MS 701 The Budget Process

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Responsible Office: Office of the Chief Financial Officer/Office of Budget Analysis (CFO/BA)
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Attachments
Attachment A – Establishment of Off-Cycle Budget Correction Committee and Charter
Attachment B – Formalized Review and Clearance Lists
Attachment C – Off-Cycle Budget Corrections and Emergency, Uncontrollable, and Mandatory Requests – Template Map
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1.0 Purpose

This Manual Section describes the policies, guidelines, and general calendar for the budget formulation and execution processes at Peace Corps. It consolidates and supersedes MS 702, MS 704, MS 705, MS 707 and MS 753.

2.0 Authority

The major source of authority for this Manual Section is the Budget and Accounting Act of 1921 and Office of Management and Budget (OMB) Circular A-11, "Preparation, Submission and Execution of the Budget".

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.

4.0 Definitions

Section 20 of OMB Circular A-11 provides the 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 OMB A-11 Circular.

5.0 Responsibilities

The Director has delegated certain authority to senior management officials of the Peace Corps. These delegations are listed in Attachment A of MS 114 Delegation of Authority. These delegations are transferable, within each delegate’s office or area of responsibility, unless otherwise noted.
6.0 Budget Formulation

Under the direction of the Peace Corps Director, the Office of Chief Financial Officer (OCFO) is responsible for the formulation of the Peace Corps annual budget and its transmission to OMB for review and approval. Based on OMB’s decisions regarding the Peace Corps budget submission, the Peace Corps budget is included in the President’s annual budget submission to Congress.

6.1 Strategic Planning

The Office of Strategic Information, Research and Planning is responsible for the development of the Peace Corps strategic plan and annual performance plan pursuant to the requirements detailed in OMB Circular A-11.

(a) The strategic plan defines the Peace Corps’ mission, long-term goals, strategies planned, and the approaches it uses to monitor the agency’s progress in addressing specific problems, needs, challenges, and opportunities related to its mission. It also explains the importance of the goals, appraises the agency’s capabilities, assesses the operating environment, and provides for evaluations and other studies to inform agency actions.

(b) The annual performance plan (APP) is a description of the level of performance to be achieved during the year in which the plan is submitted and the next fiscal year. The APP is specific in describing the strategies that Peace Corps will follow, explaining why those strategies have been chosen, and identifying performance targets and key milestones that will be accomplished in the current and next fiscal year.

6.2 Request to the Office of Management and Budget

Following the guidelines outlined in OMB Circular A-11 and OMB’s annual budget guidance and with the approval of the Director, OCFO prepares and submits the Peace Corps initial budget request to OMB. This request typically includes a budget narrative explaining the request, summary budget tables and other schedules or exhibits required by OMB Circular A-11.

6.3 Budget Presentation to Congress

After OMB determines the Peace Corps’ budget request amount, the OCFO collaborates with the Office of Congressional Relations to prepare and submit both the Peace Corps section of the President’s Budget and the agency’s Congressional Budget Justification to Congress. The Peace Corps Congressional Budget Justification includes a budget message, summary, and supporting information. Additional requirements are outlined in guidance from OMB, the Budget and Accounting Act of 1921 and Chapter 11, Title 31, U.S. Code.
7.0 Budget Execution

7.1 Operating Plan

On an annual basis, each office and post prepares a detailed Operating Plan based on guidance from the Director and the OCFO. The Operating Plans should incorporate the goals and objectives of the Strategic Plan to the operational level, focusing specifically on the operations for the upcoming fiscal year. The Director makes the ultimate resource allocation decisions for the upcoming fiscal years, which may require modifications of individual Operating Plans.

7.2 Apportionments and Allotments

7.2.1 Apportionments

An apportionment is a plan to spend resources provided through appropriation acts or other laws. Requests for apportionment are prepared by the OCFO and submitted to the OMB after an appropriation has been passed or when funds become available. The Peace Corps apportionments also include estimated amounts of anticipated budgetary resources that are the result of laws already enacted. These funds are not allotted to offices until apportionment is approved by OMB.

7.2.2 Allotments

The Peace Corps allotment process is used for all funds and appropriations available to the Peace Corps including those exempt from apportionment.

Through the allotment process, statutory responsibility is placed on the Major Office heads 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.

7.3 Fiscal Coding

As outlined in Attachment A of MS 114 Delegation of Authority, the CFO has authority to establish fiscal coding. 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.
7.4 Periodic Budget Reviews

Periodic budget reviews occur at the discretion of senior leadership. The reviews provide updates on offices’ and posts’ progress in executing goals and can be an opportunity for course corrections, if required. These reviews can focus on actual use of funds to date or project future requirements based on changes in the plan. Common types of periodic budget reviews are first quarter review, mid-year review, third quarter review and closeout review.

