



DEFENSE FINANCE AND ACCOUNTING SERVICE
COLUMBUS CENTER
P.O. BOX 182317
COLUMBUS, OHIO 43218-2317

IN REPLY
REFER TO

DFAS-BAP/CC

JUN 28 2002

MEMORANDUM FOR DIRECTOR, RECONCILIATION

SUBJECT: Interim Guidance 02-PRO-009, Processing Accounting Adjustments for Work In Progress (WIP)

In July 2001, the United States General Accounting Office (GAO) released an audit report on DoD canceled appropriations. This audit report (Canceled DoD Appropriations, GAO-01-697) revealed that DoD made what GAO considered to be illegal or improper adjustments against closed accounts. As a result of this audit, a meeting was held on October 4, 2001, with representatives of the Under Secretary of Defense (Comptroller) (USD(C)), GAO, and DFAS to obtain guidance on what are appropriate canceled fund adjustments. Accordingly, our office issued a policy on December 6, 2001, that outlined the guidelines to be followed when processing adjustments to canceled funds.

In order for the information in the above-mentioned policy to be implemented effectively, procedures had to be developed. The attached guidance provides instructions for all personnel involved in the reconciliation process to follow when a reconciliation reveals that over and under-recoupments exist on a contract. In addition, the attached guidance also addresses how the Reconciliation Directorate should process adjustment requests received from Entitlement that are asking for WIP to be moved from an ACRN of one service to another in order to properly liquidate an invoice.

Please disseminate this guidance immediately to anyone that you know of that is involved in the reconciliation process. This includes, but may not be limited to, associates in the Reconciliation Directorate, the DFAS Liaison Offices, and at the DFAS Field Sites. All personnel within the Contract Pay Product Line can access this guidance (as well as any additional guidance referenced in this procedure) on the **Contract Pay (only)** link of the Commercial Pay Services website at <https://infoweb.dfas.mil/cps/cp/index.htm>. DFAS Liaison Office personnel that wish to have access to this website should contact the Contract Pay Web Administrator at CCO-WEBADMINISTRATOR@dfas.mil. Field Site personnel that need information from this website should contact their respective DFAS Liaison Office in Columbus.

This information will be incorporated as needed, in the next release of the following Contract Pay desk procedures: Desk Procedure 607, Contract Reconciliation; Desk Procedure 807, Cancelled Appropriation Procedures; and Desk Procedure 808, Coding of Adjustments.

If there are any questions regarding this guidance, please contact Roseann Hurst, Financial Specialist, DFAS-BAP/CC, at extension 3-4845.

/S/

Linda Ferguson
Director, Analysis and Customer Support

Attachment
As stated

cc:

DFAS-B/CC
DFAS-BA/CC
DFAS-BK/CC
DFAS-BKF/CC
DFAS-BKJ/CC
DFAS-BKR/CC Division Chiefs
DFAS-BKR/CC Branch Chiefs
DFAS-BSP/CC
DFAS-BSPC/CC
DFAS-BT/CC
DFAS-HOFT
Cleveland Liaison Office
Denver Liaison Office
Kansas City Liaison Office
Indianapolis Liaison Office
DCMA Liaison Office
DPPS PMO

Processing Accounting Adjustments for Work In Progress (WIP)

FOREWORD

When a Progress Payment is paid, it is a **Debit** to the Work In Progress (**WIP**) line. It is reflected in the Mechanization Of Contract Administration Services (MOCAS) system and on the Contingent Liability Record (CLR) as a **Credit**, to identify money that needs to be collected (recouped) from future deliverable invoices.

Each time a payment is made and recoupment is taken, it is **credited** to the WIP line to reduce the amount that is outstanding (until eventually all of the money is collected).

In the event a recoupment is taken against an ACRN that has no WIP line, or the current credit WIP is less than the recoupment that is being taken, an adverse condition known as a "debit WIP" is created.

In the past, the Contract Pay policy has been to create debit WIPs on the deliverable ACRN when one of the following conditions existed.

1. There was available recoupment on an ACRN of a different Service, or
2. There was available recoupment on a canceled ACRN.

Based on the October 2001 meeting between USD(C), GAO, and DFAS, and the subsequent policy letter we issued, several changes to the WIP adjustment process were implemented.

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Processing Accounting Adjustments for Work In Progress (WIP)

FOREWORD
(Cont)

The major changes are as follows.

The Voucher Examiner will no longer create debit WIPs during the entitlement process to collect recoupment that is on an ACRN of a different Service or on a canceled ACRN. Recoupment that exists on a canceled ACRN or an ACRN of a different Service will need to be reallocated to the payable ACRN prior to the payment being made. Requests to adjust the financing payments from one ACRN to another will be handled as follows:

- a. If the invoice **is** already **overage** or is **within 10 days** of going overage, the request will be handled via the **expedite** adjustment process.
- b. If the invoice **is not overage** or is **within 11 or more days** of going overage, the invoice will be recoded "**J-ADJ.**"

The "J-ADJ" reason code as defined in Interim Guidance 00-PRO-010, Policy/Procedure Changes Impacting J Coded Invoices, is being changed as follows.

