## INTRODUCTION

The guidance in this title is related to the development, installation, and operation of an agency's fiscal processes in its financial management system. It is intended to apply within the framework of the federal accounting principles and standards. However, this title does not provide specific guidance on fiscal transactions involving claims by and against the United States; travel and transportation; or pay, leave, and allowances. Guidance for these matters is contained in Titles 4, 5, and 6, respectively.

Users of this title will find that they are frequently referred to guidance such as that published by the Department of the Treasury and the Office of Management and Budget for related or more detailed information on certain subjects. In addition, for more detailed or comprehensive discussions of applicable laws and legal interpretations, users will often be referred to GAO's Principles of Federal Appropriations Law.

Terms referenced to the Glossary in this title may be found in GAO's A Glossary of Terms Used in the Federal Budget Process. The Glossary is issued and maintained by the Comptroller General under 31 U.S.C. 1112. This law directs the Comptroller General to establish, maintain, and publish standard terms and classifications for federal fiscal, budgetary, and program information. This authority includes, but is not limited to, data and information pertaining to federal fiscal policy, revenues, receipts, expenditures, functions, programs, projects, and activities. Such standardization of terms, definitions, classifications, and codes assists data users throughout the government and the private sector.

Agency heads may request a decision from the Comptroller General concerning application or interpretation of any statute or guidance set forth in Title 7. Prior to requesting such decisions, agencies should determine whether their questions have been answered in previous decisions issued by the Comptroller General. For automated indices to published Comptroller General decisions, refer to GAO Documents Data Base or JURIS, or consult Published GAO Decisions, updated quarterly.

# TABLE OF CONTENTS


| Chapter | Section | | Page |
|---|---|---|---|
| | | INTRODUCTION | 7.i |
| 1 | | AUTHORITY AND RESPONSIBILITIES | 7.1-1 |
| | 1.1 | Definitions | 7.1-1 |
| | 1.2 | General Authorizations and Requirements | 7.1-1 |
| | | A. Authority of the Comptroller General | 7.1-1 |
| | | B. Agency Responsibilities | 7.1-2 |
| 2 | | APPROPRIATION, RECEIPT, AND FUND ACCOUNTS | 7.2-1 |
| | 2.1 | Establishment of Appropriation, Receipt, and Fund Accounts | 7.2-1 |
| | | A. Central Accounts of Treasury | 7.2-1 |
| | | B. Account Symbols and Titles | 7.2-1 |
| | | C. Appropriation Warrants | 7.2-2 |
| | | D. Budget Authority Limitations | 7.2-2 |
| | | E. Regulations | 7.2-2 |
| | 2.2 | Recording Appropriated Funds | 7.2-3 |
| | | A. Appropriation Warrants | 7.2-3 |
| | | B. Issuance of Appropriation Warrants | 7.2-3 |
| | | 1. Definite appropriations | 7.2-3 |
| | | 2. Indefinite appropriations | 7.2-3 |
| | | 3. Resolutions for continuing appropriations | 7.2-3 |
| | | 4. Special and trust funds | 7.2-4 |
| | 2.3 | Reporting on Appropriation, Receipt, and Fund Accounts | 7.2-4 |
| | | A. Responsibilities for Reporting Charges and Credits | 7.2-4 |
| | | 1. Responsibilities of Treasury | 7.2-4 |
| | | 2. Responsibilities of agencies | 7.2-4 |
| | | a. Requirements in law | 7.2-4 |
| | | b. Related requirements | 7.2-5 |
| | | B. Limitation Control Requirements | 7.2-6 |
| | | C. Impoundment and Budgetary Reserves | 7.2-7 |
| | 2.4 | Transactions Among Appropriation and Fund Accounts | 7.2-8 |
| | | A. Nonexpenditure Transactions | 7.2-8 |
| | | B. Expenditure Transactions | 7.2-9 |
| | | C. Reimbursements Between Government Agencies | 7.2-9 |
| | | 1. Intragovernmental billing and collection system | 7.2-9 |
| | | 2. Agency responsibilities | 7.2-10 |
| | | 3. Interagency disputes | 7.2-12 |

# TABLE OF CONTENTS


| Chapter | Section | | Page |
|---|---|---|---|
| 3 | | OBLIGATIONS | 7.3-1 |
| | 3.1 | Applicability | 7.3-1 |
| | 3.2 | Incurring Obligations | 7.3-1 |
| | 3.3 | Criteria for Valid Obligations | 7.3-1 |
| | | A. General | 7.3-1 |
| | | B. Special Procedures for Contract Change Adjustments to Obligations | 7.3-2 |
| | 3.4 | Control Over Obligations | 7.3-3 |
| | 3.5 | Criteria for Recording Obligations | 7.3-4 |
| | | A. General | 7.3-4 |
| | | B. Proper Documentation | 7.3-4 |
| | | C. Contingent Liabilities | 7.3-5 |
| | | D. Estimating Obligations | 7.3-6 |
| | | E. Deobligation | 7.3-6 |
| | | F. Commitments | 7.3-7 |
| | | G. Obligation Cutoff Procedure | 7.3-7 |
| | 3.6 | Violations of Obligation Requirements | 7.3-7 |
| | | A. Exceeding Obligation Limitations and Reporting Requirements | 7.3-7 |
| | | B. Concealment of an Obligation Violation | 7.3-8 |
| | 3.7 | Reconciliation and Review of Obligations | 7.3-9 |
| | 3.8 | Reporting of Obligations | 7.3-9 |
| | | A. Obligation Reports and Certifications | 7.3-9 |
| | | B. Additional Guidance on Certifying Obligations | 7.3-10 |
| 4 | | YEAR-END CLOSING OF ACCOUNTS | 7.4-1 |
| | 4.1 | Basis for Closing Account Balances | 7.4-1 |
| | 4.2 | Availability of Appropriations for Obligation | 7.4-1 |
| | | A. Fixed Period Appropriations | 7.4-1 |
| | | B. No-year Appropriations | 7.4-2 |
| | | C. Appropriations Affected by Contract Protests | 7.4-2 |
| | 4.3 | Crediting of Collections to Appropriations | 7.4-2 |
| | 4.4 | Closed Appropriations | 7.4-3 |
| | 4.5 | Controls and Records Requirements for Expired and Closed Appropriations | 7.4-3 |

| Chapter | Section | | Page |
|---|---|---|---|
| 4 | 4.6 | Reporting | 7.4-3 |
| 5 | | COLLECTIONS | 7.5-1 |
| | 5.1 | Applicability | 7.5-1 |
| | 5.2 | Control Over Collections | 7.5-2 |
| | | A. Responsibilities for Collection Controls and Records | 7.5-2 |
| | | B. Separation of Duties for Cash Receipts | 7.5-2 |
| | | C. Inscription and Endorsement of Remittances | 7.5-3 |
| | 5.3 | Deposit and Documentation of Collections | 7.5-3 |
| | | A. Legal Requirements for Deposit of Receipts | 7.5-3 |
| | | B. Deposit Requirements | 7.5-4 |
| | | C. Support for Collections Deposited | 7.5-4 |
| | 5.4 | Collections Credited to Appropriation and Fund Accounts | 7.5-5 |
| | | A. Collection Classifications | 7.5-5 |
| | | 1. Refunds | 7.5-5 |
| | | 2. Reimbursements | 7.5-5 |
| | | B Crediting Collections to Appropriation and Fund Accounts | 7.5-5 |
| | | 1. Refunds | 7.5-5 |
| | | 2. Reimbursements | 7.5-5 |
| | | C. Availability of Special Fund Receipts | 7.5-6 |
| | | 1. Available receipts | 7.5-6 |
| | | 2. Unavailable receipts | 7.5-6 |
| | | 3. Accounting | 7.5-6 |
| | | D Documentation | 7.5-7 |
| | 5.5 | Other Collections | 7.5-7 |
| | | A. Collections by Voucher Deductions | 7.5-7 |
| | | B. Collections by One Agency for Another | 7.5-7 |
| | | C. Collections for Unofficial Use of Government Facilities in Emergencies | 7.5-7 |
| | | D. Exchange or Sale of Personal Property | 7.5-8 |
| | | E. Recoveries of Damages | 7.5-9 |
| | | 1. Contract damages | 7.5-9 |
| | | 2. Property damages | 7.5-9 |
| | | 3. Subrogee's recoveries | 7.5-10 |
| | 5.5 | F. Collections of Certain Payments From Government Employees | 7.5-10 |
| | | G. Collections of Debts Owed the Government | 7.5-11 |
| | | H. Unidentified Remittances | 7.5-12 |

| Chapter | Section | | Page |
|---|---|---|---|
| 6 | | DISBURSEMENTS | 7.6-1 |
| | 6.1 | Disbursing Operations | 7.6-1 |
| | | A. General | 7.6-1 |
| | | B. Disbursement Functions | 7.6-1 |
| | 6.2 | Disbursement Forms and Documentation | 7.6-2 |
| | | A. Forms | 7.6-2 |
| | | B. Documentation Requirements--General | 7.6-2 |
| | | C. Documentation Requirements--Alternative Conditions | 7.6-3 |
| | | 1. Use of invoices in place of vouchers | 7.6-3 |
| | | 2. Recurrent payments--fixed amounts | 7.6-4 |
| | | 3. Periodic bills from vendors | 7.6-4 |
| | | 4. Consolidation of payments for multiple invoices | 7.6-4 |
| | | 5. Payments to public utilities | 7.6-5 |
| | | D. Documentation of Certificated or Unvouchered Payments | 7.6-5 |
| | 6.3 | Agency Responsibility for Prompt Payments | 7.6-7 |
| | 6.4 | Approval and Certification of Payment Documents | 7.6-7 |
| | 6.5 | Prepayment Examination of Vouchers | 7.6-7 |
| | | A. General Requirements | 7.6-7 |
| | | B. Special Requirements for Specific Types of Disbursements | 7.6-9 |
| | | C. Administrative Adjustment of Claims | 7.6-9 |
| | 6.6 | Internal Controls Over Disbursements | 7.6-9 |
| | | A. General Requirements | 7.6-9 |
| | | B. Separation of Duties | 7.6-10 |
| | | C. Avoiding Duplicate Payments | 7.6-10 |
| | | D. Disbursements for Accounts Payable of Closed Appropriations | 7.6-10 |
| | 6.7 | Use of Credit Cards for Purchases | 7.6-11 |
| | 6.8 | Imprest Funds | 7.6-12 |
| | | A. Purpose and Amount of an Imprest Fund | 7.6-12 |
| | | B. Accountability for Imprest Funds | 7.6-12 |
| | | C. Agency Responsibilities | 7.6-13 |
| | | D. Verifications and Audits of Imprest Funds | 7.6-13 |
| | 6.9 | Grants and Cooperative Agreements | 7.6-14 |
| | 6.10 | Periodic Reviews | 7.6-14 |

| Chapter | Section | | Page |
|---|---|---|---|
| 7 | | CONCEPTS OF FEDERAL ACCOUNTABILITY AND RESPONSIBILITIES OF ACCOUNTABLE OFFICERS | 7.7-1 |
| | 7.1 | Accountability Concept | 7.7-1 |
| | | A. Responsibilities of Certifying Officers | 7.7-1 |
| | | B. Responsibilities of Disbursing Officers | 7.7-1 |
| | 7.2 | Reliance on Systems and Related Controls | 7.7-2 |
| | | A. Shifting Emphasis Due to Automation | 7.7-2 |
| | | B. Reasonableness of the Reliance on Systems and Controls | 7.7-3 |
| | 7.3 | Organizational Structure and Operating Procedures | 7.7-3 |
| | 7.4 | Application of Available Technology and Concepts | 7.7-5 |
| | | A. Technology Provides Voucher Examining Alternatives | 7.7-5 |
| | | B. Computer Edits | 7.7-6 |
| | | C. Data Authentication and Electronic Certification | 7.7-6 |
| | | D. Fast Pay Procedures | 7.7-7 |
| | | E. Statistical Sampling | 7.7-8 |
| | | F. Combining Fast Pay Procedures and Statistical Sampling | 7.7-9 |
| | | G. Requests for Alternative Procedures | 7.7-9 |
| | 7.5 | Evaluations of the Voucher Processing System and Controls | 7.7-10 |
| | | A. Review Requirements | 7.7-10 |
| | | B. Using FMFIA Reviews | 7.7-11 |
| | | C. Special Requirements for Certification, Processing, and Reporting if Weaknesses Exist | 7.7-12 |
| 8 | | SETTLEMENT OF ACCOUNTS AND RELIEF OF ACCOUNTABLE OFFICERS | 7.8-1 |
| | 8.1 | Authority and Responsibility | 7.8-1 |
| | 8.2 | Definition of Fiscal Irregularity | 7.8-1 |
| | 8.3 | Right to an Advance Decision on Certification or Payment | 7.8-1 |
| | 8.4 | Agency Responsibilities | 7.8-2 |
| | | A. General | 7.8-2 |
| | | B. Reporting Irregularities | 7.8-2 |
| | | C. Submitting Reports to GAO | 7.8-3 |
| | 8.5 | The Settlement Process | 7.8-4 |

| Chapter | Section | | Page |
|---|---|---|---|
| 8 | 8.6 | Issuance of Exceptions to Certifying or Disbursing Officers | 7.8-4 |
| | | A. Replies to Exceptions | 7.8-4 |
| | | B. Acknowledgement of Replies | 7.8-5 |
| | | C. Reporting Repayments | 7.8-5 |
| | | D. Agency Responsibility | 7.8-5 |
| | 8.7 | Time Limitation on Settlement of Accounts | 7.8-5 |
| | 8.8 | Relief of Accountable Officers: General | 7.8-6 |
| | 8.9 | Physical Loss or Deficiency | 7.8-7 |
| | | A. Standards for Relief | 7.8-7 |
| | | B. GAO Determination for Losses of $3,000 or More | 7.8-7 |
| | | C. Agency Determination for Losses Under $3,000 | 7.8-8 |
| | 8.10 | Physical Loss or Deficiency: Department of Defense Disbursing Officers | 7.8-8 |
| | | A. Standards for Relief | 7.8-8 |
| | | B. Agency Determinations | 7.8-9 |
| | 8.11 | Improper Payment | 7.8-9 |
| | | A. Standards for Relief: Disbursing Officers | 7.8-9 |
| | | B. Standards for Relief: Certifying Officers | 7.8-9 |
| | | C. Certain Check Losses | 7.8-10 |
| | | D. Required Collection Efforts | 7.8-11 |
| | 8.12 | Required Documentation | 7.8-11 |
| | | A. Reportable Irregularities | 7.8-11 |
| | | B. Irregularities Resolved by the Agency | 7.8-12 |
| | | C. Requests for Relief Submitted to GAO | 7.8-12 |
| | | D. Subsequent Developments | 7.8-13 |
| | 8.13 | Where to Submit Requests for Relief | 7.8-13 |
| | 8.14 | Adjustment of Accounts | 7.8-14 |
| | | A. General | 7.8-14 |
| | | B. Relief Granted by GAO | 7.8-14 |
| | | C. Relief Granted by the Agency | 7.8-14 |
| | | D. Relief Denied or Agency Declines to Seek Relief | 7.8-14 |
| | 8.14 | E. Other Situations | 7.8-14 |

# TABLE OF CONTENTS


| | | Page |
|---|---|---|
| Appendixes | | |
| I | Standard and Optional Forms | 7.I-1 |
| II | Treasury Department-General Accounting Office Joint Regulations | 7.II-1 |
| III | Use of Statistical Sampling Procedures in Examination of Vouchers for Payment | 7.III-1 |
| IV | Special Requirements for Certain Types of Disbursements | 7.IV-1 |
| V | Selected Legal Citations Directly Affecting Budgetary and Financial Accounting | 7.V-1 |
| VI | Transition Period for Closing Accounts | 7.VI-1 |
| Index | | 7.VII-1 |
| Figure | | |
| 4.1 | Illustration of Appropriation Account Closing for Fixed Period Appropriations | 7.4-5 |


## Abbreviations

| | |
|---|---|
| ANSI | American National Standards Institute |
| C.F.R. | Code of Federal Regulations |
| Comp. Gen. | Comptroller General |
| FAR | Federal Acquisition Regulation |
| FAST | Federal Account Symbols and Titles |
| FIPS | Federal Information Processing Standards |
| FIRMR | Federal Information Resource Management Regulations |
| FMFIA | Federal Managers' Financial Integrity Act |
| GAO | General Accounting Office |
| GOALS | Government On-line Accounting Link |
| GSA | General Services Administration |
| OMB | Office of Management and Budget |
| OPAC | On-line Payment and Collection |
| NIST | National Institute of Standards and Technology |
| SIBAC | Simplified Intragovernmental Billing and Collection |
| U.S.C. | United States Code |

## 1.1 DEFINITIONS

Unless otherwise provided in this title, the terms "agency," "executive agency," and "government corporation" are used as follows:

-- "Agency" means a department, agency, or instrumentality of the United States government;

-- "Executive agency" means a department, agency, or instrumentality of the executive branch of the United States government, but does not include government corporations; and

-- "Government corporation" means a corporation, agency, or instrumentality subject to chapter 91 of title 31, U.S. Code.

## 1.2 GENERAL AUTHORIZATIONS AND REQUIREMENTS

General authorizations and requirements for agency accounting and auditing are set forth in numerous statutes, primarily in chapter 35 of title 31, U.S. Code. For selected U.S. Code excerpts, see appendix V.

### A. Authority of the Comptroller General

Agency accounting and auditing requirements are established by the Comptroller General pursuant to various authorities in the U.S. Code. The fiscal guidance in this title is based on the Comptroller General's authority to settle the accounts of accountable officers and conduct audits. Included in this title are general accounting processing procedures which are required by law, federal accounting principles and standards, or internal controls. As part of the federal accounting standard setting process, GAO, OMB, and Treasury created the Federal Accounting Standards Advisory Board to review and recommend revisions, as necessary, to federal agency accounting standards. Compliance with the guidance in this title will provide a high degree of assurance that the systems are functioning in accordance with required practices.

GAO has prescribed appropriation accounting symbols, titles, and forms as part of its responsibilities. However, since December 1, 1950, the responsibility for assigning receipt, expenditure, basic working fund, and official deposit account symbols and titles, consistent with GAO guidance, has been assigned to the Department of the Treasury (GAO General Regulation No. 84, 2nd Revision, November 20, 1950, 30 Comp. Gen. 541). Section 2.2 of this title contains a further discussion of the account symbols and titles. Responsibilities for standard accounting forms relating to fiscal operations were also delegated to those agencies having basic

functional responsibilities for the areas associated with the forms (Title 7 transmittal number 7-34, October 1, 1967). Agencies should comply with requirements referenced in appendix I on standard, optional, and agency accounting forms.

B. Agency Responsibilities

The head of each executive agency is responsible for establishing and maintaining adequate accounting and internal control systems, in conformity with federal accounting principles, standards, and related requirements (31 U.S.C. 3512). Agency heads are also responsible for evaluating and reporting annually to the President and Congress on whether their internal controls comply with applicable standards, and for those controls that do not, reporting agency plans for corrective actions (31 U.S.C. 3512(d)). Internal controls are viewed as being synonymous with management controls--the whole network of policies, procedures, practices, and systems used by managers.

Excepted agencies, which include the Supreme Court and the various legislative branch agencies, are urged to comply with this guidance in order to facilitate the consolidation and reporting of the government's financial information, unless compliance would impose an unreasonable burden or be in conflict with a provision of law.

## 2.1 ESTABLISHMENT OF APPROPRIATION, RECEIPT, AND FUND ACCOUNTS

### A. Central Accounts of Treasury

Except where the Congress may have legislated specifically to the contrary, all public funds shall be deposited in and/or spent from one or more federal fund, trust, transfer appropriation, receipt clearing, foreign currency, deposit accounts, or direct loan or loan guarantee financing accounts maintained by Treasury. For a more detailed description of these account types, see the Glossary and the Treasury Financial Manual, volume I, part 2, section 1500.

### B. Account Symbols and Titles

Appropriation, receipt, and fund account symbols and titles are assigned by Treasury in consultation with the Office of Management and Budget (OMB), and in compliance with the principles, standards, and related requirements prescribed by the Comptroller General. An account symbol is a group of numbers or a combination of numbers and letters used in accordance with a prescribed system of account classification and identification for denoting the agency responsible for the account, the period of availability, and the fund classification.

The assigned, amended, or discontinued Federal Account Symbols and Titles (FAST) are published quarterly by Treasury as a supplement to the Treasury Financial Manual. This periodic listing provides each fund group's symbols and titles along with U.S. Code or Statutes at Large citations.

In addition to each fund having unique symbol and title designations to assist with centralized reporting, all fund transactions are to be recorded in appropriate accounts as set forth in the U.S. Government Standard General Ledger chart of accounts. The Standard General Ledger is published as a supplement to the Treasury Financial Manual. It is to be used to standardize agency accounting and to support the preparation of standard reports between an agency and Treasury for its centralized accounting and reporting responsibilities, and between an agency and OMB, the President, and the Congress for budgetary accounting needs.

By means of the accounting system's coding and classification structure, agencies should be able to summarize and report their financial data in both proprietary and budgetary terms, and on either a consolidated basis or by individual appropriation or fund

account. (More detailed guidance regarding the integration and configuration of the primary and subsidiary systems that carry out an organization's financial operations can be found in OMB Circulars A-11 and A-127 and in appendix III of Title 2 of this manual.)

C. Appropriation Warrants

Funds appropriated are drawn from the Treasury by means of an appropriation warrant (TFS Form 6200, Treasury Financial Manual, volume I, part 2, chapter 2000). A warrant is the official document issued pursuant to law by the Secretary of the Treasury that establishes the amount of money authorized to be withdrawn from the Treasury and accounted for in agency accounts. (See the Glossary.) Under Treasury Department--General Accounting Office Joint Regulations No. 5 and No. 7 (see appendix II), all requirements of existing law for GAO to countersign warrants are waived.

D. Budget Authority Limitations

A limitation of budget authority in agencies accounts is imposed by law or by agencies pursuant to law and serves to restrict

1. the purpose for which budget authority may be obligated or expended,

2. the amount of budget authority that may be obligated or expended for a particular purpose, or

3. the time period during which budget authority may be obligated or expended.

A limitation prescribing the maximum amount for certain programs or purposes during a specified period may be contained either in an authorization or appropriation statute.

E. Regulations

Where applicable, Joint Regulations 1 through 7, issued by the Secretary of the Treasury and the Comptroller General, have been incorporated into this title. They are included as appendix II for the purpose of maintaining a historical record.

## 2.2 RECORDING APPROPRIATED FUNDS

### A. Appropriation Warrants

A public law appropriating moneys is the basis for issuing appropriation warrants (31 U.S.C. 321(a)(3) and 3323). The warrants, initiated pursuant to law by the Secretary of the Treasury, are the basis for recording appropriations on the books of Treasury and in the reciprocal accounting records of all other agencies for which the appropriations are made. All regular and continuing resolution appropriation warrants are signed only by a Treasury representative.

Appropriations do not represent cash actually set aside in the Treasury for the purposes specified in the appropriation act but are amounts which agencies may obligate for the purposes and during the time periods specified in the appropriations acts.

### B. Issuance of Appropriation Warrants

1. Definite appropriations.

   Warrants will be issued in the full amounts for definite appropriations from the general fund of the Treasury, i.e., those stated in specific amounts in the appropriation acts.

2. Indefinite appropriations.

   For indefinite appropriations from the general fund of the Treasury, that is where the amount is determinable at some later date, warrants normally will be issued at the beginning of each fiscal year, after approval by OMB and in the amounts of the latest published estimates of OMB. The warrants will be subsequently adjusted, as appropriate, to actual obligations or payments.

3. Resolutions for continuing appropriations.

   Where budget authority is provided by continuing resolutions, pending enactment of regular appropriations for the fiscal year, warrants shall be issued in strict accordance with the provisions of the continuing resolutions. Agencies shall request warrants under the continuing resolutions in accordance with the prescribed OMB apportionment and furnish Treasury with adequate written justification for the amounts being requested. Requests for deviations from a quarterly apportionment shall

be justified in writing to OMB and approved by OMB before agencies request warrants from Treasury.

4. Special and trust funds.

Special and trust fund receipts which, pursuant to law, are available without further action by the Congress will be available immediately upon confirmation of their deposit. For unavailable special and trust fund receipts, warrants will be issued after requirements for their availability have been met. (See definitions of "available" and "unavailable" receipts in subsection 5.4.C of this title.)

## 2.3 REPORTING ON APPROPRIATION, RECEIPT, AND FUND ACCOUNTS

### A. Responsibilities for Reporting Charges and Credits

1. Responsibilities of Treasury.

Treasury is responsible for prescribing detailed procedures executive agencies use for processing transactions among appropriation, receipt, and fund accounts and for obtaining from each agency such summary-level account information relating to transactions and reports as may be necessary for carrying out its central accounting and financial reporting responsibilities (31 U.S.C. 3513).

2. Responsibilities of agencies.

a. Requirements in law.

Executive agencies are responsible under 31 U.S.C. 3512 for establishing and maintaining the following.

(1) The appropriate accounts designated by Treasury.

(2) Such subsidiary records as may be necessary for accounting, audit, and management purposes, including accounts under the consolidated working fund account symbols assigned by Treasury.

(3) Controls for appropriation(s) and special limitations required by law.

(4) Reliable accounting results that will be the basis for

(a) preparing and supporting the budget requests of the agency,

(b) controlling the execution of the agency budget, and

(c) providing financial information that the President requires under 31 U.S.C. 1104(e).

(5) Suitable integration of the agency's accounting with the central accounting and reporting responsibilities of the Secretary of the Treasury under 31 U.S.C. 3513.

b. Related requirements.

Accounting symbolization must be maintained accurately to facilitate the operation of information systems designed to

(1) assure compliance with restrictions on the receipt or expenditure of certain budgetary resources,

(2) permit presentation of comparable information for analysis of trends in certain accounts, and

(3) provide information to Treasury for the central accounts of the government.

Agencies are required to report charges and credits to appropriation, receipt, or fund accounts consistent with the fund account symbols and titles, and the Standard General Ledger uniform chart of accounts. In addition, agencies are responsible for complying with Treasury requirements for furnishing documents, reports, and information on the charges and credits to the separate appropriation, receipt, and fund accounts. The reported amounts will be posted to the reciprocal agency accounts maintained by Treasury.

Agencies are responsible for maintaining adequate documentation and control over charges and credits to appropriation receipt or fund accounts. This responsibility is part of the overall responsibility for maintaining systems designed to ensure that financial transactions are in conformity with legal requirements. (See also subsections 2.1.D, 2.3.B, and chapter 3, obligations, on the topic of control.)

B. Limitation Control Requirements

Budget authority limitations imposed by law or agency management (as described in 2.1.D) are intended to achieve an effective and orderly use of available authority and to reduce the need for supplemental or deficiency appropriations. Generally, this limitation control process begins with the apportionment (of appropriations or other budgetary resources) which, in turn, is allotted pursuant to the apportionment or other statutory authority (31 U.S.C. 1513, 1514). Such limitations should be accounted for in the Standard General Ledger's budgetary (4000 series) accounts. OMB apportions budgetary resources for executive branch agencies. For legislative and judicial branch agencies, the official who has administrative control of budgetary resources performs the apportionment. In some cases, separate allotments may be required to establish effective control over funds subject to limitations.

Agencies are precluded by the Antideficiency Act from (1) incurring obligations or expenditures in excess of the amounts available in appropriations, fund accounts, or apportionments or (2) from obligating or expending amounts required to be sequestered (31 U.S.C. 1341, 1517(a)(1)). Agencies are also precluded from exceeding allotments, suballotments, or other subdivisions of funds when agency regulations make the exceeding of such administrative divisions a violation of the law (31 U.S.C. 1517(a)(2)). In addition, the Antideficiency Act requires agency heads to establish fund control systems that can be used to identify agency staff responsible for causing obligations or expenditures to exceed limitations. OMB has directed executive agencies to always treat obligations in excess of allotments or suballotments as violations of the Antideficiency Act. (See OMB Circular A-34, sections 21.1, discussion relating to "administrative subdivision of funds," and 32.1 through 32.7.)

Agencies administering appropriation and fund accounts are responsible for ensuring that the amount obligated does not exceed the legally imposed limitations (e.g., limitations established by legislation, apportionment, allotment, or other administrative subdivision). They are also responsible for establishing such records or accounts and for preparing such reports as may be necessary for ensuring compliance with the limitation(s). (See section 3.6.)

These fund controls are to be maintained as part of the accounting records. (For more detailed control requirements discussions, see accounting standards for fund control in Title 2, appendix I, section F50; accounting system standards in Title 2, appendix III,

chapter 2; and OMB instructions on internal control systems and accounting systems in Circulars A-34 (part III and appendix B), A-123, and A-127.) Where a limitation is stated in number of units (e.g., the number of automobiles that may be purchased) instead of dollars, controls should be maintained in terms of units, rather than dollars.

## C. Impoundment and Budgetary Reserves

An impoundment is any action or inaction by an officer or employee of the federal government that is intended to withhold the obligation or expenditure of budget authority. There are two types of impoundment action--deferral and rescission.

A deferral is a withholding or delaying of the obligation or expenditure of budget authority or any other type of executive action which effectively precludes the obligation or expenditure of budget authority. No officer or employee of the United States may defer any budgetary authority for any purpose other than to provide for contingencies or to effect a savings made possible by or through changes in requirements or greater efficiency of operations, or as otherwise specifically provided by law. Deferrals may not extend beyond the end of the fiscal year. A special message from the President to the Congress is required by 2 U.S.C. 684 to report any deferral of budget authority. Apportionments or reapportionments that establish reserves under 31 U.S.C. 1512(c) are deferrals and must be reported under 2 U.S.C. 684.