7.5 Off-Cycle Budget Corrections and Emergency, Uncontrollable and Mandatory Requests

In the course of each operating year, offices may identify new, unanticipated, additional funding requirements, or needs not included in annual submissions and approved operating budgets. Offices may request additional resources for such requirements and needs by submitting either Off-Cycle Budget Corrections (OBC) or requesting Emergency, Uncontrollable and Mandatory (EUM) funding. EUMs include requests for emergency situations, mandatory uncontrollable changes in the operating environment or other mandatory program cost increases. OBCs are usually programmatic funding requests that are unplanned. OBCs that are larger in scope and higher in dollar value (i.e. over a specific threshold) will be submitted to the OBC Committee for review and consideration against criteria based on the agency’s mission, goals and programmatic and operational priorities. (See the Off-Cycle Budget Corrections Review Committee Operating Charter.) OBCs that are smaller in scope/value and requests that are considered EUM only require the approval of CFO. (See the OBC and EUM Template Map for reference.)

7.6 Operating Plan Reductions

In unique circumstances, such as unanticipated reductions in appropriations, it may be necessary to review previously approved allocations of resources to determine where budget reductions may be warranted or necessary. Final decisions on operating plan reductions will be made by the Director.

7.7 Obligations

7.7.1 Obligations

An obligation is any action that creates a legal liability on the part of the U.S. Government to make a disbursement. Obligations include amount of orders placed, contracts awarded, employment, expenses of travel, and any other legal liability of the United States that will require payment during the same or future period. In addition to orders and contracts for future performance, obligations include salaries, benefits, and allowances. The general rule for lawfully obligating funds is that the items obtained or services received must fill a bona fide need arising during the period of availability of the appropriation for obligation, including stock replenishment, and that the obligation is not incurred at a date earlier than is necessary for the successful conduct of the Government's business. 31 U.S.C. 1501 prescribes that all obligations must be supported by documentary evidence of transactions authorized by law, such as: a binding agreement in writing, a valid loan agreement, certain orders placed with government agencies, a grant or subsidy, a liability resulting from pending litigation, employment of persons, expenses of travel, or other legal liabilities of the United States
7.7.2 Upward Adjustments and Recoveries

Obligations are recorded based on estimates of the amounts that will ultimately be paid. Increase or decrease adjustments may, therefore, be necessary until all amounts are fully liquidated or recovered. Adjustments may have to be made not only during the fiscal year for which the funds were authorized, but after the close of the fiscal year as well. The need for adjustment may result from:

(a) the discovery of unanticipated charges not previously included in the recorded obligations;

(b) liquidations during the current year which disclose that the obligations previously recorded were understated or overstated; or

(c) determinations that recorded obligations should be increased, cancelled or otherwise reduced, on the basis of reviews of unliquidated obligations or other information currently available.

7.7.3 Review of Unliquidated Obligations

Unliquidated (outstanding) obligations should be periodically reviewed to determine whether:

(a) payments have been completed and, therefore, any outstanding balance should be downwardly adjusted;

(b) in the case where payments have not been completed, an adjustment in the obligation should be made on the basis of previous payments plus payments expected to be made;

(c) other information indicates that the recorded obligation should be adjusted by amending documentation in the case of contracts, purchase orders, etc.; and

(d) they are appropriately recorded.

7.7.4 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.

(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.

7.8 Fund Control System

The OCFO is responsible for management and operation the system of administrative and accounting control of funds designed to keep obligations and expenditures from exceeding apportionments and allotments or from exceeding budgetary resources available for obligation, whichever is smaller, in order to avoid Antideficiency Act violations.

7.9 Reporting Violations and Penalties

7.9.1 Reporting Violations

All violations of the Antideficiency 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. All violations must be reported to CFO upon discovery.

If a violation of any funds control limitation occurs, regardless of whether it violates the Antideficiency Act, any employee who has knowledge of a violation shall be responsible for informing their supervisor and the CFO. The senior manager responsible for the office in which the violation occurred should notify the CFO immediately and should work closely with the CFO to clarify the facts and assess the impact of the violation.

7.9.2 Responsibility of the Chief Financial Officer

In the case of a reported 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.

7.9.3 Responsibility of the Peace Corps Director

Upon receipt of a report from the CFO that a violation has occurred, the Peace Corps Director shall immediately report the violation to the President, through the Director of OMB, and to the Congress and the Government Accountability Office. See OMB Circular A-11.

7.9.4 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 a budget allotment which do not exceed the total Peace Corps apportionment or appropriation does not, in itself, constitute a statutory violation. It does, however, constitute a violation of Peace Corps 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, the OCFO will verify the facts and evaluate the impact on the agency’s administrative control of funds. The CFO may recommend appropriate administrative discipline up to and including termination of employment.
7.9.5 Criminal Penalties

In addition, 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 Antideficiency 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 7.1, for further information on reporting potential criminal violations of Federal laws.)

8.0 Effective Date

The effective date is the date of issuance.