

VOLUME 11A, CHAPTER 1: “GENERAL REIMBURSEMENT POLICY”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue, and underlined font](#).

The previous version dated [July 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.4.1., 2.5 (010204.A, 010205)	Revised this chapter to align with policy in DoD Instruction 4000.19 “Support Agreements” that was updated December 16, 2020.	Revision

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CHAPTER 1

GENERAL REIMBURSEMENT POLICY

1.0 GENERAL (0101)

1.1 Overview (010101)

DoD reimbursable authority is authorized by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), through budget formulation and statutory authorization of the budget in accordance with Title 10, United States Code, section 2205 ([10 U.S.C. § 2205](#)).

1.2 Purpose (010102)

This chapter provides guidance on the amounts that must be recouped when DoD Components perform work or sell property within the Department, to other federal agencies and to private parties that do not involve the Defense Working Capital Fund (DWCF) or other DoD Revolving Funds. It does not provide authority to sell to private parties, since specific legal authority must be identified to make such sales. It supplements the standards for financial accounting for [intragovernmental accounts](#) receivable in Volume 4, Chapter 3, [for intragovernmental accounts payable in Volume 4, Chapter 9](#), and budgetary accounting for reimbursements, in Volume 3, Chapters 8 and 15.

1.3 Authoritative Guidance (010103)

1.3.1. U.S. Department of the Treasury (Treasury) authorized accounts are to be credited for reimbursements made to DoD appropriations in accordance with [31 U.S.C. § 1535](#) and [31 U.S.C. § 1536](#). Refer to 10 U.S.C. § 2205 for further guidance.

1.3.2. Statutory authority on project order agreements for work or material or for the manufacture of material pertaining to approved projects placed with a separately managed DoD-owned establishment is given in [41 U.S.C. § 6307](#). 31 U.S.C. § 1535 governs Economy Act orders placed with an agency or major organizational unit within an agency. Chapters 2 and 3 provide detailed guidance on these [statutory requirements](#).

1.3.3. According to [DoD Instruction \(DoDI\) 4000.19](#) “Support Agreements,” DoD Components are responsible for programming, budgeting, and funding for the reimbursable support agreements into which they enter. These include agreements [into](#) which a DoD Component enters into with another DoD Component; a federal agency; a state, local, or tribal government; [or a non-governmental entity that is a congressionally chartered nonprofit organization pursuant to 36 U.S.C. §§ 20101 to 240101](#) (e.g., American Red Cross, Boy Scouts of America, Girl Scouts of the U.S., and United Service Organizations, Inc.). DoDI 4000.19 uses the term Intra-agency support agreements to refer to agreements between DoD Components. Also, DoDI 4000.19 uses the term Inter-agency support agreements to refer to agreements between DoD Components and federal agencies.

1.3.4. The Department will no longer provide non-reimbursable support of any kind to other federal, state, territorial, tribal, or local government entities; private groups and organizations; foreign governments; and international organizations. Refer to the Secretary of Defense Memorandum, "[Reimbursable Activities in Support of Other Entities](#)," June 19, 2020 (DoD Common Access Card required). Non-reimbursable support may be provided if required by statute. When discretionary non-reimbursable support is permitted but not required by statute, it must be authorized by the DoD Joint Ethics Regulation or DoD Public Affairs guidance; or is provided after approval of an exception. Refer to the OUSD(C) memorandum, "[Reporting Guidance for Reimbursable Activities in Support of Other Entities](#)," July 22, 2020 (DoD Common Access Card required) for details on how to receive an exception.

1.3.5. The requirements in Treasury Financial Manual ([TFM](#)) [Volume I, Part 2, Chapter 4700](#), Appendix 8, "Section 1—Buy/Sell Transactions," provides guidance on Buy/Sell activity that involve reimbursable activity between Federal Program Agencies (FPAs) and, between FPAs and third-party providers. These buyers and sellers are also known as trading partners. The TFM provides the business rules and processes to properly record, report, reconcile and measure intra-governmental transactions (IGTs). The TFM differentiates between two types of IGTs, intra-departmental and intra-governmental. Intra-departmental transactions result from activity between trading partners within the same department. Intra-governmental transactions result from activity between federal agencies not within the same department. The Volume 5, "Definitions" Chapter defines an FPA as a department, instrumentality, office, commission, board, service, or other establishment of the U.S. Government.

