Introduction

The U.S. Environmental Protection Agency's (EPA's) Funds Control Manual is intended as a guide on how EPA employees can effectively and efficiently manage funds while following applicable rules, statutes and regulations. The manual summarizes the EPA's fund control principles, policies and procedures and describes their legal basis. These provisions apply to all of the EPA's organizations, appropriations and funds.

The control of funds in the federal government is governed by statutes and implemented by directives from the Office of Management and Budget (OMB), the U.S. Department of Treasury, and Congress and informed by opinions and accounting standards issued by the Government Accountability Office (GAO). Although this document is primarily targeted toward the EPA's allowance holders and Funds Control Officers, it is a useful reference for all members of the resource management community. Effective and efficient resource management is everyone's responsibility.

Per 31 U.S.C. 1514, the head of each agency must prescribe a system for administrative control of funds. OMB Circular A-11, Part 4, "Instructions on Budget Execution," provides governmentwide guidance on how to execute the budget and a checklist to use in preparing funds control regulation for approval by the OMB. This Funds Control Manual explains the policies and procedures the EPA has in place to ensure that it does not violate legal requirements or OMB directives. The complexity of the EPA's mission, the differences between some of its authorizing statutes and the diversity of its programs means the agency had to carefully design policies and procedures to track, report on and properly ensure control of the agency's funds throughout headquarters offices, regional offices, and laboratories and other offices.

This manual also implements OMB Circular A-123, "Management's Responsibilities for Internal Controls," which provides guidance on using the range of tools at the disposal of agency managers to achieve desired program results and meet the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) which encompasses accounting and administrative controls; including program, operational, and administrative areas as well as accounting and financial management.

Management has a fundamental responsibility to develop and maintain effective internal controls. The proper stewardship of federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that federal resources are used efficiently and effectively to achieve authorized objectives. Programs must operate and resources must be used consistent with the agency mission; in compliance with laws and regulations; and with minimal potential for waste, fraud, and mismanagement.

An overview of the FMFIA and OMB Circular A-123, as well as key Office of the Chief Financial Officer (OCFO) annual guidance memorandums can be found at http://intranet.epa.gov/ocfo/management_integrity/index.htm.

Congress provides funds for the agency to carry out its mission through specific appropriations, each one of which is provided for a particular purpose, time and amount. These three characteristics are regulated through guidelines and restrictions such as the Necessary Expense Rule (purpose), the Bona Fide Needs Statute (time), and the prohibition on augmentation of appropriations (amount). The Anti-Deficiency Act (ADA) prohibits (1) spending in excess of an amount available in an appropriation, (2) authorizing expenditures in advance of an appropriation, (3) accepting voluntary services without authority, and (4) spending in excess or in advance of an apportionment. In addition, the EPA also receives funds through other sources such as Interagency Agreements, fees and special accounts that it also must manage under similar rules.

This Funds Control Manual:

- Prescribes a system for positive administrative control of funds designed to restrict obligations and expenditures against each appropriation or fund account to the amount available therein. Obligations and expenditures from each appropriation or fund account are limited to the lesser of the amount of apportionments made by OMB or the amount available for obligation and/or expenditure in the appropriation or fund account.
- Describes procedures to follow in budget execution and specifies basic fund control principles and concepts. Establishes policy regarding the administrative control of funds.
- Enables the Administrator to determine responsibility for over-obligation and over disbursement of appropriations, apportionments, statutory limitations, allotments and other administrative subdivisions, as well as violations of limitations imposed by agency policy.
- Provides procedures for addressing violations of the ADA as well as violations of limitations imposed by agency policy.
- Discusses agency administrative control of funds policies that apply to revolving funds, management funds and trust funds, including those that are not apportioned.

Supplemental guidance regarding the financial management of selected areas, such as travel, and unique appropriations, such as those derived from the Superfund and Leaking Underground Storage Tank Trust Funds, can be found in other sections of the RMDS 2500 series. The entire series, as well as all other OCFO policy documentation, can be accessed online at http://intranet.epa.gov/ocfo/policies/policies.htm.

Chapter 1: Federal Entities Influencing the EPA's Financial Management

Summary

Several outside entities play a crucial role in the EPA's management of funds and in reviewing the EPA's requests for funding. Major EPA stakeholders include:

- Congress
- Office of Management and Budget
- Government Accountability Office
- Inspector General
- Department of Justice
- Department of the Treasury
- States and tribes

Provided below are detailed descriptions of these entities and the roles they play.

A. Congress

The EPA may only obligate and spend funds that have been appropriated by Congress. Both the House and Senate have two major sets of committees and subcommittees that direct the EPA:

1. Congressional Committees

Congress manages its decision-making through many committees and subcommittees. Congress generally has three types of committees: oversight, authorizing and appropriating committees. Each fiscal year's annual budget normally contains specific direction and requirements from these subcommittees, as do supplemental budgets.

a. Authorizing Committees write the principal statutes or laws that direct government agencies. Authorizing committees review and propose statutory language.

   - Authorizers write the authorizing language for the EPA's environmental activities.

b. Appropriating Committees review annual and supplemental budget proposals. Three main appropriating subcommittees oversee EPA programs: Environment and Public Works (in the Senate); Energy and Commerce (in the House); and Interior, Environment, and Related Agencies (in the House).

   - Appropriators write specific appropriation bills. The EPA's budgets are developed in the Department of Interior (DOI) subcommittee. http://appropriations.house.gov/ http://www.appropriations.senate.gov/
   - Each fiscal year, the EPA generally has hearings with each appropriating committee and must respond to detailed questions from each committee (called Questions for the Record).

c. Oversight Committees can be permanent or special temporary committees. They oversee certain, delineated topic areas, such as government operations. EPA officials are occasionally required to testify about agency programs.

2. Congressional Budget Office (CBO)

The CBO produces independent analyses of budgetary and economic issues to support the Congressional budget process. CBO economists and policy analysts conduct analyses supporting dozens of reports and hundreds of cost estimates each year. The CBO does not make policy recommendations, and each report and cost estimate discloses an agency's assumptions and methodologies. All of the CBO's products, apart from informal cost estimates for legislation being developed privately by members of Congress or their staffs, are available to the Congress and the public on the CBO's website.

The EPA's annual budgets are submitted directly to Congressional appropriators as part of the President's budget and are not subject to review by the CBO. However, the EPA policy and budget proposals may be analyzed and scored (through a CBO estimate of budget implications). Further information can be found at http://www.CBO.gov.

B. Department of Commerce, National Institute of Standards and Technology (NIST) NIST is one of the nation's oldest physical science laboratories, where science connects to real-world applications. With a varied research portfolio, unique facilities, national networks and international partnerships on standards and technology, NIST works to support U.S. industry and innovation. From cybersecurity to mammograms and advanced manufacturing, innumerable technologies, services and products rely upon NIST expertise, measurement and standards. The EPA must follow NIST direction in cyber-security. NIST has a century-long tradition of partnering with business, universities, and other government agencies to support the nation's vast innovation ecosystem.
http://www.commerce.gov/national-institutestandards-and-technology

C. General Services Administration (GSA)

The GSA oversees the business of the U.S. federal government, travel, buildings and facilities, procurement, etc. Its acquisition solutions supply federal purchasers with cost-effective high-quality products and services from commercial vendors. The GSA provides workplaces for federal employees, and oversees the preservation of historic federal properties. Its policies covering travel, property and management practices promote efficient government and consistent operations. http://www.gsa.gov. These policies include the Federal Acquisitions Regulation, the Federal Management Regulation (successor to the Federal Property Management Regulation) and the Federal Travel Regulation.

D. Government Accountability Office (GAO)

The GAO audits EPA activities and writes guides for federal agencies on the appropriate use of funds. The GAO is a congressional agency that investigates how the federal government spends taxpayer dollars, as well as making recommendations to improve performance and ensure the accountability of the federal government. The GAO conducts reviews at the request of congressional committees or subcommittees. Its reviews include:

- Auditing agency operations to determine whether federal funds are being spent efficiently and effectively.
- Investigating allegations of illegal and improper activities.
- Reporting on how well government programs and policies are meeting their objectives.
- Performing policy analyses and outlining options for Congressional consideration.
- Issuing legal decisions and opinions, such as bid protest rulings and reports on agency rules.
- Advising Congress and the heads of executive agencies about ways to make government more efficient, effective, ethical, equitable and responsive.

The GAO issues reports for which the EPA must provide information and responses. The OCFO's Office of Budget includes a GAO coordination team that helps the GAO set up its investigation and find the information it seeks; the team also coordinates the official EPA responses to GAO recommendations. In addition, each Region and Program Office has a GAO liaison to coordinate GAO work within it. More information can be found at http://www.gao.gov/.

E. Office of Inspector General (OIG)

The OIG is an independent office within the EPA that helps the agency protect the environment more efficiently and cost-effectively. It was created and governed by the Inspector General Act of 1978, as amended (5 U.S.C. App. 3). The OIG seeks to influence resolution of the agency's major management challenges, reduce risk, improve practices and program operations, and save taxpayer dollars, leading to positive human health and environmental impacts and attainment of the EPA's strategic goals. The OIG performs audits, evaluations and investigations of the EPA, as well as its grantees and contractors, to promote economy and efficiency, and to prevent and detect fraud, waste and abuse. http://intranet.epa.gov/oig/

F. Department of Justice (DOJ)

The EPA will occasionally seek advice related to fiscal law from the DOJ's Office of Legal Counsel. Where the GAO's advice differs from the DOJ's, as an Executive Branch agency, the EPA follows DOJ's counsel. More information is at http://www.justice.gov/olc.

- Another part of the DOJ also prosecutes many civil and criminal environmental cases for the EPA, primarily the Environment and Natural Resources Division. http://www.justice.gov/enrd/

G. Office of Management and Budget (OMB)

Manages the U.S. federal budget, including budget planning, developing regulations, management and IT guidance. The OMB implements policies across the Executive Branch. It carries out its mission through five critical processes that help the President's planning for and implementation of priorities across the Executive Branch:

- Budget Development and Execution — the mechanism by which a President implements decisions, policies, priorities and actions.
- Management — oversight of agency performance, federal procurement, financial management and information/IT (including paperwork reduction, privacy, and security).
- Coordination and Review of All Significant Federal Regulations by executive agencies, to reflect Presidential priorities and to ensure that economic and other impacts are assessed as part of regulatory decision-making, along with review and assessment of information collection requests.
- Legislative Clearance and Coordination — review and clearance of all agency communications with Congress, including testimony and draft bills to ensure consistency of agency legislative views and proposals with Presidential policy.
- Executive Orders and Presidential Memoranda to agency heads and officials, the mechanisms by which the President directs specific government-wide actions by Executive Branch officials.

The EPA works extensively with the OMB in all of these areas. The OMB's website (http://www.whitehouse.gov/omb) provides further information as well as links to extensive U.S. government, economic, demographic and other historical data.

H. Office of Personnel Management (OPM)

The OPM works in several broad categories to recruit, retain and honor a world-class workforce for the American people. It manages federal job announcement postings at USAJOBS.gov and sets policy on government-wide hiring procedures. The OPM conducts background investigations for prospective employees and security clearances across government. It upholds and defends the merit systems in federal civil service, making sure that the federal workforce uses fair practices in all aspects of personnel management. It manages pension benefits for retired federal employees and their families while also administering health and other insurance programs for federal employees and retirees. The OPM provides training and development programs and other management tools for federal employees and agencies. It also assumes the lead in developing, testing and implementing new government-wide policies that relate to personnel issues. http://www.opm.gov

I. Department of the Treasury

Treasury manages government payments systems and sets many government accounting standards. (Note that "DoT" is normally used for the U.S. Department of Transportation, "Treasury" for the Department of the Treasury.) http://www.treasury.gov

J. Cross-Government Task Forces and Coordinating Groups

In the last few years, the EPA has also been tasked to coordinate efforts through several cross-agency Presidential Task Forces, including the Gulf Coast Task Force, the Hurricane Sandy Task Force and the Recovery Act Transparency Board. These groups have been established by Presidential Executive Order and require the EPA to work closely with other government agencies to achieve the Administration's goals. These groups have also required the EPA to produce additional financial reports and work with other agencies in designing and implementing management and control plans.

K. States, Tribes and Territories

Almost all of the EPA's programs are implemented through or with state, tribal and local partners. Much of the EPA's funding also consists of grants to states and tribes. More information is available on the EPA's Office of International and Tribal Affairs website at http://intranet.epa.gov/oiaintra/. The Environmental Council of the States (ECOS) is the national nonprofit, nonpartisan association of state and territorial environmental agency leaders. The purpose of ECOS is to improve the capability of state environmental agencies and their leaders to protect and improve human health and the environment of the United States of America. http://www.ecos.org/

Chapter 2: Federal Laws, Regulations and Guidance Summary

The EPA's fund control practices must comply with the EPA's authorizing statutes, appropriations laws, other general management statutes, and rules and regulations issued to all federal agencies from overall federal government coordinating and oversight offices (such as the Office of Management and Budget [OMB], Treasury and the General Services Administration [GSA]). In summary, the EPA must follow the directives in:

- Environmental laws (statutes)
- Appropriations statutes
- Government-wide management laws (statutes)
- Government-wide guidance/regulations

Law Links (http://intranet.epa.gov/ogc/lawlinks.htm) can be used to find full texts of legislation.

Below are summaries of the EPA's major authorizing legislation and directives, followed by descriptions of some major statutes directing government-wide management, financial and administrative requirements and practices.

A. Environmental Authorizing Statutes

Environmental programs are legislated by Acts of Congress in the form of authorizing or program legislation. Authorizing legislation provides zero funding in itself; it is not an appropriation of funds. For the EPA, authorizing legislation establishes the agency's environmental mission, which may be undertaken with funds provided by subsequent appropriations legislation.

Many EPA authorizing statutes — e.g., the CWA, the SWDA, CERCLA or FIFRA (see Appendix H for a list of abbreviations) — have specific financial authorizations and requirements.

1. Clean Air Act of 1970

The Clean Air Act (CAA), amended in 1977 and 1990, is intended to foster the protection and enhancement of the nation's air quality, and to safeguard public health and welfare and the productive capacity of the population. The act is divided into six titles:

- <u>Title I</u> includes provisions for setting and achieving ambient air quality standards.
- <u>Title II</u> deals with control of pollution from mobile sources.
- <u>Title III</u> addresses general and administrative matters.
- <u>Title IV</u> deals with requirements to control pollution that leads to acid deposition.
- <u>Title V</u> includes requirements for the issuance of operating permits for certain stationary sources.
- <u>Title VI</u> deals with pollution that contributes to depletion of the stratospheric ozone.

Motor Vehicle and Engine Compliance Program Fees were authorized by the 1990 CAA and are administered by the Air and Radiation Program. The fees are set at a level to cover the cost to the EPA of certifying new engines and vehicles and monitoring compliance of new and in-use engines and vehicles and are deposited into a special fund pursuant to section 217 of the CAA. The EPA does not have access to the fees unless Congress makes appropriations from this special fund.

Fees apply to all manufacturers including makers of heavy-duty, in-use, and non-road vehicles and engines; large diesel and gas equipment (earthmovers, tractors, forklifts, compressors, etc.); handheld and non-handheld utility engines (chainsaws, weedwhackers, leaf-blowers, lawnmowers, tillers, etc.); marine (boat motors, watercraft, jetskis); locomotives; aircraft; and recreational vehicles (off-road motorcycles, all-terrain vehicles, snowmobiles) as well as evaporative requirements for non-road engines. The EPA may apply new certification fees for additional industry sectors as new programs are developed.

2. Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA)

CERCLA, generally referred to as "Superfund" (42 U.S.C. 9601, et seq.), was enacted in 1980 and amended by:

- Superfund Amendments and Reauthorization Act of 1986 (SARA)
- Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA)
- Small Business Liability Relief and Brownfields Revitalization Act of 2002

The CERCLA, as amended by the SARA, makes the agency responsible for providing emergency response for hazardous substances released into the environment and cleaning up inactive or abandoned hazardous waste disposal sites. The agency is authorized under the SARA to respond to releases of hazardous substances, pollutants and contaminants by either a removal or remedial action or by compelling responsible parties to undertake the response action. The reauthorized statute significantly broadened Superfund authorities in key response, enforcement and research areas. The statute established cleanup standards and mandatory schedules to ensure rapid and permanent solutions in cleaning up sites. It contained new and stronger enforcement provisions to encourage expeditious settlements with responsible parties, and to implement a more formal cleanup process for federal facilities. The law significantly increased Superfund health-related and research and development authorities, including provisions for an innovative and alternative treatment demonstration program and health effects research. Overall, the statute expands state and public participation at all stages of the cleanup process.

a. Emergency Planning and Community Right-to-Know Act (EPCRA) — A subpart of SARA Title III, the national EPCRA was signed into law on October 17, 1986, as the key legislation of community safety. Congress enacted this law to help local communities protect public health, safety and the environment from chemical hazards. Two of the main goals of EPCRA are to "provide a basis for each community to develop a chemical emergency preparedness and planning program that suits its individual needs," and "provide the public with the identity, quantity, location, and properties of hazardous substances in the community, as well as data on annual release of certain chemicals into the environment."

b. Special Accounts — Under CERCLA 122(b)(3), the EPA is authorized to "retain and use" funds the agency receives from settlements with potentially responsible parties and to set up "Special Accounts" to finance work at sites. Special Accounts may pay for specified activities at particular site(s) and must be used according to the terms of the individual settlement agreement with the responsible party (or parties).

c. The Small Business Liability Relief and Brownfields Revitalization Act was signed into law on January 11, 2002. It amends CERCLA to encourage cleanup and reuse of brownfields and other potentially contaminated or lightly contaminated properties. The law establishes a statutory brownfields program and clarifies Superfund liability for certain parties, as well as the state and federal roles in hazardous waste cleanup. The brownfields program includes grants for assessment; cleanup; capitalizing cleanup revolving loan funds; state and tribal response programs; and training, research, and technical assistance.

3. **Energy Policy Act of 2005 (EPAct)** The EPAct was signed into law on August 8, 2005, as part of the federal government's efforts to stimulate development and use of more efficient and environmentally friendly domestic energy sources. It was authorized under Title VII ("the Diesel Emissions Reduction Act") to fund grants to reduce diesel emissions. The EPAct also required the agency to develop fuel regulations, revise emission models, and undertake fuel-related studies and analyses.

4. **Federal Insecticide, Fungicide and Rodenticide Act of 1972 (FIFRA)**
FIFRA requires that all pesticides, with minor exceptions, must be registered with the EPA before they can be sold or distributed in the United States. Pesticide products must be registered if the EPA determines they do not cause unreasonable adverse effects on humans or the environment. As part of the registration process, scientific data and proposed label instructions for use and cautionary statements are submitted by registrants and reviewed by the EPA to ensure that when registered products are used in accordance with label instructions they will not cause unreasonable adverse effects. FIFRA also provides that the EPA can designate the more dangerous pesticide products for restricted use by certified applicators only.

FIFRA fees are as follows:

- The Pesticide Registration Improvement Extension Act of 2012 (PRIA 3, expiring on September 30, 2017) authorized two fees by amending the FIFRA of 1988.
- Pesticides maintenance fee — Section 4(i) of the FIFRA authorizes the EPA to charge annual maintenance fees for pesticide registrations.
- Enhanced registration services fee — Section 33 of FIFRA authorizes fees for services related to registration of pesticides in the United States. This fee-for-service provision sets deadlines by which the EPA must make decisions on applications. Congress must authorize the EPA to obligate the PRIA fees it collects in the EPA's annual appropriation act.

5. **The Clean Water Act (CWA) of 1972**
The CWA was based on the Federal Water Pollution Control Act of 1948 (amended 1956 and 1966). It was amended in 1977, reauthorized in 1981, and amended again several times since. Two major related pieces of legislation are 1) the Water Quality Act of 1987 and 2) the Beaches Environmental Assessment and Coastal Health Act of 2000.

a. <u>The Federal Water Pollution Control Act</u>, 33 U.S.C.7251 et seq., of 1948, was amended in 1956 and 1966 to authorize a program of grants to municipalities for construction of sewage treatment plants and institute a program of mandatory water quality standards for interstate waters, and was substantially revised in 1972 by amendments referred to as the CWA. The stated objective of the CWA is to restore and maintain the "chemical, physical, and biological integrity of the Nation's waters," and the stated goals were to achieve "fishable and swimmable" waters by 1983 and total elimination of pollutant discharges into navigable waters. The CWA spells out requirements for water quality standards and an implementation system of permits for technology-based effluent limitations that apply to industrial and municipal discharges. Congress made certain fine-tuning amendments of the CWA in 1977 and reauthorized and revised the construction grants program in 1981.

b. The WQA brought major revisions to the CWA. It authorized new water quality programs; reauthorized existing programs; called for additional water-quality-based pollution controls; increased requirements pertaining to toxics, sludge, and nonpoint sources of pollution; and authorized funds for nonpoint source grants, the National Estuary Program, and the Great Lakes and Chesapeake Bay programs. The WQA also reauthorized the construction grants program through 1990 and provided for its phase-out and replacement with a State Revolving Fund program, to be capitalized by grants to the states.

c. The Beaches Environmental Assessment and Coastal Health Act of 2000 amended the CWA to improve the quality of coastal recreation waters. This act authorizes a national grant program to assist state, tribal, and local governments in developing and implementing monitoring and public notification programs for their coastal recreation waters. It also requires states to adopt improved water quality standards for pathogens and pathogen indicators and requires the EPA to conduct studies and develop improved microbiological water quality criteria guidance.

6. Food Quality Protection Act of 1996 (FQPA)

The EPA regulates the allowable levels of pesticide residues on food under section 408 of the Federal Food, Drug, and Cosmetic Act (FFDCA). Section 408 was amended in 1996 as part of the FQPA. The FQPA amended the FFDCA by establishing a risk-only standard for allowable pesticide residues (called tolerances) in raw and processed food.

Under the amended terms of the FFDCA, the EPA can approve a tolerance only if it is considered safe, and the law defines "safe" as bearing "a reasonable certainty of no harm." The FQPA also directed the EPA to give special consideration to children's health in establishing or reviewing pesticide tolerances, and directed the EPA to reassess by 2006 all tolerances in existence before 1996 to make sure those tolerances satisfy the new safety standard.

7. Hazardous Waste Electronic Manifest Establishment Act

On October 5, 2012, the President signed the Hazardous Waste Electronic Manifest Establishment Act (Public Law 112-195). The act provided for the electronic submission of hazardous waste manifests to the EPA and established a mechanism for financing the development and operation of the program through user fees. The EPA's access to the fees is subject to annual appropriations. The Resource Conservation and Recovery Act of 1976 (RCRA) requires hazardous waste handlers to document information on the waste's generator, destination, quantity and route. The current tracking system relies on paper manifests. An electronic manifest system will increase transparency and public safety, making information on hazardous waste movement more accessible to the, states, and the public. As part of its goal to reduce the burden on regulated entities, where feasible, the EPA is developing a program to electronically collect manifests to reduce the time and cost associated with complying with regulations governing the transportation of hazardous waste. When fully implemented, e-Manifest is estimated to reduce the reporting burden for firms regulated under RCRA's hazardous waste provisions by $75 million annually.

8. Leaking Underground Storage Tank (LUST) Trust Fund

The SARA also amends Subtitle I of the Hazardous and Solid Waste Amendments and authorizes the establishment of a LUST Trust Fund to clean up releases from leaking underground petroleum storage tanks. The LUST Trust Fund is financed by taxes on motor fuels. Owners and/or operators are initially responsible for cleanup of their leaking tanks. At abandoned sites or at sites where owners/operators do not meet their cleanup responsibilities, the Trust Fund provides the resources for the EPA or states to undertake or enforce necessary corrective action and to recover costs expended from the fund. LUST Trust Fund resources are only available through appropriation.

The EPA's objective is to implement this program primarily through cooperative agreements with states. To this end, the agency may take corrective action when an owner/operator or a state fails to respond to a substantial threat to human health and the environment.

Title XV, Subtitle B, of the Energy Policy Act of 2005 made major changes to the EPA's LUST Program to further reduce underground storage tank releases to the environment. It also authorized the EPA to develop new inspection requirements and provide grants with LUST Trust Fund money to the states to expand their inspections of leaking underground storage tanks and undertake compliance assistance and other leak prevention activities.
The EPA was authorized under this new act to enforce fuel standards.