A rescission involves the cancellation of budget authority previously provided by the Congress (before that authority would otherwise expire), and can only be accomplished through legislation. The President is required to advise the Congress of any proposed rescissions in a special message (2 U.S.C. 683). Any amount of budget authority proposed to be rescinded shall be made available for obligation unless, within 45 days of continuous session following receipt of the proposal, both Houses of Congress pass a bill rescinding, in whole or in part, previously granted budget authority. Funds made available for obligation under this procedure may not be proposed for rescission again in the same fiscal year.

The Comptroller General is required to monitor the performance of the executive branch in reporting proposed deferrals and rescissions to the Congress. A copy of each special message reporting a proposed deferral or rescission must be delivered to the Comptroller General, who must review each such message and present the results to the Senate and House of Representatives.

During this review, the Comptroller General may determine that the executive branch has incorrectly classified an impoundment. In the report to the Congress, the Comptroller General may reclassify impoundments from one type to the other (2 U.S.C. 685-686). In addition, the Comptroller General is required to report to the Congress any action by the executive branch which establishes a reserve or defers, or proposes to defer, budget authority without transmitting the required special message to the Congress. Finally, the Comptroller General is authorized to bring a civil action against an agency to make available for obligation budget authority that has been improperly withheld from obligation (2 U.S.C. 687).

## 2.4 TRANSACTIONS AMONG APPROPRIATION AND FUND ACCOUNTS

Transfer of funds among appropriation and fund accounts is prohibited, except as authorized by law. This rule follows from the requirements of 31 U.S.C. 1532, which prohibits transfers, and 31 U.S.C. 1301(a), which prohibits the use of appropriations for other than their intended purpose. (See, for example, 33 Comp. Gen. 214 (1953) and 216 (1953); B-178205, April 13, 1976; and B-206608, March 15, 1982. Also, see GAO's Principles of Federal Appropriations Law.)

The prohibition against transfer without statutory authority applies equally to transfers among separate appropriations and fund accounts available to an agency or among agencies. An example of general statutory authority for interagency and intra-agency fund transfers is the Economy Act (31 U.S.C. 1535 and 1536).

### A. Nonexpenditure Transactions

The requirements applicable to nonexpenditure transactions set forth in this subsection shall apply to all agencies.

For accounting and reporting purposes, those transactions among appropriation and fund accounts that do not represent payments for goods and services received or to be received, but serve only to adjust the amounts available in the accounts for making payments, shall be classified as nonexpenditure transactions (e.g., use of transfer appropriation accounts or commonly known as "allocation accounts"). However, transactions between budget accounts and deposit funds will always be treated as expenditure transactions since the deposit funds are outside the budget. Nonexpenditure transactions are not to be recorded as obligations or outlays of the transferring accounts nor as reimbursements or receipts of the receiving accounts. No change may be made in the availability of

appropriated funds by agencies through the use of nonexpenditure transactions unless specifically authorized by law.

**B. Expenditure Transactions**

For accounting and reporting purposes, expenditure transactions are transactions among appropriation and fund accounts that represent payments, repayments, or receipts for goods or services furnished or to be furnished. An expenditure transfer/transaction is recorded as a obligation/outlay of the transferring account and as unearned customer orders or reimbursements of the receiving account, as specifically authorized by law. If the receiving account is a general fund appropriation account or a revolving fund account, the collection is credited to the appropriation or fund account. If the receiving account is a special fund or trust account, the collection is usually credited to a receipt account of the fund. All transfers between federal funds (general, special, and nontrust revolving funds) and trust funds are also treated as expenditure transactions.

**C. Reimbursements Between Government Agencies**

1. Intragovernmental billing and collection system.

The intragovernmental billing and collection system facilitates interagency transfers of funds in compliance with specific provisions of law. Two essential elements of the system are that it provides for immediate payment to the billing agency and it incorporates a method for customer agencies to charge back erroneous charges. However, all the requirements of the law authorizing an interagency agreement or controlling the accounting for the budget authority made available to implement the agreement must be followed. Further, in order to facilitate implementation and audit, the documentary record of the agreement should always cite the authority for the agreement.

Certain automated intragovernmental billing and collection subsystems have been established to accomplish intragovernmental purchases and sales and the resulting payments in the most efficient manner. These objectives are achieved by eliminating

a. check issuance and deposit procedures, and

b. paper voucher procedures, when applicable, through simultaneous billing and collection with interfacing computer systems.

Based on these interagency automated record systems, Treasury also processes charges and credits for the interagency transactions in its control records for each agency.

For a description of the general requirements and technical specifications for these intragovernmental billing and collection subsystems, see Treasury Financial Manual, volume I, part 6, section 5000, for the Simplified Intragovernmental Billing and Collection (SIBAC) System and section 10000, for the On-Line Payment and Collection (OPAC) System, a component of the Government On-Line Accounting Link System (GOALS).

If the requesting agencies lack access to Treasury's automated billing and collection system, they should ensure that bills rendered or requests received for advances are promptly paid.

When intragovernmental billing and collection actions are completed prior to receiving notification of receipt for supplies or services, paying agencies should establish the necessary controls, which may include recording payments as deferred items, to ensure ultimate receipt or other appropriate settlement of the transaction.

2. Agency responsibilities.

To ensure proper fund control and minimize the potential for violation of the Antideficiency Act, certain safeguards should be incorporated into agency procedures and into interagency or intra-agency orders or agreements for goods or services.

The extent to which controls are applied is related to the risk involved. For example, minimal controls may be sufficient when there is little risk that the amounts to be billed will exceed the initial cost estimates. The following safeguards apply but the application should be adjusted to reflect differences in circumstances or requirements.

a. The requesting organization must ensure that it has budget authority available prior to placing an order or entering into an agreement for goods or services.

b. The performing agency should specify the amount that it is to be paid for providing the requested item or service. If the law authorizes, but does not require, performance on a nonreimbursable basis, the parties should agree whether reimbursement is appropriate. The amount should be

determined in accordance with the requirements imposed by the law authorizing the agreement. For example, 31 U.S.C. 1535 and 1536 require the recovery of actual costs, including direct and indirect costs. When the total cost of performance is not known in advance, costs should be estimated, and this estimated amount should constitute a ceiling on the costs that may be incurred by the performing agency without notifying, and receiving approval from, an authorized official of the requesting agency.

c. The requesting agency is required to obligate budget authority in the amount specified in the agreement and institute procedures to monitor the cost and performance.

d. When the law requires that the performing agency recover actual costs for the items or services provided and advances by the requesting agency exceed the actual costs of performance, the excess should be refunded promptly upon completion of performance or termination of the order by the requesting agency. (For example, the prompt return of excess funds may be critical to the requesting agency so that funds can be used before they expire.)

e. The agreement should be properly documented. (See subsection 3.5.B.) It should, as a minimum, set forth

(1) citations of the legal authority for entering into the agreement,

(2) the terms and conditions of the requested performance,

(3) the specified cost of performance, including appropriate ceilings when the cost is based on estimates (or the designation "nonreimbursed" when authorized and agreed to by the performing agency),

(4) whether payment will be by advance or reimbursement,

(5) applicable special requirements and procedures for assuring compliance (see, for example, 48 C.F.R. subpart 17.5, "Interagency Agreements Under the Economy Act"), and

(6) the approval of the agreement by authorized officials of the participating organizational units.

f. The performing agency should institute procedures for administering the agreement. The procedures should ensure that the specified cost and applicable time limit on the use of the funds to produce the goods or perform the service are not exceeded and that all costs are promptly billed. Whenever implementation is through more than one organizational unit, the performing agencies should centrally coordinate and administer performance and billings to ensure that the specified costs are not exceeded.

In addition, the requesting agency's appropriation remains obligated for an order placed or agreement made under the Economy Act only to the extent that the performing agency provides or enters into a contract with commercial establishments to provide the requested goods or services before the appropriation expires. Thus, when agreements are entered into under that authority, amounts obligated by the requesting agency will require deobligation at the expiration of the appropriation to the extent that goods or services have not been provided or contracted for by the performing agency. However, agreements entered into under other provisions of law generally obligate appropriations in a manner similar to contracts with commercial establishments. (See 55 Comp. Gen. 1497 (1976).)

g. If it becomes evident that the goods or services to be provided will exceed the estimated costs, the performing agency should immediately notify the requesting agency and curtail or cease performance, as necessary, to avoid exceeding the estimated cost. Failure in this regard may result in the performing agency violating 31 U.S.C. 1301(a) and 1341(a) (B-234427, August 10, 1989).

h. If the requesting agency desires continued performance, and budget authority is available, the agreement should be modified accordingly at the earliest practical time.

3. Interagency disputes.

A disputed interagency bill for goods or services, together with applicable documents and reports, may be submitted for settlement to the following address:

Claims Group
General Government Division
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

## 3.1 APPLICABILITY

This chapter presents general legal guidance applicable to accounting for and reporting on obligations against appropriation and fund accounts. Related fund control accounting and reporting standards are covered in Title 2, appendix I, section F50, and appendix III, chapter 2. A "Checklist for Fund Control Regulations" is prescribed in Office of Management and Budget Circular A-34, appendix B, pursuant to 31 U.S.C. 1514(a).

The term "appropriation" as used in this chapter is the statutory authority for federal agencies to incur obligations and make payments from Treasury for specified purposes. The word usually has been used in this way in the referenced statutes and Comptroller General decisions because the Antideficiency Act defined the term "appropriations" broadly. (See the definition of budget authority contained in the Glossary.) As discussed in section 5.4 of this title, the meaning of the term also includes collections credited to appropriation or fund accounts.

## 3.2 INCURRING OBLIGATIONS

In simplified terms, obligations are incurred when transactions representing orders placed, contracts awarded, services received, and other actions during a given period will require payments during the same or some future period. Obligations must satisfy legal requirements before they can be properly recorded against appropriation accounts.

## 3.3 CRITERIA FOR VALID OBLIGATIONS

### A. General

Legal decisions regarding "obligations" issues are often stated in terms of whether appropriations are "legally available" for a given expenditure. This is simply another way of stating whether using an appropriation for a given item is a valid obligation. The following criteria must be met in order for appropriations to be legally available for obligation and expenditure.

1. The purpose of the obligation must be one for which the appropriation was made (31 U.S.C. 1301(a)).

2. The obligation must be incurred within the time that the appropriation was made available for new obligations (31 U.S.C. 1502(a)).

3. The obligation may not exceed the amount appropriated by statute, nor be incurred before the appropriation becomes law, unless otherwise provided by law (31 U.S.C. 1341 and 41 U.S.C. 11).

Thus, there are three elements to the concept of appropriations being available for obligations: purpose, time, and amount. The requirements of all three elements must be observed for the obligation to be legally valid, unless otherwise authorized by law. These elements of the obligation concept must be applied to each transaction. Administrative discretion concerning the use of appropriations may not contravene the requirements or limitations imposed by the appropriation acts or other applicable provisions of law. For further discussion of the "concept of obligation" and appropriation availability refer to GAO's Principles of Federal Appropriations Law.

When an agency is authorized by law to incur obligations in advance of, or in excess of, an appropriation, the obligation must be recorded as soon as it arises. The incurring and recording of the obligation in such circumstances does not violate 31 U.S.C. 1341 and 41 U.S.C. 11, since the deficiency obligation is authorized by law (65 Comp. Gen. 4 (1985)). However, appropriate steps should be taken to ensure that liquidating appropriations are obtained to pay the obligation.

In those instances when an appropriation is obligated for a purpose for which it is not available, agencies must make an adjustment and charge the proper appropriation. If there is no appropriation available for the purpose, or the obligation is in excess of the amount available in the proper appropriation, there is a violation of 31 U.S.C. 1341.

## B. Special Procedures for Contract Change Adjustments to Obligations

Certain obligation increases relating to contract changes for expired fixed period appropriations require special approval and reporting as set forth in 31 U.S.C. 1553(c). After the contract changes reach a total of $4 million during a fiscal year within a program, project, or activity of an appropriation, any obligation increases for contract changes must be approved before being incurred. The approval must be given by the agency head or an officer in the agency head's immediate office who is delegated such authority by the head of the agency.

If the total amount of anticipated obligations for contract changes will exceed $25 million within a program, project, or activity of an appropriation, the obligations may not be incurred until

1. the agency head provides a written notice of the obligations to the appropriate authorizing committees of the Congress and the House and Senate Committees on Appropriations and

2. a period of 30 days has elapsed after the submission of the notice.

The notice must include a description of the legal basis and the policy reasons for the proposed obligations (31 U.S.C. 1553(c)).

The term "contract change" means a change to a contract, including agreements between government agencies, under which the contractor is required to perform additional work. The term does not include adjustments to pay claims or increases under an escalation clause. In the absence of any other applicable guidance, an agency may identify a program, project, or activity under 31 U.S.C. 1553(c) consistent with program, project, or activity as identified for the purpose of sequestration under section 256(*l*)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (2 U.S.C. 906(*l*)(2)).

## 3.4 CONTROL OVER OBLIGATIONS

Agencies shall institute appropriate control procedures for ensuring that all obligations entered into on behalf of the government, including interagency transfers for reimbursable work, are made in accordance with law and are documented, recorded, and reported as required by law. Such procedural controls should be integrated with agency budgetary and accounting fund control systems. For more detailed guidance, see OMB Circular A-34 and GAO Title 2, appendix III, chapter 2.

Accounting systems shall be designed to help prevent obligations from exceeding the amounts of appropriations, statutory limitations, apportionments, or administrative subdivisions thereof (31 U.S.C. 1514), which are set in response to statutory, presidential (through OMB), and agency management guidance. To preclude such overobligations, the system should be capable of providing positive knowledge that funds are available to cover obligations being entered into or anticipated. In addition, written agency procedures are to clearly state how the availability of funds may be determined. The records maintained are to show, in all cases,

the available balance of each limitation; the amounts obligated, expended, and disbursed; and the balance remaining.

## 3.5 CRITERIA FOR RECORDING OBLIGATIONS

### A. General

All obligations shall be promptly charged against the applicable appropriations in such a manner as to meet the requirements for control of funds, essential management information, and the preparation of statements and required reports.

The overrecording and underrecording of obligated amounts are equally improper. Either makes it impossible to determine the precise status of the appropriation and may cause violations of the Antideficiency Act. Either will also call into question the propriety of certifications of obligations that must be submitted with appropriation requests. (See subsection 3.8.A.)

### B. Proper Documentation

Documentary requirements for recording obligations incurred in the course of government activity are provided in 31 U.S.C. 1501(a). This provision specifically directs that no amount shall be recorded as an obligation unless it is supported by documentary evidence of the following.

1. A binding agreement between agencies or an agency and other parties that is

   a. in writing, in a way and form, and for a purpose authorized by law, and

   b. executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.

2. A loan agreement showing the amount and terms of repayment.

3. An order required by law to be placed with an agency.

4. An order issued under a law authorizing purchases without advertising

a. when necessary because of a public exigency,

b. for perishable subsistence supplies, or

c. within specific monetary limits.

5. A grant or subsidy payable

a. from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law,

b. under an agreement authorized by law, or

c. under plans approved consistent with and authorized by law.

6. A liability that may result from pending litigation.

7. Employment or services of persons or expenses of travel under law.

8. Services provided by public utilities.

9. Other legal liability of the government against an available appropriation or fund.

See chapters 31 and 33 of title 44, U.S. Code for general guidance on agency management and disposal of "records." See also, Title 8 of this manual concerning records management.

C. Contingent Liabilities

Contingent liabilities become recordable obligations if or when the contingent condition materializes. For example, flood insurance contracts and unadjudicated claims against the government are contingent liabilities. If the insured risk occurs, or the claimant prevails, the contingent liability becomes an obligation which must be recorded based on the appropriate documentary evidence against the current appropriation for the purpose of paying such obligations. The full amount of the obligation is to be recorded even when the available obligational authority is insufficient to cover the obligation (65 Comp. Gen. 4 (1985)). For additional guidance with respect to proprietary accounting, see GAO's Title 2, appendix I, section C50.

Also, in suits against the government where one of the disputed issues is the underlying legal liability of the government to the plaintiff, the contingency does not warrant the recording of an obligation. However, where the underlying legal liability of the government on the claim is not in question (for example, in property condemnation cases), and only the amount of the claim is in dispute, a recordable obligation exists. The obligation should be estimated in accordance with subsection 3.5.D. (See 35 Comp. Gen. 185 (1955) and 34 Comp. Gen. 418, 423 (1955).)

D. Estimating Obligations

When the amount of an obligation is not known at the time it is incurred, the best possible estimate should be used to record the obligation. Where an estimate is used, the basis for the estimate and the computation must be documented. Appropriate adjustment must be made when events permit a more accurate estimate of the amount of the obligation and when the actual obligation is determined. In situations where estimated obligations would potentially result in exhausting the unobligated balance of the appropriation at that time, the agency should initiate steps to obtain additional budget authority. For example, liabilities arising based on indemnification agreements (contingent liabilities) that could exhaust funds which would otherwise be available.

E. Deobligation

Deobligation is the cancellation or downward adjustment of a previously recorded obligation. In general, the rules for initially obligating the appropriation also apply to any amounts deobligated. Appropriations deobligated within the original period of obligational availability are again available for new obligations. Amounts deobligated after the expiration of a fixed period appropriation may increase the unobligated balance of the expired appropriation but are not available for new obligations. However, the unobligated balances of expired appropriations are available for the purpose of recording unrecorded or underrecorded obligations properly entered into prior to the expiration of the appropriation. Any unrecorded or underrecorded obligation charged against an expired appropriation that exceeds the unobligated balance of that appropriation may result in a violation of the Antideficiency Act.

For no-year appropriations, deobligations increase the unobligated balances and are available for new obligations until the appropriation is closed. For more discussion of expired account balances, see chapter 4 of this title.

F. Commitments

For purposes of effective financial planning, including fund control, data on proposed obligations, which are often referred to as "commitments," may be systematically accumulated in accounting records in advance of their becoming valid obligations. If used, this accounting procedure reflects allotments or other available funds which are earmarked in anticipation of obligation. Such a commitment procedure is particularly useful when there is a significant delay between the initial prevalidation and the later actual obligation of funds, or when there are multiple locations receiving allotments from one appropriation.

The Standard General Ledger accommodates recording the commitment process through the "Commitments Available for Obligation" account. Commitments can only be recorded against funds that have been apportioned and allotted or otherwise made "available." However, commitments representing such anticipated obligations are not included in any official reports on obligations incurred, as they do not meet the criteria for recording obligations as presented in this section.

G. Obligation Cutoff Procedure

Each agency shall establish a reasonable cutoff date for (1) recording obligations which are applicable to the fiscal year but received after the close of the fiscal year and (2) making any necessary adjustments in amounts of recorded obligations. Sufficient time must be allowed after the cutoff date for making adjustments and preparing the annual reports of obligations, Treasury SF 225, Report on Obligations, and OMB SF 133, Report on Budget Execution. For further detailed instructions on year-end obligation reports, see the Treasury Financial Manual, volume I, part 2, chapter 4400, and OMB Circular A-34, part V.

## 3.6 VIOLATIONS OF OBLIGATION REQUIREMENTS

A. Exceeding Obligation Limitations and Reporting Requirements

The language of 31 U.S.C. 1341 makes clear that it is improper to authorize an expenditure or obligation of an appropriation or fund in excess of amounts available or before an appropriation is made, unless authorized by law; or for the expenditure or obligation of funds or payment of money required to be sequestered.

The language contained in 31 U.S.C. 1517(a) prohibits making or authorizing an obligation or expenditure exceeding an

apportionment or the amount permitted by regulations prescribed under 31 U.S.C. 1514(a) relating to the administrative division of apportionments.

If an obligation has been created in excess of available funds, the law has been violated, regardless of whether the obligation has been recorded against an appropriation or fund. Furthermore, the officer or employee of the United States government or the District of Columbia government who knowingly and willfully violates this prohibition is subject to a $5,000 fine or imprisonment for not more than 2 years, or both (31 U.S.C. 1350).

Violations of limitations by an officer or employee of an executive agency or the District of Columbia government shall be reported immediately after it becomes known by the head of the executive agency or the Mayor of the District of Columbia to the President and Congress. The reports shall contain all relevant facts and a statement of actions taken (31 U.S.C. 1351 and 1517(b)). Additional guidance to executive agencies concerning the types of violations, reporting requirements, and timing of reports, is in OMB Circular A-34.

**B. Concealment of an Obligation Violation**

Government officials and employees are expected to act with professional honesty and integrity. It is improper to conceal or attempt to conceal a potential violation of laws such as 31 U.S.C. 1341. The following citations are provided to indicate the seriousness of such action.

1. Concealment of the commission of a felony is itself a felony, punishable by a fine of not more than $500 or imprisonment of not more than 3 years, or both (18 U.S.C. 4).

2. It is also an offense to aid another in committing an offense (18 U.S.C. 2); to assist an offender in order to hinder apprehension, trial, or punishment (18 U.S.C. 3); or to conspire to commit an offense (18 U.S.C. 371).

3. Anyone who, in any matter within the jurisdiction of a U.S. department or agency, (1) knowingly and willfully falsifies, conceals, or covers up a material fact; (2) makes any fraudulent statements or representations; or (3) makes or uses any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry shall be fined not

more than $10,000 or imprisoned not more than 5 years, or both (18 U.S.C. 1001).

## 3.7 RECONCILIATION AND REVIEW OF OBLIGATIONS

Periodically, and at the close of each fiscal year, each agency must reconcile its obligation controlling accounts to its supporting records. The reconciliation process includes verifying that the agencies' monthly, quarterly, and annual obligation reports to Treasury and OMB agree with the agencies' obligation control accounts for each open appropriation account. Obligation reporting requirements include the quarterly SF 225, Report on Obligations (Treasury Financial Manual, volume I, part 2, chapter 4400) and monthly and annual SF 133 reports to OMB on budget execution (Circulars A-11 and A-34). These reports are also to be in agreement with unpaid obligations as reconciled on other Treasury year-end reports for each open account. Other Treasury year-end reports include SF 2108, Year-End Closing Statement, SF 6653, Undisbursed Appropriation Account Ledger, and TFS 6654, Undisbursed Appropriation Account Trial Balance.

## 3.8 REPORTING OF OBLIGATIONS

### A. Obligation Reports and Certifications

In addition to reconciling obligations and reports noted in section 3.7 of this title, the head of an agency is required to include in the agency's appropriation(s) request submitted to the President (through OMB) a certified statement that the obligations presented in the request are consistent with the obligation recording criteria of 31 U.S.C. 1501. (See subsection 3.5.B.) The head of the agency is required to support the certification with records showing the obligated amounts. The certifications and records are to be kept in the agency (1) in a form that makes audits and reconciliations easy and (2) for a period necessary to carry out audits and reconciliations (31 U.S.C. 1108(c)).

To facilitate these requirements, the head of the agency shall designate officials to make the certifications, but those officials may not further delegate the responsibility (31 U.S.C. 1108(c)). The purpose of this provision is to ensure that the officials designated by the heads of the agencies to make certifications of obligations are those officials having overall responsibility for obligations, as distinguished from those engaged in detailed recording operations. In no event, however, are the persons designated by the heads of the agencies to be below the level of the chief accounting officer of a major bureau, service, or

constituent organizational unit. The required certification statement is:

"I hereby certify that the amounts shown in this report are correct. All known transactions meeting the criteria of 31 U.S.C. 1501(a) have been obligated and are so reported."

In addition to this requirement, the head of each agency must establish internal controls to assure that an adequate review of obligated balances is performed to support this certification (31 U.S.C 1554(d)).

If for any reason the foregoing certification cannot be made, the official designated to certify shall explain the reason for not being able to do so.

A person or public officer who is authorized by law to make or give a certificate and does so knowing the certificate contains a false statement is subject to a fine of not more than $500 or imprisonment for not more than 1 year, or both (18 U.S.C. 1018).

Note that the person who certifies obligations reports is not a "certifying officer" for purposes of personal accountability for the subject funds. Although the person may be coincidentally an "authorized certifying officer," the two functions are legally distinct.

Transfer appropriation accounts under the control of the spending agency shall be certified to the head of the advancing agency for inclusion in the advancing agency's reporting requirements.

In addition, an annual report must be submitted to the President, the Secretary of the Treasury, and the Congress. (See section 4.6 of this title for the reporting requirements.)

All certifications, basic records, and reports of obligations shall be available for audit purposes no later than 90 days after the close of the accounting period. For record retention requirements, see Title 8 of this manual.

**B. Additional Guidance on Certifying Obligations**

When determining the amounts to be certified under 31 U.S.C. 1108(c) and 1554(b)(2)(E), agencies should consider the following.

1. While it is incumbent on agencies to provide the best information they can in statements of obligations provided to the President, the law neither specifies how officials making the certifications are to satisfy themselves that the amount certified meets the requirements of 31 U.S.C. 1108(c) and 1554(b)(2)(E) nor requires agencies to verify 100 percent of the unliquidated obligations individually before certifying to the validity of the obligation balances.

2. Each agency shall review its unliquidated obligations at least once a year, not necessarily at the fiscal year-end, to reasonably assure itself that all and only those transactions meeting the criteria of legally valid obligations described in sections 3.3 and 3.5 of this chapter have been included. The review is necessary to support the certifications required by 31 U.S.C. 1108(c) and 1554(b)(2)(E). Periodic and systematic reviews throughout the year of the manual and automated processes for supporting and recording obligations would allow agencies to rely on the system operation when making certifications at the end of the year.

3. Agencies may use statistical sampling for the purpose of giving qualified certifications of obligation balances in order to satisfy the requirements of 31 U.S.C. 1108(c) and 1554(b)(2)(E). There is nothing to preclude agencies from making qualified certifications and indicating that the amount of obligations certified might contain inaccuracies or variations up to some amount. This would be preferable to failing to make certifications altogether if the agency could not do 100-percent verification reviews of the amount certified. Such certifications should indicate that they were based on valid statistical sampling and the amounts certified are subject to some stated amount of error.

## 4.1 BASIS FOR CLOSING ACCOUNT BALANCES

General requirements for adjusting and closing current and expired account balances for appropriations are in 31 U.S.C. 1551-1558. Specific instructions to executive agencies for adjusting and closing accounts are set forth in part XI, OMB Circular A-34 and the Treasury Financial Manual, volume I, part 2, chapter 4200. Public Law 101-510, enacted November 5, 1990, changed the procedures for closing appropriation accounts by amending sections 1551-1557 of title 31, U.S. Code.

Unless otherwise authorized by law, these requirements apply to all appropriations, except appropriations for the District of Columbia government and appropriations disbursed by the Secretary of the Senate or the Clerk of the House of Representatives. In addition, an appropriation law may exempt the appropriation from these provisions and establish the time period during which funds remain available for expenditure.

This chapter presents an overview of the changed process for closing accounts. Appendix VI describes the procedures to be used for certain accounts established under the prior procedures that will be phased out during a 3-year transition period.

## 4.2 AVAILABILITY OF APPROPRIATIONS FOR OBLIGATION

### A. Fixed Period Appropriations

Fixed period appropriations are available for incurring obligations for a definite period of time (annual or multiple year), after which they expire. Appropriations close at the end of the fifth year after they expire. The fiscal year identity will be retained for all expired and closed appropriations. (See figure 4.1 on page 7.4-5.)

During the expired period, appropriations are not available for recording new obligations incurred. However, expired appropriations can be used to adjust and liquidate obligations that were incurred prior to the expiration of the appropriation but not recorded or reported, or that were recorded and reported in amounts less than ultimately determined to be payable. Obligation adjustments may not exceed the unobligated balance of the expired appropriation. For obligations and expenditures applicable to closed appropriations, see sections 4.4 and 4.5.

Certain obligation increases for contract changes applicable to expired fixed period appropriations require special handling

before they are incurred. For additional guidance, see subsection 3.3.B of this title.

**B. No-year Appropriations**

No-year appropriations are available for recording new obligations for an indefinite time period and remain available until the appropriations are closed. An appropriation will be closed if

-- the head of the agency concerned or the President determines that the purpose for which the appropriation was made has been carried out and

-- no disbursement has been made against the appropriation for 2 consecutive fiscal years.

**C. Appropriations Affected by Contract Protests**

Funds available for recording an obligation for a contract at the time a protest is filed in connection with a solicitation for, proposed award of, or award of a contract shall remain available for obligation even if the appropriation expires. Obligation authority equal to the amount needed for obligating the contract will remain available for 90 working days after the date on which the final ruling is made on the protest. A ruling is considered final on the date on which the time allowed for filing an appeal or request for reconsideration has expired, or the date on which a decision is rendered on such an appeal or request, whichever is later (31 U.S.C. 1558).

This procedure applies to any protest filed under subchapter V of chapter 35, title 31 U.S. Code or under section 111(f) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 759(f)).

## 4.3 CREDITING OF COLLECTIONS TO APPROPRIATIONS

Agency collections that are authorized to be applied to appropriations shall be credited to the applicable appropriations (including expired fixed period appropriations) if received before the appropriation is closed. All collections applicable to closed appropriations, either fixed or no-year, shall be deposited into miscellaneous receipts of the Treasury (receipt account 3200, Collection of Receivables from Canceled Accounts) and not to the credit of the respective appropriations. (For further discussion, see collections credited to appropriation and fund accounts, section 5.4 of this title.)

## 4.4 CLOSED APPROPRIATIONS

Closed appropriations are not available for obligation or expenditure for any purpose. Any remaining obligated or unobligated balances in the appropriation at the time it is closed shall be canceled. Payments that arise for obligations or accounts payable pertaining to closed appropriations may be charged to an unexpired appropriation for the same general purpose as the closed appropriation, provided that

-- the total dollar amount of all payments from an unexpired appropriation for obligations and accounts payable attributable to closed accounts does not exceed 1 percent of the appropriation from which the payments are made and

-- the obligations or adjustments to obligations for which payment is made would have been properly chargeable to the closed account, both as to purpose and amount.