From: "Requires an adjustment by CAR personnel after contractual document has been reopened (requested from FRC (Federal records Center) or Section 8/9) or reestablished (transfer in) by Contract Input."

To: "**Any invoice (excluding expedites) requiring an adjustment by CAR personnel before it can be paid.**"

When a recoupment problem exists between U.S. and Foreign Military Sales (FMS) funds or different FMS countries, the invoice will be recoded "J-AUD" or "J-FMS" as appropriate.

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Processing Accounting Adjustments for Work In Progress (WIP)

**FOREWORD
(Cont)**

Debit and credit WIPs existing on a contract can be adjusted to produce either a net refund, a net demand, or to zero out the WIP.

Under and over-recoupments are not considered demands and refunds unless the "net" result is an amount due to, or owed from, the contractor. Therefore, the adjustment process can be used to obtain the "net" result and the remaining transaction will be treated as either a demand or refund situation.

Under normal circumstances the adjustment of financing payments should not require replacement funding or depositing into Miscellaneous Receipts.

When the adjustment results in a "net" payable transaction against a canceled ACRN, current year funding is required to make the payment. When the adjustment results in a "net" demand amount against a canceled ACRN, the collection must be deposited into Miscellaneous Receipts.



**MOVEMENT OF FINANCING PAYMENTS FROM
CANCELED ACCOUNTS TO OPEN APPROPRIATIONS
FOR THE SOLE PURPOSE OF REFUNDING AN OVER-
RECOUPMENT IS PROHIBITED.**

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Processing Accounting Adjustments for Work In Progress (WIP)

PURPOSE

The purpose of this guidance is to provide instructions for processing WIP reallocations as the result of an audit. In addition, there are also instructions for the Reconciliation Directorate to follow when they are working a WIP adjustment request from Entitlement.



This procedure only addresses WIP to WIP adjustments. It does not address over and under-recoupments that exist with a corresponding material line. If your audit reveals that there are material over and underpayments in addition to, debit and credit WIPs, the first thing you should do is determine if the WIP is related to the over and underpayments. For specific information on adjusting WIP when material over and underpayments exist refer to Interim Guidance 02-PRO-010, Over and Underpayments.

Proceed to the appropriate page in this guidance according to the table below.

If...	Then...
<p>you are performing the reallocations as the result of an audit,</p> <p> This section addresses reallocations for both current and canceled funds.</p>	<p>go to page IG-5.</p>
<p>you are performing the reallocations as the result of a request from Entitlement,</p> <p> This section only addresses reallocations between services. For reallocations involving canceled funds refer to DP 807, Canceled Appropriation Procedures.</p>	<p>go to page IG-14.</p>

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Audit

- Once you identify that a contract contains both over-recoupments (debit WIPs) and under-recoupments (credit WIPs) take action as outlined in the table below to adjust these accounts.

Step	Action								
1	<p>Compare the over-recoupment and under-recoupment amounts to determine the net result.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">the amount of the over-recoupment is <u>greater than</u> the amount of the under-recoupment,</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • the net result is a refund. • go to Step 2. </td> </tr> <tr> <td style="padding: 5px;">the amount of the over-recoupment is <u>less than</u> the amount of the under-recoupment,</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • the net result is a demand. • go to Step 3. </td> </tr> <tr> <td style="padding: 5px;">the amount of the over-recoupment and the under-recoupment <u>are equal</u>,</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • the net result is zero, • go to Step 4. </td> </tr> </tbody> </table>	If...	Then...	the amount of the over-recoupment is <u>greater than</u> the amount of the under-recoupment,	<ul style="list-style-type: none"> • the net result is a refund. • go to Step 2. 	the amount of the over-recoupment is <u>less than</u> the amount of the under-recoupment,	<ul style="list-style-type: none"> • the net result is a demand. • go to Step 3. 	the amount of the over-recoupment and the under-recoupment <u>are equal</u> ,	<ul style="list-style-type: none"> • the net result is zero, • go to Step 4.
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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Audit (Continued)

