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Financial Management

BUDGET

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(Ms Marti Maust)

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(Maj Gen George T. Stringer)

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1. The Air Force will construct and advocate budgets which provide the warfighting Commanders in Chief the resources required to execute USAF program and mission responsibilities derived from the National Military Strategy and Defense Planning Guidance. Air Force budgets should be credible, defensible to the Congress, executable, and should contribute to cost-effective performance of the Air Force's mission. In achieving this end, the Air Force needs budget policies to safeguard its commitment to lawful, effective, and efficient use of appropriated funds. This directive establishes policies for complying with applicable laws and Department of Defense (DoD) funding guidance in all phases of the budget cycle, and which govern the formal process of prioritizing and applying appropriated funds to support Air Force missions. A | (bar) indicates revisions from the previous edition.

2. The Air Force will ensure appropriated funds, including expired funds and Air Force Working Capital Fund (AFWCF) [formerly Defense Business Operations Fund] accounts, are used only for authorized purposes, as enacted by Congress and implemented under DoD and Air Force directives and instructions. Also, the Air Force will ensure appropriated funds are used only in the amounts and for the time periods authorized by the applicable budget authorization, allocation, and allotment.

3. The Air Force will make sure that AF Form 401, **Budget Authority (BA)/Allotment (A)** and AF Form 1449, **Operating Budget Authority (OBA)** and the AFWCF's **Annual Operating Budget (AOB)** documents issued to subordinate activities will not exceed the authority received by the issuing activity. BAs, OBAs, and AOBs issued must be consistent with budget and obligation authority received with respect to classifications, authorities, and constraints.

4. The Air Force will take timely and aggressive action to identify, investigate, report, and process Antideficiency Act (ADA) violations.

5. Subject to limitations and restrictions established by the legislative and executive branches of the Government and the Office of the Secretary of Defense, the Air Force will provide optimum funding flexibility at all levels.

6. In case of conflicts with other Air Force directives, the funding propriety rules stated herein and in Air Force Instruction (AFI) 65-601, volume 1, *US Air Force Budget Policies and Procedures* [formerly AFR 172-1, volume 1], take precedence.
7. This directive establishes the following responsibilities and authorities:
 - 7.1. The Deputy Assistant Secretary, Budget (SAF/FMB):
 - 7.1.1. Establishes Air Force budget policies and procedures, including budget formulation, justification and execution.
 - 7.1.2. Provides guidance concerning organizational and appropriation funding responsibilities and issues related to the use of funds.
 - 7.1.3. Develops and maintains the budget structure and associated data elements and codes.
 - 7.1.4. Chairs the Air Force Board for purposes of budget formulation and execution to include the Budget Estimate Submission, Budget Review Cycle, Omnibus Reprogramming Exercise, and President's Budget. Reviews recommendations of the Investment Budget Review Committee and the Operating Budget Review Committee. AFPD 90-6, *The Air Force Corporate Structure*, and AFI 16-501, *Control and Documentation of Air Force Programs*, provide overall Air Force Board responsibilities and membership.
 - 7.2. The Deputy Assistant Secretary, Financial Operations (SAF/FMP) establishes policy for and executes the Air Force's program for identifying, investigating, reporting, and processing ADA violations.
 - 7.3. Air Force commanders and managers use their organizations' appropriated funds legally, effectively, and efficiently.
 - 7.4. Commanders at all levels establish and maintain financial management structures to determine funding priorities, to approve financial plans, and to ensure that funding resources are allocated and executed legally, effectively, and efficiently.
 - 7.5. Major Command, Direct Reporting Unit, and Field Operating Agency financial management organizations will have primary responsibility for training, developing, and maintaining a roster of trained ADA investigating officers; ensuring investigating officer independence; providing expert technical assistance, as necessary, to investigating officers; advising the Commander on the financial and legal sufficiency of Reports of Violation; and developing and maintaining an ADA awareness program to include lessons learned.
8. This directive implements *DoD 7000.14-R, Department of Defense Financial Management Regulation, volume 2, Budget Formulation and Presentation, June 23, 1993*, and *volume 14, Administrative Control of Funds and Antideficiency Act Violations, August 1, 1995* and *volume 15, Security Assistance Policy and Procedures, March 1993*; portions of Title 31, U.S.C., Chapter 13, *Appropriations*, and Chapter 15, *Appropriation Accounting*; and Title 10 U.S.C., Sections 8016, *Assistant Secretaries of the Air Force* and 8022, *Financial Management*.
9. See AFI 65-601, Volumes 1 through 5, for related instructions. Also see appropriate regulations maintained by the Defense Finance and Accounting Service, Denver Center, for related accounting policy.