Absent the use or availability of an unexpired appropriation, agencies must seek a reappropriation or other specific legislative authority through the budget process to pay canceled obligations or accounts payable of closed appropriations.

## 4.5 CONTROLS AND RECORDS REQUIREMENTS FOR EXPIRED AND CLOSED APPROPRIATIONS

Any audit requirement, limitation on obligations, or reporting requirement that is applicable to an appropriation account shall remain applicable to that account after the end of the period of availability for obligation of that account. For example, the requirements of the Antideficiency Act are applicable to expired and closed appropriations.

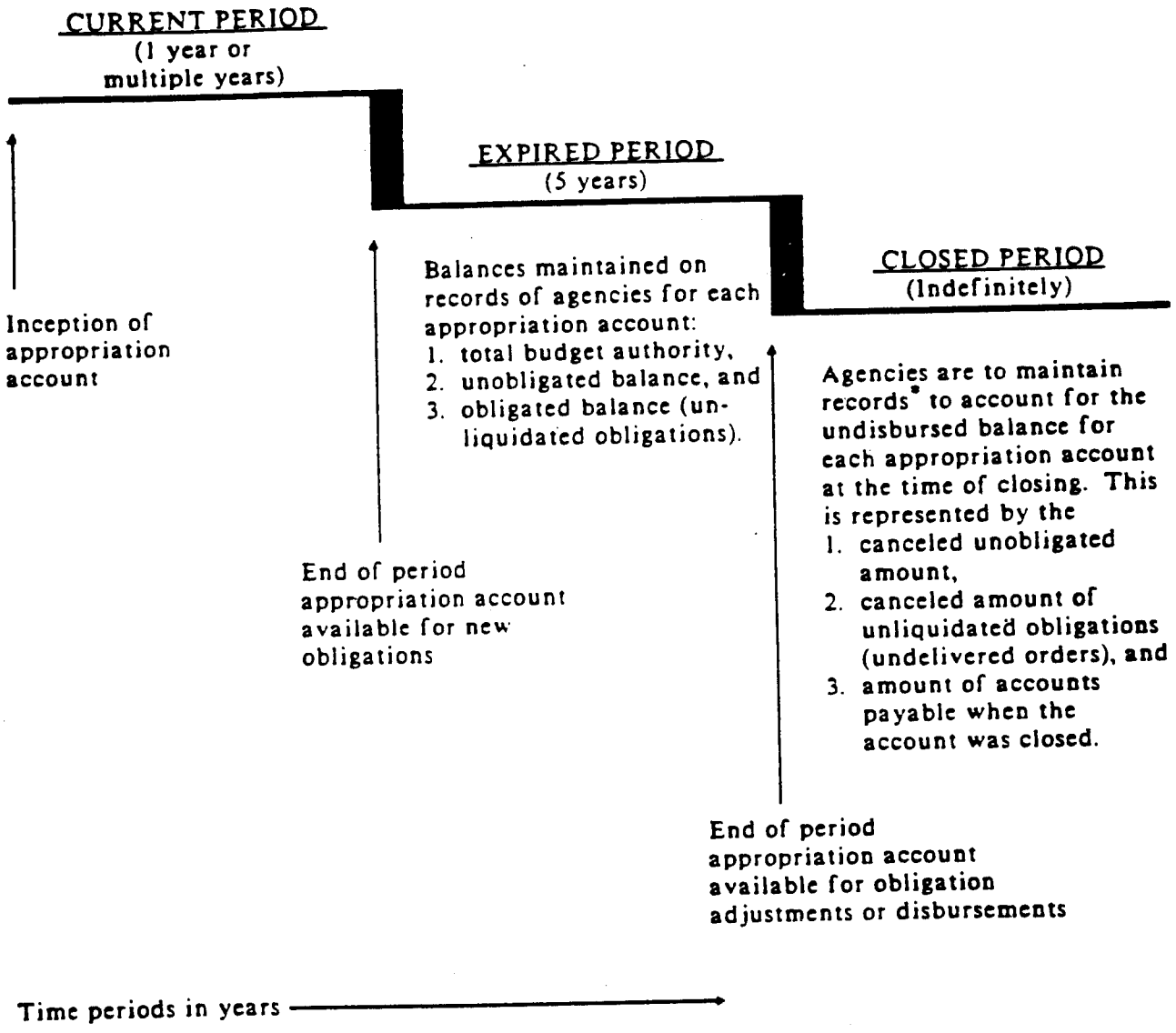
Records shall be maintained after the period of availability expires to ensure compliance with these requirements. To comply with the requirements set forth in section 4.4 of this title, records shall be maintained and monitored for each closed account to ensure that the total budget authority in the account before it was closed is not exceeded when properly charging an unexpired appropriation for obligations and expenditures applicable to the closed account. Record retention requirements should be in conformance with Title 8 of this manual.

## 4.6 REPORTING

The agency head shall report the unliquidated obligation balances, unobligated balances, canceled balances, and appropriation adjustments after the close of each fiscal year. The annual report is due to the President, the Secretary of the Treasury, and the

Congress no later than 15 days after the President submits the next scheduled budget (for the fiscal year after the current fiscal year) to the Congress (31 U.S.C. 1554). For example, the annual report for fiscal year 1992 would be due 15 days after the fiscal year 1994 budget is submitted to the Congress in fiscal year 1993. Agencies should follow the Treasury reporting instructions.

FIGURE 4.1: ILLUSTRATION OF APPROPRIATION ACCOUNT CLOSING FOR FIXED PERIOD APPROPRIATIONS




* These records relating to closed appropriation accounts provide the basis for an agency to determine whether the amount chargeable to a current appropriation would have been "properly chargeable" to the closed appropriation account. (See section 4.4.)

## 5.1 APPLICABILITY

These requirements are based on statutes and are applicable, with certain exceptions, to all classes of funds collected by officers and employees of the U.S. government, including

- -- receipts from any source, for the use of the United States, which are required to be deposited into the Treasury's general fund as miscellaneous receipts,
- -- reimbursements and refunds for credit to appropriation accounts,
- -- payments that are credited to management, revolving, and deposit fund accounts,
- -- receipts that are credited to special and trust fund accounts,
- -- receipts from unofficial use of government facilities in emergencies,
- -- collections credited to nonbudgetary credit financing accounts,
- -- proceeds from sales of government personal property, and
- -- collections of certain payments from government employees.

Exceptions to the requirements of this chapter are collections otherwise subject to statutory and regulatory control specifically governing the collecting, handling, and depositing of funds. Such exceptions include customs and internal revenue receipts, District of Columbia tax receipts, postal receipts, and receipts from the sale of real property. For additional discussion and guidance on the availability or unavailability of receipts for agency use, see GAO's Principles of Federal Appropriations Law.

Details on cash management and the deposit of collections can be found in regulations and instructions issued by Treasury (Treasury Financial Manual, volume I, parts 5 and 6).

Guidance on the tools and procedures for collecting delinquent receivables is provided in Title 4 of this manual, the Federal Claims Collection Standards (4 C.F.R. 101-105), OMB Circular A-129, and the Treasury Financial Manual supplement, "Managing Government Credit."

## 5.2 CONTROL OVER COLLECTIONS

### A. Responsibilities for Collection Controls and Records

All officers and employees of the U.S. government who, by virtue of their official capacity, receive moneys on account of or for the custody of the United States--including donated, quasi-public, and unearned moneys--shall maintain proper records and provide adequate physical control over such funds. Persons designated as accountable officers shall account for all receipts and deposits. (The topic of accountable officers is discussed in more detail in chapters 7 and 8.)

Agencies are responsible for placing collections under appropriate accounting control promptly upon receipt. Records will be maintained in sufficient detail to readily identify all collections including bid deposits and collections for other agencies. Control records shall disclose

1. collections that have not been deposited,

2. deposits in transit, and

3. deposits that have been confirmed by the depositary.

Also, agencies must ensure that contractors collecting funds on behalf of the government maintain proper records and provide adequate physical control over such funds.

### B. Separation of Duties for Cash Receipts

In accordance with the internal control standard for separation of duties, persons responsible for handling cash receipts should not participate in the accounting or operating functions relating to any of the following:

1. shipping of goods and billing for goods and services,

2. controlling accounts receivable and subsidiary ledgers,

3. preparing and mailing statements of balances due,

4. authorizing and approving credits for returns and allowances or for adjustments of amounts due, or

5. preparing cash reconciliations.

Separation of duties helps reduce the opportunity to misuse cash receipts and use the accounting records to conceal such misuse. Special accounting controls are necessary when sales or operating persons handle cash receipts.

Officials who are responsible for cash collections shall not commingle such receipts with personal funds or use official receipts for cashing checks or money orders. However, disbursing officers are authorized to cash checks in situations specified by 31 U.S.C. 3342. (Also see Treasury Financial Manual, volume I, part 4, Chapter 9000.)

C. Inscription and Endorsement of Remittances

Agencies shall, where possible, instruct remitters to make checks and other negotiable instruments payable to the order of the specific organizations or operating units maintaining the accounts to be credited, rather than to the Treasurer of the United States. Any remittance payable to the Treasurer of the United States, however, should be accepted and processed by the receiving agency.

In no event shall agencies instruct remitters to make checks, money orders, or other instruments payable to individual officers or employees by name. Endorsements should comply with Treasury regulations (Treasury Financial Manual, volume I, part 5, chapter 2000).

## 5.3 DEPOSIT AND DOCUMENTATION OF COLLECTIONS

A. Legal Requirements for Deposit of Receipts

The general rule with respect to collections from sources outside the government is that all moneys received for the use of the United States shall be turned into the Treasury as general fund miscellaneous receipts (31 U.S.C. 3302(b)). The term "miscellaneous receipts" does not refer to any single account in the Treasury; rather, it refers to a number of receipt accounts under the heading "General Fund," as listed in Treasury's Federal Account Symbols and Titles (FAST).

In addition to 31 U.S.C. 3302(b), several other statutes require that certain specific collections be deposited into miscellaneous receipts. Examples include user charges and fees collected under 31 U.S.C. 9701 and receipts collected after appropriations are closed under provisions of 31 U.S.C. 1552(a) or 1555.

Accordingly, an agency retaining for its own use, or crediting to its own appropriation, receipts that are required to be deposited into the Treasury general fund is an improper augmentation of an agency's appropriation.

B. Deposit Requirements

The frequency of deposits will depend on the amount of funds received by a depositing office. Receipts of $1,000 or more shall be deposited daily. Daily receipts of less than $1,000 may be accumulated and deposited when the total reaches $1,000, except that Treasury's cash management regulations require that deposits be made by Friday of each week regardless of the amount accumulated (Treasury Financial Manual, volume I, part 6, chapter 8000). If checks or money orders are held uncashed (for example, bid deposits), they are to be under appropriate physical safeguards and accounting control.

Collections shall be deposited according to the procedures prescribed by Treasury (Treasury Financial Manual, volume I, part 5, chapter 2000). If the proper account to be credited cannot be identified when collections are received, the credit shall be to the agencies' deposit fund suspense accounts until the disposition of the collections can be identified. (See subsection 5.5.H.)

For checks or other negotiable instruments which cannot be deposited because they were lost, destroyed, or mutilated during government processing, agencies should seek replacement in accordance with Treasury regulations (Treasury Financial Manual, volume I, part 5, chapter 5000). If such an item cannot be replaced, the loss is an irregularity which should be processed in accordance with the guidance in chapter 8 of this title.

C. Support for Collections Deposited

Collections reported to Treasury in agencies' monthly reports shall be supported by confirmed copies of the deposit tickets covering the collections or by appropriate schedules of collections referring to the related deposit tickets.

## 5.4 COLLECTIONS CREDITED TO APPROPRIATION AND FUND ACCOUNTS

### A. Collection Classifications

Collections permitted to be credited to appropriation and fund accounts fall within two general classifications.

1. Refunds.

Refunds are returns of advances, collections for overpayments made, adjustments for previous amounts disbursed, or recovery of erroneous disbursements from appropriation or fund accounts that are directly related to, and are reductions of, previously recorded payments from the accounts.

2. Reimbursements.

Reimbursements (which in some cases are classified as fees, proceeds, etc.) are sums received by the government in payment for commodities sold or services furnished, either to the public or to another government account.

### B. Crediting Collections to Appropriation and Fund Accounts

There are separate procedures for depositing refunds and reimbursements to the credit of appropriations and fund accounts.

1. Refunds.

Refunds are not required to be deposited to the credit of miscellaneous receipts by 31 U.S.C. 3302(b). They are to be deposited to the credit of the appropriation or fund charged with the original expenditure unless other deposit procedures are expressly prescribed by statute.

2. Reimbursements.

Reimbursements may be deposited to the credit of an appropriation or fund account only when authorized by law. Such reimbursements should be deposited to the credit of the appropriation in accordance with the requirements imposed by the authorizing legislation. For example, the law may authorize the credit of deposits to current appropriations or it may direct that the credit be to the appropriation initially charged with the cost of reimbursable work.

The collection of refunds or reimbursements authorized to be deposited to the credit of the appropriation initially charged with the expenditure is to be deposited to the expired account if collected after the expiration of the appropriation. However, collections of refunds and reimbursements that would have been authorized to be deposited to the credit of appropriation or fund accounts prior to closing cannot be credited to accounts that have been closed in accordance with 31 U.S.C. 1552(a) or 1555. Collections for these closed accounts must be deposited as miscellaneous receipts in the Treasury (31 U.S.C. 1552(b)).

C. Availability of Special Fund Receipts

Special fund receipts are accounted for depending on whether they are categorized as available or unavailable.

1. Available receipts.

   Available receipts are those which under law are immediately available in their entirety as appropriations to a single agency for expenditure without further action by the Congress. However, receipts to be applied to the retirement of Public Debt obligations are excluded from this category.

2. Unavailable receipts.

   These are receipts that at the time of collection are not appropriated, and receipts that are not immediately available to spend because (a) further action by the Congress is required, (b) congressional limitation has been established as to the amount available for expenditure, or (c) amounts credited to receipt accounts are later to be cleared in whole or in part to other receipt accounts before appropriation warrant actions are taken.

3. Accounting.

   Both available and unavailable receipts for credit to special funds will be accounted for by agencies under receipt account symbols assigned by Treasury. In addition, those designated by Treasury as available will be concurrently accounted for in the related special appropriation fund accounts.

For additional discussion and guidance on the availability or unavailability of receipts for agency use, see GAO's Principles of Federal Appropriations Law.

D. Documentation

Collections credited to appropriation and special fund accounts must be proper and authorized by law or appropriate regulations. Agencies must be able to produce references to such authorizations if they are called for in connection with an audit of the accounts. Agency collection records pertaining to refunds and reimbursements will include descriptions of transactions sufficient for identifying the source of, or reason for, the collection.

In addition, to ensure that special fund receipts are properly recorded in receipt accounts and not recorded as repayments to appropriations, agencies preparing original posting documents must clearly identify the receipt account number so that proper classification can be made in monthly reports to Treasury.

## 5.5 OTHER COLLECTIONS

A. Collections by Voucher Deductions

Various types of collections are made by voucher deductions under procedures prescribed by Treasury. These collections include Federal Insurance Contributions Act taxes, federal and state income taxes, travel advances, claim settlements, and contractor refunds of advances.

B. Collections by One Agency for Another

Collections of any type received by one agency should not be forwarded to another for deposit. Such collections should be deposited by the collecting office for credit to its suspense or budget clearing account as described in the Treasury Financial Manual, volume I, part 5, chapter 3000. The transfer of funds to the designated agency should be accomplished by following the procedures for interagency transactions in the Treasury Financial Manual, volume I, part 6, chapter 10000.

C. Collections for Unofficial Use of Government Facilities in Emergencies

The government's policy is to prohibit the unofficial use of government facilities by government officers, government employees, and private citizens, except in emergencies or when authorized by law.

The term "facilities" as used herein applies to various services acquired or used for official purposes by the government. It includes telecommunications; office or storage space; office or business equipment and furniture; any other leased property, equipment, or service used by the government; and transportation obtained with government transportation requests or bills of

lading. Generally, the government has contracted for such services with an owner, vendor, or transportation company.

It is the responsibility of the user to report immediately any emergency use of facilities to the appropriate administrative official and to reimburse the government for the cost of such use and any excise or other federal tax imposed. Funds received for the emergency use of government facilities, with the exception of federal taxes, will be deposited in the appropriate account and that portion of the contractor's bill will be paid therefrom. Federal taxes collected will be remitted to the Internal Revenue Service.

Special requirements for control over use of telephones are described in appendix IV of this title.

D. Exchange or Sale of Personal Property

In acquiring personal property, an executive agency may exchange or sell similar items and apply the exchange allowance or proceeds of sale in whole or partial payment for similar item replacement property (40 U.S.C. 481(c)). All such transactions are to be properly documented.

Except as otherwise directed by law, all proceeds from the sale of personal property will be available during the fiscal year in which the property was sold and for 1 fiscal year thereafter for obligation for the purchase of replacement property.

If the sales proceeds are received after an obligation for replacement property has been incurred and within the prescribed time limit, the proceeds may be credited as a direct reimbursement to the appropriation account charged or chargeable for the replacement property.

If the sales proceeds are received before an obligation for replacement property has been incurred, but an administrative determination has been made and documented that such proceeds will be used as an appropriation reimbursement to apply against an obligation which will be incurred within the prescribed time limit, the proceeds should be credited to the appropriate budget clearing account. Agencies are reminded that a suspense budget clearing account should not be used for this purpose since it must be cleared by the end of the current fiscal year.

The appropriate budget clearing account will be charged and the appropriation account will be credited when the obligation is subsequently incurred for the replacement property. The voucher must include or be supported by evidence that the credit to the appropriation account is applicable to an obligation incurred for the purchase of replacement property.

At least quarterly, agencies should review the accounts used for deposit of sales proceeds and clear them of any amounts that should be applied to other accounts or transferred to miscellaneous receipts in the general fund of the Treasury.

If the sales proceeds are not available for obligation or are not to be applied to replacement purchases, the proceeds will be deposited in the Treasury as miscellaneous receipts in the general fund.

The transaction descriptions for these replacement purchases are presented in the Standard General Ledger, transactions T5055 through T5075. Regulations governing the exchange or sale procedures of items covered by this section are contained in Federal Property Management Regulations, part 101-46, (41 C.F.R. 101-46) and are the responsibility of the General Services Administration.

E. Recoveries of Damages

Recoveries of damages are deposited depending on their nature.

1. Contract damages.

   The amount of excess costs or liquidated damages recovered because of default or breach of contract may be used to fund a replacement contract and need not be deposited to miscellaneous receipts (62 Comp. Gen. 678 (1983) and 64 Comp. Gen. 625 (1985)).

2. Property damages.

   Generally, funds recovered from third parties for damage to government property must be deposited to miscellaneous receipts and may not be credited to an appropriation available to repair such property or any other appropriation of the agency (67 Comp. Gen. 129 (1987)). However, payments-in-kind for damage to government property may be accepted without an

offsetting adjustment between the appropriation and miscellaneous receipts (67 Comp. Gen. 510 (1988)).

3. Subrogee's recoveries.

In those cases when the government pays for a loss of, or damage to, an employee's personal property under 31 U.S.C. 3721 but the ultimate liability for the payment rests with a third party, amounts collected by the government from the third party may be deposited to the appropriation charged with the payment to the employee (61 Comp. Gen. 537 (1982)).

F. Collections of Certain Payments From Government Employees

As a general rule, federal employees are obligated to account for any significant gift, gratuity, or benefit received from private sources incident to the performance of official duty. (See 5 C.F.R. 2635 for specific situations and exceptions.) Normally, items or moneys so received are the property of the government and may not be retained for personal use by the employee. For example, this rule applies to fees and payments received by employees that represent juror and witness fees, riot pay while serving with the National Guard, and airline travel discounts or penalty payments by airlines for not providing confirmed seats.

Juror and witness fees paid to government employees (other than those employees paid by the Secretary of the Senate or the Clerk of the House of Representatives) by state or municipal courts for serving on juries or as government witnesses while on court leave from their agencies are to be remitted to their agencies for deposit. However, jury fees may be retained by government employees when the jury service is in a state or municipal court on a nonworkday (e.g., weekend or holiday) or when the employee is in a nonpay status. Government employees who serve as jurors in a state or municipal court are not required to remit to their agency that part of compensation received from the court to cover expenses when it is clear that a specific amount is received for that purpose.

Government employees serving as jurors for federal courts do not receive juror fees unless they are in a nonpay status during all or part of the period of jury service, but they do receive transportation, parking, and lodging expenses. These expenses do not have to be remitted to the employee's agency.

Juror and witness fees remitted to agencies by their employees will be deposited in the Treasury to the credit of the appropriation or fund from which the employees are paid.

Riot pay paid by the National Guard to government employees when such employees are on military leave will be remitted to their agencies for deposit to the credit of the appropriation or fund from which such employees receive their compensation.

Promotional materials, such as bonus flights, reduced-fare coupons, cash, merchandise, gifts, credits toward future free or reduced costs of services or goods, given to employees on official travel belong to the government. (See 63 Comp. Gen. 229 (1984).) This applies even if part of the travel occurred during nonduty hours or at personal cost to the employee. Some promotional items that have no apparent value to the government, such as free upgrades to first-class travel, memberships in executive clubs, and check-cashing privileges, need not be turned over to the agency but may be used by the employee provided they are used only during the course of official travel. Promotional materials given to official travelers that are of nominal value such as pens, pencils, note pads, calendars, or similar items may be retained by the employee.

Items and money received by employees from private sources such as airlines, automobile rental firms, and lodging providers must be remitted to their agencies, except for nominal promotional materials. Any money received by agencies representing discounts or rebates will be deposited to the credit of the appropriation initially charged with the payment since these constitute refunds. Payments received as penalties shall be deposited to the Treasury as miscellaneous receipts.

## G. Collections of Debts Owed the Government

Any debt owed the government that is due should be collected in full in one lump sum including any interest, penalties, and administrative costs. If it is not feasible to collect the total debt in one lump sum, payment may be accepted in regular installments. However, agencies are to take appropriate steps to determine that it is a hinderance for the debtor to render a lump sum payment. Additional guidance is in the Treasury Financial Manual, volume I, part 6, chapter 8000.

Collections received in partial or installment payments shall be applied first to outstanding penalty and administrative costs,

second to accrued interest, and third to outstanding principal, as required by the Federal Claims Collection Standards (4 C.F.R. 102). Additional details are discussed in GAO's Principles of Federal Appropriations Law. However, the sequence applied to collections of unpaid fines is to principal, costs, interest, and penalties (18 U.S.C. 3612(i)).

## H. Unidentified Remittances

Unidentified remittances considered ultimately creditable to a receipt, appropriation, or fund account within the budget will be credited to a receipt clearing account (or to the Treasury trust fund receipt account "Unclaimed Moneys . . . ," 31 U.S.C. 1322); otherwise, the remittances will be credited to a deposit fund suspense account outside the budget. If remittances are subsequently identified to accounts within the budget, they must be transferred. Transfer documents should show the purpose for which the remittances were received.

When corrections or adjustments to be made within an accounting station are expenditure transactions between appropriation, fund, or receipt accounts, reclassification will be accomplished by journal voucher. If the adjustment involves separate stations, the On-Line Payment and Collection (OPAC) System or SF 1081 (transfer between stations) should be used.

In cases where an amount or portion of an amount was due and has been received and correctly processed but misclassified (credited to the wrong account), the clearance can be accomplished by an expenditure transfer to the correct receipt account. In those cases where a refund of all or a portion of the amount to which an agency was not entitled (due to duplicate billing, etc.) is to be made and the receipt was credited to an agency's appropriation, the refund must come from that same appropriation. If, however, the receipt has been deposited as a miscellaneous receipt (which cannot be recovered without an appropriation), the refund must be charged to account symbol 20X1807, "Refund of Moneys Erroneously Received and Covered," in accordance with 31 U.S.C. 1322(b)(2). Records must be maintained in support of charges to this account. For further detail on procedures for transferring unclaimed moneys, see the Treasury Financial Manual, volume I, part 6, chapter 3000.

## 6.1 DISBURSING OPERATIONS

### A. General

The funds of most executive agencies are disbursed by Treasury, through Treasury's disbursing officers, under the direction of the Chief Disbursing Officer, Financial Management Service. Disbursing officers for agencies subject to 31 U.S.C. 3321(b) derive their authority by direct delegation from the Chief Disbursing Officer or by delegation from Treasury disbursing officers providing centralized disbursing services to the agencies.

Not all funds are disbursed by Treasury. Some principal exceptions are disbursements made by the Department of Defense, the United States Marshals Service, and certain government corporations. The disbursing functions for the excepted organizations and for most organizations in the legislative and judicial branches of the government are performed by the organizations' own disbursing offices. In most cases, a disbursing officer of an excepted organization receives authority to disburse by delegation from the head of the organization or from other agency officials having legal authority to make such delegations. Also, for all civilian agencies overseas, the Department of State performs the disbursing function for Treasury.

### B. Disbursement Functions

All disbursements, except those authorized to be made in cash, shall be made by checks, electronic fund transfers, or any other means identified by the Secretary of the Treasury and drawn by authorized officers on the Treasury of the United States, or on designated depositaries (i.e., commercial banks or banking institutions designated by Treasury to hold U.S. government funds), or any other means identified by the Secretary of the Treasury. (See 31 U.S.C. 3335.) Regulations governing disbursements by Treasury are published in the Treasury Financial Manual, volume I, part 4.

Agency controls should ensure that amounts paid by the disbursing officers were in accordance with the payment information certified to them on vouchers or voucher schedules. (See subsection 7.1.B.) Such controls should also include procedures for ensuring the proper custody, signing, and delivery of checks.

Designated depositaries should be instructed to send all agency bank statements (and paid checks, if appropriate) for checking accounts maintained by U.S. government disbursing offices directly to the agency concerned. Each agency is responsible for

reconciling bank statements with its accounts. For control purposes, however, such reconciliations shall be reviewed by someone independent of the responsible disbursing officer.

## 6.2 DISBURSEMENT FORMS AND DOCUMENTATION

### A. Forms

Except as otherwise specifically provided, all disbursements from the accounts of the Treasury of the United States or designated depositaries of federal funds shall be processed on forms, vouchers, or voucher schedules prescribed by Treasury. Limited exceptions to this general requirement permit the Departments of State and Defense to prescribe disbursement forms falling clearly within their functional areas and the General Services Administration to prescribe forms dealing with transportation and reimbursement of travel expenses. Procedures for the use of a particular form shall be prescribed by the agency responsible for it. Appendix I lists a number of standard and optional forms along with the prescribing agencies. Treasury prescribed forms and procedures are primarily contained in the Treasury Financial Manual, volume I, part 4.

In addition, agencies should have a standardized contract numbering system to facilitate identification with related expenditure or collection transactions. The contract number should consist of alpha characters in the first positions to indicate the agency, followed by alpha-numeric characters identifying bureaus, offices, or other administrative subdivisions authorized to enter into contracts. The last portion of the contract number should be sequential with a unique number series for each contracting activity.

Disbursements shall be recorded promptly in the proper accounts of the agencies and reported in accordance with Treasury regulations.

### B. Documentation Requirements--General

The disbursements shall be supported by basic payment documents, either hard copy or machine readable source records, which include purchase orders, contracts, receiving reports, invoices, bills, statements of accounts, etc., showing sufficient information to adequately account for the disbursements. The documentation should link all supporting records and enable audit of the transactions and settlement with the certifying or disbursing

officers as required by law. If disbursements are made in cash, the vouchers should be receipted by the vendors or receipts from the vendors should be attached to the vouchers. (See section 6.8.)

The preparation of the disbursement voucher includes the essential steps of assuring, apart from any subsequent audit, that (1) goods or services were ordered by an authorized official, evidenced by a purchase order, contract, or other authorization, (2) goods or services ordered have been delivered and accepted, evidenced by receiving and inspection reports, and (3) an invoice or bill has been received. An exception to these requirements may be subject to GAO approval. (See subsections 7.4.A through G of this title.) The documentation requirements for employee pay, leave, and allowances are covered in Title 6 of this manual.

Basic payment documents supporting disbursements do not necessarily need to be forwarded to a central processing point. Instead, agencies may maintain supporting documentation in several locations combined with a reliable system to extract and forward information needed for comparing and matching the necessary payment data from authorizing, receiving, and billing documents. For example, the system may use magnetic or electronic media to transmit needed information to the certifying or disbursing officer provided an audit trail is maintained and there is adequate control to ensure reliability. (See section 7.4.)

Also, microform copies of paper records can be acceptable for audit and legal purposes. (See section 3.4, Title 8 of this manual, and 36 C.F.R. 1230.)

C. Documentation Requirements--Alternative Conditions

There are situations in which alternatives may be used for the usual documentation requirements. These alternatives must have adequate procedures and controls to protect the government's interest. Specific GAO approval will not be required for using the following types of alternatives.

1. Use of invoices in place of vouchers.

   Disbursement transactions, except those involving charges for transportation services, are not required to be processed on prescribed vouchers if the invoices or bills show all the required information. Such invoices or bills may be used as vouchers in support of the agencies' accounts and accountability statements.

2. Recurrent payments--fixed amounts.

   Recurrent payments for services under agreements providing for payment of fixed amounts at regular intervals may be made without requiring the vendor to submit periodic invoices or bills. Each voucher prepared by the agencies to support payments of this nature should, at the minimum, include appropriate administrative approvals and show or provide references to

   a. the agreement or contract number,

   b. the period covered by the payment,

   c. the name of the payee,

   d. the amount of the payment, and

   e. the fund and general ledger accounts to be charged.

3. Periodic bills from vendors.

   Agencies may find it desirable to arrange with vendors to submit periodic bills for purchases made under blanket purchase agreements. Such a bill shall be verified in the same manner as any other invoice.