1.3.6. The guidance in this chapter is applicable unless a specific DoD issuance authorizes alternative reimbursement policies. The most significant of these alternative reimbursement policies include:

1.3.6.1. [10 U.S.C. § 2571](#) allows for the [exchange or transfer](#) of supplies and services between [military departments](#) without compensation. [Such](#) transfers of supplies between military departments must have the permission of the Service Secretaries involved. In addition, a DoD Component may perform work, services or issue supplies [without reimbursement](#), to another DoD Component with the permission of the respective [Component](#) heads. Furthermore, costs of DoD military or civilian pay and allowances (along with dependent and household goods transportation) for detail or other assignments, may be charged to an appropriation with the approval of the receiving DoD Component head.

1.3.6.2. Volume 11B establishes the DoD guidance for the recovery of cost for products and services provided by the DWCF or other applicable DoD Revolving Fund activities. Reimbursable orders placed with the DWCF or other DoD Revolving Fund activities may fall under any number of authorities (e.g. Project Orders for depot maintenance). The basic transactional authority for the DWCF is derived from [10 U.S.C. § 2208\(a\)](#). This authority for buyer-seller transactions is not dependent on the Economy Act or Project Order Act statutes. See Volume 11B, for additional information regarding DWCF authorities.

1.3.6.3. Volume 13 establishes the DoD accounting guidance for DoD Morale, Welfare, and Recreation (MWR) functions performed by Nonappropriated Fund instrumentalities (NAFIs). DoD Components must not commingle Nonappropriated Funds (NAFs) with Appropriated Funds (APFs), even when used to support a common program. [DoDI 1015.15](#), “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources,” provides further guidance.

1.3.6.4. Volume 15 establishes the DoD guidance for the Foreign Military Sales (FMS) of defense articles, defense services and for providing military training to allied and friendly foreign governments and international organizations. Refer to Volume 15, Chapter 6, Appendix G (Columns 12 and 13), for additional information on how to account for actual hours worked.

1.3.6.5. [DoD Directive \(DoDD\) 3025.13](#) “Employment of DoD Capabilities in Support of the U.S. Secret Service (USSS), Department of Homeland Security (DHS),” provides the DoD policy for the use of DoD resources for reimbursable support of the USSS, a DHS entity.

1.3.6.6. [DoDD 3025.18](#) “Defense Support of Civil Authorities,” provides the DoD policy for providing reimbursable military support when requested by civil authorities in order to save lives, prevent human suffering or, mitigate property damages within the U.S. Refer to Chapter 19 for further guidance.

1.3.6.7. [DoDI 3025.21](#) “Defense Support of Civilian Law Enforcement Agencies,” provides the DoD policy for reimbursement when equipment or services are provided to agencies outside DoD in support of civilian law enforcement officials.

2.0 REIMBURSEMENT GUIDANCE (0102)

2.1 General Guidance (010201)

2.1.1. A seller’s reimbursements are amounts earned and collected for materials sold or services furnished as a result of a reimbursable agreement. A seller’s reimbursable obligations are financed by offsetting collections. Components are to credit these offsetting collections to an expenditure account in payment for goods and services provided by that account. Refer to [Office of Management and Budget \(OMB\) Circular A-11, section 20](#) for further details. Credit the specific appropriation or fund account for the collection only when it authorized by law.

2.1.2. The TFM in Volume I, Part 2, Chapter 4700, Appendices 5 and 8 provide the requirements for accounting, reporting, and reconciliation of IGTs between FPAs and their trading partners. The five IGT categories are Fiduciary, Buy/Sell, Transfers, Custodial, and General Fund transactions. Buy/Sell IGTs involve transactions where goods or services are purchased by one federal agency from another federal agency. Buy/Sell IGTs are exchange transactions impacting assets and liabilities; revenue and expenses; and advances/prepayments and deferred credits. Two federal agencies will usually execute a reimbursable agreement to formally document this arrangement. Trading partners must have appropriate statutory authority, such as the

Economy Act, prior to engaging in an agreement for Buy/Sell transactions. For Buy/Sell IGTs, the receiving agency is the buyer and the servicing agency is the seller. Trading partners must reconcile completed performance transactions at a minimum, on a quarterly basis to ensure both parties are in agreement. The TFM provides the requirements for using the standard [Interagency Agreement \(IAA\)](#) containing the Bureau of the Fiscal Service (FS) Form 7600A “United States Government General Terms and Conditions (GT&C)” and FS Form 7600B “United States Government Order Form.” Treasury requires the use of these two IAA forms to ensure the proper recording and reporting on IGT Buy/Sell transactions unless, other guidance (such as OMB policy) requires a completed agreement for certain IGT types, such as assisted acquisitions. Refer to [paragraph 010205](#) for specific guidance.

