



DEPARTMENT OF THE NAVY
COMMANDER MILITARY SEALIFT COMMAND
914 CHARLES MORRIS CT SE
WASHINGTON NAVY YARD DC 20398-5540

REFER TO:

COMSCINST 7000.18A
N8
14 October 2003

COMSC INSTRUCTION 7000.18A

Subj: RECORDING/TRI-ANNUAL REVIEW OF COMMITMENTS, OBLIGATIONS
AND UNPAID BALANCES

Ref: (a) DOD 7000.14-R, DOD Financial Management Regulation (FMR) Volume 3,
Chapter 8

Encl: (1) Fund Holder/Purchase Order Owner Confirmation Statement
(2) Report of Commitment Review and Instructions
(3) Report of Obligation Review and Instructions
(4) Tri-Annual Review Action Dates
(5) Comptroller Confirmation Statement

1. Purpose. To provide guidance for the proper recording, review and reporting of Commitments, Obligations and Unpaid Balances. This instruction is a complete revision and should be read in its entirety.

2. Cancellation. COMSCINST 7000.18.

3. Applicability. This instruction applies to all MSC Fund Holders, MSCHQ offices and/or Area Commanders with Expenditure Authority, and the Headquarters Comptroller Office.

4. Background. Reference (a) prescribes requirements related to the recording, review of commitments and obligations and follow-up action with suppliers on all unpaid balances over 120 days. The purpose of the Tri-Annual Review is to ensure proper recording and reporting of commitments, obligations and unpaid balances. There are specific time frames when command commitments and obligations need to be entered in the command's official financial system and when such commitments and obligations are to be reviewed. Accurate obligation records are a critical factor for MSC in its efforts to eliminate unmatched disbursements and negative unliquidated obligations. Reviews of commitment and obligation transactions are required to be conducted during each of the 4-month periods ending on 31 January, 31 May and 30 September. Reviews are required for outstanding commitments and unliquidated obligations.

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5. Definitions

a. Fund Holder/Fund Administrator – The Program Manager/Functional Director/Special Assistant/Area Commander or authorized representative who has administrative authority to incur expenses for designated accounts of the approved MSC Budget. This individual may initiate Expenditure Authority to other MSC offices and/or Area Commanders so that they can incur expenditures against these designated accounts.

b. Expenditure Authority – The administrative authority to incur expenditures for designated accounts on behalf of a Fund Holder/Fund Administrator. Such authority may be passed on from one MSCHQ office and/or Area Commander to another for actual execution. However, in accordance with reference (a), the MSCHQ and/or Area Command office that enters requisitions in the Financial Management System (FMS) and monitors their execution shall be responsible for assisting Fund Holders with the requirements of this instruction.

c. Commitment – An administrative reservation of funds based on firm procurement requests, unaccepted outgoing customer orders, and equivalent instruments.

d. Outstanding Commitment – The commitment remaining after reduction by an obligation or payment.

e. Obligation – The amount of contracts awarded, accepted orders placed and similar transactions during an accounting period that will require payment during the same or future period. The total amount of obligations incurred is segregated into unliquidated obligations and accrued expenditures-paid or unpaid. (Includes payments for which obligations were not entered into FMS prior to payment.)

f. Unliquidated Obligation – That portion of an obligation that has not been receipted.

g. De-obligation – Reduction of an obligation in cases where obligation amounts are more than the contracts awarded, orders placed and /or goods and services received.

h. Unmatched Disbursements – Disbursements for which no obligations have been established.

i. Unpaid Balance/Accrued Expenditure – The difference between the receipted amounts and the billed amounts.

j. Negative Unliquidated Obligation – Disbursements that exceed obligations.

k. Antideficiency Act Violation – Violation caused by issuing a funded order incurring obligations or disbursing funds in excess of reimbursable orders received or statutory/regulatory limitations on amounts of an appropriation designated for a particular purpose.

l. Financial Management System (FMS) – MSC’s Official Accounting and Financial System.

