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AIR FORCE MATERIEL COMMAND

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Maintenance

DEPOT MAINTENANCE BUSINESS AREA (DMBA) FINANCIAL OPERATING PROCEDURES

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements AFPD 21-1, *Managing Aerospace Equipment Maintenance.* It describes policies and operating procedures, and assigns responsibilities for the organic DMBA of the Defense Business Operations Fund (DBOF) at HQ AFMC and at each air logistics center (ALC). The policies and responsibilities required by this instruction, except for complete data systems used, also apply to the Aerospace Guidance and Metrology Center (AGMC) and Aerospace Maintenance and Regeneration Center (AMARC). This instruction does not apply to US Air Force Reserve (USAFR) or Air National Guard (ANG) units and members.

SUMMARY OF REVISIONS

This instruction changes all references from Depot Maintenance Industrial Fund to DMBA. This instruction has been written to be easily understood by its primary audience. However, certain terms and abbreviations are commonly used in performing the described functions. These are listed in **Attachment 1**, and we advise you review them before reading this document.

Chapter 1—DMBA (ORGANIC) RESPONSIBILITIES **4**

1.1. Introduction. 4

1.2. The DBOF: 4

1.3. Control of the DMBA: 5

1.4. Expenses Chargeable to the DMBA. 6

1.5. PO Management: 7

1.6. Maintenance Responsibilities for Non-Equipment Authorization Inventory Data (EAID) Mockup Equipment 7

1.7. Sale of Scrap: 8

Chapter 2—ORGANIZATION RESPONSIBILITIES **9**

2.1. General. 9

2.2. Responsibilities. 9

Chapter 3—PROJECT ORDERS **13**

3.1. Introduction. 13

3.2. Conditions Governing Issuance, Performance, and Management of POs: 13

3.3. Conditions Governing PO Amendments: 16

3.4. Project Order Number. 16

3.5. Use of DMBA Rates. 17

3.6. DMBA Authority to Accomplish Work. 18

3.7. PO Funding. 18

3.8. PO Attachments. 18

3.9. Serial Number Control. 19

3.10. DMBA Workload Acceptance. 19

3.11. Program Control. 19

Table 3.1. Instructions for Preparing the Basic PO Form: 19

3.12. PO Closures. 21

3.13. Multiple Funding of Aircraft. 21

3.14. PO Status: 22

Table 3.2. PO Chart. 24

Chapter 4—DMBA BUDGETS **26**

4.1. Budget Planning. 26

4.2. Productivity Planning. 26

4.3. Operating Cost Based Budget (OCBB): 26

4.4. DMBA Defense Budget Review (DBR): 31

4.5. Operating Budget Targets. 32

Chapter 5—RATES AND PRICES **33**

5.1. General. 33

5.2. Purpose of Rates and Prices. 33

5.3. Rate Definition. 33

5.4. Development of the DMBA Budget. 34

5.5. Development of RCC Rates: 34
5.6. Development of EISPs: 34
5.7. USPs for Nonprogrammed Workloads: 35
5.8. USPs for Engines and Programmed Exchangeables. 36
5.9. Sales Rates: 36
5.10. Fixed Prices. 37
5.11. The Sales Rate/EISP Approval Process: 38
5.12. Changes to Sales Rates and EISPs: 39
5.13. Special Sales Rates and EISPs: 40

Chapter 6—FINANCIAL ANALYSIS 42
6.1. Financial Reports and Analysis: 42
6.2. Workload Performance: 42
6.3. Financial Performance. 42

Chapter 7—DIRECT CITE WORKLOAD AND FOREIGN MILITARY SALES (FMS) 45
7.1. Direct Cite: 45
7.2. Foreign Military Sales (FMS) 45

Chapter 8—THE CAPITAL PURCHASES PROGRAM (CPP) 48
8.1. Introduction. 48
8.2. Depreciation/Amortization: 48
8.3. Areas Requiring Special Attention. 49

Attachment 1—GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION 51

Attachment 2—REPAIR GROUP CATEGORIES 60

Attachment 3—REIMBURSEMENT SOURCE CODES 65

Chapter 1

DMBA (ORGANIC) RESPONSIBILITIES

1.1. Introduction. The DMBA is a working capital or revolving fund account. This is a method of financing the cost of organic and contract depot level maintenance operations by providing initial working capital and allowing recovery of operating costs through the sale of products or services. This process is similar to private industry. It provides for effective and economical use of resources. DMBA contract maintenance policies and procedures are contained in AFMCI 21-113, *Contract Maintenance Programs for Depot Maintenance Business Area (DMBA)*. Management control of the DMBA is assigned to AFMC.

1.1.1. Depot level maintenance provides for:

1.1.1.1. The overhaul, conversion, progressive maintenance, modernization, modernization-conversion, interim rework, modification, repair, regeneration, storage and disposal of aircraft, missiles, target drones, engines, accessories, components, and equipment. A common term used to describe this process is "production."

1.1.1.2. The manufacture of parts and assemblies required to support limited software development, and the furnishing of other authorized services or products for the Air Force and other agencies of the Department of Defense (DoD). As directed or authorized by HQ AFMC or higher authority, the DMBA furnishes products or services to other agencies of the government, private parties, and foreign agencies.

1.2. The DBOF:

1.2.1. Industrial funding of Air Force depot maintenance activities began on 1 July 1968. In Fiscal Year (FY) 1991, these operations were incorporated into the DBOF as the Air Force component of the fund's DMBA. Since the DBOF is a revolving fund (a collection of all DoD revolving funds), the financial policies and responsibilities in place for industrial funds remain in effect except as specifically modified by DoD Comptroller policy documents. The DBOF provides a business management structure under which both customers (mission forces) and providers (support activities) can be made aware of the total costs of goods and services. Cost visibility not only enables customers to seek the best service at the lowest price, but also encourages providers to offer services at the lowest costs to remain competitive and viable.

1.2.2. As a revolving fund, the following points represent the basic fundamentals:

1.2.2.1. A DBOF business area is a method of financing the operations of an activity by:

1.2.2.1.1. Providing working capital.

1.2.2.1.2. Allowing for the recovery of operating costs through the sale of products or services.

1.2.2.1.3. Establishing a buyer-seller relationship to facilitate the above sales.

1.2.2.2. The customer (buyer) develops depot maintenance requirements and obtains financial authority to pay for the work ordered from the seller.

1.2.2.3. The seller negotiates with the buyer to fully workload depot maintenance capability.

1.2.2.4. The seller prepares an operating budget showing the projected operating expenses of this workload capability and offsetting revenues. Working capital is provided to pay for operations until progress payments are received from customers.

1.2.2.5. The customer orders work from the DMBA. Funded project orders (PO) are used for all organic work ordered and accomplished.

1.2.2.6. The product directorates negotiate workloads and perform the work funded in the POs. As work is done, DMBA resources are consumed and costs incurred. The DMBA pays for these expenses from its working capital. Periodic progress billings are processed to the customer to recover cash paid out by the DMBA for expenses incurred.

1.2.2.7. The payments from customers as the result of progress billing are used to replenish the DMBA working capital or revolving fund.

1.2.2.8. As work is completed, the DMBA bills the customer. This is recorded as revenue and serves to liquidate the progress billing.

1.2.2.9. The DMBA continues to revolve as long as orders are received from the customer. The end of the FY has no financial significance to the DMBA as far as the operating cash is concerned. The expiration of DMBA obligation authority (OA) at the end of the FY doesn't exist. The customer, however, does have the problem of FY limitations since they receive appropriated funds. Once the PO is accepted, the customer's appropriation is obligated.

1.2.2.10. In addition to the above, DMBA doesn't have to deal with year end limitations on the use of operating resources as long as it operates within the approved cost authority or obtain authorization to increase the cost authority. The DMBA, however, can't reserve or obligate funds in excess of customer obligations. The operating cash available in the DMBA may be used to pay for any resource required, within legal limitations. However, administrative limitations are placed on certain resources such as manpower and the Capital Purchases Program (CPP).

1.2.2.11. The long-range financial objective of the DMBA is a zero accumulated operating result (AOR). AOR is the cumulative sum of the net operating results from each year.

1.3. Control of the DMBA:

1.3.1. The business area is controlled through AFMC workload planning, programming and budgeting systems, and the analysis of key business area financial documents. Customer requirements are contained in the Depot Level Maintenance Requirements and Program Management System (G072E). The objective of depot maintenance management is to efficiently workload and fund organic capability. This could be accomplished, if needed, by adjustments to organic capability to match requirements. The remaining depot maintenance workloads will be done by interservice support and by the contract portion of the DMBA. All orders written by DMBA customers must conform to their approved operating program and direct cite authority.

1.3.2. A budget and execution plan are prepared for each FY:

1.3.2.1. A DMBA operating budget, which identifies planned DMBA expenses and revenues related to the sale of products and services, is prepared for each DMBA activity. The plan is prepared based on estimated customer funding levels, negotiated levels of workload, projected expenses, inflation factors, and other financial considerations. This process involves the distribution of the organic capability to specific customer workloads through the planned labor application

(PLA) of the G004C (Depot Maintenance Workload Planning and Control System), the preparation of an operating cost based budget (OCBB) in the G035A (Depot Maintenance Budget and Management Cost System), the development of a center DMBA budget, and the subsequent submission of all required data (including sales prices) to HQ AFMC/FM for inclusion in the consolidated defense budget review (DBR) submission. The DBR and the projected sales prices are submitted through the Secretary of the Air Force and HQ USAF to the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) for approval. This process begins approximately 2 years before the beginning of the applicable budget FY.

1.3.2.2. The budget serves as the baseline for determining that DMBA sales rates and prices are adequate to offset expenses, the correct type and volume of sales are being planned, and planned expenses for each cost element are consistent with current management policy. Targets are developed along budget guidelines for evaluating actual operating results during the execution phase.

1.3.3. Progress Billing. The progress billing process is accomplished through the Project Order Control System (G004B). Each DMBA customer is billed for job order numbers (JON) that are partially complete. The nonserialized workloads are billed at a unit price times the quantity of completed units. Serialized workloads are billed at the approved sales rate times the number of hours reported as being completed.

1.3.4. Sales. As each JON is completed, final billing is made to the customer. Revenue is recognized and the cost of goods sold are also computed at JON completion. Prior to JON completion, the JON costs are collected in work-in-process (WIP). The G004L (Job Order Production Master System) updates the G072A (Depot Maintenance Production Cost System) to reflect the completed JON. G072A produces a listing of sales identifying each customer, PO, program control number (PCN) and funds classification reference number (FCRN).

1.3.5. Analysis. As required, center personnel provide briefings to HQ AFMC/FM concerning the status of DMBA execution. HQ AFMC/FM informs the ALCs of formats to use and data to present.

1.3.6. AGMC and AMARC. All data systems, data system products, and organization structure referenced in this instruction apply to the five ALCs. AGMC and AMARC will have similar data systems and similar data system products, but are not responsible to provide data system support for the ALC data systems and products, nor are they required to maintain a similar organization structure.

1.3.7. Depot Maintenance Management Information System (DMMIS). DMMIS is a new data system designed to replace a variety of current depot maintenance data systems. At the time of publication of this instruction, DMMIS continues in development and is in a prototype phase. If any current data systems have been replaced by a portion of DMMIS, it is a local issue only and as such is not addressed in this instruction.

1.4. Expenses Chargeable to the DMBA. A sample of expenses chargeable to the DMBA is listed below and defined in more detail in AFMCR 170-10, *Depot Maintenance Service, Air Force Industrial Fund (DMS, AFIF) Financial Procedures*, and **Chapter 4**:

1.4.1. Depot maintenance civilian labor and benefits, including workmen's compensation.

1.4.2. Depot maintenance military labor.

1.4.3. Expense material.

1.4.4. Investment material.

1.4.5. Petroleum, oil and lubricants.

1.4.6. Alteration of real property up to a unit cost of less than $50,000.

1.4.7. Tools and equipment having a unit value of less than $50,000.

1.4.8. Real property maintenance and shop and office rearrangements.

1.4.9. Equipment rental.

1.4.10. General and administrative (G&A)expenses.

1.4.11. Other costs such as temporary duty (TDY), permanent change of station (PCS), transportation of household goods (HHG), training (excludes Air Education & Training Command funded training), tuition, printing, utilities, contractual services, communications, and custodial services.

1.4.12. Equipment repair and maintenance.

1.4.13. Hazardous waste minimization costs and hazardous waste disposal.

1.4.14. Material adjustments.

1.4.15. Depreciation of equipment, minor construction, and management information systems.

1.4.16. Office supplies.

1.5. PO Management:

1.5.1. Proper procedures to follow for adequate project order management are explained fully in **Chapter 3**. Depot maintenance customers will provide an AFMC Form 181, **Project Order**, or other approved funding document, specifying the negotiated work to be accomplished and the funding reserved to pay for that work. This document serves as the authority for depot maintenance to induct work and to charge the customer the appropriate sales price or rate per hour. The automated data system supporting this process is the G004B.

1.5.2. It is required for depot maintenance to have a fully-funded customer project order prior to inducting any workload. Local ALC procedures must be established to enforce this policy to avoid inducting any workload before the customer has provided the funded PO.

1.6. Maintenance Responsibilities for Non-Equipment Authorization Inventory Data (EAID) Mockup Equipment . Each technology repair center (TRC) responsible for the overhaul of communication, radar, and similar systems has a normal requirement to assemble and maintain mockups. These non-EAID mockups are authorized by the responsible item manager/system manager (IM/SM) for use by the TRC to simulate field conditions under which the total system operates. Black box components repaired under management of items subject to repair (MISTR) on a project directive for the system are plugged into their normal place in the system to determine their serviceability. When the TRC needs to perform maintenance on the mockup components, the following criteria apply to costing for this service:

1.6.1. Repair requirements are absorbed by the DMBA as a cost class 4 charge. These components were received for use as a serviceable item and the DMBA has responsibility to maintain this status.

1.6.2. Modification and development of technical data when directed by the IM/SM and accomplished by the TRC on mockup components are authorized and costed as direct product work. The responsible IM/SM must provide an AFMC Form 206, **Temporary Work Request**, funded on a Type

6 PO to cover the costs of the modification. These costs will be authorized separately from any repair done in conjunction with a modification.

1.7. Sale of Scrap:

1.7.1. During the depot maintenance production process, scrap is generated from material purchased by the DMBA. This scrap is turned in to the Defense Reutilization and Marketing Office. A DD Form 1348-1, **DoD Single Line Item Release/Receipt Document**, is prepared by DMBA personnel and accompanies the scrap.

1.7.2. Scrap includes short ends, machinings, spoiled materials, and similar residue generated by a depot maintenance activity. The net proceeds from the sale of scrap generated from depot maintenance operations shall be accounted for by the DMBA as follows:

1.7.2.1. Estimated net proceeds from the sale of material removed during work on aircraft and weapons, which can feasibly and economically be related to a specific job order, will be credited to that job order.

1.7.2.2. Proceeds from other scrap must be credited to DMBA overhead.

1.7.2.3. When AMARC cannibalizes parts from an unserviceable aircraft in response to fill an order, any material removed to obtain that part will be treated as scrap.

1.7.3. The ALC Directorate of Financial Management and Comptroller should designate a focal point in FM to establish local procedures to assure that a suspense copy of each DD Form 1348-1 is maintained on file. Special attention should be directed to ensure that the documents contain the DMBA fund cite. Follow-up action should be taken if reimbursement is not received.

Chapter 2

ORGANIZATION RESPONSIBILITIES

2.1. General. The AFMC Commander is the manager of the DMBA. The management responsibility is carried out by the Directorate of Financial Management and Comptroller (FM), and the Directorate of Logistics (LG). FM is responsible for the organic budget and financial processes. The official accounting and finance records for DMBA are maintained at the Defense Finance and Accounting Service (DFAS) in Denver. The DFAS is responsible for providing accounting services for the DMBA, auditing the accounts, and preparing reports to accurately reflect the DMBA status. The financial service organization at DFAS-DE should periodically perform quality reviews of the labor, material and other accounts. The ALC product directorate maintenance activities are responsible for accomplishing workload within the approved operating budget using approved prices, which requires control of operating costs.

2.2. Responsibilities. The following specific responsibilities represent defined tasks but are not the total responsibilities to maintain the DMBA operation. The detailed mission and functional statements of the organizations involved in the management of the DMBA are outlined in AFMC 21-series instructions. The details of how each ALC accomplishes the tasks are to be outlined in ALC specific operating instructions.

2.2.1. HQ AFMC:

2.2.1.1. The Directorate of Financial Management and Comptroller (FM):

2.2.1.1.1. In conjunction with the Directorate of Logistics, FM manages the total DMBA program, which includes policy, control, direction, approval, computation analysis, rate establishment.

2.2.1.1.2. Plans and approves policy and direction for the centers to be used in the development of the DMBA budget estimates (BE) and annual operating targets. Issues requests for the DMBA BE and amendments, including formats and specific procedures.

2.2.1.1.3. Prepares and defends the total AFMC DMBA operating program and budget to reviewing agencies at all levels including SAF/FM, HQ USAF/LG, OSD, and the OMB.