10. See **Attachment 1** for a glossary of references, acronyms, and terms in this directive.
11. See **Attachment 2** for measures of compliance.

F. WHITTEN PETERS
Acting Secretary of the Air Force

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

AFI 65-601, Volume 1, *US Air Force Budget Policies and Procedures*

AFPD 65-6, *Budget*, 28 December 1993

AFPD 90-6, *The Air Force Corporate Structure* (not published yet)

AFI 16-501, *Control and Documentation of Air Force Programs*, 1 January 1997

DoD Directive 2010.1, *Support of International Military Activities*, September 2, 1981

DoD 7000.14-R, *Department of Defense Financial Management Regulation*, Volume 2, *Budget Formulation and Presentation*, June 23, 1993, Volume 14, *Administrative Control of Funds and Antideficiency Act Violations*, August 1, 1995

Title 31, U.S.C. Chapter 13, *Appropriations*, and Chapter 15, *Appropriation Accounting*

Title 10, U.S.C. Sections 8016, *Assistant Secretaries of the Air Force* and 8022, *Financial Management*

Abbreviations and Acronyms

A—Allotment

ADA—Antideficiency Act

AFI—Air Force Instruction

AFWCF—Air Force Working Capital Fund

BA—Budget Authority

BES—Budget Estimate Submission

CINC—Commander in Chief

DBOF—Defense Business Operating Fund

DoD—Department of Defense

FY—Fiscal Year

IBRC—Investment Budget Review Committee

ICP—Inventory Control Point

OBA—Operating Budget Authority

OBRC—Operating Budget Review Committee

PB—President's Budget

RD&E—Research, Development, Test, and Evaluation

TWCF—Transportation-Working Capital Fund

USAF—United States Air Force

U.S.C.—United States Code

Terms

Air Force Working Capital Fund (AFWCF) [formerly Defense Business—Operations Fund (DBOF)] The AFWCF was established on 11 Dec 1996 through the restructure of the DBOF into individual component working capital funds. AFWCF activities sell goods and services to a wide range of customers, including DoD operating forces, Air Force activities, other US government activities and foreign military sales customers. The AFWCF activity groups include Depot Maintenance, Supply Management, and Information Services. Effective in FY 1998, USTRANSCOM'S Transportation Working Capital Fund (TWCF), previously known as DBOF-Transportation, will report to the AFWCF for cash management.

Antideficiency Act (ADA)—Legislation enacted by Congress to prevent the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds; to fix responsibility within an agency for the creation of any obligation or the making of any expenditure in excess of an apportionment or reapportionment or in excess of other subdivisions of funds; and to assist in bringing about the most effective and economical use of appropriations and funds. (See Department of Defense Financial Management Regulation, Volume 14, *Administrative Control of Funds and Antideficiency Act Violations*, August 1, 1995).

Budget Authorization, Allocation and Allotment—Budget authorizations represent the approved financial program with which the recipient can plan to accomplish the mission in an orderly manner. An allocation is a funding document issued by SAF/FMB to a major command or field operating agency which represents cash for commitment or obligation. An allotment is similar to an allocation except that it is issued by a major command or field operating agency to subordinate units.

Budget Authority (BA), Operating Budget Authority (OBA) Document—BA and OBA documents are the official documents that convey obligation and expense authority for a given fiscal year. Limitations and or restrictions are identified on this document. The OBA document (AF Form 1449 or mechanized equivalent) is used for the Operation and Maintenance appropriations (USAF and AF Reserve). The Budget Authority document (AF Form 401) is used for other appropriations.

