

**BY ORDER OF THE COMMANDER  
ARNOLD ENGINEERING  
DEVELOPMENT COMPLEX**

**ARNOLD ENGINEERING DEVELOPMENT  
COMPLEX INSTRUCTION 65-105**

**21 MARCH 2013**

*Incorporating Change 1, 16 April 2014*

***Financial Management***

**FINANCIAL MANAGEMENT**



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This instruction describes how government personnel at Arnold Engineering Development Center (AEDC) will perform project-level financial management. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with AFMAN 33-363, *Management of Records*, and disposed of in accordance with the Air Force Records Disposition Schedule (RDS) located at <https://afirms.amc.af.mil>. Refer recommended changes and questions about this publication to the Office of Primary Responsibility (OPR) using the AF Form 847, *Recommendation for Change of Publication*; route AF Form 847s from the field through the appropriate functional chain of command.

***SUMMARY OF CHANGES***

This interim change adds AEDC form 877 to Attachment 1 as required. This will allow for the AEDC form 877 to be published on the e-Publishing website.

**1. Scope.** This instruction establishes the framework for meeting the minimum requirement to support financial management and funding policies at AEDC using a job order cost accounting system. This requirement is directed in Department of Defense (DoD) FMR Regulation 7000.14-R, *Department of Defense Financial Management Regulation*.

**2. Responsibility and Authority.** AEDC's Comptroller Directorate (AEDC/FM) is responsible for establishing a cost and control system enabling successful business practices.

**3. Description Of Activities.** An annual workload plan is developed that organizes and prioritizes all projects at AEDC. This annual workload plan results in tasks that may be analyzed

according to cost, schedule status, and the identification of areas that need adjustment. AEDC uses the following structure to organize the job order accounting process and to collect financial data for analyzing cost and scheduling.

3.1. Establishment of a Project or Job. All tasks at AEDC have a project number. A project is established after the Rough Order of Magnitude (ROM) process for Reimbursable Budget Authority (RBA) jobs and after the approval through the Capability Analysis and Risk Assessment (CARA) process (detailed in AEDCI 90-700) for Direct Budget Authority (DBA) jobs.

3.1.1. RBA Jobs. All requests for test services/products will be identified on either an AF Form 185, Project Order; DD Form 448, Military Inter-Departmental Purchase Request (MIPR); commercial test contract; or any other official document described in DoD 7000.14-R., FMR Vol. 11A, Chapter 1. To record the project in the accounting system, an AEDC Form 875, *Reimbursable Order Worksheet*, will be completed and sent to the AEDC Financial Analysis (AEDC/FMA) office.

3.1.1.1. Test services/activities will not commence until an appropriate reimbursable order or funding document has been received by AEDC (i.e., AF Form 406, Miscellaneous Obligation/Reimbursement Document (MORD) in accordance with AFMCI 65-602, Paragraph 3.1. DD Form 448; AF Form 185; etc.). Commercial funds must be deposited with the United States Treasury before work begins. Reimbursable work will be executed only to the extent that reimbursable orders are received. Reimbursable orders must be supported by valid obligation of customer funds or advance deposit of funds from non-federal customers.

3.1.1.2. Cost-reimbursable customer orders from prior fiscal years carried over into the current fiscal year will have estimates and actual work priced at the appropriate customer classification and associated product/service rates for the fiscal year in which the work is performed (e.g., FYXX rates effective until 30 Sep XX, then FYXX+1 rates applied to customer orders).

3.1.1.3. Commercial contracts are to support specific projects. Even though the commercial customer may qualify for a DoD rate, the projects should be treated as a commercial contract. A DoD sponsoring activity may request additional performance. However, the new requirements must be set up as a separate project and funded by the DoD agency. Modifications to the scope of a commercial contract must be made through the commercial entity and not the DoD sponsoring agency.

3.1.2. Pre-Statement of Capability (SOC)/Technical Consulting Costs. AFMCI 65-602, Paragraph 2.1.7 applies to all requesting activities when providing pre-SOC or technical consulting to either potential new customers or current customers introducing a new project, task, program, or effort. Costs incurred for preparing information for potential new projects or technical consulting will not exceed \$5,000. Once pre-SOC or technical consulting information is provided and the requesting activity has determined to proceed with the effort, the costs incurred by AEDC will become billable and reimbursement actions from the requesting activity will begin. Users must be informed in advance when pre-SOC costs will require reimbursement. For non-federal customers, additional work after pre-SOC or technical consulting will not be performed until full funding is received and deposited in the appropriate account at AEDC. If the proposed project, task,

program, or effort does not materialize for AEDC, the \$5,000 fee or the lesser cost incurred by the requesting activity's requests are charged to institutional funds.

