

# MS 704 Administrative Control of Funds

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**Effective Date:** January 7, 2013

**Responsible Office:** OCFO

**Supersedes:** 3/7/11; 01/16/92; 4/27/84; MS 612, 6/14/73

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Issuance Memo

Issuance Memo 01/07/2013

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## **1.0 Purpose**

This Manual Section is intended to prescribe procedures for ensuring appropriate budget execution and to specify basic fund control principles and concepts. The regulations outlined herein serve to:

- (a) Establish policy with regard to the administrative control of funds.
- (b) Prescribe a system for positive administrative control of funds designed to restrict obligations and expenditures (disbursements) to the amount available in each appropriation or fund account.
- (c) Restrict both obligations and expenditures against each appropriation or fund account to the lower of the amount of appropriations made by the Office of Management and Budget (OMB) or the amount available for obligation and/or expenditure in the appropriation or fund account.
- (d) Enable the Director of the Peace Corps to identify the person responsible for any obligation or expenditure exceeding the amount available in the appropriation or fund account, the OMB apportionment or reapportionment, the allotment made by the agency, any statutory limitations, and any other administrative subdivision of funds made by the agency.
- (e) Provide procedures for dealing with violations of the Anti-deficiency Act as well as violations of other administrative subdivision of funds that are not violation of the Anti-deficiency Act, per se.

## **2.0 Authority**

The Peace Corps is required by statute to prescribe and adhere to an administrative system of controlling the level of obligations and expenditures vis-à-vis the total amount of funds it is

apportioned. Statutory authority for this administrative control of funds is provided in the following laws and regulations:

- (a) Title 31, United States Code: Sections 1341-1342, 1349-1351, 1511-1519 (part of the Anti-deficiency Act, as amended).
- (b) Title 31, United States Code: Sections 1101, 1104-1108, 3324 (part of the Budget and Accounting Act, 1921, as amended).
- (c) Title 31, United States Code: Sections 1501-1502 (part of section 1311 of the Supplemental Appropriations Act of 1950).
- (d) Title 31, United States Code: Sections 1112, 1531, 3511-3512, 3524 (part of the Budget and Accounting Procedures Act of 1950).
- (e) Title X of Public Law 93-344 found at 2 U.S.C. 681-688
- (f) Title 22, United States Code: Foreign Relations and Intercourse, Sections 2501 et seq. (Peace Corps Act)
- (g) Part 4 of OMB Circular No. A-11, "Instructions on Budget Execution," and related OMB guidelines.

### **3.0 Scope**

The provisions of this Manual Section apply to all Peace Corps Direct Hire employees and personal services contractors with responsibilities for administering, controlling, and/or otherwise overseeing obligations and expenditures of funds. All appropriations and funds available to the agency are subject to these provisions.

This Manual Section describes the administrative structures in place at the agency that prevent obligations or spending levels to exceed the amounts authorized by each Operating Budget Advice (allotment), apportionment or reapportionment. It enables the Peace Corps Director to affix responsibility for the creation of unauthorized obligations or expenditures and for any obligation or expenditures in excess of an apportionment or budget advice amount.

### **4.0 Definitions**

Section 20 of OMB Circular No. A-11 provides a broad list of definitions, terms, and concepts used in all facets of Federal budgeting. The Peace Corps uses these Federal budgeting and financial management terms exactly as they are defined in the A-11 circular. Included below are terms and definitions (many directly from that circular) that are used in this Manual Section.

**Allotment (Budget Advice)** – A delegation of authority by the head of an agency to authorized official(s) to incur obligations within specified amounts. Allotments are made in accordance with the requirements of OMB Circular Number A-11, Part 4 titled, “Instructions on Budget Execution.”

**Allottee** – The individual who, because an allotment has been issued to him/her, is subject to the provisions of the Anti-deficiency Act, Section 3679 of the Revised Statutes as amended (31 U.S.C. §1341).

**Anti-deficiency Act** – This act (31 U.S.C. § 1341(a) (1)) prohibits making expenditures or incurring obligations in excess of appropriations or in advance of appropriations. Specifically, it states in part: “An officer or employee of the United States Government . . . may not— make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation; involve [the] government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law;.”

**Apportionment** – A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods (usually quarters), program, activities, projects, objects, or any combinations of these. The amount and specific time periods are subject to the provisions of the Anti-deficiency Act. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, sub-allotments, and allocations.(section 20.3 of OMB Circular A-11).

**Appropriation** – A provision of law enacted by Congress establishing budget authority for an agency (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority (see section 20.4 of OMB Circular A-11).

