

## CHAPTER 6 - PROCEEDS

### A. COLLECTION OF PROCEEDS

1. Payments (**NOTE: CONUS DRMOs are no longer authorized to take payments; all payments must be made at DRMS HQ unless specific waiver is granted.**)

a. Payments in the following forms are authorized:

- Cash (United States currency only, except where IFB authorizes foreign currency). **DRMS HQ does not accept cash payments.**
- Guaranteed negotiable instruments made payable to or endorsed to the U.S. Treasury in any form (e.g., cashier's check, certified check, traveler's check, bank draft and/or postal or telegraphic money order).
- Canadian postal money orders designed for payment in the United States must state specifically that they are payable in U.S. Dollars in the United States.
- **Wire transfer or electronic funds transfer. Special instructions are available and must be followed if this option is chosen.**
- The U.S. Treasury has approved the use of American Express, Discover Card, Master Card and VISA. Accept approved credit cards for payment if your DRMO is equipped to accept them.
  - If a credit card is used and authorization is declined, allow the bidder to replace the credit card with another acceptable means according to the terms of the sale. Annotate the date and time the credit card transaction was declined.
  - If a contractor's bid is provided by a credit card instead of other forms of payment, obtain the following information:
    - Credit Card Account Number.
    - Bidder's name as it appears on the credit card.
    - Bidder's address.
    - Credit Card Account Expiration Date.
    - Name of Issuing Bank.
    - Type of Card (e.g., VISA, Discover, MasterCard, etc.)
    - Sales Contract and Item Number.
    - Dollar amount to be charged.
    - Credit Card holder's signature (forwarded by facsimile or mail to HQ DRMS Cashier).
- Combinations of the above are acceptable as payment.

b. Other acceptable forms of payment:

- Uncertified personal and/or company check for amounts over \$25.00 properly accompanied by an acceptable security (See paragraph d, this chapter).

## DRMS-I 4160.14, Volume VI, Chapter 6

- Uncertified personal and/or company checks in the amount of 25.00 or less when submitted for ancillary charges (e.g., debt payment, storage charge, liquidated damages, interest, etc.).
  - Payments received from nonappropriated fund instrumentality, state or local governments.
- c. Acceptance of Foreign Currency
- Buyers of Foreign Excess Personal Property (FEPP) shall pay in U. S. dollars or the equivalent in foreign currency which is readily convertible into U. S. dollars. Where U. S. dollars are not available, the acceptance of foreign currency is authorized subject to the following conditions:
    - Payments exceeding the equivalent of 5,000 U. S. dollars in individual sale transactions (that is, total of all items offered in a single sale, not for individual items included in a sale) may be accepted only after obtaining prior approval from the Defense Finance and Accounting Service (DFAS). When required, DFAS will submit the requests through their chain of command to the Department of State (DoS) and Treasury Department (TD) for approval. In countries where a considerable amount of FEPP may be available for sale and where it is expected it may be necessary to accept foreign currency, DRMS shall submit a request to DFAS for an annual authorization, on a calendar year basis, for the acceptance of foreign currency.
    - Payments of up to the equivalent of 5,000 U. S. dollars for individual transactions, at the rate of exchange applicable to the U. S. Government, may be accepted without further consultation if:
      - Assurance has been obtained through the local DoS representative that such currency may be used in payment of any or all U. S. Government expenditures in the country whose currency is accepted. This provision is applicable only when annual authorizations have not been received.
      - It is not feasible to sell for U. S. dollars or to ship the property to a country (other than the United States, except where property is a type authorized for return) where it may be sold for U. S. dollars or a freely convertible foreign currency.
      - The currency is not that of a country whose assets in the U. S. are blocked by TD regulations.
      - The currency is that of a country with which the United States maintains diplomatic relations.
    - Foreign currency accepted need not be the currency of the country of sale if the currency offered is otherwise acceptable to the DoS and TD and can be accepted under the U. S. and host governments agreements governing the sale of U.S. FEPP. In this connection, the sale solicitation shall indicate the foreign currencies, which shall be accepted for a particular sale.
- d. Acceptable forms of securities are as follows:
- Standard Form 150, Deposit Bond - Individual Invitation, Sale of Government Personal Property may be used as security for uncertified personal and/or company checks, subject to the approval of the Chief, Operations Branch (provided that person is not the SCO) or the SCO for sales conducted at DRMOs. SF 150 is executed by surety companies appearing on the U.S. Treasury Department list of acceptable sureties and by individual sureties. Personal and/or company checks are limited to the penal sum of the bond. SF 150 will be returned in kind, with the accompanying personal and/or company check, to the unsuccessful bidder according to paragraph A2a, this chapter. In the case of successful bidders, SF 150 will be held and become part of the contract file.

