financial control must be decentralized and aligned with management responsibilities.

c. Financial restrictions, or targets, within which activities and sub activities must operate, will be administered by the USPFO. They will provide the foundation for resource control procedures. The trend toward more numerous and complex program and financial controls emphasizes the need for effective decentralization of such controls. Most of the limitations found on the funding document can be controlled only by the activities responsible for initiating actions that result in the consumption of resources.

d. Expense ceilings are dollar amounts established to ensure compliance with restrictions on fund authorization documents and program objectives. They will serve as the mechanism for expressing the level at which an activity will be financed. Those ceilings will be established at the highest level practicable, thus allowing maximum flexibility and authority for Program Managers to administer their portions of the current operating programs.

e. Although funding ceilings (targets) should be used, they should not be employed in such a manner that will increase the number of fund subdivisions subject to Title 31, USC, 1517(A). They should be issued as targets; however, emphasis should be placed on the fact that Program Managers should not exceed those targets without prior approval. A target in itself does not constitute a fund limitation under DFAS-IN 37-1. However, each operating official should recognize that exceeding that target may result in an overobligation at the funded Budget Activity (BA) level or of the total included in the funding document, either of which would be a violation of Section 1517(a), Title 31 USC. The official responsible for exceeding the allowance/target may be held responsible for the violation. The USPFO may retain centralized control of commitments and obligations whenever deemed necessary to insure that a violation will not occur.

### 3-4. Antideficiency Act

a. **What is the Antideficiency Act?** What is known, as the Antideficiency Act (ADA) is a number of laws included in Title 31 of the United States Code. The sections most frequently cited are sections 1341, 1342, and 1517. Very simply put, these laws forbid any officer or employee of the United States from over-obligating, over-disbursing, obligating in advance of appropriations or accepting voluntary services. This law is enforced by severe penalties which include suspension, removal from office, or if done knowingly, a \$5,000 fine and/or imprisonment for not more than two years. When the USPFO receives a funding authorization document, he is subject to the Antideficiency Act. For more in-depth information on ADA violations, or to read the full wording of sections 1341, 1342, and 1517 of Title 31,

see DOD 7000.14-R, Volume 14, Administrative Control of Funds and Anti Deficiency Act Violations.

#### b. Other Laws You Need to Know.

(1) **The Purpose Statute** (31 U.S.C. 1301a) Federal funds must be used for the purpose for which they were appropriated unless otherwise provided by law. A Purpose Statute violation is not an ADA violation but could result in one if the required corrections cause an over-obligation or an over-expenditure in the proper account or if reimbursement or corrections can not be made. For example, Title 10 U.S.C. 101c(A) states the term "Active Guard and Reserve (AGR) duty means full time National Guard duty for the purpose of organizing, administering, recruiting, instructing or training the reserve component." This is the purpose of the AGR. It does not include the use of AGRs for such things as supporting State activities. The improper use of AGRs is a Purpose violation which, if not reimbursed by the State, is an ADA violation.

(2) **The Bona Fide Need Statute** (31 U.S.C. 1502) states that funds should be used for goods, supplies, or services to meet only the bona fide needs of the period for which the funds were appropriated. As with a Purpose Statute violation, a violation of the bona fide need statute is not an ADA violation but could result in one if the adjustments to charge the proper fiscal year causes an over-obligation or over-disbursement of that account.

#### c. Violations Will Occur:

(1) **When** any action results in an over-obligation, over-distribution, or over-expenditure of funds in any appropriation or formal subdivision thereof or exceeds any statutory or administrative limitation that may be applied in conjunction with a particular fund.

(2) **When** any officer, enlisted person, or civilian employee of the Federal Government involves the Government in a contract or obligation either in advance of appropriations or without adequate funding authority.

(3) **When** obligations or expenditures are in excess of the Annual Funding Program plus reimbursable orders.

(4) **When** an accounting, clerical, recording or reporting error, when corrected, leads to an actual over-obligation or over-expenditure.

(5) **When** trying to avoid an over-obligation or over-expenditure by failure to post to accounting records; by a delay in posting until funds are received; by not properly charging the appropriate fund; or by transferring charges or funds between accounts.

(6) **When** a withdrawal of funds is in excess of available balances. The person who authorized or

directed the withdrawal will be held responsible for the violation.

**(7) When funds are exceeded because of inaccurate estimates of obligations or failure to reserve sufficient funds to cover contingencies.**

**(8) When voluntary services are accepted without a prior written agreement by the person rendering the services that he/she waives any and all claims against the Government on account of such services.**

**(9) When funds are used for purposes other than those for which they were appropriated, if the required corrections cause an over-obligation or over-expenditure in the proper account.**

**d. Types of ADA Violations Investigated.** The following is a list of some of the causes of potential ADA violations which have been investigated by the Army.

**(1) Lack of understanding of obligation rules with respect to contracts crossing fiscal years.**

**(2) Failure to monitor project costs.**

**(3) Lack of understanding of legal limitations on project expenditures.**

**(4) Failure to reconcile disbursements to obligations.**

**(5) Failure to accurately report and record costs.**

**(6) Lack of knowledge of the appropriate use of funds and the purpose for which funds are available.**

**(7) Failure to follow established procedures.**

**(8) Failure to follow existing rules for funding and contract administration.**

**(9) Fund certification was made based on limited explanation on the use of funds.**

**(10) Current year funds used to procure future years' needs.**

**e. Prevention.** Although there are many specific things which can cause an ADA violation, almost all violations fall under these overall problem areas: management controls and Standard Operating Procedures were either not established, inadequate, or not followed; there was inadequate supervisory involvement or oversight; lack of appropriate training.

**(1) The USPFO and all managers should ensure management controls are in place to prevent ADA violations. The USPFO should call upon both internal and external audit and review capabilities to ensure the controls are timely, accurate, and are known and being utilized by the proper personnel.**

**(2) The best prevention is education and awareness. Personnel responsible for making decisions concerning the use of federal resources should be properly trained in their responsibilities. In addition, Fiscal Law training is an extremely valuable course and a plus for personnel in all specialties.**

**f. Reporting Potential ADA Violations.** Upon learning of or detecting a potential ADA violation,

the individual concerned should immediately inform the USPFO. If the USPFO believes a potential violation has occurred, then within seven (7) calendar days of the date of discovery, the USPFO will notify the Adjutant General and send a "Flash Report" by facsimile transmission to the Comptroller Division (NGB-ARC). IAW DFAS-IN 37-1, the "Flash Report" should identify--

**(1) The accounting classification of the funds involved.**

**(2) The name and location where the possible violation occurred.**

**(3) The name and location of the activity issuing the fund authorization.**

**(4) The total amount of fund authorization or limitation from the Funding Authorization Document (FAD) that was allegedly exceeded.**

**(5) The amount exceeded and nature of the possible violation (i.e., over-obligation of funds, or acceptance of voluntary services, or obligation in advance of appropriation.**

**(6) The date the possible violation occurred, and the date discovered.**

**(7) The method or means of discovering the possible violation.**

**(8) A brief description of facts and circumstances of the possible violation.**

**g. Corrective Actions.** Upon completion of an ADA investigation or, if possible, during the course of the investigation, the USPFO will obtain reimbursement for violations and/or make required accounting adjustments. The USPFO will ensure all corrective actions recommended and approved by the NGB are completed.

### **3-5. Fund control**

Fund control will include the following:

**a. Certifying that funds are available when initiating a financial transaction.** Before an obligation of funds can be incurred, there must be sufficient funds to cover the obligation. Fund control may be either decentralized or centralized. Under decentralized fund control, a Program Manager who is issued a target would be given written fund certification authority. Centralized fund control would leave the certification responsibility at the USPFO level. The main idea is to fix responsibility for ensuring that the obligation authority is not exceeded. This is the first important step in fund control. Before an official such as the Contracting Officer can proceed with letting a contract, the Contracting Officer must receive a purchase request certifying that funds have been made available. It is apparent then that the person charged with certification authority must know the balance of available funds. Types of financial authorizations are shown in **Figure 3-1**.

