



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
200 STOVALL STREET
ALEXANDRIA VA 22332 2300

Policy

IN REPLY REFER TO

4200
Ser 111B/96-163
23 AUG 96

From: Commander, Naval Facilities Engineering Command
To: Commander, Atlantic Division, Naval Facilities
Engineering Command
Commanding Officer, Southern Division, Naval
Facilities Engineering Command
Subj: FUNDS ADMINISTRATION POLICY FOR CONTRACT
MODIFICATIONS (36-96)

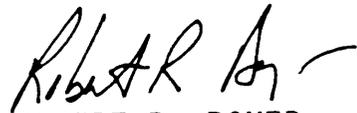
Encl: (1) DOD Comptroller memo of 20 Apr 92

1. The Chief Financial Officers Act of 1990 established Agency Chief Financial Officers (CFOs) for a number of agencies, including the Department of Defense. Agency CFOs are required to oversee all financial management activities relating to the programs and operations of the agency. The CFO has ultimate responsibility for policies and procedures associated with fiscal matters.
2. The Contracting Officers are responsible for assuring that all requirements of law and procedure are followed. The Contracting Officer determines whether a modification is within the contract scope based on all governing factors. If a modification is not within the contract scope, there is a need for a determination under FAR Part 6, Competition in Contracting Act (CICA), and the authority for the modification is a supplemental agreement, not the Changes Clause nor any other contract clause. When the modification is within the contract scope, it is issued pursuant to the Changes Clause or another contract clause, such as Differing Site Conditions, Option, etc. However, the Contracting Officer should seek advice from the Comptroller and Counsel concerning appropriate funding of a particular modification.
3. There may be a difference between contract scope and fiscal scope, and this difference in definitions has caused confusion. For example, when a contract funded with annual funds has an option for a second year, the modification exercising the option at the beginning of the fiscal year is within contract scope; however, this option is not

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considered to be "fiscally in-scope" and requires new
current year annual funds.

4. Enclosure (1), which contains a matrix summary
representing a generalization of more specific guidance
contained in Chapter 25 of the DOD Accounting Manual, is
provided for your information.



ROBERT R. BOYER
Director, Contracts

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OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

APR 20 1992

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION)
ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: DoD Accounting Guidance for Contract Changes

In a separate memorandum, updated guidance was recently provided regarding whether to charge expired or current funds for contract changes.

Essentially that guidance indicated that DoD Components should follow the provisions of Chapter 25 of the DoD Accounting Manual. Attached, for your convenience, is a matrix which summarizes the provisions of Chapter 25. The matrix is only a summary and represents a generalization of more specific guidance contained in Chapter 25. As such, the guidance should not be used as a sole source of reference by itself. Rather, it should be used in conjunction with all other applicable guidance regarding the use of current, expired, and canceled accounts.

Questions on the attached matrix may be directed to the Director for Accounting Policy, Mr. Nelson Toye, or to Ms. Susan Williams of his staff. Mr. Toye may be reached at (703) 695-7000 (DSN 225-7000). Ms. Williams may be reached at (703) 697-3193 (DSN 227-3193).

Alvin Tucker
Deputy Comptroller
(Management Systems)

Attachment

FUNDING POLICY FOR CONTRACT CHANGES

<p align="center">Type of Change (After Funds Have Expired for New Obligations)</p>	<p align="center">Funding Source</p>	<p align="center">Report Required to be Submitted to DoD Comptroller (If Change Exceeds \$4 Million); or to Congress (If Change Exceeds \$25 Million)</p>
<p>Incentive, Award Fees, and Target-to-Ceiling Cost Growth on Incentive Fee Contracts</p>	<p align="center">Expired Funds, M Account</p>	<p align="center">No</p>
<p>Price Inflation (Escalation or Economic Price Adjustments)</p>	<p align="center">Expired Funds, M Account</p>	<p align="center">No</p>
<p>① Within-Scope Contract Changes to Include:</p>		
<p>a. Within-scope contract amendments</p>	<p align="center">Expired Funds, M Account</p>	<p align="center">Yes</p>
<p>b. Within-scope error corrections or formalization of an informal agreement that do not result in a new procurement</p>	<p align="center">Expired Funds, M Account</p>	<p align="center">Yes</p>
<p>c. Within-scope claims and settlements</p>	<p align="center">Expired Funds, M Account</p>	<p align="center">Yes</p>
<p>② Change-in-Scope (Out-of-Scope) Contract Changes to Include:</p>		
<p>a. Increases in quantities</p>	<p align="center">Current Year Funds</p>	<p align="center">No</p>
<p>b. Increases in required levels of service performance</p>	<p align="center">Current Year Funds</p>	<p align="center">No</p>
<p>c. Change-in-scope claims and settlements</p>	<p align="center">Current Year Funds</p>	<p align="center">No</p>
<p>③ Contract Defaults Resulting in Reprocurement Contract Actions</p>	<p align="center">Expired Funds, M Account</p>	<p align="center">Yes</p>
<p>Billing for Work Performed before Fund Expiration. (If work is performed--i.e., an obligation is incurred--but not documented before funds expire, expired funds are the proper funding source.)</p>	<p align="center">Expired Funds, M Account</p>	<p align="center">Yes</p>
<p>Amounts Which Would Otherwise be Chargeable to a Canceled Account Were It Not Canceled. (Subject to lesser of 1% of current year funds or the unexpended balance of the original appropriation.)</p>	<p align="center">Current Year Funds</p>	<p align="center">No</p>