REGIONAL MAINTENANCE CENTER INSTRUCTION 7570.5

Subj: PROCESS FOR THE ACCOUNTING PROCESS FOR HANDLING MSMO AWARD FEES

Ref: (A) DODIG REPORT dated 07 Feb 08

1. Purpose. To define policy and procedures for the accounting process for the administration and handling of MSMO Award Fees.

2. Discussion. Ref (a) addresses the RMC's handling of award fee obligations as an obligation before it is earned. This practice shall cease.

3. Scope. The provisions of this instruction apply to cost reimbursement type job orders/contracts. The following guidelines are provided for use in the correct obligation of award fee.

   a. FLEET FUNDING

      (1) When the basic MSMO definitized contract is awarded, the award fee will be recorded as a commitment in the Official Accounting System.

      (2) Award fees for current year MSMO contracts will remain in a commitment status and will be obligated when the award fee board makes its final determination and a contract modification is issued.

      (3) At fiscal year end, any award fee award amounts not earned, will remain in a commitment status until fiscal year end closeout. At closeout commitments will revert to an unobligated balance in the official accounting system.

      (4) Prior to 30 September, each Fleet Comptroller will be notified by each RMC Comptroller of their known contingent liabilities for pending award fees. As stated above, on 1 October, those amounts will revert from a commitment into an unobligated funding status.

      (5) When the award fee is determined by the award fee board, unobligated balances will be obligated, citing the fiscal year appropriation in which the award fee was earned.

   b. NAVSEA FUNDING

      (1) When the basic MSMO definitized contract is awarded, the award fee CLIN will be recorded as a commitment in the official accounting system.
(2) Award fees for current year MSMO contracts will remain in a commitment status and will be obligated when the award fee board makes its final determination and a contract modification is issued.

(3) At fiscal year end, any award fee award amounts not earned, will remain in a commitment status until fiscal year end closeout. At closeout commitments will revert to an unobligated balance in the Official Accounting System.

(4) Prior to 30 September 2008, each RMC Accounting Officer will notify in writing NAVSEA PEO/PMS office/funding sponsor that funds in a commitment status will be required to be retained for undetermined award fee payout.

c. OTHER DIRECT CITE CUSTOMER FUNDING

(1) When the basic MSMO definitized contract is awarded, a copy of the contract along with the projected award fee contingency will be forwarded to funding sponsor. The obligation and commitment of funds is the grantors responsibility since we do not have any access to their accounting system.

(2) After 30 September, any award fee determination will require notification to funds grantor of impending award fee liability. It is the responsibility of the funds grantor to obligate funding in a timely manner and to record that obligation in Official Accounting System.

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