2.1.3. Non-Economy Act orders for intra-governmental work and services should be executed in accordance with the detailed guidance provided in Chapter 18.

2.2 Disposition of Collections (010202)

2.2.1. Collections must be credited to the appropriation that procured the services or materiel being sold when specifically authorized by law as required by [subparagraph 010201.A](#).

2.2.2. Collections for unfunded costs such as labor of military personnel, depreciation of capital assets and interest, must be deposited into the General Fund of the Treasury as miscellaneous receipts unless otherwise provided for in this chapter or by other DoD issuances.

2.2.3. Collections received after an appropriation cancels must be deposited in Treasury Account 3200, “Collections of Receivables from Canceled Accounts.” Refer to Volume 4, Chapter 3.

2.2.4. Disposition of collections for FMS must be in accordance with Volume 15.

2.3 Billing Standard (010203)

2.3.1. The price to be charged for goods and/or services furnished by the Department depends on whether that good and/or service is provided to, or for the benefit of a DoD Component, a non-DoD federal agency, a private party, or a FMS customer. Therefore, the ordering DoD Component activity that requisitions or orders a good or service must inform the performing DoD activity of the identity of the intended recipient for the requisitioned goods or services. Volume 4, Chapter 3 requires that the ordering activity must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable order and are supported with a copy of the order or contract and evidence of performance.

2.3.2. DoD Components performing work or services on a customer order must bill the ordering DoD Component, other federal agency, or the public for earned reimbursements (performance of work or services, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date must not be more than 30 calendar days from the date of the invoice. Bills rendered are not subject to audit by the customer prior to payment as required under 31 U.S.C. § 1535.

2.3.3. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Imbalances occur when federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services. Volume 6B, Chapter 13 provides guidance for [trading partner exchange of data, eliminating intra-governmental transactions from the DoD quarterly and annual financial statements, and providing Treasury elimination information for use in preparing the Government-wide financial statements.](#)

2.4 Determining Amounts to be Reimbursed (010204)

DoD Components must adhere to the guidance in the following 14 categories (subparagraphs [010204.A – N](#)) when determining amounts to be collected as reimbursements. Components may use alternative reimbursement rules described in this volume and in other DoD issuances as applicable.

* 2.4.1. [DoD Components providing prepaid or reimbursable support will require that cost information is quantifiable and provided to all parties. In addition, support must only be reimbursable when the specified support increases the seller's incremental direct costs and the seller's actual indirect costs of providing support. A seller can waive reimbursement from buyers that use or benefit from available support when charges would be less than the anticipated expense of billing and disbursing funds. DoD Components designated as a Combatant Command support agent will provide administrative and logistics support to Combatant Command headquarters and the subordinate unified command headquarters, as documented in agreements on a non-reimbursable basis, in accordance with \[DoDD 5100.03\]\(#\) "Support of the Headquarters of Combatant and Subordinate Unified Commands." Refer to DoDI 4000.19 for additional guidance.](#)

2.4.2. An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the amount of costs incurred and billed by the performing entity before the end of the period of availability of the appropriation. According to OMB Circular A-11 "Section 20 - Terms and Concepts," the Economy Act allows federal agencies or DoD Components to do work for each other. As the costs for this work are incurred, the Economy Act authorizes the collections to be credited directly to the expenditure account that provided the goods and services for reimbursement. Refer to Chapter 3 for further details.

2.4.3. A project order placed with, and accepted by a separately managed DoD-owned entity for services, material, or the manufacture of material, provide support for a valid and recordable obligation of the ordering entity. Project order appropriations remain available to pay an obligation in the same manner as appropriations remain available to pay an obligation to a commercial manufacturer or private contractor. Refer to Chapter 2 for further details.

