When financial transactions cross fiscal years, it is sometimes difficult to determine which fiscal year to charge the obligation to. This chart covers the most common situations.

Which Fiscal Year Funds Do I Use?

Situation/Transaction	Original FY	Subsequent FY
Initial Contract Award	✓	
Disbursement/Adjustment (unexpired or expired)	✓	
Disbursement (if original funds have canceled)		✓
Modify Contract (in-scope)	✓	
Modify Contract (out-of-scope)		✓
Antecedent Liability	✓	
Contingent Liability	✓	
Replacement Contract	✓	
Negotiated Settlement (contract)	✓	
Judgment/Administrative Settlement (contract)		✓
Ratification	✓	
Prompt Payment Act Interest	✓	✓
Employee Severance Pay	✓	✓
Employee Entitlement	✓	
Employee Settlement of Claims		✓
Employee Travel – Permanent Change of Station	✓	
Employee Travel – Temporary Duty	✓	✓

Initial Contract Award: At the time of contract award, use funds current at the time of award for the entire amount of the contract, even if the period of performance extends into a subsequent fiscal year.

Disbursement/Adjustment (unexpired or expired): When making disbursements or upward/downward adjustments to funds that are either unexpired or expired, use the same funds that were cited for the original obligation.

Disbursement (if original funds have canceled): When making payments against obligations where the original funds have canceled, use funds of the same type that are currently available for new obligations at the time of disbursement. Such payments are limited by law to 1% of currently available funds.

Modify Contract (in scope): If a contract is modified with no change in scope, use the original funds cited on the contract for any changes in the level of obligation (either up or down).

Modify Contract (out of scope): Out of scope modifications to contracts are charged to funds available for new obligations at the time the modification is awarded.

Antecedent Liability: When the government's liability for upward price adjustment is enforceable under the original contract, funds that were current when the contract was executed are charged. However, in cost reimbursable contracts, discretionary cost increases which exceed funding ceilings in the contract may be charged to funds currently available when the discretionary increase is granted by the contracting officer.

Contingent Liabilities: Contingent liabilities, when the contingency actually materializes, are charged to the fiscal year in which the contract was awarded, even if the contingency does not occur until a subsequent fiscal year. Agencies should record contingent liabilities as commitments until the contingency is known.

Replacement Contract: One of the requirements for issuing a replacement contract is that no substantial change in scope occurs. Therefore, the funds cited on the original terminated contract are used for the entire amount of the replacement contract.

Negotiated Settlement (contract): When the agency negotiates a settlement with a contractor, they are admitting that the true value of the obligation is different than originally recorded. Therefore, the fiscal year funds used for the original obligation are also used for adjustments resulting from a negotiated settlement.

Judgment/Administrative Settlement (contract): When an outside party issues a judgment or administrative settlement, the agency recognizes the additional amount on the date of the judgment, and uses funds current at the time of the decree.

Ratification: A ratification turns a previously unauthorized action into an authorized action. Funds that were available at the time of the original, unauthorized action are used to record the obligation.

Prompt Payment Act Interest: Interest accrues each day an invoice is paid late. Therefore, when the delinquent period crosses fiscal years, split the charges to the amount accrued in each year, even though the delinquency started in one fiscal year and ended with the payment in another.

Employee Severance Pay: Severance pay accrues pay period by pay period. Therefore, when its payment crosses fiscal years, each fiscal year is charged the amount of liability that accrues in that fiscal year.

Employee Entitlement: When it is determined that an employee is due payment against an employee entitlement (such as back pay or a uniform allowance), the funds available at the time of the original entitlement are used.

Employee Settlement of Claims: When employee claims that are not entitlements (such as an EEO complaint settlement) are awarded, the obligation is recognized and recorded using funds current on the date of the award.

Employee Travel – Permanent Change of Station: Funds available when the employee's transfer order is signed are used for the entire amount of the travel associated with the employee transfer.

Employee Travel – Temporary Duty: Temporary duty travel obligations accrue as the travel occurs. Therefore, travel that crosses fiscal years is charged the amount of liability that accrues in each fiscal year. So, per diem accrues daily in the fiscal year it occurs. However, a round-trip airline ticket with travel in two fiscal years is entirely charged to the original fiscal year when the ticket was issued. On the other hand, when a ticket is purchased in one fiscal year, with travel to be performed in the following fiscal year, the obligation is charged to the later year in which the travel actually occurs.