

FAM 1018-1 - Managing Public Revenue

Identification

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Application This is an order that applies to members of the Canadian Forces (CF) and a directive that applies to employees of the Department of National Defence (DND).

Supersession Financial Administration Directive 54, *Retention of Local Revenue*

Approval Authority This Financial Administration Manual (FAM) is issued under the authority of the Director of Financial Policy and Procedures (DFPP).

Enquiries Enquiries are to be forwarded to DFPP 3 through the functional financial Chain of Command.

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Introduction

Purpose

1. The purpose of this FAM is to:
 - a. provide direction regarding the management and accounting of different types of revenue;
 - b. describe the Department's authority to respend revenue; and
 - c. define and explain revenue retention principles for local revenue generating activities.
 2. The process for managing accounts receivable and the receipt and deposit of public revenue is described in FAM 1018-2. For management of non-public monies, see A-FN-105-001/AG-001, Policy and Procedure for Non-Public Fund Accounting.
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General

3. All revenue must be deposited at a Receiver General Deposit Facility (RGDF) to the credit of the Consolidated Revenue Fund (CRF) and recorded in the Financial and Managerial Accounting System (FMAS) using the appropriate (General Ledger) GL codes. Authority to respend revenue is obtained from Parliament and/or Treasury Board and is described in the Authorities section of this policy.
 4. The type of revenue determines whether the DND has authority to respend the revenue. Types of revenue are described in detail in the following section.
 5. Recoveries from user pay arrangements internal to DND must not be recorded as revenue, as such recoveries are a reallocation of expenditures/costs within DND rather than revenue to DND. Instead, the recovery should be credited back to the original expenditure coding. Revenue consists of receipts from sources external to DND. For recoveries from sources within DND, see Financial Administrative Directive 51, User Pay Arrangements.
 6. Refunds of expenditures occur in cases such as supplier overpayments, return of goods, duplicate payments or recovery of advance payments. They must not be recorded as revenue. Instead, receipts from refunds of expenditures must be credited back to the original expenditure if received in the same fiscal year as the original expenditure. Otherwise, they must be recorded as refunds of previous years' expenditures.
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Types of Revenue

Public Revenue

7. Public revenue is all monies collected by DND belonging to the Government of Canada. They are distinct from monies specifically defined as non-public money by the National Defence Act (i.e. Non-Public Funds related to Personnel Support Program (PSP) activities).

8. The following figure shows the types of non-tax revenue (revenue other than that generated by taxation) received by DND and the CF. The two main types are:

- a. departmental revenue, i.e., revenue credited to the Vote (Defence Services Program); and
- b. governmental revenue.

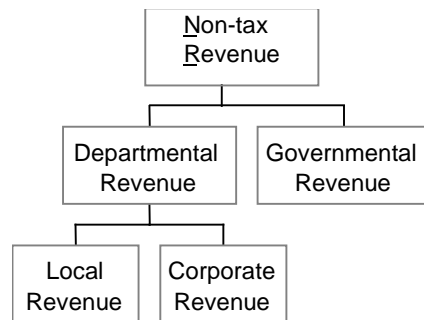


Figure 1. Types of Non-Tax Revenue

Governmental Revenue

9. Governmental revenue consists of, but is not limited to:

- a. refunds from previous years' expenditures;
- b. certain recoveries from the United Nations;
- c. refunds of certain NATO contributions;
- d. interest earned;
- e. proceeds from the disposal of real property (see Note 1);
- f. royalties received for the use of Crown-owned patents and other intellectual property (see Note 1); and
- g. proceeds from the disposal of surplus assets (see Note 1).

10. Governmental revenue sources are identified in the General Ledger (G/L) account range 14000-14999. DND does not have net voting authority to immediately keep and respend governmental revenue.

Note 1: Funds received from the disposal of real property and use of Crown owned patents and Intellectual Property may be accessed by DND through supplementary estimates. In addition, statutory authority is provided to DND to spend an amount equal to the proceeds from the disposal of surplus assets.