Canceled Accounts—An appropriation or fund which is no longer available for obligation adjustments or payments. Appropriations are closed or canceled at the end of the five year expired period. A canceled obligation is one that was not paid (check drawn) at the time the appropriation was canceled.

Expired Funds—Appropriations which are no longer available for new obligations, but have not been canceled. Appropriations are in an expired status for five years. During the expired period, an appropriation retains its original identification and is available for adjusting and liquidating obligations, including within-scope contract changes. (See AFI 65-601, Volume 1, Chapter 6, *Expired And Canceled Appropriations*.)

Retail Supply—Consists of parts of the Supply Management Activity Group of AFWCF. Specifically, this includes the resources and costs of the General Support Division, Fuels Division, Medical-Dental Division, Troop Support Division, and Air Force Academy Cadet Store.

Wholesale Supply—Consists of parts of the Supply Management Activity Group of AFWCF. Specifically, this includes resources and costs of the Material Support Divisions which consolidated the Repairable Support Division, the System Support Division and the Cost of Operations Division.

Obligation—Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period requiring future payment of money. (See AFR 170-8, Accounting for Obligations.)

Planning, Programming, and Budgeting System (PPBS)—The DOD resource management system used to establish, maintain, and update the Future Years Defense Program and DOD portion of the President's Budget. It is a biennial, process containing three interrelated phases: planning, programming, and budgeting. Sometimes referred to as the Biennial Planning, Programming and Budgeting System (BPPBS).

Unit Cost Per Output—The unit cost, or cost per output, concept has been established by the DoD Comptroller for business areas in the AFWCF, as well as certain other areas not yet in the AFWCF. For these business areas, high level goals and fixed prices make it possible to measure changes in cost based on financial operating results. Unit cost per output is the relationship of total resource expenditure for a given output. It requires output identification and uses managerial accounting techniques to rationally attribute direct and indirect cost to that output. Unit cost per output is a the measure of efficiency, and the resourcing and financing tool for DoD working Capital Fund activities.

Attachment 2**MEASURING COMPLIANCE WITH POLICY**

A2.1. SAF/FM will assess compliance with policy regarding the proper use of appropriated funds by measuring reported violations. Analysis will consider both open- and closed-violation reports, and will focus on overall trends and the types of violations that are reported. (See **Figure A2.1.**, **Figure A2.2.** and **Figure A2.3.**) An open case exists when a possible violation of the Anti-Deficiency Act has been disclosed, but no determination has yet been made whether a violation actually occurred. Cases are closed when it has been determined either that a reportable violation did not occur, or that it did occur and the investigation and legal review were completed. We will track violations in four categories:

A2.1.1. Obligating more than the available funds in an appropriation, allocation, allotment or other administrative subdivision of funds.

A2.1.2. Improperly applying funds with regard to the purposes for which the funds were authorized and appropriated.

A2.1.3. Improperly applying funds with regard to the fiscal year (FY) charged for the expense.

A2.1.4. Violating other special limitations imposed in funding documents, statutes, or other applicable directives (e.g., minor construction ceilings, expense or investment thresholds, reprogramming limits, AFWCF capital budget limitations, 1-percent rule for funding canceled obligations from current year accounts, etc.).

A2.2. SAF/FMP will assess compliance with the policy that the AF take timely and aggressive action to identify, investigate, report, and process ADA violations by measuring timely investigation performance. The time taken to complete and submit all formal ADA investigations to the Under Secretary of Defense (Comptroller) will be measured in order to insure the facts and circumstances are reported within nine months of the investigation start. (See figure A2.7.)

A2.3. SAF/FMB will assess compliance with the policy that AF funds are allocated and executed in an effective and efficient manner by measuring the achievement of unit-cost-per-output goals and effectiveness performance goals in operating budgets. When applicable, these measurements will be used on BA and OA documents and in justifying and presenting the budget, as determined by the DoD Comptroller. Initially, the focus will be on AFWCF and unit costed activities. (See **Figure A2.4.** and **Figure A2.5.**)

A2.4. SAF/FMB will also assess the goal of executing appropriated funds in an effective and efficient manner by comparing current to prior-year obligation rates. This comparison will be made for the four procurement accounts (Aircraft, Missile, Munitions and Other) and Research, Development, Test and Evaluation (RDT&E) appropriation. End-of-year actual obligations expressed as a percentage of available funding will be compared to the prior 3-year average for each account. All applicable unexpired accounts will be included in both the current- and prior-year computations. For example, FY 1993 Aircraft Procurement obligations will include cumulative obligations for the FY 91/3, FY 92/4 and FY 93/5 appropriations. (See **Figure A2.6.**)

Figure A2.1. Sample Metric of Open Anti-Deficiency Act Cases.