9. Marine Protection, Research, and Sanctuaries Act of 1972 (MPRSA)

The Marine Protection, Research, and Sanctuaries Act generally (unless authorized by permit) prohibits (1) the transportation of material from the United States for the purpose of ocean dumping, (2) the transportation of material from any location for the purpose of ocean dumping by U.S. agencies or U.S.-flagged vessels, and (3) the dumping of material transported from outside the United States into the U.S. territorial sea (MPRSA § 101). Permits under the MPRSA may not be issued for the dumping of sewage sludge or industrial waste (MPRSA § 104B (a)) or radiological, chemical, and biological warfare agents; high-level radioactive waste; or medical waste (MPRSA § 102(a)). The dumping at sea of low-level radioactive waste requires a joint resolution of Congress. (MPRSA § 104(i)). Permits may be issued for other materials if the dumping will not unreasonably degrade or endanger human health, welfare, or the marine environment (MPRSA § 102(a) and 103(a)). The EPA is charged with developing criteria to be used in evaluating applications for ocean dumping permits (MPRSA § 102(a)). The EPA also is responsible for designating recommended sites for ocean dumping (MPRSA § 102(c)). The EPA is the permitting authority for ocean dumping of all materials except dredged material (MPRSA § 102(a)). The U.S. Army Corps of Engineers is the permitting authority for dredged material, subject to EPA concurrence and the use of the ocean dumping criteria developed by the EPA (MPRSA § 103).

10. Oil Pollution Act of 1990 (OIL)

The Oil Pollution Act establishes liability for oil spill response costs and damages, and imposes significant civil and criminal penalties. Liable parties must pay oil spill response costs and to compensate parties damaged by them. Additional money for cleanup and compensation is available through the Oil Spill Liability Trust Fund, managed by the U.S. Coast Guard. This fund is supported by an oil tax but subject to annual appropriations. The fund is to be used by the federal government to fund oil spill response, to perform natural resource damage assessments, and to compensate parties who have been damaged by the oil spill when the responsible party does not pay for those costs.

The OPA also requires double hulls on most oil tankers and barges, and contingency planning on the part of potential dischargers and federal, state and local governments. The law continues to allow states to impose unlimited liability on shippers and contains various provisions to ensure navigation safety. The OPA authorizes research on environmental impacts and response methods of spills. It also amends the CWA to require the President to direct all public and private response efforts for certain types of discharge events.

a. 1990 Amendment — Included Responsible Parties' oil spill and natural resource damage assessment costs along with annual appropriations for research, prevention, and preparedness activities; functions; and actions in support of implementation.

11. Pollution Prevention Act of 1990 (PPA)

The PPA requires the EPA to establish an Office of Pollution Prevention to develop and coordinate a pollution prevention strategy and develop source reduction models. In addition to authorizing data collection on pollution prevention, the act requires owners and operators of facilities required to file an annual toxic release form under section 313 of EPCRA to report annually on source reduction and recycling activities.

Enactment of the PPA added a new direction to U.S. environmental protection policy. From an earlier focus on reducing or repairing environmental damage by controlling pollutants at the point where they are released to the environment (e.g., at the end of the pipe or smokestack, at the boundary of a polluter's private property, in transit over public highways and waterways, or after disposal), Congress looked to reduce generating pollutants at their point of origin. This policy change was based on the notion that traditional approaches to pollution control had achieved progress but should be supplemented with approaches that control pollution from dispersed or nonpoint sources of pollution.

12. Radon Abatement Act of 1988

In October 1988 Congress amended the Toxic Substances Control Act (TSCA) by adding Title III-Indoor Radon Abatement (15 U.S.C. 2661 et seq., P.L. 100-551). The basic purpose of Title III is to provide financial and technical assistance to the states that choose to support radon monitoring and control; neither monitoring nor abatement of radon is required by the Act.

13. Resource Conservation and Recovery Act of 1976 (RCRA)

Congress passed RCRA in 1976 as an amendment to the Solid Waste Disposal Act of 1965. Major amendments and /or related legislation since include:

- Hazardous and Solid Waste Amendments of 1984
- Superfund Amendments and Reauthorization Act of 1986
- Title XV, Subtitle B, of the Energy Policy Act of 2005
- Hazardous Waste Electronic Manifest Act of 2012

14. Safe Drinking Water Act of 1974 (SDWA)

The SDWA, as amended in 1986 and 1996, is the basis for protecting drinking water systems that serve the public. The act directs the Administrator of the EPA to establish primary (enforceable) and secondary (advisory) national drinking water regulations based on maximum contaminant levels of specific pollutants, provides for state enforcement of the requirements, and establishes a program for protection of underground sources of drinking water. It also provides for a Drinking Water State Revolving Fund (DW-SRF) to be established in each state to lend money (sometimes with additional grants as well) to drinking water systems in carrying out the act.

15. The Solid Waste Disposal Act

As amended by RCRA and the Hazardous and Solid Waste Amendments of 1984, this act is intended to address the health and environmental dangers arising from the generation, management and disposal of solid and hazardous wastes. Subtitle C of RCRA provides for comprehensive cradle-to-grave regulation of hazardous wastes: owners or operators of hazardous waste treatment, storage or disposal facilities must obtain a permit to operate, and must meet standards appropriate to the type of unit managing the waste; hazardous wastes must be treated prior to land disposal; and offsite movements of hazardous wastes must be accompanied by a document known as a “manifest.”

The requirement for a manifest applies from the waste’s point of generation to its point of final treatment or disposal, and helps ensure that wastes are not discarded indiscriminately in the environment by listing precise origin, volume and amounts of each waste. Although much of RCRA is focused on the current and future management of hazardous wastes, the statute also includes a significant cleanup program: for example, owner/operators seeking an operating permit are required to clean up past releases of hazardous wastes and constituents at their facility in order to obtain a permit. In addition, RCRA Subtitle D establishes a largely state-administered program for the management of solid, non-hazardous wastes.

16. Toxic Substances Control Act of 1976 (TSCA)

Congress enacted TSCA to test, regulate and screen all chemicals produced in or imported into the United States. Many thousands of chemicals and chemical compounds are developed each year with unknown toxic characteristics. To prevent tragic consequences should they come in contact with the general public, TSCA requires that any chemical that reaches the consumer marketplace be tested for possible toxic effects prior to first commercial manufacture.

Any existing chemical that is determined to pose unreasonable health and environmental hazards is also regulated under TSCA (example: polychlorinated biphenyls, or PCBs, are controlled under TSCA). Procedures are also authorized for corrective action under TSCA in cases of cleanup of toxic materials contamination.

Fees — TSCA authorized two major fees:

a. <u>Premanufacturing Notice (PMN) fee</u> — A PMN fee is collected for the review and processing of new chemical PMN submitted to the EPA by the chemical industry.

b. <u>Accreditation and Certification Fee</u> — TSCA Title IV, Section 402(a)(3), mandates the development of a schedule of fees to cover the costs of administering and enforcing the standards and regulations for persons operating lead training programs accredited under the 402/404 rule and for lead-based paint contractors certified under this rule.

Changes to TSCA, including fees, are being proposed in TSCA amendments being considered by Congress.

17. The National Environmental Policy Act of 1969 (NEPA)

NEPA established a broad national framework for assessing the environmental impacts of major federal actions that significantly affect the quality of the human environment. NEPA has two major objectives: to prevent damage to the environment and to ensure that federal agency decision-makers give appropriate consideration and weight to environmental factors before taking any major federal action that significantly affects the quality of the human environment.
NEPA also established the Council of Environmental Quality (CEQ) to advise the President on environmental matters. The CEQ promulgated regulations implementing section 102(2) of NEPA. Under NEPA and the CEQ regulations, unless an action is categorically exempted, agencies conduct an environmental review in the form of an Environmental Assessment or Environmental Impact Statement, as appropriate. These reviews analyze the environmental impacts of and alternatives to the proposed action.

Most of the EPA's actions are not subject to NEPA because either they are statutorily exempt from NEPA or functionally equivalent to NEPA. EPA actions that are subject to the NEPA include issuance of the National Pollutant Discharge Elimination System permits for new sources under the CWA, award of grants for certain projects funded through the EPA's annual appropriations acts, research and development activities, and facilities construction. The EPA has adopted a voluntary NEPA policy under which it may prepare the NEPA documents voluntarily when it is not legally required to do so if such documents would be beneficial in addressing agency actions. In addition, in conjunction with other statutes, the NEPA generally provides authority for the EPA to conduct international environmental activities.

B. Appropriation Statutes

Congressional appropriations statutes provide discretionary funding for federal government activities. Congress has a two-step process associated with discretionary spending: authorization bills and appropriations bills. Authorization bills establish, continue or modify agencies or programs. Appropriations measures subsequently provide funding for the agencies and programs authorized (although occasionally Congress will include authorization in an appropriations bill). Almost all of the EPA's programs are generally considered to be discretionary, as opposed to mandatory programs such as Social Security or Medicare.

There are generally two main types of appropriation statutes:

1. Annual Appropriations

Each year Congress passes annual appropriations to fund discretionary programs for a given fiscal year. These appropriations generally include specific funding levels with directives and requirements in law and report language.

2. Supplemental Appropriations

Congress also may pass supplemental bills to provide additional funding, usually for emergency purposes, such as for natural disasters. Examples include the Disaster Relief Appropriations Act; Hurricane Sandy; Coastal Wetland Planning, Protection and Restoration Act funds; the Recovery Act; the RESTORE Act, etc. Supplemental appropriations normally also contain specific tracking reporting and other requirements. *Chapter 5, "EPA Sources of Funding and Associated Processes," describes the major steps, processes and major rules governing annual and supplemental appropriations.*

C. Government-Wide Management and Administrative Statutes

Below are some of the most important statutes that direct how the federal government must manage its funds. This is not a comprehensive list, and financial managers should consult with the Office of General Counsel about whether additional statutes might apply to major upcoming decisions.

1. Anti-Deficiency Act, 31 U.S.C. 1314,1342 & 1517 (ADA)

The ADA consists of provisions of law passed by Congress (beginning in the nineteenth century and later codified in Title 31 of the U.S. Code) to prevent departments and agencies from spending their entire appropriations during the first few months of the year. (Note – the acronym is also used for American with Disabilities Act)

a. <u>The ADA prohibits</u>:

- Spending in excess of an amount available in an appropriation.
- Authorizing expenditures in advance of an appropriation.

- Accepting voluntary services without authority.
- Spending in excess or in advance of an apportionment.
- Entering into contracts that exceed the enacted appropriations for the year.
- Exceeding budgetary authority, including apportionments
- Purchasing services and merchandise before appropriations are enacted.

b. The ADA:

- Requires that the OMB apportion the appropriations, that is, approve a plan that spreads out spending over the fiscal period for which the funds were made available.
- Requires, subject to the OMB's approval, the head of each executive agency to prescribe by regulation a system of administrative control of funds (31 U.S.C. 1514(a)).
- Restricts deficiency apportionments to amounts approved by the agency heads only for "extraordinary emergency or unusual circumstances."
- Establishes penalties for ADA violations. Violations are obligations or expenditures in excess of the lower of the amount in the affected account, the amount apportioned, or administrative subdivision of funds.

2. Budget and Accounting Act and Supplemental Appropriations Act

The Budget and Accounting Act of 1921 and the Supplemental Appropriations Act of 1955 provide the budget and appropriations authority of the President, budget contents and submissions to Congress, supplemental appropriations, and advances. The specific requirements for recording obligations, such as documentary evidence, are set forth in 31 U.S.C. 1501.

3. Chief Financial Officers Act of 1990 (CFO Act)

The CFO Act requires 24 federal departments and agencies to prepare and audit financial statements for trust funds, revolving funds and commercial activities accounts. As one of the 24 agencies, the EPA follows the OCFO Act structure.

CFOs are designated by each federal department or agency and have the fundamental responsibility to assure that its use of public funds adheres to the terms of the pertinent authorization and appropriations acts, as well as any other relevant statutory provisions. The Assistant Administrator, Office of the Chief Financial Officer, serves as the EPA's CFO. Previous to the CFO Act, the EPA relied on a comptroller within the Office of Administration and Resource Management to coordinate the agency's financial operations. Financial Statement Audits are conducted or supervised and issued by the EPA Office of Inspector General each year by November 15 (unless delayed by approval of OMB).

4. Congressional Budget Impoundment and Control Act of 1974 (Impoundment Act) Under this act, an impoundment is defined as an action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by Congress. There are two types of impoundment actions: deferrals and rescissions.

a. A deferral is a postponement of budget authority in the sense that an agency temporarily withholds or delays an obligation or expenditure. Deferrals may be proposed by agencies but must be communicated to Congress by the President in a special message. Deferred budget authority may not be withheld from obligation unless Congress passes legislation to approve the deferral and that legislation is enacted.

b. A rescission involves the cancellation of budget authority previously provided by law (before that authority would otherwise expire).

If a federal agency fails to obligate appropriated funds, the Comptroller General is authorized by 2 U.S.C. 682 to bring a civil action against that agency. The expiration of budget authority, or delays in obligating if resulting from a legitimate programmatic delay or ineffective or unwise program administration, are not regarded as impoundments unless the facts establish that the agency intentionally withheld funds.

For short title of Title X of Pub. L. 93–344, found at 2 U.S.C. 681–688, which enacted this chapter as the ''Impoundment Control Act of 1974,'' see section 1(a) of Pub. L. 93– 344, as amended, set out as a note under section 621 of this title. The 1974 Congressional Budget and Impoundment Control Act modified the role of Congress in the federal budgetary process. It created standing budget committees in both the House and the Senate, established the Congressional Budget Office, and moved the beginning of the fiscal year from July 1 to October 1.

5. The Digital Accountability and Transparency Act of 2014 (DATA Act)

The DATA Act aims to make information on federal expenditures more easily accessible and transparent. The act requires the EPA to work to make detailed information available on all procurements, grants and interagency agreements.

6. Economy Act of 1932

Federal agencies frequently provide goods or services to other federal agencies. The Economy Act authorizes agencies to obtain goods or services either directly from other federal agencies or through contracts awarded by other agencies when it promotes economy and efficiency for the government. Both agencies must have the authority for the underlying activities proposed in the agreement. At the EPA, the mechanism to do so is an interagency agreement between the EPA and the other federal agency.

An Economy Act agreement may not exceed the period of availability of the source appropriation. In addition, a time-limited appropriation (such as the EPA's Environmental Programs and Management appropriation) that is obligated under an Economy Act agreement must be De-obligated at the end of its period of availability to the extent that the performing agency has not performed or incurred valid obligations under the agreement. For any appropriation, this rule applies at the end of the source appropriation's period of availability.

7. Federal Managers' Financial Integrity Act of 1982 (FMFIA) The FMFIA is designed to:

- Protect government resources from fraud, waste, abuse or mismanagement.
- Require systematic self-examination of management controls by program managers.
- Require agency heads to report annually to the President and Congress on the state of management control systems, identify material management control weaknesses, and provide corrective action plans and milestones.

The FMFIA requires the establishment of systems of internal accounting and administrative controls, according to standards prescribed by the Comptroller General, which provide reasonable assurance that:

- Obligations and costs comply with applicable law.
- Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation.
- Agency revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over assets. The agency's annual report must provide a separate statement of whether the agency's accounting system conforms to the principles, standards and related requirements prescribed by the Comptroller General under Section 112 of the Accounting and Auditing Act of 1950.

OMB Circular A-123 establishes broad guidelines for agency self-evaluation of management control systems. The EPA follows A-123 with an annual process of internal control reviews and A-123 assessments. The OCFO issues annual guidance to the agency on how each year's process will be organized and managed.

8. Government Performance and Results Act of 1993 (GPRA) and GPRA Modernization Act of 2010 (GPRAMA)

Originally, GPRA was enacted to align strategic goals with annual plans, budgets and serves as a basis for financial and performance accountability reporting. Congress passed GPRAMA on January 4, 2011. It made substantial changes to the original GPRA law:

- It continues three agency-level products (the EPA Strategic Plan, Annual Plan, and Budget and Annual Performance Report) from the GPRA 1993, but with changes.
- It establishes new products and processes that focus on goal-setting and performance measurement in policy areas that cut across agencies (Priority Goals, "unmet goals" report).
- Brings attention to using goals and measures during policy implementation.
- Increases reporting on the Internet.
- Requires individuals, Goal Leaders (i.e., officials named by the agency head or COO who will be held accountable for leading implementation efforts to achieve a goal), to be responsible for some goals and management tasks.

In making these changes, the GPRAMA aligns the timing of many products to coincide with Presidential terms and budget proposals. The law also includes more central roles for the OMB, which advances the President's policy preferences. The GPRAMA also contains specific requirements for consultations with Congress. By design, many of the GPRAMA's products are required to be submitted to Congress for scrutiny and potential use. The law also provides opportunities for Congress and non-federal stakeholders to influence how agencies and the OMB set goals and assess performance.

9. Impoundment Control Act of 1974 (please see 4. Congressional Budget Impoundment and Control Act of 1974.) 10. Independent Offices Appropriations Act (IOAA)

Codified at 31 U.S.C. 9701, the IOAA provides agencies with authority to collect user fees in certain circumstances. The IOAA does not provide agencies with authority to "retain and use" the fees, so any monies agencies collect under the IOAA must be deposited into the Treasury as miscellaneous receipts. The OMB provided implementing guidance on the IOAA in OMB Circular A-25. Under court decisions sustaining the OMB's interpretation of the IOAA, agencies may only charge fees to "identifiable recipients for a measurable unit or amount of government service or property from which he derives a special benefit." Fees may not be imposed under the IOAA "when the identification of the ultimate beneficiary is obscure and the service can be primarily considered as benefitting broadly the general public."

11. Inspector General Act of 1978

This act, amended 1988, requires the Inspector General to conduct and supervise independent and objective audits, evaluations, investigations and other reviews relating to the agency programs and operations (including contracts, grants, and acquisition management; financial transactions; fund control; and financial statements). The Inspector General also makes recommendations to promote economy, efficiency, and effectiveness; prevents and detects fraud, waste, and abuse; and keeps agency heads and Congress fully and currently informed of problems. The EPA Office of the Inspector General (OIG) conducts and promotes program evaluations of the EPA programs and activities (including process, outcome, impact and cost-benefit).

The OIG Office of Investigations is a law enforcement entity that conducts criminal, civil and administrative investigations of possible violations of laws under the criminal code and alleged misconduct and abuse by agency, contractor or grantee employees. To ensure objectivity, the Inspector General Act provides the Inspector General with independent authority to carry out activities such as determining what reviews to perform and obtaining all necessary information, developing and executing budgets through independent appropriations, selecting and appointing OIG employees including Senior Executive Service positions, and entering into contracts. This independence protects the OIG from interference by agency management and allows it to function as the agency's fiscal and operational watchdog.

From the budget formulation process through execution, agency management may not reduce or reallocate OIG resources if the OIG conforms to OMB and Congressional guidance. Under the provisions of the IG Reform Act, the OIG may require OMB to report to Congress if the amount included for the OIG is insufficient for the OIG to carry out its mission.

12. "M" Account Legislation

The National Defense Authorization Act of 1990 amended controls on the availability of appropriation accounts and the procedures for closing appropriation accounts (31 U.S.C. 1551–57). The act cancelled all merged or "M account" surplus authority (unobligated balances in expired appropriations) as of December 5, 1990. The act also requires that, from 1990 on, unobligated balances and unliquidated obligations will be cancelled five years after an appropriation has expired, and then that account will be closed out.

The EPA has an exception to the five-year cancellation requirement time period. The EPA requested and received special statutory authority for the agency's time-limited appropriations to remain available to liquidate obligations for seven years after the period of availability for new obligations expires (Public Law 106-377). This means that the EPA's accounts with obligation deadlines (normally called two-year accounts due to the two-year deadline to obligate funds) have a total of nine years to outlay all funds (2 + 7 = 9). This special authority came into effect in fiscal year 2001.

After an appropriation account has been cancelled or closed out, bills received against cancelled obligations must be paid from current appropriations available for the same purpose. The total amount of charges to a current appropriation account may not exceed 1 percent of the total appropriations for that account. OMB Bulletin 91-07, which implements this legislation, requires federal agencies to have available up to 1 percent of current-year appropriations to liquidate liabilities that arise from accounts that have been cancelled. Should a payment be needed that exceeds the 1 percent funding availability, the agency must go back to Congress and request a supplemental appropriation.

13. Miscellaneous Receipts Act (MRA)

The MRA requires any agency official who receives or is in constructive receipt of funds (i.e., controls how the funds are used) from an outside source (including other federal agencies) without explicit authority must deposit the funds into the Treasury's general fund.

14. Money and Finance

Public Law 97-258, § 1, September 13, 1982, 96 Statute 877, provides that "Certain general and permanent laws of the United States, related to money and finance, are revised, codified, and enacted as title 31, United States Code, 'Money and Finance'…": This includes:

- Sections 1341–1342, 1349–1351, 1511–1519 (part of the Anti-Deficiency Act, as amended).
- Sections 1101, 1104–1108, 3324 (part of the Budget and Accounting Act, 1921, as amended).
- Sections 1501–1502 (part of section 1311 of the Supplemental Appropriations Act of 1950).
- Sections 1112, 1531, 3511–3512, 3524 (part of the Budget and Accounting Procedures Act of 1950).

D. Government-Wide Guidance and Regulations

Federal agencies do not independently determine how they should follow the management statutes discussed above. Specific federal offices and agencies issue regulations, guidance, circulars and other direction that agencies must follow. The most prominent guidance documents, sources and legal opinions upon which government-wide budgeting and accounting depend are:

- OMB Circulars, particularly:
  - A-11—Preparation, Submission and Execution of the Budget
  - A-123—Management's Responsibility for Internal Control
  - OMB Circulars at http://www.whitehouse.gov/omb/circulars_default/
- Government Accountability Office (GAO) rulings and opinions—Green Book, Red Book, etc. http://www.gao.gov/
- Office of Personnel Management (human resources), GSA (space, procurement), Department of Commerce's National Institute of Standards and Technology (cybersecurity), Treasury, etc.

Below are some more detailed descriptions of the some of the most critical circulars and guidance documents pertaining to federal fiscal management.

1. Executive Orders (EOs) and Presidential Memoranda

Through EOs and memoranda, Presidential administrations direct specific governmentwide actions by Executive Branch officials. This guidance covers general management goals (such as transparency), government-coordinated action on specific challenges (such as the *Deepwater*

Horizon oil spill) and general policy direction (such as climate change adaptation and environmental justice); it directs agency heads and officials to take or consider certain actions.

2. Office of Management and Budget (OMB) Circular A–11

Contains many detailed instructions and requirements for Federal budget and financial management, including:

a. OMB Circular A–11 (2014) requires the agency head to report any ADA violations to the President through the OMB Director, Congress and the Comptroller General.

   Under the ADA, obligating or expending more than the amount in the Treasury Account Fund Symbol, or the amount apportioned or the amount in any other subdivision of funds identified in agency fund control regulations as being subject to the ADA, will be cause for appropriate administrative discipline. (Fuller description of the ADA's provisions and the penalties for violating the ADA can be found in the ADA description in this document.)

   ADA violations are potentially criminal, and any violation must described in writing through the EPA's CFO to the President. All officials involved will be asked to explain in detail how the situation occurred, how it was rectified and what measures were taken to prevent any re-occurrence. Violators will be subject to appropriate administrative discipline, including — when circumstances warrant — a written reprimand, suspension from duty without pay or removal from office. In addition, if convicted of willfully and knowingly overobligating or overexpending the amount, violators shall be fined not more than $5,000, imprisoned for not more than two years, or both.

b. OMB Circular A-11 (Part 2), Preparation and Submission of Budget Estimates, contains government-wide requirements and guidance on the preparation and submission of federal budget requests for the next budget cycle (upcoming fiscal years). Circular A-11 includes policies and instructions for building the budget database, preparing the budget documents, providing supporting data for the budget submission and transmitting the budget.

   In relation to budget formulation, OMB Circular A-11 requires agencies to report costs in terms of object classification, defined in Part II of the Circular. Object classification is used to report obligations for each account according to the nature of the goods and services procured. Obligations are categorized by their purpose and are designated to one of the following groupings: personnel compensation and benefits, contractual services and supplies, acquisition of capital assets, grants and fixed charges, and other. These classifications tie into RMDS 2590 Part IV, which includes all of the EPA's sub-object class codes and definitions.

c. OMB Circular A-11 (Part 4), Instruction on Budget Execution, contains governmentwide requirements and guidance regarding budget execution. Contents include guidance on requirements and instructions, concepts, agency accounting and fund control systems, reports on budget execution, apportionments, rescissions and deferrals, etc.

