

DOD 7000.14-R



DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 7C

**SPECIAL MILITARY
PAY/PERSONNEL PROGRAMS
AND OPERATING PROCEDURES**

JUNE 1998

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

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**UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100**

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FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Military Pay Policy and Procedures is divided into three volumes: Volume 7A, "Military Pay Policy and Procedures Active Duty and Reserve Pay," Volume 7B, "Military Pay Policy and Procedures for Retired Pay," and Volume 7C, "Special Military Pay/Personnel Programs and Operating Procedures." This Volume, Volume 7C, describes policies and procedures for various unique military payment programs.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Recommended changes to and requests for deviations from or exceptions to the provisions of this Volume of the Regulation should be forwarded through appropriate chain of command channels along with specific justification, to:

Office of the Under Secretary of Defense (Comptroller)
Office of the Deputy Chief Financial Officer (Financial Commerce)
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the Financial Management Regulation are available on the Internet at: <http://www.dtic.mil/comptroller/fmr/>. Printed or CD-Rom copies of the Regulation may be ordered through the Internet Homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.

William J. Lynn

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**INTRODUCTION TO THE
DoD FINANCIAL MANAGEMENT REGULATION**

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller)(USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Presentation and Formulation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Funds and Antideficiency Act Violations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14 "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

REFERENCES

- a. Title 10, United States Code, Sections 1174a and 1175.
- b. Deputy Secretary of Defense memorandum, "Delegation of Authorities and Assignment of Duties under the National Defense Authorization Act for Fiscal Years 1992 and 1993," December 6, 1991.
- c. Assistant Secretary of Defense (Force Management and Personnel) memorandum, "Voluntary Separation Incentive (VSI) and Special Separation Benefit (SSB) Policy Guidance," January 3, 1992.
- d. "Department of Defense Financial Management Regulation 7000.14-R, Volume 7, Part A," (DoDFMR Vol. 7A).
- e. Department of Defense Instruction 1332.29, "Eligibility of Regular and Reserve Personnel for Separation Pay," June 20, 1991.
- f. Assistant Secretary of Defense (Force Management and Personnel) memorandum, "Policy Changes for Transition Assistance Initiatives," June 7, 1991.
- g. Department of Defense Instruction 1341.9, "DoD Adoption Reimbursement Policy," July 29, 1993.
- h. Deputy Assistant Secretary of Defense, Military Manpower & Personnel Policy, "Selected Reserve Transition Program Policy Guidance," March 11, 1993.
- i. "Department of Defense Financial Management Regulation 7000.14-R, Volume 7B," (DoDFMR Vol. 7B).

CHAPTER 1

SPECIAL AND VOLUNTARY SEPARATION PAYMENT PROCEDURES

(NOTE: Concurrent with the publication of this chapter, Volume 12, Chapter 17, "Military Special Separation Benefit and Voluntary Separation Incentive Programs" will be cancelled.)

0101 GENERAL PROVISIONS

010101. Purpose. This chapter provides procedures for the administration and payment of the special separation benefits programs to mid-career service members of the Military Services in over strength inventories. Special separation benefits (SSB) and voluntary separation incentives (VSI) are authorized in Title 10, United States Code, sections 1174a and 1175.

010102. Applicability and Scope. This chapter applies to each Defense Finance and Accounting Service (DFAS) Center that maintains a military pay system, each Military Service personnel activity, the Defense Manpower Data Center (DMDC), and all eligible members of the Military Services.

010103. Policy. The VSI/SSB programs provide two alternative incentive payments and benefit options, each with a requirement for affiliation with the Ready Reserve of a Reserve component. Service members who are approved for the voluntary separation incentive programs have the option to receive either a VSI or an SSB.

010104. Responsibilities

A. Service Member's Personnel Activity. The member's servicing active duty personnel activity is the primary coordinating activity responsible for the overall administration of these programs. Each activity approves a separation with entitlement to a VSI or an SSB, and advises the appropriate DFAS Center through normal personnel/finance communications media. The personnel activity also notifies the appropriate DFAS Center immediately if there are any changes which would affect payment.

B. VSI Recipient's Reserve Personnel Activity. The VSI recipient's Reserve personnel activity must notify the DFAS-Cleveland Center (see subparagraph 010202.B.3 for the address) in the event that the member is transferred from the Ready Reserve to the Standby Reserve or the Retired Reserve, through fault considered to be within the control of the member. This notification is necessary to stop any remaining VSI installments.

C. Service Member's Original DFAS Center. The member's original servicing DFAS Center will record the initial VSI/SSB payment, as well as process any correction or change authorized by the personnel activity. The applicable DFAS Center sends all corrections or changes made to a member's initial VSI/SSB payment to the DFAS-Cleveland Center, within 30 days after the account has been corrected. The member's original servicing DFAS Center is the

primary source for information concerning the initial VSI/SSB payment, as well as general guidance concerning VSI/SSB payment procedures. Each DFAS Center is responsible for keeping the DFAS-Cleveland Center informed of any changes to a member's account.

D. DFAS-Cleveland Center. The DFAS-Cleveland Center is the central site location for all VSI annual payments. The member's original servicing DFAS Center transfers VSI accounts to the DFAS-Cleveland Center following the initial payment. Once the account is transferred, the DFAS-Cleveland Center will provide customer service support for VSI recipients and become the primary source for VSI account assistance and maintenance. As such, the DFAS-Cleveland Center will maintain a VSI telephone "hot line" and a customer service unit that is responsive to the needs of the VSI recipient. The DFAS-Cleveland Center will maintain the VSI account until all annual installments are paid, or until the death of the VSI member recipient.

E. DFAS-Denver Center. The DFAS-Denver Center is the central site location for all VSI annual beneficiary payments. Following the death of a VSI recipient, the DFAS-Denver Center will provide customer service support for designated beneficiaries and be the primary source for VSI member beneficiary account assistance and maintenance.

F. Defense Manpower Data Center. The DMDC will maintain a personnel data base that identifies and tracks participation in the VSI/SSB programs. Because of the requirement for Reserve affiliation, the DMDC will provide advice of Reserve participation to the DFAS-Cleveland Center.

G. Department of Defense Board of Actuaries. The DoD Board of Actuaries (hereinafter referred to as the "Board") shall:

1. Determine an amount which is the total present value, as of January 1, 1993, of the future benefits payable to persons who separate under VSI prior to January 1, 1993. The Board also shall determine an amortization schedule for liquidating the original unfunded liability of the "Fund." (The "Fund" is classified as a trust fund and has been designated as account number 97X8335, "Voluntary Separation Incentive Fund." This Fund will consist of both a receipt and an expenditure account.)

2. Determine an amount which is the total present value, as of September 30, 1995, of the future benefits payable to persons who separate under VSI after December 31, 1992.

3. For each fiscal year after fiscal year 1996, carry out an actuarial valuation for the Fund and determine any new unfunded liabilities arising from gains and losses to the Fund. The Board also shall determine an amortization schedule for liquidating these new unfunded liabilities. For the upcoming fiscal years, the Board will determine, in sufficient time as to be included in the fiscal year's budget requests, the amount of Department of Defense contributions to the Fund necessary to comply with the amortization schedules for the Fund's original and new unfunded liabilities.

0102 REQUIREMENTS AND PAYMENTS PROCEDURES

010201. General Administrative Requirements

A. Eligibility for VSI/SSB. The Secretary concerned may offer a member of the Armed Forces the opportunity to apply for VSI/SSB if the member meets the administrative requirements found in DoDFMR Vol. 7A, Chapter 35.

B. Application for VSI/SSB. Service members meeting the eligibility criteria described above may request, and subsequently enter into, a written agreement with the Secretary concerned to separate from active duty and accept an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve component.

C. Approval for VSI/SSB. Eligible service members will not automatically be entitled to receive VSI/SSB based solely on their request. The Secretary concerned will review all applications for special and voluntary separation benefits and approve only those consistent with the needs of the Military Department concerned.

010202. Payment Processing

A. VSI/SSB Personnel Support. The servicing personnel activity will provide Service members who are approved for special voluntary separation benefits with guidance and counseling necessary to complete the separation process. The personnel activity will complete all documentation necessary to support the initial VSI/SSB payment.