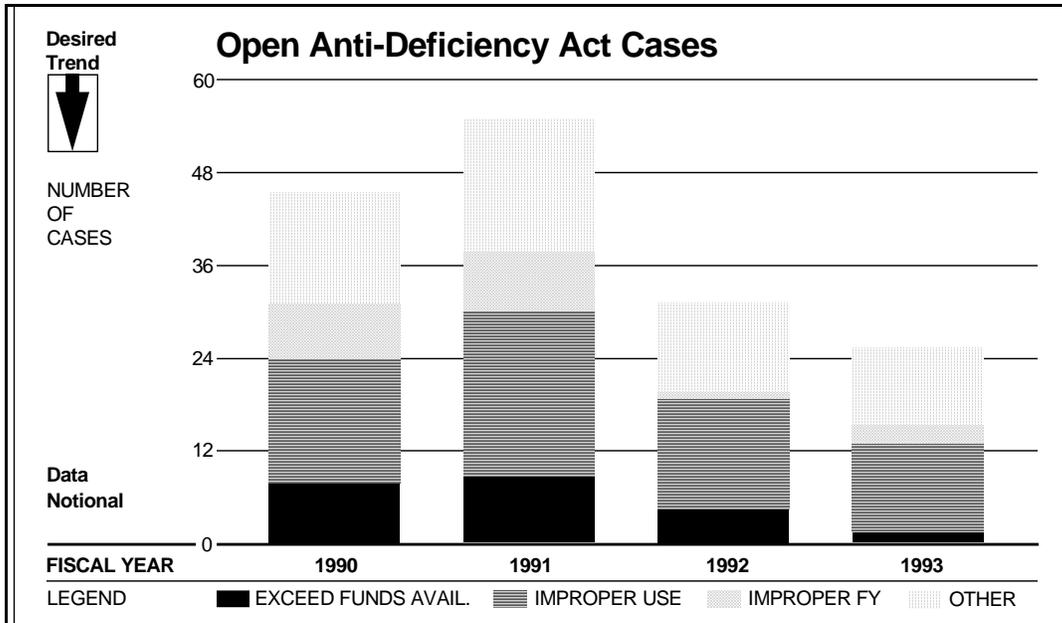


Figure A2.2. Sample Metric of Closed Anti-Deficiency Act Cases -- Violation.