6. Policy

a. All commitments are to be recorded in the FMS in the accounting period when the commitment (requisition) is approved by the N8 funds certifier.

b. Obligations shall be recorded in the FMS at the time a legal obligation is incurred, or as close to the time of incurrence as is feasible. In no instance shall obligations be recorded any later than 10 calendar days following the day that an obligation is incurred (10-Day Rule). Notwithstanding the 10-Day Rule, obligations of \$100,000 or more (per fund citation or accounting line on the obligation document) shall be recorded and included in the official accounting system in the same month in which the obligation is incurred. Every effort shall be made to record all obligations in the month incurred.

c. Any unpaid balance for accrued expenses over 120 days will be reviewed to determine why payment has not been made. The supplier shall be contacted to determine the status of the billings so that unpaid balances can be reduced.

d. Review of all commitments and obligations shall be accomplished each fiscal year to ensure the accuracy and timeliness of the records in the FMS. Commitment and obligation records are the basis for formal financial reports of MSC. These reports are used by management within MSC and by those outside MSC for resource allocation and decisions.

e. Accurate obligation records are required for MSC to eliminate unmatched disbursements and negative unliquidated obligations. To the extent that records in the FMS are not fully accurate, the associated disbursements cannot be successfully matched to the correct obligations. Also, incomplete obligation records increase the potential for violations of the Antideficiency Act.

f. Reviews of commitment and obligation transactions will be conducted during each of the 4-month periods ending on 31 January, 31 May and 30 September.

g. Reviews will be required for all:

(1) Outstanding commitments;

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(2) Unliquidated obligations; and

(3) Unpaid balances.

h. Two of the reviews to be accomplished are to cover outstanding commitments, unliquidated obligations of \$50,000 or more and unpaid balances over 120 days.

i. One review per year will cover all items in paragraph 6g above, regardless of the dollar amount.

j. Outstanding commitments will be reviewed to determine if:

(1) The requirement is still valid;

(2) The commitment amount is accurate; and

(3) The commitment has been converted to an obligation and is recorded as such in the FMS.

k. Unliquidated obligations will be reviewed to determine if:

(1) The recorded obligation amount is accurate;

(2) The unliquidated amount is valid; and

(3) The goods and services received amount is accurate.

l. All information related to a review will be retained for 24 months following the completion of the review to allow independent review organizations to audit the review, when necessary.

7. Roles and Responsibilities

a. MSCHQ Offices and/or Area Commanders with Expenditure Authority

(1) Shall ensure commitments and obligations are entered into the FMS within the time frames specified in paragraphs 6a and 6b above. Confirmation of this will be required during each Tri-Annual Review on the Fund Holder/Expenditure Authority Confirmation Statement provided as enclosure (1).

(2) Shall conduct Tri-Annual Reviews on their documents for outstanding commitments and unliquidated obligations. Documents subject to each review will be provided via a file and/or paper copy to the Fund Holder for funds received directly from MSCHQ Comptroller/Budget office. Note: The reviews are to be based on the information provided on the file and/or paper copy. Changes/transactions processed after that date should not be reported.

(3) Shall annotate each line on the provided file or paper copy with one of the Condition codes shown below indicating the review has been completed and the status of the review indicating one of the following. Any amounts needing adjustment shall be shown in the column adjacent to the Condition code.

- Code A – the outstanding commitment is valid
- Code B – the outstanding commitment needs to be canceled
- Code C – the outstanding commitment needs to be increased
- Code D – the outstanding commitment needs to be decreased
- Code E – the outstanding commitment needs to be made into an obligation
- Code F – the unliquidated obligation (obligation and billed values) and receipt values are valid as stated
- Code G – the obligation value needs to be canceled
- Code H – the obligation value needs to be increased
- Code J – the obligation needs to be decreased
- Code K – the receipt value needs to be increased
- Code L – the receipt value needs to be decreased
- Code X - the line item reviewed does not belong to the Fund Holder/MSCHQ office and/or Area Commander with Expenditure Authority. Immediately notify N8 so they can forward to proper Fund Holder and include a brief explanation.