3.2. Work Breakdown Structure (WBS). The AEDC Corporate Board establishes the local WBS. This structure serves many purposes and facilitates planning by providing a formal structure for reporting and organizing work.

3.3. Work Phase (WP). A WP is a planning tool used to organize all tasks into a program specific set of work packages. Each set of work packages is defined with a WP code dependent upon the type of task for that work package. The WP code is comprised of the following definition levels:

3.3.1. Level 1. Air Force Materiel Command (AFMC) mandates the most basic division/phase of a project (e.g., plan, design, fabricate, install, test, remove, data, report).

3.3.2. Level 2. Resource Types are the type of resources that the project in Level 1 consumes or uses.

3.3.3. Level 3. Resource Categories are the category of resources that the project in Level 2 consumes or uses.

3.4. Cost/Schedule Estimates. Estimating costs is a critical task at AEDC, which is required to accomplish a project. Estimates must be accurate to avoid program delays and strained customer relations. The cost estimate is based on expected resources used in each work phase. It is used to determine the Performance Measurement Baseline (PMB). The PMB is the time-phased resource plan for a project and is used to track cost and schedule performance. For RBA customers the cost estimate is used to request funds.

3.4.1. RBA Jobs. AEDC/FM determines the method for reimbursement as required by AFMCI 65-602, Chapter 2, Paragraph 2.1.3. Virtually all AEDC testing is performed on cost-reimbursable basis. The customer classification determines the type of cost that is reimbursed.

3.4.2. Cost-Reimbursable Orders (DoD FMR 7000.14R, Vol. 11A, 020703). The amount stated in a cost-reimbursable order shall be a sound estimate of the costs to be billed in performance of the work or service ordered. Estimates shall be determined upon the basis of the specific work to be performed. Funding on hand shall be the ceiling amount for purposes of reimbursement of the currently funded work or services ordered. The United States government agencies performing activity and requesting activity shall perform timely renegotiations for revisions to ceiling amount of cost-reimbursable orders.

3.4.3. Customer Classification. AFMCI 65-602 and DoD FMR 7000.14-R., Volume 11A, Chapter 1, Addendum 1, identify and summarize customer classification categories for organizations requesting AEDC services/activities. Table 1 summarizes customer classification categories.

**Figure 1. Customer Classification**

<b>Customer Classification</b>	<b>Description</b>
DoD Customer **	Service Components (Army, Navy, Air Force, Marine)
Non-DoD, Federal Customer **	National Aeronautical Space Agency, Department of Transportation, Department of Energy, etc.
Non-Federal Customer ***	Private and commercial entities, state and local government, education
Foreign Customer ****	Foreign Military Sales, foreign private and commercial entities

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**NOTE**

\* Project Managers (PMs) may use the AEDC Customer Classification Process Flowchart (Attachment 2) to classify customers requesting services/activities. The Job Order Cost Accounting System (JOCAS II) will process bills for customer orders allocating appropriate indirect, overhead, and additive costs in accordance with (IAW) reimbursable policies and customer classifications.

\*\* DoD customer classification for billing purposes is available to non-federal customers when the requesting activity provides appropriate contractual language IAW DoD FMR 7000.14-R, Vol. 11A, Chapter 12, 120203.B.4 and AFMCI 65-602, Paragraph 2.1.3.2. Under this regulation, the requesting activity must provide AEDC Contract Procurement (AEDC/PKP) with the DoD contract number and full text of the requirement paragraph to justify the sponsored customer receiving a preferential DoD-based rate.

\*\*\* While Commercial Pricing Legislation permits AEDC to provide services/activities to United States domestic commercial entities, DoD policy provides additional guidance for foreign governments or companies (OUSD Ltr (Bolino), 31 Jan 95). If a foreign government or company can test with United States content/United States partner, they will be classified as a non-federal customer. However, if a foreign government or company desires to test a foreign made system without United States content/United States partner, they will be considered a foreign customer and Commercial Pricing Legislation does not apply.

