CHAPTER 14

Financial Management

This chapter includes resourcing the base operations (BASOPS) requirements needed to operate a community of excellence. Areas addressed are existing structure, appropriations, revolving fund concepts, installation operation and structure, the implementation of the Defense Business Operations Fund (DBOF) and a variety of other initiatives, nonappropriated funds, and finance and accounting operations.

To assist commanders in managing more effectively with reduced resources, commanders are given greater financial flexibility. Actions are ongoing to eliminate money fences and to change laws and other governmental policies. This will support the initiative of providing greater financial flexibility to installation commanders.

CONTENTS

DEFINITION

Financial management is a process of acquiring, assigning priorities, allocating and using resources (people, money, material, facilities, information, and time) in an effective and efficient manner.

FINANCIAL MANAGEMENT STRUCTURE

DOD uses the Planning, Programming, and Budgeting System (PPBS) as its primary system for managing its military functions. PPBS is the parent system of the Army Planning Programming, Budgeting, and Execution System (PPBES). PPBES is a major decision-making process that interfaces with OSD and Joint planning and links directly to OSD planning and Budgeting.

PLANNING, PROGRAMMING, AND BUDGETING SYSTEM

The PPBS is a cyclic biennial process used to develop a plan, a program, and a budget for the DOD. PPBS is a logical process of identifying needs, determining resource requirements, and allocating the resources. The result of the PPBS cycle is a package of programs to be carried out over a period of six years which is called the Future Year Defense Program (FYDP).

FUTURE YEARS DEFENSE PROGRAM

The FYDP is the data base developed from the Defense Program (DP). It is managed by the OSD Comptroller. It also contains the resources associated with all programs of the Services and other DOD agencies. The FYDP contains 11 major defense programs. Each of these programs is subdivided into program elements that represent integrated subprograms combining personnel, equipment, and facilities. Together, these elements constitute an identifiable military capability.

PLANNING, PROGRAMMING, BUDGETING, AND EXECUTION SYSTEM

The PPBES is the Army's primary financial management system. Planning is recognizing the threat to our national security and developing a strategy to meet that threat. The major product of the planning phase is the Defense Planning Guidance and US Army guidance in the form of The Army Plan and Army Program Guidance.

Programming translates planning guidance into a comprehensive and detailed allocation of forces, manpower and dollars. The installation provides input to the MACOMs via the Army Modernization Information Memorandum (AMIM), Modernization Resource Information Submission (MRIS), the Program Objective Memorandum (POM), and the Long Range Research, Development and Acquisition Plan (LRRDAP). In the AMIM and MRIS, installations provide information on what new equipment will be fielded. In the POM, installations provide information on new initiatives. The POM lists the Army's proposed use of dollars projected for the next six years. This is in terms of forces, manpower, training, research and development, procurement, construction, logistics, and all other requirements to sustain the force. When the POM is approved by OSD, it is called a POM Defense Program. The OSD decision is published in the Program Decision Memorandum (PDM), which tells the Army what parts of the POM are approved. The PDM also tells what has to be changed. The POM is the end of the programming phase. The funding for Research, Development, Test and Evaluation (RDTE) and Government Owned Contractor Operated (GOCO) installations is managed by the Secretary of the Army for Research, Development and Acquisition (SARDA), and the LRRDAP is used for planning and programming.

Budgeting expresses the resource requirements of the POM and LRRDAP in terms of manpower and dollars, categorized by congressional appropriation. It includes explaining and obtaining the resources from Congress.

Execution is the last phase of the Army PPBES. It begins when financial authorization documents are received at the installation. Execution is made up of many functions. These include fund control, commitment and obligation management, reimbursable activity, and cash and debt management. It requires extensive accountant involvement in processing financial data. This includes generating accounting reports, analyzing execution results, and advising resource managers of current and potential trends and problems.

ARMY APPROPRIATIONS

Army appropriations consist of five basic functional areas that are common to all Services:

- Military personnel.
- Operation and maintenance.
- Research, development, test and evaluation.
- Military construction.
- Procurement.

MILITARY PERSONNEL, ARMY (MPA)

MPA provides pay and allowances for active Army soldiers. These costs include retired pay accrual, individual clothing, subsistence, disability benefits, death gratuities, servicemen's group life insurance (SGLI) and permanent change of station (PCS) travel. MPA is centrally managed at DA. MPA is an annual appropriation, available for obligation for one fiscal year only.