2.4.4. As provided in Volume 13, Chapter 5 the two mechanisms for providing APF support to NAFIs are via two MWR functions. The first is the Utilization Support and Accountability (USA), and the second is the Uniform Funding and Management (UFM). MWR USA enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement. Record in the cash account with a contra entry to an Unearned Income (liability) account any MWR UFM funds received in advance. Reduce the Unearned Income account for the amount of MWR UFM expenses recorded.

2.4.5. Direct Civilian Labor.

2.4.5.1. A DoD Component must be reimbursed for direct civilian labor costs when performing a service or furnishing materials to another entity. If the performing Component has appropriated funds for that purpose, then reimbursement is not required.

2.4.5.2. DoD Components, other federal agencies, and the public must be charged for civilian labor performed for their benefit. Calculate the costs by multiplying the actual hourly pay rates by the number of actual hours worked or assigned (detailed). Charge full-time assignments (details) using annual rates. Otherwise apply the hourly rate in accordance with Chapter 6, Appendix D.

2.4.5.3. Civilian personnel fringe benefit rates must be computed in accordance with Chapter 6, Appendix C. These rates are updated annually and published by OUSD(C), Deputy Comptroller Program/Budget (P/B) on the Financial Management Reports web page, listed by fiscal year (FY) under the [DoD Reimbursable Rates](#) heading. Refer to the Civilian Personnel Fringe Benefit (Tab D).

2.4.6. Direct Military Labor.

2.4.6.1. A DoD Component must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD Component via applicable military personnel appropriations. Therefore, the performing DoD Component must not charge the receiving DoD Component for reimbursement of the cost of military labor. 10 U.S.C. § 2571 authorizes this exception to typical reimbursement requirements as outlined in [010103.F.1](#). DoD Components must reimburse DWCF activities for the cost of military labor as prescribed in Chapter 6, Appendix B and Volume 11B, Chapter 12. U.S. Army Corps of Engineers (USACE) military labor provided in support of civil works activities of the USACE via reimbursable agreement with DoD organizations, and to non-DoD organizations through the Support for Others Program must be charged in the same manner as military labor provided to non-DoD organizations. The Support for Others Program is a reimbursable financing source that is reported each year in the USACE Annual Financial Report. As an example, refer to the [USACE FY 2020 Annual Financial Report](#), Note 1, section 1.D “Financing Sources.”

2.4.6.2. If provided for in the annual DoD Appropriations Act, operation and maintenance appropriations, may be available for reimbursement of pay, allowances and other expenses for National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities. These expenses involve the activities and programs included within the National Intelligence Program and the Military Intelligence Program. Refer to the FY 2021 OUSD(C), P/B guidance published online at Tab K under the subsection DoD Reimbursable Rates.

2.4.6.3. DoD Components must charge non-DoD organizations for military labor on the basis of the actual hours worked or assigned (detailed), using the annual military composite standard pay rates. Compute the military personnel composite standard pay and reimbursement rates in accordance with Chapter 6, Appendix G. OUSD(C), P/B annually updates and published these rates online at Tab K under the subsection DoD Reimbursable Rates.

2.4.6.4. Military labor charged using the annual DoD composite rate for military labor includes a Medicare-Eligible Retiree Health Care accrual to cover the cost of health benefits for current officer and enlisted personnel after they retire and become Medicare-eligible, as well as such costs for their dependents and annuitants. The annual composite rate charged to non-DoD organizations includes an acceleration factor to cover medical health care costs of active duty personnel and their dependents. Military Services will furnish data in accordance with Chapter 6, Appendix G.

2.4.7. Temporary Duty Costs. Travel costs incurred by DoD civilian employees and military personnel incurred in performance of a reimbursable work order must be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses are also chargeable.

2.4.8. DoD Personal Property and Inventory.

2.4.8.1. According to [DoDI 5000.64](#) “Accountability and Management of DoD Equipment and Other Accountable Property,” personal property includes systems, equipment, materials, and supplies. This does not include records of the Federal Government and real property (land and improvements to facilities). Personal property normally expected to have a period of service of a year or more after being put into use meets the OMB Circular A-11 equipment definition. This equipment must be without material impairment of its physical condition or functional capacity. Personal property either held for sale, produced for sale, or used to produce goods for sale, or to provide a service for a fee, meets the OMB Circular A-11 inventory definition.