\*\*\*\* AEDC may provide testing for Foreign Military Sales (FMS) customers only through the FMS procedures authorized under the Arms Export Control Act. The Department of State and Secretary of the Air Force/International Affairs will identify and approve friendly foreign nations eligible for FMS program status. Once approved, the Defense Security Assistance Agency will oversee all FMS programs. When FMS customers are present at AEDC, services/activities provided are subject to regulations IAW DoD 7000.14R, Volume 15. AEDC Plans and Programs (AEDC/XP) foreign affairs officer and AEDC Intelligence Office (AEDC/XP2) must be notified prior to initiating any proposed test project that involves any foreign customer.

3.4.4. Non-Competition with Industry. DoD Directive 3200.11 requires the AEDC/CC to ensure that AEDC facilities are not competing with United States private industry in providing services to commercial users or non-DoD government users. The use of AEDC facilities by private organizations and commercial enterprises shall not increase the cost to operate AEDC and shall not be factored into the decision-making process for sizing and maintaining the infrastructure. The directive defines a commercial enterprise as any US commercial user (a profit-making organization or individual), or a nongovernment sponsored university.

3.4.4.1. The AEDC Contract Directorate (AEDC/PK) will submit a notice drafted by the 704 Test Group (704 TG) to the Federal Business Opportunities (FedBizOpps) annually, prior to the first day of October, outlining the anticipated commercial workload based on requirements submitted by the test squadrons to the AEDC CARA process.

3.4.4.2. Work or services requested by activities that do not support a DoD contract will have a completed AEDC Form 877, **Commercial Certification Statement Form**, prior to entering into a test contract, AEDC Form 849 (adopted). The Program Manager (PM) will use a staff summary package to obtain coordination through 704 TG and concurrence of AEDC/PK and the AEDC Commander (AEDC/CC). AEDC/CPK will retain the approved commercial certification statement and other supporting documentation in the test contract file. The requirement to maintain these files is determined by AEDC/PK.

3.4.4.3. Defense contractors, for the purpose of performing work to carry out DoD contracts, shall be permitted access to AEDC test and evaluation capabilities without regard to the provisions against competing with private sector test capabilities.

3.4.5. Cost-Sharing Options. The AEDC/CC may opt to pursue a cost-share agreement with a requesting activity in lieu of reimbursement policies prescribed in DoD FMR 7000.14R, Volume 11A, Chapter 1. Methods for applying cost-share agreements may be communicated using a Cooperative Research and Development Agreement (CRDA) or Memorandum of Understanding/Agreement (MOU/A). When administering a cost-share agreement, current governing policies and regulations associated with these documents must be followed.

3.4.5.1. Under certain circumstances, a specific customer order performed at AEDC may provide a benefit to both AEDC and the requesting activity. When both parties receive benefit from a given test and where joint participation is desirable, the government's PM will evaluate and determine the value added from the specific project and present the results to the AEDC/CC. The AEDC/CC may then determine that the total direct costs for that specific project may be shared in direct ratio to the amount of benefit received by each of the participants. The AEDC/CC may establish a "not-to-exceed" dollar threshold amount for direct costs to be borne by AEDC on any cost share agreement, preventing unknown or growing cost burdens to AEDC and its institutional funds. All applicable projects will be reviewed and recommended on a case-by-case basis.

3.4.5.2. Another alternative is an incremental cost-sharing agreement for "opportunity use." Under this method, the requesting activity pays only the

incremental cost generated when they share a facility/service for a test that is already scheduled on behalf of AEDC for its own purpose. The requesting activity may use the same facility/service at the same time for their separate purpose; however, there is no cost sharing “benefit” between AEDC and the requesting activity. An example might include the added direct cost of additional labor, article set-up, instrumentation, data collection, etc., plus any other incremental costs for whatever service the requesting activity requires above and beyond what AEDC uses for its planned purposes. This alternative also must be approved by the AEDC/CC on a case-by-case basis.

3.5. SOC Preparation or Project Plan Once the estimate is completed, the SOC or project plan is prepared. The SOC or project plan is, in effect, the program baseline and once signed by AEDC and the customer, indicates a mutual agreement for the PMB. If significant changes to the program occur, e.g., the customer or AEDC initiates an action that causes the estimated cost or schedule to be adjusted, an amendment to the baseline and a revised SOC may be required. Once signed/approved, the program is rebaselined, forming a new PMB.