B. VSI payments

1. Upon separation, the Service member will complete a DD Form 2058 (State of Legal Residence Certificate) and IRS Form W-4 (Employee's Withholding Allowance Certificate). Members who wish to designate beneficiaries must complete a VSI Beneficiary Designation Form.

2. The DFAS-Cleveland Center will send annual VSI payments to the VSI recipient's bank via electronic funds transfer (EFT). The Service member should complete SF 1199-A to establish EFT payments. If an SF 1199-A is not available, the VSI recipient must submit the financial institution's routing transit number and a canceled check or deposit slip, that shows his/her account number and bank address.

3. The Service member's servicing personnel activity will submit completed forms to:

Defense Finance and Accounting Service
Cleveland Center (Code FRCBC)
1240 East Ninth Street
Cleveland, OH 44199-2056

4. The Service member's original servicing DFAS Center will close out the member's active duty pay account and record the initial VSI payment. That DFAS Center will send information needed to establish the VSI account, via file transfer, to the DFAS-Cleveland Center within 30 days after the active duty pay account is closed. However, whenever a member has identified him/herself as a VSI recipient, but no record was transferred to the DFAS-Cleveland Center, the member's original servicing DFAS Center immediately will initiate efforts to confirm VSI status and provide either the required account information, or VSI account denial, to the DFAS-Cleveland Center within two workdays after a member's status has been confirmed. If any DFAS Center changes or corrects a member's status, e.g., a member previously identified as a VSI separate corrected to a SSB separate, that Center must notify the DFAS-Cleveland Center immediately with a telephone call and follow up with a facsimile document authorizing the change.

5. After the initial payment, the DFAS-Cleveland Center will issue all subsequent annual payments on the anniversary of the member's separation. In the event that the anniversary date falls on a weekend or holiday, make the payment according to the same rules followed for regular active duty paydays.

C. SSB Payments. The member's original servicing DFAS Center will make all SSB payments. The respective Center will close out the member's active duty pay account, record the SSB payment, and send information concerning the SSB account to the DFAS-Cleveland Center within 30 days after the active duty account was closed.

D. Withholding Requirements

1. Federal Income Tax Withholding (FITW)

a. Initial VSI and SSB Payments. Withhold FITW at the applicable flat rate percentage of the gross payment. All SSB and initial VSI payments are included with the member's other taxable pay amounts during that calendar year and reported via the IRS Form W-2 in January of the following calendar year.

b. Annual VSI Payments. Withhold FITW from annual VSI payments based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member does not submit an IRS Form W-4, compute the tax withholding as if the member is single, with no withholding exemptions. All anniversary payments are produced by the DFAS-Cleveland Center and reported to the member via IRS Form W-2 in January of the calendar year following the payment.

2. State Income Tax Withholding (SITW). All VSI and SSB payments are subject to State withholding for residents of states which have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the SSB and initial VSI payment is based on the member's legal residence at the time of separation from active duty (see DoDFMR

Volume 7A, paragraph 440106C, for those states which have entered into this agreement). For VSI anniversary payments, withhold State income tax based upon the State of legal residence claimed on DD Form 2058 or, if no new DD Form 2058 is submitted, withhold State income tax based upon the State of legal residence claimed on the member's DD Form 2058 on file at separation.

3. The DFAS Center will not withhold FICA or any other payroll taxes from VSI and SSB payments.

0103 DEBT COLLECTION PROCEDURES

010301. General. VSI/SSB payments are subject to offset for debt collection. When a Service member is released from active duty with debts due the United States, offset from the initial VSI/SSB entitlement the amount of the debt. In the case of VSI, if the debt is greater than the initial payment, the remaining debt may be collected from subsequent installments. Collections are made according to the administrative offset provisions contained in 31 U.S.C. 3716. The collection of debts from VSI/SSB payments must be consistent with standard debt collection procedures and policies.

010302. Debt Collection

A. VSI Overpayment

1. Overpayment of Initial VSI installment. The DFAS Center that paid the Initial VSI payment will pursue collection action using "out of service" debt collection procedures. If the VSI account has already been transferred to the DFAS-Cleveland VSI pay system, notify the DFAS-Cleveland Center, Code FRCBC, within five days with the correct payment information. If debt collection actions prove unsuccessful, follow the provisions of paragraph 010302.C.2. below.

2. VSI Anniversary Overpayment. A debt incurred as a result of an anniversary overpayment, is pursued as an "out of service" debt by the DFAS-Cleveland Center. If the debt cannot be collected through these procedures, offset the amount owed from subsequent installment payments. This offset will include any applicable interest, administrative, and/or penalty charges.

B. SSB Overpayment. The Service member's original servicing DFAS Center will treat a debt incurred as a result of overpayment of SSB entitlement, as an "out of service" debt. Pursue overpayment according to standard debt collection procedures.

C. Active Duty Debts

1. Amounts due the United States should be offset against the initial VSI/SSB payment at the time of the member's separation. The member's original servicing

DFAS Center will pursue any uncollectible amounts using "out of service" debt collection procedures.

2. The DFAS-DE Center will retain debts for VSI recipients as long as collection efforts are satisfactory. If collection efforts prove unsuccessful, the servicing DFAS Center will forward the debt to the DFAS-Cleveland Center, Code FRCBC, for administrative offset against the next VSI installment payment. Such debts should be transferred to the DFAS-Cleveland Center no later than 90 days before the next VSI installment payment using a DD Form 139 (Pay Adjustment Authorization). The DD Form 139 must state that due process has been accorded the member. Once offset action has been taken, the DFAS-Cleveland Center will credit the proper military personnel appropriation and notify the applicable DFAS Center of the amounts collected. If the total debt cannot be liquidated from a single VSI anniversary installment, the respective DFAS Center should resubmit the remaining debt for offset, including any applicable interest, administrative and/or penalty charges, until the total debt has been satisfied.

D. Debts from Non-Appropriated Fund Instrumentalities (NAFI). A member's annual VSI installments are available for collection of debts owed to NAFI activities.

1. The NAFI is responsible for providing notification of the existence of the debt and due process to the debtor. The initial NAFI notification to the debtor must include demand for immediate payment in full of the debt.

2. The NAFI must send a DD Form 139 to the DFAS-Cleveland Center to effect collection (see subparagraph 010202.B.3. above for the address). The DD Form 139 must contain the following statement: "Member has been provided due process according to DoDFMR, Volume 7A, subparagraph 500104.A.2."

3. The entire amount of the VSI entitlement is available for offset according to the administrative offset provisions contained in Title 31, United States Code, section 3716.

E. Debts from Non-DoD Federal Agencies. The DMDC will receive and certify all requests for administrative offset from non-DoD Federal agencies. Once certified, the DMDC will send the request, via a DD Form 139 or letter of transmittal, to the member's original servicing DFAS Center. This DFAS Center will satisfy the request by administrative offset of the SSB or initial VSI payment. For VSI payments, once the account is transferred to the DFAS-Cleveland Center, refer any debts to the DFAS-Cleveland Center for offset against future VSI installments.

010303. Garnishments. Garnishment orders remain in effect. Transfer garnishment cases for VSI recipients to the DFAS-Cleveland Center for administration.

0104 BENEFICIARY PAYMENT PROCEDURES

010401. Designation of Beneficiaries

A. Service members may designate beneficiaries to receive VSI installments which remain unpaid after the death of the member.

1. The VSI recipient should make designations using the VSI Beneficiary Designation Form. The VSI recipient may designate different percentages to be received by multiple recipients. In the event percentage elections are not made, divide payments evenly among the designated beneficiaries.

2. The member's servicing personnel activity will administer the form at time of separation. Send the completed form to the DFAS-Cleveland Center, Code FRCBC, within 30 days of the election.

3. After separation, the VSI recipient may change his/her beneficiary information by sending a notarized VSI Beneficiary Designation Form to the DFAS-Cleveland Center.

B. The DFAS-Cleveland Center will maintain beneficiary forms for all VSI accounts until the end of the VSI entitlement period, or until the person's death.