3. OMB Circular A-123, Management's Responsibility for Internal Controls

This circular defines management's responsibility for internal control in federal agencies. It provides guidance on using the range of administrative controls. Such controls include program, operational and administrative areas, as well as accounting and financial management. Circular A-123 and the statute it implements, the FMFIA of 1982, are at the center of the existing federal requirements to improve internal control. Internal controls — organization, policies and procedures — are tools to help program and financial managers achieve results and safeguard the integrity of their programs.

4. Opinions of the Office of Legal Counsel (OLC)

OLC provides definitive legal advice to Executive Branch agencies on appropriations law. Based on the Constitution's separation of powers principle, when there is a conflict between the OLC's opinions and those of the Comptroller General of the GAO (which is an arm of Congress), the OLC's positions are binding on the Executive Branch. See Memorandum for Janis A. Sposato, GC, Justice Management Division, from John O. McGinnis, Deputy Assistant Attorney General, OLC (August 5, 1991), separation of legislative and executive powers (the McGinnis Memo). The EPA has implemented the OLC's advice in EPA Order 2515.1, Policy and Procedures for Relieving Certifying and Disbursing Officers from Liability (March 17, 2000).

5. Government Accountability Office (GAO)

The *Principles of Federal Appropriations Law*, also known as the "Red Book," is a document updated and published by the GAO. The OLC recognizes that while GAO decisions are not legally binding on Executive agencies, the GAO's opinions are "useful sources" on matters of appropriations law. See Memorandum for Emily C. Hewitt, General Counsel, General Services Administration, from Richard L. Shiffrin, Deputy Assistant Attorney General, OLC (August 11, 1997). The EPA's Office of General Counsel adheres to GAO positions that do not conflict with OLC positions, unless the General Counsel determines otherwise in a specific case.

6. General Services Administration (GSA) Regulations

The GSA issues government-wide regulations on how agencies conduct business, including procurement, property management, travel and acquisition. These include:

a. GSA Federal Acquisitions Regulation (FAR) is jointly issued by the Department of Defense, the GSA, and the National Aeronautics and Space Administration for use by Executive agencies in acquiring goods and services.

b. GSA Federal Management Regulation (FMR) is the successor regulation to the Federal Property Management Regulation (FPMR). It contains updated regulatory policies originally found in the FPMR.

c. GSA Federal Travel Regulation (FTR) is the regulation contained in title 41 of the Code of Federal Regulations, chapters 300 through 304, which implements policies for travel by federal civilian employees and others authorized to travel at government expense.

GSA.gov has links to these regulations, as well as travel per diem rates and other information.

Chapter 3: Federal and EPA Budget and Financial Terms

Summary

The federal government as a whole, and the EPA specifically, use many specialized terms in budget and financial management. Some of these terms have more precise or slightly different meanings than they do when used outside government. Below are some short descriptions of some of the most important terms and links to other, more extensive explanations.

Federal financial management is generally divided into two parts:

- Formulation — planning for what will be spent in future years. (Thus, formulating budgets in fiscal year [FY] 2015 for FY 2016 and beyond.) http://intranet.epa.gov/ocfo/budget/formulation.htm
- Execution — ensuring that funds are correctly spent. (Thus, in FY 2015, executing the FY 2015 budget and managing monies from prior fiscal years.) http://intranet.epa.gov/ocfo/budget/execution.htm

A. Federal Spending Terms The word "spend" has no particular defined meaning in the federal government, but each step of the U.S. federal funding process has specific definitions government-wide. Below are the major spending terms corresponding to the order in which the dollars are provided (and, in parentheses, the organization performing the action).

1. **Appropriation (Congress):** Congress passes a bill giving (appropriating) particular entities permission to spend a certain amount of money for a particular purpose for a set period of time.

2. **Apportionment (OMB):** The Office of Management and Budget, on behalf of the Executive Branch, allows agencies to use specified amounts of appropriated dollars in Federal financial systems for particular programs.

   - It violates the Anti-Deficiency Act (ADA) to use federal dollars without an apportionment.

3. **Allotment (Department):** Cabinet-level agencies allot funds to their bureaus; the EPA has one central allotment residing in the Office of Budget.

   - The EPA also uses the word "allotment" in the State Revolving Funds program.

4. **Allocation or Allowance (Agency, Bureau):** The EPA allocates or provides an allowance to particular parts of the agency (national program managers [NPMs] and EPA regions or portions thereof).

   - The EPA designates allowance holders who, once they receive the allocation, can commit, obligate and outlay their portions of the EPA's budget.

5. **Commitment (Allowance Holder):** An administrative reservation of funds for a particular purpose in anticipation of their obligation.

6. **Obligation (Allowance Holder):** A definite legal liability of the government to pay money for goods and services ordered or received. For example, an obligation arises when a grant or contract is awarded.

   - <u>Recording an Obligation</u> — Formally recording the obligation in a federal financial system (Compass for EPA) to satisfy (recognize) the government's liability.

7. **Expenditure, Liquidation, Disbursements, Outlays (Normally Accounting):** The EPA pays the bill. The EPA expends, disburses or outlays the funds. Accounting distinction is that when the EPA uses a resource it is expended; when it actually sends cash, it is disbursed or outlaid.

   - Accruals — The EPA uses accruals to account for the difference between when something is done and when the bill is paid. An accrual is an accounting entry with estimated cost of a resource used for which the bill has not been paid. For example, in payroll the cost of your time for work is accrued.

8. **Remaining Balances:** Financial managers must keep a close eye on fund balances, the name for which is generally: "un" + the basic budget term. The three major types are:

   - Uncommitted Funds — How much does an allowance holder have allocated that has not been committed?

   - Unobligated Balances — How much does an allowance holder have committed that is not yet obligated?

   - Unliquidated Obligations — How much has been obligated but not expended? This is sometimes called unexpended, undisbursed or un-outlaid, but (borrowing the private business finance term "liquidity") federal managers tend to say "unliquidated." Unliquidated balances are particularly important in long-term projects such as grants — where some projects and obligations are many years old.

B. EPA Budget Management Terms

1. **Allowance Holders:** Many NPMs and regions control money at a lower level (normally by Division) with each sub-organization given (allocated) monies separately as an allowance holder.

2. **Available:** Available funds may be obligated and expended.

3. **Cancelled:** Cancelled funds may no longer be obligated or expended.

4. **Carryover:** Money not obligated in one year that can be obligated (or carried over) into the next.
5. **Continuing Resolution:** A temporary appropriation that requires an agency to continue operating under the status quo established by the previous appropriations acts until Congress completes action on appropriations acts for the remainder of the fiscal year. Generally programs cannot fund new programs (programs that were not authorized in the prior fiscal year) — and funding is capped at the lower of PB and the previous year's budget.

6. **De Facto:** When an organization goes into the red in a detailed line of accounting (normally due to payroll). Compass will not allow an ADA violation. Financial managers must correct these.

7. **Expired Funds:** Funds that may no longer be used to create new commitments, but may be expended (used to pay bills).

8. **Fiscal Year (FY):** The federal FY begins on October 1 and runs through September 30 of the following calendar year. It does *not* necessarily coincide with many states' or corporations' fiscal years.

   - Federal pay raises and benefit cost adjustments are tied to the calendar, not fiscal year — which complicates calculations.

9. **Fiscal Quarters:** The federal FY is divided into four three-month fiscal quarters: October–December, January–March, April–June and July–September.

   - OMB and other stakeholders frequently review progress by fiscal quarter.

10. **Intramural and Extramural** (not formal terms):

    - Intramural includes payroll and other fixed costs — funds used inside the EPA.
    - Extramural includes contracts, grants, IAs — funds used outside the EPA.

11. **Intra-Governmental Payment and Collection System:** Treasury's system for moving funds from one federal agency to another. Used for making payments on interagency agreements.

12. **Lapse Rate:** The portion of a budget *not* used, i.e. what percentage "lapsed."

13. **National Program Managers (NPMs):** The EPA's major programs. It is also used to describe the headquarters portion of the program only. This means that you can count NPMs' budgets in two ways — with and without Regional dollars.

14. **Pro Rata Reduction:** When all budgets are reduced by a certain percentage.

15. **Reprogramming:** Money moved from program project, program area, budget object class or organization to another.

    - All reprogramming requires Compass action. (See other sections for further explanation.)
    - For movements between program projects and program areas, the EPA must inform Congress when net changes are more than $1 million or 10 percent of the value of the program. This is a cap for all EPA organizations, not just a particular region or NPM. In addition, Congress normally specifies additional limits on particular programs.

16. **Rescission:** When Congress takes money back from an agency. There are two types of rescissions:

    - <u>Across-the-Board Rescission</u> — Congressional appropriations reduce agency appropriations across the board by a certain percentage.
    - <u>Targeted Rescission</u> — Congress pinpoints certain items, previously appropriated that they want the EPA to give back to Treasury.

17. **Responsible Program Implementation Office:** The major EPA organizations consisting of the 13 NMPs and the 10 regions.

18. **Sweeps:** When organizations have not met specific commitment or obligation deadlines, the Office of the Chief Financial Officer takes back or "sweeps" the unused funds.

19. **Taps:** When money is needed to fund a specific project, funds are sometimes "tapped," or moved from other budgets. **Additional Information and Training**

http://intranet.epa.gov/ocfo/budget/training.htm

Chapter 4: The EPA's Financial and Associated Systems

Summary

The EPA relies on several major budget, financial and administrative systems to manage its finances. Below are short descriptions for the major systems. A major challenge for all financial managers is to make sure that data is accurately communicated and reconciled between all systems.

A. Automated Standard Application for Payments (ASAP)

The EPA uses Treasury's ASAP system to make and manage payments to states and tribes. ASAP is a secure, Web-based, all-electronic payment and information application managed by Treasury and the Federal Reserve Bank. This application is a system through which grantee organizations receiving federal funds can draw from accounts pre-authorized by federal agencies.

The Las Vegas Finance Center (LVFC) establishes and maintains grant accounts in ASAP for the agency's grant recipients. Upon obligation of assistance agreement and amendments in Compass, the LVFC enters spending authorizations into recipients' ASAP accounts. Subsequently, recipient organizations initiate payment requests through ASAP to meet immediate cash needs. Payments are disbursed next day unless recipient specifies same day payment.

ASAP payment transactions are electronically allocated in accordance with EPA accounting policy and uploaded to Compass daily via the Grant Payment Allocation System (GPAS).

B. Budget Automation System (BAS)

The EPA uses an Oracle database to manage its budget formulation processes. BAS is being upgraded in stages to a new Budget Formulation System beginning in 2016.
http://intranet.epa.gov/ocfo/systems/bas/index.htm

C. Compass The EPA's budget execution system, built on a Momentum platform. Compass is the agency's core financial system. Compass data can be accessed through several reporting and summary tools. All agency financial transactions including commitments, obligations and expenditures must be correctly recorded in Compass. The agency also has reporting related to Compass that provide fund managers with automatic and special report capabilities, including:

1. Compass Business Objects Reporting (CBOR)
CBOR contains many structured reports and additional ad hoc reporting capabilities.
https://ssoprod.epa.gov/sso/jsp/BOSCHlogin.jsp

2. Compass Data Warehouse (CDW)
The CDW contains financial data for review and use by financial managers.
https://ocfosystem1.epa.gov/neis/adw.welcome

3. Compass Financials https://compassmomentum.epa.cgipdc.net/momexauthservice/login.jsp

D. Concur

The agency's travel management system. https://cge.concursolutions.com/

E. Contracts Payment System (CPS)

The Research Triangle Park–Finance Center contract payment staff uses the obligation document to identify the information that is entered and used to support the processing of contract-related documents (such as obligations and payments). Information is then entered into the CPS via direct data entry, based on specific details on the contracts, delivery orders and invoices.

F. Department of the Interior (DOI), Interior Business Center (IBC)

The DOI IBC provides the EPA's payroll services through the Human Resources Line-ofBusiness (HR-LOB) function. The IBC provides high-quality, comprehensive personnel and payroll solutions through the Federal Personnel and Payroll System, comprehensive payroll operations services, an analytical and reporting tool (DataMart), and other related HR systems and services. The EPA's HR-LOB standardizes, automates and integrates the HR and payroll systems. The system interfaces with the EPA's time and attendance system, PeoplePlus (described below).

G. EPA's Acquisition System (EAS)

The data in the EAS that is required and or allowed under the Federal Acquisition Regulations for the business process of acquiring goods and services in support of the agency's mission. This includes planning, solicitation, award, contract administration and close out of contracts and purchase orders.

The sources of the data are the EPA internal acquisition process, the EPA financial systems and the vendor/contracting community. Contractor and vendor data in the system are also provided by the General Services Administration–managed Shared System Inventory, which is part of the President's Management Agenda Integrated Acquisition Environment.

H. Grant Payment Allocation System (GPAS)

GPAS is an Intranet-based application used by the LVFC in the processing of the agency's grant payments, as well as Local Government Reimbursements and Pollution Allowance Auction payments.

The major functionalities of GPAS are the automatic allocation of grant payments to specific accounting lines in accordance with business rules and the nightly upload of transactions to Compass.

GPAS also allows for special instructions or reminders to be placed in the system as needed, such as notes on how to apply payments, final drawdown notification, accounts receivable notification or instructions that project officer approval is required before payment may be made. Furthermore, project officer and/or recipient email information can be added to generate an automated email notification each time a payment has been processed.

I. Integrated Grants Management System (IGMS)

The IGMS's purpose is to provide an electronic format for all state grant activities and communications between the EPA's headquarters, EPA regions and state participants. The system, which is currently under redesign, automates the grant process — including policy, guidance, application, award, negotiation, tracking and reporting functions — for participating states and regions to use in their state grant process. This system will streamline the grant process and provide electronic management from the application phase to the closeout phase of a project.

J. Intergovernmental Payment and Collections (IPAC) System Treasury's system for moving funds from one federal agency to another. Used for making payments on interagency agreements. Sometimes turned into a verb, e.g. "The EPA IPACed FEMA for the mission assignment."

K. Office of Management and Budget (OMB) MAX

The OMB system that is used to collect and process most of the information required for preparing the budget. MAX compiles the budget data using a series of schedules, or sets of data, within the MAX database. Each schedule describes a different view of the President's budget. Reporting categories include, but are not limited to, budget authority, obligations, outlays, object classes, goals and discretionary versus mandatory funding. An overview of all the schedules is provided in OMB Circular A-11, section 79.4. Data are reported at the budget account level in MAX (see section 20.12(a)). This information is aggregated to provide the totals presented in many of the tables in the President's budget.

More information can be found at:

- OMB Circular A-11, section 79, "The Budget Data System": http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s79.pdf • Max A-11 Tool Homepage: https://max.omb.gov/maxportal/webPage/a11/maxa11
- Max A-11 Tool User Guide: https://max.omb.gov/maxportal/webPage/a11/maxA11UsersGuide

L. PeoplePlus

The EPA uses PeoplePlus, an integrated management system for HR, benefits, payroll, time and labor. Payroll guidance and instructions for the PeoplePlus system and software have been distributed under separate cover through normal agency channels. These efforts will improve business performance, increase efficiency and provide a more supportive work environment.

M. Superfund Enterprise Management System (SEMS)

SEMS provides information about Superfund special accounts using information from the CDW.

Chapter 5: Sources of Funding for the EPA and Associated Processes

Summary

The EPA uses dollars from six primary sources:

- Regular Annual Appropriation **—** Each year's annual appropriation contains detailed specific descriptions of how the EPA may spend its funding.
- Supplemental Appropriations **—** For specific "emergency" needs, Congress appropriates money in addition to regular annual appropriations, mainly for large natural disasters like Hurricane Katrina.
- Reimbursables **—** The EPA performs work for another federal or state agency and is reimbursed through that agency's funds. Examples include reimbursement through the Federal Emergency Management Agency Mission Assignments.
    - Settlements — The EPA receives some monies through the Natural Resources Damages Assessments, arising from incidents such as the *Deepwater Horizon* oil spill or in specific court settlements.
- Trust Funds — The EPA's main trust funds are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), or Superfund; OIL; and Leaking Underground Storage Tanks. Generally, Congress must also appropriate these funds before the EPA can use them.
- Fees — Charges for particular services that must be independently tracked and managed.
- Special Accounts — When the EPA enters into Superfund settlement agreements with potentially responsible parties, money may be kept in special accounts to be used for cleaning up that site. http://intranet.epa.gov/ocfo/superfund_A/index.htm
    - State Cost Share Provisions for Superfund State Contracts **—** Before the EPA can commit or spend congressionally appropriated funds for remedial actions**,** a state must make specific assurances, including providing for payment of the state's share of the cost.

Regardless of the source of funds, federal management laws and regulations and requirements still apply. Since annual budget appropriations are the largest source of funds for EPA operations, this section has the most extensive discussion of how these budgets are developed and carried out. Generally, the requirements and procedures used to manage annual appropriations also apply to other types of funding; for example, requests for funding must be clearly explained, funds must be apportioned by the Office of Management and Budget (OMB), and funding commitments must be tracked and managed.

Before explaining the details of budget policies and procedures, this section lays the groundwork for a general understanding of the annual federal budget process. Figure 1 shows the major steps in first formulating the budget, and then executing, or carrying it out, once it is passed by Congress. The dates for each step of the federal budget process — when there are no delays — appear in brackets. The EPA must follow similar steps in formulating budgets for other sources of funding, and follow the exact steps in executing budgets for all funding sources.

A. Annual Federal Budget Process

The budget formulation process at the EPA has evolved greatly. As the EPA seeks to present its budget more effectively to Congress and to the public, it has moved toward linking funding to measurable environmental goals and outcomes. To build a results-based budget, the agency strives to integrate planning and budgeting in all phases of budget development.

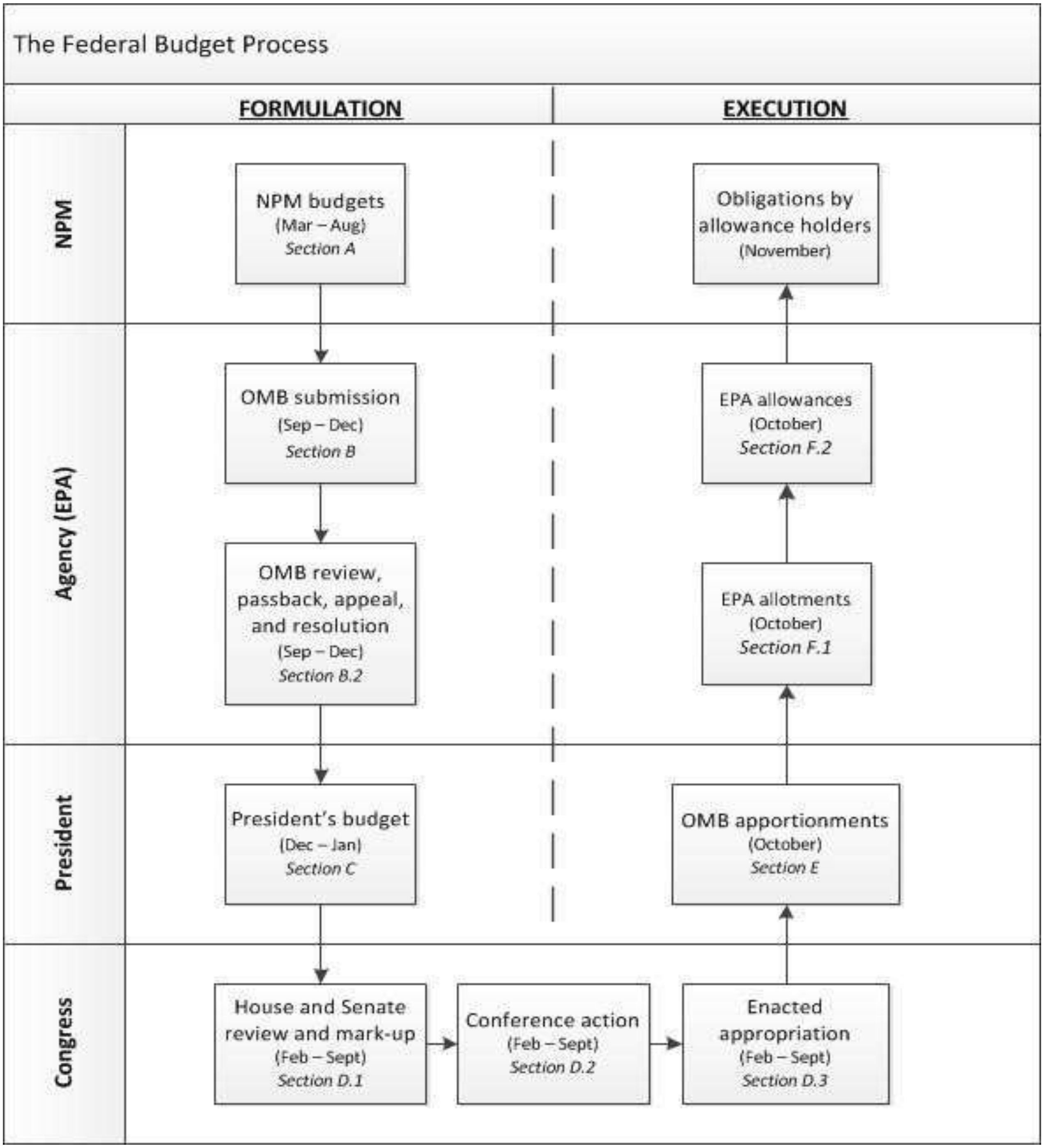

Figure 1. Federal budget process.

The following information is a quick overview of a typical budget formulation process:

1. National Program Manager Budgets *(March–August)*

The EPA works internally to prepare a proposed budget to submit to the OMB in September (about 13 months before the start of the relevant fiscal year). Generally, in spring or summer, the OMB provides the EPA with a budget target level that the agency must use in planning its submission.

A critical step is for the EPA to reach out to stakeholders, state and tribal organizations to discuss their concerns and priority areas. This input moves the agency toward achieving goals and meeting statutory requirements, and also factors in to discussions and decisions at the EPA's annual planning meeting. At the planning meeting, the Administrator and the agency's senior leadership review and prioritize major policy changes that will move the agency toward achieving the environmental goals in the EPA's Strategic Plan.

Based on agreements reached at the annual planning meeting, as well as through other discussions, the Office of the Chief Financial Officer (OCFO) issues budget policy and technical guidance to the agency to develop its budget. The Office of Budget (OB), with input from the Office of Planning, Analysis, and Accountability (OPAA), issues a guidance memorandum, which includes the framework and formats each agency office should use in developing budget requests.

Each Assistant Administrator, the General Counsel and the Inspector General (IG) serve as national program managers, or NPMs. These agency executives work with the senior managers in their program offices and with the regions to formulate a budget request that reflects the EPA's Strategic Plan and the needs of headquarters and the regional offices.

The Assistant Administrators/Regional Administrators (AA/RAs) typically submit their requests to the OCFO. The OCFO reviews and analyzes the requests and works with various offices in the EPA to make recommendations to the agency's senior managers. The recommendations can take the form of a budget straw proposal and include amended budget decisions. The agency's senior managers meet at the annual budget forum in June or July to discuss and make recommendations on proposed budget decisions. The Administrator's final decisions are communicated to the agency along with technical instructions for preparing and submitting the OMB budget.

2. The EPA's Budget Submission to the OMB *(September–December)*

a. OMB Submission — Based on the Administrator's final decisions, the AA/RAs prepare their portions of the agency's OMB budget submission and provide them to the OB and the OPAA for consolidation into a single document. Each AA/RA's submission is usually due to the OMB on the first Monday after Labor Day (13 months in advance of the fiscal year of the request). The OMB submission precedes any decision-making and is thus not a public document.

b. OMB Review — Following a period of review, the OMB holds hearings with select AA/RAs to offer them an opportunity to justify their funding requests and proposed policy changes. The OMB also usually requests additional program and budget information from the agency. OMB analysts then review EPA's submissions, and work within the OMB's government-wide planning process for that year. Generally this includes an OMB director's review. After the director's review, the OMB prepares proposed budget levels, policy changes and any additional stipulations and requirements to send back to the agency.

c. Passback, Appeal, and Resolution — The OMB sends all federal agencies letters (normally about 10 to 40 pages) with proposed budget levels, policy changes and additional requirements, which inform agencies how much will be allocated for that agency in the President's budget request. The process is commonly called OMB "passback" (for OMB passing the budget back to the agency) and normally contains policy directives, information requests and budget numbers.