3.6. Work Authorization AEDC project work authorization represents the funding limit to which the support contractor may accrue total billable costs.

3.6.1. Squadron commanders have been delegated the authority to inform the test support contractor to commence work on customer orders. This must be accomplished by documented procedures (e-mail, memorandum, etc.), not verbally. Resource advisors are responsible for entering authorization amounts into the accounting system after receiving approval from appropriate WBS manager.

3.6.2. AEDC Project Work Authorization Procedure. Assigned resource advisors will approve AEDC project work authorization after the following procedures are accomplished.

3.6.2.1. Government PM submits AEDC project work authorization requests, in writing, to the appropriate squadron commanders.

3.6.2.2. Squadron commanders approve the AEDC project work authorization request and forward to the appropriate resource advisor.

3.6.2.3. Resource advisors verify the AEDC project work authorization to the customer and ensure that funds are deposited at AEDC.

3.6.2.4. Resource advisors then approve/disapprove the AEDC project work authorization and send a message to the support contractor’s program control office and the government PM.

3.7. Cost Tracking/Program Management. For each job, the program manager is responsible for validating charges, identifying questionable charges, researching and correcting questionable charges, and tracking project execution against the PMB. FM is responsible for monitoring the overall financial condition of AEDC. A variety of reports, notices, revisions, and analysis techniques are used for managing the work process.

3.7.1. JOCAS II. JOCAS II tracks costs and cost summaries back to their original points of input to maintain a complete audit trail of all cost accounting data.

3.7.2. Project Documentation. The PM and AEDC/FM use project plans, SOCs, Project Deviation Notices (PDN), Project Change Agreements (PCA), and project plan revisions to assist in the monitoring of the financial flow of the job or project.

3.7.2.1. PDN. The contractor performing the work shall notify the government in writing 2 working days after determining that any of the following conditions exist:

3.7.2.1.1. It is determined that one or more project deliverables cannot be met.

3.7.2.1.2. Any change greater than 1 week from latest Air Force approved schedule milestone date or any change in fiscal year resources execution is anticipated.

3.7.2.1.3. The project cost is anticipated to change by ten percent or more from the current approved estimate for the current-year effort to include all costs excluding Government Furnished Equipment (GFE) or \$25,000, whichever is less.

3.7.2.2. AEDC Project Plan Revision. A Project Plan shall be revised any time the total cost is anticipated to deviate from the Project Plan by 15 percent or more, or a change in ability to meet project objectives is identified by a PDN, unless waived by the Air Force PM or representative. The revision shall be submitted to the government within ten working days after the need for revision is known.

3.7.2.3. AEDC Project Change Agreement. A PCA is issued to document a scope change to the approved project plan. Reasons for a PCA include a project resource change or an increase/decrease in the level of effort.

3.7.3. Tracking Project Progress. The PM will use an appropriate technique, such as Earned Value Management (EVM) to track and report project progress. The appropriate technique and reporting method depends on project magnitude and is the discretion of the responsible Group or Squadron.

3.7.4. Billings, Overtime, and Lost Test Time (LTT).

3.7.4.1. Billings. Customers are responsible for all direct costs. However, AEDC will not typically invoice small project overages up to \$3,000 or 1% of Reimbursable Order Number (RON) value. AEDC/CC will determine the appropriate amount of indirect costs to charge non-DoD, federal and non-federal customers (DoD FMR 7000.14R, Volume 11A, 120203.B.2.2.b). Per the 2003 NDAA, DoD customers are billed for no indirect costs. Appropriate costs will automatically be generated to customer bills through JOCAS II. When billing labor to customers, the government PM will estimate and charge regular and/or overtime rates for personnel costs. Contractor labor cost will be furnished to JOCAS II via a contractor upload file. Appropriate labor rates for government manpower will automatically be generated to customer bills via JOCAS II.