Step	Action														
2	<p>Use the steps outlined below to process a "net" refund.</p> <p> Select the appropriate steps based on the status of the ACRNs that contain the over and under-recoupment. Once you have completed all associated actions, go to Step 5.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;">BOTH THE OVER-RECOUPED AND UNDER-RECOUPED ACRNS ARE CANCELED:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 5%; vertical-align: top;">1</td> <td> <p>Prepare a SF1081 to adjust the credit WIP amount into the debit WIP amount.</p> <p> Use the voucher number and date for the transaction that created the debit WIP on your SF1081.</p> </td> </tr> <tr> <td style="text-align: center; vertical-align: top;">2</td> <td>Prepare a refund request for the "net" refund amount and have it coded "D-MACT."</td> </tr> <tr> <td style="text-align: center; vertical-align: top;">3</td> <td>Request the Services Support Branch obtain current year funding on the ACRN that has the debit WIP.</td> </tr> <tr> <td style="text-align: center; vertical-align: top;">4</td> <td>Once current year funding is received process a SF1081 to debit the control line and credit the WIP line on the current year ACRN.</td> </tr> <tr> <td style="text-align: center; vertical-align: top;">5</td> <td>Instruct Entitlement to issue the refund from the WIP line on the current ACRN.</td> </tr> <tr> <td style="text-align: center; vertical-align: top;">6</td> <td>Process a second SF1081 to debit the WIP line and credit the control line on the canceled ACRN.</td> </tr> <tr> <td style="text-align: center; vertical-align: top;">7</td> <td>Deobligate the canceled ACRN in MOCAS by the amount of current year funding received.</td> </tr> </table> </div>	1	<p>Prepare a SF1081 to adjust the credit WIP amount into the debit WIP amount.</p> <p> Use the voucher number and date for the transaction that created the debit WIP on your SF1081.</p>	2	Prepare a refund request for the "net" refund amount and have it coded "D-MACT."	3	Request the Services Support Branch obtain current year funding on the ACRN that has the debit WIP.	4	Once current year funding is received process a SF1081 to debit the control line and credit the WIP line on the current year ACRN.	5	Instruct Entitlement to issue the refund from the WIP line on the current ACRN.	6	Process a second SF1081 to debit the WIP line and credit the control line on the canceled ACRN.	7	Deobligate the canceled ACRN in MOCAS by the amount of current year funding received.
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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Audit (Continued)

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Audit (Continued)

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WIP Reallocations as the Result of an Audit (Continued)

Step	Action										
3 (Cont)	<p>Using the steps outlined below to process a "net" demand. (Continued)</p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p style="text-align: center;">THE OVER-RECOUPED ACRNS ARE CURRENT AND THE UNDER-RECOUPED ACRNS ARE CANCELED:</p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; text-align: center; vertical-align: middle;">1</td> <td> <p>Prepare a SF1081 to adjust the debit WIP amount into the credit WIP amount.</p> <p> Use the voucher number and date for the transaction that created the credit WIP on your SF1081.</p> </td> </tr> <tr> <td style="width: 10%; text-align: center; vertical-align: middle;">2</td> <td> <p>Determine if there are still deliverable invoices to be paid from which recoupment can be taken.</p> <p> If recoupment cannot be taken from future invoices then continue with the remaining steps in this table. If recoupment can be taken from future invoices then go to Step 5 on page IG-13.</p> </td> </tr> <tr> <td style="width: 10%; text-align: center; vertical-align: middle;">3</td> <td> <p>Prepare a demand letter package for the "net" demand amount and forward it to Accounts Receivable.</p> </td> </tr> <tr> <td style="width: 10%; text-align: center; vertical-align: middle;">4</td> <td> <p>Request that Accounts Receivable post the collection into the Miscellaneous Receipt account for the appropriate service.</p> </td> </tr> <tr> <td style="width: 10%; text-align: center; vertical-align: middle;">5</td> <td> <p>Request that Accounts Receivable update the canceled ACRN WIP line in MOCAS with an OF 1017G (Journal Voucher) to reflect the amount posted to Miscellaneous Receipts.</p> </td> </tr> </table>	1	<p>Prepare a SF1081 to adjust the debit WIP amount into the credit WIP amount.</p> <p> Use the voucher number and date for the transaction that created the credit WIP on your SF1081.</p>	2	<p>Determine if there are still deliverable invoices to be paid from which recoupment can be taken.</p> <p> If recoupment cannot be taken from future invoices then continue with the remaining steps in this table. If recoupment can be taken from future invoices then go to Step 5 on page IG-13.</p>	3	<p>Prepare a demand letter package for the "net" demand amount and forward it to Accounts Receivable.</p>	4	<p>Request that Accounts Receivable post the collection into the Miscellaneous Receipt account for the appropriate service.</p>	5	<p>Request that Accounts Receivable update the canceled ACRN WIP line in MOCAS with an OF 1017G (Journal Voucher) to reflect the amount posted to Miscellaneous Receipts.</p>
1	<p>Prepare a SF1081 to adjust the debit WIP amount into the credit WIP amount.</p> <p> Use the voucher number and date for the transaction that created the credit WIP on your SF1081.</p>										
2	<p>Determine if there are still deliverable invoices to be paid from which recoupment can be taken.</p> <p> If recoupment cannot be taken from future invoices then continue with the remaining steps in this table. If recoupment can be taken from future invoices then go to Step 5 on page IG-13.</p>										
3	<p>Prepare a demand letter package for the "net" demand amount and forward it to Accounts Receivable.</p>										
4	<p>Request that Accounts Receivable post the collection into the Miscellaneous Receipt account for the appropriate service.</p>										
5	<p>Request that Accounts Receivable update the canceled ACRN WIP line in MOCAS with an OF 1017G (Journal Voucher) to reflect the amount posted to Miscellaneous Receipts.</p>										