- Standard Form 151, Deposit Bond - Annual, Sale of Government Personal Property. DRMS will, on a timely basis, notify all DRMOs worldwide of names of approved annual deposit bond holders. Annual bid bonds may be used as security for uncertified personal and/or company checks. Personal and/or company checks are limited to the penal sum of the bond. DRMS, in coordination with legal counsel, is responsible for review and approval of requests, maintenance of central management control and dissemination of information to field activities. Return the personal and/or company check of the unsuccessful bidder according to paragraph A2a, this chapter.
- Irrevocable Commercial Letter of Credit (see Supplement 4 for sample letter of credit). A letter of credit may be used as security for uncertified personal and/or company checks up to the maximum amount of the letter of credit. The personal and/or company check of the unsuccessful bidder will be returned in kind according to paragraph A2a, this chapter. In the case of the successful bidder, the personal and/or company check will be deposited according to paragraph A2b, this chapter.
  - Each letter of credit must be clearly irrevocable. If an expiration date is specified, the letter of credit is not acceptable if the expiration date is less than 30 days from the end of the contract period. In addition, the following minimum criterion is required for acceptance of letters of credit. The document must:
    - State clearly that it is a Commercial Letter of Credit. (It need not say it is irrevocable, but it cannot say it is revocable).
    - Be an original or clearly state on its face that reproductions of the original document may be considered as an original document.
    - Be on bank stationery.
    - State the maximum amount.
    - State the name and address of the company/individual submitting the bid.
    - State the IFB number and opening date.
    - Be signed by the issuer (authorized signature of bank official).
  - Payments for an Irrevocable Commercial Letter of Credit should be accomplished by DFAS-CO-FPDRC based upon information furnished by the SCO (see Supplement 4 for the format of any draft drawn against a letter of credit). A transmittal letter and certification in the form shown in Supplement 4 will accompany such draft. Where there is any doubt as to the acceptance of an irrevocable letter of credit, the SCO should obtain legal advice.

e. Bank Guarantees submitted as security for uncertified personal and/or company checks by bidders purchasing property in CONUS are not acceptable. European bank guarantees used by bidders purchasing Foreign Excess Personal Property (FEPP) (DRMR Europe) are acceptable. European bank guarantees are not addressed in this volume.

## 2. Processing Collections

### a. Process receipt of Bid Deposits as follows:

- On the day of bid opening, payments may be personally returned to obviously unsuccessful bidders or their agents. The written agency designation must specify such responsibility. Should the payment be returned, DRMS Form 1458 must be manually prepared. The bidder/agent must sign for receipt. Annotate the DRMS Form 1458, next to the unsuccessful bidder's name, that the payment was returned.

## DRMS-I 4160.14, Volume VI, Chapter 6

- Hold guaranteed negotiable instruments, personal checks supported by bid bonds, and irrevocable letters of credit in the safe until the award decision has been made.
- The cashier may accrue sundry amounts of cash up to the total authorized by the host Installation for retention in a non-banking facility (excluding the cash change fund and extraordinary funds held overnight), or until the end of the duty week, whichever occurs first.
- Deposit cash no later than the close of business the first workday after receipt for deposit to the proper account.
- Process credit card transactions through the network bank and receive acceptance or denial. Credit card printer will provide transaction slip.