2.4.8.2. Reutilization and Marketing Materiel (Surplus)

2.4.8.2.1. [DoD Manual 4160.21, Volume 1](#) “Defense Materiel Disposition: Disposal Guidance and Procedures,” defines a surplus as excess personal property no longer required by the federal agencies, as determined by the General Services Administration. The disposition of materiel by a Defense Reutilization and Marketing Office must be in accordance with this DoD Manual. The accounting treatment is set forth in Volume 4, Chapter 4.

2.4.8.2.2. The general rules for the disposition of proceeds from the sale of scrap or excess personal property must be in accordance with Chapter 5.

2.4.8.3. Non-DWCF Materiel. The pricing of personal property for non- DWCF materiel depends on whether the item(s) being transferred or sold will be transferred to another DoD Component and would normally be replaced. DoD Components make this determination in accordance with the approved acquisition objective, according to [OMB Circular A-25](#) “User Charges.” If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

2.4.8.3.1. Issues within or to another DoD Component with the exception of issues in support of NAFI Category C activities and USACE civil works activities, must be on a non-reimbursable basis as provided in 10 U.S.C. § 2571. Such issues will require an accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry must reflect original acquisition cost and any accumulated depreciation. Issues in support of NAFI Category C activities and USACE civil works activities must be priced in the same manner as issues to other federal agencies and private parties as provided in [010204.H.3.b.](#)

2.4.8.3.2. Issues to other federal agencies or private parties must be priced as follows:

2.4.8.3.2.1. Materiel to be Replaced.

2.4.8.3.2.1.1. Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in-kind (i.e., exact) is required, must be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined in three steps. First, determine the normal useful peacetime life of the item or equipment to be sold. Second, determine the percentage of useful life remaining on the item. Third, apply the percentage to the estimated (or actual) cost of the replacement item. The resultant amount is the base cost to be used in the sale price calculation. Under no condition must the sale price be less than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale.

2.4.8.3.2.1.2. If it is imperative that the item be replaced through accelerated procurements and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies must be requested from OUSD(C), P/B. Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

2.4.8.3.2.2. Materiel Not to be Replaced. A DoD Component that transfers or sells material, including equipment, to other federal agencies and private parties must do so at their original acquisition cost, net of any accumulated depreciation/amortization (i.e., net book value). If the DoD Component cannot reasonably ascertain those amounts, the cost of the material will be its fair value at the time of transfer as provided in Volume 4, Chapter 25.

2.4.9. Contracts.

2.4.9.1. Contract costs incurred for contracts awarded as part of a reimbursable agreement must be billed to the benefiting organization.

2.4.9.2. Government-furnished materiel must be billed in addition to contract costs in accordance with subparagraph [010204.H](#).

2.4.9.3. If the contract is provided to meet the requirements of a non-federal organization, the contractor must be required to pay rent (at fair market value) to the Department for the costs incurred for the use of plant or production equipment utilized in manufacturing the item being sold.

2.4.9.4. The [Federal Acquisition Regulation Subpart 52.232-17](#), “Interest,” provides that all amounts that become payable under the contract must bear simple interest from the due date until paid, unless paid within 30 days of becoming due. The Treasury’s Bureau of the Fiscal Service provides an online “[Simple Daily Interest Calculator](#)” for payments less than 31 days old and a monthly compounding interest calculator for payments more than a month late.

2.4.9.5. Contract administration charges must be charged to other federal agencies and private parties, in accordance with statutory or policy requirements. As allowed in 10 U.S.C. § 2571 contract administration costs are not to be charged within a DoD Component or to another DoD Component (with the exception of support to NAFI Category C activities and support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoD entity. Contract administration charges for support to NAFI Category C activities and support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.9.6. DoD personnel services in support of contracts must be costed in accordance with subparagraphs [010204.E](#) and [010204.F](#).

2.4.10. Accessorial Charges.

2.4.10.1. The “Glossary” Chapter defines these as costs incurred for packing, crating, and handling related to sales or shipments of property. Accessorial charges may be incurred by the DoD for direct delivery of items from contractor facilities or by DoD Components for items furnished from DoD stocks. Accessorial expenses for support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.10.2. Unless otherwise provided by law or regulation, accessorial charges must be billed to the following:

2.4.10.2.1. Non-DoD federal departments, agencies, or instrumentalities.

2.4.10.2.2. Non-federal entities, including DoD contractors.

2.4.10.2.3. NAFIs when property is transported for DoD MWR activities unless reimbursement has been waived by DoDI 1015.15.