**b. Knowing and verifying the status of Unliquidated Obligations (ULOs).** ULOs are obligations incurred as a result of requisitioning a supply item or ordering a service but for which full payment has not been made. The emphasis on control must be accompanied by an increased emphasis on the prompt and accurate recording of obligations. The recording of obligations requires supporting documentation and is subject to laws and rules that vary by type of expense. Anyone authorizing or reviewing obligations must know those rules because the time of recording and the amount to be recorded must conform to the rules. As an example, an obligation for TDY is recorded with an estimated amount and then must be adjusted to equal the actual amount of per diem and travel allowance computed. This process is simple enough until the travel is cancelled, and the USPFO is not notified or until a traveler fails to file a claim for reimbursement. Verification by both the USPFO and the Program Manager is necessary to ensure that funds are both available and controlled. ULOs are required to be reviewed not less frequently than once every four (4) months. The internal review personnel may assist in this validation process for obligations.

**c. Knowledge of commitments and rules of obligation, and Section 1517, Title 31, USC (Antideficiency Act).** A violation of the Antideficiency Act occurs when a legal subdivision of funds (including statutory limitations) is overdistributed, overcommitted, overobligated, overdisbursed, or obligated in advance. Details on rules of obligation, commitments, and antideficiency violations can be found in DFAS-IN 37-1 "Finance and Accounting Policy Implementation," chapters 7, 8, and 9.

### **3-6. Reimbursement Programs**

Financial programs at the State may involve providing support in the form of supplies or services to individuals, certain activities, and tenant organizations. Reimbursements to appropriations (appropriation reimbursements) are amounts earned and collected for property sold or services furnished either to the public or another accounting entity. To be an appropriation reimbursement, the collection must be authorized by law for credit to the specific appropriation or fund account. Chapter 12, DFAS-IN 37-1 provides an in-depth explanation of the total reimbursement program for the Army. Before using reimbursable orders, a buyer/ seller (ordering/ performing activity) relationship must exist. The seller (performing activity) must have the authority to accept reimbursable orders and a normal duty mission that allows providing the goods or services needed by the buyer (requesting activity) or authority from the next higher level of command.

### **3-7. Types of reimbursements**

There are two types of reimbursements, automatic and funded. Funded Reimbursement Authority (FRA) is provided on funding document with specific dollar ceilings. Automatic Reimbursement Authority (ARA) is issued on the funding document in the form of a statement authorizing the allotment holder to incur automatic reimbursements.

### **3-8. Funded reimbursements**

FRA is issued to the NGB open allotment only and is **NOT** available to the USPFO for any reason.

### **3-9. Automatic reimbursements**

**a.** ARA is authorized in the OMNG (2065) appropriation only. When the receipt of an order is recorded in the NGB accounting system, funds in the form of Annual Funding Program (AFP), and Funds Received (Allotment) are automatically recorded in the accounting system to support the execution of the order. All transactions relating to automatic reimbursement are identified by the Source of Funds (SOF) "A." Funding for SOF=A can only be affected by the adjustment of orders received.

**b.** Automatic reimbursements are further classified as "Project Orders and "Economy Act Orders." Paragraphs 12-7 and 12-8 DFAS-IN 37-1 respectively covers rules for each type automatic order.

### **3-10. General procedures**

Reimbursable orders within the Department Of Defense (DOD) are processed on a DD Form 448 Military Interdepartmental Purchase Request (MIPR) with the acceptance of the order on DD Form 448-2. Orders from non-DOD agencies or individuals (to include the State) must be in writing in accordance with DFAS-IN 37-1. Orders from non-DOD agencies or individuals are recorded in Reimbursable Source Code (RSC) series 900 (See DFAS-IN Manual 37-100-\*\* for detail source codes), and cannot be accepted without an advance payment. The only exception to the advance rule is for emergency orders between the USPFO and the State.

### **3-11. Requester/Performer Functions**

The Program Manager can be either the requestor (Issue MIPR), or the performer (Accept MIPR). If requested/accepted as reimbursable, regardless of which function the Program Manager performs (requestor or performer), copies of documentation must be forwarded to the accounting section for entry into the accounting system.

#### **a. Requester.**

(1) The Agency that issues a DD Form 448 (MIPR) is the requester and as such has the following responsibilities:

(2) Issue of an order (MIPR) to another agency constitutes a "commitment" of funds and must be recorded as a reservation in the accounting system.

(3) The reservation/commitment of funds continues until the performing agency acknowledges receipt of the request and replies by either accepting or rejecting the request. Rejection is accomplished by returning the DD Form 448 with a memorandum declining the request.

(4) DD Form 448-2, acceptance of MIPR, is used by the performing agency to accept the order. Upon receipt of the acceptance (DD Form 448-2), the requester must forward a copy to accounting for processing.

(5) The method of performance (acceptance Category I or II) is up to the performing agency and is identified on Part 5, DD Form 448-2. The method of performance establishes the rule for obligating the initial request. Orders accepted as reimbursable (Category I) will be obligated in their entirety (using the initial order number) upon receipt of the acceptance. Orders identified as direct fund cite (Category II) on the acceptance will continue as a "commitment" until appropriate obligation documentation is received from the performing activity. Obligations for Category II reimbursements can only be recorded from source documents generated by the performing activity. Orders accepted as a combination of Category I and II will specify the amount for each Category and will be obligated in the amount and in accordance with the rule for each category.

(6) Billings for reimbursable services will be received via the Transactions By Others/Transactions For Others (TBO/TFO) disbursing system (i.e. "For-self disbursement"), and should be in sufficient detail to identify goods and/or service furnished.

#### **b. Performer.**

(1) Acceptance of reimbursable orders is accomplished by issuing an Acceptance of MIPR, DD Form 448-2. Determination as to what category the order will be performed (Category I reimbursable, Category II direct fund cite or combination) is up to the performing activity. Acceptance of an order as Category I reimbursable will be immediately recorded in the accounting system as an order received. Orders accepted as direct fund cite will "NOT" be recorded in the performers accounting system. The performer will cite the requester's accounting classification on all obligation documents and forward a copy of all documents to the requester for obligation.

(2) Program Managers who perform services or sell goods are responsible for informing the supporting accounting section as to the value of goods and services furnished on a reimbursable basis. Notification must be in sufficient detail to support the

recording of earnings and generation of billings. Billings are the only document received by the requester to validate that goods were provided and/or services were performed.

(3) Billings for goods and/or services furnished are based on the value of earnings recorded for a specified billing cycle (usually not less than monthly). Billings will be certified for payment by the performing agency and processed through the TFO/TBO system.

### **3-12. Adjustments**

a. Adjustments to orders received are recorded in accordance with chapter 12-16, DFAS-IN 37-1. In general, adjustments are recorded when the order is completed, when it is determined that additional funds will be required, or at the end of the FY.

b. Upon completion of an order, the performer will forward an amendment to Acceptance or MIPR DD Form 448-2 reducing the order to equal the amount the performer will record as earned.

c. Requests for additional funds to complete an order will be processed by the requester by preparing an amendment to the original MIPR. Additional funds are not available to the performer until the requester signs and returns the amended MIPR.

d. At year-end all orders must be marked "down" to match recorded earnings. Unused funds for economy act orders are returned to the requester and are no longer available to the performer for use. Unused funds for project orders may be moved to the succeeding FY to complete the project.

e. At year end the following cardinal rules must be followed:

(1) Orders must be marked down to match earnings, at the FY, RSC, Army Management Structure Code (AMSCO), Standard Document Number level.

(2) Obligations must equal funds available.

(3) Obligations must equal earnings at the FY, AMSCO level.

(4) Undelivered orders (Orders minus earnings) can not exist at any level.