Continued on next page

Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Audit (Continued)

Step	Action
3 (Cont)	<p>Using the steps outlined below to process a "net" demand. (Continued)</p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p style="text-align: center;">THE OVER-RECOUPED ACRNS ARE CANCELED AND THE UNDER-RECOUPED ACRNS ARE CURRENT:</p> </div> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>1 Prepare a SF1081 to adjust the debit WIP amount into the credit WIP amount.</p> <p> Use the voucher number and date for the transaction that created the credit WIP on your SF1081.</p> </div> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>2 Determine if there are still deliverable invoices to be paid from which recoupment can be taken.</p> <p> If recoupment cannot be taken from future invoices then continue with the remaining steps in this table. If recoupment can be taken from future invoices then go to Step 5 on page IG-13.</p> </div> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>3 Prepare a demand letter package for the "net" demand amount and forward it to Accounts Receivable.</p> </div> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>4 Request that Accounts Receivable post the collection to the WIP line of the under-recouped ACRN.</p> </div>

Continued on next page

Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Audit (Continued)

Step	Action
4	<p>Prepare a SF1081 to counterbalance the debit WIP and credit WIP amounts to produce a "net" zero transaction.</p> <p> Use the voucher number and date for the most recent transaction that created either the debit or credit WIP.</p> <p> This adjustment will be done when both the over-recouped and under-recouped ACRNs are either canceled, current, and both canceled and current.</p> <p> Once you have completed all associated actions, go to Step 5.</p>
5	<p>Continue processing any remaining actions as outlined in Desk Procedure 607, Contract Reconciliation and Desk Procedure 808, Coding of Adjustments.</p> <p>Actions complete.</p>

Continued on next page

Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request

- Upon receipt of an adjustment request from the Entitlement Division, personnel in the Reconciliation Directorate will take action as outlined in the table below.

Step	Action						
1	<p>Review the request and proceed according to the table below.</p> <p> Remember that this guidance only addresses the requests from Entitlement that involve multiple services. If the request involves moving canceled WIP then you need to refer to Desk Procedure 807, Canceled Appropriation Procedures.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;"> <p>the request was logged into the Document Tracking Log (DTL) as an EXP (expedite adjustment from entitlement with 24 hour turnaround),</p> <p> These invoices will remain as "G" (payable) Codes in MOCAS.</p> </td> <td style="padding: 5px; vertical-align: top;">go to Step 2.</td> </tr> <tr> <td style="padding: 5px;"> <p>the request was logged into DTL as a JDJ(J Code request for adjustment),</p> <p> These invoices will be coded as "J-ADJ" (awaiting adjustment) in MOCAS. Remember that the Reconciliation Directorate has requested that the "J-ADJ" code be redefined as follows. "Any invoice (excluding expedites) requiring an adjustment by CAR personnel before it can be paid."</p> </td> <td style="padding: 5px; vertical-align: top;">go to Step 2.</td> </tr> </tbody> </table>	If...	Then...	<p>the request was logged into the Document Tracking Log (DTL) as an EXP (expedite adjustment from entitlement with 24 hour turnaround),</p> <p> These invoices will remain as "G" (payable) Codes in MOCAS.</p>	go to Step 2.	<p>the request was logged into DTL as a JDJ(J Code request for adjustment),</p> <p> These invoices will be coded as "J-ADJ" (awaiting adjustment) in MOCAS. Remember that the Reconciliation Directorate has requested that the "J-ADJ" code be redefined as follows. "Any invoice (excluding expedites) requiring an adjustment by CAR personnel before it can be paid."</p>	go to Step 2.
If...	Then...						
<p>the request was logged into the Document Tracking Log (DTL) as an EXP (expedite adjustment from entitlement with 24 hour turnaround),</p> <p> These invoices will remain as "G" (payable) Codes in MOCAS.</p>	go to Step 2.						
<p>the request was logged into DTL as a JDJ(J Code request for adjustment),</p> <p> These invoices will be coded as "J-ADJ" (awaiting adjustment) in MOCAS. Remember that the Reconciliation Directorate has requested that the "J-ADJ" code be redefined as follows. "Any invoice (excluding expedites) requiring an adjustment by CAR personnel before it can be paid."</p>	go to Step 2.						