3.7.4.2. Lost Test Time (LTT). LTT occurs only during a scheduled test period within the "test phase" of an AEDC project. LTT costs are associated with unproductive testing "above and beyond" normal equipment start-up and operating inefficiencies common to all testing (common start-up/operation inefficiencies costs are part of the standard rates charged to customers). While LTT does not impact all

customers, LTT cost is nevertheless an inherent cost of testing. As such, LTT can properly be charged directly to all requesting activities, typically on a direct basis. However, the AEDC/CC has the authority to cover certain LTT cost with AEDC institutional funding and has established the following policy for charging LTT at AEDC:

3.7.4.2.1. All customer-caused LTT, to include customer test article, model failure, performance, data anomaly, and other actions resulting from omission or commission on the customer's part, is charged to the requesting activity's project.

3.7.4.2.2. AEDC procedures specify that testing will be suspended during certain weather conditions to avoid damage to the test article and AEDC systems. Under these circumstances LTT stemming from conditions beyond AEDC's control is charged to the requesting activity's project. Customers may request testing to continue at their risk.

3.7.4.2.3. When LTT occurs as a result of AEDC personnel action, to include inappropriate actions by omission or commission on AEDC personnel's part which results in consequential LTT, then AEDC institutional funds are used to pay the LTT costs.

3.7.4.2.4. The cost of LTT that results from AEDC equipment failure or other maintenance problems is shared between AEDC and the requesting activity's funding. The 704 TG and the 704 MXG make the determination of the amount charged to the customer.

3.7.4.2.5. The decision as to which LTT category applies is made by the test squadron commander or his designee. In situations where there are multiple causes and/or shared-cost charging is deemed appropriate, the decision to "split-charge" LTT costs is made the 704 TG and the 704 MXG.

3.7.4.2.6. The government PM is responsible for communicating LTT policies and clauses to all requesting activities. They should also document LTT policy within the appropriate agreement between AEDC and the requesting activity.

3.7.4.2.7. Additional guidance on LTT is included in AAFB COI 99-1, Lost Time Assessment.5.7.5. Termination, Aborts, and Cancellations (DoD FMR 7000.14R, Volume 11A, 020708 and 120203.C and AFMCI 65-602, Paragraph 1.1.12, 2.1.5, and 2.6.3). This guidance is applicable to all requesting activities without regard to their customer classification category. Requesting activities may terminate or reschedule test facilities at any time prior to testing by providing written notification to the PM.

3.7.5.1. A termination/rescheduling clause will be included on all customer orders or agreements (project orders, test contracts, SOCs) before testing starts and/or material activity costs are incurred between AEDC and requesting activities. The requesting activity must be informed, in writing, that they are liable for any costs associated with performing requested activities at AEDC. The following standardized termination/rescheduling clause identified in **Figure 1** will be inserted in all orders or agreements. Modifications to the standardized termination/rescheduling clause must be coordinated through AEDC Staff Judge Advocate (AEDC/JA), AEDC/PK, and

AEDC/FM to ensure appropriate authority and terminology is used in the termination clause implemented on customer orders.

**Figure 2. Termination/Rescheduling by Contractor/User**

- a. Unless otherwise agreed to by the parties, the Contractor/User may terminate or reschedule test facilities at any time prior to testing by providing written notification to the AEDC DoD test program manager. If Contractor/User elects to terminate or reschedule this contract, the Contractor/User shall reimburse the government for all obligations incurred up to the date of receipt by AEDC of its termination or rescheduling notice, including all costs incurred in restoring the facility to the condition it was in before preparations were made to conduct the test and for any other costs resulting directly from the termination or rescheduling.
- b. The rights and remedies of the Government provided by this clause are in addition to any other rights and remedies provided by law or this contract.

3.7.5.2. Identifying Termination Costs. Costs incurred due to the termination of orders shall be reimbursable to AEDC when those orders are terminated by the requesting activity, including when the test requirement is cancelled, but only to the extent that the costs incurred do not exceed the amount of fixed-price orders or the funded amount for cost-reimbursable orders.

3.7.5.3. Examples of termination costs. Examples include costs incurred after acceptance of the order, preparation costs for testing, costs incurred to the point of termination, costs to restore AEDC facilities to the original condition prior to customer test commencement, and other allocable incurred costs of customer caused cancellations, aborts, or rescheduling.

3.7.5.4. The liability for termination, abort, and cancellation will not exceed costs incurred, except for those facilities scheduled in advance for a specific period. Liability may include lost reimbursements if the performing activity (AEDC) is unable to schedule substitute workload (AFMCI 65-602, 2.1.5). In this case, the PM and appropriate supervisors will present a case to the AEDC/CC, who will then determine appropriate action.