### **3-13. Resource Management**

a. The purpose of this paragraph is to provide general guidance in establishing procedures for resource management and fund control. It is recognized that the procedures outlined herein may be modified to meet unique requirements of the States.

b. As stated previously, the USPFO has direct responsibility for fund control and resource management. The USPFO must take necessary actions to ensure compliance with statutory and regulatory provisions governing the control of funds. In addition, the USPFO is responsible to the Chief, NGB, for the



management of these resources to ensure accomplishment of the training, logistical support, and administrative missions within the guidelines and priorities established by the Adjutant General.

c. The Adjutant General and the USPFO should determine at what level various programs should be managed. A good rule to follow is that programs should be managed at the highest organizational level, which will permit mission accomplishment without impeding the smooth operation of the program concerned. For example, the Plans, Operations and Training Officer could be the Program Manager for the school program. As the Program Manager for the school program, he/she would be provided funding authority that would enable him/her to request orders to be issued against the funding program. As the Program Manager for the school program, authority would be given in the appointment as the Program Manager to further delegate the management of school funds to the lowest level deemed appropriate, for example, each Major Command within the State.

d. After determining who will manage each program, the Program Manager must be appointed by letter which delegates authority for administrative control of funds. The letter must include the following:

- (1) Authority for the appointment.
- (2) Effective date of the appointment.
- (3) Specific titles and descriptions of the programs.
- (4) Program Manager responsibility and authority.
- (5) Appointment of a named individual.
- (6) Appointee must accept the appointment by signature.

e. Following the appointment of the Program Managers, it is advisable to hold a short training course covering the statutory, regulatory, and local procedures for fund management. This training course, designed and sponsored by the USPFO, should address the recurring training requirements of the State's Program Managers and Activity

Managers. NGB-ARC sponsors Program Manager Training Courses, which are coordinated with each Budget Officer. The U.S. Army Finance School also offers courses in Resource Management, such as the Planning Programming Budgeting and Execution System Course, and the Resource Management Budget Course. The USPFO must ensure that each Program Manager is aware of the provisions of DFAS-IN 37-1, Sections 7-5 thru 7-7 regarding violations and the concept of obligations.

f. Resource management must provide for effective Program Manager participation in the budget formulation process as well as the budget execution process. Every effort should be made to keep the system between the USPFO and the Program Manager as simple as possible. Remember that until now, most Program Managers' expertise has been in an area other than financial management.

g. Resource Management should provide a simple method of requesting, issuing, reporting, and reconciling obligations on a periodic basis.

h. The purpose of a Program Manager is to permit execution of programs without cumbersome approval procedures for each action affecting the program. Communication is the key to its success. The PBAC, as described in Chapter 1, must meet regularly and openly discuss the programs. Only by full and open communication can the staff provide the Adjutant General the input needed to make the decisions vital to the operation of the National Guard in each State.

i. **Decentralization of fund control.** To achieve the objective of integrating program, budget and financial control in one financial management system, the principal responsibility for control of not be recognized except in an exceptional circumstance, i.e., those jeopardizing health and/or safety. If this exceptional rule should apply, then such authorization will be considered an authorization, pending receipt of the confirming written document funds is decentralized and aligned with management



**TYPES OF FINANCIAL AUTHORIZATIONS**

For mission activities and base services. Dollar amount received quarterly. Immediately available for obligation	<b>DIRECT OBLIGATION AUTHORITY</b>	Constitutes Allotment Received by USPFO	<b>TOTAL AVAILABLE TO USPFO</b>
Financing foods and service support to individuals or non-mission activities. No dollar amount is received. Funds are "generated" based on receipt of an order.	<b>AUTOMATIC REIMBURSEMENT AUTHORITY</b>	Allows Allotment to be increased by amount of orders received	

**Figure 3-1**

**PROGRAM DIRECTOR SAMPLE LEDGER**

MAMSCO: 51XXXX.XX

DATE	AFP	ALLOT	DOC NO	AMT	AFP BAL	ALLOT BAL
1OCTXX	10,000	0			10,000	0
1NOVXX		6,000			10,000	6,000
2NOVXX			1234567	1,000	9,000	5,000

**Figure 3-2**

**Chapter 4  
Federal and State Operating Funds**

**4-1. General**

a. Without question, the challenge an Adjutant General and USPFO must constantly face is to accomplish their missions within the resources furnished to them. One of the unique aspects of financial resources, besides being limited, is that there are many restrictions or directives that are attached to the utilization of public funds. The Adjutant General and USPFO cannot use an appropriation for other

than its stated purpose, cannot exceed the ceilings, and are limited to the amount that may be spent on any one contract; and so on. Even though the functional managers at the State levels have had few violations in the past and are considered to be aware of the various restrictions, violations can still occur due to lack of knowledge or attention to detail; consequently, the management of funds at State level requires constant attention.

**b. General restrictions.**

(1) Obligation authority is received on a FAD. The Annual Funding Program (AFP) is subject to Section 1517, Title 31, USC.

(2) Budget Activities under which expenses may be incurred will be specified on the funding document.

(3) Shifting AFP between Budget Activities is not authorized without prior approval from NGB-ARC-BE.

(4) Use and procurement of automatic data processing equipment is subject to specific limitations.

(5) Other limitations may be specified on individual funding documents.

(6) Counter Drug Program (CDP) funds have limitations placed on the FAD issued to each State.

c. This chapter explains the purpose of the appropriations applicable to the States and points out areas where restrictions or other directives should be noted.

#### 4-2. Army National Guard appropriations

##### a. National Guard Personnel, Army (NGPA) (2060)

(1) **Legal basis.** The concept of a reserve military force grew out of the American tradition of the citizen-soldier. The State Militias have existed since the early battles of the Revolutionary War and continued in existence through the 19th century with individual States providing funding for the pay of Militia. With passage of the Dick Act in 1903, the Federal Government assumed responsibility for the pay and training of the Militia. The NGPA appropriation can trace its origin back to this public law.

(2) **Authorization.** Funding for the NGPA appropriation requires that Congress enact both an authorization and an appropriation bill. In this way, Congress can exercise two checks on the National Guard personnel costs. The authorization bill addresses manning levels and sets a ceiling on the total National Guard strength authorized for any given fiscal year. In addition to this, Congress must also approve a specific level of funding which need not necessarily match the authorized strength level. Neither enactment may be exceeded, and so each may serve to restrict expenditures.

(3) **Budget Activities.** The NGPA appropriation is divided into two Budget Activities (BAs) and these are subdivided into accounts. The Army Management Structure (DFAS-IN Manual 37-100-XX) provides a detailed explanation of these accounts.

##### (4) Execution procedures.

(a) **Availability of funds.** The National Guard Personnel, Army (NGPA) appropriation provides funds for pay of personnel training in the Army National Guard. It is an annual appropriation which has a period of availability of one year for obligation.

The authority to use NGPA funds is provided by a FAD. It is published in fiscal code for all authorized activities to use with accountability maintained by the Army National Guard Comptroller Division.

(b) **Constraints/Restrictions.** One major constraint on the use of funds provided through the NGPA appropriation is that no Federal funds may be used to pay guardsmen who are performing State duties unless requested through civilian channels and directed by the President. Unless the National Guard forces are federalized when called up to deal with local emergencies, they must be paid out of State funds.

(c) **Transfer of funds between Budget Activities.** Transfer authority between Budget Activities is held at the Chief, National Guard Bureau level and is limited to \$10 million for the NGPA appropriation. The authorization for transferring is normally delegated to the Chief, Army Comptroller Division.

(d) **Supplemental appropriation requests.** Supplemental appropriation requests are common in the NGPA appropriation for items such as pay raises, increases to the guardsman's clothing bag, increased costs of subsistence and travel due to inflation, and various legal changes to entitlements. In addition to supplemental appropriations, the NGPA appropriation can obtain additional funds through Army reprogramming actions.

##### b. Operation and Maintenance, Army National Guard (OMNG) (2065).

(1) **Legal basis.** The individual State Militias, forerunners of today's National Guard, were funded by the individual States until 1903 when the Dick Act was passed. Thereafter, the Federal Government began participating with the States in funding the National Guard. Today, the annual Defense authorization and appropriation legislation, and several sections of Titles 5, 10, 31, and 32 of the United States Codes provide the legal basis for the OMNG appropriation. All of the public laws involved have their foundation in the United States Constitution.

(2) **Authorization.** Funding for the OMNG appropriation requires that Congress enact both an authorization and an appropriation bill. Congressional appropriations are the primary source for the Army National Guard's financial requirements. The primary means of receiving appropriated funds for OMNG is by way of the annual Department of Defense Appropriation Act.