Continued on next page

Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action						
1 (Cont)	<p>Reviewing the request and proceeding according to the table below. (Continued)</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 60%; text-align: center;">If...</th> <th style="width: 40%; text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;"> <p>the request was logged into DTL as a JCO(J-Coded invoice excluding JAA),</p> <p> These invoices will be coded as "J-AUD" (needs contract audit) in MOCAS.</p> </td> <td style="padding: 5px; vertical-align: top;">go to Step 6.</td> </tr> <tr> <td style="padding: 5px;"> <p>The request was logged into DTL as an FMS (J-Coded invoice funded by FMS funds),</p> <p> These invoices will be coded as "J-FMS" (invoice that contains Foreign Military Sales (FMS)) in MOCAS.</p> </td> <td style="padding: 5px; vertical-align: top;">go to Step 6.</td> </tr> </tbody> </table>	If...	Then...	<p>the request was logged into DTL as a JCO(J-Coded invoice excluding JAA),</p> <p> These invoices will be coded as "J-AUD" (needs contract audit) in MOCAS.</p>	go to Step 6.	<p>The request was logged into DTL as an FMS (J-Coded invoice funded by FMS funds),</p> <p> These invoices will be coded as "J-FMS" (invoice that contains Foreign Military Sales (FMS)) in MOCAS.</p>	go to Step 6.
If...	Then...						
<p>the request was logged into DTL as a JCO(J-Coded invoice excluding JAA),</p> <p> These invoices will be coded as "J-AUD" (needs contract audit) in MOCAS.</p>	go to Step 6.						
<p>The request was logged into DTL as an FMS (J-Coded invoice funded by FMS funds),</p> <p> These invoices will be coded as "J-FMS" (invoice that contains Foreign Military Sales (FMS)) in MOCAS.</p>	go to Step 6.						

Continued on next page

Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action				
2	<p>Access the Contract Obligation and Disbursement Inquiry menu screen in MOCAS.</p> <p> Refer to Desk Procedure 008, MOCAS On-Line Inquiries, for information on accessing this screen.</p>				
3	<p>Locate the most recent progress payment transaction on the disbursement screen for the ACRN on the expedite or J-Code request.</p>				
4	<p>Compare the amount of the progress payment on this ACRN to the recoupment amount on the adjustment request.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 45%; text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <p>the progress payment amount is not sufficient to cover the recoupment amount,</p> </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> • continue to the previous progress payment transactions until you have identified all of the payments that require adjusting. • once you have located all of the payments, go to Step 5. <p style="text-align: center;"> DO NOT proceed to Step 5 until you have identified <u>all</u> of the payments that require adjusting.</p> </td> </tr> </tbody> </table>	If...	Then...	<p>the progress payment amount is not sufficient to cover the recoupment amount,</p>	<ul style="list-style-type: none"> • continue to the previous progress payment transactions until you have identified all of the payments that require adjusting. • once you have located all of the payments, go to Step 5. <p style="text-align: center;"> DO NOT proceed to Step 5 until you have identified <u>all</u> of the payments that require adjusting.</p>
If...	Then...				
<p>the progress payment amount is not sufficient to cover the recoupment amount,</p>	<ul style="list-style-type: none"> • continue to the previous progress payment transactions until you have identified all of the payments that require adjusting. • once you have located all of the payments, go to Step 5. <p style="text-align: center;"> DO NOT proceed to Step 5 until you have identified <u>all</u> of the payments that require adjusting.</p>				

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action				
4 (Cont)	<p>Comparing the amount of the progress payment on this ACRN to the recoupment amount on the adjustment request. (Continued)</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 50%; text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">the progress payment amount is sufficient to cover the recoupment amount,</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • this will be the payment that you use as the basis for your adjustment. • go to Step 5. </td> </tr> </tbody> </table> <p> You will also need to verify if the progress payments you've identified above have already been adjusted somewhere else. If they have, you will have to take this into consideration when selecting your payments for this adjustment.</p>	If...	Then...	the progress payment amount is sufficient to cover the recoupment amount,	<ul style="list-style-type: none"> • this will be the payment that you use as the basis for your adjustment. • go to Step 5.
If...	Then...				
the progress payment amount is sufficient to cover the recoupment amount,	<ul style="list-style-type: none"> • this will be the payment that you use as the basis for your adjustment. • go to Step 5. 				
5	<p>Prepare and process a SF1081 in the Contract Reconciliation System (CRS) to credit the WIP line on the ACRN with the unliquidated progress payments and debit the WIP line on the payable ACRN for the amount cited on the adjustment request.</p> <p> Refer to Desk Procedure 808, Coding of Adjustments and the CRS User Manuals if you need assistance in preparing and/or processing these adjustments.</p>				