3.7.5.5. Examples of liability from termination, abort and cancellation. Examples include costs accrued for idle workforce while they are being rescheduled as a result of a cancelled test or facility specific maintenance and repair costs incurred as a result of a single user.

3.8. Project Completeness. Upon project completion, Project Managers will submit a Project Completion Notice; upon receipt of a PCN, resource advisors will mark the project inactive in all applicable systems.

3.9. Budgetary Planning. The purpose of budgetary planning is to identify out-year workloads, estimate their costs, identify required support, and develop a time-phased budget. The budgetary planning cycle begins with an annual call from the test organizations to test requesters (customers) requesting a forecast of test requirements to determine the test workload. The DBA program planning is accomplished using a prioritization system called

CARA. The current year CARA and test workload projects are the basis for the development of the AEDC workload plan, which includes all sources of funds allocated against all projects or jobs. The AEDC workload plan includes the contracts and government-responsible work.

### 3.10. Glossary of Financial Terms and Procedures.

3.10.1. Anti-Deficiency Act, Title 31, US Code, Sections 1341 and 1517, are probably the most important statutes affecting the obligation of funds at the activity level. The principal provisions are as follows:

3.10.1.1. Prohibits any officer or employee from making or authorizing an obligation in excess of the amount available in an appropriation or in excess of the amount permitted by agency regulations.

3.10.1.2. Forbids the government from obligating funds in advance of appropriations.

3.10.2. RBA Deferral. A RBA deferral is the consequence of actions that result in the over commitment, over-obligation, or over-expenditure of funds available for a RBA project at hand. JOCAS identifies these costs as unfunded, and will not allow billing to the customer until there is an increase in RBA funds available.

3.10.2.1. Deferral Management. Deferrals are worked by PM for the first 2 fiscal years of the deferral. During this time frame, every effort should be made to resolve deferrals as quickly as possible. Deferrals deemed uncollectable by the PM after the 2-year period will be identified to the AEDC/FM by e-mail or letter. The letter or e-mail should include the job order number, fiscal year, amount of deferral, and previous actions taken to resolve the deferral, including any written correspondence to customers.

3.10.2.2. Deferral Management Review Process. Deferrals of greater than \$10,000.00 or 10 percent of project cost are reported to AEDC/FM each month. In addition, all deferrals will be reported in AEDC/FM matrix weekly activity report.

3.10.3. Direct Cost. A direct cost is any item of cost incurred by a project that can be readily and specifically identified or assigned to any final cost objective. Direct costs include, but are not limited to, labor and related benefits, material, travel and per diem, transportation, dedicated equipment, and contractual services assigned directly or through standard rates. All contractor costs (except contractor support costs attributable to several programs per AFMCI 65-602, paragraph 2.35) are considered direct to AEDC.

3.10.4. Indirect Cost. An indirect cost is any item of cost that is incurred by a direct mission element for joint objectives and therefore, cannot be identified specifically with a single final cost objective. Indirect costs may be incurred by direct and/or indirect cost centers.

3.10.5. Fiscal Year. For the United States government, this is from 1 October to 30 September.

3.10.6. Funds Status. There are several stages of accountability of funds in the execution phase, e.g., commitment, obligation, and expenditure.

3.10.6.1. Commitment. An accounting procedure whereby funds are administratively reserved for something to be bought in the near future. This procedure precedes obligation actions and is normally based on firm directives, orders, or requests.

3.10.6.2. Obligation. Obligates the government to make a future payment of the actual cost of services or articles ordered by a signed contract. The obligation is carried in official accounting records and legally sets aside a specified sum of funds to be expended through completion of the contract.

3.10.6.3. Expenditure. Actual payment for services or goods received.

3.10.7. Excess Fund Balance Management. Every effort should be made by the PM to clean up excess fund balances remaining on completed test projects. These balances should be identified to the customers for withdrawal when the test has been in closeout status for a reasonable time to clear any outstanding charges.

3.10.8. JOCAS II is an expense accumulation and billing system designed to identify total resources expended in the completion of a job order by type of Element Expense Investment Code, by Responsibility Center/Cost Center, and by Fund Code.

#### **4. Rate Development and Review. AEDC/FMP shall:**

4.1. Provide guidance for rate development methodologies to the contractor via the annual Request for Proposal Letter to the contractor.