RESERVE PERSONNEL, ARMY (RPA)

RPA provides pay and allowances for Army Reserve soldiers performing duty in an active duty or an inactive duty status. These costs include retired pay accrual, individual clothing, subsistence, incentives, disability benefits, death gratuities, SGLI, PCS costs, travel and per diem. RPA is an annual appropriation, available for obligation for one fiscal year only.

NATIONAL GUARD PERSONNEL, ARMY(NGPA)

NGPA provides pay and allowances for Army National Guard soldiers performing duty in an active duty or an inactive duty status. These costs include retired pay accrual, individual clothing, subsistence, incentives, disability benefits, death gratuities, SGLI, PCS costs, travel and per diem. NGPA is an annual appropriation, available for obligation for one fiscal year only.

OPERATION AND MAINTENANCE, ARMY (OMA)

OMA provides for operation and maintenance of the Army not otherwise provided for by any other appropriations. For example, these expenses include purchasing equipment and supplies, production of audiovisual instructional material and training aids. OMA funds civilian pay and allowances, operation and maintenance of active component units, installations, and equipment which does not have to be purchased from a procurement appropriation, purchase of supplies and repair parts, TDY costs, and recruiting and retention. OMA is an annual appropriation, normally available for obligation in one fiscal year.

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD (OMNG)

OMNG is for expenses not otherwise provided for in other appropriations necessary for training, organizing, and administering the Army National Guard. These expenses may include training of units, procurement of organizational equipment, supplies, repair parts, services, and maintenance. OMNG funds civilian pay and allowances; training, operation and maintenance of National Guard units, facilities, installations, and equipment; purchase of supplies, repair parts and services; recruiting and retention. OMNG is an annual appropriation, normally available for obligation in one fiscal year.

OPERATION AND MAINTENANCE, ARMY RESERVE (OMAR)

OMAR is for expenses not otherwise provided for in other appropriations for training, organizing, and administering the Army Reserve. The expenses may include repair of facilities, installations, and equipment; purchase of supplies and repair parts and services; recruiting and retention. OMAR is an annual appropriation, normally available for obligation in one fiscal year.

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, ARMY (RDTE)

RDTE includes procurement of end items, weapons, equipment, components, materials, and services required for development of equipment, material, or computer applications software; its developmental test and evaluation, its initial operational test and evaluation the operation of research and development installations/activities, including direct and indirect efforts, expense and investment costs; acquisition or construction of industrial facilities costing less than $300,000 at government-owned, government-operated facilities; and acquisition and construction at contractor-owned, contractor-operated government facilities.

MILITARY CONSTRUCTION, ARMY (MCA)

MCA provides funds for acquisition, construction, installation and equipment of temporary or permanent public works, military installations, and facilities for the active Army. MCA is a multiple-year appropriation available for obligation for five years. Although the MCA appropriation is for five years, the authorization is good for only three years unless specifically extended by Congress. Without an extension, an initial obligation of funds must be made within three years to save the authorization.

MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

MCAR provides for planning and design, construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the USAR. MCAR is a multiple-year appropriation available for obligation for five years.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

MCNG provides for planning and design, construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the National Guard. MCNG is a multiple-year appropriation available for obligation for five years.

MILITARY CONSTRUCTION, ARMY FAMILY HOUSING (AFH-C)

AFH-C funds planning, design, construction, improvement and acquisition of military family dwelling units and related facilities including the cost of the property and all associated real estate costs. AFH-C is a multiple-year appropriation available for obligation for five years.

OPERATION AND MAINTENANCE ARMY FAMILY HOUSING

AFH-O provides funds for the full life cycle of military family dwelling units. Annual funds provide for the leasing of family housing on the economy and for payment of mortgage principal and interest on specific privately financed housing projects. AFH-O is a one-year appropriation, available for obligation for one fiscal year only.

PROCUREMENT, ARMY (PA)

The procurement appropriation provides funds for Army aircraft, missiles, weapons and tracked combat vehicles, ammunition, equipment and ADPE equipment that cannot be purchased with operations and maintenance appropriations, and other procurement. Procurement appropriations are three-year appropriations. The Army justifies the annual budget requests for the obligation authority for procurement of each item contained in the long-range materiel requirements plan. BASOPS at GOCO installations is funded by the PA appropriation. Construction at these installations is also funded by PA, not MCA.