2.4.10.2.4. USACE for civil works projects or activities.

2.4.10.3. Accessorial charges must be reimbursed by non-DoD activities for the actual cost incurred and billed.

2.4.11. Asset Use Charge. A charge for the use of DoD assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. In accordance with OMB Circular A-25 section 9.A, amounts collected must be returned to the Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoD guidance. An asset use charge is a factor added to the base rate to recoup depreciation and interest on investments for use of DoD facilities and equipment. A four percent charge may be used. This rate is published annually by OUSD(C), P/B. Refer to the DoD Reimbursable Rates (Tab E) for details. Alternatively, the following calculations may be performed:

2.4.11.1. Depreciation is the systematic and rational allocation of the recorded cost of facilities and equipment (less its estimated salvage or residual value), as an operating expense over the period in which these assets are expected to provide benefits or the estimated useful life, whichever is shorter. Depreciation must be charged using the straight-line method of depreciation. A general equipment or real property item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years must be capitalized as an asset and depreciated over its useful life. See Volume 4, Chapter 25. The depreciation calculation is illustrated in Exhibit 1-1.

2.4.11.2. Interest expense must be included in reimbursement billings to private parties to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in Exhibit 1-2.

2.4.12. Repair and Maintenance. When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost-finding techniques must be billed.

2.4.12.1. Labor cost must be computed in accordance with subparagraphs 010204.E and 010204.F.

2.4.12.2. Materiel and Supplies cost must be computed in accordance with subparagraph [010204.H](#).

2.4.12.3. Transportation and related costs must be computed in accordance with subparagraph [010204.J](#).

2.4.12.4. Overhead Cost must be computed in accordance with subparagraph [010204.N](#).

2.4.13. Leased or Loaned DoD Equipment. When determining the charge for leased or loaned equipment, the following elements must be billed:

2.4.13.1. Depreciation is not applicable to federal agencies unless the billing activity is a DWCF. Depreciation must be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations must be in accordance with subparagraph [010204.K](#).

2.4.13.2. Interest on investment in assets must be computed in accordance with subparagraph [010204.K](#) and as designated within the lease agreement.

2.4.13.3. Value of equipment not returned to the owning DoD Component must be a sale to the using organization. This sale must be priced in accordance with subparagraph [010204.H](#).

2.4.13.4. Accessorial expenses must be recognized in accordance with subparagraph [010204.J](#).

2.4.13.5. Repair costs to restore equipment or property to its condition at the time leased or loaned must be collected from the using organization. The amounts must be based on either actual job order cost accumulations or estimates of the cost to be incurred based upon past repair and maintenance experience for similar equipment. The amounts collected must be returned to the appropriation that financed the repair and maintenance in accordance with [10 U.S.C. § 2667](#).

2.4.13.6. Direct labor costs must be computed in accordance with subparagraphs [010204.E](#) and [010204.F](#); materiel and supply costs must be computed in accordance with subparagraph [010204.H](#); and overhead must be computed in accordance with subparagraph [010204.N](#).

2.4.14. Overhead.

2.4.14.1. Overhead involve expenses necessary to run a business that are not directly tied to the production and delivery of goods or services, according to OMB Circular A- 11.

2.4.14.2. Overhead is typically referred to as general and administrative (G&A) costs or some combination of G&A and indirect costs which cannot readily or directly be identified to the performance of a specific customer order for reimbursable costing. Examples of such costs

include central management, rent for office space, human resources, sales, building maintenance, office supplies and utility costs. As provided by the Federal Accounting Standards Advisory Board (FASAB) in [FASAB Technical Release 15](#) that clarifies Statement of Federal Financial Accounting Standards 6, when accumulated indirect costs are not identified as costs incurred to bring facilities and equipment to a form and location suitable for its intended use, they should be expensed.

2.4.14.3. DoD Components may use materiality to determine whether overhead costs should be included in reimbursable billings. This determination must be justified, documented, and be able to stand up to audit scrutiny. If an organization has a material amount of reimbursable effort, overhead costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated.