2.2.1.1.4. Conducts periodic reviews of the DMBA operating results and financial status.

2.2.1.1.5. Establishes cost performance goals for depot maintenance operations.

2.2.1.1.6. Accomplishes a review and summarization of AFMC DMBA operating budget and BEs.

2.2.1.1.7. Establishes policy to ensure that DMBA funds are used only in the performance of depot maintenance services.

2.2.1.2. The Directorate of Logistics (LG):

2.2.1.2.1. In conjunction with FM, LG manages the total DMBA program, which includes policy, control, direction, approval, and workload allocation.

2.2.1.2.2. Develops, directs, and manages depot maintenance workload programs for the operating year and the ensuing budget period.

2.2.1.2.3. Determines the distribution of and maintains management control of all DMBA manpower resources by AFMC activities.

2.2.1.2.4. Develops maintenance management information concepts, polices and procedures.

2.2.1.2.5. Develops and manages programs to measure and monitor organic depot maintenance productivity.

2.2.2. Centers:

2.2.2.1. As each ALC is organized and operates uniquely, the specific operations of each ALC will be outlined in the center's operating instructions.

2.2.2.2. The center commander is the manager of the DMBA. Each center is responsible for accomplishing:

2.2.2.2.1. Financial planning, budgeting, and implementation of AFMC policy and procedures.

2.2.2.2.2. The development and submittal of sales rates for approval.

2.2.2.2.3. The preparation of DMBA BEs, amendments, and monthly operating targets.

2.2.2.2.4. Analysis of variance between target and actual costs by commodity group including the RCS:MTC-FM(M)7118, Analysis of DMBA Financial Status, and briefings to HQ AFMC as required.

2.2.2.2.5. Annual updating of the planning repair requirements to the Depot Level Maintenance Requirements and Program Management System (G072E).

2.2.2.2.6. Receipt (acceptance or rejection) and processing of POs and amendments.

2.2.2.2.6.1. Ensures adequacy of issued PO funding to meet negotiated workload.

2.2.2.2.6.2. Evaluates POs to determine the necessity for adjustments.

2.2.2.2.7. The review of all incoming temporary work requests to ensure the FCRN has been identified and funded on the PO.

2.2.2.2.8. The assignment of FCRNs on all work authorization documents (WAD). This is accomplished through the G004L (Job Order Production Master System) by using the G004L-E1A "Validation Stock Visibility" listing.

2.2.2.2.9. The determination of projected manpower capability.

2.2.2.2.10. The interpretation and development of procedures to ensure uniform operations and compliance with all business area management systems.

2.2.2.2.11. The training of personnel on business area management systems operations.

2.2.2.2.12. The planning, management, and the providing of plant engineering for the product directorates.

2.2.2.2.13. The management of the CPP and facility programs. See **Chapter 8**.

2.2.2.2.14. The management of quality programs.

2.2.2.3. Financial Management:

2.2.2.3.1. Interprets and disseminates budgeting policies, procedures, and instructions pertaining to the DMBA budget.

2.2.2.3.2. Provides guidance to product directorates for preparing and justifying the DMBA budget.

2.2.2.3.3. Prepares consolidated DMBA budget from directorate inputs and prepares an overall statement of financial condition.

2.2.2.3.4. Monitors the execution of the DMBA budget and the overall financial condition of the business area. Provides narrative inputs to the RCS:MTC-FM(M)7118, Analysis of DMBA Financial Status. Analyzes and determines causes of variances from the planned budget. Provides financial status briefings as required to HQ AFMC.

2.2.2.3.5. Provides distribution of approved budgets throughout the ALC.

2.2.2.4. The Product Directorates:

2.2.2.4.1. Direct, manage, and operate the industrial production shops.

2.2.2.4.2. Accomplish maintenance, repair modification, storage and reclamation of customer equipment.

2.2.2.4.3. Assist FM personnel in the development of center budgets and targets.

2.2.2.4.4. Assist FM personnel in the explanation of variances between budgets and/or targets and actual costs by commodity and/or organization.

2.2.2.4.5. Ensure accuracy and completeness of basic data inputs for the OCBB and the PLA.

2.2.2.4.6. Develop and recommend improved quality methods for application to maintenance workloads.

2.2.2.4.7. Conduct negotiation of organic workload with customers.

2.2.2.4.8. Negotiate requirements of workload capability along with available funding.

2.2.2.4.9. Ensure assets are generating or will generate to meet negotiated input schedules.

2.2.2.4.10. Approve any WADs, including renegotiation/drive adjustments, POs, or other instruments, to ensure requirements are valid and funded.

2.2.2.4.11. Ensure all workload is funded by a PO and funds are increased or decreased if there is a change in the scope of work or quantities.

2.2.2.4.12. Provide tool crib and precision measurement equipment (PME) support.

2.2.2.5. The Defense Finance and Accounting Service (DFAS):

2.2.2.5.1. The financial services officer (FSO) prepares billing/sales documents. DFAS progress bills customers.

2.2.2.5.2. The FSO performs audit and analysis to ensure integrity of all monetary data reported through the business area financial systems.

2.2.2.5.3. The FSO maintains subsidiary general ledger and cost accounts.

2.2.2.5.4. The FSO prepares the financial statements included in the RCS:MTC-FM(M)7118, Analysis of DMBA Financial Status, and provides applicable narratives to the local DMBA financial office for consolidation and submission to higher headquarters.

2.2.2.5.5. The FSO inputs all applicable accounting classifications, both direct and nondirect cite, into the G004L system for establishment of FCRNs.

2.2.2.5.6. The FSO processes inputs to the G035A (Depot Maintenance Budget and Management Cost System) as part of the OCBB process which serves as a baseline for establishing the initial RCC budgeted rates in the G004C (Depot Maintenance Workload Planning and Control System).

2.2.2.5.7. The FSO maintains the cost accounting system used to accumulate actual costs by organization and resource control center (RCC).

2.2.2.5.8. DFAS prepares appropriate financial statements based on the accounting and maintenance systems.

Chapter 3

PROJECT ORDERS

3.1. Introduction. Policies and Procedures:

3.1.1. Scope. A PO is the only basis that the organic segment of the DMBA has to obtain funding. This will be accomplished using an AFMC Form 181.

3.1.2. Definition. The term customer throughout this chapter of the instruction refers to the activity which issues the PO.

3.1.3. Exception to Issuance. POs will not be issued to the DMBA for any of the following:

3.1.3.1. Major new construction of real property. Specific detail is contained in AFR 170-2, *Project Orders*.

3.1.3.2. Education, subsistence, printing, laundry, welfare, transportation, travel, or communications when any of these is the primary purpose of the request.

3.1.3.3. Any purpose where a clear buyer-seller relationship does not exist between the customer and the DMBA.

3.1.3.4. For any purpose that directives/instructions would not permit under commercial contracts.

3.2. Conditions Governing Issuance, Performance, and Management of POs:

3.2.1. POs are the same as contracts placed with commercial enterprises and, like such contracts, must be specific, definite, and certain as to the workload ordered. See figure 3.1, PO Chart, for the type of PO to be used depending on the type of work requirement. When accepted by the DMBA and JONs are planned or inducted, customer funds on the POs are obligated. The customer's obligation is established at the FCRN/PO level and is based on the funded customer requirements. Funds control (workload is planned complete or inducted) is exercised at the FCRN/PO level. Direct cite customers may request control at lower than FCRN/PO level. Although individual PCNs may be exceeded on a PO, the total dollar value of PCNs must not exceed the PO and FCRN value.

3.2.2. Customer funds placed on POs must serve a bona fide need existing in the fiscal quarter for which issued.

3.2.3. The work to be performed under POs will be expected to commence during the FY quarter stated in the PO number (PON).

3.2.4. POs, like commercial contracts, may contain special provisions and be subsequently modified or amended.

3.2.5. If the repair activity, after acceptance of a PO, can't perform the designated work or deliver the specified material, an amendment must be renegotiated to portray what the repair activity can perform or deliver. The difference in funds must be released to the customer for reapplication.

3.2.6. POs are issued by the customer to the DMBA on a reimbursable basis. As the DMBA incurs expenses, progress payments are processed, and the appropriate funding citation on the issued PO reimburses the DMBA.

3.2.7. Formalized cancellation instructions will not be issued by the customer to the DMBA for active (open) aircraft, missile, or engine POs or any line item of workload identified thereon without first formally providing the DMBA with an intention to cancel. This will be accomplished at the earliest possible time, but not later than 30 days before the effective date of cancellation. This notice is required so the DMBA can reschedule other firm workloads, and assess the financial impact of returning excess material to supply. If a cancellation is required, the items in-work will be completed and charged to the applicable PON. See AFMCR 170-10 for procedures on processing charges applicable to canceled or reduced workloads.

3.2.8. The DMBA activity is responsible for promptly advising the customer concerning changes in delivery schedules.

3.2.9. The DMBA activity has a responsibility to its customers to ensure the proper management of all POs received. This includes aggressive action in timely closing, constantly apprising the customer of any excess or deficient funding, and recommendations to the customer as to the reallocation of funds between their POs. The PO status reports of the G004B (Project Order Control System), or formal correspondence, may be used for advising customers of funding excesses or deficits. Customer funding of POs is most critical. In the case of excess funding, it reduces availability of funds for other critical workloads. Inadequate funding precludes the DMBA from starting work. In order to attain more effective management control between POs and funding of dollar requirements for organic work, the G004B is processed at minimum on a weekly basis. The product for the previous week should be in the hands of the appropriate DMBA & customer activity by opening of business on Monday morning to ensure timely reporting of any discrepancies and timely processing of necessary formal amendments.

3.2.10. If, upon receipt of a PO, the appropriate DMBA activity determines the amount of funds stated on the order is either in excess or insufficient of that required, immediate follow-up action is taken with the customer. If there is no response from the customer within a timely manner, the customer is immediately notified in writing as to the estimated excess or deficit amount.

3.2.11. All POs must be prepared by the customer, certified by the appropriate office, and be in the applicable DMBA component not later than 3 workdays and not sooner than 10 workdays prior to the beginning of the quarter covered by the order.

3.2.11.1. If justifiable conditions preclude the customer from issuing a basic PO in the 3 workday time frame to cover all negotiated workload, a letter of intent must be used. This letter must identify the delinquent PON and PCNs, and will specify an estimate of the total dollars and accounting classifications that will be placed on the funded order. To ensure continuity of operations and system acceptance of the work orders, letters of intent may be established in the PO validation and FCRN master.

3.2.11.2. Letters of intent must be issued by the ordering agency and signed at the appropriate directorate level. This letter must be in the appropriate DMBA activity not later than 3 workdays before the beginning of the fiscal quarter, and are valid for a 30-day period (calendar) as specified in the letter. The maintenance activity will not begin work before the effective date specified in the letter of intent. If the 30-day time period expires before a funded PO is received, the depot maintenance activity will discontinue work until such time that a funded PO is received.

3.2.12. When it is necessary to begin work of an emergency nature before receipt of an order, a commanding officer's order or similar order may be issued by the commander of the center that will perform the work, subject to the following conditions.

3.2.12.1. The DMBA must have written assurance that an order will be issued promptly or have equivalent documented communication. The use of such orders should be limited to situations where there are bona fide emergencies arising from unforeseen urgent requirements. Commanding officer's orders should not be used as a normal procedure to overcome administrative lead time which should be considered in advance planning.

3.2.12.2. The commanding officer's order will expire within 30 days from date of issuance.

3.2.12.3. Commanding officer's orders must by issued, approved, and signed by the commanding officer or authorized representative.

3.2.13. The final page of each PO must contain the following statement: "This order is placed according to the provisions of 41 U.S.C. 23, and Department of Defense Instruction 7220.1."

3.2.14. A JON will be identified to the PO period when inducted. The Job Order Production Master System (G004L) assigns the PON to the JON when the induction is reported. During the first quarter of the FY (October through December), MISTR inductions may be made and charged to the prior fourth quarter PO when inductions are made to replace nonserviceable turn-in after the close of the FY. In no case will inductions exceed the customer order quantity (COQ) established as of 30 September in any FY.

3.2.15. POs include appropriations which are subject to closure or cancellation. This means that the appropriation is no longer available for adjustments or payments. Vigilant attention will be exercised by the DMBA activity to ensure that all workload obligations incurred against the appropriation are completed and billed to the customer prior to the closure date for the appropriation. Reference AFI 65-601, volume 1, chapter 6, Budget Guidance and Procedures.

3.2.16. Each ALC will establish local internal controls to ensure that customer funding received is adequate to cover the negotiated workload, is properly certified when a PO is issued to depot maintenance, and that no work is inducted before the depot receives the funded PO. These operating procedures will be established within local operating instructions.

3.2.17. Changes to scope of work:

3.2.17.1. If the customer requests work to be performed that is in addition to the work originally negotiated, additional funding must be obtained from the customer before the work is performed.

3.2.17.2. If work that may be needed but was not negotiated is discovered during the repair process, obtain approval and funding from the customer before performing the additional work.

3.2.17.3. If the scope of work is decreased at the request of the customer, customer funding on the PO should be reduced for the amount of the reduced work less any costs to the DMBA that are a result of the workload reduction. The funds should be returned to the customer even if the customer's appropriation has expired.

3.2.18. Cancellations or reduced quantities.

3.2.18.1. Charges for costs due to cancellation of previously negotiated workload or reductions in quantities of previously negotiated workload are reasonable and businesslike expenses which

must be borne by the customer who negotiated, but then canceled the workload or part of the workload.

3.2.18.2. If the quantity of items is decreased, or if workload is canceled, the funds associated with the reduced quantities or canceled work less any cancellation charges must be returned to the customer, even if the customer's appropriation has expired.

3.3. Conditions Governing PO Amendments:

3.3.1. Within the available financial authority, the customer may initiate amendments to POs which increase the scope or value of a workload requirement during the period for which the funds cited on the order are available for obligations.

3.3.2. Amendments for price increases are charged to the appropriation that was current at the time the initial order was prepared. Amendments for extending the scope of work (approved increases to work packages) are charged to appropriations current at the time the additional work is authorized. Amendments that will decrease funds may be made at any time.

3.3.3. Amendments are processed through the same certifying office and DMBA activity channels used for processing basic orders.

3.3.4. POs are amended by PCN and identified to the applicable fund citation.

3.3.5. Final close-out amendment is made to the sales dollar value for each PCN and FCRN as identified on the G004B status listing with T-B-C (TO-BE-CLOSED) notice per AFR 170-2.

3.4. Project Order Number. The numbering of POs is of vital concern to both the DMBA and the customer. The customer issues and amends each order based upon a predetermined sequence, and DMBA accepts on the same sequence. PONs, contained in block 2 of AFMC Form 181, are five numeric digits in length and are constructed as follows:

3.4.1. Space 1. Fiscal Year.

3.4.2. Space 2. Fiscal Quarter.

3.4.3. Space 3. Customer.

1. OC-ALC	2. OO-ALC	3. SA-ALC
4. SM-ALC	5. WR-ALC	6. AGMC or co-located IM
8. AMARC		

3.4.4. Space 4. Source of Repair (SOR).

1. OC-ALC	2. OO-ALC	3. SA-ALC
4. SM-ALC	5. WR-ALC	6. AGMC
8. AMARC		

3.4.5. Space 5. Type of Work.

1. Aircraft	2. Missiles
3. Engines	4. MISTR
5. OMEI	6. Other
7. Base/Tenant	

3.4.6. Amendments are processed in chronological order for each PO.

3.5. Use of DMBA Rates. The rates used for pricing and billing of POs depend on the type of PO involved. A breakdown follows:

3.5.1. Type 1 Orders (Aircraft).

3.5.1.1. Preparation. The customer prices out this order with the AFMC approved mission, design, and series (MDS) aircraft fixed price or as appropriate the approved direct product standard hour (DPSH) rate as appropriate.

3.5.1.2. Sales. The DMBA uses this same rate.

3.5.2. Type 2 Orders (Missiles).

3.5.2.1. Preparation. The customer prices out this order with the AFMC approved missile DPSH, or fixed rate.

3.5.2.2. Sales. The DMBA will use this same rate.

3.5.3. Type 3 Orders (Engines).

3.5.3.1. Preparation. The customer prices out this order with the AFMC approved engine type, model, series (TMS) job designator unit sales price (USP).

3.5.3.2. Sales. The DMBA uses these same prices.

3.5.4. Type 4 Orders (MISTR).

3.5.4.1. Preparation. The MISTR Fiscal Year Projected Repair Requirements (G019C-CAF-CA-8CM) data system listings may be used to obtain the data for this order. The appropriate DMBA activity provides the appropriate funding activity the applicable G019C (MISTR Requirements Scheduling and Analysis System) product for preparation of the PO, and shows DPSH and dollar requirements by PCN.

3.5.4.2. DMBA sales against this order are based on JON completion quantities times the end item sales price for the stock number.

3.5.5. Type 5 Orders (Other Major End Items (OMEI)).

3.5.5.1. Preparation. The customer prices out this order with the AFMC approved OMEI DPSH, or fixed rate.

3.5.5.2. Sales. The DMBA bills the OMEI rate computed according to provisions stated in chapter FIVE.

3.5.6. Type 6 (Other) and Type 7 (Base Tenant) Orders:

3.5.6.1. Preparation. The appropriate DMBA activity furnishes a Current Year RGC/PCN (Repair Group Category/Program Control Number) Workload Recapitulation (G004C-FAE-PR-8FJ) or Budget Year RGC/PCN Workload Recapitulation (G004C-FAO-PR-8FN) product and DPSH planning rates to the customer to be used for preparing these orders.