Almost always, agencies must formally respond to the OMB within 72 hours, in writing with the Administrator's signature. When the EPA appeals its budget levels or any other policy issue, it must decide which issues to respond to and how to respond, develop arguments and write the appeal letter — and obtain approval from all levels of management — all within three days. (The EPA almost always appeals some budget levels and usually policy issues as well.)

Following the appeal, usually OMB and the agencies negotiate back and forth until they reach a final agreement. This stage is complete after all outstanding issues between the agency and OMB have been resolved. Issues that cannot be resolved between the agency and OMB may be appealed to the President. Normally one or two issues remain open until late in the process, and the budget community must prepare all the other portions of the budget while these final details are settled.

3. President's Budget/Congressional Justification *(December–January)*

Per the Budget and Accounting Act of 1921, the President must submit a budget to Congress, called the President's budget, no later than the first Monday in February. The EPA and other agencies submit detailed descriptions of their budget proposals in a specific format called the Congressional Justification (CJ). The EPA's CJ includes the EPA's Annual Plan and thus has a formal name, "The Annual Performance Plan and Congressional Justification." The EPA CJ includes summaries and special analyses, displays resource levels for three fiscal years (prior year, current year and budget year); includes explanations of change (how much each budget line item changed from current year to the budget year); and narrates the strategies, accomplishments, and budget requests for each of the agency's programs.

Each NPM submits his or her portion of the CJ in final form to the OB and the OPAA, which prepare supplemental schedules, exhibits, final documents and data.

Throughout this preparation period, there is a continuous exchange of information among various federal agencies, the OMB and the President, including revenue estimates and economic outlook projections from Treasury, the Council of Economic Advisers, the Department of Commerce and the Department of Labor. During the President's budget preparation, all information, correspondence and data are strictly confidential, and remain confidential until the President's budget is officially released to the public.

The OMB, which is charged with broad oversight, supervision and responsibility for coordinating and formulating a consolidated budget submission to Congress, produces numerous documents for the President's budget. The most noteworthy is the Budget Appendix.

The EPA submits the CJ to the Interior, Environment, and Related Agencies Appropriations Subcommittees of the House of Representatives and the Senate Interior Appropriations Subcommittee. Most agencies schedule a press conference on the day of the President's budget submission and release their portion of the President's budget request to the general public. Many agencies (including the EPA) also develop and distribute a summary document called a Budget-in-Brief as well as numerous summary charts and additional explanations requested by the appropriating committees.

After release to the appropriators, the CJ is also published on the Web as the detailed justification that accompanies the EPA's portion of the annual President's budget request to Congress.

4. Congressional Consideration *(February–September)*

a. Congressional (House and Senate) Hearings and Data Requests — Congress holds formal hearings on the President's budget for which the Administrator and EPA senior officials usually testify. Generally the House and Senate Appropriations Subcommittees hold hearings (Senate Environment and Public Works, House Energy and Commerce and House Interior, Environment and Related Agencies) and sometimes Congressional authorizing committees also hold hearings. The Administrator, and sometimes other officials, testify on the requested levels and respond to questions received from Congressional committees. Committees also frequently ask for additional analyses and reports on specific items of interest.

b. Congressional (House and Senate) Review and Mark-Up — The House Interior Appropriations Subcommittee then conducts a hearing to mark up, or make changes to, the President's budget request. A full House Appropriations Committee mark-up hearing follows. The House Committee mark-up goes to the House floor for a final vote. Traditionally, once the House passes an appropriations bill, the Senate follows the same process as the House. Both the House and Senate Appropriations Subcommittee issue language detailing each house's mark-ups to the proposed President's budget. This information is distributed to the AA/RAs and Regional Administrators who follow the steps of the legislative process and make note of the proposed changes, such as increases or reductions to their programs. Senior managers frequently must also explain the potential impact of proposed funding changes in impact papers and other documents. Through the Congressional appropriations process, Congress prescribes restrictions on how the EPA may use funds, such as amounts that can be expended for facility repairs, or reprogramming limitations.
These will be discussed in more detail in subsequent sections of this directive.

c. Questions for the Record (QFRs) — Committees submit formal QFRs to the agency that EPA must answer in a timely fashion. All programs must provide an official response with clear and accurate information.

d. Congressional Conference Action — The Senate and House appropriations bills and accompanying report language normally vary. To negotiate these differences, Congress organizes a Conference Committee with representatives from both the House and the Senate. After the committee reaches agreement, the full House, then the Senate must vote to approve the Conference Committee Report. If the appropriations bill is rejected by either the full House or the Senate, the process must reconvene at the Conference Committee level again.

5. Enacted Appropriation After the House and Senate pass the appropriations bill, the bill is "enrolled" and sent to the President for signature or veto. Currently, there are 12 regular appropriations acts, which could be passed and enacted annually. However, Congress sometimes enacts an Omnibus Appropriations Act, in which many separate appropriations are grouped into one bill. The EPA's appropriations are part of the Department of the Interior, Environment, and Related Agencies Appropriations Act. Additional appropriations decisions and restrictions applicable to all federal agencies, such as annual payroll cost of living increases, may be included in a Financial Services and General Government Appropriations Act. Late Congressional action on an appropriations act can delay development of the EPA's enacted budget.

a. Continuing Resolutions/Omnibus Appropriations/Shutdown — Although the

Congressional Budget Act requires completing the governmentwide process by October 1, in recent years Congress has not met this deadline. In this case, when an agency's annual appropriations act is *not* enacted by the start of the new fiscal year (October 1), the Congress will usually pass one or more Continuing Resolutions (CRs), which allow agencies to continue operations for a specific period of time generally under the same conditions, limitations and other provisions as those contained in the last enacted appropriations act. The CR is typically at the amount that was appropriated the year before, pro-rated to the number of days specified in the
CR. During the fiscal year, Congress ultimately passes the agency's annual appropriations act, which could take the form of a CR through the end of the fiscal year, or an Omnibus Appropriations Act covering all agencies whose individual appropriations acts have not been enacted.

b. Shutdown — If no new money is appropriated by either a CR or an appropriations act, the agency must shut down, since it lacks the authority to spend any new money. There are limited exceptions for specific functions and tasks for which an agency may be authorized to incur committed funds in advance of appropriations. Activities may be shut down even where there are some funds available to carry them out due to inter-related programs not being funded because of an appropriations lapse.

EPA's "Contingency Plan for Shutdown" (updated October 1, 2015) includes more detailed shutdown information, and is available at http://www2.epa.gov/sites/production/fiehttp://www.epa.gov/lapse/resources/epacontingency-plan-2013.pdf.s/2015-09/documents/2015-epa-contingency-planseptember242015.pdf

c. Apportionment — OMB apportions the CR using an automatic apportionment bulletin. The bulletin states the rate that expenditures may be incurred under the CR. Under a CR, the OB provides guidance to each allowance holder (AH) stating the level and rate of expenditures that the AH may incur by appropriation/allowance. This guidance may include a temporary Advice of Allowance (AOA). AHs must restrain spending during a CR to ensure that the EPA does not violate Congressional or OMB limitations.

6. OMB Apportionments (*October)*

Following Congressional enactment of appropriations legislation (including annual appropriations, continuing resolutions or supplemental appropriations) the EPA OB Director must request apportionments from the OMB. Apportionment requests for carryover balances, recovery authority (de-obligations of prior year funds) and reimbursable authority (to cover agreements to provide goods and/or services for other agencies) do not require legislation but are included in the apportionment request. In accordance with OMB Circular A-11, Part 4, "Instructions on Budget Execution," OMB Standard Form SF-132 (letter apportionment format) is submitted by the EPA to make these requests. OMB reviews the request and, when satisfied, it signifies approval by signing the document(s).

EPA must request apportionments from OMB prior to using funds, for the reasons below:

- 31 U.S.C. 1513, requires that all appropriations be administratively apportioned by the OMB Director to ensure expenditure at a controlled rate, which will prevent deficiencies from arising at the end of a fiscal year.

- 31 U.S.C. 1512(b) provides that apportionments need not be made strictly on a monthly, quarterly or other fixed time basis, nor must they be for equal amounts in each time period. The apportioning officer may also consider the activities, functions, projects, or objects of the program being funded and the usual pattern of spending for such programs in deciding how to apportion the funds.

The OMB may apportion budgetary resources for calendar quarters (Category A apportionments); for "other than quarterly basis" for activities, projects, objects (Category B apportionments, generally annual); or for a combination thereof. The apportionment requirement is designed to prevent an agency from spending its entire appropriation before the end of the fiscal year and thus putting the Congress in a position in which it must either grant an additional appropriation or allow the entire activity to come to a halt.

Many agencies do not receive the full amount of their appropriations at the beginning of the fiscal year. However, since FY 1995, OMB has generally apportioned all of the EPA's funds in the first quarter. This has been transmitted using a letter format, which apportions all agency funding. Beginning with FY 2002, the standard apportionment form, SF-132, was transmitted to the OMB electronically. Once an OMB-approved SF-132 is returned to the agency, the funds may be used. *The OB reconciles the apportionment SF-132 from the OMB with the agency budgets that are loaded into Compass, which is the agency's financial system, to ensure that there are no discrepancies.*[1]

- Carryover — Carryover (unobligated, unexpired funds from the previous year) does *not* automatically remain apportioned. With regard to carryover of funding that has not expired and that makes funds available beyond the current fiscal year, new apportionment action is required for the new fiscal year unless OMB determines otherwise. For balances of prior year budget authority, initial estimated apportionment schedules for the year are due to the OMB by August 21 of each year, per 31 U.S.C. 1513(b)(1)(A).

  For more detailed information on apportionments, see both OMB Circular A-11 (Part 4) and Chapter 6 of the Principles of Federal Appropriation Law.

7. OMB Apportionments — Operating Plan *(October–November)*

After signing the appropriation, the President generally requests the agency to submit a formal Operating Plan implementing the newly enacted budget. The deadline is normally 30 days to develop and submit to the appropriating committees.

All Congressional changes in the enacted budget must be reflected in the agency's Operating Plan. Generally, adjustments must be made, as well as specific directions that must be followed, such as directed increases or decreases along with overall funding level changes. In addition, the Administrator may determine in the development of the Operating Plan that available resources need to be redirected to meet emerging unfunded priorities and some technical adjustments may need to be made for factors such as changing payroll or benefits costs. Making these decisions and implementing these changes result in the development of the agency's enacted Operating Plan, which is then submitted first to OMB for review and then to Congress for information.

Since the President's budget was submitted at least seven months prior to the actual passage of an appropriation, cost estimates must be updated and shown in a new document. In addition, frequently events transpire in the intervening months, such as court cases, that also must be addressed in the updated budget. This plan is accompanied by detailed descriptions of any proposed changes. Congress may then expect or reject some of the proposed changes.

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[1] Key internal controls provide reasonable assurance that material errors will be prevented or timely detected and can be tested to provide assurance over financial assertions.

8. EPA Distribution Process (Allocation) ***(October–November)***

a. <u>Allotments</u> *(October)* — OMB apportions all appropriated funds to the EPA's OB Director, who serves as the agency's apportionment holder and single allotment holder. The agency does not have sub-allotments. The allotment is the only formal administrative subdivision of funds under 31 U.S.C. 1514 and 31 U.S.C. 1517 and is the OB Director's authority to issue "Advices of Allowance" to EPA AHs. (These formal allotments apply to Cabinet-level departments. The department as a whole "allots" funds to a bureau. For example, the Department of Commerce allots funds to the National Oceanic and Atmospheric Administration.)

b. <u>Allowances</u> *(November)* — EPA provides funds to headquarters program offices and regions for meeting agency operational needs through allowances. They are not formal sub-allotments of apportionments or administrative divisions of funds for the purposes of 31 U.S.C. 1514 or 15171 (Administrative Division of Apportionments and Prohibited Obligations and Expenditures). Allowances are the amount of money made available to program offices and regions in Compass.

c. <u>Allowance Holders</u> — Almost all NPMs and regions control their budget at a lower level, called an AH. This means that rather than managing one large budget, the NPM has several AHs within the NPM. Generally these AHs are major subprograms or offices within the NPM, for example the Drinking Water program within the Office of Water.

   Compass has administrative controls to ensure that AHs do not commit or obligate funds in amounts that exceed their allowance. Allowances are only issued after Congress has passed an appropriations bill the President has signed, and an Operating Plan that has been approved and entered into Compass.

In some years, the budget has been enacted and the agency's operating plan has been submitted to the appropriations subcommittee's staff but there remain pending items that the appropriating subcommittees must approve such as reprogrammings. Generally, the OB will load the Operating Plan into Compass but withhold issuing items that are pending coordination with the appropriations subcommittees.

The AHs are responsible for staying within the full-time equivalent (FTE) ceilings and fund ceilings contained in the agency's Operating Plan.

The EPA cannot issue allowances that in the aggregate exceed the amount of the EPA's apportionment. Allowances establish an EPA organizational framework for managing funding and permits the appropriate agency officials to commit and obligate portions their portions of the agency's Operating Plan.

The majority of AHs are NPMs or Regional Administrators who organizationally manage portions of many EPA appropriations. The agency has financial management controls in place to ensure that AHs do not commit or obligate funds in excess of the amount of their allowance. Further, the AH has the responsibility, authority and technical capability to issue, withhold or withdraw any or all allowances or portions of allowances as appropriate. The AH, which is the OB, also has the authority to consolidate allowances centrally (or designate new AHs), if AHs are not properly managing their allowance.

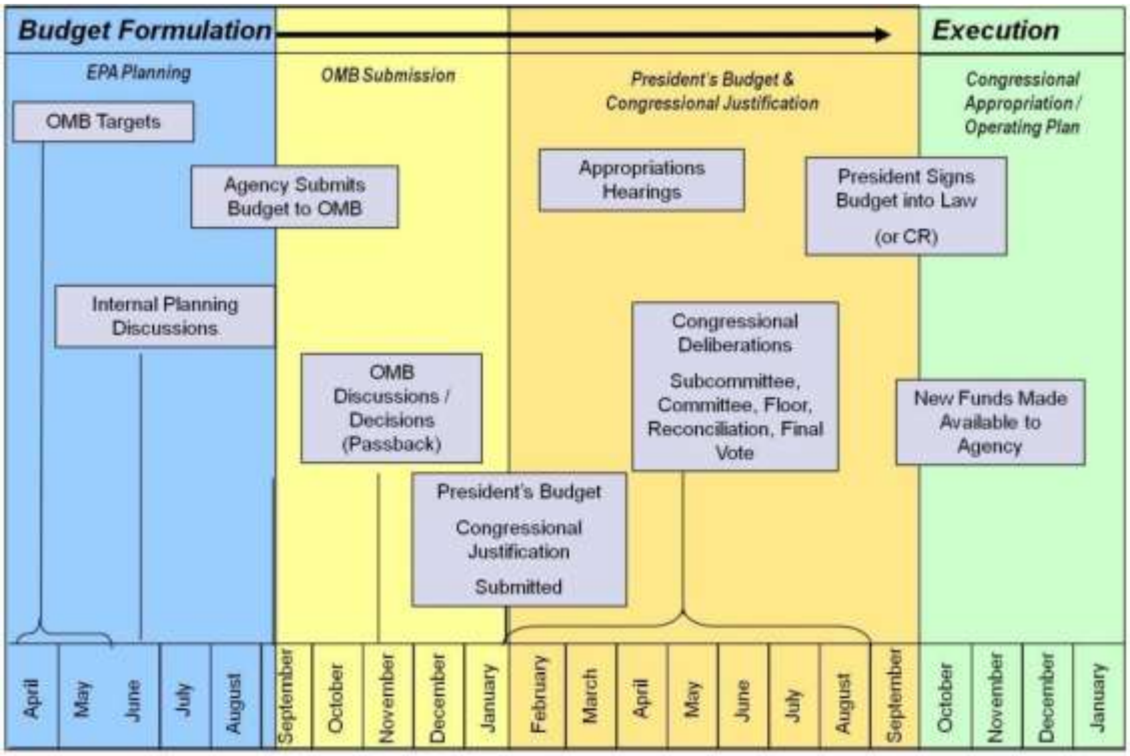

Figure 2. Budget formulation and execution timeline.

B. Budget Execution Process — Operating Plan Guidance and Allowance Management

Figure 3. Advice of allowance.

a. Nature of Allowances — 31 U.S.C. 1514 provides that agency allotments will be established at the highest practical level. At the EPA, OMB apportions the appropriated funds to the EPA OB Director as the agency's single AH. Note there is a separate allotment for every appropriation (Treasury account symbol) for every fiscal year. The OB

Director retains the original signed apportionment documents on behalf of the agency. This is the agency's formal designation regarding "Administrative Subdivisions of Funds." The agency does not have sub-allotments. The one restriction on the agency's allotment is that it cannot exceed the amount of the apportionment.

b. AOA Memorandum — EPA's formal guidance to financial managers about the critical administrative, financial and other special directions that apply to that year's budget. The OCFO's OB works with other administrative offices (the Office of Administration and Resources Management's Office of Grants and Debarment and the Office of Acquisitions Management's Office of Environmental Information, as well as other OCFO offices) to look carefully at the annual appropriations and associated bill language to find all important administrative, financial and other directions that programs must follow. The memorandum is intended to provide all the critical instructions on the use of funds that Headquarters Program Offices and Regions need to know. It is not a formal sub-allotment of apportionments or an administrative division of funds for the purposes of 31 U.S.C. 1514 or 1517.

The memorandum contains:

- Operating guidance for the year
- Agency ceilings (if any)
- Limitations to the Operating Plan
- OCFO OB Control Team analysts assigned to each organizations
- Action items
- Major changes from previous years

Fund Control Officers (FCOs) and other financial managers should make sure they read and understand each year's AOA as soon as it is issued. Copies of the current and previous AOA memoranda can be found at http://intranet.epa.gov/ocfo/budget/execution.htm.

c. Allowances Issuance — Allowances of funds are made available to the respective AHs through Compass when Operating Plans are completed (or other funding is similarly approved). The amounts match those in the Operating Plan which is entered into BAS, the agency's formulation system. If an appropriation is delayed, Continuing Resolution funds are issued and loaded into Compass. When an appropriation is completed, the difference between the sum of the CR amounts and the amounts in the appropriation bill is entered into Compass for each AH. The total amounts loaded correspond to those in the Operating Plan. The Operating Plan is a more detailed budget that adds up to an allowance. Once the Operating Plan is loaded into Compass, the OB sends an email to all budget contacts to inform them that Compass is ready for entry of funding commitments and obligations, and any internal reprogrammings that may be needed. Occasionally, OCFO will have to hold back portions of the budget that remain in dispute.

d. Adhering to AOAs — The allowances issued and represented in Compass by Budget Query level 4 specify how much the AH may commit and obligate in the fiscal year. Level 4 updates instantaneously to reflect commitments, obligations, payments and reprogrammings processed in Compass.

e. Compass Levels of Detail — Compass captures this detail by structuring the budget in 9 levels and provides EPA with the capability to set fund control at either the total Operating Plan level or by using a combination of data elements shown below.

i. Appropriation — Total amounts appropriated by Congress for a particular fund such as environmental programs and management (EPM) or Superfund.
ii. Apportionment — Normally the same as #1 above, but occasionally OMB will delay apportionments of portions of the budget.
iii. Allocation to the Resource Planning and Implementation Office (RPIO) — Allocation to the EPA's major organizational units, the 10 regions and 13 headquarters offices. iv. Sub-allocation to AH — Most RPIOs divide the management of funds by divisions within the RPIO.
v. Allotment to Program Area — Congress appropriates funds to certain program areas which the EPA must track and report on. Program area must be carefully tracked because of re-programming limits. (Less of $1 million or 10 percent of the total value of the program.)
vi. Sub-allotment to Program Results Code (Program Project) — The EPA's budget is formally submitted and reviewed by Program Project. (Some program projects also must be tracked for reprogramming limits.)
vii. Allowance to Budget Object Class (BOC) — The EPA must report on how it uses funds, by grants, payroll, contracts, travel, etc., which are tracked using BOCs.

Note that the actual obligations of funds are made using Finance Object Classes.

viii. Sub-allowance to Organization — Some organizations, principally the Office of Research and Development, also track funds by organization.
ix. Additionally, Compass captures reimbursable funds provided to specific funds-in reimbursable projects.

Budgets must be downloaded at detailed levels in order to comply with Congressional direction. A control on a combination of data elements may specify any particular appropriation, RPIO, AH, Program Results Code or BOC. AHs also have the capability in Compass to set their own spending controls on sub-AH levels (such as the Responsibility Center level or lower) without OB approval.

Some organizations are sufficiently large or geographically spread that an AH subdivides its organization and Operating Plan into smaller units of control called Responsibility Centers. In Compass, the Responsibility Center is at level 8. AHs and Responsibility Centers may view their respective allowances or Operating Plan at any time in Compass.

The financial system prevents funds from being committed or obligated before the enacted budget has been loaded by the OB.[2] The fund control lockout level at the EPA is set in Compass at the BOC level, i.e. level 7. AHs will have a record for each appropriation for which they hold an allowance. This includes carryover. For example, the AH who is the Director of the XYZ Program may hold the following four allowances under their respective appropriations:

- EPM
- Leaking underground storage tanks (LUST)

[2] Key internal control

- Superfund
- Superfund Reimbursable

3. Reprogramming

EPA maintains strict tracking and controls on moving funds. FCOs and other financial managers need to become familiar with the rules and make sure they are followed. In addition, they must be sure to clearly explain any movements of funds.

a. Definition and Purpose — A reprogramming is a "shifting of funds within an appropriation or fund account to use for different purpose(s) than those contemplated at the time of the appropriation" (*A Glossary of Terms Used in the Federal Budget Process*, Government Accountability Office, September 2005). A reprogramming also consists of any significant departure from the program described in the Congressional Justification even without a change in funding. Those responsible for preparing/processing reprogrammings should consult the annual AOA Memorandum for explicit congressional direction and reprogramming controls. Additionally, the EPA has agreed to notify the Congressional Committees of reorganization of offices, programs or activities prior to the planned implementation of such reorganizations. The EPA performs four different types of reprogrammings within Compass: RPs, CRPs, DRPs and IRPs.

- RPs (reprogrammings) are done for resource changes between organizations and between budget object codes.
- CRPs (Congressional reprogrammings) are done when there are resource changes between program areas or Congressional protected program projects and subprogram projects.
- DRPs (de-obligation reprogrammings) are done for recertification of funds.
- IRPs (IRMS reprogrammings) are done for Office of Research and Development IRMS reprogrammings.

Normal reprogrammings (DRPs, IRPs and RPs that are within Congressional limits) occur daily — but CRP reprogrammings that may impact the Congressional limits of $1 million or 10 percent are limited in number and are reserved for high-priority agency needs. All CRP reprogrammings require a clear explanation in Compass.

4. Conditions

The EPA is limited in how much it may move funds.

a. Within an Appropriation Only — Resources may only be reprogrammed within a single appropriation or fund in Compass. Movement between appropriations requires "appropriation transfer" or balance transfer authority, which Congress has to enact in law. The only transfer that Congress has provided to the EPA is the Superfund transfer to the science and technology and IG accounts. EPA officials must obtain explicit legal authority to execute other transfers.

- Funds must also be available. Only funds available for use — uncommitted, unobligated and unexpended — may be reprogrammed. This can be verified through a budget query in Compass.
- May not violate any Congressional directives — certain funds have

Congressionally mandated minimum levels of spending, and other programs have additional limits.

Reprogramming activity at the start of the fiscal year does not usually begin until the EPA has submitted the enacted budget to Congress. As a matter of policy, the EPA adheres to reprogramming limitations contained in the Congressional Appropriations Committee Reports accompanying the annual appropriations act. In cases where either the House or Senate Appropriations Committee report displays an allocation of an appropriation below a budget activity level, the more detailed level shall be the basis for the reprogramming action. Managers use reprogrammings to meet the changing needs and priorities of the agency.