**Fiscal year** – The Government’s annual accounting period. It begins on October 1 and ends on September 30, and is designated by the calendar year in which it ends.

**Foreign Currency Account** – Accounts established in the United States Treasury for foreign currency that is acquired without payment of United States dollars, primarily in payment of

commodities (such as the Host Country Contributions), and that may be expended with or without charge to dollar appropriations.(See MS 727 Use of Foreign Currencies.)

**Obligated Balance** – The cumulative amount of budget authority that has been obligated but not yet outlayed. As prescribed by 31 U.S.C. 1551, it is the amount of unliquidated obligations in an account less the amounts collectible as repayments to the account. In other words, it is unpaid obligations (which are made up of accounts payable and undelivered orders) net of accounts receivable and unfilled customers orders. (See section 20.4 of OMB Circular A-11.)

**Obligation** – A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally. (See section 20.5 of OMB Circular A-11.)

**One Year Account** – An appropriation that is available for incurring obligations only during a specific fiscal year.

**Operating Budget Advice (allotment)** – The authority delegated by the Director permitting each office within Peace Corps to incur obligations and make expenditures within a specified amount during a specific period of time.

**Outlay** – A payment to liquidate an obligation. Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as Federal employee salaries and debt instruments. Outlays are the measure of Government spending. (See section 20.6 of OMB Circular A-11.)

**Rescission** – A proposal by the President to reduce budgetary resources (new budget authority or unobligated balances of budget authority) pursuant to the requirements of Title X of the Congressional Budget and Impoundment Control Act of 1974. Resources that are proposed by the President for rescission may be withheld from obligation for 45 calendar days of continuous session of the Congress (excluding an adjournment of more than three days on which either House is not in session) pending congressional action on the proposal. The term is often used more broadly to refer to any legislative action taken by the Congress to reduce budgetary resources, including reductions that were not proposed pursuant to the Impoundment Control Act. Rescissions can either be temporary or permanent. (See section 20.4 of OMB circular A-11.)

***Trust Fund Expenditure Accounts*** – Appropriation accounts established to record specific amounts of trust fund receipts to be used to finance special programs under a trust agreement or statute.

***Trust Fund Receipt Accounts*** – Accounts credited with collections generated by the terms of a trust agreement or statute. These collections are presented in the Budget of the United States Government either as budget (governmental) receipts or offsetting collections. Peace Corps trust funds have indefinite authority. (See MS 726 Trust Funds and Foreign Currency Accounts.

***Unobligated Balance*** – The cumulative amount of budget authority that is not obligated and that remains available for obligation under law. (See section 20.4 of OMB Circular A-11.)

## **5.0 Responsibility and Functions of Individuals**

The Director has delegated certain authority to senior management officials throughout the agency. These delegations are listed in Attachment A of MS 114 Delegation of Authority. Officers and senior managers with delegated authority related to the administrative control of funds primarily include the Chief Financial Officer (CFO) and a list of “A” Delegates with specific delegations to assure control of funds, as follows:

- (a) The CFO has authority to:
  - (1) Develop, manage and maintain an integrated financial system which provides for effective control of funds;
  - (2) Establish financial management policies, including the establishment and enforcement of internal controls;
  - (3) Oversee Agency financial management activities to ensure compliance with Treasury, OMB, and related requirements;
  - (4) adjust budget authority between budget lines among location centers (sub-offices with a major office) within the same budget activity over two percent, but less than four percent, of a major office’s approved original operating plan and budget;
  - (5) communicate to major offices revisions to operating budget and employment ceilings that are approved by the Director; and,
  - (6) approve and authorize allotments within the Peace Corps.
- (b) The “A” Delegates who have received authority from the Director have the authority to:
  - (1) approve obligations and expenditures within the limits of administrative budget advices assigned to them for objectives approved by the Director; and,

- (2) adjust budget authority between budget lines among location centers assigned to them within the same budget activity up to two percent of the major office's approved original operating plan and budget, provided that the CFO is advised of the changes.

If a violation of any funds control limitation occurs, regardless of whether it violates the Antideficiency Act, the senior manager responsible for the major office in which it occurred should notify the CFO immediately. They will also work closely with the CFO's office to clarify the facts and assess the impact of the violation. See Section 7 below on Administrative Penalties for additional guidance.