(4) Shall summarize the record count and values associated with the review and complete enclosure (2) for commitments, and enclosure (3) for obligations.

(5) Shall complete and sign the Fund Holder/Expenditure Authority Confirmation Statement provided as enclosure (1). Any unchecked box indicating the criteria have not been complied with requires an additional narrative explanation to be attached to the confirmation statement.

(6) Shall submit above required review forms within time frames required by the Fund Holder to meet their required due dates to Headquarters N82 as specified in enclosure (4).

(7) Shall ensure that all required adjustments or corrections identified during the review be documented and processed in the FMS within 10 working days of their identification. All adjustments should be coordinated with the appropriate contracting

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officer, if applicable, to ensure required changes are also made in the Standard Procurement System (SPS). More specifically, the MSCHQ and/or Area Command office with Expenditure Authority shall initiate de-obligations of SPS contracts by requesting a modification to the contract via the contracting officer. An FMS “zero dollar” requisition requesting the de-obligation should be used to notify N10 of required contract mod to allow the de-obligation in FMS. The contracting officer will process the necessary modification(s).

b. Fund Holders/Fund Administrators

(1) Shall sort and distribute, if required, all documents subject to the review to MSCHQ offices and/or Area Commanders with Expenditure Authority within 2 working days after receipt from HQ N82.

(2) Shall collect and summarize all enclosures under their cognizance to include those enclosures prepared by other MSCHQ offices and/or Area Commanders that were granted Expenditure Authority and prepare consolidated enclosures (1) through (3). Enclosure (1) should include narrative comments.

(3) Shall submit the consolidated enclosures (1) through (3) to HQ N82 in accordance with the timetable provided as enclosure (4).

(4) Shall ensure that the total number of line items and amounts reported as being reviewed are equal to the sum of all individual lines and amounts in all files provided except for those lines that do not belong to them.

c. Headquarters Accounting Office (N82). Shall provide Fund Holders with listings or automated media identifying both commitments and obligations report to be reviewed. N8 shall institute an internal control review to ensure that commitments and obligations are entered into the FMS in a timely manner. Violations will be reported to COMSC, as appropriate, for further action.

d. Headquarters Comptroller. Shall submit to Assistant Secretary of the Navy (Financial Management and Comptroller) (*for Navy*) and to Defense Finance and Accounting Service, Denver (*for USTRANSCOM*), an enclosure (5) confirmation statement attesting to the review in accordance with the schedule contained in enclosure (4). Such certification will include a summary of the extent of each review, problems resolved, unresolved and what action is being taken.

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D. A. LOEWER
Vice Commander

Distribution:
COMSCINST 5215.5
List I (Case A, B, C)
SNDL 41B (MSC Area Commanders)
41D (MSC Offices)
41E (APMC)

**FUND HOLDER/PURCHASE ORDER OWNER
CONFIRMATION STATEMENT**

(Insert Fund Holder/MSCHQ Office/Area Commander/Code/Activity) certifies that a complete and accurate review of the documents provided for this review has been performed in accordance with the checklist below. Appropriate corrective actions for the erroneous entries that do not meet commitment/obligation criteria have been taken.

*Print name of Fund Holder/MSCHQ Office Representative
and/or Area Command Official with Expenditure Authority*