4. Consolidation of payments for multiple invoices.

   To minimize the number of vouchers prepared and payments made by disbursing officers, multiple invoices may be consolidated into a single payment, provided that

   a. payment is to a single office or place of business of the vendor,

   b. payment is for a single government establishment,

   c. the consolidated payment is agreeable to the vendor, and

   d. payment is made in accordance with prompt payment requirements. (See section 6.3.)

5. Payments to public utilities.

Payments may be made to public utilities in the absence of a contract when the charges are based on rates that are fixed or adjusted by federal, state, or other regulatory bodies. However, contracts are not precluded where either the companies or the agencies require agreements or contracts for the furnishing of services.

## D. Documentation of Certificated or Unvouchered Payments

Certain laws authorize certificated or "unvouchered" payments which are specified amounts for specified purposes for a given fiscal year. They are accounted for solely on the certificate or approval of a designated government official, for example, the President, Vice President, or the head of a department or agency. Certificates do not reveal all the information normally contained in basic vouchers and their supporting documentation. Further, some laws authorizing certificated or "unvouchered" payments limit GAO's audit to a review of the certificate without access to the supporting documentation. However, basic information must be on the certificate to ensure that any limit on the amounts that may be spent for such purpose is not exceeded and the appropriation or fund from which such payments are made is not exceeded. Therefore, the statement on the certificate must include

1. the appropriation to be charged,

2. the amount of the expenditure,

3. the citation of legal authority for certification,

4. a general statement that expenditures covered by the certificate are of a nature for which certification under the cited legal authority is appropriate, and

5. the signature of the official having authority to certify the expenditure.

Normally, certificates should be executed prior to payment; if this is not feasible, as soon thereafter as possible.

Any delegation of authority by the President, Vice President, or the head of an executive department or agency for the certification of expenditures must be documented, and the certification authority that is being delegated is to be cited.

Supporting documentation for some certificated or "unvouchered" payments is subject to audit by the Comptroller General under specific provisions of law. The Comptroller General is authorized to audit expenditures accounted for only on the approval, authorization, or certification of the President, Vice President, or the head of an executive agency to determine whether the expenditure was made as authorized by law (31 U.S.C. 3524(a)). However, the President is authorized to exempt from this audit authority financial transactions related to sensitive foreign intelligence or foreign counter-intelligence activities or sensitive law enforcement investigations if an audit would expose the identifying details of an active investigation or endanger investigative or domestic intelligence sources involved in the investigation. The presidential exemption may apply to a class or category of financial transactions (31 U.S.C. 3524(c)). In addition, certain certificated or "unvouchered" presidential and vice-presidential expenditures are exempt from the Comptroller General's audit authority as well as certificated or "unvouchered" expenditures related to the Central Intelligence Agency (31 U.S.C. 3524(d)). However, some of the funds of the President and Vice President that are exempted from audit by 31 U.S.C. 3524(d)(1) are made subject to audit by 3 U.S.C. 105(d) and 106(b).

To verify that the funds were spent for the purpose claimed, the Comptroller General is authorized access to all documentation supporting payments made on the certificate of the President related to (1) the executive residence, (2) the official entertainment expenses of the President, and (3) the subsistence expenses of persons in government service while traveling on official business in connection with the travel of the President (3 U.S.C. 105(d)). Also, the Comptroller General is authorized access to all documentation supporting expenditures made for (1) the official entertainment expenses of the Vice President and (2) the subsistence expenses of persons in government service while traveling on official business in connection with the travel of the Vice President (3 U.S.C. 106(b)).

While the certificates supporting payments may be filed along with other payment vouchers, the supporting records, documents, or papers related to certificated expenditures that are not subject to GAO's audit authority must not be commingled with the supporting documentation for other payments that are subject to GAO's verification or general audit authority. Records not subject to GAO's audit authority must be segregated from other records so as not to interfere with the access to auditable records.

## 6.3 AGENCY RESPONSIBILITY FOR PROMPT PAYMENTS

Agencies, as the term is defined in 5 U.S.C. 551(1), should pay their bills on time. They are required by law (31 U.S.C. chapter 39) to pay interest penalties when payments are made late, and to take discounts only when payments are made within the discount period. Implementing regulations were issued by the Office of Management and Budget in OMB Circular A-125. The Treasury Financial Manual, volume I, part 6, contains additional guidance regarding discounts as they concern Treasury's cash management efforts.

## 6.4 APPROVAL AND CERTIFICATION OF PAYMENT DOCUMENTS

All basic vouchers, voucher schedules, and invoices or bills used as vouchers must be certified as legal, proper, and correct for payment by an authorized certifying or disbursing officer. The certification of a document attests to all administrative determinations having been made as required of an approving official. The certification of a voucher schedule applies to all individual vouchers listed on the schedule. The responsibilities and liability of accountable officials are discussed in more detail in chapters 7 and 8 of this title.

## 6.5 PREPAYMENT EXAMINATION OF VOUCHERS

### A. General Requirements

The principal objectives of the examination of a voucher are to ensure the following.

1. The payment is permitted by law and complies with the terms of the applicable agreement.

2. The required administrative authorizations and approvals for the payment are obtained.

3. The payment is supported by basic payment documents or other acceptable forms of support. (See subsection 6.2.B and C.)

4. The amount of the payment and the name of the payee are correct.

5. The goods received or the services performed complies with the agreement.

6. The quantities, prices, and calculations are accurate.

7. All cash, trade, quantity, or other discounts are taken and, if not, that the reason therefore is shown on the appropriate document.

8. All applicable deductions are made and credited to the proper account in the correct amount.

9. Prompt payment requirements are followed.

10. The appropriation or fund is available at the time, for the purpose intended, and in the amount of the proposed payment.

11. Special certificates, if required, are furnished. (See subsection 6.5.B.)

12. Duplicate payments are prevented.

Effective control over disbursements ordinarily requires the prepayment examination and approval of vouchers before they are certified for payment. This prepayment audit requirement and permissible exceptions, such as vouchers approved for payment under an authorized statistical sampling program or fast pay procedure, are discussed further in chapter 7. Also, disbursements from imprest funds do not require a prepayment examination and certification unless an agency so desires. (See subsection 6.8.C.) Further, bills rendered by one government agency to another on a reimbursable basis under 31 U.S.C. 1535, 1536, or similar provisions of law, are not subject to prepayment examination or certification in advance of payment but appropriate follow-up steps are required. (See subsection 2.4.C.)

Payments for transportation services are subject to special audit requirements. In general, certifying and disbursing officials are not responsible for overpayments due to improper rates, classifications, or failure to make proper deductions under equalization or other agreements with respect to charges for transportation services where the charge is subject to the centralized postpayment audit by GSA (31 U.S.C. 3322(c), 3528(c), and 3726(a)). However, these officers will be held responsible for overcharges due to illegal payments, mathematical errors, or other errors in the paying operation.

B. Special Requirements for Specific Types of Disbursements

Special certifications shall be made when required by law. Each agency head and each authorized certifying or disbursing officer must be aware of applicable statutory and regulatory requirements and comply with them. Appendix IV of this title contains some of the special certifications that have governmentwide application.

C. Administrative Adjustment of Claims

Payments should not be made until the certifying or disbursing officer determines that the payment is proper, correct, and supported by the required documentation. However, there may be variances between the amount claimed by the payee and the proper amount determined by the agency to be payable during the examination of payment documents. If these variances are underclaims of a small amount and the documents show that the claimant intends to make a claim for the full amount due, agencies may establish an amount not to exceed $100 for upward administrative adjustment of payment vouchers (claims against the government) unless it is otherwise prohibited by law. The amount established is to be based on the risk to the government, extent of internal controls in operation, and the type of claims involved. The amount established within the limit for upward administrative adjustment need not be the same for all categories of claims.

These administrative adjustments may be made without amendment of the claim by the claimant when it is clear on the face of the payment documents that the adjustment is appropriate. For example, the documentation submitted for payment by the claimant shows obvious errors in computations or extensions. Agency management is to periodically review the procedures established under this provision to provide assurance that fraud and/or abuses are not taking place. Downward adjustments of payments based on corrections of the claim may be made in any amount.

## 6.6 INTERNAL CONTROLS OVER DISBURSEMENTS

A. General Requirements

Each agency's system of internal control over disbursements should be based on the operating needs of that particular agency and should conform to related principles and standards for accounting and administrative internal controls prescribed in

Title 2 of this manual. Automated and manual system structures and controls, for the most part, are addressed in Title 2, appendix III, chapter 2.

**B. Separation of Duties**

To the extent practicable, operations should be separated to reduce risk of error, waste, and wrongful acts. In automated systems, a separation of duties should be achieved by the assignment of different responsibilities by function. For example, different responsibilities should be assigned to computer operations personnel, software maintenance specialists, and users. Further, user responsibilities include ensuring that disbursing operations are separated from such operations as purchasing, receiving, and accounting; internal controls and procedures are properly implemented; and errors are promptly resolved.

**C. Avoiding Duplicate Payments**

Agencies should establish such procedures as are necessary to prevent duplicate payments. Vouchers, voucher schedules, and supporting documents should be identified during the payment process by an acceptable means, such as marking or electronic coding, which will prevent them from being paid again. In addition, controls in the automated system should be designed to detect duplicate payments.

If an original invoice has been lost or destroyed, a duplicate should be obtained. A full explanation of the circumstances of the loss or destruction of the original invoice and of steps taken to prevent duplication of the payment should be added to or attached to the duplicate invoice before it is processed for payment.

The possibility of duplicating payments is greater whenever a second invoice or billing statement has been received. This may occur, for example, when payment has been delayed for an extended period and a duplicate or adjusted follow-up invoice is submitted, or when a vendor submits bills to more than one agency location.

**D. Disbursements for Accounts Payable of Closed Appropriations**

Controls must be established over disbursements for any accounts payable applicable to closed appropriations because of limitations on such payments. Because disbursements cannot be made from appropriations that are closed, agencies are authorized to pay accounts payable applicable to closed appropriations from an

unexpired appropriation within certain limits. See section 4.4 of this title for application of the limitations.

Records and controls must be maintained for any accounts payable remaining in the appropriation at the time the appropriation was closed to ensure compliance with these requirements. (See section 4.5.)

## 6.7 USE OF CREDIT CARDS FOR PURCHASES

Agencies may arrange with companies for the issuance of credit cards to make purchases. These arrangements have taken various forms. For example, agencies have been using government credit cards for the purchase of fuels and other automotive services for government vehicles from vendors that have contracts with the Defense Fuel Supply Center. Another approach involves use of bankcards for small purchases by authorized employees, with consolidated monthly billings to the agency.

Agencies should establish appropriate procedures and controls over credit card use to minimize the risk of loss, theft, and unauthorized use. These procedures and controls should include (1) keeping a record of persons to whom the cards have been issued and limiting the number issued, (2) ensuring that cards no longer needed are turned in for cancellation and expired cards are obtained and destroyed, and (3) reporting lost or stolen cards promptly to the issuing organization.

Additional administrative controls such as appropriate limits on the dollar amount and the nature of the credit card purchase should also be established.

Agencies using the U.S. Government National Credit Card (SF-149) may pay vendor billings for credit card charges without submitting paper charge card receipts with the invoices, if acceptable methods (e.g., electromagnetic or other means) are used to ensure that the purchases are authorized and the interests of the government are protected. (See Comptroller General Decision, B-214459, Nov. 12, 1987.) Any credit card payment system must provide reasonable assurance that the government is being asked to pay only that which it is properly obligated to pay, and must include the capability of verification through audit.

With respect to theft or misuse of commercial credit cards, the government has no liability based on the established principles that the government is neither bound nor estopped by acts of

officers or agents acting without authority, nor is it bound by acts of persons, such as thieves, who never have been its agents. (See 64 Comp. Gen. 337 and 341 (1985).)

In addition to the above types of credit card arrangements, in which the billings are presented to the agency for payment, governmentwide contract arrangements have been made by GSA under which credit cards may be issued directly to federal employees for payment of travel costs. The traveler pays the credit card contractor based on monthly bills and submits travel vouchers to the agency for reimbursement of allowable travel costs.

## 6.8 IMPREST FUNDS

This section sets forth the requirements for using imprest funds for small cash disbursements. Regulations concerning the establishment and maintenance of funds and the responsibilities of cashiers who operate the funds and disbursing officers are contained in the Treasury Financial Manual, volume I, part 4.

### A. Purpose and Amount of an Imprest Fund

An imprest fund should satisfy a definite and continuing need of an agency for making relatively small cash disbursements. Disbursements from imprest funds usually are made (1) to vendors for goods and services and (2) to employees as advances or reimbursements for authorized expenditures.

An imprest fund should be limited to an amount commensurate with the authorized purpose of the fund and normal disbursements during an administratively established period. An imprest fund should be discontinued or adjusted in size whenever circumstances warrant such action.

### B. Accountability for Imprest Funds

The cashier of the imprest fund is personally liable for all money in the fund and will be required to replace the funds if they are lost, stolen, or misappropriated, unless relieved in accordance with chapter 8 of this title. However, personal liability does not extend to cashiers or other officials using Treasury's third-party draft payment system since nongovernment funds are being used. Instead, they are administratively accountable. (Requirements for third-party payment systems are contained in the Treasury Financial Manual, volume I, part 4, chapter 3000.)

At any given time, an imprest fund may consist of cash, checks, or various documents supporting cash payments. Cashiers must be able to account for the full amount of the funds.

Imprest funds must not be commingled with personal funds or other funds.

When the propriety of any disbursement is doubted, the cashier may require written acceptance of responsibility from the official authorizing the disbursement. Such written acceptance of responsibility provides the cashier recourse to the official if the disbursement is later disallowed, but does not, in itself, relieve the cashier of responsibility for the disbursement.

The cashier may also request an advance written opinion from the certifying officer or, if applicable, from the disbursing officer as to the legality of a disbursement. If the certifying or disbursing officer cannot decide the legality of the disbursement, the officer may submit the question to the Comptroller General for a decision.

C. Agency Responsibilities

Agencies having imprest funds shall issue regulations and establish procedures for their use, consistent with the requirements of the Treasury Financial Manual, volume I, part 4. All documentation pertaining to the establishment of an imprest fund should be furnished to the agency's fiscal office so that appropriate entries may be made in the accounting records of the agency. Agencies should advise cashiers of their responsibilities and furnish them suitable facilities for safeguarding the funds.

It is the responsibility of each agency to maintain appropriate accounting and internal controls for the assets held by an imprest fund cashier. Accounting should be as simple as practicable, while being consistent with effective management, and with the control necessary for ensuring compliance with the requirements of section 1341 and subchapter II of chapter 15 of title 31, U.S. Code.

D. Verifications and Audits of Imprest Funds

Each agency that has an imprest fund shall make periodic audits of the fund. The audits should be unannounced and conducted so that the timing of the audits is not predictable. They should include verification of balances and steps, such as analyzing fund activities over a several-month period, that could disclose theft or fraud.

Any unauthorized use of, irregularities in, or improper accounting for an imprest fund disclosed by an agency verification or audit shall be reported promptly to the head of the agency so that any necessary corrective action may be taken and the accountability records of the disbursing officer may be properly adjusted.

In addition to describing the irregularities, the report should state whether prescribed procedures and requirements were being followed and recommend any action considered to be necessary or desirable for preventing recurrence of the irregularities and for strengthening control over the administration of the fund. Requirements for resolving and reporting such irregularities are in chapter 8 of this title.

## 6.9 GRANTS AND COOPERATIVE AGREEMENTS

Through grants or cooperative agreements, the federal government provides assistance to state and local governments and to nongovernment recipients. Such agreements usually provide for advances of funds for the performance of planned activities without substantial federal involvement. Procedures to ensure the propriety of grant authorizations, disbursements, and related follow-up procedures will vary among programs.

For guidance on grant operations, agencies should look primarily to the authorizing legislation, implementing agency regulations, and the requirements established by OMB and Treasury. OMB's publication M-85-10, Financial Management and Accounting Objectives, which supplements Circular A-127, provides agencies with some guidance on categorical grant program controls, including requirements for recordkeeping, fund control, monitoring cash drawdowns, audits, and audit follow-up. In addition, certain financial requirements are imposed on recipients through OMB Circulars A-102 (pertaining to grants to state and local governments) and A-110 (pertaining to grants to higher educational institutions, hospitals, and other nonprofit organizations). The Treasury Financial Manual (volume I, part 6, chapters 2000 and 2500) provides guidance on cash advances under grant and other programs, including letters of credit.

## 6.10 PERIODIC REVIEWS

Agency management should provide for periodic review of all disbursing operations to ensure that the prescribed requirements are being observed and that the control structure is effective. As discussed in section 7.5, reviews that provide reasonable assurance that disbursing procedures and controls are effective and working are necessary support for reports required by the Federal

Managers' Financial Integrity Act and to support the certification function. Also, cash management related reviews are required by the Treasury Financial Manual, volume I, part 6.

## 7.1 ACCOUNTABILITY CONCEPT

When entrusted with or statutorily made responsible for public funds, government employees are, in effect, trustees for the taxpayers. These "accountable officers" encompass such officials as authorized certifying officers, civilian and military disbursing officers, collecting officers, and other employees who by virtue of their employment are responsible for or have custody of government funds. These officials are personally liable for the loss or improper payment of the funds for which they are accountable.

### A. Responsibilities of Certifying Officers

Certifying officers are accountable for and required to personally reimburse the government for any illegal or otherwise improper payment made by a disbursing officer because of their certification. However, unlike disbursing officers or collectors of public moneys, certifying officers have no public funds in their possession.

As required by 31 U.S.C. 3528, a certifying officer will be held accountable for

1. the existence and correctness of the computations and facts stated in a voucher and its supporting records,

2. the legality of the proposed payment under the appropriation or fund involved, and

3. unless relieved of liability by the Comptroller General or a delegatee, as provided in chapter 8 of this title, repayment of the amount of any

   a. illegal, improper, or incorrect payment resulting from any false, inaccurate, or misleading certificate made by the officer, and

   b. payment prohibited by law or which did not represent a legal obligation under the appropriation or fund involved.

### B. Responsibilities of Disbursing Officers

Section 3325(a) of 31 U.S.C. provides that an executive agency's disbursing official shall disburse money only as provided by a voucher certified by the head of the agency or by an authorized certifying official. In addition, a disbursing official is accountable for ensuring that a voucher is in proper form and is certified and approved.

Where agencies are not subject to 31 U.S.C. 3321(a) and do their own disbursing, such as the military departments, the disbursing officers are also responsible for performance of the certifying functions. They must ensure

1. the propriety of the voucher,

2. the legality of disbursements,

3. the correctness of computations, and

4. the accuracy of the facts stated in the vouchers and supporting records.

## 7.2 RELIANCE ON SYSTEMS AND RELATED CONTROLS

### A. Shifting Emphasis Due to Automation

Problems caused by the high volume of transactions, geographic dispersion of activities, and emphasis on prompt payment in today's federal financial environment need to be dealt with effectively. Electronic techniques and systems are being used to generate, process, transmit, and store financial information. Moreover, agencies that obtain financial services from other agencies through cross-servicing agreements must share responsibilities. In the complex environments created by the use of such systems, it is usually impractical for accountable officials to personally examine each transaction for which they are responsible. Consequently, in fulfilling their responsibilities, accountable officials must rely on the systems, controls, and personnel that process the transactions.

This necessary shift in emphasis from examining individual transactions to relying on the adequacy of systems and related controls has been reflected in the policy guidance and audit reports such as 69 Comp. Gen. 85 (1989) and GAO's report FGMSD-76-82. Also, the requirement in the Federal Managers' Financial Integrity Act of 1982 (FMFIA) (31 U.S.C. 3512(d)) for recurring assessment by agency management of the adequacy of accounting systems and management controls contributed to emphasizing system operations. Standards for internal controls and accounting systems are contained in appendixes II and III of Title 2 of this manual. In addition, OMB requirements for evaluating financial systems and controls are contained in OMB Circulars A-123 and

A-127. Together, the OMB and GAO guidance establish the criteria and rules for assessing and reporting annually on the status of agency systems and controls.

**B. Reasonableness of the Reliance on Systems and Controls**

Relying on systems and controls and the existence of general requirements for their periodic assessment as well as presuming that the system and controls are working well, however, creates the risk that certifications of disbursement vouchers may become too routine. While new developments may alter the way in which certifying and disbursing officers operate, and may thus result in some redefinition of the conditions under which they may be granted relief, the basic legal liability of their accountability remains unaltered.

Therefore, if certifications are to be meaningful, a further basic policy concept that must be applied is that the certifying and disbursing officials must have reason for believing that the key processes and controls on which they rely are working. This confidence in the system and controls should be based on a number of factors and among the most significant are the following.

1. A well-defined organizational structure and flow of work, with appropriate separation of responsibilities and clearly written policies and procedures governing the examination, approval, and certification of disbursement vouchers.

2. Effective application of available technology and concepts to achieve efficient and effective voucher processing.

3. Review of the voucher processing procedures and controls in sufficient scope, depth, and frequency to provide reasonable assurance that key processing procedures and controls are working and reliable.

Whenever a request for relief from repayment of an amount erroneously paid is supported by a contention that the certifying or disbursing official relied on the system and its controls, the reasonableness of such justifications--that is, the basis for such reliance--will be carefully considered before relief is granted.

## 7.3 ORGANIZATIONAL STRUCTURE AND OPERATING PROCEDURES

The functions, authorities, and responsibilities of the various parts of an agency's financial organization and of the key personnel must be clearly defined. The policies and procedures applicable to

the agency's financial operations should be in writing and readily available. Separation of key duties and responsibilities for authorizing, processing, recording, and reviewing transactions will ensure that checks and balances exist. Clear definition of the voucher processing objectives, procedures, and controls will provide prompt, consistent guidance to all personnel and will promote discipline and stability in daily operations.

Administrative approval and/or certification of a voucher for payment will usually result from a combination of specific manual and automated procedures and controls which are systematically completed to support the approval of the proposed payment. Completion of the steps used to examine vouchers may involve several individuals, each with responsibility for specific actions, such as initiation and completion of receiving and inspection reports; data entry; data transmission and authentication; and ensuring the consistency of information from invoices, obligating documents, and receiving reports.

As indicated in subsection 7.2.B, the fact that some portion of the prepayment audit is automated, decentralized, performed by another agency or a contractor, or otherwise not within the certifying official's direct control, does not alter his or her basic accountability and legal liability for the propriety of the payment. However, in considering requests for relief from liability for payment irregularities in accordance with chapter 8 of this title, one of the key concerns will be whether the certifying official was negligent or justified in relying on the system and its various controls. Thus, when certifying officials find it impractical to confirm first hand that transactions meet legal requirements, that goods or services have been received in satisfactory condition, and that amounts are correctly computed, they should know that these determinations are being made by others who are charged with that responsibility.

These concepts are also applicable to cross-servicing arrangements when one agency has all or part of its accounting or financial services performed by another agency. Because such cross-servicing arrangements result in sharing responsibilities, careful delineation of each agency's respective responsibilities is required. Cross-servicing agreements are to define the extent of each agency's reliance on the other and the responsibilities of each for complying with applicable reporting and certification requirements. Typically, officials of each agency will find it necessary to rely on actions, assurances, or administrative

approvals by personnel of the other agency. Examples of the just-mentioned responsibilities include certifying vouchers for disbursement, as described in subsection 7.1.A; preparing and certifying reports on obligations, as described in sections 3.7 and 3.8; and making annual reports and certifications regarding the adequacy of the internal control and accounting systems, as described in section 7.5.

The integrity of such systems requires that (1) responsibilities be designated, (2) individuals understand their responsibilities and the consequences of their actions, and (3) individuals be held accountable for their performance. Defining and documenting the responsibilities and accountability of each organizational unit and individual involved in the voucher processing operation makes each individual better able to rely on actions by others, which provides a framework in which certifying and disbursing officers can rely on the actions of other cognizant personnel.

## 7.4 APPLICATION OF AVAILABLE TECHNOLOGY AND CONCEPTS

### A. Technology Provides Voucher Examining Alternatives

In large-volume, highly automated voucher processing operations, automated control procedures, electronic data interchange, and computer-assisted audit techniques provide viable alternatives to the traditional practice of performing a 100-percent prepayment examination of vouchers. Agencies should consider the various alternative techniques for voucher processing and examining that might be used effectively. Depending on the particular needs of officials who approve, certify, and disburse, agencies should incorporate an appropriate mix of such tools into their voucher processing procedures and controls. For example, agencies may make payments to vendors based on facsimile invoices (B-242185, Feb. 13, 1991). In addition, agencies may use electronic data interchange procedures to create valid contractual obligations (B-245714, Dec. 13, 1991). Such techniques should be part of a total system that includes well-defined responsibilities, organizational structures, and an adequate set of internal controls. In addition, effective evaluations are to be conducted to verify that established procedures and internal controls are working.

Automated processes, controls, and audit techniques often can be used effectively in conjunction with the traditional manual ones. As a general policy, agencies should endeavor to establish

automated processing techniques and controls whenever they are feasible. This policy, however, is not viewed as a relaxation of voucher examining requirements. For example, ensuring the consistency of supporting documentation (see subsection 6.2.B) is required under any acceptable voucher processing approach. Some of the more significant techniques and approaches are summarized below. Other approaches, or variations of those discussed, may also be acceptable, so long as they meet applicable legal requirements and their use will be in the best interest of the government.

B. Computer Edits

The repetitive nature of most voucher processing transactions and the application of uniform examination rules usually permit extensive automation of these processes. Effective data entry edits are especially important because they are relatively simple to develop and use and they help detect and prevent errors before the errors are entered into the computerized files. Automated systems can be programmed to perform various comparisons, verifications, and calculations, and to produce outputs that effectively replace the manual voucher processing and examining procedures. Automated financial systems are discussed more fully in appendix III of Title 2 of this manual, which describes accounting system standards for applicable federal agencies.

C. Data Authentication and Electronic Certification

With the proper application of available technology, it is possible to perform required prepayment audits without assembling the source records from other locations. For example, different personnel can extract information from source records, input it to an automated system through computer terminals, and forward the data through communications networks to a centralized location for further processing, certification, and payment. However, using this approach requires agencies to implement techniques that will provide reasonable assurance that data in electronic messages are complete, correct, and authorized in order to protect the government's legal and financial interest.

Implementation of electronic technologies requires that (1) the voucher processing system be carefully structured and monitored to ensure that audit trails are maintained (including agency compliance with prescribed record retention requirements) and (2) officials who are responsible for authorizing, certifying, and disbursing know the requirements of the system in order to carry out their responsibilities effectively. Depending on agency need

and preference, this structure can include a network of approving officials and/or assistant certifying officials, many variations of centralized/decentralized processing, and telecommunications systems with differing levels of control. Whatever the structure, individual responsibilities and the basis for the final certification and payment must be clear.

Various techniques can be used in the data authentication process which when properly implemented can provide reasonable assurance that data in support of certifications or disbursements are authorized, accurate, and complete. Guidance on computer and data security is provided by the National Institute of Standards and Technology (NIST) in its Federal Information Processing Standards (FIPS) publications. NIST promulgates standards and guidance for computer security related to sensitive but unclassified information. Agencies should refer to NIST standards and guidance prior to developing electronic data authentication and certification systems. Reasonable assurance that the government's interest is protected when using electronic systems will depend on the agency's proper implementation of the appropriate NIST standards coupled with the implementation of an adequate set of controls that properly secure the systems.

If the final certification of vouchers is accomplished electronically, the electronic signal or symbol adopted as the certifying officer's electronic signature must be (1) unique to the certifying official, (2) capable of verification, and (3) under the sole control of the certifying official. Electronic certification of the final voucher also requires that control procedures be in place to ensure the authenticity of transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected.

## D. Fast Pay Procedures

Effective control over disbursements ordinarily requires prepayment examination and approval of vouchers before they are certified for payment. However, partial exceptions to the prepayment audit requirement, known as fast pay, have been allowed by GAO. Past fast pay approvals have involved deferral of specific examining steps, usually the verification of receipt and inspection of goods or services, on the condition that they be performed after payment. Fast pay procedures generally have been limited to payments for goods or services where there has been a continuing relationship with reliable vendors and the

procedures have permitted agencies to take advantage of prompt payment discounts or to effect other economies.

Executive branch guidance applicable to fast pay procedures is in OMB Circular A-125, which provides guidance to implement the Prompt Payment Act, and the Federal Acquisition Regulation (FAR), part 13. Both A-125 and FAR permit use of fast pay procedures to pay vendor invoices without evidence of receipt at the time of certification and payment and subject to a general limitation of $25,000 and certain other restrictions. These additional restrictions include, for example, (1) that geographical separations and a lack of communication facilities make it impractical to make timely payment based on evidence of acceptance, (2) that suppliers who will be paid under the procedure agree to replace, repair, or correct supplies not conforming to purchase requirements, and (3) that the agency have a system in place to identify suppliers who have a history of abusing the fast payment procedure.

Agencies do not need specific GAO approval to implement fast pay programs that meet A-125 and FAR conditions for fast pay. When clearly warranted, additional specific case approvals may be authorized by GAO. (See subsection 7.4.G.) However, such past abuses as failing to complete required audit steps following payment make it especially important that such proposals be well justified and, if implemented, carefully monitored.

## E. Statistical Sampling

Subject to limitations prescribed by the Comptroller General, agency heads are authorized by 31 U.S.C. 3521(b) to establish statistical sampling programs for the examination of vouchers in support of their certification and payment.

In accordance with this authority, agencies may use statistical sampling for vouchers in amounts not exceeding $2,500. Within this maximum, agencies are required to establish their own dollar limitations based on cost/benefit analyses of their voucher examining operations. In determining whether travel vouchers exceed the limitation, agencies may exclude any passenger transportation costs paid through the General Services Administration's contractor issued charge cards; such costs are subject to audit by the General Services Administration's transportation rate auditors.