010402. Notification of Death and Beneficiary Claim

A. The DFAS-Cleveland Center requires notification of a VSI recipient's death. Proof of death, such as a civil death certificate, is required. Upon receipt of proper notification and proof of death, the DFAS-Cleveland Center will close out the member's active VSI account and transfer it to the DFAS-Denver Center for beneficiary payment.

B. The DFAS-Denver Center will notify the beneficiary of his/her entitlement to the deceased VSI recipient's future VSI payments. The DFAS-Denver Center must receive a claim by the beneficiary before any payments can be made.

C. No specific form is required for making claim for beneficiary payments. A statement claiming future VSI payments, signed by the beneficiary, and with the beneficiary's social security number, will be sufficient. Beneficiary claims are sent to:

Defense Finance and Accounting Service
Denver Center (DFAS-DE/FRSA)
6760 E. Irvington Place
Denver, CO 80279-6000

010403. Beneficiary Payment

A. The DFAS-Denver Center will make all remaining installments to the designated beneficiaries. If a valid designation was not made or received, distribute payments

according to the order of precedence contained in 10 U.S.C. 2771. Continue to make annual installments on the date of the deceased VSI recipient's original anniversary payment date.

B. The DFAS-Denver Center will pay annual installments to the beneficiary for the remainder of the deceased VSI recipient's entitlement period. Payments will be distributed to a beneficiary's estate in the event a beneficiary dies after a VSI recipient's date of death. The DFAS-Denver Center will make such payments according to the laws governing the beneficiary's state of legal residence.

C. Withholding Requirements

1. FITW is based upon the IRS Form W-4P submitted by the recipient. If an IRS Form W-4P is not submitted, the DFAS Center will calculate withholding as for a married person claiming three withholding allowances.

2. State income taxes or FICA will not be withheld from beneficiary payments.

3. The DFAS-Denver Center will issue an IRS Form 1099-R to each beneficiary recipient.

D. The DFAS-Denver Center will not honor garnishment orders against beneficiary payments.

E. Beneficiary payments generally are not subject to offset. For instance, VSI beneficiary payments are not offset even though the beneficiary is entitled to receive Social Security on behalf of the deceased VSI recipient. However, if a beneficiary is indebted to the government, the debt may be collected from VSI installment payments.

010404. Report of Existence. The DFAS-Denver Center will send a report of existence letter annually to each beneficiary.

0105 ACCOUNTING PROCEDURAL GUIDANCE

010501. Purpose. This section prescribes accounting procedures for implementing and administering the SSB and VSI programs.

010502. Financing Sources

A. Special Separation Benefit Program:

1. Special Separation Benefit (SSB) entitlements will be funded from the current Military Personnel appropriation.

2. All obligations for SSB will be recorded separately from other pay and allowances.

B. Voluntary Separation Incentive Program. All Voluntary Separation Incentive (VSI) Program payments made after December 31, 1992, are paid from a "Voluntary Separation Incentive Fund" (hereafter referred to as the "Fund") established by the Department of the Treasury. The Fund is used to accumulate amounts needed to finance liabilities accrued under the VSI Program.

010503. Responsibilities

A. The Office of Deputy Comptroller (Program/Budget), OUSD(C), shall include in Military Personnel Appropriations requests, amounts sufficient to fund SSB/VSI payments and liquidate the unfunded liabilities of the Fund in accordance with amortization schedules determined by the DoD Board of Actuaries.

B. The Military Departments shall deposit amounts annually for liquidation of the original unfunded liability and all other payments due into the VSI Fund according to the amortization schedule provided by the DoD Board of Actuaries and the military department specific "break-outs" determined by the Office of the Deputy Comptroller (Program/Budget).

C. The Defense Finance and Accounting Service shall:

1. Establish appropriate operational procedures to manage fiscal aspects of the SSB program and prepare necessary fiscal reports.

2. Establish appropriate operational procedures to manage fiscal aspects of, account for, invest, and report on the assets of the Fund.

010504. Procedures

A. The Military Departments shall:

1. Deposit required amounts into the Fund (in accordance with subparagraph 010503.B. above) by use of the USA Card-On-line Payment and Collection System (OPAC) or the Standard Form 1081 (Voucher and Schedule of Withdrawals and Credits) citing account 97X8335.1. A copy of Standard Form 1081 will be forwarded by facsimile to DFAS-HQ/AE (FAX (703) 607-2824). Forward this copy no later than three business days prior to the effective date of the transaction.

2. Record obligations in the respective Military Personnel Appropriations annually in amounts equal to those determined by the DoD Board of Actuaries in its amortization schedule. Disbursements from the Military Personnel Appropriation to the Fund will be equal to amounts obligated.

3. Authorize transfer of funds from the Military Personnel Appropriation to the VSI Fund. Report total current liability payments to the VSI Fund annually, using the USA Card, OPAC or an SF 1081, both as a disbursement from the applicable Military Personnel Appropriation (as cited in subparagraph 010504.A.1 above) and as a deposit to the fund. Forward a copy of the SF 1081 to DFAS-HQ/AE by electronic media no later than three business days prior to the end of the month.

4. Submit a memorandum to DFAS-HQ/AE (FAX (703) 607-2824) indicating the estimated initial disbursements to Service members for the next month.

B. The Defense Finance and Accounting Service (DFAS) shall:

1. Make the initial VSI payments from the fund charging account 97X8335.

2. Report collection and disbursement transactions in the monthly Statement of Transactions (DD Form 1329).

3. Ensure applicable transactions are recorded in the appropriate budgetary and proprietary accounts in all military pay and other accounting systems as prescribed in this Regulation.

4. Ensure the Fund is classified as a trust fund and has been designated as account number 97X8335, "Voluntary Separation Incentive Fund." This Fund will consist of both a receipt and an expenditure account.

a. Make deposits to the following Fund receipt accounts as applicable:

(1) 97X8335.1 - Employing Agency Contributions, Voluntary Separation Incentive Fund. Payments from the Military Departments for accrual of future voluntary separation incentive programs.

(2) 97X8335.2 - Earnings of Investments, Voluntary Separation Incentive Fund. Payments of interest by Treasury on Fund investments.

b. Use the following accounts for reporting investment activity within the Fund:

(1) (88)97X8335 - Investment in Treasury Securities (Par), Voluntary Separation Incentive Fund. To record the purchase of Treasury securities in the Fund.

(2) (98)97X8335- Redemption of Treasury Securities (Par), Voluntary Separation Incentive Fund. To record the redemption of Treasury securities.

(3) (75)97X8335 - Unrealized Discount on Treasury Securities. To record unrealized discounts on Treasury securities.

c. Amounts deposited to the above receipt accounts are immediately available to the Fund for investment or payment of Voluntary Separation Incentive benefits. After December 31, 1992, the DFAS-Cleveland Center will make all anniversary payments of benefits payable to persons under this program from the Fund, charging account 97X8335. The DFAS-Cleveland Center must also submit to DFAS-HQ/AE a monthly forecast of anniversary payments. One month's forecast may be submitted each month or else, a twelve month forecast is due annually. In either case, the forecast submission is due no later than three business days prior to the month the disbursements are expected to occur. The DFAS-Denver Center will make anniversary payments to beneficiaries and submit a forecast of beneficiary payments to DFAS-HQ/AE.

d. Perform accounting at the budget activity level, at a minimum. Establish lower level accounts as necessary to meet reporting requirements.

5. Ensure the following VSI and SSB reporting requirements are met:

a. Appropriation Status by Fiscal Year Program and Subaccounts (Acct Rpt (M) 1002). The DFAS will report according to the instructions in Volume 6, Chapter 4 or the Department of Defense Financial Management Regulation (DoD 7000.14-R). DFAS-HQ/AE will submit this report for the Fund expenditure account using Budget Activity 1 for Officers and Budget Activity 2 for Enlisted Personnel, as currently required for DoD Military Personnel Appropriations. Each DFAS Center will submit feeder reports according to the schedule of due dates published by DFAS-HQ/AE. Complete all applicable columns of the report, including disbursements for each budget subactivity.