Date

Signature and Title

Telephone

Criteria Checklist for Confirmation Statement

Complied With	Number	Criteria
<input type="checkbox"/>	1 *	Confirm that all commitments recorded in the system have been validated to a paper or an electronic data interchange (EDI) representation source document.
<input type="checkbox"/>	2 *	Confirm that all paper or EDI representation commitment source documents have been recorded in the MSC official Accounting Systems (FMS) in the same accounting period corresponding to the date when the commitment was assigned.
<input type="checkbox"/>	3 *	Confirm obligations recorded in the system have been validated to a hard copy or an EDI source document.
<input type="checkbox"/>	4 *	Confirm that all hard copy or EDI obligation source documents have been recorded in FMS within 10 calendar days following the day that an obligation was incurred and that all obligations of \$100,000 or more per fund citation or accounting line on the obligation document were recorded in FMS in the same accounting month in which the obligation was incurred.
<input type="checkbox"/>	5	Confirm that adequate follow up was conducted on all dormant commitments over 120 days old to determine if the requirement is still valid, or if an obligation document has been issued but not received or properly recorded.
<input type="checkbox"/>	6	Confirm that adequate follow up has been conducted on all dormant obligations over 120 days old to determine if the obligation is still valid.
<input type="checkbox"/>	7	Confirm that adequate follow up was conducted on all unpaid balances for accrued expenses over 120 days old with suppliers to determine why payment has not been made.
<input type="checkbox"/>	8	Confirm that all miscellaneous obligation documents, travel orders, and supply requisitions recorded in the system for more than 180 days have been deobligated, unless there is supporting documentation from the Fund Holder/MSCHQ office and/or Area Command attesting to the purpose and validity of the obligation.
<input type="checkbox"/>	9	Confirm that all commitments that could not be substantiated or validated after a thorough review by the Fund Holder/MSCHQ office and/or Area Command have been decommitted in FMS within 10 working days after their identification.
<input type="checkbox"/>	10	Confirm that all obligations that could not be substantiated or validated after a thorough review by the fund holder/purchase orders owner (and/or the accounting office) have been deobligated in FMS within 10 working days after their identification.
<input type="checkbox"/>	11	Confirm that monthly Daily Expenditure Files (DEF) and Register 6 files of records representing MSC unprocessed disbursements are acted upon within 10 working days after receipt.
<input type="checkbox"/>	12	Provide narrative statement as a result of the review to include the following categories: Problems noted as a result of the review.

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		<p>Advise whether, and to the extent which, adjustments or corrections to remedy noted problems have been taken.</p> <p>Summarize, by type, the actions or corrections remaining to be taken, and when such actions/corrections are expected to be completed.</p> <p>Identify what actions have been taken to preclude identified problems from recurring in the future</p> <p>Notes: * The Navy Energy Usage Reporting System (NEURS) report will substitute for paper representation to enter fuel transactions into the FMS.</p>
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REPORT OF COMMITMENT REVIEW AND INSTRUCTIONS

From:

To: Accounting Officer, Military Sealift Command

Period ending: (Month, Year)

Appropriation 97X4930.ND2A for NAVY

No. of Lines Reviewed	Amount of Commitment Reviewed	Additional Amount Committed	Amount Decommited

Appropriation 97X4930.FD20 for USTRANSCOM

No. of Lines Reviewed	Amount of Commitment Reviewed	Additional Amount Committed	Amount Decommited

Totals			
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I hereby certify that the review and validation of outstanding commitments has been completed as prescribed by COMSC Instruction 7000.18A. Documentation is on file for audit purposes and will be retained for 24 months.

*Print name of Fund Holder/MSCHQ Office Representative
and/or Area Command Official with Expenditure Authority*

Date

Signature

Title

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DESCRIPTION AND INSTRUCTIONS FOR COMMITMENT REVIEW

From: (Office submitting the report)

To: (send to appropriate addressee)

Period ending: (identify the Tri-Annual period being reported on)

Appropriation: (Use 97X4930.ND2A for Navy and 97X4930.FD20 for USTRANSCOM)

Columnar Data:

No. of Lines Reviewed: The number of commitment lines reviewed should be the total number of requisition lines that have been provided by N8 except for those lines that do not belong to the Fund Holder/MSCHQ office and/or Area Command. Each line of commitment within the FMS that is reviewed should be counted as one line reviewed. This is also the total number of lines reviewed, not those found to be correctly recorded in the accounting records.