3.5.6.2. Sales. The DMBA records sales on either a price per unit or rate per DPSH, depending on the specific work requested. If the request involves the use of a C-prefix control number or serialized end item, sales are at an hourly rate per DPSH. All other sales are at a price per unit basis.

3.6. DMBA Authority to Accomplish Work. The DMBA authority to accomplish any approved work will be upon acceptance of a valid PO or upon receipt of a letter of intent or commander's order. DMBA will not perform unfunded work.

3.7. PO Funding. It is required for depot maintenance to have a fully-funded customer PO prior to inducting any workload. Local ALC procedures must be established to enforce this policy to avoid inducting any workload before the customer has provided the funded PO.

3.8. PO Attachments. As required, all POs must have attachments that provide the appropriate DMBA activity with supporting documentation for (1) funded workload requirements and (2) direct cite funds.

3.8.1. Requirements Documentation.

3.8.1.1. Types 1, 2, and 5 POs. These orders must include a copy of, or statement of reference to, the dated project directive definitizing the input and output schedule. The project directive will include a reference to the work specifications. Also, for Type 1 Orders, man-hours by serial number will be attached to or included on the PO, per AFMCM 66-59, Project Order Control.

3.8.1.2. Type 3 POs. These orders must include a copy of, or statement of reference to, the dated project directive that identifies the input and output schedule for each TMS/job designator (JD). A reference to the work specifications is included in the project directive.

3.8.1.3. Type 4 POs. These orders must include a copy of, or statement of reference to, the MISTR, Fiscal Year Projected Repair Requirement by Pseudo Code (G019C-CAF-CA-8CM), or similar product, indicating the quantity and dollar value of each PCN required for the ensuing fiscal quarter. The similar product could be a manual roll-up by PCN from the production management specialist of the negotiated and accepted requirements.

3.8.1.4. Types 6 and 7 POs. These orders should reference at least one of the following:

3.8.1.4.1. Project directive.

3.8.1.4.2. Save list for reclamation workloads. This save list must be annotated to indicate the applicable PCN.

3.8.1.4.3. AFMC Form 206, **Temporary Work Request**, work request number if known.

3.8.1.4.4. Historical data.

3.8.2. Direct cite funds documentation. For direct cite funds which are not specifically certified on the AFMC Form 181 by local funds certification personnel, a copy of the source funding document (such as AF Form 185, **Project Order**; or other such document) must be attached to the PO.

3.9. Serial Number Control. Serial number control is mandatory for all DMBA workloads input on Types 1, 2, and 5 POs. This control is optional for each workload input on Types 3, 6, and 7 POs.

3.10. DMBA Workload Acceptance. All requests for DMBA work are forwarded to the applicable DMBA activity.

3.10.1. Aircraft, Missile, Engine, OMEI (Types 1, 2, 3, 5 POs). Workload acceptance or rejection is based on the quantitative input value of these orders. The quantities identified on these orders must be scheduled for input during the specific fiscal quarter, and will supersede any scheduled quantities if variances exist. Any changes in negotiated quantities require an amendment to the applicable PO.

3.10.2. Exchangeables, Area Support, Base Support, and Local Manufacture (Types 4, 6, 7 POs). The acceptance or rejection of workloads on these orders depends upon the available dollar value (PO/FCRN dollars minus COQ/JOQ/FCRN dollars) for the PO. These values are available on various G004B products.

3.10.2.1. Each appropriate DMBA activity forwards applicable maintenance data requirement estimates as required, to prepare Types 6 and 7 POs, to the local appropriate funding activity no later than the 25th calendar day before the beginning of the time period to be covered by the order. This data must be submitted in letter form and must indicate the same data required to prepare the PO form itself.

3.10.2.2. Services in support of the Directorate of Special Weapons, San Antonio ALC, must be incorporated and charged to the respective local funding activity Type 6 PO, unless otherwise categorized.

3.11. Program Control. Program control must be exercised. For exchangeable items worked on Types 4 and 6 POs, break out of hours and dollars below the FCRN/PO level (PCN) is for management information purposes only unless otherwise specified by the ordering activity. For aircraft and engines type work, break out of hours and dollars below the FCRN/PO level is for workload and funds management purposes for the FY. Although individual PCNs within FCRN may be exceeded on a PO, the total dollars, hours, or quantities for the FY specified in the program document may not be exceeded. If annual funding requirements by PCN exceed program authority, the customer will contact the appropriate funding activity for needed program changes. These program adjustments are the responsibility of the appropriate center.

Table 3.1. Instructions for Preparing the Basic PO Form:

Block	Instructions
1	Enter page number of total number of pages.
2	a. Enter the number of the PO.
	b. Enter the alpha/numeric sequence number of the PO
	(basic and amendments). Numbers will sequence from basic through ZZ.
3	Enter the date of preparation.
4	Check the appropriate block according to he specific type of PO being prepared.

Block	Instructions
5	Check the appropriate block to identify either a PO or Work and Billing Authorization. The PO block will be used for AFMC Operations Operating Budget (OOB) and the Work and Billing Authorization block for direct cite. The AFMC OOB will not be commingled with direct cite on the same page.
6	Certification statement. This block must be completed, as required, by the certifying official at the customer location before the PO is forwarded to the appropriate DMBA activity.
7	Enter the applicable PCN.
8	Enter the appropriate funds citation and FCRN according to local agreement.
9	Enter the title of the workload.
10	Enter the quantity to be inducted. Completion of this column is required for Types 1, 2, 3, and 5 POs. Amendments will always reflect the new quantity. See block 14 for additional criteria.
11	Leave blank.
12	Enter the DPSH required for the identified workload. Amendments will reflect the new DPSH position. See Block 14 for additional criteria. Completion of this column is not required for Type 3 POs.
13	Enter the DMBA rate.
14	Enter the total cost of each line item, rounded off to the nearest dollar
	a. Aircraft/Missile/OMEI. Enter the result of multiplying the DPSH shown in block 12 by the DPSH (MDS) rate shown in block 13, or the total of the fixed prices of each option exercised.
	b. Engines. Enter the fixed price or the result of multiplying the USP in block 13 by the quantity in block 10
.	c. MISTR and All Other. Enter the result of multiplying the DPSH rate shown in block 12 by the DPSH rate shown in block 13, or the negotiated DPSH and dollar value shown on the G019C product.
NOTE 1	Only the affected PCNs need to be reflected on amended POs issued during the quarter. These PCNs will indicate the new order of input quantity, DPSH, and dollars at the time of amendment. If any one of these items has changed, then blocks 10, 12 and 14 will be completed. An example of this would be a need to change the amount of dollars associated with a PCN for a MISTR order. In this case, the DPSH may not have required a change. Blocks 10, 12, and 14 must always be completed to reflect the new (total) position. Plus or minus variances may also be indicated, within parentheses, in these columns.
NOTE 2	Indicate on a memo basis, the amount of over and above funds included in each PCN for serialized workload.
15	All POs or amendments will be signed by the authorized funding official.
16	All POs will be accepted or rejected by the organic DMBA PO accepting official.

Block	Instructions
17	Net Adjustment. Enter the total amount of dollar variance (+ or -) between this amendment and the basic or the prior amendment
18	Enter the total of the PO if an amendment is being processed. The last page of each order will be annotated to identify the variance (+ or -) of each funds citation. This must be entered as a parenthetical

3.12. PO Closures. An initial and final closure process applies to each order.

3.12.1. Initial Closure. This closure takes place at the end of the fiscal quarter and when the end-of-month position (December, March, June, September) has been obtained in G004B. The process for each type of order is as follows:

3.12.1.1. Types 1, 2, and 5 POs. The appropriate funding activity reviews the A-G004B-M5B status report or contacts the applicable DMBA activity for an estimate of what is required to complete each order.

3.12.1.2. Type 3 POs. The appropriate funding activity reviews the A-G004B-M6B status report or contacts the applicable DMBA activity for an estimate of what is required to complete each order.

3.12.1.3. Type 4 POs. The appropriate funding activity reviews the induction dollar value from the A-G004B-M7B (Status Report, Types 4, 6, and 7 POs).

3.12.1.4. Types 6 and 7 POs. The initiating funding activity uses the JOQ/COQ DPSH/dollar value from the A-G004B-M7B (Status Report, Types 4, 6, and 7 POs).

3.12.2. Final Closure. The final closure is made when all JONs are closed and the sales have been made. The G004B status reports provide a notification that the PO is in a TO-BE-CLOSED (T-B-C) status. The G004B status reports are adjusted according to AFR 170-2. This amendment must be processed no later than 30 calendar days after the notification. See AFMCR 66-59 for the G004B response to these close-out amendments (PO dollars equal sales dollars).

3.13. Multiple Funding of Aircraft. Selected aircraft systems may have two or more fund citations that apply to a single serial number. In order to support this type of direct cite workload, it is imperative the actions identified below be closely reviewed, understood, and followed by all AFMC activities involved with PO preparation, processing, and acceptance; DMBA sales and billings; and the PO register. The criteria below are oriented toward AFMC Form 185, **Request for TCTO Kit Assembly**, but may be used for any type of funded document received from a direct cite agency. NOTE: An E-3A PDM/MOD (programmed depot maintenance/modification workload) has been used in the criteria for illustration purposes only.

3.13.1. PO preparation:

3.13.1.1. The words “Multiple Fund Baseline” or “Multiple Fund Alternate” must be entered after the fund citation.

3.13.1.2. A PCN must be used for each fund citation involved in the specific workload. The baseline PCN will be the one associated in maintenance for production count purposes. EXAMPLE: PCN AADAAA is established as a baseline for the E-3A PDM program, and PCN CADAAB is

established for the installation of a Class V modification. The appropriate DMBA activity and funding activity will jointly determine baseline versus alternate PCNs prior to the PO preparation.

3.13.1.3. The alternate PCNs (such as CADAAB above) indicate the estimated hours and dollars for each aircraft in the work description column (Block 9). See the GO72A users manual for the method used by the G072A system in making the sales for these alternate fund citations.

3.13.1.4. All blocks, except 11, of the PO are completed for both baseline and alternate PCNs. Block 11 is completed at the discretion of the initiating funding activity.

3.13.1.5. See **Chapter 7** for direct cite documentation.

3.13.1.6. A copy of the funding document (such as AFMC Form 185) is provided to the Defense Accounting Office (DAO) organization at the DMBA site. One copy is attached to the AFMC Form 181 forwarded to the accepting DMBA activity.

3.13.2. PO acceptance. The acceptance or rejection of these types of POs is based upon the applicability and the availability of the total dollars (baseline and alternates). If the PO is accepted, a copy of the funding document (such as AFMC Form 185) is filed along with the AFMC Form 181. The funding document will be used as a reference for future negotiations with the funding activities if a revision is required.

3.13.3. G004L Serialized JON Master Record. The serial number entered into this record is related to the PCN associated with the baseline PCN.

3.13.4. Serial number application to alternate fund cites. The appropriate funding activity formally advises the TRC DAO organization of serial numbers that apply to each alternate fund citation PCN. This is done in letter format after the induction to the repair process, and prior to completion. The letter must identify the PON, each PCN, and serial numbers applicable to each PCN. The PO would have to be revised when substitutions occur.

3.13.5. Sales Adjustments. See the GO72A users manual for adjustment techniques for multifunded aircraft.

3.14. PO Status:

3.14.1. General. The G004B is designed to portray a financial management status on every PO accepted by the DMBA. Output products are distributed to the local DAO, the DMBA office accepting the PO, and the funding activity office initiating the PO. These status documents will be used to monitor and track the financial progress of each order, and will serve as the financial management communication tool among these activities. Responsibilities and management procedures associated with the related register products are defined in AFMCR 66-40, Policies and Procedures for Customers of the Depot Maintenance Service, Air Force Industrial Fund (DMS, AFIF), and AFMCR 66-59. The end of month output products should be in the appropriate funding activity not later than the 10th calendar day of the following month.

3.14.1.1. Status Report Types 1-2-5 POs.

3.14.1.1.1. Purpose. This product shows the status of every serial number for every PCN within Types 1, 2 and 5 POs. Quantitative serial numbers input in excess of that identified on the PO by PCN contain an asterisk to the left side of the serial numbers. An end item labor standard represents the negotiated funded hours. Earned hours are accumulated and priced out

with the hourly sales rate recorded in the DMBA files. Sales, as they become available, are extracted from G072A by serial number and then accumulated.

3.14.1.1.2. Recipients. Appropriate DMBA activity, appropriate funding activity.

3.14.1.1.3. Use. The DMBA and funding activities closely monitor the document to ensure the recorded input quantity does not exceed the ordered PCN quantity available and sufficient dollars are available to complete all input quantities. If it appears a PO/PCN/FCRN will be overrun, the appropriate DMBA activity requests a PO amendment for additional funds with an explanation of the reason for the increase.

3.14.1.2. Status Report Type 3 POs:

3.14.1.2.1. Purpose. This product identifies the status of each TMS engine (A and B job designators), PO quantity, inductions, and completions by PCN.

3.14.1.2.2. Recipients. Appropriate DMBA activity, appropriate funding activity.

3.14.1.2.3. Use. The DMBA and funding activities closely monitor the document to ensure the input quantities by TMS do not exceed the PO/TMS/FCRN quantity. All AFMC components must understand that the quantity of engines reflected on these orders takes precedence over other directives.

3.14.1.3. Status Report Types 4-6-7 POs:

3.14.1.3.1. Purpose. This product identifies the status of PCNs within the designated PO.

3.14.1.3.2. Recipients. Appropriate DMBA activity, appropriate funding activity.

3.14.1.3.3. Use. The DMBA activity and the funding activity closely monitor the document to assure the identified ordered COQ or JOQ/FCRN dollar values do not exceed the PO/FCRN dollars. If the COQ/JOQ/FCRN dollars are greater then the PO/FCRN dollars, the funding activity amends the PO increasing the PCN/FCRN sufficiently to cover the deficit, or reduces requirements to available dollars.

3.14.2. Delinquent POs and amendments. POs or amendments that have not been received by the SOR appropriate DMBA activity 3 workdays before the beginning of the quarter are delinquent. The centers' appropriate DMBA activity will notify HQ AFMC/FM of the delinquency only when the problem can't be resolved at the local level. When this occurs, the notification will include the following:

3.14.2.1. Customer. Identifying the management ALC responsible for issuing the PO.

3.14.2.2. FY/Quarter.

3.14.2.3. Type of Order. Identify the type of delinquent PO such as Types 1, 2, 3, 4, 5, 6, or 7.

3.14.2.4. Dollars. Identify the estimated dollar value of the quarterly unfunded requirements. This is identified by the type of funds cited, such as ACC/O&M, ANG, Air Mobility Command (AMC), AFMC/RSD, etc.

3.14.2.5. Remarks.

3.14.3. Reconciliation of DMBA annual workload requirements and the funding program availability. The appropriate DMBA and funding activities conduct continuous negotiations to ensure compatibility between the DMBA estimated funding requirement and the funded programs.

Table 3.2. PO Chart.

	TYPE WORK	RGC	TYPE PO
Aircraft EEIC 541	Aircraft Repair (Fixed Facility) (Note 1)	A	1
	Aircraft Repair (Off base) (Mod Program)	B	6
	Aircraft Storage/Reclamation	B	6
	Combat Logistics Support Squadron (CLSS)	A	1
	Aircraft Service Workload	B	6
Missiles EEIC 542			
	Missile Repair (Fixed Facility) (Note 2)	C	2
	Missile Repair (Off base)	D	6
	Missile Storage/Reclamation	D	6
	Missile Service Work	D	6
Engines EEIC 543			
	Engine Overhaul (Fixed Facility (Major & Minor))	E	3
	Engine Storage/Reclamation TDR	F	6
	All Engine Service Work	F	6
OMEI EEIC 544			
	OMEI Repair (Fixed Facility) (Note 2)	G	5
	OMEI Repair (Off base)	H	6
	OMEI Storage/Reclamation	H	6
	All OMEI Service Work	H	6
Exchangeables EEIC 545	MISTR	J	4
	Inertial Guidance Systems at AGMC	K	5
	Project Directive (Non-MISTR)	K	6
	Other Exchangeables	L	6
	All Exchangeables Service Work	L	6
	Repair SSD-AFSF Items	L	6
Other EEIC 546			
	Area Support	M	6
	Base Support	N	7
	Quality Audit Programs	N	7
	Demilitarization	N	7
	Local MFG-SSD-AFSF	P	6
	Local MFG-GSD-AFSF	P	7

	TYPE WORK	RGC	TYPE PO
	Local MFG-CP Items	R	6
	Repair GSD-AFSF Items	N	7
	All Other Service Work (AFMCR 66-40)	S	6
Storage EEIC 548			
	Storage	1	6

NOTE 1: The use of serial number control in DMBA data systems is mandatory. An hourly sales rate will be entered into the G004L system by the number by the appropriate DMBA activity.