Some examples of reprogramming actions are:

- Resource changes between program results codes or program areas
- Resource changes between organizations (e.g., AHs, Responsibility Centers)
- General resource reductions or increases
- Resources changes between BOCs

BAS and Compass are set up to monitor resource ceilings and floors through comparisons between operating plans and obligations and expenditures. All organizations are responsible for monitoring their obligations against the Operating Plan and then reprogramming when needed in advance of commitment and obligation. Failure to adhere to this policy could result in a lower level of organizational lockout and/or withdrawal of allowances by the Agency Allotment Holder, the OB Director.

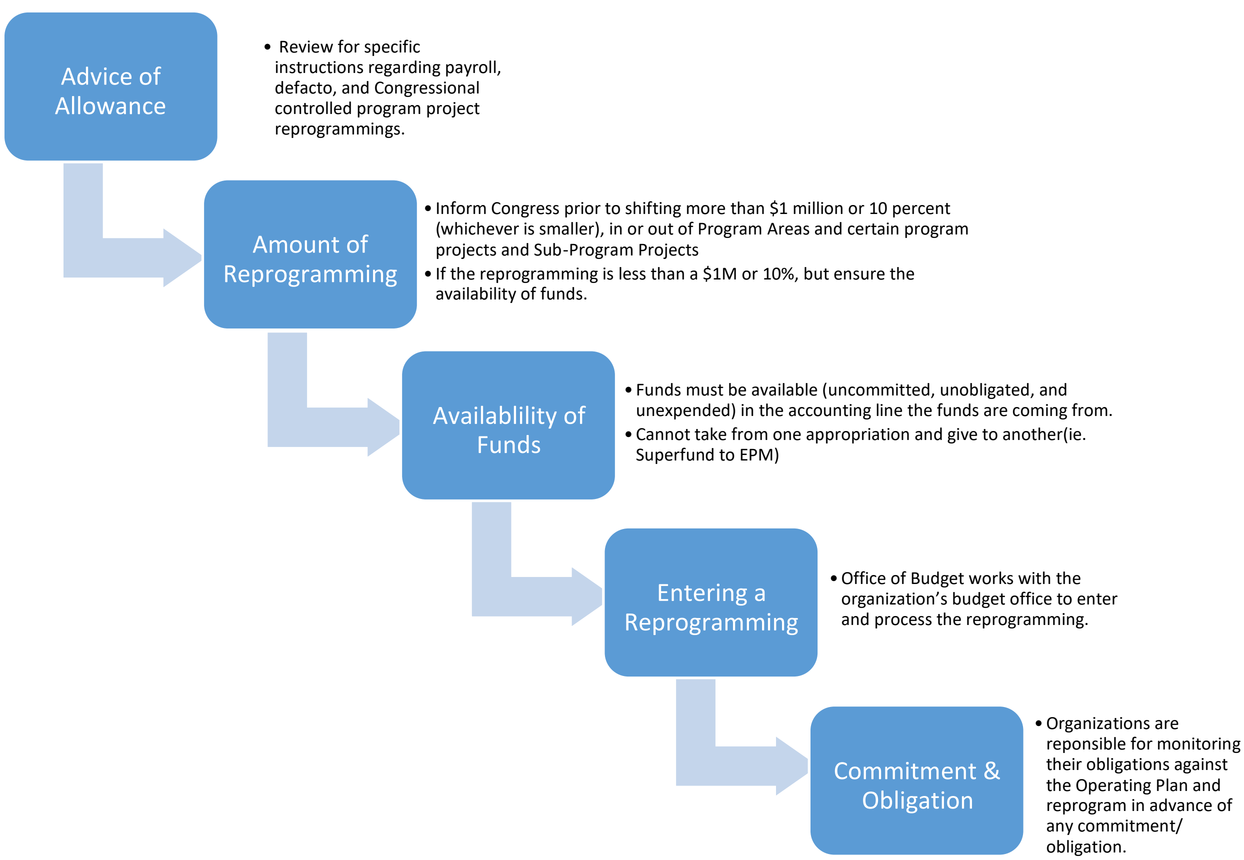

Figure 4. Reprogramming process.

5. Congressional Limits

Congressional appropriating subcommittees have set limits on how much funding the EPA may move across program areas, select program projects, and select sub-program projects that the agency adheres to as a matter of policy. The subcommittees' report language directs the EPA to inform Congress before shifting more than $1 million or 10 percent (whichever is smaller), in or out of program areas and certain program projects and sub-program projects. This restriction includes all movement of funds including those caused by payroll cost shifts. The House or Senate Committee on Appropriations report language generally also includes additional information, directions and/or restrictions on agency reprogrammings and other financial matters. The OB reviews this language and issues an annual AOA memorandum to all agency financial managers with these directions.

Each year's AOA includes an attachment showing how that year's program projects are grouped together in program areas. For the most part, money can be reprogrammed between program projects that are in the same program area — except for some program projects that Congress specifies in its report language for which the $1 million/10 percent limit also applies. For example, in 2014 program projects civil enforcement, criminal enforcement, enforcement training, environmental justice and NEPA implementation all fell under the enforcement program area — and Congress only placed additional specific restrictions on the program project environmental justice. This means that monies may be shifted between all the program projects within the enforcement program area without checking for re-programming limits — except for the environmental justice program project, for which the $1 million and 10 percent limit also applies.

Congressional committee language has historically provided an exception to the reprogramming limitation for the State and Tribal Assistance Grants (STAG) account relating to (1) requests to move funds between wastewater and drinking water objectives for grants targeted to specific communities; and (2) reprogramming of performance partnership grant funds.

The OB will assist RPIOs in providing Congressional notification for reprogrammings in excess of the Congressional limitation if an office wishes to proceed with the request. Anticipated need to reprogram funds in excess of the Congressional limitation should be provided with advance notice to the Formulation, Control and Policy Staff in the OB. They will provide guidance on current procedures such as format, content and timing. However, the proposed reprogramming should not be entered into Compass until the agency has a response from the Committees and the program is notified by the Formulation, Control and Policy Staff. It is important to stress that Congressional language limits reprogrammings to urgent or emergency matters. Approval is not certain and may take more than a month. In addition, OMB must also clear any formal reprogramming requests.

OB also will monitor and enforce compliance with both the letter and spirit of these Congressional limitations.

RPIOs will not be permitted to compromise the Congressional limitations by:

- Splitting reprogrammings (for the same general purpose) into more than one document to circumvent the limitation.

- Reprogramming incremental amounts (for the same general purpose) into or out of more than one organization (such as 10 regions) where the cumulative amount moving between programs/projects is in excess of the limitation.

- Reprogramming or spending any amount of statutorily mandated Congressional addon/earmarked funding for a purpose other than that stipulated by the Congress in law, (add-on plus base in some instances).

- Over-obligating a program/project in excess of a Congressional limitation and circumventing the reprogramming process (de facto reprogramming).

- Reprogramming between activities within a PRC goal/objective that does not move Operating Plan resources but represents a major policy shift.

Information regarding the current restrictions and limitations can be found in the annual AOA.

6. **Budget Automated System (BAS) Pre-Approval of Reprogrammings** As a result of the limits set by Congress on reprogrammings, and the lack of Compass controls to prevent reprogramming changes, the OB has established a reprogramming pre-approval process in BAS. For all net movement of funds across program areas, program projects or sub-program projects subject to Congressional limits, RPIOs must request approval via a BAS reprogramming document before funds can be moved in Compass via reprogramming request. On a regular basis, OB reviews the reprogramming requests and evaluates them for potential approval. OB will approve reprogrammings under Congressional limits. Proposed reprogrammings that require Congressional involvement will be evaluated to determine the appropriate action. Reprogrammings that do not cross programs/projects are not BAS reprogrammings and can be entered directly into Compass.

7. **Reprogramming Limitations (Ceilings and Floors)**
   Any agency ceiling and/or floor, which may be imposed on EPA appropriations for a given year, is transmitted by the OB to the agency in the annual AOA.

   a. <u>Ceilings</u> — Certain agency resources are designated by Congress or the OMB with a cap or limitation referred to as a “ceiling.” Ceilings are not resources. Ceilings impose planning and spending limitations for resources that may not be exceeded. In a number of EPA appropriations, one or more ceilings may be imposed on the agency for FTE work years, site-specific and non-site-specific travel, administrative expenses, and sometimes even specific programs. In addition, the agency may violate the ADA if its <u>obligations or disbursements</u> exceed specified statutory ceilings in an appropriations act. Note that the Office of the Inspector General appropriation account does not have ceilings. The EPA establishes and maintains agency limitations for the following non-statutory ceilings:

      i. <u>Work Year Ceilings</u> – Work years are also known as FTEs. An FTE is the total number of hours worked or to be worked divided by the number of compensable hours applicable to each fiscal year. A work year is equal to between 2,080 and 2,096 employee work hours per year, listed by year in OMB Circular A-11 depending on annual calendar fluctuations. All employees count against the agency work year ceilings.

      FTE ceilings are no longer imposed by the OMB or mandated by Congress. However, EPA continues to maintain FTE (or work year) ceilings as a policy tool to restrain the obligation of payroll, compensation and benefits resources and to control the size of the agency's workforce.

Congress may put language within the act or legislative history to the act that has explicit FTE implications. At times, FTE caps to certain agency offices have also been included as administrative provisions in the EPA's act. Within the agency, FTE ceilings in workforce appropriations are issued to the appropriate RPIOs/regions. *Each RPIO is responsible for monitoring and managing its FTEs.* RPIOs are also expected to manage FTEs consistent with existing budgets, and should implement hiring plans such that end-of-year on-board staff levels leave the agency with flexibility to deal with reasonable budget changes in the next fiscal year.

Work year ceilings are issued annually and do not carry over from one year to the next. All other multi-year and no-year ceilings do carry over in conjunction with the dollar balances. Neither carryover ceilings nor dollars are part of an AH's budget until the OB has made them accessible in the Compass Operating Plan. The agency may not carry over more ceiling than it has carryover dollars, and nor may any RPIO/region.

ii. <u>Payroll</u> — Payroll costs represent approximately 25 percent of the EPA's budget. Each year, payroll costs increase due to cost of living adjustments and withingrade increases. In 2010, the OB analyzed payroll and FTE utilization with the goal of finding more efficient and equitable ways to manage and control payroll costs. Beginning in FY 2011, the OB changed the policy to provide that reimbursable work years *may* exceed an office's FTE ceiling. Under the new policy, only those reimbursable FTEs where the funding is fairly certain will be included in the budget. If an office receives additional reimbursable interagency agreement (IA) funding or fees during the year, or wishes to use CERCLA 122(b)(3) special account funding for FTE, those funds could be used for payroll without limitation due to the FTE ceiling. Any payroll expenditures are subject to the terms and conditions of the IA, the CERCLA settlement agreement for the special account, or other binding requirements. OB will continue to include routine projected reimbursable FTEs in the budget ceilings levels, but additional reimbursable FTEs may be utilized without adjustment to the ceiling.

iii. <u>Travel Ceilings and Rules</u> — These administrative ceilings apply to limitations on travel funded from appropriations such as EPM, science and technology, Superfund, and LUST and restrict travel obligations for the agency. They are based on the travel funding levels in BOC 21 in the enacted Operating Plan. Due to the agency's need to travel to Superfund sites to respond to emergencies as well as provide federal oversight at these sites, Superfund site-specific travel does not count against the travel ceiling set by the agency.

There have been many different limitations and restrictions placed on the use of travel funds. For example, paying non-federal government employees to attend an EPA-sponsored conference is *not* an allowable use of appropriated funds. In general 31 U.S.C. 1345 "prohibits the payment of travel, transportation, or subsistence expenses" of private parties at meetings without specific statutory authority." Exceptions may be made for invitational travel authorized by 5 U.S.C. 5703 if attendees are providing a direct benefit to the government such as providing advice under the Federal Advisory Committee Act (FACA). FACA travel expenses count against the travel ceiling.

Travel expenses also count against the ceiling when a field employee and his or her spouse travel to headquarters to receive an award under the Government Employees Incentives Award Act.

Detailed information on invitational travel and other travel related subjects is available in RMDS 2550B, *Official Travel*.

To ensure that the agency is in compliance with its ceilings, agency organizations are provided with limitations of their own (sub-ceilings). An organization, for ceiling purposes, may be defined as any level within the EPA including RPIOs, regions, AHs, or even Responsibility Centers. All organizations must stay within each of the ceilings imposed and must take affirmative measures in advance to ensure that ceilings are not exceeded at any time.

b. Floors (minimum amounts to be expended) — In multi-year appropriations, all floors carry over from one year to the next in conjunction with any associated dollar balances being reissued.

8. Compass Reprogramming Process

The AH/senior budget officer/regional budget officer initiates a reprogramming document as a result of any planned change, either programmatic or budgetary, to the current year Operating Plan in Compass. They are responsible for editing and correcting the reprogramming document.

a. Reprogrammings That Do Not Violate Any Controls or Limitations Will Process Without the OB's Approval — The OB control team staff reviews reprogrammings that potentially exceed ceilings or impact programmatic and policy concerns. Reprogrammings can be found by going to "Transactions," "Form/Document Selection," and entering the document number.

b. Reprogramming Explanation Required — All reprogramming must have a wellwritten, informative purpose statement (justification) in the reprogramming document. Reprogramming justifications provide the permanent audit trail of the EPA's resources and protect the initiator by documenting the rationale. Reprogramming justifications should simply state:

- What the action achieves for the program(s) or office(s) receiving an increase and,
- What the impact is to the program(s) or office(s) losing resources.

Once all steps are completed, the reprogramming document is approved and processed in Compass. The initiator can view approval of the document by searching the document number in Compass's form/document section. Approved reprogrammings are reflected as processed.

9. Carryover of Unobligated Balances

Carryover funds are defined as unobligated balances of appropriation accounts, which have not expired at the end of the fiscal year. Because OMB apportionments expire every September 30, these carryover balances must be reapportioned to the agency by OMB in the new fiscal year. Annually, the OB estimates carryover balances that will be unobligated at year-end and submits carryover apportionment requests to OMB by August 21 in accordance with OMB Circular A-11 requirements. This helps to ensure that authority has been granted by the OMB to have carryover funding available to the agency at the start of the new fiscal year. However, because this authority is based on amounts estimated almost two months prior to the EPA closing its books for year-end, the agency must be prudent in the use of these estimated carryover amounts until final totals are available and estimated apportionments are revised to reflect actual balances.

a. Multi-Year Funds — The EPM, science and technology, and IG operating plans automatically roll over from the first to the second year of funds availability in Compass and are available for spending up to the apportioned levels. AHs are not required to request recertification of second-year recovered funds. Each AH will have to anticipate and cover any overruns that might occur, since overruns will also impact the original accounting data as costs are posted in the second year.

b. No-Year Funds — The EPA implemented a new procedure in FY 2014 to apply to that and future years. However, since the agency cannot go back in time, the former rules still applied to past years' funding.

   i. Budget Fiscal Year (BFY) 2013 — Similar to the multi-year funds, STAG, Superfund, LUST, buildings and facilities, and oil spill carryover balances automatically rolled over in Compass and are available for spending up to the apportioned levels. These funds will maintain their original BFY/fund identifier (for example, 2013 T) during FY 2014. If De-obligated during FY 2014, these funds will immediately become available to the AH — recertification is not necessary.

   ii. Budget FY 2012 and Prior — STAG, Superfund, LUST, buildings and facilities, and oil spill carryover available balances were swept from the budget in midOctober 2012 via a Compass carryover batch process. Available balances from the FY 2012 and prior funds were combined into a single carryover fund. At that time, we reinstated use of the "C" fund codes for carryover of available balances from FY 2012 and prior funds. The "C" funds are used BFY 2013 to indicate funds from the prior year (for example, FY 2013 TC).

   The OB will centrally manage the Superfund, LUST, buildings and facilities, and oil spill carryover funds for BFY 2012 and prior years. STAG funds will be redistributed by the relevant NPMs or redirected for agency priorities. Users should consult with the Control Team on reclassification of Trust Funds. For more information on reclassifications please refer to the section discussing de-obligations.

C. Supplemental Appropriations/Natural Disasters

The EPA may receive funding through supplemental appropriations either directly or through other federal agencies. During the fiscal year, the President may submit to Congress proposed deficiency and supplemental appropriation requests that he/she decides are necessary because of laws enacted after the submission of the President's budget or that are in the public interest, such as hurricanes (e.g., Sandy, Katrina) and emergency investments such as the Recovery Act. As with annual appropriations, supplemental appropriations are submitted to the President through the OMB and are generally submitted as a consolidated package by the OMB to Congress.

1. Formulation of Supplemental Appropriations

Generally, supplemental appropriations are developed and submitted normally through a compressed appropriation cycle. EPA must submit spending plans to the OMB and the appropriators, respond to numerous OMB and Congressional questions, and develop budgets in BAS. The OMB and the appropriators then prioritize between various agencies requests and then continue to confer with the agency. All the while (since, in most cases, supplemental requests are for major disasters), the EPA is working with other federal agencies through an interagency structure described below.

2. National Response Framework (NRF)/National Disaster Recovery Framework (NDRF)

The Federal Emergency Management Agency's (FEMA's) mission assignments are issued within the NRF and NDRF structures. The EPA and many other federal agencies have signed these multi-agency agreements committing all agencies to work together to best support communities' response to and recovery from disasters. Under these agreements, the EPA has agreed to support the federal government's overall response, recovery and mitigation goals and to use its own statutory authorities as they may apply in the emergency situation. Further information about the NRF and NDRF are available on FEMA's website, FEMA.gov.

In many larger disasters, the EPA also must coordinate federal oversight and permitting with other federal regulatory agencies and provide critical expertise as needed. Some of the major disaster programs that EPA oversight or expertise applies to include:

- FEMA Public Assistance (FEMA-PA) (infrastructure repair) grants.
- FEMA Individual Assistance grants (FEMA-IA) (direct help to people).
- FEMA Hazard Mitigation Grants (HMGP).
- Housing and Urban Development's (HUD's) Community Development Block Grant (CDBG) program, which provides flexible grants for cities, counties and states to use for a wide variety of projects. (For EPA, it is important to stress that HUD CDBG grants also include disadvantaged community requirements akin to the EPA environmental justice goals and that HUD CDBG funds may be used to meet matching requirements for the EPA grants such as for brownfields cleanups in certain circumstances.)
- Department of Transportation grant programs across the department's four operating administrations (highway, railway, transit and aviation).
- US Coast Guard (USCG) Pollution Removal Funding Authorization (PRFA) are also used to fund EPA activities.
- The EPA may receive reimbursement from these agencies for some of these oversight costs under mission assignments or IAs.

3. Federal Emergency Management Agency (FEMA) Disaster Funding — Mission Assignments

In addition to receiving supplemental appropriations directly, the EPA frequently receives funding through FEMA mission assignments under the authority of the Stafford Act and FEMA's implementing regulations. FEMA issues mission assignments to the EPA and other agencies to perform specific tasks in a certain time frame.

For example, FEMA issues mission assignments to pay the costs of deploying on-scene coordinators; evaluating environmental risks, air and water emissions, and/or water system damage; and performing followup activities. When responding to disasters, agency managers and employees must be careful to assign all applicable costs to these mission assignments. This includes all applicable payroll costs and any related contracts and grants costs for two principal reasons: first, the EPA's regular appropriations do not always include authority to perform these tasks, and second, FEMA's funding is specifically appropriated to pay for these costs. A mission assignment is similar to an IA that FEMA issues directly to the EPA in an emergency situation. The OCFO's Cincinnati Finance Center (CFC) received the official mission assignments from FEMA. Regional comptrollers and other financial managers should coordinate directly with that Finance Center during a major disaster.

4. USCG Pollution Removal Funding Authorization (PRFA)

The EPA may also use a PFRA to employ other agencies to assist with oil spill removal.

5. Internal Control Plans

For supplemental appropriations and other specific separate funding sources, the EPA is frequently required to develop and implement Internal Control Plans that summarize how it will manage the appropriated funds. These plans should be designed to focus, not supplant, the EPA's existing internal controls so that the agency can efficiently report progress and results from these separate funding sources to stakeholders and capture the data needed to ensure that funds are used appropriately, effectively, and expeditiously. Previously these plans were sometimes referred to as Stewardship Plans.

6. Supplemental Execution Requirements

a. <u>Regular Federal Accounting and Financial requirements Still Apply</u> — The EPA must still request funds apportionment, track by program project, etc.

b. <u>Additional Requirements</u> — Supplemental appropriations frequently have additional requirements or conditions which the EPA must manage, and/or separate reporting requirements. For example, Hurricane Sandy supplemental funds added a new criterion "resiliency" for water projects, and required financial status reporting and delivery of an Internal Control Plan to Congress, the IG and the Government Accountability Office.

c. <u>Don't Co-Mingle Funds</u> — The EPA must be careful not to co-mingle funds provided in regular and supplemental appropriations unless expressly authorized to do so by the terms of the supplemental appropriation.

d. <u>Emergency Related Expenses Tracking</u> — Particularly in natural disasters, the EPA must begin tracking expenses incurred before the passage (or frequently even the consideration) of supplemental appropriations. Managers involved in response efforts should look for guidance from the OCFO advising how employees should track time and dollars devoted to these efforts. In large disasters, the OMB frequently asks how much agencies have spent supporting disaster efforts, and these records become crucial in supporting agency efforts to request either funding for or reimbursement for these efforts. In addition, supplemental appropriations sometimes include funding for the EPA's management and oversight expenses.

D. Reimbursable Allowances and Interagency Agreements

Reimbursable authority is additional budgetary authority authorized by congressional statute and apportioned to the EPA by the OMB. This additional authority is requested by the agency and permits the EPA, if authorized by statute, to obligate collections and other funding sources (both federal and non-federal) that are in addition to the EPA's annual appropriations. The authority is established using an Apportionment and Reapportionment request (OMB Standard Form SF-132).

At the EPA, reimbursable allowances are only issued if the EPA is the receiving agency. Some of the instances for which the EPA has utilized the reimbursable allowance mechanism in the past are listed below.

1. Reimbursable Interagency Agreements

This is by far the most common reimbursable situation. Under this arrangement, other federal agencies provide funding to the EPA for services which the agency provides directly or for which one of the EPA's contractors are utilized. The authority cited for such agreements may be (1) the EPA's "cooperation" authority for IAs (note that these sections are found in the EPA's authorizing legislation — e.g., the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act); (2) the Clinger-Cohen Act, also known as the Information Technology Management Reform Act; and (3) the Economy Act.

IAs are overseen and processed by the Office of Administration and Resource Management's Office of Grants and Debarment, which must approve a determination and finding relating to Economy Act IAs that involve contracts. Once signed, an agreement is forwarded to and recorded by the CFC, which handles the details of the billing.

2. Indirect Costs

Under the Economy Act and the 1996 National Defense Authorization Act, section 325(d), "Cooperative Authority," EPA has the authority to bill other Agencies for indirect costs. Since January 28, 2008, EPA's policy has been that all new agreements must include indirect costs. This does apply to IAs established prior to 2008. The only exception is when there is a clear legal rationale and requirement not to charge indirect costs. However, these exceptions must be approved by the OCFO and the Office of General Counsel. Reimbursable IAs with indirect costs require proper documentation before reimbursable authority may be requested.

3. Incurring Obligations

Incurring obligations under an IA is similar to incurring obligations under a contract. At the time the agencies involved in an interagency transaction execute an IA (whether an Economy Act IA or an IA under another authority), the requesting agency (sometimes referred to as the customer/ordering/initiating agency) must incur an obligation for the costs of the work to be performed. The agency providing the services is commonly referred to as the servicing agency.

To properly record an obligation, the ordering or initiating agency must have "documentary evidence of a binding agreement" (the IA) for "specific good(s) to be delivered…or work or service(s) to be provided," per 31 U.S.C. 1501(a)(1)(B). This requirement for specificity is a long-standing principle of appropriations law. As a result, an IA must describe with reasonable specificity the services that will be performed or the goods that will be provided, so that the ordering agency may properly record an obligation.

4. Time Limitations of Funds Still Apply

If an agency identifies a bona fide need, it must execute an IA (whether it is an Economy Act IA or an IA under another authority) before the end of the period of availability of the funding for obligation.

5. ADA Still Applies

Making disbursements in excess of an appropriation cash balance implicates the ADA and close monitoring of the available cash balance for the affected appropriation should be exercised. For IAs where the EPA is receiving funds from another agency (also known as funds-in IAs) to provide a certain good or service, the EPA must first ensure that the funds were received from the other agency to avoid creating an over-obligation in which the other agency might fall behind in making payments to the EPA. If the cash balance falls below $2,000,000, further obligations from the fund should be stopped until reimbursement or an advance is received from the paying agency to replenish the cash in the appropriation.