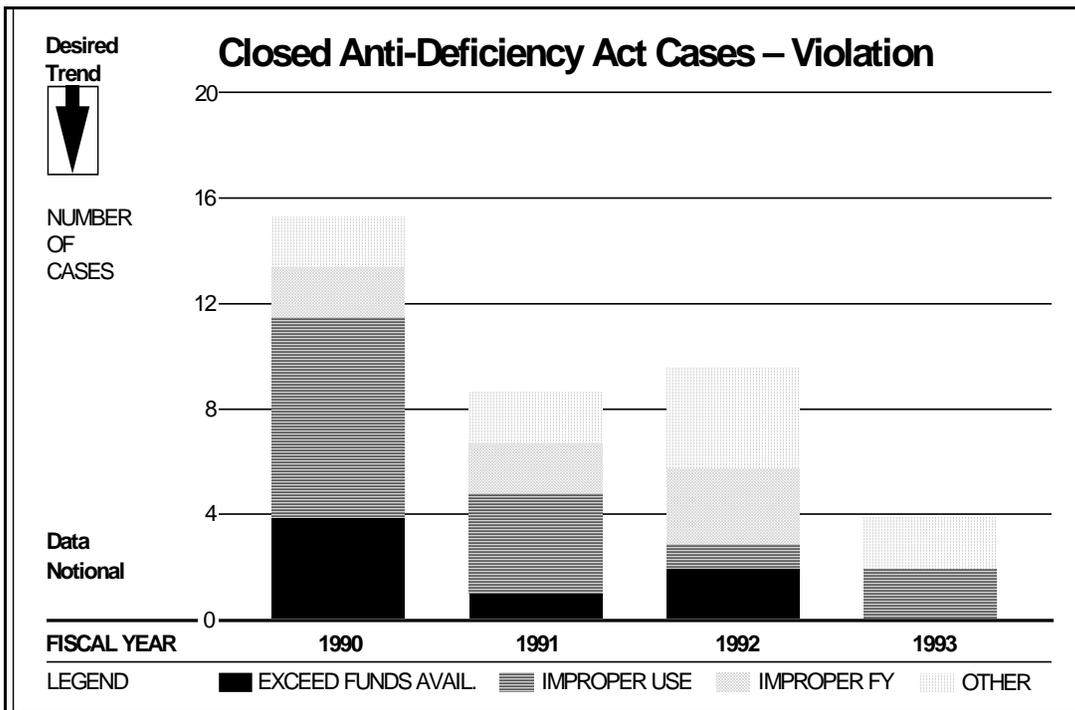


Figure A2.3. Sample Metric of Closed Anti-Deficiency Act Cases -- No Violation.

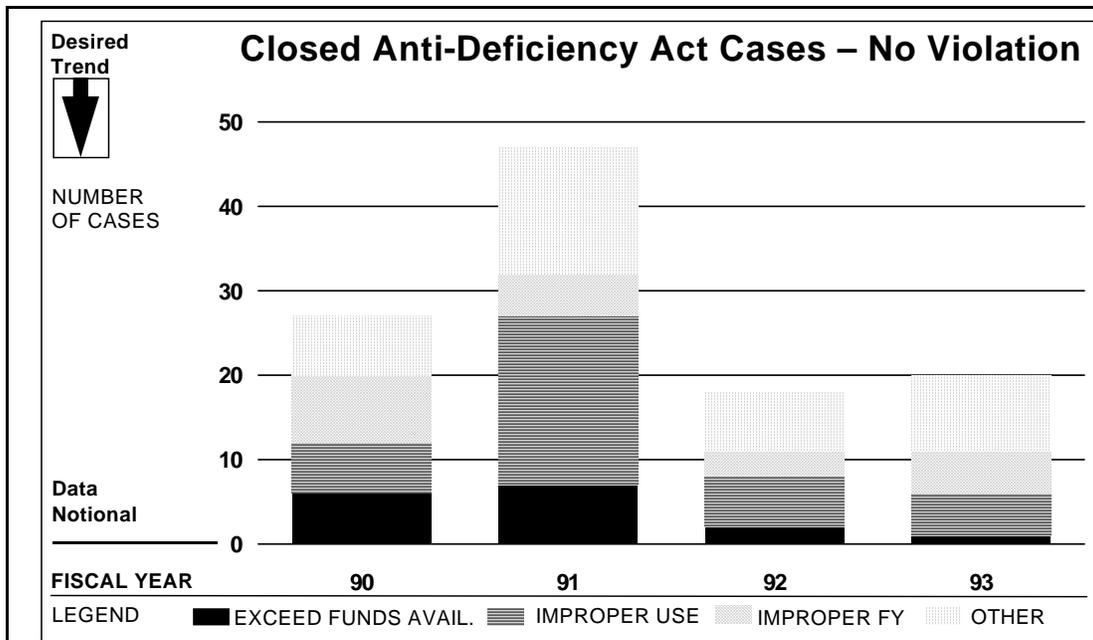


Figure A2.4. Sample Metric of Supply Management -- Wholesale Unit Cost.