NOTE 2: If the workload being ordered is controlled by D035K (AFMC Retail Stock and Distribution/Central Material Locator Management System) and has a short flow time (30 days or less), the work will be placed on a Type 6 PO in RGC D (if missile) or H (if OMEI). These will have a unit of measure (UOM) of EA and an end item sales price established by the appropriate DMBA activity. All other items of workloads will be serial number controlled, have a UOM of HR, and use the HQ AFMC approved hourly sales rate.

Chapter 4

DMBA BUDGETS

4.1. Budget Planning. The development of a DMBA budget is a complex, lengthy process requiring many staff, system, and program interfaces at organization levels from a center RCC through the Office of the Assistant Secretary of Defense, Comptroller. Since the budget is developed within very demanding time constraints, each activity involved must carefully plan its role in the development process. This planning effort should provide an organized approach, including a schedule for the accomplishment of each action, that will enable completion of the total task within the imposed time constraints. The overall center plan should be approved by the center commander.

4.2. Productivity Planning. Productivity is concerned with the ratio of inputs to outputs. Initiatives to improve labor performance, conserve resources, devise better work methods and new technologies are included. All of these provide benefits (economies and efficiencies), thereby improving the input-output ratio for depot maintenance operations. Planning for productivity improvement is an integral part of the depot maintenance process, and an essential element of the DMBA budget process. Productivity planning entails projection of initiative benefits during a budget period in terms of what changes the initiatives will produce in depot maintenance labor production factors and the dollar savings resulting from the planned initiatives. HQ AFMC/LG furnishes guidance on productivity planning.

4.3. Operating Cost Based Budget (OCBB):

4.3.1. General. The OCBB is an organizational cost budget that relates expenses to planned workload performance, designed for internal management of depot maintenance. Budgets are projections of inputs (resources and their costs) and outputs (workloads) required during specific budget periods. All resources required to accomplish the planned workload program must be included in the OCBB. The OCBB will be developed from and systematically related to the PLA document. Each FY becomes an important aspect of the OCBB. Refer to figure 4-1 for an explanation of the FY use for budget development.

4.3.1.1. Not each center currently uses the OCBB as the process for budget development. If an approved different process is used, it will be similar to the OCBB but will not exactly follow the same process. The overall intent and philosophy of the budget process will remain the same.

4.3.1.2. The OCBB for the current year of the BE will be prepared for each outyear of the BE. Data input to the OCBB is developed at RCC level. When actual history is at section or higher level, identical rates for each RCC within that organization are authorized.

4.3.1.3. The account structure used in the OCBB and the actual data in the operating cost report must be directly related to the organizational structure of depot maintenance. Pseudo RCCs/accounting organization codes must be established to input G&A amounts.

4.3.2. Productivity factors. Projected labor efficiency and indirect factors must be developed for all organizations at RCC level and above. In developing these projections, changes planned in the ratio of direct to total hours, labor efficiency, and direct labor standard time values must be considered.

4.3.2.1. The delegated product directorate personnel determines the projected total labor efficiency to be input to the PLA computation. History is used as a baseline and adjustments are made

based on projections. During the development of the projected efficiency, all anticipated conditions (new workloads, personnel phasing, personnel skills, etc.) must be considered. The RCC labor efficiency projections, and applicable revisions, are approved before input to the PLA of the G004C (Depot Maintenance Workload Planning and Control System).

4.3.2.2. Indirect labor factors (ILF) are the ratio of nondirect time to direct time in RCCs. These factors must be developed according to procedures outlined in AFMCI 21-105, *Depot Maintenance Work Measurement*.

4.3.2.3. The budget submission must include documentation which identifies, explains, and supports the planned productivity changes.

4.3.3. Planned Labor Application (PLA). The PLA is developed after workload requirements have been determined. This process will balance available manpower to workload requirements and expresses manpower requirements in terms of personnel equivalents.

4.3.3.1. Workload projections are based on the latest available data from G072E (Depot Level Maintenance Requirements and Program Management System) and adjusted for such factors as customer funding levels, historical nongeneration of assets, inventory reductions, system errors, process improvement, and workload shifts. Since these workload projections form the basis for budget development, the workload must be approved by HQ AFMC/LG prior to development of the PLA. Workload requirements will be expressed in standard hours.

4.3.3.2. Options to increase capability must be reflected according to HQ AFMC/LG budget guidance.

4.3.3.3. The added capability gained by using support organizations such as the Test Squadron and the Combat Logistics Support Squadron (CLSS) personnel must be included in the PLA computation.

4.3.3.4. The product directorates will be responsible for providing PLA data to the ALC/FM for budget consolidation within HQ AFMC and locally-established time frames.

4.3.4. Overhead. After determining production capability, the following overhead end strength data is required. These procedures apply to both civilian and military personnel.

4.3.4.1. ALC/FM allocates end strengths to each product directorate.

4.3.4.2. Each product directorate identifies allocated manpower authorization by organization.

4.3.5. All DMBA costs must be projected:

4.3.5.1. Expense categories. All DMBA costs must be correctly classified in one of the following categories:

4.3.5.1.1. Direct production. Direct labor, direct material, and other direct costs (direct contractual services and operational TDY costs) required to accomplish specific depot maintenance workloads.

4.3.5.1.2. Production Overhead. Costs incurred by or allocated from the directorate to an RCC which can not be economically identified to job orders. These costs include RCC indirect labor, indirect material, indirect other costs (Cost Class 4) incurred by the RCC, and shop support expense (section, branch, division, and directorate management; scheduling and planning; engineering and quality) allocated to the RCC.

4.3.5.1.3. G&A Overhead. All depot maintenance costs outside the product directorates or not classified as production overhead.

4.3.5.2. Development of specific costs. ALC/FM consolidates all expenses for inclusion in the OCBB. The following are expenses chargeable to the DMBA:

4.3.5.2.1. Labor costs.

4.3.5.2.1.1. The labor cost for both civilian and military personnel is computed as part of the OCBB procedure. The distribution of labor costs within depot maintenance must be totally compatible with manpower allocations established in the PLA and related overhead manpower distribution procedures.

4.3.5.2.1.2. Cash awards. Cost should be budgeted on the basis of a predetermined percentage of base pay for incentive awards and on past experience for suggestion awards.

4.3.5.2.1.3. Workmen's compensation. Provided by HQ AFMC/FM.

4.3.5.2.1.4. Overtime:

4.3.5.2.1.4.1. The DMBA plans for a limited amount of overtime to offset irregularities in work schedules. This overtime is part of normal depot maintenance operations to ensure a smooth flow in repair processes. However, if a customer requests the use of overtime that is over and above normal depot maintenance overtime to expedite/accelerate a workload and improve the originally negotiated schedule, the customer must be charged the additional cost. Acceleration tends to hamper the normal flow of work and causes gaps in production such that follow-on work absorbs higher than planned overhead and causes DMBA losses. It is only fair that the customers who benefit from the use of additional overtime pay the cost of the additional overtime.

4.3.5.2.1.4.2. Depot maintenance may not charge additional overtime to the customer when overtime is used at the convenience of depot maintenance to make up for schedule slippage or workload backlogs. In order to charge for additional overtime, the customer must request the additional overtime and be willing to pay for it. Renegotiation of the price must be done when the customer decides to accelerate the work. Funding for the additional cost must be provided at that time, before the acceleration begins.

4.3.5.2.1.4.3. The overtime labor premium is the primary cost incurred when workload is accelerated. However, additional costs that are a direct result of the customer's decision to accelerate the workload should also be charged to the customer. Documentation to support all additional costs due to the decision to accelerate the workload must be attached to the work order and retained.

4.3.5.2.2. Material costs:

4.3.5.2.2.1. RCC material costs. RCC historical rates are compiled for direct and indirect expense and investment material. Projected material rates are adjusted based on projected workloads and any known variable factors. The product directors review and approve these material rates.

4.3.5.2.2.2. Material cost for overhead organizations. Product directorate budget team members prepare the material budget for their organizations.

4.3.5.2.3. Other costs. These costs must be prepared according to locally-published guidance and schedules. They will be reflected by individual expense elements as follows, and as further defined in AFMCR 170-10.

4.3.5.2.3.1. Travel, per diem, and vehicle rental. Travel and per diem must be separately identified for each category. Operational travel should be related to offbase workloads contained in the PLA. Administrative travel should be based on experience, adjusted as required, by known programs. This item must include travel associated with offbase training.

4.3.5.2.3.2. PCS. Expenses (travel/per diem, real estate, miscellaneous) for civilian employee PCS moves should be based on experience and anticipated requirements.

4.3.5.2.3.3. Shipment of HHGS. Estimated costs for shipment and storage of HHG associated with authorized PCS moves of civilian employees should be based on experience and anticipated requirements.

4.3.5.2.3.4. Contractual services. Estimates for contractual services for repair of depot maintenance owned equipment, shop rearrangements, and any other contracts written solely for depot maintenance direct citation of DMBA funds should be based on projected requirements.

4.3.5.2.3.5. Contractor Engineering Technical Services (CETS). The cost of CETS personnel who perform contract field service contracts as authorized by AFI 21-110, *Engineering and Technical Services*. The allocation of these costs in the budget process may be to the production RCC, to the product directorate to retain the cost against specific workloads, or applied across all workloads as production overhead when the cost cannot be more specifically charged.

4.3.5.2.3.6. Training. Cost of attendance for depot maintenance employees in technical and management courses. Provides for the cost of tuition in job-related courses taken by depot maintenance employees, and a pro rata share for instructors brought on base. Excludes AETC funded schools. Compute costs in coordination with the center training office.

4.3.5.2.3.7. Utilities. Utility costs for billing purposes are obtained by metered services or engineering estimates subject to annual review. Projected costs should be obtained in coordination with the local civil engineer. A written memorandum of agreement (MOA) providing the utility rates and services, approved by depot maintenance and the base civil engineer, is required. This MOA is reviewed and updated each year. Purchased utilities and maintenance costs will be separated.

4.3.5.2.3.8. Printing and reproduction. All printing and reproduction services ordered by depot maintenance. Excluded is printing of technical data such as technical orders (TO). Estimates of cost should be obtained through coordination with the local printing manager.

4.3.5.2.3.9. Communications services. Commercial telephone, long distance tolls, and all communications equipment and services rendered exclusively for the use of depot maintenance. Leasing, rentals, and purchase of equipment (less than the CPP threshold) are acceptable charges to this account.

4.3.5.2.3.10. Equipment rental. Equipment rented for the exclusive use of depot maintenance. Estimates should be based on historical data, adjusted by known requirements.

4.3.5.2.3.11. Vehicles. The cost of maintaining vehicles assigned to depot maintenance.

4.3.5.2.3.12. Custodial Services. Provides for custodial service support. Projected costs will be based on depot maintenance and civil engineer estimates by type of service.

4.3.5.2.3.13. Base Operating Support (BOS). The intent of BOS, within the framework of the DBOF, is to provide a depot maintenance share for services that are provided by the base where the depot is located. This will include a host of activities as agreed upon through MOAs between the depot and the base. This includes reimbursable costs of support provided to depot maintenance by base support functions for such activities as chaplain services, libraries, fitness support, civilian personnel clubs, food/health/lodging facilities, data automation, fire protection, base administration, security services, environmental management, financial management, and services provided by the local unit of DFAS. NOTE: The preceding list is only a sample and not to be interpreted as complete. Costs will be estimated according to AFMCR 170-10. Sufficient documentation should be available to support and explain each of these costs. For each OCBB, appropriate personnel from depot maintenance, Financial Management, and the supporting organizations will identify those positions dedicated to support of the DMBA. MOAs will be established as required in AFMCR 170-10. Agreements are valid only when signed at the directorate level, Financial Management, and the organization furnishing the support. In the ALC budget submission to HQ AFMC/FM, each of the costs identified in support of BOS will be separately identified, and the general ledger account code will be identified in which these costs were budgeted for.

4.3.5.2.3.14. Facility maintenance, repair, alterations, and architectural and engineering (A&E). Facility alterations (less than the CPP threshold), repair (cost limited to budgeted totals), facility maintenance to buildings belonging to depot maintenance, and A&E. Estimated costs will be developed in coordination with civil engineering and the depot maintenance facility and equipment programming function. Projects will be classified as maintenance, repair, or alteration, according to AFI 32-1022, *Planning and Programmed Nonappropriated Fund Facility Construction Project*. Final determination on the priority of funding for such projects will be made according to AFR 170-10. The following applies:

4.3.5.2.3.14.1. Maintenance. Maintenance is the recurrent, day-to-day, periodic, or scheduled work required to preserve a real property facility.

4.3.5.2.3.14.2. Repair. Repair is the restoration of a real property facility, or its constituent components, to such a condition that it may be effectively used for its designated purpose. Repair may include replacement of constituent parts, material, and real property installed equipment.

4.3.5.2.3.14.3. Alteration. Alteration projects funded are limited to those clearly defined as adjustments of the interior arrangements, reconfiguration, repositioning or relocation, or altering other physical characteristics of an existing facility so it may be more effectively used for its designated purpose. Additions, expansions, and exten-

sions qualify as alterations if the cost is less than the CPP threshold. Projects will not be subdivided.

4.3.5.2.3.14.4. Architectural & Engineering. A&E costs for depot maintenance facility projects (whether prepared by civil engineering or contractor) may be funded. A&E design costs are not considered as part of the total cost of facility alteration projects for purposes of project funding limitations. This account should only be used for A&E charges for expensed projects. A&E charges for capitalized projects (minor construction projects > CPP threshold and <military construction program) should also be capitalized and depreciated.

4.3.5.2.3.15. Automated data processing management system development. Costs directly associated with accomplishment of data automation development requirements for depot maintenance.

4.3.5.2.3.15.1. DMBA pays for projects that are less than the CPP threshold and have a useful life of less than 2 years. These costs will be expensed out in the year that costs occur. DMBA reimburses the Joint Logistics System Center for projects that are greater than the CPP threshold and have a useful life of greater than 2 years.

4.3.5.2.3.15.2. DMBA pays for the continued operating costs of current systems that are the responsibility of the depot maintenance community.

4.3.5.2.3.15.2.1. Communication-Computer Systems Requirement Documents (CSRD). These costs include the actual hours expended by each non-DMBA individual working on a DMBA project. Particular care should be taken to ensure all man-hours expended on DMBA CSRDs are charged directly to those CSRDs; and DMBA CSRDs are not charged for any man-hours expended against non-DMBA CSRDs and system maintenance tasks.

4.3.5.2.3.15.2.2. Automated Data Processing Equipment (ADPE) Resources. Computer time and personnel resources used for DMBA systems support.

4.3.5.2.3.15.2.3. Travel Expenses. When TDY is necessary in providing systems support to the DMBA, the actual transportation, per diem, and related travel expenses.

4.3.5.2.3.16. The ALCs are responsible to budget for personnel and associated costs for headquarters depot maintenance organizations. Each ALC will be notified by HQ AFMC/FM of their share for reimbursement of these costs.

4.3.5.2.4. Depreciation/Amortization. Under the CPP, depreciation/amortization is an expense and includes equipment depreciation, minor construction depreciation, and management information systems amortization.

4.3.6. At the conclusion of the OCBB budget development process, it is reviewed, consolidated, and approved by the ALC/FM DMBA budget office.

4.4. DMBA Defense Budget Review (DBR):

4.4.1. The organic DMBA DBR is based on OCBB cost and PLA information developed as previously explained in this instruction. Information and guidance for budget submissions are explained in AFMCR 170-10, and budget guidance published yearly by HQ AFMC/FM.

4.4.2. The narrative furnished for budget formats must explain, as a minimum, reasons for changes from history in labor; material; other costs; anticipated customer orders, revenues, and net available; cash management; operating results; WIP; and productivity savings. Reasons for changes should be addressed between all years.

4.5. Operating Budget Targets. Each DMBA activity establishes monthly operating targets based on guidance as provided by HQ AFMC/FM

Chapter 5

RATES AND PRICES

5.1. General. DMBA rates and prices are constructed to recover the organic maintenance facilities' costs of producing goods and services. Application of rates and prices is by category of repair work. This chapter covers the development and application of those rates and prices. The only exceptions authorized are additional costs to recover non-DMBA expenses from non-DoD customers and special rates and prices as identified in paragraph **5.13.**

5.1.1. DMBA rates and prices are subject to the DoD rate stabilization program. Rate stabilization is to ensure the customer's program is accomplished within the customer's approved funding and to aid the customer in developing their budget. Only significant gains and losses meeting specific ground rules are basis for changing rates and prices. Specific ground rules for changing rates and prices are outlined in paragraph **5.12.**

5.1.2. The ALC/FM is responsible for the development of DMBA sales rates and prices. These are initially developed for the FY in conjunction with the development of the BE for that year. Adjustments shall be made to rates and prices based on program budget decisions (PBD).

5.2. Purpose of Rates and Prices. Customers of the DMBA require advance knowledge of rates and prices in order to budget for their requirements.

5.3. Rate Definition. Hourly rates used in the DMBA community are actually made up of various elements, themselves sometimes called rates. Typically, those elements are: (1) direct labor; (2) direct material; (3) production overhead; and (4) G&A overhead. While expressing these terms as rates has valid applications, the rates referred to within this chapter are the totals of all these elements. The following paragraphs identify the various rates and prices and their uses.