(1) Special Separation Benefit Program. Report obligations by fiscal program year within Acct Rpt(M)1002 by budget category as a separate line. Use two separate cost categories as shown below:

Special Separation Benefit
(SSB) – Officers
Cost of Personnel

Special Separation Benefit
(SSB) - Enlisted
Cost of Personnel

(2) Voluntary Separation Incentive Program. Report military personnel separated under this program on or after January 1, 1993, separately under account 97X8335 in the Acct Rpt(M)1002 by budget category. Use two separate cost categories as shown below:

Voluntary Separation Incentive
(VSI) – Officers
Cost of Personnel

Voluntary Separation Incentive
(VSI) - Enlisted
Cost of Personnel

b. Report on Budget Execution (SF 133). The DFAS will submit SF 133 for the Fund's receipt and expenditure accounts. Each DFAS Center will submit feeder SF 133 reports on its disbursements by limits established for each Service and for initial, anniversary, and beneficiary payments to DFAS-HQ/AE.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES		
EVENT	DFAS CENTERS	DFAS-CL
Military Pay Appropriation (MPA) authorized to finance the annual payment to the VSI Trust Fund.	Record receipt of the MPA fund authorization	
Make annual Service payment determined by the DoD Board of Actuaries to liquidate the unfunded liabilities. Payments financed by the Services' Military Pay Appropriations are due each January beginning in FY 1993 and are deposited into the VSI Trust Fund.	Prepare the annual payment charging the MPA accounting and crediting 97X8335.1 (See Note 1) Forward the SF 1081 to the disbursing office for processing Simultaneously record MPA obligations and disbursements for the amount of the annual payment Forward a copy of the SF 1081 annual payment voucher to DFAS-HQ/AE	
Receive annual Service payments		Record the VSI Trust Fund receipts
Issue/receive VSI Trust Fund authorization documents	Accept, process and record the VSI Trust Fund allocation received (See Note 2)	Issue VSI Trust Fund authorization document

Table 1-1.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES (continued)		
EVENT	DFAS CENTERS	DFAS-CL
Reverse MPA disbursements made for initial VSI Trust Fund account. Reverse disbursements are processed in the same month in which the summary recap is produced in the military payroll system.	<p>Prepare SF 1081 charging 91X8335, limit for initial payment, and budget activity code 1 for Officers or budget activity code 2 for Enlisted Personnel</p> <p>Forward the SF 1081 to the disbursing office for processing</p> <p>Provide DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disbursements were processed</p> <p>Enter processed SF 1081 voucher in the MPA and VSI Trust Fund accounting records</p>	
Forecast VSI Trust Fund cash requirements. (DFAS-CL is responsible for forecasting anniversary payments.)	<p>Submit monthly or yearly to DFAS-HQ/AE a forecast of anniversary payments by month</p> <p>Submit a revised forecast on an as required basis</p>	
Purchase/redemption of securities		Enter investment transactions in the VSI Trust Fund accounting records

Table 1-1. Continued.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES (continued)		
EVENT	DFAS CENTERS	DFAS-CL
Process VSI anniversary payments. (DFAS-CL has responsibility for anniversary payments.)	<p>Prepare voucher for anniversary payments charging 97X8335, limit for anniversary payments, and the application budget activity code</p> <p>Forward payment to the disbursing office for processing</p> <p>Provide DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disburse-ments were processed</p> <p>Enter processed vouchers in the VSI Trust Fund accounting records</p>	
Process VSI payments to beneficiaries. (DFAS-DE has responsibility for beneficiary payments.)	<p>Prepare voucher for beneficiary payment charging 97X8335, limit for the anniversary payment, and the applicable budget activity code</p> <p>Forward payment voucher to the disbursing office for processing</p> <p>Provide DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disburse-ments were processed</p> <p>Enter processed vouchers in the VSI Trust Fund accounting records</p>	

Table 1-1. Continued.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES (continued)		
EVENT	DFAS CENTERS	DFAS-CL
Year end processing.	Transfer all VSI initial payments charged to Military Pay appropriations to the VSI Trust Fund prior to the end of the fiscal year	
Prepare monthly reports.	Submit Acct Rpt (M) 1176 and DD-Comp (M) 1002 feeder reports for the VSI Trust Fund to DFAS-HQ/AE. Report level for SF 1176 data is appropriation and for SF 1002, appropriation/limit/budget activity Submit Statement of Transactions (DD Form 1329) to Treasury Department	Receive feeder reports, record monthly execution in the departmental accounting record, and prepare the departmental reports for the VSI Trust Fund

NOTES:

1. Services may prepare annual payment.
2. Services may accept fund authorization.

Table 1-1. Continued.

CHAPTER 2

MILITARY PAY SYSTEM RECONCILIATIONS

0201 PURPOSE

This chapter describes the requirements and procedures DFAS Centers must follow to ensure the integrity and accountability of the military pay systems under their control.

0202 APPLICABILITY AND SCOPE

This chapter applies to each DFAS Center which maintains a military pay system.

0203 POLICY

The basic tenets of any fiscally responsible pay system include: accurate calculation of entitlements, disbursement only to authorized recipients, and proper summarization and/or reporting of results. To accomplish these objectives, each military pay system must perform periodic reconciliations which verify the validity of the payment and then accurately account for the disbursement. A periodic match between each military pay and corresponding personnel system helps to ensure the propriety of payment to authorized recipients. A gross to net pay reconciliation will provide the checks and balances necessary to verify the accuracy of the system's disbursements and output products.

0204 MILITARY PAYROLL AND PERSONNEL FILE SYSTEM RECONCILIATION

020401. Responsibilities. Each DFAS Center that does not have a shared military pay/personnel database is required to perform a data match and complete reconciliation every two months. The match and reconciliation results must be documented, certified by the applicable DFAS Center Deputy Director for Finance, and retained on file for at least one year.

020402. Requirements. Each military pay/personnel "bump" will match, as a minimum, the following data elements: name, Social Security Number (SSN), pay grade, rank, and if applicable, loss date. Since each DFAS Center interfaces with a unique personnel database, DFAS Centers may supplement the basic reconciliation with additional data elements or do other pay/personnel system integrity checks. Discrepancies resulting from this reconciliation must be resolved before the next systems match is performed.

0205 GROSS TO NET RECONCILIATION

020501. Responsibilities. A gross pay to net pay reconciliation is required monthly to ensure gross payroll entitlements, minus total deductions, equal net disbursements. Each DFAS Center must perform a gross-to-net payroll reconciliation by the end of the calendar month following the payroll month using the data from the month being reconciled. For example, for the payroll period ending March 31, reconciliation must be completed no later than April 30. This

reconciliation must be accomplished using a Military Payroll Disbursement Reconciliation Form (figure 2-1). These forms, and all supporting documentation, must remain on file for at least two years.

020502. Requirements. The Military Payroll Disbursement Reconciliation Form will be used by each DFAS Center to document the gross-to-net reconciliation process. Each DFAS Center's Deputy Director for Finance must sign this form. Amounts shown on each line of the form should be the net value of all retroactive adjustments made during the month. In addition, each line entry must have supporting documentation. This supporting documentation may be in the form of military pay system output products, file search products, or computations of various system output products. If line entries are a compilation of more than one output product, the DFAS Center will show how the line entry was computed and exactly where (what output product/report and line item) the figures used in the compilation can be found. This process must be documented. All documentation supporting the form must be kept a minimum of two years.