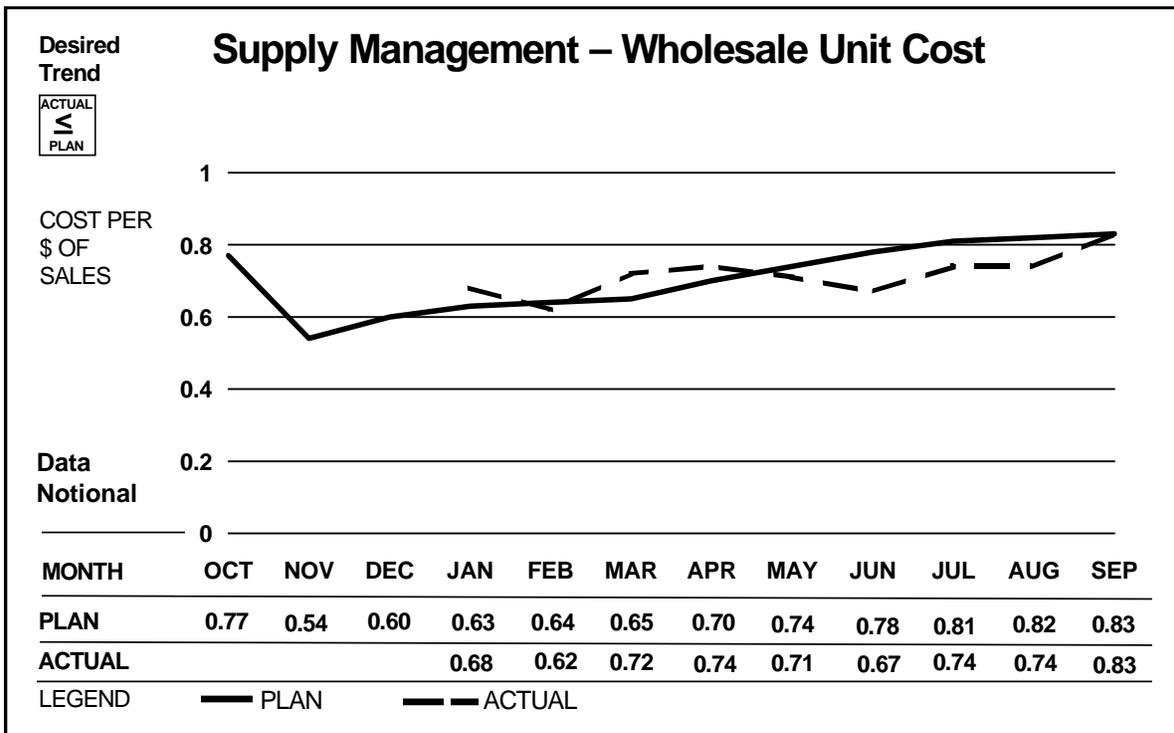


Figure A2.5. Sample Metric of Supply Management -- Retail Unit Cost.