2.4.14.4. Overhead charges may not be applied to reimbursable customer orders received from APF activities within the Department. However, APF activities will charge overhead on sales to other federal agencies, NAFI Category C activities, USACE civil works activities and private parties.

*2.5 Documentation Standards (010205)

2.5.1. General. Support agreements must comply with generally accepted government auditing standards as required in [31 U.S.C. § 3521](#) “Audits by agencies.” These standards require establishing internal controls that provide reasonable assurance of achieving effective and efficient operations, compliance with regulations and applicable laws, and reliability of financial reporting. Support agreements must contain documentary evidence as required in [31 U.S.C. § 1501](#) “Documentary evidence requirement for Government obligations.” Such evidence must include a purpose or scope of agreement in writing as authorized by law. These agreements must be executed before obligational availability expires and prior to the initiation of reimbursable fund certification.

2.5.1.1. A support agreement with a term greater than 3 years must be reviewed and validated by a support agreement manager from the buyer and seller. This review and validation must occur by at least the mid-point of the effective date (e.g., at year 4 in an 8-year agreement). Support agreements expire at a maximum 10 years from the effective date unless there is legal authority for the agreement to continue beyond 10 years.

2.5.1.2. New signatures from all parties to the agreement are required to establish a new support agreement or modify an existing support agreement. This must take place even when the terms and conditions are the same as those in the prior agreement. Cost estimates within agreements that include reimbursable support services must be reviewed annually by the seller to ensure current year actual costs are identified for accurate customer billing and invoices.

2.5.1.3. Support agreements that are active and have established terms for payment in effect as of December 16, 2020 will be converted to FS Form 7600A. This conversion must occur upon the agreement’s next scheduled review or 3 years from December 16, 2020, whichever comes first. Refer to DoDI 4000.19 for additional guidance.

2.5.1.4. Support agreements must include procedures for amending, terminating, reviewing, and transferring the agreement; and for dispute resolution. For example, the agreement must specify that termination may occur by either party via written notice to the other party following an agreed upon termination time. Reporting entities unable to reach an agreement with respect to intragovernmental account balances must escalate the issue to the OUSD(C), Financial Improvement and Audit Remediation (FIAR) Directorate for resolution. Submit requests to the FIAR Directorate no later than the 12th business day of the month following the end of the quarter. At fiscal year-end, final adjustments must be completed prior to the issuance of the Agency Financial Report. Refer to Volume 6B, Chapter 13 for details.

2.5.2. FS Forms 7600A/B. The TFM defines trading partners as **two entities engaged in IGT activity**. Components must use FS Forms 7600A/B for intra-governmental Buy/Sell transactions. FS Form 7600A should cover the broadest categories of goods and services agreed to by both trading partners and, where practical, consolidate requirements to reduce the agreement workload until DoD Enterprise Resource Planning financial systems are capable of processing FS Form 7600B or equivalent.

2.5.3. Principal Documents. The [DoD Financial Statement Audit Guide](#), published May 2018 ([DoD Common Access Card](#) required), allow these Key Supporting Documents for Reimbursable Work Orders:

2.5.3.1. FS Form 7600A, GT&C (refer to [DoDI 4000.19](#) and the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 “Section 1 - Buy/Sell Transactions,” for further guidance).

2.5.3.2. FS Form 7600B, Order Form (refer to [DoDI 4000.19](#) and the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 “Section 1 - Buy/Sell Transactions,” for further guidance).

2.5.3.3. The Memorandum of Agreement (MOA) (see [DoDI 4000.19](#) for further guidance).

2.5.3.4. [Standard Form \(SF\) 1080](#), Voucher for Transfers Between Appropriations and/or Funds.

2.5.3.5. [SF 1081](#), Voucher and Schedule of Withdrawal and Credits.

2.5.4. Preparation Standards. The following apply to document preparation:

2.5.4.1. FS Forms 7600A/B. A Buy/Sell agreement that defines the terms, conditions, scope, and responsibilities for trading partners during the exchange is referred to as the GT&C (FS Form 7600A). To begin the agreement process, either a buyer or seller may originate a GT&C that must be completed and approved to create an order (FS Form 7600B). The order must reference an open GT&C; however, federal agencies do not have to complete a GT&C each time they do a related order. Federal agencies may complete just one GT&C for multiple years to cover multiple orders. **With the GT&C**, data is exchanged for approval and a broad range of transactions; in general no funds are transferred and no accounting entries are created.