## **6.0 Prohibited Actions**

The following actions are prohibited:

- (a) Obligation or disbursement in excess of the amount available within an appropriation.
- (b) Obligation or disbursement in excess of the amount available within an apportionment, and making allotments in excess of the amount of apportionment.
- (c) Obligation or disbursement in excess of the amount available within an allotment.
- (d) Obligation for payment of money for any purpose in advance of appropriations made for such purpose, unless specific advice to the contrary is given by the CFO. (See MS 707 Continuing Resolutions and Lapses in Funding)
- (e) Acceptance of voluntary service except as provided by the Peace Corps Act or by the Civil Service Reform Act of 1978 (5 U.S.C. §3111), or employment of personal service in excess of that authorized by law, except in cases involving the safety of human life or the protection of property.

## **7.0 Penalties**

### **7.1. Administrative Penalties**

The law provides that any officer or employee of the United States who violates the prohibitions of 31 U.S.C. §§1341(a), 1342, or 1517(a) will be subject to appropriate administrative discipline. The creation of obligations in excess of budget advices or country budgets which do not exceed an allotment, apportionment, or appropriation does not, in itself, constitute a statutory violation. It does, however, constitute a violation of our internal administrative controls and, as such, will subject the responsible individual to appropriate administrative discipline.

In the case of a violation of internal administrative controls that does not exceed an allotment, apportionment, or appropriation, Office of The Chief Financial Officer (OCFO) will verify the facts and evaluate the impact on the agency's administrative control of funds. The OCFO will also determine what, if any, corrective action needs to be taken. The CFO may recommend appropriate administrative discipline up to and including suspension or removal for individuals responsible for serious or repeated over-obligation of administrative budgets.

Administrative discipline may consist of:

- (a) Letter of reprimand or censure to the person responsible for the infraction;
- (b) Letter of reprimand or censure for the official personnel record of the officer and/or employee responsible for the infraction;
- (c) Unsatisfactory performance rating;
- (d) Transfer to another position;
- (e) Suspension from duty without pay; and
- (f) Removal from office.

## 7.2. Criminal Penalties

Aside from administrative violations, the law provides that any officer or employee of the United States who knowingly and willfully violates the prohibitions shall be fined not more than \$5,000, imprisoned for not more than two years, or both.

If a suspected criminal violation of the Anti-deficiency Act occurs, it should be immediately reported to the CFO and the Office of the Inspector General (OIG). (See Manual Section 861 Office of the Inspector General, Subsection 7.5 Office of Investigations for further information on investigating potential criminal violations of Federal laws.)

## 8.0 Reporting Violations

All violations of the Anti-deficiency Act must be reported to the CFO immediately upon discovery. Even though subsequent actions may be taken to correct the cause of a violation, it does not eliminate that violation, and it must still be reported directly to the CFO.

## 8.1 Responsibility of the Chief Financial Officer (CFO)

The CFO must carefully monitor agency financial operations to detect any apparent violation of the Anti-deficiency Act and Peace Corps internal administrative controls. In the case of an apparent violation, the CFO must verify the facts, obtain a legal opinion from the Office of the General Counsel as to whether a violation has occurred, and submit a report to the Peace Corps Director. The report will contain at a minimum:

- (a) The title and symbol (including the fiscal year) of the appropriation or fund account, the amount involved for each violation, and the date on which the violation occurred;
- (b) The name and position of the employee(s) responsible for the violation;
- (c) All the pertinent facts of the violation, including the type of violation (e.g., over-obligation of allotment, over-obligation of apportionment, or over-expenditure of an appropriation), the primary reason or cause, and any statement of the responsible officer(s) or employee(s) with respect to any circumstances believed to be extenuating;
- (d) A statement of the administrative discipline imposed and any further steps taken with respect to the officer(s) or employee(s), or an explanation as to why no disciplinary action is considered necessary;
- (e) A statement of any additional action taken by, or at the direction of, the head of the agency, including any new safeguards provided to prevent recurrence of the same type of violation;
- (f) A statement regarding the adequacy of the system of administrative control prescribed by the head of the agency and approved by Office of Management and Budget (OMB); and,
- (g) If another agency is concerned, a statement concerning the steps taken to coordinate the report with the other agency.

As noted above, any employee who has knowledge of a violation shall be responsible for informing the CFO, so that he or she may initiate the action provided for herein.

## 8.2 Responsibility of the Peace Corps Director

In the case of a statutory violation, the Director of the Peace Corps shall immediately report to the President, through the Director of OMB, and to the Congress and the Government Accountability Office (GAO). The report to the President will be in the form of a letter (original and three copies) to the President. The opening sentences of the letter will identify it as "... a report on an Anti-deficiency Act violation." The letter must include all data as outlined in Paragraph 8.1 above.

The report to the Congress will be in the form of identical reports to the presiding officer of each House. One copy of the report to the Congress will be submitted to OMB with the report to the

President, unless the reports to the Congress and the President are identical. Another copy shall be forwarded to GAO.