Any disbursing or certifying official relying in good faith on the statistical sampling procedure adopted by the agency to disburse funds or certify a voucher for payment will not be liable for losses to the government resulting from payment or certification of a voucher not audited specifically because of the use of the sampling procedure, provided that the agency has diligently carried out collection actions prescribed by the Comptroller General (31 U.S.C. 3521(c)). (See appendix III for a further discussion of statistical sampling, including plans for development, documentation, and monitoring.)

### F. Combining Fast Pay Procedures and Statistical Sampling

Voucher examining plans that combine elements of fast pay and statistical sampling may be used in appropriate circumstances. Such plans must provide for (1) audit emphasis commensurate with the risk to the government, (2) sampling of all invoices not subject to complete audit coverage, (3) effective monitoring, and (4) a basis for the certification of payments (67 Comp. Gen. 194 (1987) and 68 Comp. Gen. 618 (1989)).

In general, however, whenever the need for timely, economical, and effective prepayment verification of the propriety of payment vouchers can be met through system improvements, whether by increased automation or otherwise, that alternative is preferred over others that involve the relaxing of controls or audit requirements.

### G. Requests for Alternative Procedures

As a final alternative, if an agency determines that in its particular situation a voucher examining plan that differs from the procedures in this title will produce savings while adequately protecting the government's interest, it may request approval of the specific plan from GAO. The request must be in writing and contain a description of the plan, including any procedures for statistical sampling, and a description of the agency's specific situation and conditions that warrant deviation from the procedures in this title for examining vouchers. If anticipated savings are due primarily to a proposed reduction in audit intensity or timeliness, the request also should explain the consideration given other alternatives and the basis for selecting the alternative that has been proposed.

Such requests should be directed to:

Assistant Comptroller General
Accounting and Information Management Division
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Approval of such proposed alternatives will be on a case-by-case basis and applicable only to a specific situation. When such alternative procedures are approved, the agency should periodically evaluate whether advances in communications technology or other electronic systems capabilities afford the agency the opportunity to achieve a 100-percent examination of vouchers prior to payment.

## 7.5 EVALUATIONS OF THE VOUCHER PROCESSING SYSTEM AND CONTROLS

### A. Review Requirements

The results of various reviews or tests of the financial management system and its controls are important indicators of whether such systems and controls are adequate to support certifications. Requirements that agencies conduct systematic internal reviews, independent of the examinations of disbursing and collecting transactions required of accountable officers, have existed for many years. For example, such requirements were emphasized in an August 1, 1969, letter from the Comptroller General to heads of agencies (B-161457). The objectives of these independent reviews included ensuring that (1) appropriate examinations of transactions were being made to verify their legality, propriety, and correctness at the time when any needed preventive or corrective action could be most effectively taken, (2) effective controls were maintained over disbursements, collections, and balances for which accountable officers were responsible, and (3) appropriate administrative actions were taken to correct problems.

Since the enactment of FMFIA, all executive agencies are required to review their systems of accounting and management controls and to report annually to the President and Congress on the results of the reviews, including any plans to correct significant deficiencies. The requirement for making such reviews and

reports is especially appropriate in today's highly automated environment because the officials responsible for certifying or otherwise approving the payment of federal funds must rely on automated systems and controls, rather than on personal examination of individual transactions.

The results of FMFIA reviews may be of value to certifying and disbursing officers. However, broad-scoped FMFIA reviews may not be sufficient justification for certifying and disbursing officials to rely on the system and its controls. To be useful, these reviews need to be of sufficient scope and detail to identify any problems, causes, and necessary corrective actions applicable to payment processes.

Certifying and disbursing officials may also be able to rely to some degree on other types of reviews of voucher processing operations. For example, reviews and corrective actions pursuant to the Computer Security Act of 1987, Public Law 100-253, enacted January 8, 1988, should help ensure reliability of the data processed by automated systems. Also, when made, reviews of voucher processing procedures or controls by inspectors general should provide management with useful information on system strengths and weaknesses. Reliance on these reviews will depend on their scope, timing, and objectives which may not necessarily provide continuous assurance of the adequacy of the voucher processing system.

B. Using FMFIA Reviews

To the extent practicable, the needs of certifying and approving officials should be considered in advance of FMFIA reviews and the review results should be made available or communicated to them in reports tailored to their special interests. The FMFIA detail reviews should be designed, carried out, and reported in ways that show whether the voucher processing and disbursing system and controls are reliable. This information, combined with other knowledge of strengths and weaknesses in the system and related controls, will help to determine whether further procedures, controls, and tests are needed to adequately support the required certifications.

Further review and testing can take a variety of forms. These include statistical sampling of transactions already processed for payment to confirm the effectiveness of existing procedures and controls or the use of specially designed test transactions to verify that all system edits and routines are working properly--that is,

that errors are detected and rejected and transactions are correctly processed.

C. Special Requirements for Certification, Processing, and Reporting if Weaknesses Exist

The identification of weaknesses in a voucher processing system should result in prompt and effective corrective action. Pending completion of these corrective efforts, certifying officials may be able to satisfy themselves that payments are proper by relying on alternate procedures and controls. Also, if a designated assistant secretary or comparable official provides his or her agency head and GAO with a written statement that effective system controls could not be implemented prior to voucher preparation and, further, certifies that the payments are otherwise proper, GAO will not consider the absence of such controls as evidence of negligence in determining whether or not the certifying official should be held liable for any erroneous payment made prior to receipt of an advance decision. (See section 8.3.) However, if the situation remains uncorrected, follow-up reports showing the status of corrective actions must be submitted to the head of the agency at 90-day intervals following the date of the first written statement. Further, such weaknesses should be fully disclosed in the annual FMFIA reports to the President and Congress.

Of course, the traditional requirements that due care be exercised in making the payments and that diligent effort be made to recoup any erroneous payments will still be considered in any requests for relief of liability. (See Principles of Federal Appropriations Law.)

## 8.1 AUTHORITY AND RESPONSIBILITY

GAO has the authority and responsibility to settle the accounts of accountable officers as provided in 31 U.S.C. 3526. This authority extends to certifying and disbursing officers and collecting officials. The responsibilities of certifying and disbursing officers are described in chapter 7 of this title. Responsibilities of collecting officials are covered in chapter 5 of this title.

Except for those requirements identified as pertaining to a specific type of accountable officer, the requirements discussed in this chapter apply to all accountable officers.

## 8.2 DEFINITION OF FISCAL IRREGULARITY

For purposes of the laws governing the accountability and relief of accountable officers, fiscal irregularities fall into two categories: physical loss/deficiency and improper payment.

A physical loss or deficiency is a shortage of public funds in an account, including imprest or similar funds, resulting from such things as (1) theft (burglary, robbery, embezzlement, etc.), (2) loss in shipment, and (3) destruction by fire, accident, or natural disaster. An unexplained shortage (i.e., a shortage of funds with no apparent reason or explanation) is also treated as a physical loss.

An improper payment is a disbursement of public funds by a disbursing officer or subordinate that is found by an appropriate authority, including the Comptroller General, to be illegal, improper, or incorrect. Improper payments result from fraud, forgery, alteration of vouchers, improper certifications, and other improper practices. Improper payments can also be caused by human and/or mechanical error during the payment process.

The term "public funds" includes appropriated funds, receipts or collections, and funds held in trust by a federal agency, such as personal funds of patients in a federal hospital.

## 8.3 RIGHT TO AN ADVANCE DECISION ON CERTIFICATION OR PAYMENT

Certifying and disbursing officers are provided with a means of protection against their liability for the certification and payment of vouchers which may prove to be illegal or otherwise improper. As provided in 31 U.S.C. 3529, they have the right to apply for and obtain a decision by the Comptroller General on any question of law relevant to any item in the voucher presented to them for certification or payment.

In lieu of requesting a decision by the Comptroller General for items of $100 or less, certifying and disbursing officers may rely upon the documented advice from an agency official designated by the head of the agency to make such determinations. This official must be organizationally independent of the certifying and disbursing officers and impartial to the outcome of the decision. GAO will consider the agency decision on the propriety of any such payment to be conclusive in its settlement of the accounts. The documented decision should be retained and referenced to the transaction.

Certifying and disbursing officers need not request an advance decision concerning an arbitration award that is final and binding under 5 U.S.C. 7122(a) or (b). The award payment will be considered conclusive on GAO. Therefore, GAO will not review or comment on the merits of such an award. Such an award does not, however, constitute precedent for payments in other instances not covered by the award. When such arbitration awards are not clearly within the scope of any existing appropriation, the expenditure generally should be charged to the appropriation that has the most closely related purpose and scope to that of the arbitration award.

## 8.4 AGENCY RESPONSIBILITIES

### A. General

Each agency must maintain appropriate accounting and internal controls, including internal audit, over the assets for which it is responsible. For accountable officers, this includes assuring the legality, propriety, and correctness of disbursements and collections of public funds. In addition, periodic assessments of and reports on the adequacy of agency controls and accounting systems are required by FMFIA, 31 U.S.C. 3512(d). Irregularities in accounts discovered by agencies should be reported as provided in subsections 8.4.B and 8.4.C.

### B. Reporting Irregularities

Agency heads or their designated representatives will prepare a report on each irregularity that affects the accounts of accountable officers whose accounts are required by law to be settled by GAO. Included in these reportable irregularities are those disclosed by agency examinations of disbursement and collection transactions and other internal reviews. The report of irregularities should contain the information called for in subsection 8.12.A of this title.

Resolution by the agency of reported irregularities must be documented in accordance with subsection 8.12.B and filed with the report.

The reports are to be retained by the agency as part of the account records and copies sent to GAO when required by subsection 8.4.C. A copy of each report should be provided to the accountable officer. In addition, copies of the reports may be required by Treasury, in accordance with its regulations.

C. Submitting Reports to GAO

If the irregularity is resolved by the agency as described in subsection 8.12.B within 2 years after the date the accounts are made available to GAO for audit, reporting to GAO is not necessary. If the irregularity is not resolved within 2 years after the date the accounts are made available for audit, a copy of the report should be submitted to GAO. However, it is not necessary to send a report to GAO for (1) cases involving physical losses under $3,000 (see subsections 8.9.C and 8.10.B), (2) certain check losses under $3,000 (see subsection 8.11.C), (3) other improper payments of $100 or less (see section 8.11), and (4) cases in which a portion of a loss, although unrecovered, is subject to routine, ongoing recovery action by way of offsets or installment payments agreed to by the debtor (B-239483.2, July 8, 1991).

GAO may from time to time identify particular circumstances in which the prompt reporting of irregularities in other specified situations is needed. At such a time, the agencies involved will be notified in writing.

Reports required by GAO pursuant to this section should be sent to:

Assistant Comptroller General
Accounting and Information Management Division
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

If the agency wishes to submit a relief request to GAO, either at the end of the 2-year period or sooner, it must send the relief request and a copy of the irregularity report to the address specified in section 8.13 instead of the address shown above.

## 8.5 THE SETTLEMENT PROCESS

GAO's account settlement responsibility requires an administrative determination of the status of the accounts and the amounts due, if any. In meeting this responsibility, GAO relies largely on the fact that agencies are responsible for establishing and assessing their financial systems and controls. (See section 8.4.) To determine whether accountable officers' functions are discharged correctly and in accordance with applicable laws and regulations, GAO monitors the agency assessments, reports, and corrective actions and gives special consideration to the effectiveness of collection and disbursement procedures and controls, reports of irregularities, and transaction testing.

For account settlement purposes, GAO requires agencies to retain, with the account records, statements of accountability and transactions identical to the reports submitted to Treasury for central accounting and reporting purposes. The applicable reporting forms are SF 224, SF 1218, SF 1219, SF 1220, SF 1221, or other approved forms used in lieu of the prescribed forms. (See appendix I.)

The extent to which GAO may examine individual accounts and specific transactions depends largely on the effectiveness of the accounting and internal controls of the agency involved. When irregularities are reported or disclosed in transactions of accountable officers, GAO may issue a Notice of Exception as described in section 8.6 or initiate other appropriate action. The time limitation for account settlement is discussed in section 8.7 of this title.

## 8.6 ISSUANCE OF EXCEPTIONS TO CERTIFYING OR DISBURSING OFFICERS

GAO will notify certifying and disbursing officers of exceptions taken to items in their accounts by issuing a Notice of Exception (GAO Form 1100) or other type of written notice. When a Notice of Exception is issued, it remains an outstanding charge in the accountable official's account until it is resolved, even though the account may otherwise be settled. (See section 8.7 of this title.)

### A. Replies to Exceptions

Agencies should provide prompt replies to exceptions in the space provided on GAO Form 1100. After being administratively verified, a reply should be signed by the responsible certifying or disbursing officer and returned promptly to GAO.

In the event that the responsible certifying or disbursing officer is no longer available to reply, the successor officer for the account

should furnish the administrative reply to the exception, over his or her own signature, if it can be provided on the basis of the information on file. In a case in which GAO may need to issue a revised exception, the successor should provide the responsible officer's current address in the reply.

B. Acknowledgment of Replies

When GAO finds that a reply to an exception is satisfactory, it will so notify the responsible officer or the administrative office concerned, unless the concerned agency does not desire such acknowledgement. If the reply is unsatisfactory, GAO will issue a revised exception that explains why it is deficient.

C. Reporting Repayments

If an exception to a certifying or disbursing officer's account is satisfied with a repayment, a report should be sent to GAO indicating the collection.

If the indebtedness is liquidated by a single repayment, the repayment should be reported on the original Notice of Exception. If the original form was sent to GAO previously, the repayment should be reported on a copy of the form, if available, or in a letter containing sufficient information to identify the exception.

If the repayment will be made in installments, the reply to the original Notice of Exception should contain a full explanation of the repayment method and schedule. The Notice of Exception will remain open until the entire amount is collected. When the total amount is repaid, a follow-up report should be sent to GAO indicating that the exception is satisfied.

D. Agency Responsibility

When a Notice of Exception is issued, the agency should keep the exception and all forms of support identified with the transactions in question as part of its permanent records of the account. It should also retain and treat as account records all replies and correspondence in connection with the exception. All records in the account should be retained in accordance with the requirements for record retention in Title 8.

## 8.7 TIME LIMITATION ON SETTLEMENT OF ACCOUNTS

GAO is limited by 31 U.S.C. 3526 to 3 years for settling the accounts of accountable officers. Except as discussed below, no new charges can be raised against the accountable officer because of discrepancies in the account after the 3-year period has expired.

GAO's general policy is to consider the end of the period covered by the applicable statement of accountability as the beginning of this 3-year period. (See section 8.5) Therefore, except for discrepancies identified and reported within the 3-year period, settlement will occur, by operation of law, without further action, 3 years after the date that the statement of accountability is certified. However, in cases such as duplicate payments or forgeries, GAO considers the 3-year period to begin after notice of loss is received by the agency from Treasury. If the loss is due to embezzlement, fraud, or other criminal activity, the 3-year period does not begin until the loss has been discovered and reported to the appropriate agency officials. A settlement is limited to the personal liability of the accountable officer; it does not extend to any liabilities of third parties.

This policy, with respect to when the 3-year period begins, assumes that the account is substantially complete for audit purposes; that is, the various documents supporting the statements of accountability are available to the agency and GAO for audit. However, unusual delays in making the supporting documentation available for audit may suspend the running of the 3-year period. In addition, the 3-year limitation is suspended during wartime.

Apart from physical losses, which are not subject to the 3-year limitation of 31 U.S.C. 3526, the only irregularities in an accountable officer's account more than 3 years old that GAO may question are losses due to the criminal activity of the accountable officer. This does not preclude recovery from an accountable officer of any amount due the government under a discrepancy raised or an exception taken within the 3-year settlement period, even though repayment is not made until after the expiration of the settlement period. (See section 8.6 of this title.) Furthermore, it does not preclude recovery of money from any payee who was illegally or erroneously paid.

## 8.8 RELIEF OF ACCOUNTABLE OFFICERS: GENERAL

As noted in chapter 7 of this title, accountable officers are liable for the repayment of losses of public funds for which they are accountable. This liability arises automatically, by operation of law, at the time of the physical loss or improper payment. Under certain circumstances, accountable officers can obtain relief from their personal liability to repay losses.

The term "relief" refers to an administrative decision, made by a government official authorized by law to make such a decision, that absolves the accountable officer from liability for a loss.

At one time, vehicles for administrative relief did not exist. The only recourses available to the accountable officer were court action and private relief legislation. Over the years, a statutory pattern has evolved under which administrative relief is available if various statutory conditions are met.

The authority to grant relief is vested in the Comptroller General in most cases and is covered in this title. Also covered is guidance to agencies for granting relief when authorized. Agencies exercising relief authority must ensure the independence of the official designated to determine the propriety of the relief cases.

The details of the various relief statutes and the standards GAO has developed in applying them are discussed in detail in GAO's Principles of Federal Appropriations Law. The following sections summarize these statutory requirements and provide certain procedural guidance.

## 8.9 PHYSICAL LOSS OR DEFICIENCY

### A. Standards for Relief

The standards for relief, set forth in 31 U.S.C. 3527(a), and relevant guidance in Comptroller General decisions are the bases for determinations by agency officials and by GAO regarding the propriety of proposed relief actions. They apply to all accountable officers other than disbursing officers in the Department of Defense.

Relief of an accountable officer or former accountable officer from liability for a physical loss or deficiency is authorized only if the accountable officer's agency makes a determination that

1. the loss occurred while the officer was performing official duties or that the loss resulted from an act or omission by one of the officer's subordinates,

2. the loss was not the result of fault or negligence on the part of the accountable officer, and

3. the loss was not the result of an improper payment.

### B. GAO Determination for Losses of $3,000 or More

When an agency believes that relief is appropriate for physical losses of $3,000 or more, the agency must formally request relief from GAO. The request must include the required administrative

determination made by the agency head or another delegated agency official that relief is appropriate. (See subsection 8.9.A.) Documentation of any delegation, in whatever form the agency deems suitable, need not be furnished to GAO but should be available if requested. GAO will review the record and respond in writing to the official who submitted the request. If GAO agrees with the agency's determinations, relief will be granted. Because of the requirement for an agency determination, however, GAO generally will be unable to act solely on a request submitted directly by the accountable officer.

C. Agency Determination for Losses Under $3,000

For losses of less than $3,000, relief requests need not be submitted to GAO. The agency may grant or deny relief based on administrative determinations with respect to the standards for relief. (See subsection 8.9.A.) A central control record of such actions should be maintained by each agency and documentation showing the basis for actions taken should be retained for subsequent review by management or audit personnel. (See section 8.12.)

The $3,000 limitation applies to single incidents or the total of similar incidents which occur about the same time and involve the same accountable officer.

## 8.10 PHYSICAL LOSS OR DEFICIENCY: DEPARTMENT OF DEFENSE DISBURSING OFFICERS

A. Standards for Relief

For disbursing officers of the armed services, relief for a physical loss may be granted by the Department of Defense or the appropriate military department regardless of the amount. Otherwise, the standards for relief in Department of Defense physical loss cases are similar to those for civilian agencies. The defense or military department may grant relief to disbursing officers only when it determines that the loss

1. occurred while the disbursing officer was in the line of duty,

2. occurred without fault or negligence on the part of the disbursing officer, and

3. was not the result of an improper payment (31 U.S.C. 3527(b)).

B. Agency Determinations

Unlike determinations under 31 U.S.C. 3527(a), administrative determinations by military departments under 31 U.S.C. 3527(b) are conclusive on GAO. In military physical loss cases in which the required administrative determinations are made, the granting of relief follows automatically. (See subsection 8.10.A.) Therefore, a relief request need not be submitted to GAO, regardless of the amount. However, the requirements stated in subsection 8.4.C for reporting irregularities to GAO are not negated by this section.

Determinations made under 31 U.S.C. 3527(b) should be documented and retained by the agency for purposes of review by management and audit personnel.

## 8.11 IMPROPER PAYMENT

Improper payments, for purposes of accountable officer relief, are losses that cannot be classified as physical losses and relief is generally vested in the Comptroller General. However, for items valued at $100 or less, the agency official designated to make advance determinations of the propriety of payments in section 8.3 of this title may make similar determinations after certification or payment. Agencies may then resolve such items found to be improper by following the standards for relief in this section. Therefore, there is no need of GAO involvement for items resolved by the agencies.

A. Standards for Relief: Disbursing Officers

A disbursing officer may be relieved from liability for an improper payment if it is determined that the payment was not the result of bad faith or lack of reasonable care on the part of the disbursing officer. (See 31 U.S.C. 3527(c).) Relief may be requested by the agency involved or the disbursing officer. Relief action may also be initiated by GAO.

B. Standards for Relief: Certifying Officers

A certifying officer may be relieved from liability for an improper payment if it is determined that

1. the certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or

2. the obligation was incurred in good faith, the payment was not specifically prohibited by statute, and the government received value for the payment. (See 31 U.S.C. 3528(b)(1).)

Requests for relief may be made by the agency involved or the certifying officer. GAO may also initiate the relief action.

C. Certain Check Losses

1. Duplicate check losses.

Duplicate check losses result when a payee claims nonreceipt of an original check, the government issues a substitute or replacement check, and both checks are negotiated. The loss actually occurs when the second check is negotiated. The order in which the checks are cashed is irrelevant. Duplicate check losses under $3,000 need not be submitted to GAO for relief but may be resolved by the agency in accordance with the applicable relief statute and relevant Comptroller General decisions. (See section 8.8.) Agencies should document relief decisions under this authority and retain that documentation for subsequent review by management or audit personnel. (See subsection 8.12.B.)

For duplicate check losses of $3,000 or more, all requests for relief must be sent to GAO for resolution.

2. Losses resulting from mechanical or clerical error during the check issuance process.

Losses in this category are attributable to such situations as typographical and automated entry errors and equipment malfunctions. Losses of $3,000 or more must be submitted to GAO for relief. Agencies need not submit losses under $3,000 to GAO for relief but can resolve the cases in the same manner as duplicate checks.

3. Uncollectible check losses.

Disbursing officers are authorized in situations specified by 31 U.S.C. 3342 to cash checks and other negotiable instruments for government and certain nongovernment personnel. Uncollectible losses, which are treated as improper payments, may result from transactions such as fraudulently negotiated checks (e.g., forged endorsements) or personal checks returned because of insufficient funds. The statute authorizes agencies

to offset, within the same fiscal year, losses against gains arising from transactions under the statute. In addition, the statute authorizes any net losses from the offset to be charged against appropriations available for that purpose. For example, the Department of Defense has permanent authority in 10 U.S.C. 2781(2) to use its appropriations for this purpose. If it is determined that an available appropriation cannot be charged, agencies must request relief from GAO for losses over $100. Losses of $100 or less can be resolved by the agencies in accordance with the procedures in this chapter. Net gains, however, must be deposited in the Treasury as miscellaneous receipts rather than credited to an appropriation.

When losses under 31 U.S.C. 3342 are resolved by the agencies, there is no need for GAO involvement. Use of this authority is discretionary, however, and agencies retain the option of seeking relief under 31 U.S.C. 3527(c).

D. Required Collection Efforts

The granting of relief either to a disbursing or certifying officer does not affect the liability of the recipient of the improper payment, nor does it affect the agency's duty to pursue collection action against the recipient. Relief may be denied if GAO determines that the agency has not diligently pursued collection action. Requests for relief under section 8.11 must describe the agency's collection efforts under the Federal Claims Collection Standards (4 C.F.R. parts 101-105) and Title 4 of this manual, or other applicable authorities. GAO will evaluate the adequacy of such collection actions in relation to the particular case. If relief is denied because of an agency's failure to pursue adequate collection action, the letter of denial will describe the perceived deficiencies. The request for relief may be resubmitted after the agency has diligently pursued collection actions.

## 8.12 REQUIRED DOCUMENTATION

A. Reportable Irregularities

The documentation for each irregularity, either reported to GAO or resolved by the agencies, must include the following:

1. a detailed statement of facts of the case, including the type of irregularity, date, amount, and names and positions of the accountable officer(s) and others involved;

2. a reference to pertinent supporting documents, such as pay records, contracts, and vouchers;

3. a description of how the irregularity occurred and how it affected the accountable officer's account;

4. an adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken; and

5. information on any recoupment already made or being considered.

B. Irregularities Resolved by the Agency

In addition to the documentation required by subsection 8.12.A, agency resolved irregularities should be supported, as applicable, by documentation showing

1. whether the questioned items were proper;

2. whether the questioned amounts were recovered from the recipient or the accountable officer;

3. that the questioned amounts were waived under 2 U.S.C. 130c and 130d, 5 U.S.C. 5584, 10 U.S.C. 2774, 32 U.S.C. 716, or other applicable waiver statute, and that a credit in the amount of the waiver was granted to the accountable officer's account as authorized by law;

4. any administrative determinations required by the applicable relief statute, when relief is granted by the agency; and

5. any other authorized administrative actions to resolve the irregularities;

6. any determination denying relief.

For a discussion of waivers of claims against recipients of overpayments of pay and allowances, see 4 C.F.R. parts 91-93 and Title 4 of this manual.

C. Requests for Relief Submitted to GAO

Requests for relief submitted by agencies to GAO must include the following items, as applicable:

1. a copy of any report submitted to GAO pertaining to the case under subsection 8.4.C of this title (if a report was not submitted previously, a copy of the agency's report should be included);

2. a description of collection actions taken;

3. identification of an appropriation or fund to be charged if an account adjustment is deemed necessary (see section 8.14 of this title);

4. information showing that there was a reasonable basis for relying on the procedures and controls in an automated system if the relief request is based on a contention that the loss resulted from such reliance (see section 7.2);

5. any administrative determinations required by the applicable relief statute; and

6. a written statement by the accountable officer or a notation by the agency that the accountable officer chooses not to submit a separate statement. (The accountable officer's liability arises by operation of law and the government is not required to prove negligence. Therefore, it is important that all accountable officers be given the opportunity, if possible, to include a statement in their relief requests because they have the burden of demonstrating that the loss occurred without any fault or negligence on their part.)

D. Subsequent Developments

Any subsequent developments relevant to the case, such as full or partial recovery of the loss, should be documented in the account records. If a request for relief has been submitted to GAO, such developments should also be reported promptly to GAO.

8.13 WHERE TO SUBMIT REQUESTS FOR RELIEF

Any requests for relief submitted to GAO should be sent to the following address:

Office of the General Counsel
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

## 8.14 ADJUSTMENT OF ACCOUNTS

### A. General

In cases in which adjustments are authorized, except for situations covered by subsection 8.14.E, the amount of the adjustment (which may be the entire amount of the loss or a portion of it, if part has been recovered) will be charged to the current appropriation or fund available for the expenses of the accountable function at the time the adjustment is made. If an adjustment is deemed necessary and relief is requested from GAO, the request should indicate which appropriation or fund the agency proposes to charge, as listed in the "Federal Account Symbols and Titles" supplement to the Treasury Financial Manual.

### B. Relief Granted by GAO

The letter granting relief by GAO will include a statement approving the adjustment. If GAO does not cite the same appropriation or fund proposed by the agency or concludes that the adjustment is not warranted, the letter will include an explanation. (See 31 U.S.C. 3527(d).)

### C. Relief Granted by the Agency

In cases where an agency is authorized to grant relief and determines that an adjustment is necessary, the agency may make the adjustment in the manner described in this section, without any direct involvement by GAO. Designation of agency officials authorized to approve adjustments is to be documented and signed.

### D. Relief Denied or Agency Declines to Seek Relief

If relief is denied either by GAO or by the agency concerned, or the agency declines to seek relief because the loss is deemed attributable to fault or negligence of the accountable officer, and the agency determines that (1) the loss cannot be recovered from the accountable officer or from any payee, beneficiary, recipient, or other liable party, and (2) an adjustment is necessary, the agency may make the adjustment as provided in this section without further involvement by GAO. The adjustment does not affect the accountable officer's liability for the loss. (See 31 U.S.C. 3530.)

### E. Other Situations

If an adjustment is necessary and cannot be made under subsections 8.14.B, C, or D, the agency may make the adjustment from (1) the unobligated balance in the expired account for the fiscal year for which the adjustment is needed, in accordance with 31 U.S.C. 1553(a), or (2) current appropriations available for the

same purpose, in accordance with 31 U.S.C. 1553(b), if the applicable account is closed. Such a situation might arise, for example, in the case of an improper payment where (1) the money cannot be recovered from the recipient and (2) the accountable officer is without fault but the passage of time (see section 8.7) has precluded the granting of relief. Once an account has been closed in accordance with 31 U.S.C. 1552(a) or 1555, adjustments to it are no longer possible.

## Table of Contents

| | Page |
|---|---|
| A. Responsibilities for Prescribing Standard Accounting Forms | 7.I-3 |
| B. Selected Standard and Optional Forms Relating to Fiscal Procedures Prescribed by the Department of the Treasury | 7.I-3 |
| C. Selected Standard and Optional Forms Relating to Fiscal Procedures Prescribed by the General Services Administration | 7.I-5 |
| D. Optional Forms Relating to Fiscal Procedures Prescribed by the General Accounting Office | 7.I-5 |

A. Responsibilities for Prescribing Standard Accounting Forms.

Generally, standard and optional accounting forms relating to fiscal operations and related guidance are prescribed by the agency having primary functional responsibility for the area(s) associated with the forms. Except as provided otherwise in this appendix, the issuance or revision of such forms does not require GAO approval; however, the forms must be consistent with federal accounting principles and standards and related requirements prescribed by the Comptroller General (31 U.S.C. 3511).