**MILITARY PAYROLL DISBURSEMENT
RECONCILIATION FORM**

DFAS CENTER _____	PAYROLL MONTH _____
1a. CURRENT MONTH ENTITLEMENTS/CREDITS:	
(1) Basic Pay	_____
(2) BAH	_____
(3) BAS	_____
(4) Incentive Pay	_____
(5) Special Pay	_____
(6) Uniform/Clothing Allowance	_____
(7) Advance Pay	_____
(8) FSA	_____
(9) FSH	_____
(10) OHA	_____
(11) COLA	_____
(12) Other Entitlements	_____
(13) Employer Contribution for Social Security Taxes	_____
(14) Employer Contribution for Medicare Taxes	_____
b. Total Current Month Entitlements	_____
c. PRIOR MONTHS UNPAID BROUGHT FORWARD	_____
d. GROSS ENTITLEMENTS/CREDITS	_____*

Figure 2-1 Military Payroll Disbursement Reconciliation Form

**MILITARY PAYROLL DISBURSEMENT
RECONCILIATION FORM (Cont.)**

2a. CURRENT MONTH DEDUCTIONS/PAYMENTS:	
(1) Federal Income Taxes	_____
(2) Social Security Taxes	_____
(a) Employees Contribution for Social Security Taxes	_____
(b) Employers Contribution for Social Security Taxes	_____
(3) Medicare Taxes	_____
(a) Employers Contribution for Medicare Taxes	_____
(4) State Income taxes	_____
(5) Dental Insurance	_____
(6) SGLI	_____
(7) AFRHTF	_____
(8) Repay Advance Pay	_____
(9) Bond Allotments	_____
(10) Allotments (other)	_____
(11) Indebtedness	_____
(12) Garnishment	_____
(13) VEAP/MGIB	_____
(14) Fines and Forfeitures	_____
(15) Other Deductions	_____
(16) Payments	_____
(17) Fines/Forfeitures to Homes	_____
(18) Retired Pay Accrual	_____
b. Total Current Month Deductions	_____
c. CURRENT MONTH UNPAID CARRIED FORWARD	_____
d. GROSS DEDUCTIONS	_____*
_____	_____
Accountable Officer	Signature
* These amounts must equal.	

Figure 2-1 Military Payroll Disbursement Reconciliation Form

To ensure uniformity in the reconciliation process, each DFAS Center will use the following line-by-line instructions:

A. Line 1a.(1). Basic Pay. This is the total basic pay credited. It includes any pay forfeited during the month and any increased basic pay earned during a period of service essential to public interests. This amount is net of any absent without leave/unauthorized absence adjustments.

B. Line 1a.(2). BAH. This is the total Basic Allowances for Housing credited during the month.

C. Line 1a.(3). BAS. This is the Basic Allowance for Subsistence total credited during the month.

D. Line 1a.(4). Incentive Pay. This is the total incentive pay credited during the month including: Hazardous Duty Incentive Pay, Aviation Career Incentive Pay, Submarine Duty Pay, Parachute Duty Pay, Flight Deck Duty Pay, Demolition Duty Pay, Experimental Stress Duty Pay, Toxic Fuels Duty Pay, Toxic Pesticides Duty Pay, Dangerous Viruses Lab Duty Pay, and Chemical Munitions Pay.

E. Line 1a.(5). Special Pay. This is the total amount of special pay credited during the month including: Special Pays for Medical, Dental, Veterinarians, and Optometrists; Proficiency and Special Duty Assignment Pay; Hostile Fire or Imminent Danger Pay; Diving Duty Pay; Nuclear-Qualified Officer Pay; Special Pay for Officers Serving in Positions of Unusual Responsibility; Special Pay for Enlisted Members Extending Duty at Designated Overseas Locations; Special Continuation Pay for Aviation Career Officers; Engineering and Scientific Career Continuation Pay; Special Foreign Duty Pay; Special Sea Duty Pay; Special Foreign Language Proficiency Pay; Aviation Retention Bonus Pay; Enlistment/Reenlistment Bonus; and Special Pay for Nurse Corps Officers.

F. Line 1a.(6). Uniform/Clothing Allowances. This is the total clothing, uniform, and equipment allowances credited during the month.

G. Line 1a.(7). Advance Pay. This is the total of Pay and Allowances advanced during the month.

H. Line 1a.(8). FSA. This is the total amount of Family Separation Allowances credited during the month.

I. Line 1a.(9). FSH. This is the total amount of Family Separation Housing credited during the month.

J. Line 1a. (10). OHA. This is the total amount Overseas Housing Allowance credited during the month.

K. Line 1a.(11). COLA. This is the total amount of Cost of Living Allowances credited during the month.

L. Line 1a.(12). Other Entitlements. This is the total of all other entitlements earned during the month. This may include, but is not limited to: Personal Monetary Allowances for qualifying Flag Officers, all types of Separation Pay, Accrued Leave Pay, and Death Gratuities (if applicable).

M. Line 1b. Total Current Month Entitlements. This is the total of lines 1a.(1.) through 1a.(14.) and should represent the total amount of entitlements earned and advanced.

N. Line 1c. Prior Months Unpaid Brought Forward. This is the total amount of all prior months earned but unliquidated entitlements.

O. Line 1d. Gross Entitlements/Credits. This is the total of lines 1b and line 1c. This line represents the Center's total pay liability for that payroll month.

P. Line 2a. (1). Federal Income Taxes. This is the total amount of federal income taxes withheld during the month.

Q. Line 2a. (2). Social Security Taxes. This is the total amount of social security taxes withheld during the month.

R. Line 2a. (2a). Employee's Contribution for Social Security Taxes. This is the total amount of social security taxes applied to employees contribution withheld during the month.

S. Line 2a. (2b). Employer's Contribution for Social Security Taxes. This is the total amount of social security taxes applied to employer's contribution during the month.

T. Line 2a. (3). Medicare Taxes. This is the total amount of Medicare taxes withheld during the month.

U. Line 2a. (3a). Employer's contribution for Medicare Taxes. This is the total amount that the employer contributes to Medicare taxes during the month.

V. Line 2a. (4). State Income Taxes. This is the total amount of state income taxes withheld during the month.

W. Line 2a.(5). Dental Insurance. This is the total amount withheld for dependents dental insurance.

X. Line 2a.(6). SGLI. This is the total amount withheld for Servicemembers' Group Life Insurance.

Y. Line 2a.(7). AFRHTF. This is the total amount withheld from pay for deposit to the Armed Forces Retirement Home Trust Fund (AFRHTF).

Z. Line 2a.(8). Repay Advance Pay. This is the total amount of advance pay repaid during the month.

AA. Line 2a.(9). Bond Allotments. This is the total withheld for Savings Bonds allotments.

BB. Line 2a.(10). Allotments (other). This is the total amount withheld for member allotment payments (other than for savings bonds).

CC. Line 2a.(11). Indebtedness. This is the total amount of member's pay deducted as a result of indebtedness. This does not include indebtedness from garnishment actions or repayment of advance pay.

DD. Line 2a.(12). Garnishment. This is the total amount withheld as a result of garnishment action.

EE. Line 2a.(13). VEAP. This is the total amount withheld for the Veterans Education Assistance Program. MGIB. This is the total amount withheld for the Montgomery GI Bill.

FF. Line 2a.(14). Fines and Forfeitures. This is the total amount of fines and forfeitures withheld during the month. This does not include any amounts to be paid to the AFRHTF.

GG. Line 2a.(15). Other Deductions. This is the total of any other amounts withheld from the member's pay. Other deductions may include, but are not limited to amounts withheld for deposit to the Savings Deposit Program.

HH. Line 2a.(16). Payments. This is the total amount of disbursements reported during the month. This includes mid and end-of-month payrolls, and all transient, casual, partial, one time payments (such as bonuses), and any other local payments posted to the master file during the month.

II. Line 2a.(17). Fines/Forfeitures to Homes. This is the total amount of fines and forfeitures withheld from members pay to be deposited to the AFRHTF.

JJ.. Line 2a.(18). Retired Pay Accrual This is the total amount applied to member's accrued retired pay account for the month.

KK. Line 2b. Total Current Month Deductions. This is the total of lines 2a.(1.) through 2a.(18.). This represents the total amount of deductions and payments made for the monthly reporting period.

LL.. Line 2c. Current Month Unpaid Carried Forward. This is the total amount of entitlements earned during the month, plus total amounts carried forward from previous months, minus all deductions, that were not liquidated during the month. This represents the amount that will be carried forward on line 1c. of the reconciliation form for the following month.

MM. Line 2d. Gross deductions. This is the total of lines 2b and 2c. This represents the total amount of deductions, payments, and earned unliquidated entitlements for the month.

NN. The amounts on line 1d and 2d must equal.

CHAPTER 3

DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF
COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

0301 PURPOSE

This chapter describes the transfer of certain forfeitures and fines, as a result of courts-martial, nonjudicial punishment, and desertion, to the Armed Forces Retirement Home Trust Fund (AFRHTF).