5.3.1. RCC Rates. RCC rates are those costs incurred by a direct labor organization. An RCC rate includes all elements of labor, material, production overhead, and G&A overhead. RCC rates are used in the development of end item sales prices (EISP). RCC rates may also be used as sales rates for nonprogrammed work. Paragraph **5.5.** addresses how RCC rates are developed. Usage of RCC rates is discussed in **paragraph 5.6.** and **paragraph 5.13.**.

5.3.2. EISP. The use of EISPs applies to engines and MISTR workload. EISPs are those prices charged the customer for programmed repair of single items, such as an indicator or a fuel pump. The same price is charged for all items of the same type national stock number (NSN) inducted under a specific production number, regardless of quantity or condition. EISPs are addressed in **paragraph 5.6.**.

5.3.3. Sales Rates. Sales rates are applied to RGCs of work. They are generally comprised of a combination of several RCC rates, since seldom does only one RCC perform all the maintenance on an entire category of work. Sales rates may contain more than just RCC cost elements if directed by higher headquarters. Sales rates are discussed in **paragraph 5.9.**. Once established, RCC rates are used as the basis for negotiation of all nonprogrammed work.

5.3.4. Fixed Prices. The concept of fixed pricing applies to aircraft, missiles, and OMEI. For each major end item, a basic price is published for repair. Individual prices can be established for specific portions of the work package. Fixed prices are covered in **paragraph 5.10.**.

5.4. Development of the DMBA Budget. Before understanding how rates and prices are developed, it is important to have a basic grasp of the budget process so that the sequence is clear.

5.4.1. First, during each budget cycle, ALC product directorates provide their inputs to the overall center budget. Expenses are identified, projected, and consolidated on the IF-4 exhibits. Once expense projections are scrubbed, reviewed, and approved as part of the budget process, construction of rates and prices can begin.

5.5. Development of RCC Rates:

5.5.1. After approval of the budgeted expenses, the G035A system is updated with current expense data. This process is crucial for the accurate running of the OCBB process (see **Chapter 4**). Individual RCC rates based on these inputs are calculated and overlaid to the G004C (Depot Maintenance Workload Planning and Control System). Initial RCC rates are thus established.

5.5.2. The RCC rate is the baseline for all further rate and price development, including PBD adjustments.

5.5.3. New data systems. At the time this instruction is published, a new data system is under prototype, that if implemented will replace much of the system processes described. Each ALC that is testing partially or wholly this new data system will have similar processes described herein, but the data system used will be different.

5.6. Development of EISPs:

5.6.1. Once RCC rates have been established and loaded into G004C, G072A (Depot Maintenance Production Cost System) can calculate EISPs for all programmed NSNs. EISPs are computed by multiplying the labor standard DPSH for each operation by the labor, overhead, and G&A budgeted rates for the RCC in which the operation is performed and then adding material costs and any other direct costs as applicable.

5.6.2. Construction of EISPs is dependent on information from four sources: G004C, E046B (Labor Standards Mechanization System), G005M (Depot Maintenance Material Support System), and a file maintenance action to G072A called a "KA22" (see figure 5-1).

5.6.3. The actions necessary to accomplish EISP construction are as follows:

5.6.3.1. The local system surveillance programmer inputs a file maintenance action (KA22) to G072A for the AFMC directed material inflation/deflation factor which is provided by the local ALC/FM DMBA budget office.

5.6.3.2. ALC/FM notifies the local G004C monitor to prepare an interface tape for G072A from the adjusted G004C rates, identifying the "approved" or "annual" line to be used.

5.6.3.3. ALC/FM notifies the local G072A monitor to process the G072A P09 giving the dates of the E046 labor standards and G005M material standards to be used for the processing. Analysis of this product (P09) must be performed by ALC/FM and the product directorates to ensure that the budgeted expenses are used to set the sales price.

5.6.4. The results of these computations, discussed in **paragraph 5.6.3.**., are shown in the G072A P09, Planned End Item Costs. A series of error listings is also provided (G072A P01, P03, P05). These error conditions should be analyzed, corrected, and processed in the feeder systems or as a KA49 action in the G072A. At this point, EISPs are established, but not yet implemented. Implementation is a two-part effort; loading prices into the G0l9C (MISTR Requirements Scheduling and Analysis System) and the G004L (Job Order Production Master System) Sales Price Master (SPM).

5.6.4.1. G0l9C. Once everything is complete in the G072A P09, the end item sales prices are overlaid to the G019C. Once loaded, G0l9C is the system through which EISPs are made available to customers, through ither products or data system overlay, for numerous planning, budget, and analysis operations.

5.6.4.2. Sales Price Master. Prices from the G072A P09 will also be overlaid to the G004L SPM. This action establishes EISPs within the maintenance systems. To start the action, ALC/FM must contact the local G004L monitor to arrange the overlay, and to arrange for a run of the SPM, which will show the new prices. As with planned end item costs, error conditions must be researched and coordinated with the appropriate planner so prices may be input to G004L. At the beginning of the FY, inductions into G004L will create new job orders. The appropriate USP for that production number is applied from the SPM to the JON. NOTE: If no price is available in the SPM, G004L will not allow completions to be recorded against the JON. The sales price for new production numbers is added to the SPM.

5.6.5. Once established and approved, EISPs are the prices customers pay for repair of end items throughout a FY. EISPs are required for all workloads not controlled and sold at serialized rates per DPSH. Temporary unit prices are computed as each job order is opened. The approved labor and overhead RCC rates are used to compute the unit prices.

5.6.6. An exception to one stabilized engine price can be found in two-level maintenance repair. In the two-level engine maintenance concept, a customer may be charged multiple prices depending upon what the customer determines is required for repair.

5.7. USPs for Nonprogrammed Workloads:

5.7.1. At the beginning of each FY, the approved RCC sales rates are overlaid from G004C to G004L. When the planning for each temporary job is completed, G004L computes the unit price by extending each RCC's planned DPSH by the RCC approved rate. At this point, material costs are added either from the JON Bill of Materials or by using the RCC direct material rate, depending on how the JON is coded. Other direct costs (operational TDY, contractor support) identified on the JON are also included. The total computation is divided by the job order quantity (JOQ) to obtain the USP. If the total planned cost exceeds the customer's estimated costs, a notification of this condition is forwarded to the customer. The customer must respond within 10 days by raising the estimated total job cost, reducing the JOQ, or canceling the job. If no response is received, the job may be canceled. Addendums to the JON that change any of the conditions used to compute the original price will trigger a recomputation of the price during the FY in which it was opened. Changes made after the end of the FY will not cause a new price to be computed. The exception to this policy is on local manufacture jobs for a stock fund. These prices are computed only once, when the planning is completed.

5.7.2. Software. Software is sold in the same manner as nonprogrammed workload. The sales price is determined by multiplying RCC rates times hours.

5.8. USPs for Engines and Programmed Exchangeables. Engine prices computed by the G072A do not consider FEEMS (Field Engine Exchangeable Management System). Engines are comprised of job and non-job routed accessories. Non-job routed items are purchased from the Reparable Support Division (RSD) of the Supply Management Business Area (SMBA) and are captured as exchange material. Job routed accessories, commonly referred to as FEEMS, are removed from the engine and repaired in the exchangeable line under a production number distinct from the engine. In order to complete the total engine price, the value of the FEEMS must be computed. This is accomplished through the G030 (Maintenance Decision Support System). Once file maintenance actions have been completed in the G072A-P09, the FEEMS program resident in the G030 is executed. Using the exchangeable sales prices and a matrix of engine production numbers related to exchangeable production numbers, the sales prices for all the FEEMS are summarized for a specific engine production number. A review of the matrix, par-ticularly the standard replacement percents, should be conducted to ensure that both the exchange material portion and the FEEMS portion accurately reflect the proper engine price. Normally the planning function within the responsible product directorate performs this review.

5.9. Sales Rates:

5.9.1. Sales rates are hourly rates by RGC. They have numerous uses, three of which are fundamental. First, center rates by RGC aids customers in budget preparation. Second, sales rates are used in the computation of fixed prices for aircraft, missiles, and OMEI. Third, sales rates are the hourly rates charged for work not priced by any other method.

5.9.2. A sales rate is the rate at which work is in-ducted and charged to the customer, not to be con-fused with expense rates or revenue rates. Sales rates are set based on five factors: (1) capability; (2) the amount of carryover workload; (3) the previous year's sales rate; (4) the budget year's expenses; and (5) the amount of profit or loss to be attained.

5.9.3. Sales rates for each aircraft MD, OMEI class, field team, etc., are computed based on the pseudo code consolidations input to G072A by KA3O file maintenance actions and passed to G004C.

5.9.3.1. All active pseudo codes need to be identified by a KA3O transaction to G072A each month to ensure accurate history collection. The G072A K24 Pseudo Code/Mission Group Cross Reference List and the G004C Pseudo Code master should be reviewed a month before running the workload pricing rates to ensure all required pseudo codes have been identified by a KA3O and the designators are correct. Corrections and additions must be input to G072A in time for internal processing and production of the tape that will be passed to G004C.

5.9.3.2. Once RCC rates have been loaded, two products are run, G004C-FAA-PR and G004C-GAE-PI. The FAA product is called the Work Rate Master and provides rates by RGC by the categories of direct labor, direct material, direct other, overhead, and G&A. The GAE product provides rates in the same manner, but by MD, depot field team, other ALC MISTR, etc.

5.9.4. Sales rates will be provided yearly to HQ AFMC/FM as part of the finalized budget. The sales rates will match projected revenue identified on budget exhibits. The sales rates will include all categories of expenses (direct labor, direct material, direct other, overhead, and G&A), as well as any adjustments directed by PBD actions to incorporate policy changes, and any profit/loss requirements.

5.9.5. Reconciliation of Rates. There are certain essential elements that must be in agreement to ensure accurate rates and prices. These are:

5.9.5.1. The budget exhibits, PLA, and the OCBB for DPSH hours produced.

5.9.5.2. The budget exhibits, OCBB, and G004C work rate master (after adjustments) for total expenses.

5.9.5.3. Failure to reconcile any differences will result in inaccurate rates and prices which differ from the OSD Comptroller approved budget. The consequences will be the loss of revenue if rates are too low, or loss of workload if the rates are too high.

5.10. Fixed Prices. Aircraft, missile, and OMEI fixed prices are those prices charged the customer for programmed (RGCs A, C, and G) depot maintenance, and are computed before the beginning of the FY. The exact date for completion of these prices will be established yearly by HQ AFMC/FM.

5.10.1. Programmed aircraft, missile, and OMEI work must have a quantifiable, specific requirement. These tasks are based on specific hours that have a nonengineered or engineered standard. The standard PDM or analytic condition inspection (ACI) work package will be established with a fixed price. Significant workloads that fall out of the standard PDM/ACI package will be considered options. The number of options that can accompany a basic package is unlimited, but all options must be fixed priced.

5.10.2. Fixed prices are developed for each MDS model and are comprised of three elements: basic, options, and over and above.

5.10.2.1. Basic. The basic portion of a fixed price is that price charged for each and every like aircraft, missile, or item undergoing PDM, regardless of condition, for a predetermined series of common depot maintenance tasks. The basic charge is computed by multiplying the number of DPSH by the approved sales rates as explained in **paragraph 5.9.3.**. The tasks and number of DPSH are determined by the appropriate planning/workload activity, but must be directly traceable to Maintenance Requirements Review Board (MRRB) tasks and hours. Generally, tasks with 100 percent occurrence factors are included in the basic package.

5.10.2.2. Options. Options are those tasks which are not common to every induction. This element allows the customer and the depot to determine each price according to the needs of the end item. For example, a modification may not be required for all inductions. Likewise, all aircraft may not require painting. By identifying such tasks as options and computing a price for each, the customer is provided a shopping list, and the depot is given a more finite work specification. In most cases, the price for each option is determined by multiplying the task hours (from MRRB or time compliance technical order (TCTO)) by the rates as explained in **paragraph 5.8.**.

5.10.2.3. Over and Above. This element consists of those tasks which cannot be reasonably identified prior to induction and are not within the scope of either the basic or option packages. The price is obtained by multiplying negotiated hours by the rates explained in **paragraph 5.9.3.**. Over and above is worked on a separate JON from that of the basic and options. All over and above must be approved by the Project Administration Office (PAO) and funds manager (see **paragraph 5.10.5.3.**.). Work may not be accomplished before the customer provides the required funds (see **Chapter 3**).

5.10.3. Maintenance of fixed prices:

5.10.3.1. Fixed pricing as a concept is used in depot maintenance data systems. It applies to the basic portion of the fixed price and options, including TCTOs. The fixed pricing system procedures do not apply to over and above, however, as this is charged at normal hourly rates on a separate JON. Caution must be exercised to "back out" of the over and above JON any hours included

in the basic price. Typically, a small block of over and above hours are included in the MRRB brochure.

5.10.3.2. Fixed prices are documented on fixed price worksheets (figure 5-2). Necessary coordination and approval of completed worksheets and amendments will vary according to organization. Refer to paragraph **5.10.5.**

5.10.4. Sources of prices. As stated in **paragraph 5.10.2.1.**., the hours for tasks must be directly traceable to MRRB brochure task hours. Additionally, hours (consequently prices), for options must be traceable to either MRRB or TCTO hours. Traceable does not mean identical, as all duplicate or redundant tasks must be removed when a task is performed in conjunction with PDM. Any differences between planned hours and hours as stated in the MRRB brochure or TCTOs must be reconciled. However, the depot maintenance standards are the authoritative documents regarding the number of hours per task. If incorrect hours are stated in either of these, then appropriate approval for changes in hours must be received first by the MRRB, followed by a request and subsequent approval for a fixed price change before the customer can be charged a different price.

5.10.5. Changes to Fixed Prices. Changes to fixed prices fall into three categories:

5.10.5.1. Category 1 Change. A Category 1 change is one that affects all items (MDS) worked for a FY and usually involves a change of scope. For example, the addition of 100 hours to an F-15C basic package for inspection and increased test requirements. These changes may affect either basic hours or option hours. Unless disapproved locally, the ALC/FM will forward all requests for changes to fixed prices to HQ AFMC/FM for approval. This price change request will be submitted in the format shown in figures 5-2 and 5-3. Requests will also be in narrative form and identify specifics as to tasks and hours accomplished.

5.10.5.2. Category 2 Change. A Category 2 change is the addition or deletion of complete option tasks, such as the issuance or rescission of a TCTO. These changes may be approved by the ALC/FM, and HQ AFMC/FM will be provided copies of updated fixed price worksheets.

5.10.5.3. Category 3 Change. A Category 3 change is a change to the initial fixed price of an individual aircraft, by either the addition or deletion of an option, or an increase in over and above hours due to discovery of out-of-scope work. These changes cannot impact the prices of individual options or the basic package price, and are documented on fixed price worksheets (**paragraph 5.10.3.2.**.) by processing an amendment to the initial worksheet. Approval authority will vary due to center organizational structure and source of funds. At a minimum, however, approval requires the signature of the funds manager empowered with the obligation authority for customer funds, whether local or at command level, with concurrence of the PAO.

5.11. The Sales Rate/EISP Approval Process:

5.11.1. Sales rates (**paragraph 5.9.**.) are submitted to HQ AFMC/FM as planning rates and proposed sales rates. All the rates may need to be adjusted later to reflect budget changes approved by PBDs. The original G004C RCC rates, G005M material standards and E046B labor standards for use in the recomputations of prices, will be stored to incorporate future PBD adjustments. After approval, HQ AFMC/FM notifies the centers of approval and publishes the FY planning rates.

5.11.2. Approval authority. All FY sales prices are approved by HQ AFMC/FM. Activities will be notified once this approval has been obtained.

5.11.3. Distribution of rates and prices. Approved sales rates and EISPs are provided to the customer prior to the beginning of the year of execution. When sales rate and EISP changes are approved during the year of execution, the revised sales rates and EISPs are also furnished to the customer immediately. In all cases, they will be distributed no later than 15 days preceding the effective date of the change.

5.12. Changes to Sales Rates and EISPs:

5.12.1. Rate stabilization:

5.12.1.1. Rates and prices are stabilized according to the DoD rate stabilization policy. This policy states that prices charged to customers will reflect the financial projections contained in the OSD approved BE. Further, the policy is that overall prices will be stabilized in such a manner that individual price changes do not create an adverse impact on any individual customer of the DMBA, and are accomplished within the operating profits and losses in the OSD approved operating budget.

5.12.1.2. HQ AFMC/FM evaluates all change proposals against total business area operations to ensure strict compliance with the basic policy. Unless delegated to a lower level, final approval authority is at OSD Comptroller level. **In no case is approval authority below HQ AFMC/FM.**

5.12.2. Sales rate and EISP changes should be proposed for three primary reasons: (1) to adjust for work scope changes; (2) to reduce prices as a result of new methods, processes, equipment, or management actions that significantly reduce maintenance costs; (3) errors in pricing.

5.12.2.1. Changes in major work content or major work specifications that are made after rates/prices are set and would cause a significant profit or loss to the DMBA, are valid reasons to renegotiate the price with the customer and request a rate/price change. For example, if the repair process is altered due to engineering changes or customer driven requirements to improve the quality of a product; changes occur in the cost of the material required due to different kinds of material required for the new process; or changes in the amount of labor required to implement the work specification changes are all valid reasons to renegotiate the rate/price.