AUTHORIZATION AND APPROPRIATION

Authorization of funds is recommended by the Armed Services Committees for new programs or continuance of existing programs. They also recommend funding limits on these programs. Authorization acts do not grant actual funds, but provide the legal authority to obligate funds. An appropriations act provides funds to DOD and permits DOD to incur obligations and to make payments out of the US Treasury for specified purposes.

COMMITMENT AND OBLIGATION

A commitment of funds is an informal or administrative reservation of funds for a specific purchase. An obligation is the action taken to establish a liability against the US government that will ultimately result in a disbursement from the US Treasury. The dollar amount established by Congress for a particular appropriation limits the amount of total obligations that may be incurred.

CONTINUING RESOLUTION AUTHORITY

When a defense funding bill is not passed and signed into law by 1 October each year, a temporary funding instrument called a Continuing Resolution Authority (CRA) is passed by Congress. The CRA specifies the maximum rate at which funds can be spent. This rate is normally based on the spending rate of the prior fiscal year. Under a CRA, no new programs may be started. This delay restricts the time available to obligate funds when they are appropriated for the next fiscal year.

WORKING CAPITAL FUNDS

Congress authorized the Secretary of Defense to establish working capital funds (also known as revolving funds) to finance inventories of stores, supplies, equipment, and certain services. Costs are financed by the fund from the time materiel is requisitioned and acquired until it is issued for use or consumption. A working capital fund or revolving fund is intended to emulate the business premise that the final product must absorb all costs that have been incurred to produce it.

Initial capital financing is provided by Congress to start operations by a one-time appropriation. Once an activity is capitalized it recovers the costs incurred by selling inventory or services to its customers. Prior to Fiscal Year 1992, the Army Stock Fund (ASF) and the Army Industrial Fund (AIF) were included in this category of working capital or revolving funds.

DEFENSE BUSINESS OPERATIONS FUND

On 1 October 1991, DOD combined all existing revolving funds, including the former Army Stock Fund (ASF) and Army Industrial Fund (AIF) into DBOF. The DBOF was to operate under the policies then in place for stock and industrial funds as modified by changes issued by OSD from time to time. The major changes from the former Service-managed funds included:

- Transfer of all assets and liabilities from the Services to DOD.
- The addition of all costs in the prices of products (including depreciation of facilities and equipment; pay of military personnel; management headquarters costs).
- Initiation of the capital purchases program.

The DBOF is a revolving fund for financing DOD business. DBOF provides a business management structure where customers (mission forces) and providers (support activities) can be made aware of the total cost of goods and services. Cost visibility enables customers to seek the lowest price. It also encourages the providers to offer services at the lowest cost to remain competitive and viable. The Army-managed business areas included in DBOF are Supply Management, (formerly ASF); Depot Maintenance – Other and Depot Maintenance – Ordnance (both formerly a part of the AIF).

UNIT COST

Unit cost is a management tool for monitoring costs and making resource allocations based on cost and output. The unit cost of a business activity is calculated by totaling the operational costs of the activity and dividing those costs by its work load indicators or output. The result is the cost required to produce a single item, which is its unit cost.

Unit costing techniques are now focused on supply depot operations, inventory control points, and stock funding activities of depot level reparable. Business areas now under active unit cost development are product engineering, major end items, contract administration services, and RDTE. Unit cost and output measurements have not been firmly established in all areas, but additional outputs continue to be investigated.

SUPPLY MANAGEMENT, ARMY (SMA)

SMA business area is the most prominent DBOF-funded activity at the installation. It was originally chartered by OSD as the ASF to finance the supply of repair parts and minor items of equipment. It also has the ability to purchase common use consumable supply items in support of installation activities. The fund initially finances items such as tank tracks, carburetors, gun tubes, and other consumable items. (It excludes financing major end items such as tanks, trucks, and artillery.) When repair parts are issued to a using unit, the unit pays SMA for the total cost.

SMA (as well as all other DBOF-funded activities) is self-sustaining (or revolving). The fund inventories are paid for when ordered by or issued to the consuming activity. The proceeds are deposited in the DBOF treasury account and become available to buy more inventory. This cycle continues for the life of the fund.