6. Interagency Agreement Process

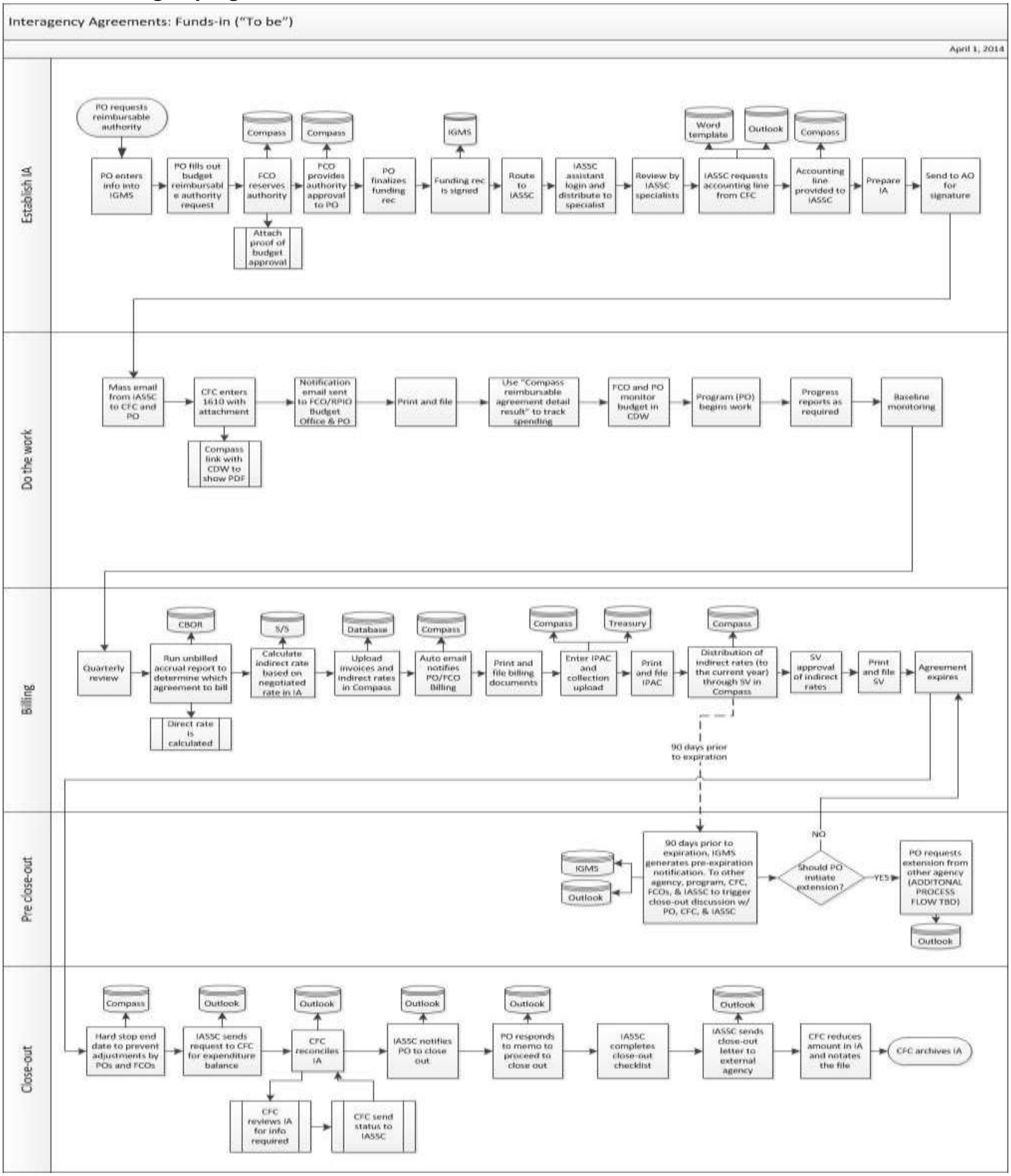

Figure 5. Interagency agreement process.

7. Interagency Agreement Funds-In Responsibilities

a. Project Officer (PO): The responsibilities of the PO include providing programmatic management and oversight of unliquidated obligations (ULOs) for the IA. In particular, the PO obtains the current indirect cost rate and develops the IA funding package, including the relevant programmatic terms and conditions. The PO is also responsible for (1) monitoring project progress; (2) determining whether funds should be De-obligated or remain available for authorized project activities; (3) timely notifying the IA specialist and the CFC, as appropriate, of issues impacting the project or requiring the adjustment of funds; (4) initiating de-obligation action as necessary; and (5) maintaining adequate documentation of project management activities from inception to closeout. 90 days prior to expiration, the PO will initiate discussion with other the other agency to determine whether an extension is needed.

b. Fund Control Officer (FCO): The FCO has the primary responsibility for reviewing and committing funding documents related to the IA, preparing necessary reprogramming requests to the OB, and monitoring budgets and spending of the IA. The FCO assists the IA specialist and the PO in (1) requesting reimbursable authority for the IA from the OB; (2) committing IA funding documents; (3) monitoring commitments and budgets for the IA; (4) decommitments of IA funds when requested; (5) providing any budget or spending reports for the IA when requested; and (6) ensuring proper review for any ULO related to the IA.

c. IA specialist: The IA specialist has the primary responsibility for the award and administration of the IA through final closeout. The IA specialist works with the PO to ensure that appropriate terms, conditions and enforcement of the IA are taken as necessary to resolve issues. In consultation with the PO and CFC, the IA specialist takes action to De-obligate funds that the PO determines are no longer needed under the IA. The IA specialist also ensures that proper documentation is maintained in the IA administration file to support related administrative actions.

d. Cincinnati Finance Center (CFC): The CFC has the primary responsibility of conducting quarterly reviews and all billing related to the IA. This includes (1) calculating indirect costs based on the negotiated rate in the IA, (2) uploading invoices and indirect rates into Compass, (3) entering IPAC and collection upload, (4) the distribution of indirect collections, and (5) reconciling the IA.

E. Intergovernmental Agreements (Agreements with Other Government Entities)

1. **State or Local Governments** — These are provided for under the Intergovernmental Cooperation Act of 1968. In this arrangement, the EPA provides specialized services to state or local governments on a reimbursable basis. Note that the services must be provided by the EPA employees rather than agency contractors.
2. **Foreign Governments and International Organizations** — These are provided for by specific legislation, such as section 607 of the Foreign Assistance Act (22 U.S.C. 2357), which allows the EPA to receive funds from foreign governments and certain international organizations in exchange for services.
3. **Private Firms - Federal Technology Transfer Act (FTTA) — FTTA is** authority for Cooperative Research and Development Agreement (CRADA) income and royalty payments from licensing agreements with private firms, which will pay royalties to the federal government for an exclusive license to use federally developed technology. FTTA CRADA funds are held in trust for the cooperators and may be used solely for purposes specified in the CRADA. CRADA funds are subject to recertification and the same internal controls as appropriated funds.

FTTA royalty funds lapse at the end of the fiscal year following the one during which they were received.

a. Advance State Match/State Cost Share — This is the percentage of site response costs matched by the individual states either after-the-fact or, under rare circumstances, in advance in the Superfund program.

b. Reimbursable Work Years — Additional work years to undertake the terms of an IA may be included if funding is provided and the period of performance permits hiring staff, or for smaller IAs assigning existing staff.

c. FIFRA IPAs — Intergovernmental Personnel Act Mobility Program employees under the Intergovernmental Personnel Act of 1970 and the Federal Insecticide, Fungicide and Rodenticide Act of 1972.

d. Recycling Fees: Collections from the agency's recycling program.

Not all instances for which the EPA uses the reimbursable allowance mechanism are situations of actual reimbursement. Many are up-front collections, such as fee programs, inter-governmental agreements, and CERCLA cash-outs where the agency has statutory authority to retain and use funds, and it is the best mechanism for OMB to provide the obligational authority to the agency. In all cases, however, where other organizations are providing funding, there is a net zero impact (the result is neither an increase nor decrease) on the EPA's enacted appropriations following disbursement and/or reimbursement. Also, the reimbursable apportionment authority is not a budgetary resource until an agreement is entered into (if an IA) or funds are received (if a collection) and the apportionment authority is thereby funded.

The appropriation accounts for which the EPA receives reimbursable authority from OMB are EPM, S&T, LUST UST, Superfund, IG , and OIL. Since reimbursable agreements may involve any of the BOCs, authority will be issued in the appropriation for which the object class and/or work being performed is appropriate. Because there is a net zero impact on the EPA's enacted appropriations, ceilings and floors, if any, do not apply except in the case of reimbursable work years (FTEs).

Not all unfunded agency reimbursable authority and not all unobligated reimbursable allowances expire at year end. If the reimbursing agency's funding has not expired at year end, RPIOs may request a reimbursable allowance in the new fiscal year to cover any unobligated portion of their agreement(s).

For more on reimbursable IAs and the reimbursable process, see RMDS 2550C-04-P1, Chapter 4, "Interagency Agreements: Requesting Reimbursable Authority."

F. Fees and Fee Programs

OMB Circular A-25, which implements the Independent Offices Appropriations Act (IOAA) (31 U.S.C. 9701), requires agencies to charge user fees for federal activities that provide private parties with special benefits greater than those provided to the general public unless certain exceptions apply. However, the EPA must have statutory authority to "retain and use" fees and the IOAA does not provide the requisite authority. Otherwise, fees the EPA collects must be deposited in the General Fund of the Treasury as miscellaneous receipts, as required by 31 U.S.C. 3302 (b). Some statutes that authorize the EPA to collect fees are discussed in Chapter 2.

Several programs at the EPA are authorized by statute to collect fees. Only if authorized in the statute may collections that are received by the agency be retained and used. The period of availability for obligation of fee revenue is typically specified in the statute as well. If not authorized by a statute, the fees must be deposited as miscellaneous receipts to Treasury as required by 31 U.S.C. 3302 (b), or as directed in a statute to a particular fund subject to Congressional appropriations.

1. Pesticide Registration Improvement Extension Act

This 2012 act (PRIA 3, expiring on September 30, 2017) authorized two fees by amending 1988's FIFRA:

a. Pesticides Maintenance Fee — Section 4(i) of FIFRA authorizes the EPA to charge annual maintenance fees for pesticide registrations. The fees are deposited into Treasury's Reregistration and Expedited Processing Fund and are available to offset the costs of the reregistration and registration review programs, for expedited processing of some pesticide applications, and to enhance information systems and improve tracking of pesticide registrations. Fees the agency collects under this authority may also be used to review and evaluate new inert ingredients. The fund is available for the EPA's use without fiscal year limitation. The amount of fee proceeds the EPA may expend in a given fiscal year is based on the amount of appropriated funds the agency expends for registrations and expedited processing. In FY 2015, the EPA expects to collect approximately $27.8 million from this fee program.

b. Enhanced Registration Services Fee — Section 33 of FIFRA authorizes fees for services related to registration of pesticides in the United States. This fee-for-service provision sets deadlines by which the EPA must make decisions on applications. This process has introduced new pesticides to the market more quickly. In FY 2015, the EPA expects to collect approximately $11 million from this fee program.

Congress must authorize the EPA to obligate the PRIA fees the agency collects in its annual appropriation act. Additionally, there is a PRIA provision governing whether the agency may collect PRIA fees based on the amount of funds appropriated for certain Office of Pesticide Programs functions in a fiscal year. In some fiscal years, Congress has overridden this PRIA provision in annual appropriations acts. Whether the PRIA provision is overridden in any given fiscal year will depend on the language of the appropriation act.

2. Toxic Substances Control Act of 1976 (TSCA)TSCA authorized two major fees:

a. Premanufacturing Notice (PMN) Fee – This fee is collected for the review and processing of new chemical PMNs submitted to the EPA by the chemical industry.
These fees are paid at the time of submission of the PMN for review by the EPA's Toxic Substances program. PMN fees contain a cap on the amount the agency may charge for a PMN review. Fees collected for this activity are deposited in the U.S. Treasury. The EPA estimates that $1.1 million will be deposited in FY 2015.

b. Lead Accreditation and Certification Fee — TSCA Title IV, Section 402(a)(3), mandates the development of a schedule of fees to cover the costs of administering and enforcing the standards and regulations for persons operating lead training programs accredited under the 402/404 rule and for lead-based paint contractors certified under this rule. The training programs ensure that lead paint abatement and renovation professionals are properly trained and certified. Fees collected for this activity are deposited in the U.S. Treasury. The EPA estimates that $16.0 million will be deposited in FY 2015.

c. Additional fees and other changes

G. Special Accounts

Section 122(b)(3) of the CERCLA of 1980, 42 U.S.C. Section 9622(b), authorizes the EPA to retain and use funds received through an agreement for the purposes of carrying out the agreement. The EPA receives funds under CERCLA 122(b)(3) through payments from potentially responsible parties (PRPs) to address past and/or future response costs at Superfund sites. The EPA retains these funds in site-specific accounts called "special accounts." Through FY 2014, the EPA has collected over $4.5 billion from PRPs, earning approximately $428.3 million in interest. In addition, the EPA has transferred over $26.8 million to the Superfund Trust Fund. The EPA has disbursed/obligated $3.0 billion, leaving about $1.95 billion in about 1,000 special accounts to pay for further response actions. The EPA's policy is to use special account funds for site activities before using appropriated resources so that appropriated funds are conserved for sites where no viable or liable PRPs can be identified.

The amount available in special accounts does not represent the level of annual funding the EPA would be able to use for many Superfund sites. The stage of site cleanup and the nature of site contamination also factor into how quickly a project can proceed through the investigation, design and construction process required to address contamination.

Special accounts are site-specific, interest-bearing sub-accounts within the Hazardous Substance Superfund Trust Fund. The EPA establishes a special account only if there is future work at a site and it expects to incur future costs. The use of a special account to fund response actions is determined by the settlement agreement under which the funds were received. Upon receipt of the funds, the agency categorizes special account receipts in three different payment types for financial management and accounting purposes. They are:

- TR2, Non-Federal Special Accounts Unearned Revenue — Represents amounts received under a non-federal cash-out settlement (principal only, excludes late payment interest). This code pertains to collections related to non-federal settlement amounts for costs to be incurred (work to be performed) in the future.
- TR2A, Federal Special Accounts Unearned Revenue — Represents amounts received under a federal cash-out settlement (principal only, excludes late payment interest). This code pertains to collections related to federal settlement amounts for costs to be incurred (work to be performed) in the future.
- TR2B, Special Accounts Earned Revenue — Represents amounts for the past cost collections, late payment interest collections from PRPs and interest revenue earned on special account collections that have not been disbursed. This code pertains to collections related to settlement amounts for costs previously incurred and includes collections on future response cost (oversight) bills for work performed.

1. Special Accounts Processes

Each fiscal year, within the Superfund section of the apportionment, the EPA requests an annual apportionment of reimbursable authority from the OMB for the estimated amount of special account funds to be used. Once the OMB grants reimbursable authority, this authority is housed in reserve and maintained and monitored by the OB at a national level. Regions can request available special account funds for specific Superfund sites via a reprogramming from the OB. Through standard CBOR reports, the OB monitors available special account funds at the RPIO level. Requests that exceed the available balance at the RPIO level are denied.

While the OB tracks special account available balances at the RPIO level, the CFC monitors overall negative available account balances and negative fund code balances in special accounts on a monthly basis. Regions should work with the CFC to resolve these issues expeditiously, and provide status updates to the CFC on the progress of resolving these issues as requested. It is the responsibility of the RPIO/regions to ensure that the request for reimbursable authority does not exceed the amount of funds available by fund type (e.g., TR2, TR2A and TR2B) in each special account and to resolve financial issues related to overspending and negative balances, as appropriate. Making disbursements in excess of an available cash balance could implicate the ADA. Close monitoring of the available cash balance for the affected appropriation should be exercised.

2. **State Cost Share Provisions for Superfund State Contracts** The CERCLA law authorizes the President to take action through the EPA's Superfund program whenever any hazardous substance, pollutant or contaminant is released or substantial threat of such release into the environment may present an imminent and substantial danger to the public health or welfare or the environment. CERCLA section 104, regulated through 40 CFR part 35 subpart O, requires a state to make specific assurances, including provision for payment of state cost share, before the EPA can obligate or expend congressionally appropriated funds for the *remedial action*. These assurances are documented in a Superfund State Contract (SSC). The SSC or remedial cooperative agreement also contains a site-specific statement of work, a project schedule and cost share conditions that establish financial administrative responsibilities. Upon receipt of the funds, the agency classifies SSC receipts for financial management and accounting purposes. Its code is TR1, and the request and issuances processes are the same as detailed in the special accounts section above.

   The OB tracks SSC balances at the RPIO level and monitors negative available balances in SSCs on a quarterly basis. It is the responsibility of the RPIO/regions to ensure that the request for reimbursable authority does not exceed the amount of funds available in each SSC and to expeditiously resolve financial issues related to overspending and negative SSC balances, as appropriate. Agency officials should be careful about making disbursements in excess of an appropriation cash balance, as this could implicate the ADA. Officials should closely monitor available cash balances for the affected appropriation.

Additional Information

RMDS Chapter 9 for State Cost Share Provisions for Superfund State Contracts: http://intranet.epa.gov/ocfo/policies/direct/2550d-09-p1.pdf and http://intranet.epa.gov/ocfo/policies/direct/2550d-09-p1-t1.pdf.

Chapter 6: EPA's Budget and Financial Organization and Structure

Summary

The EPA's budget is tightly controlled and tracked by Congress, which means that it is appropriated and tracked in detail by:

- **Appropriation —** The EPA has nine types or "buckets" of funding. The EPA may not move any funding from one appropriation to another without statutory authority.
- **National Program** — All of the EPA's dollars are tracked according to their national program (e.g., water, enforcement or air).
- **Organization (national program manager [NPM] or region)** — What organization manages the funds?
- **Program Project/Program Area** — Congress expects the EPA to manage resources by the program projects described in the EPA's budget submissions, which list the major activities, plans and performance targets for each program project.
  - The appropriators requested that the EPA also track and report program areas that are aggregations of some program projects and portions of others.
  - Congress limits whether and how much the EPA may "reprogram" funds or move them between different program projects within the same appropriation "bucket."
  - A program project can be funded from several appropriations and work in more than one NPM (e.g., radiation protection includes funds from Environmental Programs and Management [EPM], Science and Technology [S&T], and Superfund appropriations).
- **Budget Object Class (BOC)** — All federal dollars must be tracked according to how they were used.
  - EPA BOCs are 10 Personnel Compensation and Benefits (PC&B), 21 Travel, 28 Site Travel, 36 Expenses, 37 Contracts, 38 Working Capital Fund (WCF), and 41 Grants.
  - Within each BOC there are more detailed four-digit sub-object or financial object classes (FOCs). FOCs must be used when funds are actually obligated.
- **The EPA's Five Strategic Goals** — All agency budgets are also tracked to the specific strategic goals outlined in the agency's strategic plan.

In addition, the agency must also track additional details, such as information technology (IT) spending using IT codes, Superfund site-specific spending using Superfund site and activity codes. Although Congress appropriations language normally describes only totals and special conditions for each of the nine major appropriations, Congress expects the EPA to adhere to the program project and other details described in the EPA's budgetary submissions.

Below is a more detailed description of EPA's account code structure. Details can also be found at http://intranet.epa.gov/ocfo/budget/structure.htm.

A. Account Code Structure

After appropriations becomes public law, the EPA must implement or enact this legislation when it takes effect. Budget execution involves a great deal of structured coding, some of it from the U.S. Treasury and the Office of Management and Budget (OMB), to conduct automated financial accounting, which will provide prudent stewardship of and reporting on the use of all funds. This coding, when entered in the six financial management system (Compass) account fields, forms unique records that capture the detailed accounting information required by the agency and for governmentwide standards and reporting. These records drive the integrated budgeting and accounting features in Compass. This section covers the account structure and coding at the EPA. (Please note, the EPA is currently revising its account code structure.)

1. Compass "Roll-up" Functionality

The EPA implemented Compass in fiscal year (FY) 2011, which included a new function called "roll-ups." These roll-ups streamline reference data and only require users to enter the code for spending and not the entire reference string for the code. For example, when using program results code (PRC) 202BD4 on a spending transaction, the user only needs to enter the code 202BD4; the system will automatically assign the other roll-ups that belong to the code, such as the program area, program project and NPM. It is important that the system assigns the other roll-ups because those roll-ups are budgeted to; if not assigned, the budget will not be reduced.

Each of these codes has a host of roll-up reference tables behind them in which the codes are linked. Taking the example above, 202BD4, there is a program area roll-up reference table, a program project roll-up reference table and an NPM roll-up reference table in which the roll-ups for the code must exist before the code can be used. The roll-up functionality is one of the most notable changes from the Integrated Financial Management System and applies most to fund, organization, PRC, BOC and project reference tables in Compass.

2. Six-Field Compass Account Code

Compass uses a six-field account code to track spending in the financial system. Added together, the six fields have a maximum character length of 45-characters. The following explanation is a description of each of the six fields that comprise the financial management system account code:

a. Budget Fiscal Year (BFY) Field — The BFY field is processed by Compass as two, four-character fields in the account code. There are four characters for the "beginning budget fiscal year" and four characters for the "ending budget fiscal year." Singleyear and no-year funds will not have an ending budget fiscal year. For multi-year funds the agency uses all eight characters to take advantage of Compass's capability to automatically carry over multi-year funding.

Data entered into these fields is validated against the fund table in Compass, which is controlled and maintained by the Office of the Budget (OB).

Character Location and Use(s):
1 2 3 4 Beginning BFY
1 2 3 4 Ending BFY (multi-year funds only)

Example —
2012 Beginning BFY
2013 Ending BFY (only used for multi-year funds)

b. Fund Field — The fund (or appropriation) field is processed by Compass in a maximum six-character string as the second of six-character fields. The entire code must exist in Compass for the specified FY for it to be recognized and accepted as valid for use on transactions. The first two characters of this field indicate appropriations/accounts and sub-appropriations/sub-accounts.

Character Location and Use(s):

1 Appropriation/account (one character) (corresponds to a Treasury symbol) 2
Appropriation sub-appropriation/sub-account (one character)

Identifies Specific Portion of an Appropriation Account (e.g., reimbursable authority):

3 4 Restricted use for receipt accounts or other OB-specified unique accounts 5 6
Reserved

*Exampl*e —

1 T

2 R

Code = TR (Superfund reimbursable)

1 T

2 R

3 4 2B

Code = TR2B (Superfund special account)

Data entered into this field on transactions are validated against the fund table in Compass. The Fund table is owned by the OB and maintained by the OB and the relevant Finance Center.

c. <u>Organization Field</u> — The organization field is processed by Compass in a maximum of up to a seven-character string as the third of six fields. The character and location of the organization field follows the basic rules below.

Character Location and Use(s):

1 2 Allowance holder (AH) two-character code; exceptions are Superfund sites and earmarks (no other uses permitted)

3 4 RC code/blank (if nothing to follow)
RC code/zero (if more to follow) RC
code/two-character
RC code/local option (e.g., branch)
RC code/numeric state code (for all state grants)

5 6 7 Add-on code (A/B/C/D)/two-character add-on number, Superfund activity codes R/E/P/S/H (if alpha allowance)/local option two-character, or trackable items (other than add-on) (X in character five); reimbursable identification code (X in character two, characters six-seven map to reimbursable agreement); if none of the above, local option three character; or

Example —

1 2 33

3 A

Code = 33A, which is an AH/RC code

1 2 0 1

3 1

Code = 011, which is an AH/State (Region 1 – Connecticut)

1 2 3 3
3 A
4 1
Code = 33A1, which is an AH/RC/Sub RC

Examples of the Two Exceptions — Superfund Sites and Earmarks

In Compass, the AH codes for Superfund sites and earmarks are not the two-digit AH codes but are the full five-digit code for Superfund sites and the full seven-digit code earmarks. The roll-ups mentioned above are included in the example for these org codes. See examples below.

Example of Exception #1 — Superfund Site Remedial Organization Code for Region 4
RPIO 27
AH 4A00R (notice this is longer than two digits)
RC 4AD0R
Sub RC BLANK
CODE = 4AD0R

Example of Exception #2 — Earmark Code in Compass
RPIO 01
AH 0100AKN (notice this is longer than 2 digits)
RC BLANK
Sub RC BLANK
CODE= 0100AKN

d. AH Code — The AH code is typically the first two digits of the organization code as above, but it must be noted that the organization field has changed significantly with its migration into Compass. The roll-up functionality mentioned above largely impacts how the organization field operates in Compass.