The Anti-deficiency Act provides that any officer or employee responsible for violation of the Act or of this regulation may be subject to administrative discipline including suspension or removal and may also be subject to fine and imprisonment for knowing and willful violations. Officers or employees responsible for violation of non-statutory agency administrative requirements may be subject to administrative discipline including suspension.

## **9.0 Accounting Support for Fund Control Systems**

The Peace Corps' accounting system was designed and customized to fully support the agency's fund control policies and systems. The accounting system provides for:

- (a) Recording all financial transactions affecting: apportionments; reapportionments; allotments; agency restrictions; financial plans; program operating plans; obligations and expenditures; as well as earned and collected reimbursements;
- (b) Preparing and reconciling financial reports that display cumulative obligations, and the remaining unobligated balance by appropriation and allotment, and cumulative obligations by budget activity and object class;
- (c) Ensuring a "zero tolerance" for obligations and expenditures that exceed existing budget or obligation levels; and
- (d) Internal funds control restrictions at the fund, location, and sponsor code levels.

The agency requires that administrative budget holders and others submit appropriate documentation accurately, completely, and promptly. Obligations may not be incurred unless sufficient funds are available. Detailed procedural guidance on the recording of obligations, and required documentation, may be found in the Overseas and Domestic Financial Management Handbooks.

## **10.0 Apportionment Procedures**

Requests for apportionment are prepared by the Office of the Chief Financial Officer (OCFO) and submitted to the Office of Management and Budget (OMB).

### 10.1 Preparation

Apportionment requests are prepared by the Budget Officer within the Budget and Analysis Division (OCFO/BA) of OCFO in accordance with OMB Circular A-11. The apportionment request is based on a comprehensive and detailed annual operating plan, reflecting policy guidance from OMB and any legal limitations imposed by Congress. Requests are based on a careful analysis of the nature of the obligations to be incurred under the work programs or operations planned for the year. The apportionment request takes into full account seasonal variations in the Peace Corps' pattern of obligations.

### 10.2 Submissions

Initial apportionment requests will be prepared in accordance with OMB instructions and will be submitted with a proposed operating plan within 10 calendar days after the enactment of our appropriation act or by August 21, whichever is later. Ordinarily, budgetary resources available through a Continuing Resolution are apportioned automatically.

### 10.3 Reapportionment

During each fiscal year, OCFO will carefully monitor progress against the operating plan, including:

- (a) rate of obligations;
- (b) program requirements; and
- (c) cost factors.

This will determine if a reapportionment is required.

In the event that a reapportionment is required, a request will be prepared by OCFO and submitted by the CFO to OMB in sufficient time to allow action by OMB before revised amounts are needed for obligation.

### 10.4 Non-apportioned Funds

Peace Corps has been authorized certain trust fund, special fund, and deposit fund accounts. These are not appropriated but are, instead, controlled through periodic administrative budget advices issued by the CFO. These funds include:

- (a) Office Private Sector Initiatives Private Sector Funds (See MS 720 Peace Corps Partnership Program and MS 721 Gifts and Contributions to the Peace Corps)

- (b) Advances from Foreign Governments (See MS 722 Host Country Contributions)
- (c) Foreign Service National (FSN) Separation Liability Trust Fund
- (d) Agency Contributions, Host Country Resident Contractors' Separation Liability Fund, Readjustment Allowance (See MS 223 Volunteer/Trainee Readjustment Allowance)

Further information on trust fund accounts may be found in MS 726 Trust Funds and Foreign Currency Accounts.

## **11.0 Allotments**

Allotments represent authority to incur obligations and make expenditures. The Peace Corps' allotment system is used for all funds and appropriations available to the Peace Corps including those exempt from apportionment and is managed by the CFO.

Budget authority obtained through continuing resolutions is controlled through the allotment system. Through the allotment process, statutory responsibility is placed on the A delegates to ensure that:

- (a) obligations are not incurred and expenditures are not made in excess of the allotment;
- (b) allotments are not made in excess of amounts available through the automatic apportionment;
- (c) allotment of unrealized reimbursements is restricted to amounts where there is a reasonable assurance that such amounts will be earned and collected;
- (d) the amounts of allotments or other administrative subdivisions will be fixed and will be changed only when authorized by the authority who initially issued the subdivision; and
- (e) all Congressional restrictions contained in appropriation acts will be enforced.

### **11.1 Allotment Procedures**

The allottee, if otherwise authorized to do so, may delegate to lower level officers authority to incur obligations and make expenditures. The allottee may not, however, delegate statutory responsibility for adherence to the controls imposed by the Anti-deficiency Act.