SMA contains a wholesale division and retail divisions. AMC as a wholesaler is responsible for purchasing from private industry and selling to the retail divisions, which are located in each MACOM. The retail divisions (which also buy locally and from the Defense Logistics Agency (DLA) and General Services Administration) sell to consumers, who are financed by various appropriations (OMA; Procurement of Ammunition, Army (PAA); DBOF).

SMA prices its products to recover the acquisition cost of the individual item plus a surcharge to recover operating costs. The surcharge categories are transportation, inventory expenses and maintenance, costs of operations, and price stabilization.

Obligation authority is an annual limit placed on procurement actions of the fund. This limit also acts as a control for procurements. It allows the DBOF to purchase only enough inventory to cover customer demands and maintain the desired level of safety stock. It limits operating costs and credits to customers.

SMA business managers must be concerned with an inventory turnover rate that will satisfy customer demands and require a minimum dollar investment. If inventories increase and sales decrease, more of the fund capital is tied up in inventory. This reduces the operating cash available for acquisition of new supplies.

DEPOT MAINTENANCE – OTHER AND DEPOT MAINTENANCE – ORDNANCE

The depot maintenance business areas are DBOF-funded activities which were formerly funded through the AIF. They provide industrial and commercial type services within DOD. Army depot maintenance includes two businesses:

- Depot Maintenance — Other (formerly managed by Depot Systems Command). This business area sustains fighting forces worldwide with depot-level supply and maintenance of designated materiel through a logistically-ready industrial base. Integrated supply and maintenance operations provide for the receipt, storage, maintenance, and shipment of major end items and ammunition to worldwide units and customers. (DLA is responsible for secondary items distribution.)
- Depot Maintenance — Ordnance (formerly managed by Armament, Munitions and Chemical Command). This business area procures artillery, small arms, and munitions, end items and major components for all Services. It also performs engineering, repair, manufacturing, renovation, demilitarization, and product assurance in support of this materiel.

In February 1994, the Industrial Operations Command (IOC) was activated by merging management elements of both of the depot maintenance business areas as well as management elements of other non-DBOF related functions. The IOC is the single management command for both businesses effective 10 October 1994.

As for the other revolving fund activities, the Depot Maintenance Army business area uses working capital to finance the initial cost of providing goods and services requested by its customers. Customers reimburse the business area. Work load at industrial-type activities is generated by customer orders. Customer orders are obligations of the ordering activity and create a contractual-type relationship between the industrial fund activity and the customer.

There are three basic types of work orders-project, service, and commanders. The project order is a specific order for the manufacture of materials, supplies, equipment, and other work or services. Service orders are for routine, recurring, or other services that cannot be authorized by issuing project orders. Commander's orders are used when it is necessary to commence work of an emergency nature prior to the receipt of an order.

Customer rates are established on a fiscal year basis. These rates are established at levels intended to recover costs plus an applicable surcharge. This is necessary to provide working capital to ensure continued operation of the fund. This stabilized rate policy serves to protect appropriated fund customers from unforeseen inflationary pressures as well as other cost uncertainies.

The Depot Maintenance Army operates on a break even basis. The operating activities under this concept promote a businesslike approach to accomplish complex and necessary defense efforts, resulting in a flexible system which maximizes the use of financial, manpower, and other resources required to respond to fluctuations in work load. This concept permits customers to budget for end products or services required rather than the component parts or efforts necessary to achieve those end products or services.

The Depot Maintenance Army cost center is an organization composed of people, funds, facilities, equipment, and materiel required to perform a specific function. Cost centers collect, distribute, and control costs. There are two basic types of cost centers-direct and indirect. Direct cost centers are engaged in and associated with the performance of actual productive work. Sometimes these cost centers are called productive cost centers. Although direct costs centers may incur indirect costs, most of their effort is related to customers or identifiable products. These costs are chargeable to the customer's order.

Indirect cost centers do not directly contribute to the product. There are two types of indirect cost centers-production support and general and administrative. Production support cost centers are overhead to a particular mission but are not considered base operations and are not identifiable to a job. Examples are scheduling, engineering, quality control, and inventory management. General and administrative cost centers are considered base operations and equally benefit all installation activities. Examples are personnel functions, accounting, security, maintenance and housekeeping, and management. These costs cannot be reasonably associated with any particular outputs and are allocated over all production.