Amount of Commitments Reviewed: The total dollar value of the requisition lines provided and reviewed.

Additional Amount Committed: The dollar amount of requisitions that were recorded in the FMS as a result of the review performed. This amount includes both commitments for documents not previously recorded in the accounting records until the review was performed and increases to the amount recorded in the accounting system when an under commitment was discovered and corrected.

Amount Decommited: The total dollar amount of commitments that were canceled (decommitted) in the FMS as a result of the review performed. This amount includes both commitments for which the whole document was canceled in the accounting records because it was not currently valid and also the amount of commitments partially canceled (partially decommitted) as a result of the review performed.

Grand Totals: (Show the grand total of the dollar amounts in each column.)

REPORT OF OBLIGATION REVIEW AND INSTRUCTIONS

From:
To: Accounting Officer, Military Sealift Command

Period ending: (Month, Year)

Appropriation 97X4930.ND2A for NAVY

No. of lines Reviewed	Amount of Obligation Reviewed	Additional Amount Obligated	Amount De-obligated

Appropriation 97X4930.FD20 for USTRANSCOM

No. of lines Reviewed	Amount of Obligation Reviewed	Additional Amount Obligated	Amount De-obligated

Totals			
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I hereby certify that the review and validation of outstanding obligations has been completed as prescribed by COMSC Instruction 7000.18A. Documentation is on file for audit purposes and will be retained for 24 months.

*Print name of Fund Holder/MSCHQ Office Representative
and/or Area Command Official with Expenditure Authority*

Date

Signature

Title

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DESCRIPTION AND INSTRUCTIONS FOR OBLIGATION REVIEW

From: (Office submitting the report)

To: (send to appropriate addressee)

Period ending: (identify the Tri-Annual period being reported on)

Appropriation: (Use 97X4930.ND2A for Navy and 97X4930.FD20 for USTRANSCOM)

Columnar Data:

No. of Documents Reviewed: The number of obligation lines reviewed should be the total number of lines provided by N8 except for those lines that do not belong to the Fund Holder/MSCHQ office and/or Area Command. Each line of Purchase Order (PO) within FMS that is reviewed should be counted as one line reviewed.

Amount of Obligations Reviewed: The total dollar value of the obligation lines provided by N8 and reviewed.

Additional Amount Obligated: The dollar amount of obligations which were recorded in the FMS as a result of the review performed. This amount includes both obligations for documents not previously recorded in the accounting records until the review was performed and increases to the amount recorded in the FMS when an under obligation was discovered and corrected.

Amount De-obligated: The total dollar amount of obligations that were canceled (de-obligated) in the FMS as a result of the review performed. This amount includes both obligations for which the whole document was canceled in the accounting records because it was not currently valid and also the amount of obligations partially canceled (partially de-obligated) as a result of the review performed.

Grand Totals: (Show the grand total of the dollar amounts in each column).

TRI-ANNUAL REVIEW ACTION DATES

Action	Oct - Jan	Feb -May	Jun - Sep
MSCHQ N82 creates electronic listing of commitments and obligations and forwards it to all Fund Holders.	7 January	30 April	15 July
Fund Holders distribute electronic listing to be filtered down to those MSCHQ offices and/or Area Commands with Expenditure Authority.	9 January	2 May	17 July
MSCHQ offices and/or Area Commanders with Expenditure Authority perform reviews of the commitments and obligations and submit the required documentation to Fund Holders for consolidation and review.	No later than 31 Jan	No later than 31 May	No later than 31 August
Fund Holders review the reports received from the MSCHQ offices and/or Area Commands with Expenditure Authority and consolidate/submit them to MSCHQ N82.	4 February	4 June	4 September
MSCHQ Comptroller submits Confirmation Statement to FMO and USTRANSCOM.	No later than 21 February	No later than 21 June	No later than 21 September

Note: If the action date falls on a holiday or weekend, the required action shall be performed on the next business day.