5.12.2.2. Changes in major work content or work specifications which decrease the cost should result in price decreases for work inducted after the price change has been approved. Funds must be returned to the customer, even if the customer's appropriation has expired.

5.12.2.3. Changes in major work content or work specifications which increase the cost should result in price increases for work inducted after the price change has been approved. Increases must be funded by the customer.

5.12.2.4. In some cases a "special rate" for a specific task, in lieu of a rate change may be appropriate. For example, if after the sales rate is established, a task is changed so that material costs are significantly changed, a special rate for that task may be established. The existing rate would be charged for all work accomplished except for the task in question, for which the new rate would be charged. In many cases, the higher cost of material may be offset by a lower number of labor hours required, so that the total cost to the customer is reduced. The special rate may only be used for new inductions after the special rate has been negotiated.

5.12.2.5. To request a change complete the following:

5.12.2.5.1. The requesting product directorate forwards a change request to the ALC/FM. Change request is submitted in the format shown in figure 5-3.

5.12.2.5.2. ALC/FM will review the submission, complete part IV, and forward to HQ AFMC/FM for further processing. Note that while approval is not within the authority of the ALC/FM, those submissions not meeting criteria as specified above may be disapproved.

5.12.2.5.3. HQ AFMC/FM will review and forward to SAF/FM as necessary.

5.12.2.6. For changes to aircraft, missile, and fixed prices, refer to **paragraph 5.10.5.**.

5.13. Special Sales Rates and EISPs:

5.13.1. Some job orders are outside the normal range, and provisions have been made for special rates and prices for these JONs.

5.13.1.1. PME Prices. PME customers are billed for all items of work based on the number of DPSH reported during a month times the RCC rate. DPSHs are accumulated against a "C" prefix production number that identifies the customer. All DPSHs reported are sold at the end of each month, and a new monthly JON is automatically created in G004L for the next month's work.

5.13.1.2. Aircraft Battle Damage Repair special rate. This type of workload is generally long flow extending over a period of 2 or more years. HQ AFMC/FM must approve special rates for this type of work. Development is as follows:

5.13.1.2.1. Use the current approved MD rate to determine the cost to the customer for the examination and inventory (E&I) of the damaged aircraft. When the extent of the damage and material requirements have been determined, a special rate may be requested for the repair, using a new temporary production number.

5.13.1.2.2. Determine the number of FYs it will take to repair the aircraft.

5.13.1.2.3. Determine the DPSHs to be earned by each RCC.

5.13.1.2.4. Develop the direct labor and overhead costs using the RCC DPSHs and current approved RCC rates.

5.13.1.2.5. Obtain material costs from the material and parts list developed during the E&I.

5.13.1.2.6. Inflate the labor and material costs to cover anticipated increases for subsequent FYs.

5.13.1.2.7. If inflation guidance is not available, contact HQ AFMC/FM.

5.13.1.2.8. Depending on the flowtime anticipated to repair the damaged aircraft, develop a rate for each FY. Develop a composite/weighted average rate from these anticipated costs. Use this composite rate to price out the entire repair package to the customer.

5.13.1.2.9. Submit the detailed method used in developing the special rate along with the request for special rate approval.

5.13.1.2.10. Upon approval, notify the workload and PO functional offices of the sales rate to be used for the repair.

5.13.2. Pricing for non-DoD customers. Non-DoD customers use published sales rates and EISPs for planning purposes. They should be notified that actual cost will be billed upon completion of the job

(see **Chapter 7**). The actual funded and unfunded costs of the job as reported by G072A are used to bill for reimbursement. The DFAS also adds surcharges to other appropriations.

5.13.3. Multiple year rates/prices. It is not the intent of the stabilized rate policy for the DMBA to perform work at a loss. This would automatically occur if multiple year workload projects were priced at the price in effect when the workload was inducted. Workloads that fit this category include, but are not limited to, long-term software projects, aircraft crash battle damage repair, local manufacture requirements with long lead-times for material and some OMEI workloads. When these workloads are negotiated, pricing should be developed based on the projected amount of work that will be accomplished in each year and the projected cost for the work that will be performed in each year.

Chapter 6

FINANCIAL ANALYSIS

6.1. Financial Reports and Analysis:

6.1.1. Introduction. The PLA reflects the projected workload requirements within the organic depot maintenance capability that supports the customer's programs. The OCBB translates the PLA into cost (expense) on an organizational basis. Both the PLA and OCBB are used in developing DMBA annual budget submissions, sales rates and prices, and operating plans (targets). The operating plan portrays monthly sales forecasts by major commodity groups, expense by type, results of operation, and represents management's plan for execution.

6.1.1.1. The Depot Maintenance Budget and Management Cost System (G035A) provides a series of mechanized reports to measure the cost of operations against the objectives contained in the OCBB. The cost data in the G035A system should agree with those amounts in the organic portion of the DMBA general ledger, and those expenses input to the Depot Maintenance Production Cost System (G072A). Procedures pertaining to G035A, examples of output products, reports, and reconciliation with other documents are contained in AFMCR 170-10.

6.1.1.2. DMBA periodic reports of financial and operating data, accompanied by other documents, permit an orderly analysis of variances between the operating plan and actual performance. The responsibility for providing financial and operating data belongs to the local DAO. Revenues earned, operating costs incurred, workload accomplished, and productivity factors achieved are compared to the operating plan. Deviations above or below defined exceptable variances are analyzed and explained.

6.2. Workload Performance:

6.2.1. Variances analyzed through various reports, system products, and other related documents are only meaningful when considered in relation to workloads being performed within the organic depot maintenance.

6.2.2. The ALC/FM DMBA office obtains and analyzes data from various system products relating to major commodity group performance. Product directorate personnel provide reasons for production problems impacting performance. Data provided by product directorates should be specific as to the cause of the problems, the impact, and management actions taken to correct them.

6.2.3. A monthly maintenance labor hour summary (A-G037G-E11-M1-BEI) is required each month. This report is to be provided to HQ AFMC/LG as the RCS:MTC-LG(M)8201, Depot Maintenance Operating Cost Report, on the 12th calendar day following the end of the month. The summary reflects the total organic maintenance hours (actual and earned) in the following categories: direct, indirect other, indirect leave, and total with memo entries for both civilian overtime and holiday hours worked. This report is designated emergency status code C-2, continue reporting during emergency condition, normal precedence. Submit data requirement as prescribed, or as soon as possible after submission of priority reports.

6.3. Financial Performance. The RCS:MTC-FM(M)7118, Analysis of DMBA Financial Status, is prepared at the end of each month. This report provides both a monthly and a cumulative (year-to-date) status

of assets, liabilities, revenue, expenses, and operating results for the DMBA. This report is designated emergency status code C-3, continue reporting during emergency conditions delayed precedence. Submit data requirements as prescribed but they may be delayed to allow submission of higher precedence reports.

6.3.1. The monthly report is provided to evaluate the overall financial status of organic DMBA operations. This report must be analyzed and interpreted in terms of how the product directorate operations are progressing from a financial point of view, and presented in a manner useful to management in identifying problems, making decisions, and controlling operations.

6.3.1.1. The current month's report is compared with the previous month's report to determine changes in the accounts. Any unusual changes in asset or liability accounts are analyzed by the local DAO and DMBA financial office to determine the impact on the organic DMBA financial status and to identify potential problem areas. Special attention should be given to unusual changes in such accounts as WIP, material inventories, and unallocated costs. Information on transactions that resulted in the current balances can be found in the journal vouchers maintained by the local DAO. These vouchers may identify sources that can be examined to determine causes. By comparing successive monthly reports, trends may develop that could be of greater significance than a comparison of two monthly reports.

6.3.1.1.1. Revenue is reported by major commodity group.

6.3.1.1.2. Expenses are reported by type of expense.

6.3.1.1.3. Operating results reflect either a profit realized or loss sustained from matching the cost of goods sold to the respective revenues.

6.3.1.2. Actual revenue, cost of goods sold, and operating results are compared to planned amounts to determine variances. Any variance from the operating plan requires a more detailed analysis. The cause of the variance will be determined, and actions recommended to ensure attainment of objectives or to adjust the operating plan. This information is indicative of local management effectiveness in accomplishing planned workloads and achieving assigned goals and overall command progress in realizing the goals of the DMBA. Analysis obtained from this report is provided to HQ AFMC management.

6.3.2. The financial information of the RCS:MTC-FM(M)7118, Analysis of DMBA Financial Status, is to be provided by the local DAO to the ALC/FM. The basis of this information comes from the H069G (Air Force DMBA General Ledger System). The ALC Comptroller signs and submits the RCS:MTC-FM(M)7118.

6.3.2.1. The DAO activity will provide the local DMBA budget office appropriate explanation on the status on balance sheet and statistical accounts.

6.3.2.2. The local DAO is responsible for the accuracy of the financial data, and the local financial management Comptroller is responsible for the accuracy and completeness of the analysis. The financial data is due to DFAS-DE/ANMC by the 12th workday of each month.

6.3.2.3. The local DAO will prepare the supplementary data section of the report analysis for HQ AFMC/FM to include Accounts Receivable, Aging of Unsupported Accounts Receivable, Accounts Receivable Written Off During FY, and Progress Payments from Customers.

6.3.3. The ALC DMBA financial office is responsible for the financial narrative and analysis sheets of the RCS:MTC-FM(M)7118 which explain the status on directed criteria. The analysis portion is due to HQ AFMC/FM on the 18th workday of each month.

6.3.3.1. The statements of Revenue and Expense (reports included in the RCS:MTC-FM(M)7118) are designed to show differences (variances) between actual and planned positions (budget targets) for FY-to-date. Narrative analysis will be provided separately for the following major categories of repair: aircraft, engines, exchangeable, OMEI, software, area base tenant, local manufacture, area-base tenant, and software. Each of these categories of repair will include the actual and budgeted position for a monthly and FY-to-date position on revenue, expenses, and profit/loss.

6.3.3.2. Analysis is required for each line on the statement using criteria defined by HQ AFMC/FM. The narrative will include a detailed description of the results of analysis performed. This description, as applicable, will include the following:

6.3.3.2.1. Current Position. Identification of the variance or change addressed.

6.3.3.2.2. Analysis of Cause. Identification of the factors causing the position addressed.

6.3.3.2.3. Corrective Action. Assessment of the impact of the position addressed and identification of corrective actions taken or planned.

6.3.3.2.4. The explanation will differentiate between programmed and nonprogrammed work.

6.3.3.2.5. The explanation will contain enough specifics to provide an understanding of what the problem is, why it occurred.

6.3.3.2.6. The explanation for revenue will be identified by dollar amounts to production hours and type of work.

6.3.3.2.7. As a minimum, the narrative analysis for production hours will contain a discussion of the following:

6.3.3.2.7.1. Production slippages for any reason should be examined. These may result in a delay of revenues until a later time period.

6.3.3.2.7.2. Parts shortages listed by weapon system.

6.3.3.2.7.3. Equipment downtime. This narrative will include causes for equipment failure, and actions underway to resolve the problem.

6.3.3.2.7.4. Reasons for not meeting budgeted efficiency rates. Provide details of corrective actions being taken.

6.3.3.2.8. Carryover. A review of carryover should be done in conjunction with a review of production trends. On a year-to-date basis, provide an explanation of carryover projections.

6.3.3.2.9. In preparing the narrative analysis, measure the adequacy of the explanations against the following requirements for analysis:

Chapter 7

DIRECT CITE WORKLOAD AND FOREIGN MILITARY SALES (FMS)

7.1. Direct Cite:

7.1.1. Direct cite involves the citation of funds on POs other than those funded by the AFMC Direct Air Force-

7 Program (EEIC 54X). Agencies whose funds have been cited on POs are billed directly by the DMBA for products completed or services rendered. Some Air Force commands may elect to provide direct cite authority to the customer through AF Form 185. Different documents are used by other customers to buy DMBA services, such as DD Form 448, **Military Interdepartmental Purchase Request (MIPR)**, and FMS case documents. Copies of these funding instruments must be attached to each PO and all amendments that involve appropriations other than AFMC. The local DAO at the maintenance location inserts the complete accounting classification into the G004L (Job Order Production Master System) in order to establish an FCRN. All POs are subject to direct cite; however, all depot maintenance workloads within these orders are not subject to direct cite. Direct cite workloads are identified in the data systems by specific PCN for ac-counting purposes and accumulation of costs.

7.1.2. Procedures:

7.1.2.1. The reimbursement code (first position of the PCN) must be assigned according to **Attachment 3** of this instruction and identifies the DMBA's customer (e.g., M=FMS, N=Navy). The ownership purpose code (OPC), which is the last digit of the JON, is assigned by the G004L system based on the reimbursement code of the PCN to identify the DMBA customer. (Note: The OPC for FMS is not currently operational and therefore manual intervention is required to ensure return of a specific serialized workload to the FMS customer.)

7.1.2.2. Continuous monitoring is required to ensure the COQ, JOQ, or induction values do not exceed PO/FCRN funding, or the customer's funding document restriction, whether by PCN, MIPR, or FMS command case directive (CCD).

7.2. Foreign Military Sales (FMS) :

7.2.1. FMS workload is requirement generated and paid for by a foreign government for repair, modification, or field support on a reimbursable or direct cite basis. Requirements are negotiated through the Air Force Security Assistance Center (AFSAC) located at Wright-Patterson AFB OH. FMS workloads repaired at a depot are reimbursed with FMS case funds. Direct cite case funds pay for most contractor sourced FMS workloads.

7.2.2. Procedures:

7.2.2.1. The country forwards a Letter of Request or Price and Availability (P&A) request to the country/case manager (CMM) at AFSAC. The country case manager then forwards the request to the IM/system program director (IM/SPD), or the appropriate ALC focal point. P&A estimates are returned to the AFSAC country/case manager who forwards the information back to the FMS customer. Normally, P&A estimates should take no more than 30 days to obtain and provide to the customer. These estimates are normally valid to 180 days. Upon notification from the FMS customer that the P&A data provided is acceptable, the CCM will send a CCD to the prime ALC, providing OA against the FMS case/line that will be used to reimburse the DMBA.

7.2.2.1.1. The P&A should represent an accurate estimate for accomplishing the workload. The P&A for the repair of a country-owned asset should include all DMBA funded and unfunded costs, plus surcharges added by the local DAO. For modifications, costs for the required modification kits must be included. The cost estimate for field team support must include DMBA funded and unfunded labor, material, overhead, travel, and per diem costs. If overhead personnel are a part of the field team in other than a direct worker capacity, the actual salary and benefits of the overhead personnel must also be included along with the surcharges added by the local DAO.

7.2.2.2. FMS training requirements are negotiated through the Air Force Security Assistance Training (AFSAT) Squadron located at Randolph AFB TX. FMS training includes training foreign nationals for technical proficiency, maintenance capability, and improved skill levels. The FMS training process is as follows:

7.2.2.2.1. The P&A request is sent from the FMS customer to the AFSAT, the United States Air Force agent for all international training. AFSAT will prepare the P&A estimate. The P&A estimate should include the total cost of training, DMBA funded and unfunded costs, plus any surcharges added by the local DAO. DoD 7000.14R, volume 15, chapter 7, Security Assistance Policy and Procedures, and AFR 50-29 (AFI 16-105), Joint Security Assistance Training (JSAT) Regulation, contain instructions and procedures for developing training cases (T-cases).

7.2.2.2.2. The IM/SPD working with appropriate DMBA personnel develops the training cost estimate and forwards the estimate to the AFSAT manager.

7.2.2.2.2.1. The ALC PO issuing office uses the data from the AFSAT order to prepare the PO (AFMC Form 181). An AFMC Form 206, with specific job requirements will be provided to the appropriate DMBA workloading office. The reimbursement code will be "M," and the RGC will be "N" for FMS training. An accepted PO is sent to the PO issuing office for return to AFSAT.

7.2.2.2.3. The estimated cost for FMS training must include the trainer's time. The FMS customer will also be charged the cost of the material used in training. FMS training costs must include all DMBA funded and unfunded costs to include labor, overhead, and surcharges added by the local DAO.

7.2.2.3. In estimating costs for P&A requests for organic repair & return workloads, use the AFMC Guide to the FMS - Organic Repair & Return Price Estimate and Billing Worksheets. This guide contains the current AFMC procedures for estimating and billing FMS organic repair and return workloads.

7.2.2.4. Workload in support of FMS can be either programmed or nonprogrammed.

7.2.2.4.1. Programmed workloads are negotiated and planned in advance (such as Cooperative Logistics Supply Support Arrangements or PDM for overhaul of engines, aircraft, and special modification) and will be included in a project directive or other negotiated documentation. This workload can be controlled by a permanent job order control number and PCN identifying FMS workload.

7.2.2.4.2. Nonprogrammed requirements are handled individually and worked on an "as received" basis, normally on a temporary work order (AFMC Form 206). These are usually on demand repair requirements.

7.2.2.4.2.1. Preparation of the temporary work order (AFMC Form 206) requires the workload be identified as FMS, with the case identifier, amount of OA, and special instructions such as document number, serial number control, disposition, or special handling. Planning the temporary work order includes all direct labor, material, and any special handling or other direct costs involved in completing the work requirements.