NONAPPROPRIATED FUNDS (NAF)

The financial management of NAF is an important element in operating any installation. While funds are not appropriated by the Congress, NAF is an integral part of an installation's total fund availability. Some Nonappropriated Fund Instrumentalities (NAFIs) are businesslike activities where profits and losses are important indicators of performance. Income from NAF operations remains at the generating installation for support of the NAFI programs and capital purchases in support of NAFIs.

BUDGETING PROCESSES

NAF budgets provide operating managers with resource data to be used in command management decision making. The budgetary process identifies anticipated appropriated and nonappropriated fund resources.

Four types of budgets are prepared for NAFIs. The annual operating budget projects income and expenses and permits the comparison and analysis of programmed data with actual data. Capital project and minor construction budgets show projections for working capital acquisition renovation, expansion, and replacement of fixed assets and indicate sources of funding.

Cash flow budgets show existing cash resources and anticipated cash receipts and disbursements, and forecast cash balances on specified dates. The cash flow budget should be reconciled with the operating and capital expenditure budgets. The NAF and appropriated funds (APF) support budget is prepared annually. This budget identifies the sources of appropriated and nonappropriated funds that will be applied to projected activity requirements.

Actual and programmed performance by these budgets will be compared monthly to identify and correct significant variances. Commanders must ensure that local generation of income is maximized. The commander's statement required at the end of the budgeting process, states where the funds to support the programs were generated.

ACCOUNTING SYSTEM

Appropriated fund and nonappropriated fund accounting systems will furnish reports as required. All direct, readily identifiable expenses incurred in support of NAF activities must be accumulated in the accounting system at the activity level.

Nonappropriated fund accounting support will be provided by the consolidated Central Accounting Office (CAO) at Red River Army Depot. CAOs are designed to provide the installation with professional and standardized accounting and reporting functions for nonappropriated fund activities. The CAO is an organizational entity of the Defense Accounting Office. The CAOs provide analytical interpretation of financial statements and provide recommendations for financial improvement of all NAF operations.

Significant inroads have been made in the automation of NAF accounting, reporting and payroll functions under the auspices of the Nonappropriated Fund Information Standard System (NAFISS). NAFISS has been implemented to provide standard automated accounting and to improve managerial decision making. The system can also provide a payroll function where all CONUS NAF employees are paid from a central processing site. This precludes each installation from doing its own payroll function.

NAF RESPONSIBILITIES

Installation commanders are responsible for checking the morale support programs to ensure maximum and fair benefits are provided to military personnel. They also ensure that NAF budget guidance is followed. This responsibility includes achieving the required income objectives and evaluating actual performance against budget projections.

The US Army Community and Family Support Center (USACFSC) is the program manager who is responsible for managing NAF resources and identifying resource requirements. It also provides budget guidance development and budget preparation, interprets financial reports, and evaluates management reporting needs. The Defense Finance and Accounting Service (DFAS)-Indianapolis Center is responsible for accounting and reporting for NAFIs. DFAS develops accounting policy, procedures, and direction, and conducts quality assurance reviews. The USACFSC and DFAS have the responsibility to ensure the adequacy and cost effectiveness of accounting and reporting services.

The Assistant Secretary of the Army for Financial Management (ASA(FM)) is responsible for oversight of NAF. This responsibility is executed through analysis of NAF cash flow, investment results, and financial plans. In addition, the ASA(FM) chairs the

Finance Committee of the Morale, Welfare, and Recreation (MWR) Board of Directors and the Principal Deputy Assistant Secretary of the Army (Financial Management) co-chairs the Audit Committee of the board.

Fiduciary responsibility for decisions affecting the use of NAP resides with the commanders and ultimately with the members of the MWR Board of Directors as mentioned in Chapter 8. Board membership consists of the four-star MACOM commanders and the USARPAC commander. Through the various committees, the board develops or approves future policy, financial plans, audit reviews, and NAF major construction projects. For commander's responsibilities, regarding control of chaplain funds, refer to AR 165-1.