A separate allotment to each allottee is made for each fund or account. For operating expenses, the allotment is apportioned into four fiscal quarters. Unobligated balances from one quarter are immediately available for obligation in subsequent fiscal quarters. Amounts included in the allotment for advances and reimbursements are available for obligation only to the extent that

orders have been received from within the government, which represent valid obligations of the ordering account.

The delegation of authority to incur obligations and make expenditures is accomplished through the issuance of Budget Advices. Budget Advices serve as the agency's official audit document for the allotment of budget authority and subsequent movement of funds within and among major offices. They are generated following budget uploads and are populated with the all necessary financial information to summarize the completed adjustment. This information includes:

- (a) The amount available to the major offices both before and after the adjustment;
- (b) The specific fund, and fiscal year, quarter, and major office being adjusted;
- (c) The title and signature of the allottee (i.e., the CFO).

Budget Advices are issued to the Office Head of each major office. Budget Advices specify the total obligation authority by budget activity and by quarter for each office with each budget activity, and separate amounts are shown for direct and reimbursable programs. In addition, any limitations placed on the agency or the allottee will appear on the advices. The CFO is responsible for ensuring that the total of the direct or reimbursable obligation authority or the limitation amounts delegated through the Operating Budget Advices does not exceed the amount available.

Authority to obligate trust funds or other non-apportioned funds is held by the Budget Officer. These amounts remain available until obligated or withdrawn regardless of fiscal year.

### 11.2 Changing the Allotment Structure

As outlined in Attachment A of MS 114 Delegation of Authority, the CFO has authority to establish new location codes, purpose codes, sponsor codes, activity structures, and cost centers. When an adjustment to the agency's allotment structure is required, the Budget Office prepares an official form requesting the change. The completed form is signed by the Budget Officer and the Director of Accounting and Financial Reporting and provided to the Financial Systems Office for implementation.

### 11.3 Limitations

The Director of the Peace Corps may, from time to time, impose special limitations on the manner or purposes for which funds can be obligated by the allottee. These limitations are imposed either to meet some restriction imposed by Congress or the Office of Management and

Budget (OMB), or to allow tighter control to be maintained over the agency's programs. Unless otherwise specified, all limitations are imposed on obligation of authority on a yearly basis.

## **12.0 Treatment of Anticipated Budgetary Resources Already Enacted Into Law**

The Peace Corps' apportionments include estimated amounts of "anticipated" budgetary resources (e.g., Proceeds of sale and certain reimbursable funds) that are the result of laws already enacted. This is done to reduce routine reapportionments of such amounts as they actually become available. These are presented on the Apportionment and Reapportionment Schedule (SF 132) and the Report on Budget Execution and Budgetary Resources (SF 133) on the following lines:

- (a) Line 4B, anticipated increases (+) in budget authority (including anticipated transfers of new budget authority) into the account and anticipated decreases (-) from the account;
- (b) Line 4D, anticipated transfers of balances of budget authority into the account (+) and out of the account (-);
- (c) Line 3D3, anticipated orders without an advance and anticipated refunds (+);
- (d) Line 3D5c, anticipated transfers from trust funds into the account (+);
- (e) Line 2B, anticipated recoveries of prior year obligations (+); and
- (f) Line 6F, anticipated permanent reductions (-).

These funds are not allotted to offices until the increase to the total budgetary resources actually occurs.

## **13.0 Deficiency Apportionments**

Apportionments that anticipate the need for a deficiency appropriation or a supplemental under 31 U.S.C. 1515 will be specifically identified on the apportionment request (SF 132). To qualify as a deficiency apportionment, the request must be required by:

- (a) Laws enacted subsequent to the transmittal of the annual budget for the year to Congress;
- (b) Emergencies involving human life, the protection of property, or the immediate welfare of individuals; or
- (c) Specific authorization by law.

When OMB approves a deficiency apportionment and transmits it to Congress, OMB is merely notifying the Congress that funds appropriated to date are being obligated at a more rapid rate than previously anticipated. This notification does not guarantee that the Congress will approve any part of any associated supplemental requests and does not authorize the use of any amounts not yet provided by Congress.

#### **14.0 References**

Specific references to additional relevant Manual Sections are provided above, as appropriate. In addition, Section 2.0 of this MS lists the statutes requiring Peace Corps to institute and maintain administrative controls. Finally, Peace Corps has relied on OMB Circular No. A-11, “Instructions on Budget Execution,” and related OMB guidelines in developing the agency’s administrative control framework.

#### **15.0 Effective Date**

The effective date is the date of issuance.