The government's Standard and Optional Forms Program is administered by GSA. The Federal Information Resource Management Regulations (FIRMR) (41 C.F.R. 201-45.5) sets forth the program's scope, objectives, guidelines, and procedures. These regulations prescribe general requirements and procedures for standard and optional forms management--especially in the areas of clearance, revision, cancellation, and exceptions. (The standard and optional forms promulgated by the Comptroller General or those subject to his approval are excluded from the clearance authorities of the program. However, by agreement between GSA and GAO, such forms are included in the GSA clearance procedures discussed in FIRMR.)

All agencies are encouraged to take advantage of opportunities presented by modern technology, such as use of computer-generated forms; however, proposed new issuances or revisions of standard forms, including changes in content, format, or printing specifications, must be submitted to GSA for review and approval prior to implementation.

B. Selected Standard and Optional Forms Relating to Fiscal Procedures Prescribed by the Department of the Treasury.

| | |
|---|---|
| SF 224 | Statement of Transactions |
| SF 1034 | Public Voucher for Purchases and Services Other Than Personal (original) |
| SF 1034-A | Public Voucher for Purchases and Services Other Than Personal (memorandum) |
| SF 1035 | Public Voucher for Purchases and Services Other Than Personal--Continuation Sheet (original) |
| SF 1035-A | Public Voucher for Purchases and Services Other Than Personal--Continuation Sheet (memorandum) |
| SF 1047 | Public Voucher for Refunds (original) |

| | |
|---|---|
| SF 1048 | Public Voucher for Refunds (memorandum) |
| SF 1049 | Public Voucher for Refunds (original--tabular form) |
| SF 1050 | Public Voucher for Refunds (memorandum--tabular form) |
| SF 1080 | Voucher for Transfers Between Appropriations and/or Funds |
| SF 1081 | Voucher and Schedule of Withdrawals and Credits |
| SF 1096 | Schedule of Voucher Deductions |
| SF 1098 | Schedule of Canceled or Undelivered Checks |
| SF 1143 | Advertising Order (face); Public Voucher for Advertising (reverse) |
| SF 1145 | Voucher for Payment Under Federal Tort Claims Act (original) |
| SF 1145-A | Voucher for Payment Under Federal Tort Claims Act (memorandum) |
| SF 1147 | Request for Issuance of Replacement Check Due to Error in Name and/or Designation of Payee |
| SF 1149 | Statement of Designated Depositary Account |
| SF 1151 | Nonexpenditure Transfer Authorization |
| SF 1156 | Public Voucher for Fees and Mileage of Witnesses (original) |
| SF 1156-A | Public Voucher for Fees and Mileage of Witnesses (memorandum) |
| SF 1157 | Claim for Witness Attendance Fees, Travel, and Miscellaneous Expense |
| SF 1165 | Receipt for Cash--Subvoucher (with stub: Interim Receipt for Cash) |
| SF 1166 OCR | Voucher and Schedule of Payments (original) |
| SF 1166-A OCR | Voucher and Schedule of Payments (memorandum) |
| SF 1167 OCR | Voucher and Schedule of Payments--Continuation Sheet (original) |
| SF 1167-A OCR | Voucher and Schedule of Payments--Continuation Sheet (memorandum) |
| SF 1179 | Recapitulation of Block Control Level Totals of Checks Issued |

| | |
|---|---|
| SF 1184 | Unavailable Check Cancellation |
| SF 1218 | Statement of Accountability (Foreign Service Account)[1] |
| SF 1219 | Statement of Accountability[1] |
| SF 1220 | Statement of Transactions According to Appropriations, Funds, and Receipt Accounts[1] |
| SF 1221 | Statement of Transactions According to Appropriations, Funds, and Receipt Accounts (Foreign Service Account)[1] |
| OF 1129 | Cashier Reimbursement Voucher and/or Accountability Report |
| OF 1129-A | Cashier Reimbursement Voucher and/or Accountability Report—Memorandum |

C. Selected Standard and Optional Forms Relating to Fiscal Procedures Prescribed by the General Services Administration.

| | |
|---|---|
| SF 1012 | Travel Voucher (original) |
| SF 1012-A | Travel Voucher (memorandum) |
| SF 1038 | Advance of Funds Application and Account |
| SF 1094 | U.S. Tax Exemption Certificate |
| SF 1094-A | Tax Exemption Certificates Accountability Record |
| SF 1164 | Claim for Reimbursement for Expenditures on Official Business |
| OF 1121 | Bill of Lading Accountability Record |

D. Optional Forms Relating to Fiscal Procedures Prescribed by the General Accounting Office.

| | |
|---|---|
| OF 1017-G | Journal Voucher |

[1] This form is used by the Comptroller General for the settlement of accounts. Changes to and revisions of this form require approval of the Comptroller General.

Because of the low level of demand for all of the optional forms formerly prescribed by the General Accounting Office and listed in the appendix to this title, none of the forms will be stocked by the Federal Supply Service after present stocks are exhausted. Agencies affected by this change should assess their needs and establish appropriate alternative forms and procedures. Agencies may meet their needs for OF 1017-G, Journal Voucher, by reproducing the copy of the form included on the next, unnumbered page.

The following governmentwide optional forms are canceled.

| | |
|---|---|
| OF 1014 | General Ledger (ruled) |
| OF 1014-A | General Ledger (unruled) |
| OF 1015 | Allotment Ledger (ruled) |
| OF 1016 | Distribution Ledger (ruled) |
| OF 1017-C | Register of Allotment Ledger Transactions |
| OF 1101 | Miscellaneous Obligation record |
| OF 1114 | Bill for Collection |
| OF 1114-A | Official Receipt |
| OF 1114-B | Collection Voucher |
| OF 1120 | Transportation Request Accountability Record |

Optional Form 1017-G (9-79)
Title 7 GAO Manual
501017-81C

# JOURNAL VOUCHER

J. V. No. .....

Date .....

| REFERENCE | EXPLANATION | DEBIT | CREDIT |
|---|---|---|---|
| | | | |
| | TOTAL, | | |

Prepared by ..... (Signature)

..... (Title)

Approved by ..... (Signature)

..... (Title)

☆ U.S. Government Printing Office: 1987—196-218/60241

## Table of Contents


| Number | | Page |
|---|---|---|
| 1 | Procedure for Handling Repayments to Appropriations | 7.II-3 |
| 2 | Procedure for Making Appropriated Funds Available for Disbursement | 7.II-5 |
| 3 | Procedure for Handling Special, Trust, Revolving and Deposit Fund Collections | 7.II-7 |
| | Amendment No. 1 - Amendment of the Definitions of Available and Unavailable Receipts | 7.II-9 |
| | Amendment No. 2 - Amendment of the Definitions of Available and Unavailable Receipts | 7.II-11 |
| | Amendment No. 3 - Amendment of the Definition of Available Receipts | 7.II-13 |
| 4 | Modification of Warrant Procedures and Revised Elimination of Certain Checking Accounts | 7.II-15 |
| | Supplement No. 1 - Modification of Warrant Procedures and Elimination of Certain Checking Accounts | 7.II-19 |
| | Supplement No. 2 - Modification of Warrant Procedures and Elimination of Remaining Funded Checking Accounts | 7.II-21 |
| 5 | Elimination of the Requirement That Certain Warrants Be Countersigned in the General Accounting Office | 7.II-23 |
| 6 | Modification of Procedures for Warrants Issued Pursuant to Continuing Resolutions | 7.II-25 |
| 7 | Elimination of the Requirement that Appropriation Warrants be Countersigned in the General Accounting Office | 7.II-27 |

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 1

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Procedure for Handling Repayments to Appropriations.

1. Purpose. Pursuant to Section 115(a) of Public Law No. 784, the Secretary of the Treasury and the Comptroller General have determined, in the interest of simplification and improvement, that existing procedures with respect to the handling of repayments to appropriations be modified. All collections representing repayments to appropriations which have not lapsed, including reimbursements and refunds, will be deposited directly in the accounts of disbursing officers and will accordingly be immediately available for disbursement. This will eliminate the necessity for the issuance of covering warrants, the requisitioning of funds, and the use of accountable warrants in connection with repayments to appropriations. The procedure outlined hereinafter will be followed for repayments to appropriations received from sources outside the Government.

2. Types of Repayments to Appropriations. Repayments to appropriations covered by the instructions in this Regulation fall within two general classes defined as follows:

a. Reimbursements to appropriations which represent amounts collected from outside sources for commodities or services furnished, or to be furnished, and which by law may be credited directly to appropriations.

b. Refunds to appropriations which represent amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed, including returns of authorized advances.

3. Accounting for Repayments to Appropriations. The repayments referred to in paragraph 2 of this Regulation will be scheduled for credit in the account of a disbursing officer on approved forms, and will be deposited on Treasury Certificate of Deposit Form No. 6599. Such repayments may be scheduled to any disbursing officer for deposit by him to the credit of his own account or to the credit of any other disbursing officer's account as designated by the administrative agency. The receipted copy of the schedule of collections showing the certificate of deposit number and date of deposit shall constitute acceptable posting media for use by the administrative agency in crediting such repayments in their accounts.

4. Reporting of Repayment Transactions on Account Current. Disbursing officers will report such repayments to appropriations in the collection column of the receipt section of the account current for each appropriation account.

5. Special Procedures Already Established. This Regulation will not apply to the accounting for repayments to appropriations through the Accounts of Advances for the Department of Defense and the Department of State. The existing procedure prescribed for these agencies where collections are effected through accounts of advances will be continued.

The procedure for handling repayments to appropriations as outlined in General Accounting Office Accounting Systems Memorandum No. 9 - Revised will continue to be followed where the credits result from charges to other appropriations.

Also, this Regulation will not apply to the accounting for repayments to the appropriations available for the payment of the principal of and interest on the public debt so long as there continues in effect the present procedure under which such payments are made.

6. Effective Date. The procedures outlined in this Regulation are to be effective November 1, 1950.

(Signed) John W. Snyder
Secretary of the Treasury

(Signed) Lindsay C. Warren
Comptroller General of the United States

September 22, 1950

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 2

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Procedure for Making Appropriated Funds Available for Disbursement.

1. Purpose. Pursuant to Section 115(a) of Public Law 784, the Secretary of the Treasury and the Comptroller General have determined in the interest of simplification and improvement, that existing procedures with respect to the requisitioning of appropriated funds by agencies and the advancing of such funds to disbursing officers shall be modified as provided herein. Appropriated funds will be advanced under each separate appropriation head to disbursing officers on the basis of properly executed appropriation warrants except as indicated in paragraph 4 hereof. This will eliminate the requisitioning of funds and the issuance of accountable warrants in connection with funds made available to agencies on appropriation warrants and will result in the discontinuance of certain accounts on the books of the agencies and the Treasury Department.

2. Method of Advancing Agency Funds to Disbursing Officers. Funds appropriated to agencies will, on the basis of appropriation warrants issued and countersigned, be made immediately available in the checking accounts of appropriate disbursing officers on the books of the Treasurer of the United States. Such funds will be made available by appropriation account as follows:

a. Agency Funds Advanced to the Chief Disbursing Officer, Treasury Department. Appropriated funds of agencies to be disbursed or funded by the Division of Disbursement will be made available in the accounts of the Chief Disbursing Officer. Funds will be transferred by the Chief Disbursing Officer to other disbursing officers, authorized to obtain advances through his account, on the basis of requests received from administrative agencies concerned.

b. Agency Funds Advanced to Disbursing Officers Other Than the Chief Disbursing Officer, Treasury Department. Appropriated funds of other agencies will be made available in the accounts of the disbursing officer of the agency. Where an agency has more than one disbursing officer, the agency will designate the officer whose account with the Treasurer of the United States is to be credited with the total amount of appropriated funds available to the agency and notify the Treasury Department and the General Accounting Office of such designation. The disbursing officer designated will make such transfers of funds to other disbursing officers, authorized to obtain advances through his account, as necessary for purposes of the agency.

3. Conditions Under Which Advances of Funds May be Withheld or Withdrawn. In the event of delinquency in the rendition of accounts or for other reasons involving the condition of the disbursing officer's account, within the purview of 31 U.S.C. 78, advances to such officer may be withheld or withdrawn, and in the case of such withholding an appropriation warrant may be issued without authorizing an advance.

4. Appropriated Funds Exempted from This Regulation. This Regulation will not apply to the following appropriated funds: (1) those in which the unrequisitioned balance is a factor in the computation of interest to be charged or credited; (2) those for the payment of principal and interest on the public debt; (3) those appropriations which are available only for transfer, in the full amount, to some other account on the books of the Treasury; and (4) District of Columbia funds.

5. Effective Date. This Regulation will become effective May 1, 1951. Any unrequisitioned balances of appropriations not exempted by this Regulation remaining on the books of the Treasury as of the close of business April 30, 1951, less the reserves established by the Bureau of the Budget pursuant to Section 1214 of the General Appropriation Act, 1951, approved September 6, 1950, Public Law 759, 81st Congress, will be advanced by the Secretary of the Treasury to the appropriate disbursing officer.

(Signed) John W. Snyder
Secretary of the Treasury

(Signed) Lindsay C. Warren
Comptroller General of the
United States

April 16, 1951

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 3

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Procedure for Handling Special, Trust, Revolving and Deposit Fund Collections

1. General Provisions. Pursuant to Section 115(a) of Public Law 784, the Secretary of the Treasury and the Comptroller General of the United States have determined that existing procedures with respect to the handling of special fund and trust fund receipts which are available for expenditure by the collecting agency, be modified. Except as otherwise provided herein, all such special fund and trust fund receipts will be credited directly in the accounts of disbursing officers and will accordingly be immediately available for disbursement. The issuance of covering warrants and the advancing of funds to disbursing officers in connection with such receipts is hereby eliminated; however, these collections will continue to be accounted for as receipts and as amounts appropriated. The Treasury Department will issue appropriation warrants on an annual basis to be countersigned by the Comptroller General confirming the appropriation of such receipts.

The Secretary of the Treasury and the Comptroller General of the United States have determined that covering warrants will be eliminated in connection with certain special fund and trust fund accounts which are in the nature of revolving fund or deposit fund accounts. Collections for credit to accounts of this nature will be credited directly to revolving fund or deposit fund accounts instead of to receipt accounts. Such collections will be accounted for in the same manner as repayments to general, special or trust fund appropriations in accordance with the procedures set forth in Treasury Department - General Accounting Office Joint Regulation No. 1.

2. Types of Special Fund and Trust Fund Receipts. Appropriation receipts relating to special and trust fund accounts fall within two general classes described below:

a. Available receipts. Receipts which under law or trust agreement are immediately available in their entirety to the collecting agency as appropriations for expenditure without further action by the Congress. Excluded from this category are receipts to be applied to the retirement of Public Debt obligations and funds in connection with which the computation of interest charges or credits necessitates the maintenance of accounts for unrequisitioned balances of appropriations on the books of the Treasury.

b. Unavailable receipts. Receipts which at the time of collection are not appropriated, and receipts which are not immediately available for expenditure because (1) further action by the Congress is required or congressional limitation has been

established as to the amount available for expenditure; (2) amounts credited to receipt accounts are later to be cleared in whole or in part to other receipt accounts before appropriation warrant action is taken; or (3) the amounts of receipts are appropriated or made available to an agency other than the one making collection.

3. Accounting for Special Fund and Trust Fund Receipts. All receipts for credit to accounts classified as special funds and trust funds will be accounted for by agencies on a gross basis under receipt account symbols assigned by the Treasury Department. Available receipts will concurrently be accounted for in related special fund or trust fund appropriation accounts.

The available receipts described in paragraph 2a will be scheduled for credit in the account of a disbursing officer on a special form to be prescribed by the General Accounting Office. Such receipts when credited in the accounts of a disbursing officer will be available for disbursement.

The unavailable receipts described in paragraph 2b and the items excluded in paragraph 2a are not affected by this Regulation.

4. Designation of Types of Receipts by Treasury Department. The Treasury Department will assign receipt account symbols for special fund accounts and trust fund accounts. Announcements will designate those receipts which are to be treated as available. Agencies will be guided accordingly in scheduling collections to disbursing officers.

5. Conditions Under which Credits to a Disbursing Officer May Be Withheld or Balances to his Credit May Be Withdrawn. In the event of delinquency in the rendition of accounts or for other reasons involving the condition of the disbursing officer's account, within the purview of 31 U.S.C. 78, credits to such officer may be withheld and balances already to his credit may be withdrawn irrespective of the source of such credits or balances.

6. Effective Date. This Regulation will be effective July 1, 1951.

(Signed) John W. Snyder
Secretary of the Treasury

(Signed) Lindsay C. Warren
Comptroller General of the United States

June 12, 1951

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 3

**Amendment No. 1**

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Amendment of the Definitions of Available and Unavailable Receipts.

The Secretary of the Treasury and the Comptroller General of the United States have determined that the definition of available and unavailable receipts set forth in Joint Regulation No. 3, dated June 12, 1951, be modified by eliminating the provision that available receipts be collected in their entirety by the agency to which they are available as appropriations for expenditure.

Accordingly, the phrase "by the collecting agency" in paragraph 1 of the Regulation is hereby deleted, and paragraph 2 is amended to read as follows:

2. Types of Special Fund and Trust Fund Receipts. Appropriation receipts relating to special and trust fund accounts fall within two general classes described below:

a. Available Receipts. Receipts which under law or trust agreement are immediately available in their entirety as appropriations to a single agency for expenditure without further action by the Congress. Excluded from this category are receipts to be applied to the retirement of Public Debt obligations and funds in connection with which the computation of interest charges or credits necessitates the maintenance of accounts for unrequisitioned balances of appropriations on the books of the Treasury.

b. Unavailable Receipts. Receipts which at the time of collection are not appropriated, and receipts which are not immediately available for expenditure because (1) further action by the Congress is required or congressional limitation has been established as to the amount available for expenditure; or (2) amounts credited to receipt accounts are later to be cleared in whole or in part to other receipt accounts before appropriation warrant action is taken.

The second sub-paragraph of paragraph 3 of the Regulation is amended to read as follows:

The available receipts described in paragraph 2 will be scheduled for credit in the account of a disbursing officer on such forms as may be prescribed by the General

Accounting Office. Such receipts when credited in the accounts of a disbursing officer will be available for disbursement.

With respect to the Civil Service Retirement and Disability Fund, this amendment will apply only to those deductions from payrolls paid by the Division of Disbursement, Treasury Department, which heretofore have been covered into the Treasury with credit to the receipt account "Contributions, civil service retirement and disability fund". As soon as appropriate procedures are developed for the handling as available receipts of the receipts herein excluded, Joint Regulation No. 3 will be amended accordingly.

(Signed) JOHN W. SNYDER
Secretary of the Treasury

(Signed) LINDSAY C. WARREN
Comptroller General of the United States

December 21, 1951

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 3

### Amendment No. 2

SUBJECT: Amendment of the Definitions of Available and Unavailable Receipts.

Amendment No. 1, dated December 21, 1951, to Joint Regulation No. 3 is hereby amended by deleting the last unnumbered paragraph thereof concerning transactions of the Civil Service Retirement and Disability Fund, since procedures have now been developed for the handling of all receipt transactions of the Fund as available receipts under Joint Regulation No. 3. This amendment will be effective July 1, 1957.

(Signed) W. Randolph Burgess
Acting Secretary of the Treasury

(Signed) Joseph Campbell
Comptroller General of the United States

May 20, 1957

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 3

## AMENDMENT NO. 3

SUBJECT: Amendment of the Definition of Available Receipts

The Secretary of the Treasury and the Comptroller General of the United States have determined that the definition of available receipts set forth in Joint Regulation No. 3, dated June 12, 1951, as amended by Amendment No. 1, dated December 21, 1951, be modified by eliminating the exclusion from that definition of funds in connection with which the computation of interest charges or credits necessitates the maintenance of accounts of unrequisitioned balances of appropriations on the books of the Treasury.

Accordingly, the phrase "and funds in connection with which the computation of interest charges or credits necessitates the maintenance of accounts for unrequisitioned balances of appropriations on the books of the Treasury" in paragraph 2a is deleted. The amended definition of available receipts reads as follows:

2. Types of Special Fund and Trust Fund Receipts. * * *

a. Available Receipts. Receipts which under law or trust agreement are immediately available in their entirety as appropriations to a single agency for expenditure without further action by the Congress. Excluded from this category are receipts to be applied to the retirement of Public Debt obligations.

This amendment will be effective July 1, 1972.

/Signed/ John K. Carlock
Fiscal Assistant Secretary
of the Treasury

/Signed/ Elmer B. Staats
Comptroller General of the
United States

September 18, 1972

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 4 - REVISED

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Modification of Warrant Procedures and Elimination of Certain Checking Accounts.

1. Pursuant to Section 115 of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66c), the Secretary of the Treasury and the Comptroller General of the United States have made the following determinations in consideration of: (a) Sections 113 and 114 of the Budget and Accounting Procedures Act of 1950 which, respectively, place responsibility on the head of each executive agency for maintaining systems of accounting and internal control in accordance with certain requirements, and make provision for maintaining in the Treasury Department a unified system of central accounting and reporting on the most efficient and useful basis; (b) Section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), which requires the head of each executive agency to maintain a system for administrative control over the incurring of obligations and making of expenditures pursuant to appropriations or other authorizations and the fixing of responsibilities for violations of law in that respect; (c) where applicable, the Act of December 29, 1941, as amended (31 U.S.C. 82b - c) fixing the respective responsibilities of disbursing and certifying officers; and (d) the detailed reconciliation which is made of disbursing and collecting officers' check and deposit transactions.

2. The requirements of existing law that funds be requisitioned and advanced to accountable officers are hereby waived.

3. The responsibility for determining, prior to disbursement, the sufficiency of balances under appropriations, funds or other limitations established by or pursuant to law rests with the administrative agency to which the funds were appropriated or otherwise made available. There is no change in the responsibilities of officers performing disbursing functions exempted from the provision of the Act of December 29, 1941, as amended.

4. The use of funded checking accounts in the issuance and payment of checks drawn on the Treasurer of the United States shall be discontinued, with respect to designated agencies. In each case where a funded checking account is not maintained, the balance of checks outstanding, supported by the checks issued records of disbursing officers and paid check records of the Treasurer, shall be the basis for the reconciliation of the disbursing accounts. The amount of checks outstanding for each such disbursing symbol account shall be disclosed by the accounts of the Treasury Department relating to the cash operations of the Government

as a whole, maintained pursuant to Section 114 of the Budget and Accounting Procedures Act of 1950.

5. In the event of delinquency by a disbursing officer in the rendition of his accounts or for other reasons arising out of the condition of the officer's accounts, the Comptroller General may, by notification to the Secretary of the Treasury, suspend the terms of paragraph 2 of this Joint Regulation with respect to such officer. In such event the applicable provisions of law will become operative with respect to such officer.

6. The requirements of existing law that warrants be issued and countersigned to acknowledge the receipt of moneys to be covered in the Treasury are hereby waived. For the purposes of Section 305 of the Revised Statutes, as amended (31 U.S.C. 147), moneys received and covered into the public Treasury shall be deemed to be officially acknowledged when the receipt of such moneys, for credit to the receipt accounts or appropriation and fund accounts maintained pursuant to the Act of July 31, 1894, as amended (5 U.S.C. 255) and Section 114(b) of the Budget and Accounting Procedures Act of 1950, is recorded by the Treasury offices designated for that purpose by the Secretary of the Treasury.

7. This regulation is effective July 1, 1955. The provisions of paragraph 4, however, shall become operative with respect to only the disbursing activities designated below, on the date cited. Further authorizations will be made by supplement to this regulation.

| Disbursing Activity | Effective Date |
|---|---|
| a. Disbursing by all components of the Department of Defense | July 1, 1955 |
| b. All disbursing by the Division of Disbursement, Treasury Department, including disbursing by others by delegation under the provisions of section 4 of Executive Order No. 6166, as amended, and disbursing by the Division of Disbursement for officers or agencies not subject to the provisions of such section, including checks drawn in the name of the Secretary of the Treasury | July 1, 1955 |
| c. All disbursing by United States Marshals | July 1, 1955 |
| d. All disbursing by the Judiciary, except Clerks of United States District Courts, Clerks of United States Courts of Appeals, Clerks of United States Emergency Court of Appeals, and Register of Wills | July 1, 1955 |

(Signed) G. M. Humphrey
Secretary of the Treasury

(Signed) Joseph Campbell
Comptroller General of the United States

April 29, 1955

# TREASURY DEPARTMENT - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 4 - REVISED, SUPPLEMENT NO. 1

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Modification of Warrant Procedures and Elimination of Certain Checking Accounts.

As contemplated by paragraph 7 of Joint Regulation No. 4 - Revised, dated April 29, 1955, the Secretary of the Treasury and Comptroller General of the United States have determined that the provisions of paragraph 4 of said regulation, concerning the elimination of funded checking accounts for the issuance and payment of checks drawn on the Treasurer of the United States, shall become operative, not later than July 1, 1957, with respect to the additional disbursing activities designated below.

1. Post Office Department, exclusive of the separate accounts maintained under the postal savings system.

2. Library of Congress.

3. Government Printing Office.

(Signed) W. Randolph Burgess
Acting Secretary of the Treasury

(Signed) Joseph Campbell
Comptroller General of the United States

January 10, 1957

DEPARTMENT OF THE TREASURY - GENERAL ACCOUNTING OFFICE

JOINT REGULATION NO. 4 - REVISED, SUPPLEMENT NO. 2

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Modification of Warrant Procedures and Elimination of Remaining Funded Checking Accounts

As contemplated by paragraph 7 of Joint Regulation No. 4 - Revised, dated April 29, 1955, the Secretary of the Treasury and Comptroller General of the United States have determined that the provisions of paragraph 4 of said regulation, concerning the elimination of funded checking accounts for the issuance and payment of checks drawn on the United States Treasury, shall become operative, not later than July 1, 1975, with respect to all disbursing activities.

/Signed/ John K. Carlock
Fiscal Assistant Secretary
of the Treasury

/Signed/ Elmer B. Staats
Comptroller General of the
United States

June 26, 1975

# DEPARTMENT OF THE TREASURY - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 5

(Under Public Law 784, approved September 12, 1950)

SUBJECT: Elimination of the Requirement That Certain Warrants Be Countersigned in the General Accounting Office

1. Section 115 of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66c) provides that when the Secretary of the Treasury and the Comptroller General of the United States determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for public funds, they may issue joint regulations providing for the waiving, in whole or in part, of the requirements of existing law that warrants be issued and countersigned in connection with the receipt, retention, and disbursement of public moneys and trust funds.

2. Pursuant to the above statute, the Secretary of the Treasury and the Comptroller General of the United States have determined, in the interest of simplification and improvement, that existing procedures with respect to the processing of appropriation warrants be modified to eliminate the requirement that such warrants be countersigned in the General Accounting Office except for those warrants issued pursuant to legislation continuing appropriations until enactment of applicable appropriation acts.

3. All requirements of existing law that warrants be countersigned are hereby waived except as they relate to countersigning of warrants issued pursuant to legislation continuing appropriations until enactment of applicable appropriation acts.

4. Documentation for amounts appropriated will be prepared in accordance with Department of the Treasury Regulations.

5. The Department of the Treasury will continue to consult with the General Accounting Office before issuance of warrants when the legality of issuance and/or the amount requested are in question.

6. Effective Date. This regulation will be effective upon issuance of appropriate regulations by the Department of the Treasury.

/Signed/ John K. Carlock
Fiscal Assistant Secretary
of the Treasury

/Signed/ Elmer B. Staats
Comptroller General of the
United States

October 18, 1974

# DEPARTMENT OF THE TREASURY - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 6

(Under Public Law 784, approved September 12, 1950)

Subject: Modification of Procedures for Warrants Issued Pursuant to Continuing Resolutions

1. Section 115 of the Budget and Accounting Procedures Act of 1950 (31 USC 3326) provides that when the Secretary of the Treasury and the Comptroller General of the United States determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for public funds, they may issue joint regulations providing for the waiving, in whole or in part, of the requirements of existing law pertaining to warrants issued and countersigned in connection with the receipt, retention, and disbursement of public monies and trust funds.

2. Pursuant to the above statute, the Secretary of the Treasury and the Comptroller General of the United States have determined, in the interest of simplification, improvement, and economy, that existing procedures with respect to appropriation warrants issued under continuing resolutions be modified to eliminate the requirement that new appropriation warrants be issued and countersigned upon the enactment of each and every continuing resolution during a fiscal year.

3. All appropriation warrants under the first continuing resolution for a fiscal year will be issued and countersigned for an amount equivalent to the total annual amount appropriated by the resolution. Additional warrants will be issued and countersigned only if subsequent continuing resolutions change the annual amount appropriated for an account.

4. The Department of the Treasury will continue to consult with the General Accounting Office before issuance of warrants when the legality of issuance and/or the amount requested are in question.

5. Effective Date. This regulation will be effective October 1, 1983.

/Signed/ Gerald Murphy
Acting Fiscal Assistant
Secretary of the Treasury

/Signed/ Charles A. Bowsher
Comptroller General of the
United States

## DEPARTMENT OF THE TREASURY - GENERAL ACCOUNTING OFFICE

## JOINT REGULATION NO. 7

(Under Public Law 784, approved September 12, 1950)

Subject: Elimination of the Requirement that Appropriation Warrants be Countersigned in the General Accounting Office

1. Section 115 of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 3326) provides that when the Secretary of the Treasury and the Comptroller General of the United States determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for public funds, they may issue joint regulations providing for the waiving, in whole or in part, of the requirements of existing law pertaining to warrants issued and countersigned in connection with the receipt, retention, and disbursement of public moneys and trust funds.

2. Pursuant to the above statute, the Secretary of the Treasury and the Comptroller General of the United States have determined, in the interest of simplification, improvement, and economy that existing procedures with respect to appropriation warrants issued under continuing resolutions be modified to eliminate the requirement that these warrants be countersigned in the General Accounting Office.