(3) **Budget Activities.** The OMNG appropriation consists of two Budget Activities (BAs) which are broken down further by the operations they finance. The Army Management Structure (DFAS-IN Manual 37-100-XX) provides a detailed explanation of these OMNG budget activities.

##### (4) Execution procedures.

**(a) Availability of funds.** In general, the Operation and Maintenance, Army National Guard (OMNG) appropriation supports only the peacetime training activities of the Army National Guard. When a National Guard unit is mobilized by the Federal Government, it becomes a part of the active Army and as such, has its O&M costs funded by the OMA appropriation. Conversely, when a National Guard unit is called upon to perform a State related activity such as quelling a civil disturbance; all costs related to that operation are refunded to the Federal Government by the State. The OMNG appropriation provides for the expenses of training, organizing, and administering the Army National Guard, including medical and hospital treatment and related expenses in non-Federal facilities; maintenance, operation, and repairs to structures and facilities; hire of passenger motor vehicles; civilian personnel services in the National Guard Bureau; travel expenses, operating supplies, and expenses of repair, modification, and maintenance of equipment (including aircraft).

**(b) Constraints/Restrictions.** Constraints or other restrictions are limits that are imposed by Congress, OSD, DA, or NGB on OMNG as to how a portion of the money will be spent. Army National Guard Financial Managers must then operate within the bounds of these legal restrictions and internal control measures. The Real Property Maintenance Floor (RPMF) is an example of constraints imposed.

**(c) Transfer of funds between Budget Activities.** Transfer authority between Budget Activities is held at the Chief, National Guard Bureau level and is limited to \$15 million for the OMNG appropriation. Congressional notification is required for transfers of \$15 million or more between Activities or Sub-Activity Groups (SAG). The reprogramming process is subject to designated dollar thresholds and Congressional requirements. States cannot transfer funds between budget Activities or SAG's but instead must request such changes through the NGB. Any reprogramming action outside these parameters must be forwarded through OSD to Congress.

**(d) Supplemental appropriation requests.** Supplemental appropriation requests are common in the OMNG appropriation for items such as Technician pay raises, increased OPTEMPO, and various legal changes to entitlements. In addition to supplemental appropriations, the OMNG appropriation can obtain additional funds through Army reprogramming actions.

### c. Military Construction, Army National Guard (MCNG) (2085).

**(1) Legal basis.** The legal basis for this appropriation is derived from the constitutional authority of Congress to raise and support armies. The specific legal basis for the appropriation is found

in Title 10 of the U.S. Code, Chapter 1803, Sections 18231-18239.

**(2) Authorization.** Funding for the MCNG Appropriation requires that Congress enact both an Authorization and an Appropriation bill. The time limit on the Authorization and Appropriation bill are 3 years and 5 years respectively. ARNG construction projects are divided into two types. Minor construction projects are those which require funds of less than \$1,500,000 to complete. Major construction projects are those costing more than \$1,500,000. The definitions and dollar limitations of minor and major construction are determined by Congress. The dollar limitation on minor construction has increased as inflation has increased the cost of most construction projects.

**(a)** The specific elements of the MCNG appropriation include Readiness Center facilities and non-Readiness Center facilities. Non-Readiness Center facilities generally include maintenance, training, aviation, and motor vehicle storage facilities.

**(b)** Readiness Centers (armories) are those facilities that house the ARNG unit(s) and provide space for the administration of the units' activities. The state provides the land for all (state owned/licensed) readiness center. Readiness centers built on federal land are fully subsidized 100% federal and those built on state land are funded up to 75% with federal funds for authorized criteria space.

**(c)** Maintenance facilities are those constructed for the maintenance of ARNG equipment and vehicles. In some cases these facilities are shared by several units to better utilize funds and take advantage of efficiencies of scale. The construction of these facilities is completely funded by the MCNG appropriation.

**(d)** The construction of training facilities is completely funded by the MCNG appropriation. These facilities include confidence courses and firing ranges and may be shared by several units.

**(e)** Aviation facilities are required for those units with aviation assets. These facilities are fully funded by the MCNG appropriation and include landing pads, hangars, and airfields. These facilities are also available for joint use when practicable.

**(f)** The last element is motor vehicle storage facilities. These are provided so that ARNG assets can be properly secured. They are also fully funded by MCNG and are often shared.

**(3) Budget Process.** The MCNG budget is unique in the funding process which it follows. There are four levels through which the budget request passes before the appropriation is enacted by Congress. These levels are, from bottom to top, the States, NGB, OSD/OMB, and Congress.

**(a) States.** At this level construction requirements are developed by the State Adjutant

General (AG). These requirements are justified by using a Long-Range Construction Program (LRCP) which is a prioritized list categorized by activity (i.e., Readiness Center, training site, non-Readiness Center and minor construction). The LRCP is forwarded to the State Reserve Forces Facilities Board, which reviews all requirements. The requirements are validated if it is determined that the State ARNG has a valid need for the facility and other facilities cannot be jointly shared to fulfill the requirement. The State ARNG then submits the programming documents (DD Form 1390/91) to the NGB. It should be noted, however, that an important role is played by the State Legislature, which must agree to provide State funds when required.

**(b) NGB.** NGB reviews all of the State Programming Documents (DD Form 1390/91) and consolidates them into the President's Budget Request. Some items of the budget request are by line item and location (e.g., Readiness Centers) and other funds are requested in a lump sum (e.g., planning/design funds).

**(c) OSD/OMB.** The MCNG budget request is submitted to OSD/OMB for review. The request is reviewed and changed if necessary (PBD/PBC Cycle). The Military Construction budget request is then sent to Congress (normally by February) for authorization and enactment of the appropriation.

**(d) Congress.** The two committees in Congress which review and hold hearings on the Military Construction budget authorization requests are the House Armed Service Committee and the Senate National Security Committee. The two committees which review the appropriation requests are the House and Senate Appropriation Committees. The Subcommittees which hold the initial hearings are the House and Senate subcommittees on Military Construction. After the MCNG appropriation is enacted and signed into law, it is then executed.

#### **(4) Execution procedures.**

**(a) Availability of funds.** The NGB receives the apportionment of funds from OSD and maintains administrative control, but upon award of an Architect/Engineer (A/E) or construction contract, forwards funds to the States for execution. The State level control point for obligating the MCNG funds is the United States Property and Fiscal Officer (USPFO).

**(b) Constraints/Restrictions.** Some MCNG funds are constrained as to their use. When funds are appropriated for the construction of a specific facility at a specific location, they cannot be used for anything else without Congressional approval (i.e., reprogrammed).

**(c) Transfer of funds.** Reprogramming of the MCNG appropriation requires Congressional

approval. Reprogramming may become necessary for two primary reasons:

- (1) Congressionally directed reprogramming (i.e. language in a Congressional report) or
- (2) Construction bids exceed Congressionally mandated limitations (i.e., more than 25 percent above the appropriated amount, not to exceed \$2 million).

## **Chapter 5 National Guard and State Staff Operations**

### **5-1. Introduction**

The National Guard Bureau is organized with a division staff. The Division Chief carries the responsibility for direct involvement in the financial management of each ARNG appropriation. The Program Managers reside in the Army National Guard Staff as well as the Joint Staff. The State Adjutant General organization is similarly structured and correlates to the same functions.

### **5-2. Directors of Financial Management Functions (NGB and State Level)**

Each Program Manager has two distinctly different but clearly related financial management roles - first, as a Program Manager for the specific operation and activity and second, as a member of the Program Budget Advisory Committee.

**a.** The Program Manager's role is that of coordinating the operation and activities under his/her financial management areas. This is done by direct and total involvement in the three major areas of financial management - planning, budget preparation, and budget execution.

**(1)** Planning is the development of long-range plans and objectives.

**(2)** Budget preparation is a highly technical, strictly time controlled process that begins with the receipt of budget and manpower guidance from the Financial Manager. Each Program Manager applies this guidance to specific projected work requirements. Those requirements can then be expressed as an annual plan in terms of the amount of money that will be needed to carry them out. The Program Manager is then responsible for combining all activity plans into a budget for his/her entire area of responsibility.