4.2. Review all contract proposals for rate development to ensure they are consistent with Air Force guidance.

4.3. Present rate recommendations, methodologies, and financial impacts to the AEDC Enterprise Integration Team (EIT) and the AEDC Corporate Board as part of the initial program assessment, prior to the start of a fiscal year.

4.4. Review rate performance, validate rate accuracy, and assess financial impacts at least quarterly, presenting results to the AEDC Corporate Board.

4.5. Track rates and validate them quarterly. Changes that exceed five percent plus or minus will be identified to AEDC Corporate Board for possible rate adjustments.

**5. Records AEDC.** Financial Services maintains a copy of funding documents until funding is expired. This is contingent upon type of funding utilized and varies across fund sources.

**6. Metrics.** External and Internal audit reports will measure the effectiveness of this instruction.

**7. Flowchart.** AEDC Customer Classification & Billing Determination Flowchart (Attachment 2).

ARTHUR F. HUBER II, Colonel, USAF  
Commander

## Attachment 1

### GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

#### *References*

Department of Defense FMR Regulation 7000.14-R, *Department of Defense Financial Management Regulation*.

Economy Act, Title 31, United States Code (U.S.C.), sections 1535 and 1536.

Project Order Act, Title 41, U.S.C., section 23.

AFMCI 65-602, *Uniform Reimbursement and Pricing Procedures*.

Department of Defense Directive 3200.11, *Major Range and Test Facility Base*.

Office of the Under Secretary of Defense (OUSD) Letter, 31 Jan 95.

Anti-deficiency Act, Title 31, United States Code (U.S.C.), Sections 1341 and 1517.

AEDC 64-200, *Test Contracts*.

AEDCI 90-700, *Capability Analysis and Risk Assessment*.

AAFB Center Operating Instruction (COI) 99-1, *Lost Time Assessment*.

#### *Prescribed forms*

AEDC Form 849, *Test Contract*

AEDC Form 875, *Reimbursable Order Worksheet (ROW)*

AEDC Form 877, *Commercial Customer Certification Statement*

#### *Adopted Forms*

AF Form 847, *Recommendation for Change of Publication;*

AF Form 406, *Miscellaneous Obligation/Reimbursement Document*

AF Form 185, *Project Order*

DD448, *Military Interdepartmental Purchase Request*

#### *Abbreviations and Acronyms.*

**704 MXG**—AEDC Maintenance Group

**704 TG**—704th Test Group

**AEDC**—Arnold Engineering Development Complex

**AEDC/CC**—AEDC Commander

**AEDC/FM**—AEDC Comptroller Directorate

**AEDC/FMA**—AEDC Financial Analysis

**AEDC/FMP**—AEDC Financial Plans and Programs Division

**AEDC/JA**—AEDC Staff Judge Advocate

**AEDC/PK**—AEDC Contract Directorate  
**AEDC/PKP**—AEDC Contract Procurement  
**AEDC/XP**—AEDC Plans & Programs  
**AFMC**—Air Force Materiel Command  
**CARA**—Capability Analysis and Risk Assessment  
**CRDA**—Cooperative Research and Development Agreement  
**DBA**—Direct Budget Authority  
**DoD**—Department of Defense  
**EVM**—Earned Value Management  
**FMR**—Financial Management Regulation  
**FMS**—Foreign Military Sales  
**GFE**—Government Furnished Equipment  
**IAW**—In Accordance With  
**JOCAS**—Job Order Cost Accounting System  
**LTT**—Lost Test Time  
**MIPR**—Military Inter-Department Purchase Request  
**MOU/A**—Memorandum of Understanding/Agreement  
**MRTFB**—Major Range Test Facility Bases  
**NDAA**—National Defense Authorization Act  
**PCA**—Project Change Agreement  
**PDN**—Project Deviation Notice  
**PM**—Project Managers  
**PO**—Project Order  
**RBA**—Reimbursable Budget Authority  
**REO**—Reimbursable Order/Request  
**ROM**—Rough Order of Magnitude  
**ROW**—Reimbursable Order Worksheet  
**SOC**—Statement of Capability  
**WBS**—Work Breakdown Structure  
**WP**—Work Phases

Attachment 2

CUSTOMER CLASSIFICATION & BILLING DETERMINATION

Figure A2.1. Customer Classification & Billing Determination