Below are the roll-up tables in Compass for organization. Each of the roll-up fields *must* be defined on the roll-up table for the code to be successfully entered in Compass.

RPIO Defines Resource Planning and Implementation Offices (RPIOs) for each BFY
AH Defines AHs for each BFY
RC Defines RCs for each BFY
Sub RC Defines Sub RCs for each BFY

Note: We will build an organization code as we walk through each roll-up table.

e. Roll-Up Codes in Compass

i. Defining RPIO Roll-Up Codes in Compass — RPIO codes must be defined individually in Compass. The RPIO code must be defined on its own table named “RPIO for specific BFYs” for the organization codes to properly be used and set up in Compass.
Example — RPIO Roll-Up Code 05

ii. Defining AH Roll-Up Codes in Compass — AH codes must also be defined individually in Compass. The AH code must be defined on its own table named "AH/Earmark/Site AH for specific BFYs" for organization codes to properly be used and set up in Compass.

Example — RPIO Roll-Up Code 05
AH Roll-Up Code 05

iii. Defining RC Roll-Up Codes in Compass — RC codes must also be defined individually in Compass. The RC code must be defined on its own table named "RC for specific BFYs" for organization codes to properly be used and set up in Compass.

Example — RPIO Roll-Up Code 05
AH Roll-Up Code 05
RC Roll-Up Code 05F

iv. Defining SubRC Roll-Up Codes in Compass — Sub RC Codes must also be defined individually in Compass. The Sub RC Codes must be defined on its own table named "Sub RC for specific BFYs" for organization codes to properly be used and set up in Compass.

Example — RPIO Roll-Up Code 05
AH Roll-Up Code 05
RC Roll-Up Code 05F
Sub RC Roll-Up Code 05F0073

f. Setting up Organization Codes in Compass — Now that all the roll-ups are defined for the code in Compass, the OB can set up the actual organization code in Compass for spending and reprogramming.

Roll-Up	Roll-Up Value
RPIO	05
AH	05
RC	05F
Sub RC	05F0073
Code	05F0073

The organization reference table in Compass is jointly maintained by the OB and OC, who enter reimbursable organization codes into Compass.

The OB has a process for requesting organization codes in Compass. Organizations must fill out a spreadsheet template and forward it to the OB for organization codes to be entered in Compass. The spreadsheet template request is located in the Compass User Resources Database (CURD), which is housed on the OB Database Portal.

COMPASS ACCOUNT CODE UTILIZATION	
FIELD NAME/SIZE	**CHARACTER LAYOUT / PRIMARY UTILIZATION**

BFY FIELD **(8) (2x4)**	**<u>1 2 3 4</u>** **<u>1 2 3 4</u>** Beginning End BFY (2-YEAR FUNDS ONLY)
Fund Field **(6)**	**<u>1</u>** **<u>2</u>** **<u>3 4</u>** **<u>5 6</u>** APPROP. SUB — RESTRICTED USE RESERVED APPROP (e.g. Reimbursable)
Organization Field **(7)**	**<u>1 2</u>** **<u>3 4</u>** **<u>5 6 7</u>** A.H. R.C./ Local Op. A. Add-on Code B. SF Activity Code C. Trackable Items D. Reimbursable I.D. E. LOCAL OPTION
PROGRAM FIELD **(9)**	**<u>1</u>** **<u>2 3</u>** **<u>4</u>** **<u>5 6</u>** **<u>7</u>** **<u>8 9</u>** Program Results Goal Objective NPM Program / Agency Local Code (PRC) Project Activity Option (Spending Only)
SITE/PROJECT FIELD **(8)**	**<u>1 2 3 4</u>** **<u>5 6</u>** **<u>7 8</u>** A. SF Region/Site SF Activity Operating Unit B. ********* Working Capital Funds ******** C. ****Information Technology Code **** D. **************Conferences*************** E. *** Local Option (to be determined) ***
COST/ORG FIELD **(7)**	**<u>1 2 3 4 5 6 7</u>** A. SEMS (formerly CERCLIS) Serial Number B. OPPT Extramural IT Classifications. C. Other Local Option (to be determined)

Figure 6. Account code utilization.

g. <u>Program Field: PRC Field</u> — The Compass program field contains what the EPA calls its PRC and is processed by Compass in a nine-character string.

   The PRC table describes information pertaining to each PRC, such as the title, goal/objective NPM, program project and activity code.

PRC Character Location and Use(s):

1 **Goal** — Comprises one character and represents the agency's long-term strategic goals.

2 3 **Objective** — Comprises two characters and represents each objective under each goal.

Subobjectives will still be used for performance and planning and in BAS, which serves as the primary agencywide database during formulation of the agency's budget.

4 **NPM** — Comprises one character and identifies the NPM associated with resources being used for a particular goal and objective.

5 6 **Program/Project** — Comprises two characters and defines what the agency does based upon specific statutory authority (programs) or what significant tasks or problems the agency is addressing (projects). The program projects current for a given FY are located in the annual Advice of Allowance.

7 **Activity** — Comprises one character and represents how we accomplish our objectives in general terms. These activities are somewhat generic across all government agencies (for example: research and development, financial assistance, program implementation, regulatory/policy development).

Agency Activity — As of FY 2012, the agency activity code went out of use. It is represented by an X for FY 2012 and beyond. It is represented by XXs to maintain position. The code was for spending actions, including fixed account numbers (all characters of the PRC). Similar to the way the four-character finance object code used for spending rolls up to the two-character BOC, the full PRC (up to nine characters if RPIO activity is included) will roll up to the six-character PRC in the budget).

8 9 **RPIO Activity** — Comprises two characters for unique reporting needs.

The roll-up functionality has a significant role in how the PRC field operates in Compass. Below is how the PRC field operates in conjunction with the roll-up functionality in Compass.

Each of the roll-up fields MUST be defined on the roll-up table for the code to be successfully entered in Compass.

Compass Tables	Information to be found
NPM	Defines the NPM for each BFY
Program Area	Defines the Program Areas for each BFY
Program Project	Defines the Program Project for each BFY
Program Type	Defines the Program Type for each BFY (Currently this field is reserved in Compass)

Note: You can see how a PRC code is built in the roll-up table below.

- Defining NPM Roll-Up Codes in Compass — NPM codes must be defined individually in Compass. The NPM code must be defined on its own table named "NPM for specific BFYs" for the PRC codes to properly be used and set up in Compass.
  Example — NPM Roll-Up Code B

- Defining Program Area Roll-Up Codes in Compass — Program area roll-up codes must also be defined individually in Compass. The program area roll-up code must be defined on its own table named “Program Area for specific BFYs” for PRC codes to properly be used and set up in Compass.
  Example — NPM Roll-Up Code B
  Program Area Roll-Up Code WQP

- Defining Program Project Roll-Up Codes in Compass — Program project roll-up codes must also be defined individually in Compass. The program project code must be defined on its own table named “Program Project for specific BFYs” for PRC codes to properly be used and set up in Compass.
  Example — NPM Roll-Up Code B
  Program Area Roll-Up Code WQP
  Program Project Roll-Up Code D4

h. Setting up PRC Roll-Up Codes in Compass
Now that all the roll-ups are defined for the PRC code in Compass, the OB can set up the actual PRC Code in Compass for spending and reprogramming.

Roll-Up	Roll-Up Value
NPM	B
Program Area	WQP
Program Project	D4
CODE	202BD4

Note: Objectives, subobjectives, agency activities and RPIO activities do not need to be defined on their own roll-up table. These values are not budgeted to and therefore do not need a roll-up table for definition.

The PRC reference tables in Compass are maintained by the OB.

For more information regarding specific PRCs, see the latest program/project description book at the EPA intranet URL address, http://intranet.epa.gov/ocfo/budget/architecture.htm.

i. Site/Project Field — Compass processes the site/project field in an eight-character string as the fifth of six character fields. Project codes are managed in the project reference table in Compass.

For those regions that have exhausted their initial supply of site IDs, the first position will be “A” followed by one position for the region (with "0" representing Region 10). For example, A401 represents a new site ID for Region 4 after the initial supply of site IDs has been exhausted.

All work performed under the Superfund, leaking underground storage tank (LUST), oil and WCF appropriations will use the Site/Project field. If a specific Superfund and oil Site/Project is identified, an IT code cannot be sited in the Site/Project field.

It is recommended that this field have multiple uses and structures based upon the FUND code used in the transactions. The use of the Compass Project Cost

Accounting System (PCAS) module in conjunction with this field will enable the BFY/Fund field to determine which structure is valid for that Fund code. The PCAS offers three layers of structure:

- Agencywide code, which enables the project costs to be gathered regardless of BFY/Fund combinations.
- Project, which is the basic level to gather obligations, expenditure or cost data.
- Subproject, which allows for a lower level of data structure linked to a specific project.

Examples: Superfund positions enable the data gathering by site ID, activity code and operable unit within the site. [*Note:* All eight characters must be entered for the edit program to recognize the code as valid.]

Character Location and Use(s):
1 2 3 4 Superfund ID identifying region and the specific site or non-site cost
5 6 Superfund activity code
7 8 Operable unit within a specific site
(If no operable unit, enter 00)

j. WCF — Positions enable the gathering of fund data and costs by each service level and charge customers of the fund a standard charge for each of the service levels provided.

Character Location and Use(s):
1 Indicates whether code is a cost or revenue
2 3 Identifies cost pool
4 5 6 7 For revenue codes, denotes customer's AH and responsibility center codes
8 Future uses

k. IT Code — Used to track purchasing related to IT.

Character Location and Use(s):
[*Note:* For all characters except the first, use zero if N/A]
1 L for IT
2 3 Specific identifiers for major and significant project and/or system 4 Life cycle phase of major and significant project. If second and third characters are not zero, then fourth character must be a P, D or M
5 6 7 Specific IT cost area for security and regional uses
8 Future uses

For more information on use of IT codes, read the OCFO policy on the agency's intranet at http://intranet.epa.gov/ocfo/policies/policy/pa05.htm and the annual Advice of Allowance memorandum.

l. Conference Code — Positions enable the gathering of data by organization, AH and conference reporting thresholds. [*Note:* All eight characters must be entered for the edit program to recognize the code as valid.]

• Non-WCF Conference Reporting

1 M for conference reporting (including non-conference travel)
2 Specific identifiers for magnitude of conference costs. Second character must be E, S, M, L or N
3 4 RPIO submitting EPA Form 5170 (Conference-Related Activities Spending Request)
5 6 AH submitting EPA Form 5170 (Conference-Related Activities Spending Request)
7 8 Conference number

• WCF Conference Reporting
1 2 3 C G S for conference reporting (including non-conference travel) [*Note:* First three characters must be "CGS"]
4 Specific identifiers for magnitude of conference costs. Fourth character must be E, S, M, L or N
5 6 AH submitting EPA Form 5170 (Conference-Related Activities Spending Request)
7 8 Conference number

For more information on the use of conference codes, refer to the conference Web page located on the agency's intranet at http://intranet.epa.gov/ocfo/management_integrity/conferences.htm.

m. Other Uses — While OB owns the account code and the project field, OFM manages the field. Other offices planning to use this field for currently approved purposes should contact the OFM. New uses of the project should be discussed with the OB and OFM.

Character Location and Use(s):
1 2 3 4 5 6 7 8 Local Option

Data entered in the Site/Project field will be verified for validity by the project reference table and the sub-project reference table in Compass. In each of the regional offices, access will be granted to an Superfund finance person for updating new site names and establishing codes.

This field can be a required entry within a particular Fund.

n. Cost/Org Field — Cost/org codes are created by offices who want to track only spending for certain projects. Cost/org codes are housed and managed in the organization reference table in Compass. Compass processes the cost/org field in a seven-character string as the last of six character fields.

Examples: The Office of Land and Emergency Management proposed using this field for a three-character activity sequence number called a "Superfund Enterprise Management System (SEMS, formerly CERCLIS) Serial Number."

Office of Pollution Prevention and Toxics classifications were moved here from the Project field when the IT classifications were begun. The field was to be used only for extramural work.

Cost orgs also use the roll-up functionality in Compass. Below are the roll-up tables used in Compass for the cost/org field. Cost/orgs only use the RPIO roll-ups; this MUST be defined on the roll-up table for the code to be entered in Compass.

RPIO	Defines RPIOs for each BFY

Note: The Office of the Chief Financial Officer will build a cost org code for each roll-up table.

- Defining RPIO Roll-Up Cost Codes in Compass
  RPIO codes must be defined individually in Compass. The RPIO code must be defined on its own table named "RPIO for specific BFYs" for the cost org codes to properly be used and set up in Compass.

Example — RPIO Roll-Up Code 20

- Setting up Cost Org Codes in Compass

Now that the RPIO roll-up is defined for the cost org code in Compass, the OB can set up the actual cost org code in Compass for spending.

Roll-Up	Roll-Up Value
RPIO	20
CODE	T00005

The OB has a process for requesting cost org codes in Compass. Organizations must fill out a spreadsheet template and forward it to the OB for cost org codes to be entered in Compass. The spreadsheet template request is located in CURD, which is housed on the OB Database Portal.

Data entered in this field is verified in the organization table in Compass. The organization table is maintained by the OB and Cincinnati Finance Center for reimbursable org codes.

B. Appropriation Number (Treasury Account Symbol)

The Treasury identifies each appropriation account using a Treasury account symbol. These symbols or codes consist of seven or more alpha-numeric characters. For example:

6812/130108	EPA FY 2012/2013 EPM account
68-68X8153	EPA LUST Trust Fund account
68X0110	EPA Buildings and Facilities (B&F) account

The account symbols provide the following information:

- Department or Agency Code — The first two characters identify the agency (the EPA = 68) responsible for the account; the code is assigned by the Treasury.
- Period of Availability — The next 4 character(s) represent the period of availability of the account for obligation.
  - One-year appropriations: A single digit (0 through 9) indicates the FY for which the appropriation is available for obligation (e.g., 13 = FY 2013). Currently, the EPA does not have one-year appropriations.

- o Multiple-year appropriations: Two digits separated by a slash indicate the first and last FY for which the appropriation is available for obligation (e.g., 12/13 = FY 2012/2013)
- ○ No-year appropriations: An "X" is used to designate an appropriation that is available for an indefinite period of time.

- Fund Group: The last four digits identify the specific account by Treasury fund group (e.g., 0108 = EPM).

C. Object Classes

Per OMB Circular A-11, Section 83, all federal dollars must be tracked according to how they are used. Agencies use a system called "Object Classes" to code transactions in federal financial systems according to how the money was issued. The EPA (and some other agencies) has BOCs to budget for and distribute (allocate) funds, and it uses more detailed FOCs to track the commitment, obligation and expenditure of funds.

EPA's BOCs are 10 PC&B, 21 Travel, 28 Site Travel, 36 Expenses, 37 Contracts, 38 WCF, and 41 Grants. EPA's four-digit FOCs are coded on documents when funds are committed, obligated and expended.

The object class codes and definitions are documented in Resource Management Directive System (RMDS) Chapter 2590 and can be viewed online at http://intranet.epa.gov/ocfo/policies/direct/2590objclass.htm. This contains more detailed definitions, regulations and guidance, explanations of how the EPA manages object classes, and definitions for each BOC and FOC used by the agency.

All of the agency's financial class codes (cross-walked to the OMB's object class codes and the EPA's BOC codes) can be viewed in Compass by accessing the FOC code table and observing the column labeled "Object Class".

D. EPA Appropriations

The EPA has nine major appropriations or funds. EPA may not move any funds between appropriations without prior approval of Congress. There are three major types of appropriations:

1. **One-year appropriations** are available only to meet a bona fide need of the FY for which they were appropriated. Funds must be obligated during that FY. As of 2016, the EPA does not have any one-year appropriations.

2. **Multi-year appropriations** are subject to the same bona fide need rule applicable to annual appropriations, apart from the extended period of availability. The EPA typically receives multi-year appropriations available for obligation for two FYs. Because of the extended period of availability, multi-year appropriations may have unobligated balances that "carry over" from one year to the next and are available for obligation following the annual reapportionment by the OMB. The OMB and Congress consider these funds to be appropriated for specified annual needs; they request additional reporting requirements and subject carryover balances to additional scrutiny. All of EPA's multi-year appropriations have a two-year obligation deadline, with an additional seven years to outlay funds (except for E-manifest, which has a three-year obligation deadline).

3. **No-year appropriations** are available for obligation to satisfy a need arising during the year of and subsequent to the no-year appropriation. For an appropriation to be no-year, it must be expressly stated as such in the appropriating language. No-year funds may be obligated for needs arising in: 1) the year the no-year funds were appropriated and 2) years subsequent to

the year of the no-year appropriation. Prior year(s) obligations may not be paid with future year no-year appropriations, unless expressly provided by law.

E. EPA Appropriation Accounts

Annual appropriations acts provide the funding for authorized programs. While certain funding levels and limitations may be included in authorizing legislation, appropriations legislation will generally control the disposition of an issue where the appropriations act itself clearly demonstrates congressional intent to depart from funding levels or limitations in the authorizing legislation. Nevertheless, the authorizing act and appropriations act should be harmonized to the greatest extent possible.

The authorizing legislation and the appropriations go hand in hand to establish a mandate for environmental action followed by the funds to carry out the mandate. Within the context of appropriations as to time, purpose and amount, these periods define the time of availability, and to a somewhat lesser degree, the purpose. A review of eight major EPA appropriations as they fall within these periods of availability follows.

Multi-year Appropriations. The EPA's multi-year appropriations are (all with a two-year obligation deadline, except for E-manifest):

1. EPM Appropriation

The EPM appropriation encompasses a broad range of abatement, prevention and compliance activities, as well as personnel compensation, benefits, travel and expenses for agency programs with the exception of those funded by the S&T, Hazardous Substance Superfund, LUST Trust Fund, Inland Oil Spill Programs (OIL), B&F,
Hazardous Waste Electronic Manifest System Fund, and the Office of the Inspector General (IG) appropriation accounts. Abatement, prevention and compliance activities include setting environmental standards, issuing permits, monitoring emissions and ambient conditions, and providing technical and legal assistance toward enforcement, compliance and oversight.

The agency's EPM activities include oversight and assistance in the implementation of environmental statutes. In addition to program costs, this account funds a large portion of the administrative costs associated with the operating programs of the agency, including support for executive direction, policy oversight, resources management, general office and building services for program operations, and implementation of agency environmental programs except those funded under other appropriation accounts. Funds are used in headquarters, the 10 EPA regional offices and all non-research field operations. EPM funds are not available to carry out the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), with the exception of the administration of the brownfields program.

In contrast, program-specific research, such as sample processing, is performed in regional office laboratories or at the National Enforcement Information Center; it is funded though the EPM and Superfund appropriations.

2. S&T Appropriation

The EPA S&T appropriation funds the scientific knowledge and tools necessary to support decisions leading to improved protection of human health and the environment and to advance the base of understanding of environmental sciences. Thus, the S&T appropriation funds the EPA's basic research program. The agency's efforts using S&T funds are conducted through contracts, grants and cooperative agreements with universities, industries, other private commercial firms, nonprofit organizations, state and local government, and federal agencies, as well as through work performed at the EPA's laboratories and various field stations and field offices. S&T funds are available for programs that support training in research techniques such as fellowships.

The S&T appropriation funds activities such as developing and improving sampling and analytical methods and instruments for measuring pollutants; determining the effects of pollutants on human health, ecosystems and the general environment; researching the processes that relate to pollution; evaluating technologies for preventing and controlling pollution; and developing guidelines and research tools to improve risk assessments. The S&T appropriation also provides operating expenses for most agency research facilities. This includes categories such as personnel salary and benefits, laboratory supplies and materials, operation and maintenance of laboratory facilities, equipment, IT support, human resource development, travel, and printing. Beginning in FY 1996, this account also funds hazardous substances research appropriated in the Superfund account and then transferred to the S&T appropriation account. The appropriated Superfund funds are available for obligation for only two years once transferred into the S&T account. The agency's financial coding structure ensures that both S&T sources of funds are tracked separately to provide proper accounting.

3. Office of Inspector General (OIG) Appropriation

The OIG appropriation provides funding for the EPA audit and investigative functions and program evaluations that promote economy, efficiency, and effectiveness, by identifying and recommending corrective actions and opportunities for improvement of management and program operations. The OIG also prevents and detects potential fraud, waste and mismanagement.

The audit function provides contract audit, performance audit and financial audit services. Contract audits provide professional judgments, findings and recommendations to agency contracting officials on accounting and financial matters relative to negotiation, award, administration, repricing and settlement of contracts. Performance audits review and evaluate all facets of agency operations. Financial audits review and evaluate the agency's financial statements and provide an opinion on their validity and on the financial health of the agency as a whole. Grant audits focus on the effectiveness of individual projects, reasonableness of costs and adequacy of management systems. The investigative function provides for the detection and prevention of improper and illegal activities involving programs, personnel and operations.

In addition to program costs, this account funds PC&B, travel, and administrative costs associated with the OIG program.

Historically, there are two fund sources for the budget authority in the OIG account:

- Direct OIG appropriations.
- Funds transferred from the Superfund appropriation (similar to the Superfund to S&T transfer). The appropriated Superfund funds are available for obligation for only two years once transferred into the OIG account. The agency's financial coding structure ensures that both OIG sources of funds are tracked separately to provide proper accounting.

4. Hazardous Waste Electronic Manifest System Fund (E-Manifest)

The EPA FY 2014 Appropriation Act established a new three-year appropriation account to provide funds to "carry out section 3024 of the Solid Waste Disposal Act (42 U.S.C. 6939g), including the development, operation, maintenance, and upgrading of the hazardous waste electronic manifest system."

No-year Appropriations. EPA no-year appropriations are available for obligation without FY limitation. They remain available until expended, rescinded or otherwise withdrawn. The EPA's no-year appropriations are:

5. **Hazardous Substance Superfund Trust Fund (Superfund)** — The Superfund appropriation is provided to carry out the legislative mandates of CERCLA as amended by the Superfund Amendments and Reauthorization Act (SARA) by addressing uncontrolled hazardous waste sites and the release of hazardous substances. The legislation authorizes the EPA to 1) provide emergency response to hazardous waste spills; 2) take emergency action at hazardous waste sites that pose an imminent hazard to public health or environmentally sensitive ecosystems; 3) engage in long-term planning, remedial design and construction to clean up hazardous waste sites where no financially responsible party can be found; 4) take enforcement actions to require responsible private parties to clean up hazardous waste sites; and 5) take enforcement actions to recover costs where the Superfund has been used for cleanup.

   In addition to program costs, this account funds PC&B, travel and administrative costs associated with the agency's administration and implementation of the Superfund program. Program-specific research, such as sample processing, is performed in regional office laboratories or at the National Enforcement Information Center and is funded though the EPM and Superfund.

6. **LUST Trust Fund**

   The LUST Trust Fund appropriation is provided to carry out the legislative mandates of the SARA by conducting corrective action for releases from LUSTs containing petroleum and other hazardous substances. The EPA implements the LUST Program primarily through state cooperative agreements, which enable states to:

   - Oversee corrective action conducted by underground storage tank (UST) owners and operators.
   - Conduct corrective action when UST owners or operators are unknown, unwilling or unable to perform corrective action properly or where prompt action is necessary to protect human health and the environment.
   - Take enforcement actions against recalcitrant owners and operators.
   - Conduct corrective action-related training and research (e.g., to promote efficient cleanup technologies).

   States and the EPA may recover LUST Trust Fund costs from liable owners and operators.

   The Energy Policy Act of 2005 authorized the use of funds contained in the LUST Trust Fund for leak detection, prevention, related inspection and enforcement activities.

   EPA also uses LUST Trust Funds for corrective action program implementation, including oversight, training, research, enforcement and Indian country implementation. In addition to program costs, this account funds PC&B, travel and administrative costs associated with the agency's administration and implementation of the LUST Program.

The Trust Fund is financed by a 0.1-cent tax on each gallon of motor fuel sold nationwide. The U.S. Department of Treasury provides information on the current balance in the LUST Trust Fund. Although the LUST Trust Fund has a balance, the EPA may only obligate the amount provided through appropriation. For more information, visit http://www.epa.gov/oust/ltffacts.htm.