**(3)** Budget execution.

**(a)** Program Managers are responsible for executing, reviewing, and analyzing budget program elements for which they have been assigned staff responsibility and for supervising operations to accomplish the projected workload and scheduled actions.

Program Managers must recognize that their Activity Managers will require policy guidance to determine the priorities for using available funds. A very vital part of this budget execution process is quick reaction by the Program Manager when additional funds are going to be required for mission accomplishment or when excess funds become available for reprogramming or withdrawal by the Comptroller. The Program Manager must provide written notification to the Comptroller in cases of this nature.

(b) The significant financial management functions of budget execution can only be accomplished by applying the following techniques:

(1) Translating the mission to specific objectives; the evaluation of activities should be related to the mission.

(2) Measuring accomplishments against objectives. Objectives are set by DA, Chief, NGB, DARNG, or the Program Manager having knowledge in that area. Historical trends are to be considered when setting the current objectives. Reviews and analyses become more meaningful when accomplishments are measured against previously determined objectives. Those objectives may be expressed in a wide variety of ways, such as mission goals, operating programs, schedules, forecasts, estimates, targets, and ceilings. Performance may also be measured against such criteria as standards, factors, rates, ratios, and other units for measuring the actual accomplishment against predetermined objectives. Readiness impacts should also be stated in the analysis.

(a) **Analysis of deviations.** The evaluation of accomplishment against objective assumes added significance when reported variations from objectives are supported by analyses of the causes of deviations beyond established tolerances. (Why did the deviations occur?) The explanation of these deviations may reflect on the soundness of plans and programs rather than on the effectiveness of accomplishments. It may indicate that the objectives were unattainable; that the resources allocated were inadequate; or that unforeseen circumstances (such as the assignment of unprogrammed and unbudgeted activities) affected both mission and accomplishment. It may reveal that shortfalls resulted from ineffective use of the resources provided in support of missions. It may demonstrate that the criteria for measuring performance against predetermined standards are unrealistic and require revision. It may indicate long-range trends of developing patterns, or it may reflect seasonal variations or particular circumstances that have occurred.

(b) **Evaluation of impacts.** The review and analysis function assumes its full value as a management tool only when cause-and-effect evaluations enable the Director, Army National Guard and/or

State Adjutant General to use it as a basis for command management decisions.

(c) **Statement of problems.** The reasons for deviations and their impacts on accomplishment of missions, the cause-and-effect approach, should result in clearly stated problems. A clearly stated problem stimulates a cleaner-cut decision. The statement of a problem should indicate clearly whether it is susceptible to corrective action at USPFO level, whether action is required at a higher level of authority, or whether the State must learn to live with the problem.

(d) **Indication of corrective actions.** The review and analysis should indicate the actions that have been taken, will be taken, or should be taken to solve the problems that are susceptible to corrective action. If a command decision is required for corrective action at the State level or for referral of a problem to higher authority, the review and analysis should stimulate that type of action.

(3) **Trend analysis.** There are circumstances in which a trend analysis of past performance provides the most practical and meaningful evaluation of accomplishment in lieu of a comparison with predetermined objectives.

(4) **Management by exception.** The universe of ARNG activities is ordinarily too large and detailed to warrant complete coverage in a periodic review and analysis. The "management by exception" technique must, therefore, be used to highlight those activities in which there have been major accomplishments, significant deviations, exceptional situations, critical problems, or important actions that have a direct bearing on the execution of State missions.

(5) **Communicating the results.** Program Managers must be ready to channel the results of their continuing review and analysis efforts into the many staff meetings, briefings, publications, staff papers, and other media that provide avenues of communication between the staff and top command and management. From this viewpoint, review and analysis must be a continuous process.

b. As a member of the PBAC, the Program Manager participates with all other managers in evaluating budget guidance from higher headquarters and preparing recommendations for the Adjutant General with respect to the staffing and funding of the Army National Guard requirements. This rather structured and technical function is discussed in detail in chapter 6.

### 5-3. Year end operations

a. **Philosophy.** A 99.9 percent obligation rate is not necessarily a viable measure of effective or efficient fund utilization. Rather, managers must use available funds realistically in support of goals.

Obligations should occur, as long as valid requirements exist, to a point short of overobligating. The 99.9 percent obligation rate serves as an informal benchmark of this philosophy. For example, a program or State approaching year-end with a 95 percent obligation rate and approximately 3 percent of valid unfinanced requirements should attempt to obligate funds to accomplish the unfinanced requirements and then report excess funds for withdrawal. Obligating less than 99.9 percent is not a "stigma", nor does it detract from the efficiency and effectiveness of the State, provided the missions and functions of the State have been accomplished. Next year's fund distribution will be based strictly on the missions or functions to be accomplished, not on the obligation rate of the previous year. Not obligating the valid unfinanced requirements also falls into the realm of fund mismanagement, for the State would be deprived of significant items for which it had acquisition means available.

**b. Transferring funds.** To ensure maximum obligations, transfer actions take place. Transfers consist of identifying areas in which funds available exceed requirements and transferring these funds to areas in need. Obviously, care must be exercised to ensure that directed or statutory limitations are not violated and that transfer actions do not occur between budget programs. Transfers can take place at National Guard Bureau and State level. States must offer to the National Guard Bureau funds in excess of valid requirements so that these funds may be redistributed to States who have valid requirements for such funds. Prior to offering funds for withdrawal to the National Guard Bureau, States must exercise extreme caution to ensure that accounting records are totally up to date at the time of offering, so that later transactions do not create overobligations and Section 1517(a) violations.

**c. Validating unliquidated obligations.** Managers at all levels are responsible for ensuring that obligations incurred for goods or services not yet received are still valid, justifiable requirements. Those that are no longer valid should be reported through proper channels to the Financial Manager for deobligation, withdrawal, and redistribution to other financial management areas for which valid needs exist. Those "freed" funds will most likely be applied to existing unfinanced requirements. Validating unliquidated obligations is accomplished through a "joint review" of unliquidated obligations performed no less than tri-annually, with the final review being conducted in September prior to the end of the Fiscal Year.

**d. Procedure.** Year-end operations must be centrally controlled and characterized by quick reaction and total coordination. The Financial Manager is the focal point, but the Program Managers are the man-

agers who report funds available for withdrawal, and/or redistribution and warn about potential trouble areas.

#### **5-4. Requirements**

The Program Manager has the most significant impact on whether or not his/her activities are supported with adequate financial resources. It is therefore incumbent upon the Program Manager to ensure that these requirements are properly stated, adequately justified, and properly managed.

### **Chapter 6 State Planning, Programming, Budgeting, and Execution System (PPBES)**

#### **6-1. General**

**a.** Planning, programming, budgeting, and execution system (PPBES) is an integral part of the financial management process. The initial program/budget is developed in advance of the period of fund execution and is a joint responsibility of top management, staff sections, and commands. The Financial Manager is directly responsible for the State's budgeting process and discharges that responsibility through the Budget Officer. The Budget Officer develops program guidance in order to facilitate the Budget process. The National Guard Bureau serves as the Major Command (MACOM) for budget operations. NGB-ARC-BE issues budget and funding guidance relative to the State Operating Budget (SOB) and the Mid-Year Review Preparation (MRP). The SOB submission to NGB-ARC-BE will be a detailed statement of the activities planned by the entire State Area Command (STARC) Staff. Program Managers may solicit budget input from the STARC and State Major Command staff level. (Submitting only the Unfinanced Requirements based on the Annual Funding Guidance).

**b.** A decentralized Financial Management System requires the assignment and appointment of management responsibilities and programs to be managed. In accordance with NGR 130-6, the appointment of Program Managers is the responsibility of the USPF0.

**c.** The program/budget process will provide for a systematic, orderly procedure for mission analysis, allocation of resources, scheduling of activities and the effective utilization of resources. The budget process will be performed on a budget cycle as provided by NGB-ARC-BE (normally one Fiscal Year). This process requires Program Managers to look into the future and provide management with a measure by which results can be analyzed.