7.2.2.5. FMS workload must be identified in the maintenance data system by a reimbursement code "M" in the first digit of the PCN. The "M" is restricted to FMS, and the G072A (Depot Maintenance Production Cost system) provides the DAO with the actual funded and unfunded costs incurred for each job order for billing purposes.

7.2.2.6. For billing FMS customers, the current data systems provide G072A (Depot Maintenance Production Cost System) and G004B (Project Order Control system) with sales (revenue) at standard prices. A file maintenance action must be made in G004B to adjust sales to actual DMBA funded costs. Upon completion of the FMS job order, manual billing adjustments must be made to adjust sales to actual DMBA funded costs as reflected in G072A. The local DAO bills all DMBA funded and unfunded costs according to AFMCR 170-10 and AFMCM 177-27, *Foreign Military Sales/Grant Aid Delivery Reporting System (W001)*.

Chapter 8

THE CAPITAL PURCHASES PROGRAM (CPP)

8.1. Introduction. Policies and procedures that control the CPP program are contained in AFMCI 21-109, *Support and Industrial Operations Depot Facilities and Equipment.*

8.1.1. The DMBA is authorized to fund the acquisition of certain capital purchases through the CPP. Capital purchase acquisitions differ significantly from other DMBA expenditures in the methods used for accounting, budgeting, and processing requests. The impact of capital purchase acquisitions also causes a different effect on the DMBA financial statements, and on the execution of annual operating plans. Differences between capital purchase and other DMBA expenditures are explained in the following paragraphs.

8.1.2. The normal accounting procedures for DMBA expenditures require the recording of expenses, as services or products are received. Accounting procedures for capital assets require the recording of expenditures as an asset, not an expense. Expenses for capital assets are recorded by allocating the cost of the asset according to AFMCI 21-109, chapter 2. This accounting method provides a basis for matching revenues generated through use of capital assets with an associated expense.

8.1.3. The budget process normally requires an estimate of the cost of services or products to be received and consumed during given FYs. With capital assets, the budget process requires an estimate of requirements for each year, and the annual expense (depreciation) associated with capital assets. Funds are obligated when a legal binding contract or agreement is established, which requires the expenditure of DMBA funds when products or services are received. The budget for expenses requires the computation of depreciation or amortization of assets based on acquisition costs and the designated useful life.

8.1.4. The processing of requirements for capital assets differs from expenses because of accounting and budgeting requirements. For expenses, the financial concern is to record the transaction at the time the product or service was received. With capital assets, the primary concerns are when the obligation occurs and when payment is made.

8.1.5. The immediate impact from a financial statement viewpoint upon a capital asset acquisition is a conversion of one asset (cash) into another asset (capital asset). This conversion only affects the balance sheet. It does create a requirement to reserve cash (an asset), so when the product or service (an asset) is received, a prompt payment can be made. With an expense transaction, the conversion is from an asset (cash) to an expense (recognition of the cost). This transaction affects the balance sheet and the income statement.

8.2. Depreciation/Amortization:

8.2.1. Depreciation/amortization expense spreads the cost purchases over the periods benefited.

8.2.2. Equipment depreciation. There is only one annual depreciation expense for capital equipment. In general, the computation consists of two parts which are existing assets and new assets. Compute the existing asset depreciation expense by multiplying twelve times the projected expense for September of the previous year. The new asset computation will be based on projected receipts during the year, and a projection of depreciation expenses based on the number of months individual equipment assets will be in service during the year. The two computations are combined to provide an annual

depreciation expense projection. The new useful life on equipment is 10 years, 5 years on vehicles and ADPE, and 20 years on facilities. All equipment on the DMBA equipment custodial accounts (whether purchased with DMBA CPP dollars or donated from another source) must be depreciated. Facilities purchased with military construction funds are depreciated but not recorded as a funded expense.

8.2.3. Minor construction depreciation. Accounting personnel maintain a record of minor construction projects funded by DMBA. They compute the estimated annual depreciation expense based on current depreciation expense and estimated depreciation expense for projects that will be completed. Depreciation will not start until a project is completed and in use.

8.2.4. Management Information System Depreciation. Center DAO personnel maintain detailed records of capitalized DMBA funded management information systems. They compute an estimated amortization expense following the same general criteria as minor construction.

8.3. Areas Requiring Special Attention.

8.3.1. Shop/Office relocation or rearrangements. The cost of shop/office relocations or rearrangements is recorded as a current period expense.

8.3.1.1. The basic criteria to be met before an expense is recorded as a relocation or rearrangement includes:

8.3.1.1.1. The service is performed by personnel outside the depot, either by a contractor or by some other Air Force organization.

8.3.1.1.2. The depot will be billed for the services.

8.3.1.1.3. The service does not include projects or portions of projects that are normally facility maintenance, repair, or minor construction.

8.3.1.1.4. The service does not include the cost of installing newly DMBA purchased equipment.

8.3.1.1.5. The service includes the cost of moving and reinstalling equipment. Caution must be exercised on reinstallation costs to ensure that this portion of the project is not a facility project or an equipment modification or rehabilitation project.

8.3.2. Shop or office rearrangement projects are normally performed to facilitate the repair process or improve the office operations. The largest portion of this cost should normally be related to the movement and reinstallation of equipment. Costs associated with moving utility lines inside the facility should be included as part of the rearrangement cost. Costs associated with increasing utility capacity or extending utility capacity or extending utility lines should be considered a facility alteration.

8.3.3. Shop or office relocations to new or previously occupied facilities must be closely monitored to ensure minor construction work is not included in the relocation cost. There are time constraints imposed on the start of minor construction projects in new facilities as well as cumulative annual dollar limitations on minor construction in existing facilities. These constraints must not be exceeded.

8.3.4. Equipment design costs. When equipment design is separate from the equipment acquisition, the cost of equipment development and design is funded the same as the equipment being designed. These costs are accumulated and capitalized as a deferred charge (equipment-in-transit) in the

accounting records. When the equipment is received, the amount of the deferred charge is recorded in the G017 as a portion of the acquisition cost.

8.3.5. Transfer of equipment between depot maintenance locations. Whenever one depot maintenance organization transfers equipment to a different depot, the transfer value will be the net book value (acquisition cost - accumulated depreciation). The donor center personnel provide a copy of the G017 equipment master record to the receiving center. The remaining useful life should be adjusted as required. The donor center records an amount equal to the net book value as an "Inter Office Accounts - Transfer Out, Equipment," while the receiving center uses the "Inter Office Accounts-Transfer In, Equipment."

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Attachment 1

GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

Abbreviations and Acronyms

A&E—Architectural and Engineering

ACI—Analytic Condition Inspection

ADPE—Automated Data Processing Equipment

AFMC—Air Force Materiel Command

AFSAC—Air Force Security Assistance Center

AFSAT—Air Force Security Assistance Training

AGMC—Aerospace Guidance and Metrology Center

ALC—Air Logistics Center

AMARC—Aerospace Maintenance and Regeneration Center

ANG—Air National Guard

AOR—Accumulated Operating Result

BE—Budget Estimate

BOS—Base Operating Support

CCD—Command Case Directive

CCM—Country Case Manager

CETS—Contractor Engineering Technical Services

CLSS—Combat Logistics Support Squadron

COD—See Cost of Operations Division

COQ—Customer Order Quantity

CPP—Capital Purchases Program

CSRD—Communication-Computer Systems Requirement Documents

DAO—Defense Accounting Office

DBOF—See Defense Business Operations Fund

DBR—See Defense Budget Review

DFAS—See Defense Finance and Accounting Service

DLE—See Direct Labor Efficiency

DMBA—See the Depot Maintenance Business Area

DMBA—Customer-An activity authorized to order work form the DMBA

DMMIS—Depot Maintenance Management Information System

DoD—Department of Defense

DPAH—See Direct Product Actual Hours

DPEH—See Direct Product Earned Hours

DPEM—See Depot Purchased Equipment Maintenance

DMSC—See Depot Maintenance Storage Center

DPSH—See Direct Product Standard Hours

DSE—Depot Support Equipment

E046B—Labor Standards Mechanization System

EA—Each

EAID—Equipment Authorization Inventory Data

EEIC—Element of Expense/Investment Code. Five-digit code used to identify types of resources.

E&I—Examination and Inventory

EISP—End Item Sales Price

ERRC Code—Expendability, Recoverability, Repairability, Category Code

FCRN—See Fund Classification Reference Number

FM—Directorate of Financial Management and Comptroller

FMS—Foreign Military Sales

FSC—Federal Supply Class

FSO—Financial Services Officer

FY—Fiscal Year

G004B—Project Order Control System

G004C—Depot Maintenance Workload Planning and Control System

G004L—Job Order Production Master System

G005M—Depot Maintenance Material Support System

G019C—MISTR Requirements Scheduling and Analysis System

G035A—Depot Maintenance Budget and Management Cost System

G037G—Maintenance Labor Distribution and Cost System

G072A—Depot Maintenance Production Cost System

G072E—Depot Level Maintenance Requirements and Program Management System

G&A—General and Administrative

GSD—See General Support Division

HR—Hour

ILF—See Indirect Labor Factors

IM—Item Manager

JD—See Job Designator

JON—See Job Order Number

JOQ—Job Order Quantity

LG—Directorate of Logistics

MDS—Mission, Design, and Series

MFP—See Major Force Program

MFP 7—See Major Force Program 7

MIPR—See Military Interdepartmental Purchase Request

MISTR—See Management of Items Subject to Repair

MOA—Memorandum of Agreement

MRRB—Maintenance Requirements Review Board

NSN—National Stock Number

O&I—Organizational and Intermediate

O&M—Operations and Maintenance Funds

OA—Obligation Authority

OB—Operating Budget

OCBB—See Operating Cost Based Budget

ODC—Other Direct Costs

OMB—Office of Management and Budget

OMEI—Other Major End Items

OOB—Operations Operating Budget

OPC—Ownership Purpose Code

OSD—Office of the Secretary of Defense

OPMD—Output per Paid Man

P&A—Price and Availability

PAO—Project Administration Officer

PBD—Program Budget Decision.

PCN—See Program Control Number

PCS—Permanent Change of Station

PDM—See Programmed Depot Maintenance

PLA—See Planned Labor Application

PME—Precision Measurement Equipment

PMEL—Precision Measurement Equipment Laboratory

PO—See Project Order

PON—Project Order Number

PR—Purchase Request

PRF—See Purchase Rate Factor

RCC—See Resource Control Center

RGC—See Repair Group Category

RSD—See Reparable Support Division

SAF—Secretary of the Air Force

SM—System Manager

SMBA—See Supply Management Business Area

SOR—Source of Repair

SPD—System Program Director

SPM—Sales Price Master

SSD—See System Support Division

TBC—To-Be-Closed

TCTO—Time Compliance Technical Order

TDY—Temporary duty

TMS—Type, Model, Series

TO—Technical Order

TRC—See Technology Repair Center

UOM—Unit of Measure

USP—Unit Sales Price

WAD—See Work Authorization Document

WIP—See Work in-Process

WPC—Work Performance Category. Job designator (JD) is the term most commonly used.

Terms

Actual Costs—Amounts determined on the basis of costs incurred as distinguished from forecasted costs

Budget Savings—Savings from initiatives implemented in one budget period that constitute reductions in the budgeted costs of the prior period.

Budget Year —The FY that is the subject of a new BE. In budget context, it follows the current year

Commitment—An administrative reservation of funds based upon firm procurement directives, orders, requisitions, or requests that authorize the creation of an obligation without further recourse to the official responsible for certifying the availability of funds.

Contract Maintenance—Maintenance performed under contract by commercial organizations on a one-time or continuing basis and using contractor personnel or organic facilities of another military service.

Control Number—A five-position alphanumeric code assigned to a specific item of workload within the depot maintenance production process.

Cost Avoidance Savings—Savings from initiatives implemented in one budget period that constitute avoidances of increases in the budget costs of the prior period.

Cost Class 4—Direct labor expended in direct support of depot maintenance that is the sole beneficiary of the work done.

Cost of Operations Division (COD)—The division in the SMBA which collects earned revenues from SMBA surcharges and distributes these funds to pay for expenses.

Current Year—The FY that already has an approved budget. In budget context, it precedes the budget year.

DMBA Customer—An activity authorized to order work form the DMBA

Defense Budget Review (DBR)—The annual budget process.

Defense Business Operations Fund (DBOF)—A DoD fund that is composed of entities from all the services consisting of former stock, revolving, and industrial funds. Funds within DBOF are grouped into business areas.

Defense Finance and Accounting Service (DFAS)—A DoD agency that controls all finance and accounting services for the Department.

Depot Maintenance—Maintenance which is the responsibility of and performed by designated maintenance activities, to augment stocks of serviceable material, and to support organizational and intermediate maintenance by the use of more extensive shop facilities, equipment, and personnel of higher technical skill than are available at the lower levels of maintenance.

Depot Maintenance Business Area (DMBA)—A working capital account used to finance the costs of depot-level maintenance by (1) providing working capital, (2) allowing for the recovery of operating costs through the sale of products or services, and (3) establishing a buyer-seller relationship to facilitate these sales. DMBA is part of the DBOF, and was formerly referred to as the Depot Maintenance Industrial Fund.

Depot Maintenance Storage Center (DMSC)—Provides interim storage of direct material for issue to RCCs to support the production effort.

Depot Purchased Equipment Maintenance (DPEM)—Program covering the method for procuring depot maintenance services form depot maintenance resources. This program involves customer management to determine requirements, obtain financial OA, and provide programming authority for ordering work from the DMBA.

Direct Cite—Applies to the accounts of those customers who are billed directly by the DMBA for work completed, and who pay directly to DMBA for this work.

Direct Cost—Any cost which is identified specifically with a particular final cost objective. Direct costs are not limited to labor and material which are incorporated in the end product.

Direct Labor—Labor that (1) increases the value or utility of a product by altering the composition, condition, conformation, or construction of the product, or that provides a service directly to the customer rather than in support of other direct labor of the Directorate of Maintenance; (2) can be accurately, consistently, and economically identified to a product, group of products, or customer; (3) is supported by official work requests and authorized by prescribed WADs indicating the specific nature of work to be done.

Direct Labor Efficiency (DLE)—Ratio of earned hours to the actual hours used to produce those earned hours: DLE = DPEH divided by DPAH.

Direct Material—Material specifically required for the performance of depot maintenance as specified by a WAD. Direct material will either become part of the end item or other item which is undergoing maintenance or consumed in the maintenance process.

Direct Product Actual Hours (DPAH)—Actual hours applied by direct labor to accomplish a given workload.

Direct Product Earned Hours (DPEH)—Hours earned against an established standard for direct labor performed. A DPEH is a completed DPSH.

Direct Product Stand Hours (DPSH)—The time during which a specified amount of work of acceptable quality is or can be produced by qualified workers, following the prescribed method, working at a normal pace and experiencing normal fatigue and delays.

Exchange Material—A serviceable investment item with an ERRC Code of C, T, or L issued in exchange for an unserviceable item. This material is financed and managed by the Reparable Support Division (RSD) of the Supply Management Business Area (SMBA), and is recorded as an expense to the DMBA upon issue for use. (See investment material).

Expense—Represents goods and services consumed.

Expense Material—Material financed and managed by SMBA which is recorded as an expense to the DMBA upon issue for use. ERRC Code N and P material. GSD and SSD are considered expense material.

Fund Classification Reference Number (FCRN)—A four-position numeric code that relates to a specific accounting classification code for the activity to be billed by the DMBA for a product or service provided.

Funded Costs—Costs that have been incurred and paid for by DMBA funds

General and Administrative (G&A) Material—Material used for the operation of maintenance but does not become part of the product (such as office equipment and office supplies). Accounting, inventory, and miscellaneous material adjustments are considered part of G&A material.

General Support Division (GSD)—GSD is a division of the SMBA that provides for supplies and expense equipment of a general nature needed in operation and maintenance

Indirect Cost—Any cost not directly identified with a single final cost objective, but identified with two or more final cost objectives or at least one intermediate cost objective.

Indirect Labor—All labor at the RCC level that does not meet the criteria for direct labor, the cost of which is apportioned over all products in the RCC rather than charged to one or more specific products.

Indirect Labor Factors—Ratio of non-direct time to direct time in an RCC.

Indirect Material—Material which is required in the overall maintenance function but is not specified by a WAD for a particular job order.

Investment Material—Recoverable assemblies, installed equipment items, and modification kits procured by Reparable Support Division (RSD) of the Supply Management Business Area (SMBA), and is recorded as an expense to the DMBA upon issue for use. (See exchange material).

Job Designator (JD)—A single position-alpha code assigned to a specific item of workload to signify the type and extent of depot maintenance authorized.

Job Order Number (JON)—A nine-position alphanumeric code used to collect depot maintenance costs, progress billings, and sales. It includes the production number and a three-position suffix.

Major Force Program (MFP)—Broad aggregation of smaller or specific elements (missions) that either complement each other or are closely related.

Major Force Program 7 (MFP 7)—Central Supply and Maintenance, consists of supply and maintenance and nonrevolving funded transportation that is not organic to other program elements. This includes nondeployable supply and maintenance depots, both DBOF funded and non-DBOF funded.