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action
5 (Cont)	<p>Preparing and processing a SF1081 in the Contract Reconciliation System (CRS) to credit the WIP line on the ACRN with the unliquidated progress payments and debit the WIP line on the payable ACRN for the amount cited on the adjustment request. (Continued)</p> <p> Be sure to use the shipment number, voucher number, and date of the payment(s) you identified in Step 4. In addition, since the progress payment you're adjusting was not in error the description on your SF1081 MUST state that this adjustment is necessary to properly recoup on the current invoice. The following is an example of such a description.</p> <p style="padding-left: 40px;">"This adjustment is being done to reallocate \$5,000.00 for PPRA007, DOV# XYZ-01, dated August 10, 1996, from ACRN AA WIP line to ACRN CD WIP line so that recoupment can be taken on Shipment Number ABC0065. There is insufficient recoupment available on Navy ACRNs, so this adjustment is necessary to properly liquidate this invoice."</p> <p> If the ACRN where you're moving the WIP to was not available at the time of the original progress payment then your adjustments will be flagged as "forward look" violations in CRS. Be sure you've included a detailed note on your SF1081 as outlined above, clearly identifying that you are moving WIP so that an invoice can be properly liquidated. This will assist your Branch/Division Chief in approving this adjustment.</p> <p> Once the adjustments are prepared and processed, go to Step 12.</p>

Continued on next page

Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action						
6	<p>Verify that the obligation for the impacted ACRN(s) is accurately reflected on the Contingent Liability Record (CLR).</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 50%; text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">the ACRN obligations are correct,</td> <td style="padding: 5px;">go to Step 7.</td> </tr> <tr> <td style="padding: 5px;">the ACRN obligations are not correct,</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • determine the appropriate actions to get them corrected. • if the contract ULO after correction, will be sufficient to support the payment without taking recoupment, then go to Step 10. • if the contract ULO after correction, will not be sufficient to support the payment without taking recoupment, then go to Step 7. </td> </tr> </tbody> </table>	If...	Then...	the ACRN obligations are correct,	go to Step 7.	the ACRN obligations are not correct,	<ul style="list-style-type: none"> • determine the appropriate actions to get them corrected. • if the contract ULO after correction, will be sufficient to support the payment without taking recoupment, then go to Step 10. • if the contract ULO after correction, will not be sufficient to support the payment without taking recoupment, then go to Step 7.
If...	Then...						
the ACRN obligations are correct,	go to Step 7.						
the ACRN obligations are not correct,	<ul style="list-style-type: none"> • determine the appropriate actions to get them corrected. • if the contract ULO after correction, will be sufficient to support the payment without taking recoupment, then go to Step 10. • if the contract ULO after correction, will not be sufficient to support the payment without taking recoupment, then go to Step 7. 						

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action						
7	<p>Verify that the obligation for the entire contract is accurately reflected on the Contingent Liability Record (CLR).</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 50%; text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">the contract obligation is correct,</td> <td style="padding: 5px;">go to Step 8.</td> </tr> <tr> <td style="padding: 5px;">the contract obligation is not correct,</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • determine the appropriate actions to get it corrected. • if the contract ULO after correction, will be sufficient to support the payment without taking recoupment, then go to Step 10. • if the contract ULO after correction, will not be sufficient to support the payment without taking recoupment, then go to Step 8. </td> </tr> </tbody> </table>	If...	Then...	the contract obligation is correct,	go to Step 8.	the contract obligation is not correct,	<ul style="list-style-type: none"> • determine the appropriate actions to get it corrected. • if the contract ULO after correction, will be sufficient to support the payment without taking recoupment, then go to Step 10. • if the contract ULO after correction, will not be sufficient to support the payment without taking recoupment, then go to Step 8.
If...	Then...						
the contract obligation is correct,	go to Step 8.						
the contract obligation is not correct,	<ul style="list-style-type: none"> • determine the appropriate actions to get it corrected. • if the contract ULO after correction, will be sufficient to support the payment without taking recoupment, then go to Step 10. • if the contract ULO after correction, will not be sufficient to support the payment without taking recoupment, then go to Step 8. 						
8	<p>Review the disbursements for the impacted ACRNs to determine which payment(s) contributed to the under-recoupment.</p> <p> Be sure to pay close attention to the following;</p> <ul style="list-style-type: none"> ✓ Material shipments paid off of an ACRN without taking recoupment or without taking the proper recoupment. ✓ Progress payments paid or recouped using the wrong type of funds (e.g., FMS progress payment paid off of U.S. funds or vice versa). ✓ Incorrect FMS country charged (e.g., FMS progress payment for country IS charged to country AT). ✓ Previous adjustments processed incorrectly. ✓ Progress payment voided but adjustment was not done to update the CLR. 						