0302 APPLICABILITY AND SCOPE

This chapter applies to each DFAS Center that maintains a military pay system and to limited duty officers, regular and Reserve warrant officers, and regular and Reserve enlisted members of the Army, Navy, Air Force, and Marine Corps.

0303 GENERAL POLICY

The Armed Forces Retirement Home Board determines, on the basis of the financial needs of the Armed Forces Retirement Home, a percentage of forfeitures and fines adjudged by courts-martial and nonjudicial punishment, and amounts forfeited on account of desertion against limited duty officers, warrant officers, and enlisted members to be transferred to the AFRHTF. The Armed Forces Retirement Home Board has determined that 100 percent of all forfeitures and fines will be transferred to the AFRHTF. Transfer only those amounts which are in excess of any indebtedness to the United States and amounts owed to individuals. For the purposes of this chapter, the term "indebted" or "debt" refers to amounts due from the member for reimbursement to the United States; for example, an amount due the Internal Revenue Service pursuant to a tax levy, which may ordinarily be thought of as a "debt" to the United States, is not a "reimbursement" or "debt" for purposes of this chapter. "The term "amounts owed to individuals" refers to amounts owed from a member's pay by direction of a commanding officer pursuant to Article 139 of the Uniform Code of Military Justice."

0304 PROCEDURES

030401. Transfer of Fines. When a limited duty officer, warrant officer, or enlisted member is sentenced by a court-martial or nonjudicial punishment to pay a fine, the supporting DFAS Center will transfer the amount to the AFRHTF within 30 days from the end of the month in which the fine was collected.

030402. Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures. When a limited duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, the supporting DFAS Center will transfer the amount to the AFRHTF within 30 days from the end of the month in which the forfeiture is collected. Multiple-month forfeitures, or

forfeiture amounts which are collected over two or more months, will be transferred on a monthly basis to the AFRHTF. Do not wait until the entire amount of the forfeiture has been collected before making such transfers. For example: a member is sentenced to forfeiture of pay of \$500 per month for 2 months, with the convening authority approving the sentence on November 29. The transfer would be \$33.33 (\$500 divided by 30 days, times 2 days left in the month) no later than December 30, \$500 (\$500 divided by 30 days times 30 days) no later than January 30, and \$466.67 (\$500 divided by 30 days times 28 days left uncollected) no later than March 2, into the AFRHTF.

030403. Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures When Indebted to the Government.

A. Separation from Service not involved. When a limited duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, and the member is indebted to the government, the supporting DFAS Center will not transfer any amounts to the AFRHTF until all known debts have been established. Any forfeiture amounts exceeding the uncollected indebtedness will be transferred to the AFRHTF. All amounts collected thereafter, not to exceed the total amount of the forfeiture, will be transferred to the AFRHTF. (For example: Member has a forfeiture of \$200 per month for 2 months, with outstanding debts totaling \$300. Transfer \$100 to the Armed Forces Retirement Home Trust Fund only after the first \$300 of forfeitures have been collected. Transfer the remaining \$300 to the AFRHTF as the debt is collected.)

B. Members are separated from the Service. A forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the AFRHTF when the member has unsatisfied indebtedness at date of separation, except as shown in paragraph 030404 below. It remains in the military personnel appropriation. If the total unsatisfied debt at separation is less than the forfeiture, credit the difference between the two to the AFRHTF. The supporting DFAS Center will transfer to the AFRHTF Trust Fund the amounts of the debt that subsequently are collected, not to exceed the total amount of the forfeiture. If the unsatisfied debt at separation is more than the forfeiture, no amounts will be transferred to the AFRHTF at that time. The AFRHTF will receive only those amounts subsequently collected that exceed the difference between the original uncollected debt and the forfeiture amount.

Example 1: If the uncollected indebtedness is \$500 and forfeiture is \$600, the supporting DFAS Center will transfer the difference of \$100 to the AFRHTF. All further collections there will be transferred to the AFRHTF.

Example 2: If the uncollected indebtedness is \$800 and forfeiture is \$500 at separation, no amounts will be transferred to the AFRHTF at this time. If subsequent collection recovers \$700, the first \$300 (\$800 indebtedness minus \$500 forfeiture) collected will be credited to the applicable military personnel appropriation, and the next \$400 received will be credited to the AFRHTF.

030404. Indebtedness After Forfeiture Becomes Effective. Debts incurred by a limited duty officer, warrant officer, or enlisted member after a sentence has been executed and before credit of the forfeiture to the AFRHTF, do not affect the disposition of the forfeiture. The forfeiture will be credited to the AFRHTF as if the indebtedness did not exist.

030405. Remission of Indebtedness. If a forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the AFRHTF due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or canceled, the DFAS Center will not credit the forfeiture that equals the amount of indebtedness remitted or canceled to the AFRHTF. It remains in the military personnel appropriation.

030406. Commissioned Officers. The DFAS Center will credit forfeitures and fines of Regular and Reserve commissioned officers (except warrant and limited duty officers), to the appropriation to which the member's pay is properly chargeable.

030407. Forfeitures as a Result of Desertion. When a limited duty officer, warrant officer, or enlisted member is declared a deserter, all pay and allowances that otherwise would accrue to the member if he/she were in a pay status, will be credited to the AFRHTF. Desertion forfeiture periods for the purposes of this paragraph begin on the date the member is declared a deserter and end on the day before the member is placed into another status (separated, return to duty, etc.).

030408. Transfer of Desertion Forfeitures. The DFAS Center will transfer desertion forfeitures according to the procedures in paragraph 030402, above.

CHAPTER 4

REIMBURSEMENT OF ADOPTION EXPENSES

0401 PURPOSE

The purpose of this chapter is to describe the procedures necessary to reimburse adoption expenses to qualified members, as authorized by 10 U.S.C. 1052.

0402 APPLICABILITY AND SCOPE

This chapter applies to each DFAS Center that maintains a military pay system, each Military Service personnel activity, and Military Service and active duty members serving on continuous active duty for at least 180 days. This also includes full-time Active Guard/Reserve members on active duty orders for at least 180 days.

0403 POLICY

Service members specified in subsection 0402 above, whose adoption of a child under 18 years of age is finalized on or after December 5, 1991, may be reimbursed a maximum of \$2,000 per child for qualified expenses related to the adoption. In the event of multiple adoptions, the maximum reimbursable amount is \$5,000 per calendar year. The DFAS-Cleveland Center is responsible for paying all approved adoption reimbursement claims. DFAS-CL instruction 1341.1 contains amplifying information. The member's servicing DFAS Center is responsible for providing primary guidance concerning adoption expense reimbursement procedures. The date the claim form is served on the DFAS-Cleveland Center by certified mail determines the creditable calendar year for adoption expense reimbursement purposes.

0404 ELIGIBILITY REQUIREMENTS

040401. Active Duty Requirements. Service members defined in subsection 0402 above, must serve on continuous active duty for at least 180 days. In addition, members are not entitled to reimbursement expenses if they leave active duty before the adoption is final. However, applicants will remain eligible for reimbursement expenses if the adoption is final before leaving active duty, the final claim had been signed and certified by the member's commanding officer, and the claim is submitted to the DFAS-Cleveland Center prior to discharge. Members may request a voluntary extension of assignment beyond their normal expiration of term of service to complete the adoption process.

040402. Periods of Eligibility. An active duty member, who incurs expenses when adopting a child under 18 years of age, must have the adoption finalized on, or after, December 5, 1991. Members must submit a reimbursement request to the DFAS-Cleveland Center not later than one year after completion of an adoption, or within one year from July 29, 1993, whichever is later. However, qualifying members who incurred expenses adopting a child under 18 years of

age during the period October 1, 1990, through December 4, 1991, were eligible for reimbursement, provided the member's application was submitted no later than October 23, 1993.

040403. Eligible Members. Adoption expense reimbursements may be paid to married or single members. However, if both parents are Service members (including members of the Coast Guard), only one member may be reimbursed for expenses related to the adoption of the same child.