### b. Disposition of Payments Following Award of Contract.

- Deposit any payments of the successful bidder on contracts where refunds may be required immediately, to suspense account. Use these accounts to pay approved refunds. Complete the DD Form 1131 to make the deposit (see Supplement 4 for a sample DD Form 1131).
- Deposit any payments of the successful bidder on contracts where refunds are not required immediately, to the appropriate account (e.g., industrial funds, Nonappropriated Fund Instrumentality (NAFI), General Receipts of the Treasury, etc.). Use DD Form 1131 to make the deposit (see Supplement 4 for a sample DRMS Form 1131).
- Deposit and apply all authorized and acceptable forms of payments from successful bidders to the total contract price no later than the first workday following property award. Do not complete refunds and/or transfers until sufficient time has passed to allow the uncertified check to clear the financial institution upon which it is drawn.

c. Withholding and Offset. When funds are received from an individual or organization indebted to the government, or a refund is due a bidder indebted to the Government, regardless of the type of instrument see Chapter 8, paragraph A, this instruction for further guidance.

### d. Payment on Contract by Successful Bidder

- Payment (see paragraph A1a, this chapter, for authorized form of payment).
- Deposit payment immediately to the appropriate accounts (see paragraph B2, this chapter).
- Use DD Form 1131 to deposit the payment.
- Guarantee all other payments received in check or credit card - no exceptions (e.g., storage, liquidated damages, interest, and user charges).
- Process any cash received too late for normal deposit according to paragraph A2a.

## 3. Accounting For Proceeds

a. A Financial Record, DRMS Form 1578 commonly referred to as the blotter, covering all sales must be maintained (systems generated or manually, where automation is not available) by the appointed cashiers of DRMS/DRMOs.

b. All sales proceeds will be received, recorded, processed, and accounted for by the appointed DRMS/DRMO cashier utilizing the appropriate financial voucher (DD Form 1131, SF 1080, SF1081, SF 1049) and citing the appropriate accounting classification.

c. Procedures for deposit of proceeds with local financial institution or servicing finance and accounting office will be in accordance with guidance as specified in Volume 5, DoD 7000.14-R, Financial Management Regulation.

## B. DISPOSITION OF PROCEEDS, REFUNDS AND TRANSFERS

### 1. Cash Collection Voucher

a. Action by the Central DRMO. Deposit all funds received by cashiers in the approved Treasury General Account (TGA) at the specified financial institution. Forward DD Form 1131, for ultimate deposit to the appropriate account, via facsimile to DFAS-CO-FPDR. Cashiers will prepare a separate voucher for each IFB concerned and a separate voucher for credit card sales.

b. Vouchers transmitting funds. List the bidder's name, appropriate accounting classification, date funds were collected, the purpose (e.g., storage charge, etc.), registration/contract number and individual amount.

c. Vouchers that include a setoff from an indebted bidder. Show the contractor's name, contract number(s) of the setoff, principal and interest of the setoff, and the appropriate accounting classification, the bidder registration number, and the sale number from which the funds became available.

### 2. Depositing of Proceeds.

a. Sales proceeds shall be credited to the accounting classification for the type property cited on the DD Form 1348-1, Disposal Turn-in Document.

b. DRMS will retain sales proceeds for all categories of property (including those from former industrial funded activities) up to the amount necessary to recover its disposal operating costs. Sales proceeds from sale of *Resource, Recovery, and Recycling Program (RRRP) material are excluded from the application of disposal operating costs.*

c. The disposition of proceeds for sale of Surplus Personal property falls within three specific categories. ***Additional information concerning the disposition of proceeds is provided in supplement 5.***