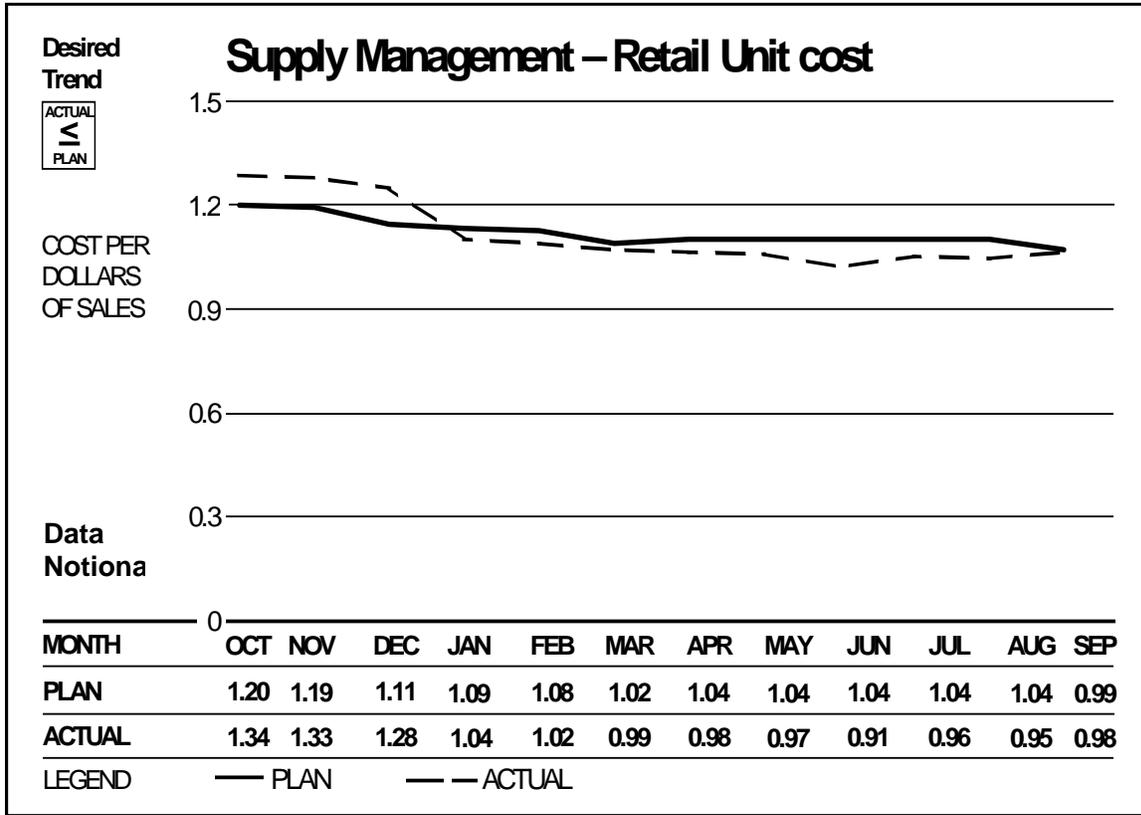


Figure A2.6. Sample Metric of FY93 Obligations as Percentage of Availability.

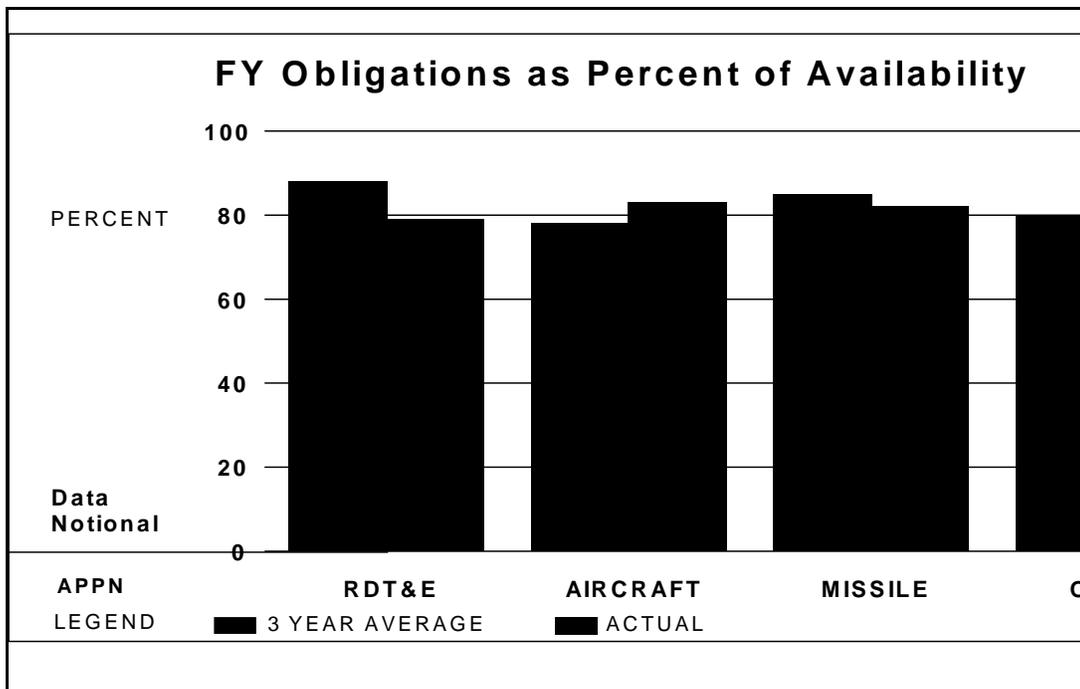


Figure A2.7. Sample Metric of Months to Complete ADA Investigations.

