



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
1000 NAVY PENTAGON  
WASHINGTON, DC 20350-1000

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MEMORANDUM FOR DISTRIBUTION

Subj: CLARIFICATION OF PROGRAM, PROJECT OR ACTIVITY FOR  
CONTRACT CHANGES IN EXPIRED APPROPRIATIONS

Ref: (a) NAVCOMPTINST 7040.37B of 10 April 1991  
(b) DoD FMR Volume 3, Chapter 10  
(c) ASN(FM&C) Memo of 27 Jun 1995

Encl: (1) Listing of Program, Project and Activities for Fixed  
Appropriations  
(2) Funding and Approval Requirements for Obligation  
Adjustments

Reference (a) prescribes the policy and procedures for the upward obligation and disbursement of expired appropriations. This memorandum amends reference (a) by defining program, project or activity (PPA) as the activity group (AG) level for Military Personnel (MILPERS) and Operation and Maintenance (O&M) accounts. The AG for MILPERS accounts is the budget activity. An exception to this policy is the Navy's O&M account where, in addition to the AG level, each hull number in the overhaul program is designated the PPA. For purposes of 31 USC 1553, but not 10 USC 7313, overhaul includes such categories as submarine Depot Modernization Period (DMP), Docking Planned Incremental Availability (DPIA), Planned Incremental Availability (PIA), Extended Docking Selected Restricted Availability (EDSRA), Docking Selected Restricted Availability (DSRA), and Selected Restricted Availability (SRA).

Enclosure (1) provides a summary of PPA by appropriation. 31 USC 1553 states that, for expired appropriations, if an obligation of funds for a contract change that would cause the amount of cumulative contract changes for a single PPA within a particular appropriation to exceed \$4 million in a fiscal year, the obligation may not be made without prior approval of the Office of the Under Secretary of Defense (Comptroller) (USD(C)). Additionally, if a contract change causes the total amount of contract obligations for that PPA and appropriation to exceed \$25 million during a fiscal year, the contract change may not be made until a notice in writing is submitted to the appropriate authorizing and appropriation committees of Congress of the intent to obligate such funds. After submission of the notice,

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a period of 30 days must elapse before the USD(C) and the Department of the Navy may act to obligate the contract change. DoD guidance on this matter is provided through reference (b).

The term contract change is defined as a change under which the contractor would be required to perform additional work under the contract. Other adjustments not authorizing additional work, such as those to pay claims for increases under an escalation clause, are not included in the definition of contract change. A matrix of funding and approval requirements for upward obligation adjustments is provided in enclosure (2). More specific guidance can be found in reference (b). While the Defense Finance and Accounting Service has been tasked with establishing a mechanism by which contract changes may be distinguished from other obligation transactions in expired accounts, that capability does not currently exist.

Pending implementation of that capability, and until further notice, the responsibility for prior clearance of all contract changes to expired accounts is assigned to the offices indicated in enclosure (1) to ensure that statutory PPA thresholds are not exceeded. This authority may be redelegated only to the extent that statutory PPA limitations are not compromised. This new prior clearance coordination requirement for contract changes does not alter the current responsibility and accountability of organization comptrollers to properly research, document, and determine the propriety of a contract change or other obligation transaction. When ASN(FM&C) approval of upward obligation adjustments to expired accounts is required in accordance with the guidance provided in reference (c), all appropriate determinations and documentation will be made and forwarded for review through the prior clearance offices identified in enclosure (1) to ASN(FM&C).

The above guidance is effective immediately. My point of contact for this subject is Mr. Norman Mau at (703) 693-6585 or DSN 223-6585.



A.T. CHURCH, III  
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Director, Office of Budget

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Program, Project and Activity for Fixed Appropriations

Appropriation	Program, Project and Activity	Prior Clearance Office (PPA Manager)
Operation and Maintenance, Navy	Activity group, except for overhauls. Hull number is PPA for overhauls.	CNO (N82)
Operation and Maintenance, Navy Reserve		CNO (N82)
Operation and Maintenance, Marine Corps		HQMC (FD)
Operation and Maintenance, Marine Corps Reserve		HQMC (FD)
Military Personnel, Navy	Budget Activity	CHNAVPERS
Military Personnel, Marine Corps		HQMC (FD)
Reserve Personnel, Marine Corps		HQMC (FD)
Reserve Personnel, Navy		CNO (N82)
Research, Development, Test & Evaluation, Navy	R1, Program Element	CNR
Military Construction, Navy	C1, MILCON project	COMNAVFACECOM
Military Construction, Navy Reserve		COMNAVFACECOM
Aircraft Procurement, Navy	P1 line item	COMNAVVAIRSYSCOM
Weapons Procurement, Navy		CNO (N82)

Other Procurement, Navy		CNO (N82)
Procurement of Ammunition, Navy and Marine Corps		FMB
Procurement, Marine Corps		HQMC (FD)
Shipbuilding and Conversion, Navy	Hull number	COMNAVSEASYSKOM
National Defense Sealift Fund	Sealift Acquisition: Hull number	COMNAVSEASYSKOM
	Other NDSF: Budget Activity	Director, FSA
Family Housing, Navy and Marine Corps, operations (definition in Military Construction Appropriation Bill)	Budget Activity: Furnishings Management Services Utilities Leasing Maintenance Insurance Premium Privatization Support	FMB
Family Housing, Navy and Marine Corps, Construction	Construction Project	COMNAVFACEKNGKOM
Base Realignment and Closure	Budget Activity, except for construction, which is by project.	FMB

FUNDING AND APPROVAL REQUIREMENTS FOR OBLIGATION ADJUSTMENTS

Type of Adjustment (After Funds Have Expired for New Obligations)	Funding Source	USD(C) Approval (If Change >/= \$4M); and Congressional Notification (if Change >/= \$25M)
Incentive, Award Fees, and Target-to-Ceiling Cost Growth on Incentive Fee Contracts	Expired Funds	No
Price Inflation (Escalation, Economic Price Adjustments or Foreign Exchange Rate Adjustments)	Expired Funds	No
Within-Scope Contract Changes		
a. Within-scope contract amendment	Expired Funds	Yes
b. Within-scope error corrections or formalization of an informal agreement that does not result in a new procurement	Expired Funds	Yes
c. Within-scope claims and settlements	Expired Funds	Yes
Change-in-Scope Contract Changes		
a. Increases in quantities	Current Funds	No
b. Increases in required levels of service performance	Current Funds	No

Type of Adjustment (After Funds Have Expired for New Obligations)	Funding Source	USD(C) Approval (If Change >/= \$4M); and Congressional Notification (if Change >/= \$25M)
c. Change-in-scope claims and settlements	Current Funds	No
Contract Defaults Resulting in Reprocurement Contract Actions	Expired Funds	Yes
Billings for Work Performed Before Fund Expiration (if an obligation is incurred - but not documented before funds expire)	Expired Funds	Yes
Reimbursement to the Department of the Treasury for Claims for Contract Disputes (Judgment Fund)	Current Funds at the time of Judgment or future appropriation for the same purpose	No
Amounts Which Would Otherwise Be Chargeable to a Canceled Account Were It Not Canceled.	Current Funds	No