## 6-2. Organization

Most States operate under a decentralized financial management concept. Planning, programming, budgeting, executing and controlling appropriated funds is delegated to the lowest level considered practical, ensuring sound financial management. The following elements are essential to a decentralized financial management system:

**a. USPFO.** Responsible for budgeting, accounting, controlling, reporting and directing financial planning of all federal appropriated funds allocated for use by the State. The USPFO is the officer charged with exercising this authority and administering the financial responsibilities as required by law.

**b. PBAC.** The PBAC should be composed of the senior staff representatives of the Adjutant General to include Functional or Activity Managers. The PBAC serves as the top management group to advise the Adjutant General and USPFO. The PBAC is also responsible for the interpretation, development and execution of financial matters to ensure a sound financial program is established and maintained.

**c. Program Manager.** Primary Staff personnel charged with responsibility of financial planning, programming, budgeting and execution of assigned Federal Funds by AMSCO. Program Managers are appointed by and are accountable to the USPFO in order to ensure proper utilization of all Federal funds assigned.

**d. Program Manager/Account Manager.** Designated personnel, normally within the Program Manager's immediate staff, charged with administrative responsibility associated with managing Federal Funds.

**e. Commanders of senior organizations,** activities, facilities (Federal) and other operational sites are charged with the control and expenditure of Federal Funds, and provide input to the SOB. Commanders become more involved as funds are distributed to specific organizations under the decentralized fund control concept.

## 6-3. The budget process

**a. The Budget cycle** (1-Year budget) normally begins in January, each year at the MACOM level with planning between Program Managers and Staff. The cycle continues for approximately twenty (20) months. Planning, programming, budgeting and executing are integral parts of the cycle.

**b. Call to Program Managers.** Each year the Budget Officer will issue a call to Program Managers around the January time frame. The intent of the budget call is to alert Program Managers of the upcoming

budget requirements and to provide a planning timetable.

**c. Budget Input.** The policy of gathering budget data is down to the lowest level considered practical. Program Managers will determine the level at which they desire to capture budget data.

**d. Call for Fiscal Year Budget.** NGB-ARC-BE will initiate Budget Instructions (NGB Log. letter) during May, calling for the upcoming year State Operating Budget (SOB). The NGB letter will specify due dates, instructions, and formats to be utilized in the SOB submission. NGB will provide the Annual Funding Guidance (AFG) during this process.

**(1) Initial planning.** The Budget Officer will analyze any special requirements, study time frames, determine the schedules required, and inversely plan the time frame for budget preparation, staffing and submission to NGB.

**(2) State Budget Call.** The USPFO will publish budget guidance to Program Managers. The guidance will be detailed enough so that budgets may be completed at the director level. Program Managers desiring assistance may contact the Budget Officer.

**(3) Program Manager Action.** Upon receipt of the Budget Call, Program Managers should review the guidance, establish milestones for completion, utilize budget input (if practical), and coordinate the completion of the budget with Account Managers. All known and anticipated requirements should be included in the budget request. Requirements should be realistically and quantifiably stated and displayed in the budget. All amounts are to be rounded to the nearest hundred. Training requirements, although not finalized, must be considered when programming annual logistics budgets.

**e. Final Review and Formulation.** Upon receipt of completed budgets from the Program Managers, the Budget Officer will review and analyze requirements and justification in depth. Budget data will then be transmitted to NGB-ARC-BE.

**f. PBAC Budget Review.** Prior to submission of the budget to NGB, the Budget Officer should provide an information briefing to the PBAC.

## 6-4. Budget formulation responsibilities and actions

**a. Major Commands.** Commanders of senior organizations, activities, facilities (federal), and other operational sites that effect the expenditure of Federal Funds will be responsible for providing input to the SOB. The type of input and suspense date will be determined by the respective Program Manager.

### b. Program Managers.

**(1) Continuous mission planning,** programming, and establishment of objectives for preparation of a one (1) year State Operating Budget (SOB) for

AMSCOs designated in DFAS-IN Manual 37-100-FY, and a supplement published by the States utilizing the MAMSCOs to identify levels for budget input to NGB and also funding AFP levels. AMSCOs contained in DFAS-IN Manual 37-100-FY should be used exclusively for reservation/obligation of funds. Program Manager Codes (PMCs) are incorporated in this structure for performance accounting and funding identification.

(2) The level of solicitation of budget input from the Major Commands, Staff Sections, and Activities will be determined by the Program Managers. The January-February time frame is considered as the best time to accomplish this action. Program Managers desiring assistance in this process should contact the Budget Officer.

(3) Completion of Budgets should be accomplished IAW the Budget Instructions to be provided each year.

### 6-5. Budget execution

**a. Receipt of AFG.** Approximately 1 September each year NGB-ARC-BE will issue Annual Funding Guidance (AFG) to the State Operating Budget. The purpose of the AFG, prior to 1 October, is to start the execution cycle of the budget process. Upon receipt of the AFG, the Budget Officer will provide each Program Manager a State Automated Budget System (SABS) Form for each of their respective accounts indicating the amount of AFG. Program Managers are to complete the form, indicating a Monthly Obligation (Execution) Plan, Unfinanced Requirement Justification Statement and return the form to the Budget Officer. The Monthly Obligation Plan will be utilized by NGB and DA to evaluate each State's program (obligations compared to plan). The PBAC will also analyze execution of the Obligation Plan.

**b. Submission of monthly obligation plan to NGB.** The USPFO is required to submit a monthly Obligation Plan (based on AFG) at the beginning of each fiscal year. This Plan will be the basis, whereas NGB and DA will track obligation execution by month. Updating of the Plan can normally only be accomplished during December.

**c. Receipt of Annual Funding Program (AFP).** By 1 October each year NGB-ARC-BE will issue the AFP by the use of an electronic DA Form 1323-C (Funding Authorization Document).

**d. Issuance of AFP.** After receipt, review and analysis of AFP from NGB, the Budget Officer will issue a Funding Authorization Target (FAT) to each Program Manager. The FAT will include the AFP and the 1st quarter allotment requirements. Program requirements must be tailored to fit within the quarterly funding availability.

**e. FAT.** The FAT will be utilized in issuing funding targets to managers. After issuance of the first (original) funding target, all subsequent issues will be in numerical sequence. Program Managers/Account Managers should maintain a file on all FATs issued for a fiscal year.

**f. Review and analysis of AFP.** After receipt of AFP, a total Review and Analysis (R&A) must be performed to ensure that the proper resources are available to accomplish the objectives of the State. This R&A is to be accomplished in the following manner:

(1) **USPFO, Resource Management Division.** General analysis of appropriations to determine sufficiency of funding and identify areas of funding concern. Coordinates with Program Managers on funding matters and renders technical assistance when required.

(2) **Program Managers.** Detailed analysis of AFP at the Program Manager level to determine programs to be supported and/or deferred. Upon conclusion of the R&A, each Program Manager should specify by Program/AMSCO what is to be accomplished, by whom, when, and the anticipated cost. In addition, the programs to be deferred (unfinanced) should be reviewed to determine if they are still valid requirements of the Fiscal Year. Program Managers should notify, in writing, Major Commands, Staff Sections and Activities (as appropriate) as to the availability of resources in their staff section.

(3) **PBAC.** The PBAC will be briefed on the funding condition of appropriations. The briefing will consist of the following:

(a) General appropriation analysis by the Comptroller/Budget Officer.

(b) Detail account analysis by Program Managers.

(c) Possible funding adjustments, as deemed appropriate.

(d) Areas to be included in a Annual Funding Program Directive for TAG approval.

(4) **Annual Funding Program Directive.** Provides a means of disseminating Budget information to Major Commands, Staff Sections, and Activities outlining funding availability for all programs, with particular emphasis on those programs considered as critically funded.

**g. Quarterly reviews.** Upon completion of each Fiscal Year Quarter, a PBAC meeting should be conducted to review program execution and address existing funding problems.