Departmental Revenue

11. Departmental revenue is comprised of local and corporate revenue. Departmental revenue can be respend by DND. Departmental revenue sources are identified in the G/L account range 13000-13999.

Local Revenue

12. Local revenue is revenue for which the associated costs have been charged to the local operating budget.

13. Local revenue may be generated by the provision of a good or service and is received from such sources as:

- a. rental of facilities, land or equipment;
- b. provision of utilities excluding Private Married Quarters (PMQs);
- c. sale of rations;
- d. rental of single quarters;
- e. local sale of petroleum, oil & lubricants;
- f. provision of port services;
- g. recoveries for landing fees;
- h. recoveries for parking fees on DND property; and
- i. recoveries for damages and losses.

14. Local managers can respend that portion of departmental revenue from the provision of services to non-defence agencies for which the local operating budget has incurred the associated costs.

15. This is accomplished by coding the revenue to Fund L102, to the appropriate G/L account in the 13000-13999 range, and the Fund Centre or Cost Centre of the operating budget manager which incurred the associated costs.

**Corporate
Revenue**

16. Corporate revenue is generally received for activities tasked, driven, funded or negotiated by National Defence Headquarters (NDHQ). Corporate revenue includes, but is not limited to, revenue resulting from:

- a. sales of uniforms;
- b. tax rebates/commissions e.g. PST;
- c. gain on currency exchange coded to fund C123; and
- d. invoices issued centrally by the Director Financial Operations (D Fin Ops) coded to fund C118 and the Canadian Forces Housing Agency coded to fund C112 for items such as recoveries from foreign militaries and rent for married quarters.

17. Although DND can keep and respend corporate revenue, this revenue is retained centrally by or on behalf of the VCDS, the departmental resource manager, coded to fund C118. Therefore, local managers cannot respend corporate revenue unless they have been specifically authorized by the Program Management Board or the Vice Chief of the Defence Staff (VCDS).

Authorities

Responding Departmental Revenue

18. DND has received special revenue spending authority from Parliament in the form of net voting, which permits the use of certain revenues to finance related DND expenses.

19. Authority to net vote is received annually through the Appropriation Act. The revenue associated with costs incurred within net-voted activities may be applied toward these costs. Amounts received in respect of a net-voted service are credited to the appropriation in the year of receipt, to offset related expenditures for that year.

20. Receivables at Year End (RAYE) can be set up only for Other Government Departments (OGD) accounts in accordance with Receiver General and DND year-end instructions.

Proceeds from the Disposal of Surplus Assets

21. Statutory authority is provided to DND to spend an amount equal to the proceeds from the disposal of surplus assets (refer to DAOD 1005-1 (will be reissued as FAM 1018-4) Return of Proceeds from the Sale of Surplus Assets).

22. Receipts from the disposal of surplus assets are recorded in Fund S102 (Proceeds from Disposal of Surplus Assets). Receipts may be utilized by using an SA document (journal voucher) to transfer expenditures from capital and operating funds to S230 (Capital Spending from Surplus Assets) or S232 (O&M Spending from Asset Disposals).

Proceeds from the Sale of Real Property

23. Funds received from the disposal of real property may be accessed by DND through supplementary estimates. For individual properties with a sale price not exceeding \$5 million, DND's share is 50% of the balance remaining after the direct costs of disposal. For properties of \$5 million and over, the share is determined on a case by case basis through negotiation with Treasury Board. Revenues will be shared within the same fiscal year that they are deposited in the CRF.

Proceeds from Intellectual Property

24. Funds received from the use of Crown owned patents and Intellectual Property may be accessed by DND through supplementary estimates. DND is authorized to receive through supplementary estimates an appropriation equal to all revenues arising from the licensing of Crown-owned intellectual property which DND deposited in the CRF in the preceding fiscal year.