INSTALLATION FINANCIAL MANAGEMENT ORGANIZATION

The Director of Resource Management (DRM) is the staff director responsible for implementing the resource management program of the command. The DRM coordinates recommends and provides professional management analysis, advice, and assistance on use of financial and manpower resources. This includes-

- Program and budget analysis and formulation, execution and control.
- Synchronization of appropriated and nonappropriated budgets.
- Managerial accounting.
- Development, management, and coordination of manpower, equipment, and documentation programs.
- Management analysis includes but is not limited to management improvement programs, principles and practices; professional management assistants; efficiency and functional analyses; the Management Control Program; organization and functions manual; installation productivity improvement programs; cost and economic analyses; review and analysis program, Army Ideas for Excellence Program (AIEP); and commercial activities.

PROGRAM BUDGET ADVISORY COMMITTEE (PBAC)

The PBAC generally includes the directorate staff of the installation and is not charged formally with being a decision-making body. However, its deliberations and recommendations are sent to the installation commander and are a major factor in final decision. PBAC membership also should include any tenants who provide significant reimbursement for operating the installation. The significance of this body can be best described through the accomplishment of its principal functions, which are-

- Interpret the budget and manpower guidance received from higher authority and integrate this with the commander's guidance.
- Develop a plan for preparing a budget that will efficiently accomplish the command's mission.
- Apply methods and standards of performance data and other experience factors to specific programs and budget areas.
- Achieve reasonable balance and coordination between proposed missions, activities, and resources assigned to subordinate commands and agencies.
- Present a staff coordinated proposed budget to the commander.
- Ensure budget execution is accomplished with real-time audit to achieve desired cost-effectiveness.

Financial management is a commander's responsibility and cannot be delegated to the DRM. To aid the commander in carrying out this responsibility, PBAC assists in determining the priority for use of funds. This group is also vital in the critical function of reviewing actual use of funds versus programmed use and recommending adjustments.

The PBAC provides a sound system for control and use of resources. However, it requires understanding command direction, and timely review of the actual versus the programmed status of funds by the commander and his principal staff officers.

FINANCIAL TOOLS

Accounting systems are used to collect both financial and managerial information to report the use of resources. Accounting systems serve as a control mechanism as well as a tool for the administration of programs and planning.

The Congressional Chief of Financial Officers Act of 1990 mandates financial management reform. The responsibility for compliance and ensuring accuracy of reports and reporting deficiencies rests with the chain of command. Commanders should:

- Certify the integrity of data in financial accounting systems which interface with the Finance and Accounting/Defense Finance Accounting Systems or the Standard General Ledger.
- Notify MACOM when DA/DOD systems do not provide accurate information or operate as designed.
- Ensure integration of functional and financial systems to provide reliable, accurate, and timely information to decision makers.
- Establish and maintain internal management controls program.
- Report and track material weaknesses in the reporting of financial accounting systems.
- Ensure reconciliation of financial system general ledger balances with the installation facilities system and property book balances.

Resource management requires that both financial and managerial accounting information be gathered in a single integrated accounting system. This ensures consistency of information in both the managerial and financial sense. Accounting data can be used for comparing the actual performance against an established standard or plan.

FINANCIAL AND PROGRAM PERFORMANCE INITIATIVES

There are a number of ongoing government-wide initiatives that are intended to improve financial and program management within federal agencies. Two of the most important are legislative initiatives that will have significant impact on installation management — the Chief Financial Officers Act of 1990 and the Government Performance and Results Act of 1993. Taken together, these initiatives point to the inevitable transition to results-oriented program management and performance budgeting.

THE CHIEF FINANCIAL OFFICERS (CFO) ACT

The passage of the CFO Act of 1990 (Public Law 101-576) is creating a profound effect on Army management. The purpose of the CFO Act is to improve accountability and financial reporting by federal agencies. Its main objective is to provide accurate and timely financial information for decision-making purposes. Its scope encompasses all operations, to include mission training, division operations, logistics, and all facets of installation management (real property or base operations). Installation commanders must emphasize operational discipline, compliance, and effective management control across their areas of responsibility.

The goal of full implementation is financial execution information for all operational functions that is integrated with programmatic/budgetary information for full disclosure decision making, performance measurement, and accountability at all levels of management and leadership. The Act has the potential to break down the “stovepipes” that currently exist between functional and financial processes. This change from a vertical to horizontal management approach increases the ability for the installation commander to make optimal decisions.

THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

The Government Performance and Results Act of 1993 (Public Law 103-62) builds on the framework of the CFO Act. Its purpose is to improve the effectiveness and accountability of federal programs by setting program goals, measuring performance against those goals, and reporting publicly on the results. The GPRA requires all federal agencies to submit strategic plans (beginning FY 97 for FY 98 and beyond), annual performance plans for every activity in the agency budget (beginning FY 99), and annual reports of actual performance (beginning March 2000). Pilot projects begin in FY 94.