(1) Property designated as not reimbursable to a generating activity. Unless a law specifically requires reimbursement of sales proceeds, DRMS will retain all proceeds for credit to the Defense Working Capital Fund Account, 97X4930. **5NRO**. When directed by Under Secretary of Defense (Comptroller) (USD(C)), 25 percent of gross proceeds will be deposited to the U. S. Treasury miscellaneous receipt account. This category of property includes:

- **Scrap and Usable Personal Property** that does not fall in any of the other two categories.
- **Bones, Fats, and Meat Trimmings** generated by commissary stores.
- **DWCF Supply Management Excess Inventory Items.**

(2) Property designated as reimbursable to the generator. DRMS will retain proceeds up to the amount necessary to recover all disposal-operating costs. Net proceeds (gross proceeds less disposal operating costs) will be reimbursed to the generator. This category of property includes:

- **Automatic Data Processing Equipment owned by GSA and leased to DoD.**
- Property purchased with funds from **the Surcharge Collections, Sales of Commissary Stores (Equipment Only).**
- **Contractor Inventory** (*includes government-furnished material/equipment in the possession of contractors*).

## DRMS-I 4160.14, Volume VI, Chapter 6

- **Property owned by a non-appropriated fund instrumentality**, *excluding garbage suitable for animal consumption that is disposed of under a multiple-pickup contract* (e.g., Morale, Welfare, and Recreation Activities, or Army-Air Force Exchange Service).
- **Lost, Abandoned, or Unclaimed Privately Owned Personal Property** turned in to DRMS. *The installation (generator) is responsible for complying with 10 U. S. C. 2575.*
- **Military Assistance Program (MAP) financed equipment and equipment belonging to Security Assistance Organizations (SAO)** (22 U. S. C. 2355).
- **General Gifts (Title 10, U. S. C. Section 2601)** bequest of real or personal property.
- **General Gifts (Title 10 U. S. C. Section 2605)** DoD departments education system.
- **Real or Personal Property (Title 10 U. S. C., Section 2608).**
- **Usable U. S. Coast Guard property under the physical control of the Coast Guard at the time of sale (14 U. S. C., 641)**
- **U. S. Army Corps of Engineers (COE) property under the physical control of the U. S. Army COE at the time of sale (33 U. S. C., 558).**

(3) Property that, by law or agreement, DRMS must reimburse gross proceeds, but then may bill for disposal costs. DRMS must reimburse gross proceeds where the law requires proceeds returned or deposited to a revolving fund, trust fund, non-appropriated fund or other appropriation, fund or account. *DRMS will bill an amount equal to the actual cost associated with property disposal and sale.* This category of property includes:

- **Federal Civil Agencies, by agreement will have gross proceeds deposited to Miscellaneous Receipts of the Treasury and DRMS will bill for the disposal fee quarterly.**

**(4) Resource Recovery and Recycling Program Property (RRRP) is classified as net reimbursable in the Financial Management Regulation; however, DLA has exempted this special property from DRMS' fees. Therefore, RRRP property is reimbursed gross proceeds.**

d. **Unless specified above**, deposit proceeds received from the sale of DoD surplus and foreign excess personal property directly to the General Fund Receipt Account ***the DRMS Working Capital Fund (97X4930.5NR0 001 532.01 JHH2 [contract #] S033181)***. This includes charges for **storage, loading or wharfage fees** when the property is stored at DoD installations. Where the property sold is stored at a non-DoD installation, deposit fees received for storage, loading and wharfage to the same appropriation account to which sales proceeds are assigned.

e. Sales proceeds for **Federal Civil Agency (FCA) Property** will be credited to the General Fund Receipt Account, 97R2651.

f. **Liquidated Damages** received as a result of contractor default will be deposited to ***the DRMS Working Capital Fund (97X4930.5NR0 001 532.01 JHH2 [contract #] S033181)***.

g. ***Freedom of Information Act (FOIA) fees will be deposited to 97R3210.0004 S033181 APC: 00CPX0.***

h. **Interest** received as a result of contractor indebtedness shall be deposited to the General Fund Receipt Account, 97R3210.0013.