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action						
8 (Cont)	<p>Reviewing the disbursements for the impacted ACRNs to determine which payment(s) contributed to the under-recoupment. (Continued)</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">If...</th> <th style="width: 50%; text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">you've identified the payment(s) associated with the under-recoupment,</td> <td style="padding: 5px;">go to Step 10.</td> </tr> <tr> <td style="padding: 5px;">you cannot identify the payment(s) associated with the under-recoupment based on the actions taken thus far,</td> <td style="padding: 5px;">go to Step 9.</td> </tr> </tbody> </table>	If...	Then...	you've identified the payment(s) associated with the under-recoupment,	go to Step 10.	you cannot identify the payment(s) associated with the under-recoupment based on the actions taken thus far,	go to Step 9.
If...	Then...						
you've identified the payment(s) associated with the under-recoupment,	go to Step 10.						
you cannot identify the payment(s) associated with the under-recoupment based on the actions taken thus far,	go to Step 9.						
9	<p>Perform a limited scope or full scope audit to determine exactly where the discrepancies are.</p> <p> The limited scope audit can be for specific ACRNs, FMS country codes, or it could be an audit of only the WIP transactions. A full scope audit will consist of all obligation and disbursement documents. Refer to Desk Procedure 607, Contract Reconciliation for additional information on determining whether a limited scope or full scope audit is needed.</p> <ul style="list-style-type: none"> • Proceed to Step 10 after you've identified the reason for the discrepancies. <u>DO NOT</u> go to Step 10 until you've identified the problem. 						

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action								
10	<p>Take action as outlined in the table below.</p> <p> For every discrepancy you identify you must ensure that it has not already been corrected.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">If...</th> <th style="width: 50%; text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">you determined the obligation was incorrect,</td> <td style="padding: 5px;">prepare and process the necessary obligation adjustments in CRS. go to Step 12.</td> </tr> <tr> <td style="padding: 5px;">you determined previous payments were either paid or recouped from the incorrect fund type (U.S. or FMS) or the incorrect FMS country,</td> <td style="padding: 5px;">prepare and process the necessary disbursement adjustments in CRS. go to Step 12.</td> </tr> <tr> <td style="padding: 5px;">you determined that a previous shipment was under-recouped,</td> <td style="padding: 5px;">go to Step 11.</td> </tr> </tbody> </table>	If...	Then...	you determined the obligation was incorrect,	prepare and process the necessary obligation adjustments in CRS. go to Step 12.	you determined previous payments were either paid or recouped from the incorrect fund type (U.S. or FMS) or the incorrect FMS country,	prepare and process the necessary disbursement adjustments in CRS. go to Step 12.	you determined that a previous shipment was under-recouped,	go to Step 11.
If...	Then...								
you determined the obligation was incorrect,	prepare and process the necessary obligation adjustments in CRS. go to Step 12.								
you determined previous payments were either paid or recouped from the incorrect fund type (U.S. or FMS) or the incorrect FMS country,	prepare and process the necessary disbursement adjustments in CRS. go to Step 12.								
you determined that a previous shipment was under-recouped,	go to Step 11.								
11	<p>Prepare the necessary forms to recode the invoice "G" and instruct Entitlement to perform a pay and deduct. The following is an example.</p> <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="padding-right: 20px;">Pay Shipment ABC0065 from ACRN CD</td> <td style="text-align: right;">\$10,000.00</td> </tr> <tr> <td>Take a deduction for the under-recoupment on Shipment ABC0057, PP 063, DOV# ABC-01 paid on 12/05/01. Post this deduction to the Withhold line on ACRN CD.</td> <td style="text-align: right; vertical-align: bottom;"><5,000.00></td> </tr> <tr> <td>Net Payment</td> <td style="text-align: right;">5,000.00</td> </tr> </table> <p> After the payment is made you will need to do a SF1081 to debit the withhold on the ACRN where the deduction was posted and credit the appropriate ACRN's WIP line. Once this adjustment is prepared and processed, go to Step 12.</p>	Pay Shipment ABC0065 from ACRN CD	\$10,000.00	Take a deduction for the under-recoupment on Shipment ABC0057, PP 063, DOV# ABC-01 paid on 12/05/01. Post this deduction to the Withhold line on ACRN CD.	<5,000.00>	Net Payment	5,000.00		
Pay Shipment ABC0065 from ACRN CD	\$10,000.00								
Take a deduction for the under-recoupment on Shipment ABC0057, PP 063, DOV# ABC-01 paid on 12/05/01. Post this deduction to the Withhold line on ACRN CD.	<5,000.00>								
Net Payment	5,000.00								