Implementation of the GPRA requires developing performance measures that will link resources requested (in the annual budget and performance plan) to anticipated levels of outputs and outcomes. It is expected that the annual financial reports required by the CFO Act and the annual performance reports required by the GPRA will be consolidated into single annual reports that explain the actual utilization of resources (compared with what was planned) and the corresponding results achieved.

REVIEW AND ANALYSIS

Review and analysis (R&A) is the critical examination of all facts concerning a mission, operation, or activity. It explains and interprets deviations, deficiencies, trends, and forms the basis for command decision making. R&A is defined as the management process of systematically comparing and evaluating actual performance against established goals. R&A is a basic element of a management control system. Recommend that updates be left to the discretion of the commander.

MANPOWER MANAGEMENT

Manpower management focuses on human resource requirements and the organization and position structure in which they are best used. This includes an accurate determination of requirements in terms of both quantity and quality to perform specific tasks and units of work and upon the organization and position structure in which they will be most efficiently and economically used. Specific manpower management functions include requirements determination; planning, programming and budgeting; documentation, allocation; utilization; and analysis and evaluation.

FINANCE AND ACCOUNTING OPERATIONS

THE DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS)

Installation commanders will go to DFAS-Indianapolis for the intraservice pay, disbursing and accounting support furnished under the responsibilities of AR 5-9.

The Defense Finance and Accounting Service began capitalizing the Service component finance and accounting (F&A) resources in October 1992. Defense Accounting Offices now provide F&A support on a reimbursable basis to all but the following: tactical organizations, Corps of Engineers, National Guard Bureau, classified activities, TRADOC nonappropriated funds activities, and OCONUS locations. Although there are current plans to capitalize OCONUS operations in the Pacific and Panama, Europe is excluded at this time. The Army remains responsible for F&A support to Europe.

ARMY TOE FINANCE UNITS

Army TOE finance units provide finance support to TOE commanders, units and soldiers only. They do not provide the AR 5-9 installation area support.

RESERVE PAY INPUT

All Reserve Component pay functions are to be supervised by the US Army Reserve Command (USARC). USARC will tell commanders what activity is to provide the Reserve pay functions.

MOBILIZATION OF RESERVE COMPONENTS

Forces Command will coordinate directly with the National Guard Bureau and the DFAS relative to procedures to be implemented for the mobilization of the Reserve Components.

RESOURCE RECOVERY AND RECYCLING PROGRAM (RRRP)

RRRP is one avenue for installation Qualified Recycling Program (QRP) to generate revenues through the sale of recyclable materials. Defense Reutilization and Marketing Service (DRMS), through local Defense Reutilization and Marketing Offices, is the primary activity within DOD responsible for the sale of recyclable materials purchased with appropriated funds. Another option available to the QRP is direct marketing of recyclable materials to potential buyers when authorized by DRMS. Installation QRPs may also market directly to potential buyers when materials were not purchased with appropriated funds. Recyclable materials consist of items that have been or will be discarded but may be used after undergoing some type of physical or chemical processing. Examples are-

- Rubber.
- Aluminum.
- Copper wire.
- Metal and wood scraps.

- Expended brass.
- Paper.
- Glass.

As stated in Title 10, USC 2577, all sales proceeds will be credited to funds available for operation and maintenance at the installation in amounts sufficient to cover costs for processing recyclable materials at the installation. Up to half of the proceeds, after operating costs are covered, can be used for pollution abatement, energy conservation, or occupational safety and health activities. With greater command emphasis, this program can increase revenue.

Avoidance of current year landfill charges is another benefit of RRRP participation. Landfill charges are significant. These charges are increasing greatly as a result of new and more stringent environmental regulations. They also increase with declines in aggregate landfill sites and capacity. In addition to added revenues that recycling provides to the installation, the program also provides lasting benefits to the environment.

In USAREUR, host-nation requirements hinder the potential for revenue. Recyclable, by law, cannot be disposed of in landfills or incinerator plants. Rather than saving money, disposing of recyclable material overseas costs money. Required by law, and benefiting the environment, recycling will not be a source of revenue.