3. Refunds and Transfers. Process all authorized refunds and transfers as soon as possible, especially at the end of the fiscal year. Process adjustment or refund to purchaser, due to variation in quantity or weight or as a result of approved claim, as follows:

a. As each contract is completed (i.e., paid for and removed) the DRMO will forward a copy of the DRMS Form 1427 and the validated DD Form 1131 to the SCO. When there is a discrepancy, the successful

bidder must pay the amount shown on the contract. Do not make refunds until after the SCO reviews the contract file (see DRMS-I 4160.14, Volume V, Chapter 7) **and provides a signed DRMS Form 915, Statement of Account**. When the SCO determines a refund is due, the cashier will prepare an SF 1049, to pay the refund to the customer (see Supplement 4 for a sample SF 1049). The SF 1049 must also cite the contract number. **There should be only one contract per refund voucher**. DFAS-CO-FPDRC will post to the appropriate account and issue a check. A copy of the SF 1049 will be returned to the cashier and **filed in the financial folder**.

b. Within 60 days after final payment is made, clear the suspense account for each contract by transfer to the appropriate account (e.g., **NAF, DeCA**, General Receipts of the Treasury, etc.). At the discretion of the SCO bid deposits for term contracts can be held in suspense account until the last month's deliveries. At that time the deposit can be used to cover any refunds or adjustments. Deposit subsequent payments to the appropriate account(s). Deposit the final payment received prior to, and for the last month's delivery, to the suspense account to cover any refunds or adjustments. Based on the SCO's review, transfer these funds from suspense, in total or in part, to the appropriate accounts and/or refund to the customer. If the funds in suspense are insufficient to cover the amount due the Government, bill the customer the final balance due.

c. Complete refunds against cash and guaranteed negotiable instruments promptly. In the case of a cash refund for misdescribed items prior to deposit of days proceeds, the cashier may refund the money the same day payment is made by annotating the amount refunded on the DRMS Form 1427 and having the purchaser/agent initial as receiving the refund.

d. Process refunds against credit cards promptly through the network bank (see Supplement 4 for a sample DD Form 1131).

e. Do not make refunds against personal checks until at least 15 workdays after deposit; however, the amount of refund and distance involved to timely clear the deposit check must be considered to minimize the Government's issuing a refund against a dishonored check. Use good judgment (e.g., if the total award was \$150 and the purchaser submitted four \$100 checks, two should be deposited and two should be returned along with a refund and an explanation).

f. The cashier will prepare and forward an authorized financial document such as a SF 1080, to DFAS-CO-FPDRC upon determination of the proper disposition of proceeds.

g. Make transfer of funds **by Intra-Government Payment and Collection (IPAC) system** to DFAS-CO-FPDRC when the reimbursable fund is not administered by DFAS-CO-FPDRC.

#### 4. Waiving of Payments of Refunds.

a. When amounts of less than one dollar are waived for payment or refund according to the appropriate conditions of sale, account for the funds (increased or decreased) as follows:

(1) Administratively increase or decrease the contract price to the limit of ninety-nine cents (\$0.99), as appropriate, to preclude any further bookkeeping transactions or adjustments.

(2) When the contract price is increased, deposit the amount increased to the account that received the proceeds of sale.

(3) SCO will indicate on authorized financial document, such as SF 1080, that the contract price has been increased or decreased by \$\_\_\_\_ according to the appropriate conditions of sale. If your DRMO experiences difficulty with procedures for the collection and disposition of funds contact DRMS-RP, in writing, with justification for any deviation to established procedures.

**b. If the amount owed/due is less than \$10 but greater than \$1, do the refund/bill only if the customer asks for it in writing. For amounts less than \$1 under no circumstance should the refund/bill be processed.**