**h. Mid-year review of the budget.** During January every year, NGB-ARC-BE will request States to perform a review of the current AFP to determine existing shortfalls of funding and to possibly increase AFP levels as a result of justification and execution to

date. The Budget Officer will publish a call for the Mid-Year Review to Program Managers, providing a timetable and the necessary instructions required for completion. Normally the Mid-Year Review is due to NGB during March. Funding markup as a result of the Mid-Year Review is normally received mid April.

**i. Fiscal year-end activities.** Approximately 1 June every year, the Budget Officer will publish a letter to the Program Managers indicating obligation milestones for June, July, and August. This letter includes cut off dates for year-end closing activities. PBAC meetings are conducted during these months to review funding execution and perform funding transfers when appropriate. During July, the Budget Officer will publish a letter to the Resource Management Community indicating the actions that must occur to ensure a smooth and orderly fiscal year close out. Incidental to the year-end closing, the following actions are considered significant.

(1) At NGB level, a more centralized control of the funds in the Comptroller Division is established, facilitating the transfer of remaining funds to meet immediate requirements. The Budget Officer will assist the Program Managers to transfer, turn back, or request additional year-end funding from NGB.

(2) Unliquidated obligations must be identified in detail and reconciled with the USPFO fiscal accounting records. Therefore all Program Managers must comply with the following:

(a) All documentation representing commitments of Federal Funds through the month of August must be completed and forwarded to the USPFO, Fiscal Accounting, by the State cut off date.

(b) All documentation representing commitment of Federal Funds for the month of September must be completed and forwarded to the USPFO, Fiscal Accounting, by the State cut off date.

(3) Program Managers must ensure that all requirements for the current fiscal year have been committed in the funds control module of State Accounting Budgeting Expenditure Reservation System (SABERS) prior to State cut off date. Requests processed after the cut off date will be for emergency requirements only, and must be coordinated with the Budget Officer prior to entry into SABERS.

(4) All requests for AT/ADT/ADSW/TTAD supplemental payrolls should be received by the USPFO, Military Pay, not later than the close of business of the State cut off date.

(5) Beginning in September or by the State cut off date, all remaining unreserved/unobligated funds will be withdrawn from the Program Managers and returned to the USPFO. The Budget Officer, working with the Financial Manager/USPFO, will control these remaining Federal Funds. Commitments after 1 September or by the State cutoff date are restricted to

emergencies only, and will not be entered into the reservation system until after coordination with the Budget Officer.

(6) Within each appropriation there will be no transfer of funds between budget activities. NGB will control transfer of funds from one budget activity to another as necessary. Funds may be transferred within budget activities by the Budget Officer. The total funds for the Counter Drug Program (CDP) in each appropriation may not be exceeded; these funds are fenced. NGB-CD approval is required to increase or decrease these funds. Requests will be routed through the Budget Officer.

(7) All excess appropriation 2060 and 2065 funds should be returned to NGB-ARC-BE not later than 1 September. Program Managers are to declare their excess funds to the Budget Officer by the end of August, or by the State cut off date. Excess funds will be reprogrammed within the State to the maximum extent possible. Program Managers should submit an unfinanced requirements list to the Budget Officer by the end of August or by the State cut off date. These lists will be the basis for reprogramming excess funds in the State, with the balance being returned to NGB-ARC-BE.

## **6-6. PPBES operations during period of continuing Resolution Act (CRA)**

A Continuing Resolution Act (CRA), a law passed by Congress and signed by the President, is the interim authority to continue normal operations until permanent appropriations are enacted. Chapter 6-9, DFAS-IN 37-1 provides guidance for financial transactions during periods of a CRA/Non-CRA.

## **Chapter 7 Procurement and Contracting**

### **7-1. Introduction**

**a. General.** This chapter briefly sets forth current principles, rules, and regulations that pertain to Federal contracts. Contracting Officers should be aware of these basic factors.

**b.** All Federal contracting in the states is under the supervision of the USPFO who is directly responsible to Chief NGB (CNGB). The Principal Assistant Responsible for Contracting (PARC) has a great deal of input into the activities of the State Contracting Officers. PARC has some responsibilities for monitoring and reporting on State Contracting Officers activities to CNGB, but the day to day control over the Federal Contracting Officers resides with the USPFO for the State. It is essential that all of the requirements set forth in the Federal Acquisition Regulation, and National Guard Bureau procurement directives, etc. be complied with.

**7-2. Federal contracts**

a. A contract is a basic method used by the Federal Government to procure needed supplies, services, and construction from private business concerns. The methods of expending Federal Funds are governed by certain Federal statutes and regulations (see chapter 3). Generally, Federal law takes precedence over State law on the management of Federal Contracts. One reason for this is the necessity for protecting Federal interests from the varieties and uncertainties of State law through the uniform application of an independent Federal law. Also, under a Federal contract, a private business is dealing with the United States as a sovereign power, therefore bringing to bear many contractual considerations not generally found in the private commercial sector.

**b. General principles in Government contracts.**

(1) The Armed Services Procurement Act, 10 U.S.C. Chapter 137 (1970) and its implementing regulations, Federal Acquisition Regulation, Department of Defense Federal Acquisition Regulation Supplement (DFARS), Army Federal Acquisition Regulation Supplement (AFARS) are applicable to all Federal purchases and contracts managed by the National Guard Bureau for the States. These references are a required guide for the individuals responsible for the formation of Federal contracts.

(2) Depending on the type of procurement (construction, supplies, services) or the method of procurement (formal advertising, negotiation), there are certain mandatory clauses that must be inserted in every Federal contract.

(3) One important general principle in Federal contracting is that no contract or purchase on behalf of the United States will be made, unless it is authorized by law or is under an appropriation adequate to its fulfillment (41 U.S.C. (S) 11 (1970)).

(4) Another important principle in Federal contracting is competition. All procurements, whether formally advertised or negotiated, will be made on a competitive basis to the maximum practicable extent to assume full and open competition for all qualified sources (10 U.S.C. 2304 and 41 U.S.C. 253)

**7-3. Conclusion**

Since Federal contracts involve the expenditure of public funds, mandatory clauses are required, maximum feasible competition must be ensured, and expenditures of funds must be in compliance with Federal statutes and regulations. All of the above principles will ensure sound business practice, enforceability, and validity of the contract.

**Glossary****Section I.  
Abbreviations****ADA**

Antideficiency Act

**AFARS**

Army Federal Acquisition Regulation Supplement

**AFG**

Annual Funding Guidance

**AFP**

Annual Funding Program

**AG**

Adjutant General

**AMSCO**

Army Management Structure Code

**ARA**

Automatic Reimbursement Authority

**ARNG**

Army National Guard

**BA**

Budget Activities

**BES**

Budget Estimate Submission

**BLIN**

Budget Line Item Number

**CDP**

Counter Drug Program

**CRA**

Continuing Resolution Act

**DAB**

Director of the Army Budget

**DASA (AB)**

Deputy Assistant Secretary of the Army for Army Budget

**DFARS**

Department of Defense Federal Acquisition Regulation Supplement

**DOD**

Department of Defense

**EOB**  
Element of Resource

**FAD**  
Funding Authorization Document

**FAT**  
Funding Authorization Target

**FRA**  
Funded Reimbursement Authority

**LRCP**  
Long Range Construction Program

**MACOM**  
Major Command

**MCNG**  
Military Construction, Army National Guard

**MIPR**  
Military Interdepartmental Purchase Request

**MRP**  
Mid-Year Review Preparation

**NGPA**  
National Guard Personnel, Army

**NGRE**  
National Guard and Reserve Equipment

**OMB**  
Office of Management and Budget

**OMNG**  
Operation and Maintenance, Army National Guard

**OPA**  
Other Procurement Army

**OSD**  
Secretary of Defense

**PARC**  
Principal Assistant Responsible for Contracting

**PBAC**  
Program Budget Advisory Committee

**PBC**  
Program and Budget Committee

**PBD**  
Program Budget Decision

**PMC**  
Program Manager Codes

**POM**  
Program Objective Memorandum

**R&A**  
Review and Analysis

**RPMD**  
Real Property Maintenance, Defense

**RPMF**  
Real Property Maintenance Floor

**RSC**  
Reimbursable Source Code

**SABERS**  
State Accounting Budgeting Expenditure Reservation System

**SABS**  
State Automated Budget System

**SELCOM**  
Select Committee

**SOB**  
State Operating Budget

**SOF**  
Special Operations Forces

**STARC**  
State Area Command

**TBO**  
Transactions By Others

**TFO**  
Transactions For Others

**UFR**  
Unfunded Requirement

**ULO**  
Unliquidated Obligations

**USPFO**  
United States Property and Fiscal Officer

**Section II**  
**Terms**

**Advice of Obligation Authority**

An authorization to a supporting installation, remote activity, or an individual to obligate the State's funds during a specified period not to exceed a specific cumulative amount. The dollar amount is a ceiling subject to Section 1517(a).