3. All requirements of existing law that appropriation warrants issued under continuing resolutions be countersigned are hereby waived.

4. The Department of the Treasury will continue to consult with the General Accounting Office before issuance of warrants when the legality of issuance and/or the amount requested are in question.

5. Effective Date. This regulation will be effective January 1, 1991.

/Signed/ Gerald Murphy
Fiscal Assistant Secretary
of the Treasury

/Signed/ Charles A. Bowsher
Comptroller General of the
United States

Table of Contents


| | Page |
|---|---|
| A. Definition | 7.III-3 |
| B. Statutory Authority and Exceptions | 7.III-3 |
| C. Appropriateness of Statistical Sampling | 7.III-4 |
| D. The Sampling Plan | 7.III-4 |
| E. Documentation | 7.III-6 |

A. Definition.

Statistical (or probability) sampling in voucher examination relies on the scientifically proven principles of probability to collect quantitative facts about the accuracy and other characteristics of a universe of vouchers by reviewing a statistically selected sample of that universe. Examination of the items in the sample and evaluation of the results not only permit the correction of errors and other deficiencies found in the items sampled and in procedures and controls directly related to them but also permit mathematical projections as to the quality of all vouchers in the universe. The results of such sampling can be the basis for making changes in procedures or controls in order to correct deficiencies in the voucher processing system. Analysis of the sample results also provides the input needed to confirm the continuing validity of the sampling plan or, when appropriate, to modify the plan.

The term "examination" means the review, prior to payment, of documents assembled in support of any claim against, or any payment to be made by, the government, to determine its legality, propriety, validity, and accuracy.

B. Statutory Authority and Exceptions.

Agency heads are authorized by 31 U.S.C. 3521(b) to establish statistical sampling programs, within limitations prescribed by the Comptroller General, for the examination of vouchers in support of their certification and payment. In accordance with this authority, the Comptroller General has established a general limitation of $2,500 on vouchers that may be examined by sampling programs. (In determining whether travel vouchers exceed the limitation, agencies may exclude any passenger transportation costs paid through the General Services Administration's contractor-issued charge cards.) Agencies are required to establish their own dollar limitations within this maximum based on cost-benefit analyses of their voucher examining operations.

The law (section 3521(c)) also provides that disbursing or certifying officials who rely in good faith on the statistical sampling procedures adopted by their agency to disburse funds or certify a voucher for payment will not be liable for losses to the government resulting from payment or certification of a voucher not audited specifically because of the use of the sampling procedure, provided that the agency has diligently carried out collection actions prescribed by the Comptroller General.

Also, sampling may be used in the examination of single vouchers totaling more than the agency established limitation, as provided in this appendix, if they comprise numerous similar transactions less than the agency's dollar limitation. For example, supporting documents, such as copies of delivery tickets or petty cash receipts, may be examined by sampling if savings can be realized.

Exceptions to the $2,500 maximum for vouchers which may be statistically sampled may be authorized when it is clear that they are warranted economically and that the procedures and controls in place will adequately protect the government's interest. Plans covering such

exceptions require justification and approval on a case-by-case basis. Requests for exceptions should include (1) the proposed sampling plan and (2) a cost benefit analysis, including the cost of errors not detected, both in sufficient detail for meaningful evaluation of the proposal. They should be sent to:

Assistant Comptroller General
Accounting and Information Management Division
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Statistical sampling can also be an effective tool for monitoring the overall quality of an agency's voucher processing system or for evaluating a particular aspect of the processing procedures and controls. The provisions of 31 U.S.C. 3521(b) and (c) are not applicable because this type of sampling is not a substitute for the normal 100-percent, prepayment examination of vouchers. Although dollar limitations and other regulatory restrictions do not apply to this type of sampling, agencies should use a scientifically acceptable sampling plan and procedure so that the sample results are representative of the voucher universe that is sampled.

C. Appropriateness of Statistical Sampling

Statistical sampling is a means of reducing the cost of unproductive voucher examinations and must be supported by appropriate cost evaluations; however, an unfavorable cost-benefit ratio could be the result of correctable inefficiencies in the current examining process. Thus, before concluding that statistical sampling is appropriate, agencies should consider whether they need to strengthen examining skills or better utilize available data processing and communication technology. Also, when statistical sampling is undertaken, its propriety should be reevaluated periodically in light of technological or operational changes.

Agencies should seek the combination of voucher examining techniques that is most efficient and effective. The use of statistical sampling does not preclude agencies from using computerized edits and other techniques designed to ensure the accuracy and reasonableness of data and for improving the efficiency and effectiveness of voucher examining. For example, agencies should look for ways to improve examination efficiency and effectiveness by placing emphasis on areas of potential weakness. In particular, agencies should consider whether an error that has been detected is likely to be present in other similar transactions and, if so, whether to take steps to identify and correct all such errors.

D. The Sampling Plan.

Developing a good statistical sampling plan requires knowledge usually possessed by professionals in the field of statistics. Accordingly, the advice and assistance of a

professional statistician should be utilized when setting up a system of statistical sampling. Once developed and tested in operation, a sampling system may be operated by personnel not having statistical training. It must be monitored, however, by persons who have sufficient knowledge of statistical sampling techniques used for auditing records and of the essential features the plan in use to assure that it operates as designed. Improvements are to be made when needed.

A determination to employ statistical sampling should be supported by a comparison of the cost to carry out the alternative voucher examination procedures to the benefits resulting from the examination. As appropriate, vouchers should be categorized by type and dollar range to make these comparisons effective in identifying the dollar thresholds below which savings would result from statistical sampling. The measure of such savings would be the difference between (1) the cost of examining all vouchers and (2) the combined costs of (a) examining the sample and (b) projected losses due to undetected errors in the vouchers not examined. Dollar thresholds are likely to vary among and within agencies according to the complexity of the vouchers that are being processed and the effectiveness of processing procedures and controls in use.

Using statistical sampling for voucher examination involves identifying objectives and scientifically acceptable approaches for the design, implementation, and subsequent revision of a formal sampling plan. In order to develop and implement the plan and to monitor its operation, agencies will generally have to do the following.

1. Define the universe of vouchers to be examined by statistical sampling, including the time period for the sample (e.g., a week, a month, etc.). Usually, this will be a determination to sample certain categories and dollar ranges (strata), based on an analysis, as described above, that identifies the threshold below which sampling is more cost-effective than the normal voucher examination.

2. Determine the size of the sample needed and how the sample items will be selected. Often, the procedure will involve random or stratified selection of sample items from the stream of vouchers that is being processed for payment. The plan for statistical sampling should provide the opportunity for any invoice not subject to normal examination to be selected in the sample.

3. Analyze the results of the sample using the appropriate statistical procedure and determine if any changes are needed to the sampling plan or whether to examine the entire universe. For example, analysis of sample results might indicate a need to modify the dollar threshold between the vouchers that are being subjected to 100-percent examination and those that are being examined by statistical sampling.

4. Present the results to management with appropriate interpretation.

E. Documentation.

The agency must maintain records of all aspects of its sampling plan(s), including such elements as the specific sampling procedures, the statistical formulas or tables used, and the resulting calculations. Further, records of actual application of the plan, such as, (1) work sheets showing items selected for examination, (2) errors discovered, (3) total number and amount of vouchers in the universe, (4) projected error, including possible range of error in the universe, (5) whether the results were acceptable, and (6) other pertinent data, should be retained in order to document the implementation of the plan and any subsequent changes made based on the sample results. These records, which reflect actual operation of the plan, should be subject to the same retention-disposal criteria as other documentation in support of agency disbursements. All records pertaining to the voucher examination system should be available for review by management and audit personnel.

Table of Contents


| | | Page |
|---|---|---|
| A. | Advertising | 7.IV-3 |
| B. | Contract Field Printing | 7.IV-3 |
| C. | Long-distance Telephone Service | 7.IV-3 |
| D. | Payment in Foreign Currency | 7.IV-4 |
| E. | State and Local Taxes | 7.IV-4 |
| F. | Tort Claims | 7.IV-5 |
| G. | Transportation | 7.IV-6 |
| H. | Travel Advances | 7.IV-6 |
| I. | Unclaimed Moneys and Funds Erroneously Received | 7.IV-6 |

In addition to the requirements set forth in chapter 6, special requirements have been established by law or regulation for certain types of disbursements. The various special requirements described in this appendix generally apply but the actual requirements for individual agencies may differ.

A. Advertising.

The head of each agency shall maintain appropriate procedures for authorizing the procurement of and payment for advertising in accordance with 44 U.S.C. 3702 and 3703 and 5 U.S.C. 302(b).

Delegated authority to authorize advertising may not be redelegated unless specifically authorized by law.

B. Contract Field Printing.

The responsible officer under whose authority contract field printing was purchased shall certify that the work was procured in accordance with the applicable Government Printing and Binding Regulations of the Congressional Joint Committee on Printing.

C. Long-distance Telephone Service.

Section 1348(b) of 31 U.S. Code provides that:

> "Appropriations of an agency are available to pay charges for a long-distance call if required for official business and the voucher to pay for the call is sworn to by the head of the agency. Appropriations of an executive agency are available only if the head of the agency also certifies that the call is necessary in the interest of the Government."

Agencies should maintain documentation showing all persons designated to furnish the certifications required by this statute. This documentation, as other basic payment documentation, should be maintained for audit purposes.

Every effort should be made to restrict the use of government telephones to the transaction of official business. Agencies may pay the costs of certain personal telephone calls if the calls meet the criteria established by the General Services Administration. (See 41 C.F.R. part 201.)

The agency head's duty to certify long-distance telephone calls may be satisfied through implementation of an appropriate statistical sampling system.

The General Services Administration has developed special payment verification procedures with respect to the usage-based services under the FTS2000 system. Under these procedures, GSA is responsible for ensuring that the contractors comply with contract terms. GSA pays the contractors from funds advanced by the agencies based on (1) GSA's limited examination of the charges billed and (2) GSA's reliance on the systematic verifying and reporting procedures that are required of the user agencies. In accordance with guidance provided by GSA, the user agencies must verify the propriety of the reported usage, including that the calls are necessary in the interest of the government. They must report regularly to GSA on their verification efforts and provide GSA with documentation on disputed charges. Also, agencies are required to take appropriate collection and disciplinary action against individuals making unofficial calls.

Section 1348 of 31 U.S. Code prohibits payments for telephone installations in private residences except where otherwise provided for by law.

D. Payment in Foreign Currency.

All vouchers that are to be paid in foreign currency must show the appropriation(s) to be charged and either the foreign currency amount to be paid or the United States dollar equivalent. The disbursing officer will record the rate of exchange, along with either the foreign currency amount or United States dollar equivalent as appropriate. Detailed instructions for preparation of vouchers payable in foreign currency are contained in the Treasury Financial Manual, volume I, part 4. If payment is made by a check drawn on a foreign depositary, the disbursing officer should record the name of the depositary and the check number on the voucher.

The Office of Management and Budget has requested that all agencies make a special effort to ensure that contracts and other obligations are incurred in, and paid for in, foreign currencies rather than U.S. dollars in countries for which it has been announced that the supply of foreign currencies available for U.S. programs exceeds immediate needs.

E. State and Local Taxes.

Agencies of the United States, including government corporations, are not obligated to pay state or local taxes imposed directly on the federal government because, under the U.S. Constitution, the federal government is immune from the payment of such taxes. The government is exempt from payment of a state or local sales tax when the legal incidence of the tax is on the vendee or when the state or local law exempts sales to the United States from such taxation. As it is not always clear where the legal incidence of a tax falls, a legal opinion should be obtained if there is any doubt in a specific case.

The policies, procedures, and forms for asserting immunity or exemption from, or for the payment of, state and local taxes are promulgated in the Federal Acquisition Regulation.

Generally, agencies should assert the government's immunity or exemption from taxes whenever it is available. Agencies, however, need not claim immunity or exemption from taxes unless it is cost-effective to do so or the vendor will grant a tax exemption without requiring a tax exemption certificate.

For imprest fund purchases, in the interest of economy and reduced paperwork, agency heads or their authorized representatives may authorize the payment of state and local taxes on any transaction regardless of its dollar value. Before asserting immunity from such taxes, an agency should consider whether the cost of issuing a tax exemption certificate (SF 1094) is justified by the probable savings.

F. Tort Claims.

Section 2672 of 28 U.S. Code provides that the head of each federal agency or his or her designee, in accordance with regulations prescribed by the Attorney General, may consider, ascertain, adjust, determine, compromise, and settle any tort claim for money damages against the United States, provided that any compromise or settlement in excess of $25,000 be effected only with the prior written approval of the Attorney General or designee.

Documentation supporting the compromise or settlement of a tort claim shall include

1. a statement setting forth the amount claimed, a full description of the circumstances that gave rise to the claim and the essential elements of the claim, and the amount of the compromise or settlement;

2. the written approval by the head of the agency or designee of the compromise or settlement;

3. the written acceptance from the claimant of the compromise or settlement; and

4. the written approval of the Attorney General or designee, if the amount of the compromise or settlement exceeds $25,000.

Any compromise or settlement in an amount of $2,500 or less shall be paid by the head of the agency concerned out of appropriations available to that agency. The amount of the compromise or settlement should be certified as proper for payment by the authorized certifying official.

Any compromise or settlement in excess of $2,500, either authorized by the head of the agency or the Attorney General, shall be paid from appropriations or funds available for

the payment of judgments or compromises of like cases. All memorandums, reports, exhibits, and other documents supporting the settlement of a claim shall be retained by the agency.

G. Transportation.

Requirements relating to payments for transportation services are contained in Title 5 of this manual and in regulations issued by the General Services Administration.

H. Travel Advances.

A traveler entitled to a per diem, mileage, or subsistence allowance may be given a monetary advance in such amount as may be deemed advisable considering the character and probable duration of the travel to be performed. As a general rule, agency procedures should ensure that travel advances are approved only if they are necessary and are held to a minimum in both duration and amount. A viable alternative to the use of cash advances is provided by the travel credit card program established by GSA.

Normally, travel advances are charged to the appropriations or funds from which the reimbursements for the travel expenses will be made. If a traveler is in temporary duty travel status spanning 2 fiscal years, the expenses applicable to each fiscal year must be accounted for in the year the expenses are incurred. The records of the accountable officer must have documentation supporting the respective disbursement for each fiscal year. However, travel expenses for a permanent change of duty station are charged against the appropriation current at the time the travel order is issued, even if the travel spans 2 fiscal years.

I. Unclaimed Moneys and Funds Erroneously Received.

Payments of moneys erroneously received and deposited into the Treasury and of unclaimed moneys will be made by Treasury in accordance with the procedures in the Treasury Financial Manual, volume I, part 6.

These payments may be made without settlement action by GAO. If the agency is unable to resolve the legality or propriety of a claim, however, the claim should be submitted to GAO for settlement action, as provided in Title 4 of this manual.

Table of Contents


| | | Page |
|---|---|---|
| 31 U.S.C. 1341, 1342, 1349, 1350, 1351, 1514, 1517, 1518, 1519 | Preventing Deficiencies in Appropriations | 7.V-3 |
| 31 U.S.C. 1501 | Documentary Evidence Requirement for Government Obligations | 7.V-5 |
| 31 U.S.C. 1551 | Definitions and Applications | 7.V-6 |
| 31 U.S.C. 1552 | Procedure for Appropriation Accounts Available for Definite Periods | 7.V-7 |
| 31 U.S.C. 1553 | Availability of Appropriation Accounts to Pay Obligations | 7.V-7 |
| 31 U.S.C. 1554 | Audit, Control, and Reporting | 7.V-9 |
| 31 U.S.C. 1555 | Closing of Appropriation Accounts Available for Indefinite Periods | 7.V-10 |
| 31 U.S.C. 1556 | Comptroller General: Reports on Appropriation Accounts | 7.V-10 |
| 31 U.S.C. 1557 | Authority for Exemptions in Appropriation Laws | 7.V-11 |
| 31 U.S.C. 1558 | Availability of Funds Following Resolution of a Protest | 7.V-11 |
| 31 U.S.C. 3302 | Custodians of Money | 7.V-11 |
| 31 U.S.C. 3325 | Vouchers | 7.V-12 |
| 31 U.S.C. 3511 | Prescribing Accounting Requirements and Developing Accounting Systems | 7.V-13 |
| 31 U.S.C. 3512 | Executive Agency Accounting and Other Financial Management Reports and Plans | 7.V-14 |

Table of Contents


| | | Page |
|---|---|---|
| 31 U.S.C. 3513 | Financial Reporting and Accounting System | 7.V-18 |
| 31 U.S.C. 3521 | Audits by Agencies | 7.V-19 |
| 31 U.S.C. 3526 | Settlement of Accounts | 7.V-20 |
| 31 U.S.C. 3527 | General Authority to Relieve Accountable Officials and Agents From Liability | 7.V-21 |
| 31 U.S.C. 3528 | Responsibilities and Relief From Liability of Certifying Officials | 7.V-23 |
| 31 U.S.C. 3529 | Requests for Decisions of the Comptroller General | 7.V-24 |

Preventing Deficiencies in Appropriations

Extensive legal provisions have been enacted to control the obligation and use of appropriated funds and to prevent deficiencies in appropriations and the consequent need for supplemental appropriations. Some salient provisions of law are:

31 U.S.C. 1341--Limitations on expending and obligating amounts

"(a)(1) An officer or employee of the United States Government or of the District of Columbia government may not--

(A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation;

(B) involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law;

(C) make or authorize an expenditure or obligation of funds required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985; or

(D) involve either government in a contract or obligation for the payment of money required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985."

31 U.S.C. 1342--Limitation on voluntary services

"An officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services for either government or employ personal services exceeding that authorized by law except for emergencies involving the safety of human life or the protection of property. This section does not apply to a corporation getting amounts to make loans (except paid in capital amounts) without legal liability of the United States Government. As used in this section, the term "emergencies involving the safety of human life or the protection of property" does not include ongoing, regular functions of government the suspension of which would not imminently threaten the safety of human life or the protection of property."

31 U.S.C. 1349--Adverse personnel actions

"(a) An officer or employee of the United States Government or of the District of Columbia government violating section 1341(a) or 1342 of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office."

31 U.S.C. 1350--Criminal penalty

"An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1341(a) or 1342 of this title shall be fined not more than $5,000, imprisoned for not more than 2 years, or both."

31 U.S.C. 1351--Reports on violations

"If an officer or employee of an executive agency or an officer or employee of the District of Columbia government violates section 1341(a) or 1342 of this title, the head of the agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken."

31 U.S.C. 1514--Administrative division of apportionments

"(a) The official having administrative control of an appropriation available to the legislative branch [and] the judicial branch, . . . subject to the approval of the President [and] the head of each executive agency . . . shall prescribe by regulation a system of administrative control not inconsistent with accounting procedures prescribed under law. The system shall be designed to--

(1) restrict obligations or expenditures from each appropriation to the amount of apportionments or reapportionments of the appropriation; and

(2) enable the official or the head of the executive agency to fix responsibility for an obligation or expenditure exceeding an apportionment or reapportionment.

"(b) To have a simplified system for administratively dividing appropriations, the head of each executive agency (except the Commission) shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative division for each appropriation affecting the unit."

31 U.S.C. 1517--Prohibited obligations and expenditures

"(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding--

(1) an apportionment; or

(2) the amount permitted by regulations prescribed under section 1514(a) of this title.

"(b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken."

31 U.S.C. 1518--Adverse personnel actions

"An officer or employee of the United States Government or of the District of Columbia government violating section 1517(a) of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office."

31 U.S.C. 1519--Criminal penalty

"An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1517(a) of this title shall be fined not more than $5,000, imprisoned for not more than 2 years, or both."

31 U.S.C. 1501--Documentary evidence requirement for Government obligations

"(a) An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of--

(1) a binding agreement between an agency and another person (including an agency) that is--

(A) in writing, in a way and form, and for a purpose authorized by law; and

(B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided;

(2) a loan agreement showing the amount and terms of repayment;

(3) an order required by law to be placed with an agency;

(4) an order issued under a law authorizing purchases without advertising--

(A) when necessary because of a public exigency;

(B) for perishable subsistence supplies; or

(C) within specific monetary limits;

(5) a grant or subsidy payable--

(A) from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law;

(B) under an agreement authorized by law; or

(C) under plans approved consistent with and authorized by law;

(6) a liability that may result from pending litigation;

(7) employment or services of persons or expenses of travel under law;

(8) services provided by public utilities; or

(9) other legal liability of the Government against an available appropriation or fund.

"(b) A statement of obligations provided to Congress or a committee of Congress by an agency shall include only those amounts that are obligations consistent with subsection (a) of this section."

31 U.S.C. 1551--Definitions and applications

"(a) In this subchapter--

(1) An obligated balance of an appropriation account as of the end of a fiscal year is the amount of unliquidated obligations applicable to the appropriation less amounts collectible as repayments to the appropriation.

(2) An unobligated balance is the difference between the obligated balance and the total unexpended balance.

(3) A fixed appropriation account is an appropriation account available for obligation for a definite period.

"(b) The limitations on the availability for expenditure prescribed in this subchapter apply to all appropriations unless specifically otherwise authorized by a law that specifically--

(1) identifies the appropriate account for which the availability for expenditure is to be extended;

(2) provides that such account shall be available for recording, adjusting, and liquidating obligations properly chargeable to that account; and

(3) extends the availability for expenditure of the obligated balances.

"(c) This subchapter does not apply to--

(1) appropriations for the District of Columbia government; or

(2) appropriations to be disbursed by the Secretary of the Senate or the Clerk of the House of Representatives."

31 U.S.C. 1552--Procedure for appropriation accounts available for definite periods

"(a) On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.

"(b) Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title shall be deposited in the Treasury as miscellaneous receipts."

31 U.S.C. 1553--Availability of appropriation accounts to pay obligations

"(a) After the end of the period of availability for obligation of a fixed appropriation account and before the closing of that account under section 1552(a) of this title, the account shall retain its fiscal-year identity and remain available for recording, adjusting, and liquidating obligations properly chargeable to that account.

"(b)(1) Subject to the provisions of paragraph (2), after the closing of an account under section 1552(a) or 1555 of this title, obligations and adjustments to obligations that would have been properly chargeable to that account, both as to purpose and in amount, before closing and that are not otherwise chargeable to any current appropriation account of the agency may be charged to any current appropriation account of the agency available for the same purpose.

(2) The total amount of charges to an account under paragraph (1) may not exceed an amount equal to 1 percent of the total appropriations for that account.

"(c)(1) In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount of obligations from that appropriation during a fiscal year for contract changes for that program,

project, or activity to exceed $4,000,000, the obligation may only be made if the obligation is approved by the head of the agency (or an officer of the agency within the Office of the head of the agency to whom the head of the agency had delegated the authority to approve such an obligation).

(2) In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount obligated from that appropriation during a fiscal year for that program, project, or activity to exceed $25,000,000, the obligation may not be made until--

(A) the head of the agency submits to the appropriate authorizing committees of Congress and the Committees on Appropriations of the Senate and the House of Representatives a notice in writing of the intent to obligate such funds, together with a description of the legal basis for the proposed obligation and the policy reasons for the proposed obligation; and

(B) a period of 30 days has elapsed after the notice is submitted.

(3) In this subsection, the term "contract change" means a change to a contract under which the contractor is required to perform additional work. Such term does not include adjustments to pay claims or increases under an escalation clause.

"(d)(1) Obligations under this section may be paid without prior action of the Comptroller General.

(2) This subsection does not--

(A) relieve the Comptroller General of the duty to make decisions requested under law; or

(B) affect the authority of the Comptroller General to settle claims and accounts."

31 U.S.C. 1554--Audit, control, and reporting

"(a) Any audit requirement, limitation on obligations, or reporting requirement that is applicable to an appropriation account shall remain applicable to that account after the end of the period of availability for obligation of that account.

"(b)(1) After the close of each fiscal year, the head of each agency shall submit to the President and the Secretary of the Treasury a report regarding the unliquidated obligations, unobligated balances, canceled balances, and adjustments made to appropriation accounts of that agency during the completed fiscal year. The

report shall be submitted no later than 15 days after the date on which the President's budget for the next fiscal year is submitted to Congress under section 1105 of this title.

(2) Each report required by this subsection shall--

(A) provide a description, with reference to the fiscal year of appropriations, of the amount in each account, its source, and an itemization of the appropriations accounts;

(B) describe all current and expired appropriations accounts;

(C) describe any payments made under section 1553 of this title;

(D) describe any adjustment of obligations during that fiscal year pursuant to section 1553 of this title;

(E) contain a certification by the head of the agency that the obligated balances in each appropriation account of the agency reflect proper existing obligations and that expenditures from the account since the preceding review were supported by a proper obligation of funds and otherwise were proper;

(F) describe all balances canceled under sections 1552 and 1555 of this title.

(3) The head of each Federal agency shall provide a copy of each such report to the Speaker of the House of Representatives and the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate.

*(c)(1) The Director of the Congressional Budget Office shall estimate each year the effect on the Federal deficit of payments and adjustments made with respect to sections 1552 and 1553 of this title. Such estimate shall be made separately for accounts of each agency.

(2) The Director shall include in the annual report of the Director to the Committees on the Budget of the Senate and House of Representatives under paragraph (1) of section 202(f) of the Congressional Budget Act of 1974 a statement of the estimates made pursuant to paragraph (1) of this subsection during the preceding year (including any revisions to estimates contained in earlier reports under such paragraph). The Director shall include in any report under paragraph (2) of that section any revisions to such estimates made since the most recent report under paragraph (1) of such section.

"(d) The head of each agency shall establish internal controls to assure that an adequate review of obligated balances is performed to support the certification required by section 1108(c) of this title."

31 U.S.C. 1555--Closing of appropriation accounts available for indefinite periods

"An appropriation account available for obligation for an indefinite period shall be closed, and any remaining balance (whether obligated or unobligated) in that account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose, if--

(1) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out; and

(2) no disbursement has been made against the appropriation for two consecutive fiscal years."

31 U.S.C. 1556--Comptroller General: reports on appropriation accounts

"(a) In carrying out audit responsibilities, the Comptroller General shall report on operations under this subchapter to--

(1) the head of the agency concerned;

(2) the Secretary of the Treasury; and

(3) the President.

"(b) A report under this section shall include an appraisal of unpaid obligations under fixed appropriations accounts for which the period of availability for obligation has ended."

31 U.S.C. 1557--Authority for exemptions in appropriation laws

"A provision of an appropriation law may exempt an appropriation from the provisions of this subchapter and fix the period for which the appropriation remains available for expenditure."

31 U.S.C. 1558--Availability of funds following resolution of a protest

"(a) Notwithstanding section 1552 of this title or any other provision of law, funds available to an agency for obligation for a contract at the time a protest is filed in connection with a solicitation for, proposed award of, or award of such contract shall remain available for obligation for 90 working days after the date on which the final ruling is made on the protest. A ruling is considered final on the date on which the

time allowed for filing an appeal or request for reconsideration has expired, or the date on which a decision is rendered on such an appeal or request, whichever is later.

"(b) Subsection (a) applies with respect to any protest filed under subchapter V of chapter 35 of this title or under section 111(f) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 759(f))."

31 U.S.C. 3302--Custodians of money

"(a) Except as provided by another law, an official or agent of the United States Government having custody or possession of public money shall keep the money safe without--

(1) lending the money;

(2) using the money;

(3) depositing the money in a bank; and

(4) exchanging the money for other amounts.

"(b) Except as provided in section 3718(b) of this title,* an official or agent of the Government receiving money for the Government from any source shall deposit the money in the Treasury as soon as practicable without deduction for any charge or claim.

"(c)(1) A person having custody or possession of public money, including a disbursing official having public money not for current expenditure, shall deposit the money without delay in the Treasury or with a depositary designated by the Secretary of the Treasury under law. Except as provided in paragraph (2), money required to be deposited pursuant to this subsection shall be deposited not later than the third day after the custodian receives the money.[1] The Secretary or a depositary receiving a deposit shall issue duplicate receipts for the money deposited. The original receipt is for the Secretary and the duplicate is for the custodian.

(2) The Secretary of the Treasury may by regulation prescribe that a person having custody or possession of money required by this subsection to be deposited shall deposit such money during a period of time that is greater or lesser than the period of time specified by the second sentence of paragraph (1).

* GAO comment: This exception permits properly authorized debt collection service fees to be paid from amounts collected.

"(d) An official or agent not complying with subsection (b) of this section may be removed from office. The official or agent may be required to forfeit to the Government any part of the money held by the official or agent and to which the official or agent may be entitled.

"(e) An official or agent of the Government having custody or possession of public money shall keep an accurate entry of each amount of public money received, transferred, and paid.

"(f) When authorized by the Secretary, an official or agent of the Government having custody or possession of public money, or performing other fiscal agent services, may be allowed necessary expenses to collect, keep, transfer, and pay out public money and to perform those services. However, money appropriated for those expenses may not be used to employ or pay officers and employees of the Government.

[1] Punctuation as in original (Pub. L. 98-369)."

31 U.S.C. 3325--Vouchers

"(a) A disbursing official in the executive branch of the United States Government shall--

(1) disburse money only as provided by a voucher certified by--

(A) the head of the executive agency concerned; or

(B) an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers;

(2) examine a voucher if necessary to decide if it is--

(A) in proper form;

(B) certified and approved; and

(C) computed correctly on the facts certified; and

(3) except for the correctness of computations on a voucher, be held accountable for carrying out clauses (1) and (2) of this subsection.

"(b) Subsection (a) of this section does not apply to disbursements of a military department of the Department of Defense, except for disbursements for departmental pay and expenses in the District of Columbia.

"(c) On request, the Secretary of the Treasury may provide to the appropriate officer or employee of the United States Government a list of persons receiving periodic payments from the Government. When certified and in proper form, the list may be used as a voucher on which the Secretary may disburse money."