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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action						
12	<p>Check MOCAS the day after the adjustments are transmitted to ensure the adjustments were processed correctly and that the CLR reflects the correct balances.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 50%; text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <p>the adjustments were processed correctly, AND the CLR reflects the correct balances,</p> </td> <td style="vertical-align: top;"> <p>go to Step 13.</p> </td> </tr> <tr> <td style="vertical-align: top;"> <p>the adjustments were processed incorrectly, OR the CLR does not reflect the correct balances,</p> </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> • perform additional research to determine what the problem is and take the appropriate corrective action. <ol style="list-style-type: none"> 1. Ensure that you adjusted the right contract number, debited and credited the appropriate ACRNs, used the correct dollar amounts and trans codes, etc. 2. Check for CLR rejects, resolve the issue, and resubmit. 3. Check for other adjustments, payments, or modifications that processed the same day and adjust your expected balances. • Proceed to Step 13 AFTER you have verified the CLR reflects the correct balances. </td> </tr> </tbody> </table>	If...	Then...	<p>the adjustments were processed correctly, AND the CLR reflects the correct balances,</p>	<p>go to Step 13.</p>	<p>the adjustments were processed incorrectly, OR the CLR does not reflect the correct balances,</p>	<ul style="list-style-type: none"> • perform additional research to determine what the problem is and take the appropriate corrective action. <ol style="list-style-type: none"> 1. Ensure that you adjusted the right contract number, debited and credited the appropriate ACRNs, used the correct dollar amounts and trans codes, etc. 2. Check for CLR rejects, resolve the issue, and resubmit. 3. Check for other adjustments, payments, or modifications that processed the same day and adjust your expected balances. • Proceed to Step 13 AFTER you have verified the CLR reflects the correct balances.
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Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action
12 (Cont)	<p data-bbox="354 562 1356 703">Checking MOCAS the day after the adjustments are transmitted to ensure the adjustments were processed correctly and that the CLR reflects the correct balances. (Continued)</p> <p data-bbox="354 745 1388 924"> Refer to Desk Procedure 802, Adding/Correcting the Accounting Appropriation Line, Desk Procedure 808, Coding of Adjustments, and the CRS User Manuals for more information on identifying, flagging, and working CLR rejects.</p> <p data-bbox="354 976 1315 1333"> If any portion of the adjustment rejected, DO NOT proceed to Step 13 until: <ol data-bbox="511 1081 1315 1333" style="list-style-type: none">1. ALL rejects have been identified.2. The reason the transaction rejected HAS BEEN CORRECTED.<p style="text-align: center;">AND</p><ol data-bbox="511 1260 1315 1333" style="list-style-type: none">3. The transaction has been SUCCESSFULLY processed in MOCAS.</p>

Continued on next page

Processing Accounting Adjustments for Work In Progress (WIP)

WIP Reallocations as the Result of an Entitlement Request (Continued)

Step	Action								
13	<p>Notify the requester of the actions taken as outlined in the following table.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">If...</th> <th style="text-align: center;">Then...</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">the request was an expedite (EXP),</td> <td style="padding: 5px;">complete Part 2 of the DFAS-CO FM 44 with the action(s) taken and return it to the requester.</td> </tr> <tr> <td style="padding: 5px;">the request was a J-Code adjustment request (JDJ),</td> <td style="padding: 5px;">prepare the necessary forms to recode the invoice "G."</td> </tr> <tr> <td style="padding: 5px;">the request was a J-Code audit request (JCO or FMS),</td> <td style="padding: 5px;">you should have notified the requester in Step 11.</td> </tr> </tbody> </table>	If...	Then...	the request was an expedite (EXP),	complete Part 2 of the DFAS-CO FM 44 with the action(s) taken and return it to the requester.	the request was a J-Code adjustment request (JDJ),	prepare the necessary forms to recode the invoice "G."	the request was a J-Code audit request (JCO or FMS),	you should have notified the requester in Step 11.
If...	Then...								
the request was an expedite (EXP),	complete Part 2 of the DFAS-CO FM 44 with the action(s) taken and return it to the requester.								
the request was a J-Code adjustment request (JDJ),	prepare the necessary forms to recode the invoice "G."								
the request was a J-Code audit request (JCO or FMS),	you should have notified the requester in Step 11.								
14	<p>Complete the request as outlined below.</p> <ul style="list-style-type: none"> <li style="margin-bottom: 10px;">✓ Prepare a DFAS-CO FM 100, Audit Summary documenting all actions taken. <li style="margin-bottom: 10px;">✓ Take the appropriate actions to close the case in EDM. <li style="margin-bottom: 10px;">✓ Take the appropriate actions to have the request logged complete in DTL. 								
15	<p>Continue processing any remaining actions as outlined in Desk Procedure 607, Contract Reconciliation and Desk Procedure 808, Coding of Adjustments.</p> <ul style="list-style-type: none"> • Actions complete. 								

End of Interim Guidance