Management of Items Subject to Repair (MISTR)—Program and control for repair of reparable/recoverable exchange-type items required in the Air Force program.

Military Interdepartmental Purchase Request (MIPR)—Purchase request used for maintenance to be accomplished by another DoD agency.

Modification—Alteration, conversion or modernization of a major end item of equipment or a system, which changes or improves the basic character, purpose, or operational capability. Modification alters the form, fit, and function, but may not extend the useful life.

Net Available—The net available is also referred to as funded carryover. It represents the amount of a work remaining to be completed on a funded workload. (Funded workload - work in process = net available.)

Day—Management indicator showing what portion of an 8-hour paid day was used in producing a revenue-earning product. OPMD = DPEH x 8 divided by paid hours.

Obligation—Dollar amount specifically and legally reserved for payment of an order placed, contract awarded, or service rendered.

Operating Cost Based Budget (OCBB)—An organizationally oriented cost budget that relates expenses to planned workload performance, and is designed for internal center management of the DMBA. The OCBB includes all expenses and is developed for the PLA. The OCBB is a process of the G035A (Depot Maintenance Budget and Management Cost System).

Organic Maintenance—Maintenance performed by the Air Force using government-owned or controlled facilities and equipment, and military or government civilian personnel.

Other Expenses—Any expense to the DMBA that is not for labor or material

Overhead Labor—Labor expended by personnel performing the functions above RCC level in the

product divisions and in the remaining divisions of maintenance

Planned Labor Application (PLA)—A definitive workload plan representing results of SM/IM and depot maintenance negotiations on workload availability, schedules, and quantities desired. It is developed in quarterly and annual increments, and reflects workloads for each RCC.

Production Number—A six-position code comprised of a five-position control number and a one-position JD code.

Production Overhead—A term often used to describe costs within a product division that are not direct costs.

Program Control Number (PCN)—A six-position alphanumeric code used by DPEM to identify a specific work order. The first digit identifies the customer, the second digit provides the RGC, and the third digit represents the managing ALC. The last three digits are assigned by the managing ALC.

Programmed Depot Maintenance (PDM)—Predetermined amount of repair work requiring depot skills, equipment, and tooling, that require disassembly, necessary cleaning, and inspection for repair or replacement, as necessary, of the component or assemblies.

Progress Billing—See Progress Payments

Progress Payments—Progress payment computation is primarily based on work accomplishment. Payments on POs for organic maintenance are expressed as the value of direct standard hours earned on serialized workload or units completed on nonserialized workload.

Project Order (PO)—A specific and definitive order for either the manufacture of materials, supplies and equipment, or the performance of other work or services. When placed with and accepted by a government-owned and operated establishment, a PO obligates appropriations the same as an order or contract placed with a commercial enterprise.

Purchase Rate Factor (PRF)—An amount included in DMBA sales rates to provide financing for capital asset requirements that exceed the amount of depreciation expense included in the sales rate. Computations: Requirements - Depreciation Expense = Purchase Rate Factor: PRF divided by DPSH = Hourly Rate.

Rehabilitation—Restoring an item or system to a standard as near as possible to like-new condition in appearance, performance, and life expectancy, without changing the form, fit, or function.

Repair Group Category (RGC)—These are assigned to control and budget workloads into homogeneous groupings. See **Attachment 2** for RGCs and their description.

Reparable Support Division (RSD)—RSD is a division of the SMBA that provides aircraft and missile exchange/replacement parts. This is investment/exchange material of a specific nature needed to support Air Force weapon systems.

Resource Control Center (RCC)—Smallest organized unit within a depot maintenance activity for which costs are collected. RCCs are production-oriented units of direct laborers and their related on-site supervisory, administrative, and clerical support.

Revolving Funds—Funds authorized by specific provisions of law to finance a continuing cycle of operations, with the receipts derived from such operations available in their entirety for use by the fund without further action by Congress.

Sales—Recognition of revenue for the DMBA upon completion of a job order

Sales Price—End item price for one unit of production

Sales Rates—Hourly rate at which production or services are billed to an industrial fund customer.

Savings—DMBA budget and cost avoidance savings plus budget and cost avoidance savings in other budget areas.

Supply Management Business Area (SMBA)—SMBA is composed of five separate entities, COD, GSD, SSD, RSD, and Fuels. Each of these material management areas (with the exception of the COD) control specific classes of material. SMBA is a component of the DBOF. SMBA was formerly referred to as the Stock Fund.

System Support Division (SSD)—SSD is a division of the SMBA that provides aircraft and missile spare parts and expense material of a specific nature, needed to support Air Force weapon systems.

Targets—Expected amounts of revenues and expenses to occur on a monthly basis. The sum of all targets equals the total operating budget. Sometimes referred to as operating plan.

Technology Repair Center (TRC)—A facility that repairs, modifies, or otherwise processes a specific item of equipment. The term includes both AFMC industrial activities and commercial contract facilities to which AFMC prime workloads have been assigned.

Unfunded Costs—Costs that have been incurred and paid for by appropriations other that DMBA.

Unfunded Labor Cost—Labor costs not budgeted nor paid by DMBA.

Unfunded Material—Material costs not budgeted nor paid for DMBA.

Work Authorization Document (WAD)—A document that authorizes the expenditure of labor, material, and other related costs to dot the work requested by a specific customer.

Work-In-Process (WIP)—Open job orders. The inventory of WIP consists of incurred costs including labor, material, and applied indirect expense on job orders that have not been completed.

Attachment 2

REPAIR GROUP CATEGORIES

RGC A - AIRCRAFT FIXED FACILITY/SELECTED OFF-BASE, APPLICATION: ORGANIC/CONTRACT

Includes all aircraft depot-level maintenance and concurrent organizational and intermediate work that are recurring, and can be forecasted through analysis of Air Force programming documents (applicable to Federal Supply Classes (FSC) 1510 and 1520 only). Requirements information (expressed by MDS) is entered in G079 by the IM and mechanically passed to G072E. Serial number control is mandatory and input/output schedules will be developed. All expenditures, including line support manufacture and applicable routed work, are controlled by specific aircraft serial number once the aircraft is input to work. Damage repair anticipated or actual is scheduled for input in RGC A, unless accomplished by field team, then it should be RGC B. Aircraft within this RGC are charged as a Type 1 PO. Fixed facility aircraft modification kit proofing is also included in this category. The EEIC for aircraft is 541.

RGC B - AIRCRAFT SERVICE WORK APPLICATION: ORGANIC/CONTRACT

Includes field team work and all other complete aircraft workloads (FSCs 1510 and 1520) not covered by RGC A. This includes those workloads for which a specific input/output has not been formalized as well as planned organic reclamation of complete aircraft. All damage repair accomplished by field team and all depot level field team effort are planned and accomplished in this TGC (input/output schedules will be developed). Once a workload is input in this RGC, it remains in this RGC through completion. Requirements information (based upon a projected workload requirement and expressed by MC, and when identified to an end item, requirement is by MDS) is entered into G079 by the IM and mechanically passed to G072E. All organic work accomplished in this RGC is charged as a Type 6 PO. The EEIC for aircraft is 541.

RGC C - MISSILE FIXED WORK, APPLICATION: ORGANIC/CONTRACT

Includes all programmed missile depot maintenance requirements reflected under FSC 1410 for which a specific input/output schedule is developed. Requirements information is entered into G079 by the IM (expressed by MDS) and mechanically passed to G072E. If accomplished organically as Cost Class 1 (CC1), all expenditures, including line support manufacture and routed work, are controlled by specific missile serial number once the missile is input to work. All organic Cost Class 1 and serial number controlled Cost Class 2 (CC2) accomplished in the RGC are charged as a Type 2 PO. The EEIC for missiles is 542.

RGC D - MISSILE SERVICE WORK, APPLICATION: ORGANIC/CONTRACT

Includes field team effort and all other complete missile workloads not covered by RGC C. On-site repair, engine/quality analysis, storage, and reclamation are in this category. Maintenance performed on operational and maintenance ground equipment can be accomplished in the RGC. Requirements information (based upon a projected workload requirement and expressed by MD, and when identified to an end item, requirement is by MDS) is entered into G079 by the IM and mechanically passed to G072E. All organic work accomplished in this RGC is charged as a Type 6 PO. The EEIC for missiles is 542.

RGC E - ENGINES PROGRAMMED, APPLICATION: ORGANIC/CONTRACT

Includes programmed engine depot-level maintenance requirements applicable to FSCs 2810, 2835, 2840, and 2845, and are entered by the IM in G072E (expressed by TMS). For DMBA organic application, the requirement in this category represents the yearly input quantities of engines that have been or will ultimately be placed on POs at a specific DMBA dollar rate per unit for accomplishing on-base. All work accomplished in the RGC is charged as a Type 3 PO. The EEIC for engines is 543.

RGC F - ENGINE SERVICE WORK, APPLICATION: ORGANIC

Includes programmed engine depot-level maintenance workloads for which a specific DMBA rate per unit does not exist, as well as planned reclamation of complete engines. This includes engine/quality analysis. Requirements (based upon a projected workload requirement and expressed by TMD) are entered into G072E by the IM. All work accomplished in this RGC is charged as a Type 6 PO. The EEIC for engines is 543.

RGC G - OMEI FIXED FACILITY, APPLICATION: ORGANIC/CONTRACT

Includes all programmed maintenance requirements for those workloads that have long flow time and, when accomplished organically, permits the preparation of production documentation and the pre-placement of manpower and material. All organic workloads accomplished as CC1 in the RGC use serial number control. Required information is entered into G072E by the IM. The EEIC for OMEI is 544.

RGC H - OMEI SERVICE WORK, APPLICATION: ORGANIC/CONTRACT

Includes team effort and all other OMEI workloads not covered by RGC G. This includes those workloads for which a specific input/output schedule has not been formalized, as well as planned reclamation of OMEI. Required information is entered into G072E by the IM. All work accomplished in this RGC is charged as a Type 6 PO. The EEIC for OMEI is 544.

RGC J - MISTR, APPLICATION: ORGANIC/CONTRACT

Limited to the repair of items contained in the MISTR system (G019C for organic and G072E for contract). Workloads within the same logistics program, which will equate to two or less PEs per FY (approximately 3,000 hours or less), at the FSC/MMC level, may be consolidated within that program and accomplished as follows:

(1) Program - Appropriate Code.

(2) Sub-Program - Exchangeable Items.

(3) Program Unit Code - K000A Units.

All MISTR workloads are charged as a Type 4 PO. The EEIC for MISTR is 545.

RGC K - PROGRAMMED PROJECT DIRECTIVE (NON-MISTR), APPLICATION: ORGANIC/CONTRACT

Includes all negotiated (other than MISTR) exchangeable item workloads that have a definitized input/output schedule, requested through project directives (if organic), but are not controlled and scheduled in the MISTR system. These workloads may or may not have a long flow time, and are expressed in standard hours under program unit code H000A. Requirements are expressed by FSC/MMC/MMAC. The inertial guidance systems and inertial navigation systems/components accomplished at AGMC are included in this category and are expressed in units under program unit code G000A. All AGMC workloads on inertial guidance systems are charged as a Type 5 PO. All other work under this RGC is charged as a Type 6 PO. The EEIC for MISTR is 545.

RGC L - EXCHANGEABLES SERVICE CHARGE, APPLICATION: ORGANIC/CONTRACT

Includes all other exchangeable item depot maintenance workloads not covered in RGCs J and K, which includes reclamation of exchangeable items. Requirements, with the exception of reclamation, are expressed by FSC, MMC or aggregated similar to RGC J. The repair of items for the Systems Support Division (SSD), included in this RGC, generally have short flow time but are not in the MISTR system. SSD work is portrayed as the IM support program and SSD subprogram, with program unit code H000A. Reclamation work is portrayed as the IM program and EXCH-ITEMS subprogram. Program unit code F0166 is used by the IM to express the requirement for each facility (organic). All work accomplished under this RGC is charged as a Type 6 PO. The EEIC for exchangeables is 545.

RGC M - AREA SUPPORT, APPLICATION: ORGANIC/CONTRACT

Applies to work requests generating through TO 00-25-107 requests. Such requests prescribe needs for organizational and intermediate (O&I) level maintenance; Precision Measuring Equipment Laboratory (PMEL) support; and such tasks as: nonengineering technical assistance, welder testing and certification, spectrum oil analysis, hydraulic fluid analysis, mercury recovery, and other similar tests. All work accomplished under this RGC is charged as a Type 6 PO. The EEIC for ABM is 546.

RGC N - BASE SUPPORT, APPLICATION: ORGANIC ONLY

Includes, but is not limited to, foreign national training (JD 17), and all requirements (including manufacture) in support of AFI 25-201, *Support Agreements Procedures*, agreements. It also includes such items as sustaining engineering requests if directed to the SOR by AFMC, quality audit programs for expense and investment items repair of items for the General Support Division (GSD), and reclamation effort requested by the local redistribution and marketing that has not been directly requested to depot maintenance by the ALC IM. All work accomplished under this RGC is charged as a Type 7 PO. The EEIC for ABM is 546.

RGC P - MANUFACTURE AIR FORCE SUPPLY MANAGEMENT BUSINESS AREA (SMBA), APPLICATION: ORGANIC ONLY

Includes manufacture of items for either the General or System Support Division (GSD/SSD) of the SMBA. There are selected types, or conditions, of manufacture that can be accomplished for the AFMC O&M. Full agreements is required by both SMBA and DMBA personnel relative to the funds citation to be charged and the reimbursement code to be used. Depot maintenance is not required to manufacture an item for either division of the SMBA if the funds citation is broken down into increments smaller than that permitted by the current assignment of reimbursement codes. Manufacture of GSD requirements are input to the G072E in the maintenance manufacturing program and the GSD subprogram. SSD requirements are input to G072E by the IM support program and SSD subprogram. All local manufacture of SSD items are accommodated as a Type 6 PO, and all local manufacture of GSD items are processed as a Type 7 PO. The EEIC for manufacture is 546.

RGC R - MANUFACTURE NON-SMBA, APPLICATION: ORGANIC ONLY

Includes emergency manufacture of centrally procured (CP) items. There are selected types, or conditions, of manufacture that can be accomplished for the AFMC O&M. Full agreement is required by both the IM and DMBA personnel relative to the funds citation to be charged and the reimbursement code to be used. Depot Maintenance is not required to manufacture an item for any CP appropriation if the funds citation is broken down into smaller increments than that permitted by the current assignment of reimbursement codes. Requirements are supported by both the IM and DMBA. The IM updates G072E for

manufacture relative 9(3080-BPAC 810000, 3080-BPAC 820000, 3080-BPAC 8M0000, 3080-BPAC 840000). The IM updates G072E for all other items. All work accomplished in this RGC is charged as a Type 6 PO. The EEIC for manufacture is 546.

RGC S - SOFTWARE, APPLICATION: ORGANIC/CONTRACT

Software and software support for all ALC depot maintenance support, except that software and software support required to maintain or enhance depot maintenance production capability. This is chargeable to Cost Class 1, and to either Type 6 or 7 POs as applicable. The EEIC for software is 540.

RGC 1 - AIRCRAFT/MISSILE STORAGE APPLICATION: ORGANIC/CONTRACT

Includes input to storage, maintain in storage, withdrawal (flyaway and overland), mobilization upgrade/ represervation, and all immediate support of these tasks. The end items include aircraft, missile, and supporting items such as storage containers, exchangeable items, engines and whatever else is required for the storage and mobilization upgrade support. The EEIC for storage is 548.

RGC 5 - PME CALIBRATION

This calibration includes all contract PME standard calibration as well as the PME calibration workloads being accomplished at AGMC for the National Bureau of Standards.

Attachment 3

REIMBURSEMENT SOURCE CODES

Table A3.1. Reimbursement Codes

Reimbursement Code	Customer
A	AFMC Maintenance and Customer Support
B	Air National Guard
C	AFMC R&D Development Support
D	ODM - AMC
E	DBOF - T
F	Air Combat Command
G	Space Command
H	Department of the Army
I	United States Marine Corps
J	Base Support - Appropriation 3400
K	AFMC PMP/STSC
K	Air Force Intelligence Command
L	Air Force Special Operations Command
M	Foreign Military Sales
N	Department of the Navy
O	Air Education & Training Command
P	AFMC Command Operations
Q	Pacific Air Forces
R	General Services Division (GSD)
S	Fuels Division (TAF)
T	AFMC Appropriations 3010/3020/3080
U	Reparable Support Division (RSD)
V	United States Air Forces in Europe
W	Systems Support Division (SSD)
X	Cost of Operations Division (COD)
Y	Commerce/Energy/FAA/GFAE/FAA
Z	Air Force Reserve
1	National Aeronautics and Space Administration
2	Grant Aid
3	Commercial
4	United States Coast Guard

Reimbursement Code	Customer
5	United States Air Force Academy
6	Manufacture of CP Missile Spares
7	Manufacture of 3080 Spares
8	Air Force Command Control Communications
9	unused
0	unused
K	Direct Cite Summary
K	Other US Military Activities
K	Defense Logistics Agency
K	Air Weather Service
K	Joint Communications Support Element
K	Air Force Technical Applications Center
K	Base Realignment and Closure