31 U.S.C. 3511--Prescribing accounting requirements and developing accounting systems

"(a) The Comptroller General shall prescribe the accounting principles, standards, and requirements that the head of each executive agency shall observe. Before prescribing the principles, standards, and requirements, the Comptroller General shall consult with the Secretary of the Treasury and the President on their accounting, financial reporting, and budgetary needs, and shall consider the needs of the heads of the other executive agencies.

"(b) Requirements prescribed under subsection (a) of this section shall--

(1) provide for suitable integration between the accounting process of each executive agency and the accounting of the Department of the Treasury;

(2) allow the head of each agency to carry out section 3512 of this title; and

(3) provide a method of--

(A) integrated accounting for the United States Government;

(B) complete disclosure of the results of the financial operations of each agency and the Government; and

(C) financial information and control the President and Congress require to carry out their responsibilities.

"(c) Consistent with subsections (a) and (b) of this section--

(1) the authority of the Comptroller General continues under section 205(b) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486(b)); and

(2) the Comptroller General may prescribe the forms, systems, and procedures that the judicial branch of the Government (except the Supreme Court) shall observe.

"(d) The Comptroller General, the Secretary, and the President shall conduct a continuous program for improving accounting and financial reporting in the Government."

31 U.S.C. 3512--Executive agency accounting and other financial management reports and plans

"(a)(1) The Director of the Office of Management and Budget shall prepare and submit to the appropriate committees of the Congress a financial management status report and a governmentwide 5-year financial management plan.

(2) A financial management status report under this subsection shall include--

(A) A description and analysis of the status of financial management in the executive branch;

(B) a summary of the most recently completed financial statements--

(i) of Federal agencies under section 3515 of this title; and

(ii) of Government corporations,

(C) a summary of the most recently completed financial statement audits and reports--

(i) of Federal agencies under section 3521(e) and (f) of this title; and

(ii) of Government corporations;

(D) a summary of reports on internal accounting and administrative control systems submitted to the President and the Congress under the amendments made by the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255); and

(E) any other information the Director considers appropriate to fully inform the Congress regarding the financial management of the Federal Government.

(3)(A) A governmentwide 5-year financial management plan under this subsection shall describe the activities the Director, the Deputy Director for Management, the Controller of the Office of Federal Financial Management, and agency Chief Financial Officers shall conduct over the next 5 fiscal years to improve the financial management of the Federal Government.

(B) Each governmentwide 5-year financial management plan prepared under this subsection shall--

(i) describe the existing financial management structure and any changes needed to establish an integrated financial management system;

(ii) be consistent with applicable accounting principles, standards, and requirements;

(iii) provide a strategy for developing and integrating individual agency accounting, financial information, and other financial management systems to ensure adequacy, consistency, and timeliness of financial information;

(iv) identify and make proposals to eliminate duplicative and unnecessary systems, including encouraging agencies to share systems which have sufficient capacity to perform the functions needed;

(v) identify projects to bring existing systems into compliance with the applicable standards and requirements;

(vi) contain milestones for equipment acquisitions and other actions necessary to implement the 5-year plan consistent with the requirements of this section;

(vii) identify financial management personnel needs and actions to ensure those needs are met;

(viii) include a plan for ensuring the annual audit of financial statements of executive agencies pursuant to section 3521(h) of this title; and

(ix) estimate the costs of implementing the governmentwide 5-year plan.

(4)(A) Not later than 15 months after the date of the enactment of this subsection, the Director of the Office of Management and Budget shall submit the first financial management status report and governmentwide 5-year financial management plan under this subsection to the appropriate committees of the Congress.

(B)(i) Not later than January 31 of each year thereafter, the Director of the Office of Management and Budget shall submit to the appropriate committees of the Congress a financial management status report and a revised governmentwide 5-year financial management plan to cover the succeeding 5 fiscal years, including a report on the accomplishments of the executive branch in implementing the plan during the preceding fiscal year.

(ii) The Director shall include with each revised governmentwide 5-year financial management plan a description of any substantive changes in the financial statement audit plan required by paragraph (3)(B)(viii), progress made by executive agencies in implementing the audit plan, and any improvements in Federal Government financial management related to preparation and audit of financial statements of executive agencies.

(5) Not later than 30 days after receiving each annual report under section 902(a)(6) of this title, the Director shall transmit to the Chairman of the Committee on Government Operations of the House of Representatives and the Chairman of the Committee on Governmental Affairs of the Senate a final copy of that report and any comments on the report by the Director.

"(b) The head of each executive agency shall establish and maintain systems of accounting and internal controls that provide--

(1) complete disclosure of the financial results of the activities of the agency;

(2) adequate financial information the agency needs for management purposes;

(3) effective control over, and accountability for, assets for which the agency is responsible, including internal audit;

(4) reliable accounting results that will be the basis for--

(A) preparing and supporting the budget requests of the agency;

(B) controlling the carrying out of the agency budget; and

(C) providing financial information the President requires under section 1104(e) of this title; and

(5) suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Secretary of the Treasury under section 3513 of this title.

"(c)(1) To ensure compliance with subsection (a)(3) of this section and consistent with standards the Comptroller General prescribes, the head of each executive agency shall establish internal accounting and administrative controls that reasonably ensure that--

(A) obligations and costs comply with applicable law;

(B) all assets are safeguards against waste, loss, unauthorized use, and misappropriation; and

(C) revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

(2) Standards the Comptroller General prescribes under this subsection shall include standards to ensure the prompt resolution of all audit findings.

*(d)(1) In consultation with the Comptroller General, the Director of the Office of Management Budget--

(A) shall establish by December 31, 1982, guidelines that the head of each executive agency shall follow in evaluating the internal accounting and administrative control systems of the agency to decide whether the systems comply with subsection (b) of this section; and

(B) may change a guideline when considered necessary.

(2) By December 31 of each year (beginning in 1983), the head of each executive agency, based on an evaluation conducted according to guidelines prescribed under paragraph (1) of this subsection, shall prepare a statement on whether the systems of the agency comply with subsection (b) of this section, including--

(A) if the head of an executive agency decides the systems do not comply with subsection (b) of this section, a report identifying any material weakness in the systems and describing the plans and schedule for correcting the weakness; and

(B) a separate report on whether the accounting system of the agency conforms to the principles, standards, and requirements the Comptroller General prescribes under section 3511(a) of this title.

(3) The head of each executive agency shall sign the statement and reports required by this subsection and submit them to the President and Congress. The statement and reports are available to the public, except that information shall be deleted from a statement or report before it is made available if the information specifically is--

(A) prohibited from disclosure by law; or

(B) required by Executive order to be kept secret in the interest of national defense or the conduct of foreign affairs.

*(e) To assist in preparing a cost-based budget under section 1108(b) of this title and consistent with principles and standards the Comptroller General prescribes, the head of each executive agency shall maintain the accounts of the agency on an accrual basis to

show the resources, liabilities, and costs of operations of the agency. An accounting system under this subsection shall include monetary property accounting records.

"(f) The Comptroller General shall--

(1) cooperate with the head of each executive agency in developing an accounting system for the agency; and

(2) approve the system when the Comptroller General considers it to be adequate and in conformity with the principles, standards, and requirements prescribed under section 3511 of this title.

"(g) The Comptroller General shall review the accounting systems of each executive agency. The results of a review shall be available to the head of the executive agency, the Secretary, and the President. The Comptroller General shall report to Congress on a review when the Comptroller General considers it proper."

31 U.S.C. 3513--Financial reporting and accounting system

"(a) The Secretary of the Treasury shall prepare reports that will inform the President, Congress, and the public on the financial operations of the United States Government. The reports shall include financial information the President requires. The head of each executive agency shall give the Secretary reports and information on the financial conditions and operations of the agency the Secretary requires to prepare the reports.

"(b) The Secretary may--

(1) establish facilities necessary to prepare the reports; and

(2) reorganize the accounting functions and procedures and financial reports of the Department of the Treasury to develop an effective and coordinated system of accounting and financial reporting in the Department that will integrate the accounting results for the Department and be the operating center for consolidating accounting results of other executive agencies with accounting results of the Department.

"(c) The Comptroller General shall--

(1) cooperate with the Secretary in developing and establishing the reporting and accounting system under this section; and

(2) approve the system when the Comptroller General considers it to be adequate and in conformity with the principles, standards, and requirements prescribed under section 3511 of this title."

31 U.S.C. 3521--Audits by agencies

"(a) Each account of an agency shall be audited administratively before being submitted to the Comptroller General. The head of each agency shall prescribe regulations for conducting the audit and designate a place at which the audit is to be conducted. However, a disbursing official of an executive agency may not administratively audit vouchers for which the official is responsible. With the consent of the Comptroller General, the head of the agency may waive any part of an audit.

"(b) The head of an agency may prescribe a statistical sampling procedure to audit vouchers of the agency when the head of the agency decides economies will result from using the procedure. The Comptroller General--

(1) may prescribe the maximum amount of a voucher that may be audited under this subsection; and

(2) in reviewing the accounting system of the agency, shall evaluate the adequacy and effectiveness of the procedure.

"(c) A disbursing or certifying official acting in good faith under subsection (b) of this section is not liable for a payment or certification of a voucher not audited specifically because of the procedure prescribed under subsection (b) if the official and the head of the agency carry out diligently collection action the Comptroller General prescribes.

"(d) Subsections (b) and (c) of this section do not--

(1) affect the liability, or authorize the relief, of a payee, beneficiary, or recipient of an illegal, improper, or incorrect payment; or

(2) relieve a disbursing or certifying official, the head of an agency, or the Comptroller General of responsibility in carrying out collection action against a payee, beneficiary, or recipient.

31 U.S.C. 3526--Settlement of accounts

"(a) The Comptroller General shall settle all accounts of the United States Government and supervise the recovery of all debts finally certified by the Comptroller General as due the Government.

"(b) A decision of the Comptroller General under section 3529 of this title is conclusive on the Comptroller General when settling the account containing the payment.

"(c)(1) The Comptroller General shall settle an account of an accountable official within 3 years after the date the Comptroller General receives the account. A copy of the certificate of settlement shall be provided the official.

(2) The settlement of an account is conclusive on the Comptroller General after 3 years after the account is received by the Comptroller General. However, an amount may be charged against the account after the 3-year period when the Government has or may have lost money because the official acted fraudulently or criminally.

(3) A 3-year period under this subsection is suspended during a war.

(4) This subsection does not prohibit--

(A) recovery of public money illegally or erroneously paid;

(B) recovery from an official of a balance due the Government under a settlement within the 3-year period; or

(C) an official from clearing an account of questioned items as prescribed by law.

"(d) On settling an account of the Government, the balance certified by the Comptroller General is conclusive on the executive branch of the Government. On the initiative of the Comptroller General or on request of an individual whose accounts are settled or the head of the agency to which the account relates, the Comptroller General may change the account within a year after settlement. The decision of the Comptroller General to change the account is conclusive on the executive branch.

"(e) When an amount of money is expended under law for a treaty or relations with a foreign country, the President may--

(1) authorize the amount to be accounted for each year specifically by settlement of the Comptroller General when the President decides the amount expended may be made public; or

(2) make, or have the Secretary of State make, a certificate of the amount expended if the President decides the amount is not to be accounted for specifically. The certificate is a sufficient voucher for the amount stated in the certificate.

"(f) The Comptroller General shall keep all settled accounts, vouchers, certificates, and related papers until they are disposed of as prescribed by law.

"(g) This subchapter does not prohibit the Comptroller General from suspending an item in an account to get additional evidence or explanations needed to settle an account."

31 U.S.C. 3527--General authority to relieve accountable officials and agents from liability

"(a) Except as provided in subsection (b) of this section, the Comptroller General may relieve a present or former accountable official or agent of an agency responsible for the physical loss or deficiency of public money, vouchers, checks, securities, or records, or may authorize reimbursement from an appropriation or fund available for the activity in which the loss or deficiency occurred for the amount of the loss or deficiency paid by the official or agent as restitution, when-

(1) the head of the agency decides that--

(A) the official or agent was carrying out official duties when the loss or deficiency occurred, or the loss or deficiency occurred because of an act or failure to act by a subordinate of the official or agent; and

(B) the loss or deficiency was not the result of fault or negligence by the official or agent;

(2) the loss or deficiency was not the result of an illegal or incorrect payment; and

(3) the Comptroller General agrees with the decision of the head of the agency.

"(b)(1) The Comptroller General shall relieve a disbursing official of the armed forces responsible for the physical loss or deficiency of public money, vouchers, or records, or shall authorize reimbursement from an appropriation or fund available for reimbursement, of the amount of the loss or deficiency paid by or for the official as restitution, when--

(A) the Secretary of Defense or the appropriate Secretary of the military department of the Department of Defense decides that the official was carrying out official duties when the loss or deficiency occurred;

(B) the loss or deficiency was not the result of an illegal or incorrect payment; and

(C) the loss or deficiency was not the result of fault or negligence by the official.

(2) The finding of the Secretary involved is conclusive on the Comptroller General.

"(c) On the initiative of the Comptroller General or written recommendation of the head of an agency, the Comptroller General may relieve a present or former disbursing official of the agency responsible for a deficiency in an account because of an illegal, improper, or incorrect payment, and credit the account for the deficiency, when the Comptroller General decides that the payment was not the result of bad faith or lack of

reasonable care by the official. However, the Comptroller General may deny relief when the Comptroller General decides the head of the agency did not carry out diligently collection action under procedures prescribed by the Comptroller General.

"(d)(1) When the Comptroller General decides it is necessary to adjust the account of an official or agent granted relief under subsection (a) or (c) of this section, the amount of the relief shall be charged--

(A) to an appropriation specifically provided to be charged; or

(B) if no specific appropriation, to the appropriation or fund available for the expense of the accountable function when the adjustment is carried out.

(2) Subsection (c) of this section does not--

(A) affect the liability, or authorize the relief, of a payee, beneficiary, or recipient of an illegal, improper, or incorrect payment; or

(B) relieve an accountable official, the head of an agency, or the Comptroller General of responsibility in carrying out collection action against a payee, beneficiary, or recipient.

"(e) Relief provided under this section is in addition to relief provided under another law."

31 U.S.C. 3528--Responsibilities and relief from liability of certifying officials

"(a) A certifying official certifying a voucher is responsible for--

(1) information stated in the certificate, voucher, and supporting records;

(2) the computation of a certified voucher under this section and section 3325 of this title;

(3) the legality of a proposed payment under the appropriation or fund involved; and

(4) repaying a payment--

(A) illegal, improper, or incorrect because of an inaccurate or misleading certificate;

(B) prohibited by law; or

(C) that does not represent a legal obligation under the appropriation or fund involved.

"(b)(1) The Comptroller General may relieve a certifying official from liability when the Comptroller General decides that--

(A) the certification was based on official records and the official did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or

(B) (i) the obligation was incurred in good faith;

(ii) no law specifically prohibited the payment; and

(iii) the United States Government received value for payment.

(2) The Comptroller General may deny relief when the Comptroller General decides the head of the agency did not carry out diligently collection action under procedures described by the Comptroller General.

"(c) The Comptroller General shall relieve a certifying official from liability for an overpayment--

(1) to a common carrier under section 3726 of this title when the Comptroller General decides the overpayment occurred only because the administrative audit before payment did not verify transportation rates, freight classifications, or land-grant deductions; or

(2) provided under a Government bill of lading or transportation request when the overpayment was the result of using improper transportation rates or classifications or the failure to deduct the proper amount under a land-grant law or agreement.

"(d) This section does not apply to disbursements of a military department of the Department of Defense, except disbursements for departmental pay and expenses in the District of Columbia."

31 U.S.C. 3529--Requests for decisions of the Comptroller General

"(a) A disbursing or certifying official or the head of an agency may request a decision from the Comptroller General on a question involving--

(1) a payment the disbursing official or head of the agency will make; or

(2) a voucher presented to a certifying official for certification.

"(b) The Comptroller General shall issue a decision requested under this section."

NOTE: THIS APPENDIX EXPIRES ON SEPTEMBER 30, 1993

Table of Contents


| | | Page |
|---|---|---|
| | Introduction | 7.VI-3 |
| A. | Restoration of Surplus Authority to Expired Accounts | 7.VI-3 |
| B. | Cancellation of Merged Surplus Authority | 7.VI-3 |
| C. | Cancellation of "M" Account Balances Older Than 5 Years | 7.VI-3 |
| D. | Payments of "M" Account Obligations | 7.VI-4 |

NOTE: THIS APPENDIX EXPIRES ON SEPTEMBER 30, 1993

Introduction.

The procedures for closing appropriation and fund accounts at fiscal year-end were changed by enactment of Public Law 101-510 on November 5, 1990, which amended the provisions in 31 U.S.C. 1551 through 1557. The act provides a transition period to phase in the application of the new procedures affecting accounts established under the prior law. The act specifies dates by which certain actions are to be accomplished which affect the availability of appropriation and fund balances and the closing of these accounts.

A. Restoration of Surplus Authority to Expired Accounts.

As required by the law, expired appropriation and fund accounts at the time the act took effect (November 5, 1990) had their previously withdrawn unobligated balances (referred to as surplus authority) restored by Treasury to the agencies' expired accounts. These unobligated balances will remain with the agencies' expired accounts and be available for obligation adjustments but not new obligations. The accounts will remain in the expired status for 5 years and retain their fiscal year designation, after which they will close. Thus, fixed-period appropriations and funds that expired at the end of fiscal years 1989 and 1990 will follow the new rules for closing accounts and close at September 30 of 1994 and 1995, respectively. (See chapter 4 of this title.)

B. Cancellation of Merged Surplus Authority.

Public Law 101-510 required the cancellation of all merged surplus authority on the records of Treasury by December 5, 1990. Merged surplus authority was that unobligated authority withdrawn from corresponding appropriations in the merged ("M") accounts. The appropriations involved were those that expired at the end of fiscal year 1988 and prior years. The canceled merged surplus authority is unavailable to agencies for upward adjustments to obligations in the "M" account.

C. Cancellation of "M" Account Balances Older Than 5 Years.

The unobligated and obligated balances in the "M" account for more than 5 years were deobligated and withdrawn or canceled on March 6, 1991. This applied to appropriations that expired at the end of fiscal year 1983 and prior years. However, obligated amounts

supported by documentary evidence that payments were to be made by May 5, 1991, or the obligations covered severance pay for foreign national employees were not required to be deobligated. After the payments are made, any residual unobligated or obligated balances remaining must be canceled.

At September 30, 1991, any obligated balances in the "M" account for more than 5 years were deobligated and any unobligated balances were withdrawn to Treasury and can no longer be restored to the agency. The same process took place on September 30, 1992. At September 30, 1993, all "M" account balances will be canceled and the account will no longer be used. The following table shows the schedule by fiscal year.

| Fiscal year of obligated balance in "M" account at November 5, 1990 | Year deobligated or canceled at September 30 |
|---|---|
| 1983 and prior | 1991* |
| 1984 | 1991 |
| 1985 | 1992 |
| 1986-1988 | 1993 |

* As provided in law, the actual date of cancellation was March 6, 1991.

D. Payments of "M" Account Obligations.

Payments for upward adjustments to obligations in the "M" account and payments for obligations that are deobligated because they have been in the "M" account for more than 5 years, or for unpaid obligations in the "M" accounts on September 30, 1993, can be charged to an unexpired appropriation for the same general purpose as the closed appropriation. As alternatives, agencies can request from the Congress a reappropriation or other specific legislative authority to make the payments. The conditions in section 4.4 of this title apply for making any of these payments.

Obligation adjustments related to "contract changes" require special handling and are applicable to "M" account transactions. (See subsection 3.3.B for the specific reporting and approval requirements.)

The page numbers used in this index indicate the chapter followed by the page within the chap.er. The digit representing Title 7 is not shown.

**Accountable officers**
accountability concept, 7-1, 7-3
certifying officer responsibilities, 6-7, 7-1, 7-10
collections, 5-2
data authentication, 7-6
disbursing officer responsibilities, 7-1
electronic signature, 7-6
imprest fund cashier, 6-12
personal liability, 7-1, 8-1, 8-5, 8-6
reliance on organizational structure and operating procedures, 7-3
reliance on statistical sampling, 7-8
reliance on systems and controls, 7-2, 7-10
relief of, 8-1, 8-6
responsibility, 7-1
right to an advance decision, 6-13, 8-1
settlement of accounts, 8-1, 8-4, 8-5

**Account settlement**
see: Settlement of accounts

**Account symbols and titles**, 1-1, 2-1, 5-3, 8-14

**Accounting forms**
account settlement, 8-4
notice of exception, 8-4
responsibility for prescribing, 1-1, 6-2, 1-3

**Administrative adjustment of claims**, 6-9

**Administrative subdivision of funds**, 2-6, 3-3

**Advance decisions**, 6-13, 7-12, 8-1

**Agency**
defined, 1-1
responsibilities, 1-2

**Allotments**, 2-6

**Antideficiency Act, (Also see: Obligations)**
2-6, 2-10, 3-4, 3-6, 4-3, 4-5

**Apportionment**, 2-6, 3-3, 3-7

**Appropriations** (Also see: Budget authority; Year-end closing of accounts)
canceled balances, 4-3
closed, 4-1, 4-3, 4-5
continuing, 2-3
collections, see: Collections
definition, 3-1
disbursements, see: Disbursements
expenditure transactions, 2-9
expired, 4-1, 4-5, VI-3
federal account symbols and titles, see: Account symbols and titles
impoundment, 2-7
joint resolutions, see: continuing appropriations
limitations, 2-6
"M" accounts, VI-3
merged surplus, VI-3
nonexpenditure transactions, 2-8
reappropriation, 4-3, VI-4
recording of, 2-1, 2-3, 2-8
restoration, VI-3
reporting of, 2-4, 2-8
settlement of, see: Settlement of accounts
transactions among accounts, 2-8
warrants, 2-2, 2-3

**Budgetary reserves**, 2-7

**Budget authority**
continuing appropriations, 2-3
impoundment, 2-7
joint resolutions, see: Continuing appropriations
limitations, 2-2, 2-6
reimbursements between agencies, 2-9

The page numbers used in this index indicate the chapter followed by the page within the chapter. The digit representing Title 7 is not shown.

**Certifying officer**
see: Accountable officers

**Closed appropriations**
see: Appropriations

**Closing of accounts**
see: Year-end closing of accounts

**Collections**
accounting control, 5-2, 8-2
availability of special fund receipts, 5-6, 5-7
between government agencies, 2-9
classes of funds, 5-1
closed appropriations, 4-2
credit to appropriation and fund accounts, 2-9, 4-2, 5-4, 5-5
debts owed the government, 5-11
deposit and documentation, 5-2, 5-3, 5-7
expired appropriations, 4-2
from government employees, 5-10
inscription and endorsement of remittances, 5-3
On-Line Payment and Collection (OPAC) System, 5-12
other, 5-7 (Also see: Special and trust fund receipts)
recovery of damages, 5-9
refunds or reimbursements, 4-2, 5-5
sale of personal property, 5-8
separation of duties, 5-2
special and trust fund, see: Special and trust fund receipts
unidentified remittances, 5-12

**Commitments**, 3-7

**Contingent liabilities**, 3-5

**Continuing appropriations**, 2-3

**Credit cards**, 6-11

**Data authentication**, 7-6

**Deposits**
see: Collections

**Deobligation**, 2-12, 3-6

**Disbursing officer**
see: Accountable officers

**Disbursing operations** (Also see: Accountable officers)
accounts payable for closed accounts, 6-10
administrative adjustment of claims, 6-9
approval and certification, 6-7, 7-1, 7-4, III-3
authorities, 6-1, III-3
credit cards, 6-11
data authentication, 7-6
documentation, alternative conditions, 6-3
electronic certification, 7-6
evaluation of, 7-10, 7-11
excepted organizations, 6-1
FMFIA reviews, 7-2, 7-10, 7-11
forms and documentation, 6-2, 6-5, I-3, III-6
grants and cooperative agreements, 6-14
imprest funds, 6-12
internal controls, 6-1, 6-9, 7-3
periodic reviews, 6-14
prepayment examination, 6-7, 7-4
prompt payment, 6-7, 6-8, 7-8
requests for alternative procedures, 7-9
special requirements if weaknesses exist, 7-12
statistical sampling, 7-8, III-3
unvouchered payments, 6-5
voucher examination, 6-7, 7-4

**Disbursements--special requirements**
advertising, IV-3
contract field printing, IV-3

The page numbers used in this index indicate the chapter followed by the page within the chapter. The digit representing Title 7 is not shown.

**Disbursements--special requirements** [*cont.*]
long distance telephone service, IV-3
payment in foreign currency, IV-4
state and local taxes, IV-4
tort claims, IV-5
transportation, IV-6
travel advances, IV-6
unclaimed moneys and funds, IV-6

**Economy Act**, 2-8, 2-11, 2-12

**Electronic certification**, 7-6

**Electronic signatures**, 7-6

**Examination of vouchers for payment**
see: Disbursing operations

**Exchange or sale of personal property**, 5-8

**Expired accounts (appropriations)**
availability of appropriations for obligation, 3-7, 4-1
basis for closing account balances, 4-1
controls and records, 4-3
crediting collections, 4-2, 5-5
"M" accounts, VI-3
payment of obligations, 4-1, VI-4
reporting, 4-3
restoration, VI-3
transition period, VI-3

**Fast payment procedures**
see: Disbursing operations

**Federal Managers' Financial Integrity Act**
agency responsibilities, 1-2, 8-2
review, 6-14, 7-10
use of, 7-11

**Fiscal irregularity**
definition, 8-1
deposits, 5-4
documenting, 8-11
notice of exception, 8-4
reporting, 8-2

**Forms**
see: Accounting forms

**Government corporation**
definition, 1-1
disbursements, 6-1
state and local taxes, IV-4

**Grants and cooperative agreements**, 6-13

**Impoundment**
deferral, 2-7
rescission, 2-7

**Imprest funds**
accountability, 6-12
agency responsibility, 6-13
prepayment examination, 6-8
purpose, 6-12
state and local taxes, IV-5
verification and audit, 6-13

**Improper payments**
adjustment of accounts, 8-14
agency determinations, 8-9
check losses, 8-10
definition, 8-1
relief, 8-9, 8-14
repayment, 8-5
reporting, 8-2
responsibility for, 7-1
required collection efforts, 8-11

**Interagency agreements**
see: Interagency transactions

**Interagency transactions**
agency responsibilities, 2-10
collections for another agency, 5-7
disputes, 2-12

The page numbers used in this index indicate the chapter followed by the page within the chapter. The digit representing Title 7 is not shown.

**Interagency transactions** [*cont.*]
Economy Act, 2-8, 2-11, 2-12
Intragovernmental Billing and Collection System, 2-9

**Irregularity**
see: Fiscal irregularity

**"M" accounts**
see: Expired accounts; Closed accounts

**Message authentication**
see: Data authentication

**Notice of Exception**, 8-4

**Obligations** (Also see: Budget authority)
accountability, 3-7, 3-9
availability concept, 2-2, 3-1, 4-1, 4-3
certifying, 3-9
collections, 5-8
commitments, 3-7
concealment of violation, 3-8
contingent liabilities, 3-5
contract change adjustments, 3-2, 4-1
control over, 2-5, 3-3, 3-10
criteria for, 3-1
cut-off procedure, 3-7
deobligation, 2-12, 3-6
documenting, 2-5, 3-3, 3-4
estimating, 3-6
limitations, 2-6, 2-7, 3-7, 4-3
incurring, 3-1
payment in foreign currency, IV-4
reconciling, 3-9
recording, 2-8, 2-9, 3-3, 3-4, 3-6
reporting and certifying, 3-9, 4-3

**Physical loss or deficiency**,
adjustment of accounts, 8-14
agency determinations, 8-8
Department of Defense, 8-9
definition, 8-1
relief, 8-6, 8-7
Department of Defense, 8-8
repayment, 8-5
reporting, 8-2

**Prompt Payment Act**, 6-4, 6-7, 6-8, 7-8

**Reappropriation**, 4-3, VI-4

**Receipts**
see: Collections

**Recovery of damages**, 5-9

**Refunds**
see: Collections

**Reimbursements**
see: Collections

**Relief of accountable officers**
adjustment of accounts, 8-14
agency responsibilities, 8-7, 8-8, 8-9, 8-11
check losses, 8-10
documentation requirements, 8-11
exceptions issued, 8-4
general, 8-6
improper payments, 8-1, 8-6, 8-9
physical loss or deficiency, 8-6, 8-7, 8-8
required collection efforts, 8-11
standards, 8-7, 8-8, 8-9
time limitation, 8-5

**Restoration**, VI-3

**Sale of personal property**, 5-8

**Settlement of accounts**, 8-1, 8-4, 8-5

**Special and trust fund receipts**, 2-4, 2-9, 5-1, 5-6, 5-7

The page numbers used in this index indicate the chapter followed by the page within the chapter. The digit representing Title 7 is not shown.

**Standard general ledger**, 2-1, 2-5, 2-6, 3-7

**Statistical sampling**
certifying obligations, 3-11, III-4
fast pay procedures, 7-9
Federal Managers' Financial Integrity Act, 7-11
use of, III-3
voucher examination, 6-8, 7-5, 7-8

**Treasury Department/General Accounting Office Joint Regulations**, II-1

**Unidentified remittances**, 5-12

**U.S. Government Standard General Ledger**
see: Standard general ledger

**Voucher processing**
see: Disbursing operations; Statistical sampling

**Year-end closing of accounts**
accounts payable, 4-3, 6-10
basis for closing, 4-1
canceled balances, 4-3
closed appropriations, 4-3
controls, 4-3
crediting of collections, 4-2, 5-5
fixed period appropriations, 4-1
no-year appropriations, 4-2
records requirements, 4-3, 6-11
reporting, 4-3
transition period for closing accounts, VI-1

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