040404. Qualifying Adoptions. Adoptions that qualify for reimbursement include: a child under the age of 18, intercountry adoptions, and adoptions of children with special needs (see DoD Instruction 1341.9, (reference (g)) for definition of children with special needs). These adoptions qualify only if they are arranged by a qualified adoption agency. A qualified adoption agency means a state or local government agency that has responsibility under state or local law for child placement through adoption, or a nonprofit, voluntary adoption agency that is authorized by state or local law to place children for adoption, or any other source authorized by a state to provide adoption placement, if the adoption is supervised by a court under state or local law. (As used in this Chapter, "state or local" refers to a state or locality in the United States. In addition, "arranged by" means that the appropriated agency played an active role in the planning and/or preparation stages that effectively led to the actual physical change of custody of a child to its adoptive parents.)"

0405 RESPONSIBILITIES

040501. Member Responsibilities.

A. Service members must submit requests for reimbursement for qualifying reimbursement expenses using DD Form 2675 (Reimbursement Request for Adoption Expenses). Forms can be obtained from the member's servicing personnel activity. The member will prepare a separate DD Form 2675 for each qualifying adoption. The completed reimbursement request and substantiating documentation must be submitted to the member's servicing personnel activity, which will review the package for completeness. If the request and documentation appear to be complete, the member's commanding officer or designee will certify the member's eligibility for reimbursement by completing block 30 of the DD Form 2675.

B. If neither the member nor the spouse is able to appear personally at the servicing personnel activity, completed claim requests and certification forms may be mailed to the personnel activity. The spouse of a Service member, who is unable to complete a claims package due to military duty, can sign a claim form under a power of attorney. All claims signed by a spouse must include the power of attorney as a part of the claims package.

C. Service members must substantiate all expenses with documentation, such as receipts marked "PAID", or canceled checks. Reconstruction of expense records is permissible when the original records are unavailable. In addition, the member is responsible for providing the appropriate documentation, which establishes that the adoption is final and that it was arranged by a qualified adoption agency, as defined in paragraph 040404. With respect to

documents originating from a state or other authorized adoption agency, copies of those documents must be certified as true copies of the original by the State or adoption agency. If the original document is filed with the court, the member must submit a copy of the adoption order certified by the clerk of courts. These documents will not be returned to the member.

D. In determining whether an adoption of a child in a foreign country is final, a determination made by the Immigration and Naturalization Service (INS) will be considered conclusive. To document the INS determination, the member should submit a copy of the front and back of the resident alien card ("green card"), or if the green card is unavailable, obtain a letter from the INS which states the status of the child's adoption. If the member has surrendered the green card in order to apply for citizenship for the adopted child, a copy of the Certificate of Citizenship is acceptable.

E. The Service member is responsible for maintaining a file for the reimbursement claim. This file should contain copies of all paperwork related to the claim including the receipts, agency documentation, and court papers associated with the adoption proceedings or court certified copies, until the claim is paid or denied.

F. The Service member will submit only one reimbursement claim per adoption.

040502. Servicing Personnel Activity Responsibilities. The member's servicing personnel activity is the primary coordinating activity and the first point of contact for the reimbursement claim. That office is responsible for maintaining adequate stocks of DD Forms 2675, assisting the member in assembling the proper adoption expense receipts, and providing the member necessary guidance to accurately complete the reimbursement application. When completed, the Personnel Activity will mail the application by certified mail to:

Defense Finance and Accounting Service
Cleveland Center (Code FMA)
1240 East Ninth Street
Cleveland, OH 44199-2055

040503. Servicing DFAS Center. The member's servicing DFAS Center is the primary source for guidance concerning the adoption expense reimbursement program. The following are the DFAS Center primary points of contact:

DFAS-Cleveland Center
(Code FMA)
Commercial: (216) 522-5576/5514
DSN: 580-5576/5514

DFAS-Denver Center (Code FJEP)
Commercial: (303) 676-7145
DSN: 926-7145

DFAS-Indianapolis Center
(Code FFD)
Commercial: (317) 542-3242
DSN: 699-3242

DFAS-Kansas City Center
(Code G)
Commercial: (816) 926-7103
DSN: 465-7103

040504. DFAS-Cleveland Center Responsibilities. The DFAS-Cleveland Center is the central site location for review, certification, and payment of adoption expense reimbursement payments. The DFAS-Cleveland Center will also maintain data on expenditures on a fiscal year basis. Send this data to DFAS-HQ/FM no later than October 31, following each fiscal year.

040505. DFAS-HQ Responsibilities. DFAS-HQ/FM is responsible for overall guidance and promulgation of payment procedures.

040506. Military Services' Adoption Expense Reimbursement Funding Responsibilities. The Military Services provide funding authorization to the DFAS-Cleveland Center by memorandum each fiscal year. The DFAS-Cleveland Center charges the applicable military service provided appropriations according to standard cross-disbursing operating procedures.

0406 ADOPTION REIMBURSEMENT PROCEDURES

040601. Authorized Reimbursable Expenses. The DFAS-Cleveland Center will pay documented, reasonable, and necessary adoption expenses, up to \$2000 per adoptive child. Not more than \$5000 shall be paid per calendar year to any Service member. In the case of two married Service members (including the Coast Guard), only one member may claim expenses for each adopted child and the couple is limited to the \$5,000 per calendar year maximum. The calendar year is determined by the date the claim is received by the DFAS-Cleveland Center for payment. Reasonable and necessary expenses include the following:

- A. Public and private agency fees, including adoptive fees charged by an agency in a foreign country.
- B. Placement fees, including fees charged adoptive parents for counseling.
- C. Legal fees, including court costs, for services that are unavailable to a member of the military services under 10 U.S.C. 1044 or 1044a.
- D. Under certain circumstances, some medical expenses for the pre-adoptive child and biological mother.

E. Temporary foster care charges when payment of such charges is required to be made before the adoptive child's placement.

040602. Payment Processing Requirements

A. A separate DD Form 2675 must support each claim.

B. Eligibility for reimbursement is supported by the documentation submitted. If eligibility for reimbursement cannot be determined from the documents provided, or claimed expenses are not properly supported by receipts, the DFAS-Cleveland Center Director will retain the claim and request from the member the necessary information or documentation.

C. The DFAS-Cleveland Center will issue the reimbursement by EFT to the member's EFT account within 30 days of receipt of a properly prepared and supported claim package. A service member without access to an EFT account must submit a request for EFT waiver to receive a check.

D. If the claim is denied, the DFAS-Cleveland Center will send a letter to the member stating this fact. DFAS-Cleveland Center will not return documents to service members.

CHAPTER 5

RESERVE TRANSITION BENEFIT PAYMENTS

0501 PURPOSE

This chapter describes the Reserve Transition Benefit (RTB) or Reserve Transition Assistance Program (RTAP) payment procedures which include the Reservists' Special Separation Pay (RSSP) and Reservists' Involuntary Separation Pay (RISP).

0502 APPLICABILITY AND SCOPE

This chapter applies to each DFAS Center that maintains a military pay system and to members of the Selected Reserve.

0503 POLICY

Members of the Selected Reserve who are separated during the period from March 11, 1993, through September 30, 1999, are eligible for RTB/RTAP payments upon approval of the Secretary concerned.

0504 ELIGIBILITY REQUIREMENTS

050401. RSSP. See DoDFMR, Volume 7A, paragraph 570504, for eligibility requirements.

050402. RISP. See DoDFMR, Volume 7A, paragraph 570505, for eligibility requirements.

0505 PAYMENT PROCEDURES

050501. RSSP

A. See DoDFMR, Volume 7A, paragraph 570504B, for payment computation.

B. Original Servicing DFAS Center Payment Responsibilities. The Reserve member's original servicing DFAS Center will pay and record the initial RSSP payment, as well as any correction or change authorized by the servicing personnel activity. This Center is also the primary source of information concerning the initial RSSP payment, as well as general guidance concerning RSSP payment procedures. The Reserve member's original servicing DFAS Center is responsible for keeping the DFAS-Cleveland Center informed of any changes to a RSSP recipient's account. This includes sending all changes or corrections made to an initial RSSP

payment to the DFAS-Cleveland Center within 30 days after such corrections or changes are made.

C. DFAS-Cleveland Center Payment responsibilities. The DFAS-Cleveland Center is the central site location for RSSP annual payments. Once the Reserve member's original servicing DFAS Center transfers the account information, the DFAS-Cleveland Center becomes the primary source for RSSP account assistance.

