

CHAPTER 16

ACCRUED EXPENDITURES FOR CONTRACTS1601 PURPOSE

The purpose of this chapter is to furnish supplementary departmental guidance on accounting for accrued expenditures for contract deliverables accepted on contracts administered by the Defense Contract Management Command (DCMC) and paid by the DFAS-Columbus Center.

1602 STANDARDS

160201. Accrued expenditures recorded in budgetary accounts must report, separately, the amounts paid and unpaid for all contract deliverables accepted during the fiscal year.

160202. Accrued expenditures for contracts must be recorded during the period in which the goods or services are received and accepted using appropriate accounting entries.

160203. Accrued expenditures shall be recorded in the records of the accountable entity for which the contract undelivered order is recorded and obligated.

1603 OPERATIONAL REQUIREMENTS

160301. The DFAS-Columbus Center will transmit accrued expenditure data to the applicable accounting station in accordance with the following:

A. Daily Reporting

1. Accrued Expenditures Paid. Contract Payment Notices or notices of prevalidated payment will be transmitted promptly after disbursement to designated accounting stations. These notices include the amounts of progress payments made and recouped so that the outstanding balance of progress payments can be recognized in the accounting records as non-accrued advances on undelivered orders.

2. Accrued Expenditures Unpaid. Shipment Performance Notices will be transmitted promptly after contract administration acceptance on the DD Form 250 (or equivalent acceptance document) to the designated logistics or program manager. These notices then are available to accounting systems that interface with logistics and program management systems, and have been designed with the capability to recognize shipment and receipt data as accounts payable and accrued expenditures unpaid liabilities. For certain large contracts, a notice of intended payment may be transmitted by the DFAS-Columbus Center to serve as the accrued expenditure unpaid notice for such payments. The accrued expenditures unpaid amount must equal the amount recorded as accounts payable in the proprietary accounts.

B. Monthly Reporting

1. At the end of each month, the DFAS-Columbus Center will prepare an accrued expenditure report. This report serves as an overall control on entries recorded by individual accounting entities and will report summary totals (at the appropriation subhead level) without reference to transactions or the contracts to which the amounts apply. The categories reflected in the report include:

- a. Outstanding acceptances;
- b. Undisbursed invoices without acceptance or in cash management status;
- c. Outstanding balance of unrecouped progress payments;
- d. Holdback amounts on cost/fee vouchers or non-final clearance on certain contract conditions; and
- e. Termination costs.

2. The accrued expenditure report is transmitted as follows:

For Army and Defense Appropriations:

Defense Finance and Accounting Service-Indianapolis Center
Directorate for Departmental Accounting
8899 East 56th Street
Indianapolis, IN 46249-0100

For Navy Appropriations:

Defense Finance and Accounting Service-Cleveland Center
Directorate for Departmental Accounting and Analysis
1240 East Ninth Street
Cleveland, OH 44199-2055

For Air Force Appropriations:

Defense Finance and Accounting Service-Denver Center
Departmental Accounting Directorate
6760 E. Irvington Place
Denver, CO 80279-8000

C. Transmission of both daily and monthly transactions shall be accomplished via the Defense Switched Network (DSN). The DFAS-Columbus Center shall transmit by close of business the workday following the action date. For example, activity for Tuesday would be transmitted on Wednesday and activity for Friday would be transmitted on the following Monday.

160302. Accrued expenditures must be recorded at least monthly at the level most useful to accounting entity management, e.g., contract line item. The entry, at a minimum, must be at the level used for recording the undelivered order. Reporting within and outside the accounting entity must be based on recorded data.

A. The amounts included in the daily transactions--transmitted by the DFAS-Columbus Center--will be used for maintenance of accrual accounting records. In addition, those accounting systems interfacing with logistics systems shall record unpaid accrued expenditures for destination contract deliverables (based on the logistics system recording of the DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures") or for any delivery received prior to the DFAS-Columbus Center transmission of a transaction notice. The accounting entries required for accrued expenditure accounting are included in Chapter 15 of this Volume.

B. Summary amounts reported in the monthly accrued expenditure report by the DFAS-Columbus Center may not be used for accounting record maintenance, but shall be used at the DFAS Center reporting level for checking the reasonableness of amounts included in installation and intermediate level reports. This summary data may also be used to effect a temporary accrual of unpaid amounts for departmental level reporting when it is known that lower operational levels do not record accrued amounts for contracts administered by the DCMC and paid by the DFAS-Columbus Center.

160303. Particular attention must be paid to internal control procedures. Safeguards are necessary to ensure that transactions are recorded only once. Specifically, performance notices of DCMC acceptance of work, progress payments and shipment notices all may be "first documentation" used to record the accrued expenditure. One document should not be used to duplicate a transaction recorded from another, although any such document should be used to ensure completeness and to adjust accrued expenditures-unpaid and accrued expenditures-paid amounts and classification. Similarly non-DCMC sources of data may be used by the accounting entity to verify completeness, but must not create duplicate accrued expenditures.

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