**Account/Activity Manager**

An individual that performs the administrative duties of distributing funds in accordance with guidance from the Program Manager.

**Allotment Advice**

Fund Authorization Document (FAD) evidencing action taken by a general operating agency (National Guard Bureau) making funds available to USPFs for obligational purposes. This document is authority to obligate and is issued not less often than quarterly.

**Army Management Structure Code (AMSCO)**

An eleven digit code which is the common language for interrelating programming, budgeting, accounting, and manpower control through a standard classification of Army activities and functions. AMSCO's are used for selected appropriations.

**Annual Funding Program (AFP)**

An annual budget, normally classified by a budget program and appropriation issued by the National Guard Bureau. Although not in itself authority to obligate, the annual funding program document defines the total funds that may become available during the fiscal year.

**Appropriation**

An authorization by an Act of the U.S. Congress to incur obligations for specified purposes and to make disbursements for them from the U.S. Treasury. This includes authorizations to create obligations in advance of appropriations or other fund authority.

**Appropriation-annual**

An appropriation account available for obligations only during the 1 fiscal year specified in the Appropriation Act.

**Appropriation-closed**

An appropriation account that is no longer available for payment of obligations and the balance of which is merged into successor "M" account. The closing normally will be accomplished 2 years after the appropriation has expired.

**Appropriation-expired**

An appropriation account that is no longer available for obligations but is still available for disbursement to liquidate existing obligations.

**Appropriation-multi-year**

An appropriation account that is available for incurring obligations for a definite period in excess of 1 fiscal year.

**Appropriation-no-year**

An appropriation account that is available for incurring obligations for an indefinite period of time (until exhausted or its designated purpose is accomplished).

**Appropriation-unexpired**

An appropriation account that is available for incurring obligations during the current fiscal year.

**Appropriation-limitation**

An amount, fixed by the U.S. Congress within and appropriation that cannot be exceeded for obligation or expenditure for certain objects or purposes.

**Appropriation Reimbursement**

Earnings or collections, other than appropriation refunds, for commodities, work, or services furnished or to be furnished between appropriations or to an individual, firm, corporation, or Federal agency to be credited to an appropriation account. Appropriation reimbursements are further classified into funded and automatic reimbursements.

**Automatic Reimbursements**

Authority to engage in the automatic reimbursement program to temporarily finance support to individuals or non-mission activities. No dollar amount is received; funds are generated based on receipt of an order.

**Budgetary Control**

The financial control and management of a unit or function in accordance with an approved operating program and budget with a view of keeping obligations, expenditures, and costs within the limitations thereof, taking advantage of whatever fund flexibility exists without exceeding the limitations imposed by the annual funding program and/or the quarterly authority to obligate (i.e., allocation of allotment advice).

**Budget Execution**

The implementation and administration of the approved operating budget during the budget year. Accomplishment of the mission within available resources without creating overobligations and/or over-expenditures.

**Commitment**

An administrative reservation of funds, based upon firm procurement directives, orders, requisitions, or requests which authorize the creation of an obligation without further recourse to the official responsible for administrative control of funds. The term refers also to the authorization action.

#### **Comptroller**

For the purpose of clarification, the title "Comptroller" as used in this guide will apply to the position of "Financial Manager" on the USPFO's staff.

#### **Budget Year**

That fiscal year arrived at by adding 1 year to the current fiscal year. During fiscal 1993, the budget year would be fiscal year 1994.

#### **Direct Funds**

Obligation authority contained within the approved operating budget immediately available for a specific time and purpose. Direct funds are obligated for expenses directly attributable to State operating expenses, such as civilian pay and contracts.

#### **Element of Resource (EOR)**

A four digit code which identifies the type of resource being employed or consumed (such as military personnel, civilian personnel, travel of personnel, utilities and rents, and communication). The EOR classifies the resource according to the nature of the usage rather than the purpose. The first and second positions are usually the OMB object class; the 3rd and 4th positions generally identify the detail needed for management reports.

#### **Financed Requirements**

A requirement included within an operating program that has been recognized and subsequently funded.

#### **Fund Reservation**

The withholding through informal administrative action, or a certain amount of obligation authority or other fund authorization based on the contemplated issuance of orders, requisitions, requests, or other planned incurrence of obligations. Such action earmarks available funds for future obligation without the imposition of formal accounting control.

#### **Management**

The process of establishing and maintaining objectives to carry out responsibilities. Management consists of those continuing actions of planning, programming, organizing, directing, coordinating, controlling, and evaluating the use of personnel,

money, materials, and facilities to accomplish missions and tasks. Management is inherent in command but does not include as extensive authority and responsibility as command

#### **Obligation**

An obligation is a legal reservation of funds: an action taken to establish a liability against the U.S. Government that will ultimately result in a disbursement from the U.S. Treasury.

#### **Open Allotment**

An allotment made by an operating agency at the Department of the Army level, approved by the Assistant Secretary of the Army for Financial Management, when it has been specifically determined that specific allotments of funds would be impractical to administer.

#### **Operating Budget**

The component of the operating program that details the financial plans in terms of costs (funded and unfunded) and obligations in support of the operating program for the budget year. At each level, the operating budget provides a financial plan to support the activities and functions for which the commander is responsible.

#### **Program Budget Advisory Committee (PBAC).**

A committee within the National Guard Bureau and the State normally composed of senior representatives of the staff who are responsible for developing, reviewing, and making recommendations on all matters relating to the financial operations of the National Guard Bureau and the State.

#### **Program Manager**

The responsible party for the operations and activities under their control and is liable for such. Is specifically responsible for long-range planning and budget preparation to support planning, executing, reviewing and analyzing budget program elements that they supervise. Gives the Account/Activity Manager policy guidance, funding priorities and approval to distribute funds.

#### **Quarterly Review**

Process by which the funds required to carry out programmed objectives and workload for the current year are determined and forwarded to the National Guard Bureau. In addition to cost estimates, the obligational requirements are also indicated by appropriation and budget program. Budgeting also includes the management and fund control of resources received as a result of the operating program and budget.

**Real Property Maintenance Floor (RPMF)**

The minimum amount of direct funds that must be expended for a specific function.

**State Operating Budget**

A State's documented course of action for a fiscal year in terms of what is to be accomplished, by whom, and with what resources.

**Suballotment**

A further distribution of an allotment received by a station to another station or activity.

**Target**

An amount of funding provided a program manager or other funds manager for planning purposes. Targets do not constitute legal subdivision of funds and the official issuing the target is not relieved of statutory and regulatory responsibility.

**Tenant**

A unit or activity of one Government agency, military department, or command that occupies facilities on an installation or another military department of command and receives supplies or other services from that installation.

**Unexpired Appropriation**

An appropriation account that is available for obligation during the current fiscal year.

**Unfinanced Requirement (UFR)**

Items or activities (requirements) considered necessary by the installation but which go unfunded and therefore, in the eyes of the installation, remain as "unfinanced requirements."

**Unliquidated Obligations**

An obligation incurred for which payment has not been made.

**Working PBAC**

A committee within an organization normally composed of the majority activity budget analysts, and chaired by the organization's Budget Analyst, or Comptroller. Sometimes referred to as the junior or Level II PBAC, it meets to review/resolve minor resource allocation matters, and to make recommendations on major financial and resource allocation problems for consideration by the regular Program Budget Advisory Committee.