**Refund of
Expenditures**

25. Refunds of expenditures (e.g. recoveries of overpayments, refunds of advance payments, refunds of sales or excise taxes and customs duties) can be credited to the budget that was originally charged only if the refund is received in the same fiscal year as the original charge. Authority to do this comes from section 39 of the Financial Administration Act (FAA).

26. Refunds of previous years' expenditures cannot be respent. For recoveries of expenditures related to large multi-year projects that are completed, adjustments should be made in the Project Module of FMAS to allow for accurate project reporting.

Revenue Generation and Retention Principles

Revenue Generating Activities

27. All revenue generating activities must have a clearly identified sponsor initiating the provision of services to non-DND agencies. The approval of the Vice Chief of the Defence Staff (VCDS) is required for all revenue generating activities with a projected total of more than \$1M per program (i.e. group of related initiatives/activities). New revenue-generating activities, or significant changes to an existing activity that will require increased resources from the stakeholders should be discussed before implementing and service support arrangements are established.

Revenue Retention

28. Sponsors shall negotiate revenue sharing with other DND stakeholders (i.e. organizations other than the sponsor that contribute resources towards the provision of services) based on factors such as the level of risk, investment required and amount of revenue collected or anticipated.

Support Services

29. Support services are negotiated through Canadian Forces Organization Order (CFOO) support or Service Level Agreements. Should sponsors require additional support services they shall, upon request, provide reimbursement to other CF/DND organizations by means of a journal voucher (SA document) in the Financial and Managerial Accounting System (FMAS), in accordance with Financial Administrative Directive 51, on User Pay Arrangements.

30. Payment will not occur via budget adjustment; budget adjustments will only be used for program adjustments.

31. The Program Management Board or the VCDS shall resolve disputes between organizations regarding support service arrangements in the event the responsible Level 1 managers are unable to do so.

Responsibilities

32. The sponsor of a revenue-generating activity is responsible for:

- a. planning, organizing, implementing, controlling and accounting for the activity or program;
- b. revenue forecasting and reporting;
- c. negotiating, obtaining, coordinating, and paying for all support services provided by other organizations;
- d. investment-related risks associated with revenue generating activities, based upon an agreed/approved profit-sharing protocol/agreement;

- e. ensuring appropriate authorization is obtained prior to entering into agreements and in accordance with applicable orders, directives, policies, and instructions; and
- f. ensuring the activity is managed in accordance with applicable orders, directives, policies and instructions.

Reporting

33. The sponsor is responsible for reporting, in the Level One Advisor's business plan, all revenue generating activities with a projected total of more than \$1M per program (i.e. group of related initiatives/activities). The report format should be detailed enough to include the purpose, nature of the activity, parties involved, and the projected revenues and expenditures. The stakeholders are to be provided with reports at regular intervals (ie. quarterly or, at a minimum, annually) identifying full cost, incremental cost, recoverable amount and the amount charged and recovered, broken down by stakeholder and type of cost.

Latitude

34. The sponsor may structure resources allocated to revenue-generating activities as required; however, all personnel employed on revenue-generating activities will be accounted for within the organization's overall force structure (although new financial arrangements would allow organizations to purchase additional personnel, if required, using resources generated through revenue).

35. If funding assistance is provided by the VCDS, it will be on a recoverable loan basis.

Limitations

36. Only local revenue can be retained in local managers' budgets. Neither governmental revenue nor corporate revenue can be retained in local managers' budgets.

References

Source

References

- *Financial Administration Act*
 - Treasury Board Manual – *Comptrollership*
 - Chapter 5-6, *Policy on Special Revenue Spending Authorities*;
 - Chapter 3-1, *Recording of Expenditures and Repayments of Advances*
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Related

References

- FAM 1018-2, *Accounting and Control of Accounts Receivable and Public Revenue*
 - DAOD 1005-1 (will be reissued as FAM 1018-4), *Return of Proceeds from the Sale of Surplus Assets*.
 - Financial Administration Directive (FADIR) 48, *Operating Budgets*.
 - Financial Administration Directive (FADIR) 51, *User Pay Arrangements*.
 - General Ledger codes –
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