1. The DFAS-Cleveland Center will maintain a RSSP telephone "hot line" and a customer service unit that is responsive to the needs of the RSSP recipient.

2. The DFAS-Cleveland Center will send annual RSSP payments via EFT. The member should complete SF 1199-A to establish EFT payments. If an SF 1199-A is not available, the member must submit a canceled check or deposit slip that shows his/her account number, routing transit number (RTN), and bank address. This information will be sent to:

Defense Finance and Accounting Service
Cleveland Center (Code FRCBC)
1240 East Ninth Street
Cleveland, OH 44199-2056

3. The DFAS-Cleveland Center will maintain the RSSP account until all annual installments are paid or until the death of the RSSP recipient.

D. RSSP Payment Funding Procedures. The DFAS-Cleveland Center will make all anniversary installment payments citing the appropriate selected reserve military personnel appropriation. Payment accounting will be reported per standard cross-service disbursing procedures.

E. In the event of the member's death, no more annual installments will be paid.

050502. RISP. See DoDFMR, Volume 7A, paragraph 570505.B. for payment computation.

050503. Withholding Requirements

A. Federal Income Tax Withholding (FITW)

1. Initial RSSP and RISP Payment. For the initial RSSP and RISP payment, the DFAS Center will withhold based upon the applicable flat rate percentage. The initial RSSP and RISP payments are included with the member's other taxable pay amounts during that calendar year and reported via the IRS Form W-2 in January of the following calendar year.

2. For the annual RSSP payments, the DFAS Center will withhold based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member does not submit an IRS Form W-4, withhold tax as if the member is single, with no withholding exemptions. All anniversary payments are produced by the DFAS-Cleveland Center and reported to the member via IRS Form W-2 in January of the calendar year following the payment.

B. State Income Tax Withholding (SITW). All RSSP and RISP payments are subject to state withholding for residents of states which have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the initial RSSP and RISP payment is based upon the member's legal address at the time of transfer to the Retired Reserves or separation date, as applicable (see DoDFMR, Volume 7A, paragraph 440106, for those states which have entered into this agreement). For RSSP anniversary payments, withhold state income tax based upon the state of legal residence claimed on DD Form 2058, or if no DD Form 2058 is submitted, based upon the member's state tax election coded on his/her MMPA at separation or retirement.

C. The DFAS Center will not withhold FICA or any other payroll taxes from RSSP and RISP payments.

0506 DEBT COLLECTION PROCEDURES

050601. General. RSSP/RISP payments are subject to offset for debt collection. Offset from the amount of the RSSP/RISP payment any debts remaining at separation/retirement. In the case of RSSP, if the debt is greater than the initial payment, the remaining debt may be collected from any subsequent installments. Collections are made according to the administrative offset provisions contained in 31 U.S.C.3716

050602. Debt Collection

A. RSSP Overpayment

1. Overpayment of the Initial RSSP Payment. The DFAS-DE Center will pursue collection action against the RSSP recipient. If the RSSP account has been transferred to the DFAS-Cleveland Center RSSP pay system, that Center, Code FRCBC, will be notified of the correct payment information within five days. If debt collection actions prove unsuccessful, follow the provisions of subparagraph 050602.C.1., below. If the debt cannot be satisfied through RSSP offset, the DFAS-Cleveland Center will forward the uncollectible amount to the DFAS-DE Center for collection action. Offset from retired pay will include all appropriate interest, administrative, and/or penalty charges.

2. RSSP Anniversary Overpayments. The DFAS-Cleveland Center will collect RSSP anniversary overpayments as an "out of service" debt. In the event the debt cannot be collected through these procedures, the DFAS-Cleveland Center will offset from any

subsequent installment payments. This offset will include all applicable interest, administrative, and/or penalty charges.

B. RISP Overpayments. The Reserve member's servicing DFAS Center will pursue all RISP overpayments according to "out of service" debt procedures.

C. Other DoD Debts

1. RSSP Payments. The Reserve member's original DFAS Center will offset debts against the initial RSSP payment. If debts are established after the initial payment, the RSSP recipient's original servicing DFAS Center will pursue collection using "out of service" debt collection procedures. The RSSP recipient's original servicing DFAS Center will retain the debt as long as collection actions are satisfactory. If collection actions prove unsuccessful, notice of the debt will be forwarded to the DFAS-Cleveland Center, Code FRCBC, for administrative offset against any remaining RSSP installment payment. The debt will be transferred to the DFAS-Cleveland Center no later than 90 days from the next RSSP installment payment using a DD Form 139. Once offset action has been taken, the DFAS-Cleveland Center will credit the proper Military Personnel Appropriation and notify the applicable DFAS Center of the amount collected. If the total debt cannot be liquidated from a single RSSP anniversary installment, the applicable DFAS Center will resubmit the remaining debt for offset until the total debt has been satisfied. If the debt is not satisfied by offset from the last RSSP payment, the RSSP recipient's applicable DFAS Center will collect against their retired pay.

2. RISP Payments. The DFAS Center will offset amounts due the United States against the RISP payment at the time of the Reserve member's separation. If debts are established after RISP payment, pursue the debt using "out of service" debt collection procedures.

D. Debts from non-DoD Federal Agencies. DFAS-Cleveland Center/Code ABA will receive and certify all requests for administrative offset from non-DoD Federal agencies. Once certified, DFAS-Cleveland Center/ABA sends the requests to the Defense Manpower Data Center for locator service. Once the debtor's DFAS Center has been identified, the requests for offset are sent via a letter of transmittal or cartridge to the Reserve member's servicing DFAS Center. This DFAS Center provides the member with a courtesy notice of salary offset beginning and satisfies the request by administrative offset of the RISP or initial RSSP payment. For RSSP payments, once the account is transferred to the DFAS-Cleveland Center, advice of any debts owed to non-DoD Federal agencies will be transmitted to the DFAS-Cleveland Center, Code FRCBC, for offset against any future RSSP installments.

E. Other RISP Offsets

1. Individuals who subsequently receive basic pay, compensation for inactive duty training, or retired or retainer pay under a purely military retirement program, will have such pay or compensation reduced by 75 percent until the total amount withheld equals the RISP entitlement.

2. Service members, who subsequently receive disability compensation from the Department of Veterans Affairs (DVA), will have deducted from such compensation the total amount of RISP. However, there is no reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

050603. Garnishments. Garnishment orders remain in effect. Garnishment cases for RSSP recipients will be transferred to the DFAS-Cleveland Center for administration.

CHAPTER 6

DATA FOR PAYMENT OF RETIRED PERSONNEL

0601 PURPOSE

This chapter provides the procedures for the administration and completion of the DD Form 2656 (Data for Payment of Retired Personnel), and DD Form 2656-1 (Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage).

0602 APPLICABILITY AND SCOPE

The DD Form 2656 and DD Form 2656-1 if appropriate, must be completed by those Service members requesting retirement, members transferring to the Fleet Reserve, Retired Reserve, Inactive Reserve, and former members who qualify to retire under Title 10, United States Code, chapter 1223. This form replaces NAVCOMPT 2272, DA Form 4240, and AF Forms 1266, 1267, and 1268.

0603 RESPONSIBILITIES

060301. DFAS-Cleveland Center Responsibilities. The DFAS-Cleveland Center is the primary source for information and technical guidance concerning the DD Form 2656 and DD Form 2656-1.

060302. Military Service Responsibilities. Each respective personnel activity will provide preretirement counseling to prospective retirees. As part of the counseling process, each personnel activity will ensure that DD Forms 2656 and 2656-1, if appropriate, are properly completed by the prospective retirees. The forms and appropriate documentation will be forwarded to the DFAS-Cleveland Center, Code RO.

060303. Service Member Responsibilities. Members requesting retirement or transfer to the Fleet Reserve, Retired Reserve, Inactive Reserve, and former members who qualify under Title 10, United States Code, Chapter 1223, will complete the DD Form 2656 and DD Form 2656-1, if appropriate. Completion of these forms is necessary to establish the retired/retainer pay account, designate beneficiaries for Survivor Benefit Plan electors, determine Federal tax withholding and establish payee address information.

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