2.5.4.1.1. The Volume 5, “Definitions” Chapter defines G-Invoicing as an online portal that supports the exchange of information in IGT activity by federal trading partners. G-Invoicing will assign a unique identifier for each GT&C for tracking purposes. Federal agencies maintain the ability to associate their own unique identifier to each GT&C in their internal accounting systems. Orders in G-Invoicing must reference an active GT&C. G- Invoicing serves as a gateway for federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data for consistent financial reporting.

2.5.4.1.2. The order section of the Buy/Sell agreement (FS Form 7600B) specifies the terms, quantities and prices, accounting data, and actions of each trading partner under the overarching GT&C. It serves as the funding section of the agreement that creates a fiscal obligation and details the necessary products/services requirements. Funding information is provided for both trading partners, and all required points of contact sign to authorize the order. It communicates the Treasury Account Symbol/Business Event Type Code for each order Schedule Line and contains unique lines of accounting or other accounting data. The order will also identify the specific requirements of the buyer for the expected delivery of products or services by the seller. In addition, the order identifies the roles and responsibilities for both trading partners to ensure effective management of the order and use of the related funds.

2.5.4.1.3. Treasury’s Bureau of the Fiscal Service will eventually require all FPAs to use G-Invoicing under the authority of [31 U.S.C. § 3512\(b\)](#) and [31 U.S.C. § 3513](#), and in accordance with the TFM. FPAs must implement G-Invoicing for new orders by October 1, 2022 and for “In-Flight” Orders by October 1, 2023. Refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 for details.

2.5.4.2. MOA. An MOA is used to document an agreement and execute or deliver support with or without reimbursement between two or more parties. When a support agreement involves reimbursement, it can be used to further detail terms and conditions in addition to the FS Form 7600A. A Memorandum of Understanding (MOU) must only be used when there is agreement, among two or more parties, that payment is not expected; and when the parties do not rely on each other to execute or deliver on any responsibilities. Figures 1 and 2 in DoDI 4000.19 provide examples of an MOA and MOU respectively.

2.5.4.3. SF 1080. Intra-governmental payments result from transactions between federal entities for sales, services, or transfers between such entities. DoD Components may use the SF 1080 voucher as support for bills to other DoD Components and non-DoD federal agencies when unable to utilize electronic data interchange methods. See Chapters 2, 9, 16 and Volume 10, Chapter 10.

2.5.4.4. SF 1081. DoD Components may use the SF 1081 voucher when a manual process is required to generate inter-agency payments and collections with non-DoD federal agencies. See Volume 10, Chapter 10.

Exhibit 1-1 STRAIGHT-LINE METHOD OF DEPRECIATION

EXAMPLE OF STRAIGHT-LINE METHOD OF DEPRECIATION

Acquisition cost of the asset	\$1,000,000
Less: Residual value (scrap)	\$ <u>100,000</u>
Depreciable basis	\$ <u>900,000</u>

Estimated useful life in years 20

The annual depreciation expense of \$45,000 is computed by dividing the \$900,000 depreciable basis by the 20-year useful life.

Hourly charge is computed by dividing the annual depreciation expense of \$45,000 by 2,080 (standard yearly hours) to arrive at \$21.63 per hour.

Note: the standard 40-hour work week x the standard 52 weeks in a year = standard yearly hours.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x \$21.63 = \$10,815 depreciation expense to be charged.

Exhibit 1-2 INTEREST ON INVESTMENT CALCULATION

EXAMPLE OF INTEREST ON INVESTMENT CALCULATION

Acquisition cost of the asset	\$1,000,000
Less: Accumulated depreciation (5 years at \$45,000 per year)	\$ <u>225,000</u>
Net Book Value	\$ <u>775,000</u>

Annual interest (assume a rate of 10 percent per annum in this instance) \$ 77,500

Hourly charge is computed by dividing the annual interest of \$77,500 by 2,080 (standard yearly hours) to arrive at \$37.26 per hour.

Note: the standard 40-hour work week x the standard 52 weeks in a year = standard yearly hours.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x \$37.26 = \$18,630 interest on investment to be charged.