7. B&F

Funds are appropriated to the EPA B&F account each year to cover the necessary major repairs and improvements to existing installations that house the agency. The B&F appropriation is the only appropriation that can be used for the construction, alteration, repair, rehabilitation and renovation of EPA facilities if the cost of the project is $150,000 or greater. This appropriation also covers new construction projects when authorized. It is not available to pay rent at facilities the EPA leases. Minor repairs and improvements to existing installations are usually funded by the EPM and S&T appropriations as authorized by the annual appropriations act.

8. OIL

The OIL appropriation is funded from the Oil Spill Liability Trust Fund (OSLTF). The OLSTF provides funds to the EPA’s Oil Spill Response account each year. The EPA is responsible for directing, monitoring and providing technical assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with Oil Pollution Act and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The EPA carries out research to improve response actions to oil spills, including the use of remediation techniques such as dispersants and bioremediation. Funding for specific oil spill cleanup actions is provided through the U.S. Coast Guard from the OSLTF through reimbursable Pollution Removal Funding Agreements and other interagency agreements.

In addition to program costs, this account funds PC&B, travel, and administrative costs associated with the agency’s administration and implementation of the Inland Oil Spills Program.

9. State and Tribal Assistance Grants (STAG)

The STAG appropriation includes three components: 1) infrastructure grants, including State Revolving Funds (SRF); 2) categorical STAG grants; and 3) other specified grant programs, such as Alaska Native Villages, Diesel Emissions Reduction Grant Program, Brownfields Projects and Mexican Border.

Funding for the SRFs constitutes the largest part of the STAG account. These funds are used to capitalize revolving loan funds in each state, which provide loans to municipalities for major wastewater and drinking water infrastructure projects. The Water Quality Act of 1987 reauthorized the “construction grants” program through 1990 and provided for its phase-out and replacement with an SRF program to be financed by grants to the states.

There are two types of water infrastructure SRFs: clean water SRF and drinking water SRF. The states loan these funds to municipalities for the infrastructure projects, who then pay back their loan by making payments back into the state SRF account. The state can then make more loans (hence the term "revolving") to other municipalities.

Categorical STAG (also referred to as continuing environmental program grants) provide financial assistance to states and tribes in numerous environmental categories by program. These grants help states and tribes develop the technical, managerial and enforcement capacity to operate the environmental programs that monitor drinking water systems, implement water quality standards, combat air pollution, promote the use of safer pesticides, manage hazardous waste and ensure compliance with federal environmental laws. In addition, categorical STAG funds are available in specified amounts appropriated for certain grant programs identified in the statute, such as brownfields response program grants and Exchange Network grants.

The Omnibus Rescissions and Appropriations Act of 1996 (P.L. 104-134) provided the EPA permanent authority within the STAG account to award Performance Partnership Grants (PPGs) with categorical STAG funds. PPGs permit states and tribes to combine STAG "categorical grants" (i.e., air, water) into one or more grants, to be used for addressing the unique priorities of each state or tribe. PPGs were created to reduce the burden on and increase the flexibility for state and tribal governments that need to manage and implement their environmental protection programs. At the same time, they produce the results-oriented performance necessary to address the most pressing concerns and achieve a clean environment.

F. Accounting

1. Accounts Receivable and Collections

All accounts receivables and collections are handled through the applicable EPA finance center. EPA organizations are not allowed to independently bill and collect monies. EPA organizations must provide billing information to their finance center, which will provide the bill to the vendor and/or individual that owes monies to the EPA. Each finance center is responsible to collect the debt for the first 90 days. If the debtor fails to enter into a payment agreement or pay the debt at the 90-day mark, the debt is referred to Treasury for collection. Once the money is collected by the EPA finance center, the money is credited back to the applicable EPA organization or other designated place. Policies related to accounts receivables, billing and collecting can be found at http://intranet.epa.gov/ocfo/policies/direct/2540.htm.

2. Suspense Accounts

Suspense accounts are used by the EPA finance center when a money received does not have adequate information to assign it to an EPA organization. These accounts are used because the Treasury requires that EPA record the collection and payment of all monies within three business days. After an item is placed in suspense, the EPA finance center has 60 days to research and apply the correct accounting information to the payment or collection. The OC monitors monthly the balance in EPA suspense accounts and requires each EPA finance center to provide a reason for not clearing any balances greater than 30 days. For more information, see RMDS Chapter 2540-03-P1, “Fund Balance with Treasury Management Standard Form 224 Reconciliation,” at http://intranet.epa.gov/ocfo/policies/direct/2540/2540-03-p1_sf224_reconciliation.pdf.

G. Payroll Management and Tracking/PeoplePlus The Department of the Interior’s Interior Business Center (IBC) provides payroll processing and personnel record services to the EPA. This is part of the governmentwide human resources line of business. Prior to the implementation of IBC’s payroll processing, the Defense Finance and Accounting Service provided this service. The EPA uses the PeoplePlus reporting system for time and attendance.

Since payroll is such a large expense at the EPA, AHs/fund control officers must monitor and control it carefully. PC&B costs must be continually reviewed and projected for the entire FY. Necessary steps must be taken to ensure that costs remain within all approved limits.

1. Payroll Accounting

Obligations for monthly payroll costs are generated by the biweekly submission of time and attendance forms for all employees. After processing payroll for each pay period, actual PC&B costs are posted and an accrual for the remainder of the month is calculated based on the actual payroll data. PC&B actuals, plus the remaining accrued balance of the month, are displayed in Compass under budget object class Code 10.

Each employee has one or more standard fixed account numbers to which all payroll expenses for the employee are normally charged. The fixed account number(s) corresponds to the program results code that supports employee work years and personnel costs. It shows whether an employee is paid with management and support funds or from environmental program funds. It is important that the employee is assigned a fixed account number(s) that corresponds to the work the employee actually performs so that expenditures for specific environmental programs or activities are accurately reported. As each pay period ends, some or all of the employee's payroll expense can be charged to account numbers other than their fixed account number, if appropriate. Consequently, payroll accruals could be inaccurate if employees had any unusual payroll distributions to other account codes during the previous pay period.

2. Split-Funding Payroll Costs

As noted above, program offices may charge an employee's payroll costs to more than one account. This can be done through direct charging as needed or by an established methodology. No documentation or approval is needed to direct charge. However, to use a methodology, written documentation must be submitted to the appropriate finance center at the beginning of each FY, which shows how the different percentages of the appropriations benefiting are to be charged throughout the FY. Specific names of the employees, their social security numbers and their fixed account numbers are not needed in the documentation. Of course, only appropriations available for PC&B may be used in split-funding payroll costs.

3. Calculating Full-Time Equivalent (FTE) Usage An “FTE” or “work year” is the number of compensable hours that an employee working full time would work in a given year. A work year normally has 2,080 compensable hours. (8 hours × 5 days × 52 weeks = 2,080). However, the number of work days in a year vary slightly based on how the calendar falls in any given year. Thus, in some years, the number of hours can be 2,088 or 2,096 compensable hours. The OMB published the official number of work hours for each year annually in OMB Circular A-11.

To calculate FTE usage, compute the total number of hours worked in an organization, including holidays, leave, cooperative education and stay-in-school hours. Divide this number of hours by the compensable hours in the FY to find the FTE usage to date. Dividing this FTE usage by the FTE ceiling gives percent usage. This fraction should be about the same as the fraction of the year that has passed. On March 31, for example, 50 percent of the FY has passed, so 50 percent of the FTE ceiling should be used. If FTE usage is too high or low, the AH should discuss this with the small business ombudsman for possible redistribution of FTE ceiling or other action as necessary.

Chapter 7: Budget Execution Rules and Guidance

Summary

Federal managers must be careful to follow all of the applicable rules before authorizing any financial transactions. They must be careful to ensure that all actions are within the legal limits and for the purposes for which the monies were provided. Below are some major budget execution rules, followed by a more detailed discussion of some major concepts.

Overview of Major Spending and Charging Guidelines and Rules Purpose, Amount, Conditions, Time Test

Congressional appropriation provides funds for a certain purpose and set amount, under particular conditions, and with set deadlines.

- You may *not* spend monies without meeting *all* four conditions.
- The EPA tends to have "two-year" appropriations that expire on September 30 of the second year after they are appropriated and "no-year" appropriations that remain available until expended. Funds appropriated for the E-Manifest System are three-year funds.

a. Augmentation — Agencies may NOT use one appropriation to supplement another (violates congressional intent on appropriation "purpose" and "limits"). Additionally, agencies may not accept funds from any outside source (including other federal agencies) without explicit statutory authority. Nor may the agency be in "constructive receipt" of outside funds by effectively controlling how money is used — even if the monies are never deposited in federal accounts.

b. Specific over General — Where Congress has provided the EPA with a specific appropriation for a particular purpose, the EPA cannot use a more general appropriation for that same purpose. General appropriations cannot be used to "cover the difference," even if the agency has already run out of money in the more specific appropriation.

c. Pick and Stick/Consistent Charging — If two appropriations can reasonably be interpreted to be equally available for the same "purpose," and neither is more specific than the other, the agency may choose which to charge, but it must consistently charge one. (Once the Agency "picks" which appropriation to charge, it must "stick" to using that appropriation from then on.)

   i. Ensuring Consistent Charging. Following the "Pick and Stick" principle, fund control officers (FCOs) and managers should be consistent in charging across different types of spending. The same logic should apply to how they charge grants, contracts, payroll and travel. For example, if a person is charging some travel to a fee account, is a portion of that person's work time that day, or contract that he or she is using, also being charged?

d. Necessary Expense — Spending is necessary if it meets three tests:

   i. It will materially increase an employee's (or organization's) output.
   ii. The employee would not be reasonably expected to furnish the expenditure as part of their personal equipment.
   iii. The expense is not prohibited by law.

e. Severable vs. Non-severable Services — Severable services can be separated into components, each of which can be independently performed to meet a separate government need. Non-severable services cannot be divided into components. (E.g., a contract for recurring window-

cleaning services can be cancelled halfway through with no loss of value, but a contract to write a final report is almost worthless if stopped halfway through. The former is severable; the latter is non-severable.) Severable services must be charged to an appropriation that is available and will remain available
(unexpired) at the time services are rendered. Non-severable services, however, must be charged only to an appropriation available at the time the agreement is signed, regardless of when the services will be performed.

f. Bona Fide Needs Governing Charging to a Fiscal Year (FY) — Spending must be tied to the program needs for that FY. An appropriation limited for a definite period may be obligated only to meet a legitimate or bona fide need arising during that appropriation's period of availability. 31 U.S.C. 1502(a). Does not apply to no-year funds. 43 Comp. Gen. 657, 661 (1964).

The EPA's Office of General Counsel (OGC) Civil Rights and Finance Law Office provides expertise on detailed interpretations at http://intranet.epa.gov/ogc/civil.htm.

A. Purpose, Time and Amount Explanations: Appropriation Law Concepts

For appropriated funds to be legally available for expenditure on an activity, three tests must be met:

- Purpose
- Time
- Amount

1. Appropriations as to Purpose

The purpose statute, 31 U.S.C. 1301(a), provides that appropriated funds may be obligated and expended only for the purpose(s) for which they were appropriated by Congress unless the expenditure is otherwise provided by law. In some cases, Congress may specify the precise purpose for which it has appropriated funds to the EPA; however, the bulk of the funding is in the form of "lump sum" appropriations for general purposes, such as "Environmental Programs and Management" (EPM) or "Research and Development" (R&D), or to carry out a broad statute, such as the Comprehensive Environmental Response Compensation Liability Act (CERCLA) or the Oil Pollution Act (OPA).

The first step in interpreting an appropriations act is to examine the plain meaning of the words in the law itself. If Congress has directly spoken to the precise question, then its unambiguously expressed intent must be given effect. Committee reports or portions of committee reports that are expressly incorporated into the appropriations act itself have the force of law. Other indicators of congressional intent in legislative history are examined only if the plain meaning of the statute is unclear.

Legislative history includes conference committee reports, appropriations committee reports and floor debates. Conference committee reports have the greatest weight since they reflect the views of congressional representatives from both houses and are usually voted on and adopted by both houses when appropriations legislation is passed. Appropriations committee reports are next in order of importance, followed by floor debates. EPA and appropriations committees consider Congressional Budget Justifications to be part of the legislative history.

The Supreme Court ruled in *Tennessee Valley Authority* v. *Hill*, 437 U.S. 153 (1978), that directions to federal agencies contained solely in congressional committee reports are not legally binding. However, an agency's failure to adhere to congressional intent can have adverse practical consequences for the agency's relationship with Congress. The agency, as a matter of policy, will generally act in accordance with the views expressed in conference reports, appropriations committee reports and other documents that reflect legislative history.

Since it is not possible to specify every item for which appropriations will be expended within the Appropriations Act, particularly if it is a lump sum appropriation, the spending agency has reasonable discretion in determining how to carry out the objectives of the appropriation. This concept is embodied in the "Necessary Expense" rule.

An expenditure must meet three tests to be justified as a necessary expense:

- The expenditure must bear a logical relationship to the appropriation being charged. In other words, it must make a direct contribution to carrying out either a specific appropriation or a statutorily authorized agency function for which more general appropriations are available.
- The expenditure must not be prohibited by law.
- The expenditure must not be otherwise provided for; that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.

Additionally, for an expenditure to be justified as meeting the purpose of a particular appropriation, it is important to know whether an action is funding something from one appropriation that was previously funded from a different appropriation. In 59 Comp. Gen 518 (1980), the U.S. Government Accountability Office (GAO) noted:

"Where either of two appropriations may reasonably be construed as available for expenditures not specifically mentioned under either appropriation, the determination of the agency as to which of the two appropriations to use will not be questioned. However, once the election has been made, the continued use of the appropriation selected to the exclusion of any other for the same purpose is required."

This concept has become known throughout the federal government as the "Pick and Stick" rule. The agency may make an initial election as to which appropriation to use (the pick), but once the decision has been made, the agency must stick to its choice unless it informs Congress before the beginning of the FY that it will change charging practices. Additionally, the agency may not, because of insufficient funds or other reasons, change its election in a subsequent FY and use another appropriation unless Congress is first informed of the agency's planned change.

Violating 31 U.S.C. 1301(a) by expending an appropriation for an unauthorized purpose does not necessarily violate the Anti-Deficiency Act (ADA), 31 U.S.C. 1341. The ADA is violated if a purpose violation cannot be corrected because sufficient unobligated funds do not exist during the relevant FY in the correct appropriation account. Further, both the GAO and Office of Legal Counsel (OLC) agree that an expenditure or obligation of appropriated funds for a purpose precluded by an express prohibition in an appropriation act violates the ADA, because no funds are available for that purpose. Contrary to the GAO's position, however, the OLC has advised the EPA that violating a prohibition on expending appropriated funds that is not codified in an appropriation does <u>not</u> violate the ADA.

Violations of appropriations laws are serious matters, which can undermine the agency's working relationship with Congress. Responsible EPA employees may penalized with administrative discipline for violating 31 U.S.C. 1301. A U.S. government officer or employee convicted of knowingly and willfully violating the ADA may face a criminal penalty of being fined no more than $5,000, imprisoned for no more than two years or both.

2. Appropriations as to Time

The placing of time limits on the availability of appropriations is one of the primary means of congressional control. By imposing a time limit, Congress reserves the prerogative to periodically review a given program or agency's activities.

The life cycle of appropriations with fixed periods of availability consists of three sequential phases: the unexpired phase, expired phase and cancelled phase. When an appropriation is made available for a fixed period of time, the general rule is that the period of availability relates to the authority to obligate funds from the appropriation. It does not necessarily prohibit payments after the expiration date for obligations previously incurred, unless the payment is otherwise expressly prohibited by statute. The availability of appropriation balances to incur, adjust or pay obligations differs in each phase.

a. Unexpired Phase — During this phase, the appropriation may be used to incur new obligations and to liquidate or pay properly incurred, existing obligations. Balances in this phase do not expire and are not cancelled.

b. Expired Phase — The expired phase begins when the period to incur new obligations against appropriations ends. For annual appropriations, this occurs at the end of the FY for which the funds are appropriated. For multiyear appropriations, this occurs at the end of the last FY for which the funds are appropriated.

   "Upon expiration of a fixed appropriation, the obligated and unobligated balances retain their fiscal year identity in an 'expired account' for that appropriation for an additional five fiscal years. As a practical matter, agencies must maintain separate obligated and unobligated balances within the expired account as part of their internal financial management systems in order to insure compliance with the ADA." Principles of Federal Appropriations Law, p. 5-72.

   The "expiration" period for the EPA's fixed appropriations (i.e., EPM, Science and Technology [S&T], Office of Inspector General [OIG]) is seven FYs from the expiration of the obligational period as authorized in Pub. L. 106-377. During this seven-year period, the potential for an ADA violation exists if identifiable obligations chargeable to one of those seven years exceed the sum of the obligated balance for that year plus the amount available for adjustment from the unobligated balance for the same year. Should this happen, the excess can be liquidated only pursuant to a supplemental or deficiency appropriation or other congressional action.

   During the expired phase, no new obligations may be incurred against the appropriations. Expired appropriation balances are available for the following:

   i. Liquidation by payment or de-obligation.

   ii. Satisfaction of an unrecorded or under-recorded obligation properly chargeable to the appropriation available for that particular year; they cannot be used to satisfy an obligation chargeable to another appropriation or to any other year of the seven-year period.

c. Cancelled Phase — At the end of the expired phase, all obligated and unobligated balances must be cancelled, and the account is closed. Any remaining unexpended balances, both obligated and unobligated, are cancelled and returned to the general fund of the Treasury

(294); they are thereafter no longer available for any purpose. Collections authorized or required to be credited to a cancelled appropriation that are received after the account is closed must be deposited in the Treasury as miscellaneous receipts. At the end of the seven-year period, the account is closed.

All audit requirements, limitations on obligations and reporting requirements applicable to an appropriation in the unexpired phase continue to apply in the expired phase. Under 31 U.S.C. 1552(a) and 1553(a), time-limited appropriations remain available to liquidate obligations for five FYs after the period of availability for obligation (the unexpired phase) ends. However, the EPA requested and received statutory authority for the expired phase to last for seven years after the period for which the appropriation was available for new obligations (P.L. 106-377). This statutory authority applies to multi-year appropriations beginning in FY 2001.

3. Bona Fide Needs Rule

One of the fundamental principles of appropriations law, the "bona fide needs rule directs that an FY appropriation may be obligated only to meet a legitimate or bona fide need arising in, or in some cases arising prior to but continuing to exist in, the time period for which the appropriation was made. The statutory basis for the rule is 31 U.S.C. 1502(a) which provides that the balance of a fixed-term appropriation ‘is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period’... ”

A good example of the bona fide needs rule is when ordering supplies at the end of an FY. An order or contract for stock replacement is viewed as meeting a bona fide need of the year in which the contract is made if it is intended to replace stock used in that year, even though the replacement items will not be used until the following year. Stock in this context refers to readily available, common-use, standard items. There are limits, however, as GAO has questioned the validity from the bona fide needs perspective of purchasing materials carried in stock for more than a year before the issuance for use (see GAO Decision B-134277, Dec 18, 1957).

The application of the bona fide needs rule to service contracts may raise complicated legal issues relating to whether the service is “severable” or “non-severable.” Severable services are those which are continuing and recurring in nature — such as window washing services — while non-severable services are those that are characterized as a single undertaking — such as conducting a study and preparing a final report. Nonseverable services may be charged to the appropriation current at the time that the contract was made, even though performance carries over into a subsequent FY.

Statutory and regulatory changes (Federal Acquisition Streamlining Act of 1994, Section 1073, and Federal Acquisition Regulation 37.106) now permit agencies to enter into a contract, exercise an option or issue a delivery order that obligates annual (one-year) appropriations to acquire severable services that begin in one FY and end in the next. The contract, option period or delivery order may not exceed 12 months. The EPA OGC has said that these provisions also apply to acquisitions funded with multi-year appropriations, such as the two-year appropriations provided to the EPA. This means, for example, that the EPA may obligate FY 2013/2014 funding to fund 12-months’ severable services that begin in FY 2014 and end in FY 2015.

The concept of severable versus non-severable services does not apply to grants and cooperative agreements. Principles of Federal Appropriations Law, pp. 10-42 and 10-43. This is because the bona fide need for a financial assistance transaction (original awards, supplemental and incremental funding) arises in the FY in which the EPA decides to support the public purpose that will be furthered by providing financial assistance. Payments may be made to recipients of EPA grants and cooperative agreements from funds obligated in prior FYs provided the appropriation account has not been cancelled.

Under extremely rare circumstances, expired funds could be used for obligation after the availability period for obligation has expired. In these situations, funds managers should consult and carefully coordinate with legal counsel, since there are distinct and complicated rules for each EPA appropriation and funding source. What might be legal in one instance may not be in a similar but slightly different instance. Below are some examples.

The replacement contract concept is discussed in detail on pp. 5-28 through 5-33 of the Principles of Federal Appropriations Law. Replacement contract rules may apply when the EPA terminates a contract because of the contractor's default during the expired phase for funds that remain obligated for the contract. In this situation, these expired funds may be used to engage another contractor to complete the unfinished work. The rule has the implicit premise that the original contract validly obligated then current funds. The rule is also based on the notion that the default termination does not eliminate the bona fide need of the FY in which the original contract was executed.

In accordance with 31 U.S.C. 1502, amounts from the appropriation available at the time the original contract was entered would remain available to fund costs properly chargeable to that appropriation. Accordingly, the replacement contract seeks only to meet the agency's preexisting and continuing need, relying on the budget authority obligated by the original contract. For funds to remain available beyond expiration for a replacement contract, four conditions must be met:

a. The program office or region must obtain an opinion from the OGC stating that a replacement contract must be issued in lieu of the original contract.

b. A bona fide need for the work, supplies or services must have existed when the original contract was executed, and it must continue to exist up to the award of the replacement contract. If a terminated contract is found to have been improperly made to fulfill a need of an FY other than the year against which the obligation was recorded, it would also be improper to charge that same appropriation for obligations incidental to a replacement contract.

c. The replacement contract must not exceed the scope of the original contract. If it does, it is a new obligation and must be charged to funds currently available for obligation at the time that the recipient enters into the replacement contract.

d. The replacement contract must be awarded within a reasonable time after termination of the original contract. Excessive delay raises the presumption that the original contract was not intended to meet a then existing bona fide need. The same result may follow if there is unwarranted delay in terminating the original contract.

Similar rules apply in situations in which a financial assistance recipient is unable to complete a grant performance or cooperative agreement:

- The bona fide need for the grant project must continue.
- The purpose of the grant from the government's standpoint must remain the same.
- The revised grant must have the same scope.

Principles of Federal Appropriations Law p. 10-107.

However, the EPA does not need to terminate the financial assistance agreement for default. The agency and the recipient may reach a mutual agreement for another recipient to complete performance, such as when a principal investigator for a research grant moves to a different educational institution, and the original recipient intends to cease operations or simply does not want to continue to perform the agreement.

4. **Appropriations as to Amount —** Appropriations are limited to the dollars (or amount) appropriated. Therefore, restrictions related to amount are the third major element in the legal availability of appropriations. It is not enough to know what you can spend appropriated funds on and when you can spend them; you must also know how much you have available for a particular activity.

While certain funding levels and limitations may be included in authorizing legislation, appropriations legislation will generally control the disposition of an issue where the appropriations act itself clearly demonstrates congressional intent to depart from funding levels or limitations in the authorizing legislation. Nonetheless, the authorizing act and appropriations act should be harmonized to the greatest extent possible. The authorizing legislation and the appropriations go hand in hand to establish a mandate for environmental action followed by the funds to carry out the mandate.

a. <u>The ADA</u> — The ADA is one of the major laws in the statutory pattern by which Congress exercises its constitutional control of the public purse. It has been termed the cornerstone of congressional efforts to limit the executive branch's expenditure of appropriated funds.

Briefly, in its current form, the ADA prohibits:

- Obligation or expenditure in excess of appropriations.
- Obligation or expenditure in advance of appropriations unless authorized by law.
- Accepting voluntary services for the United States exceeding that authorized by law.
- Obligation or expenditure in excess of apportionments or administrative divisions of apportionments.

The ADA is described in detail in Chapter 2, Section B, including reporting violations and both civil and criminal penalties for violation.

b. "<u>Administrative" vs. "Programmatic</u>" — The concept of costs being either "administrative" or "programmatic" is a functional distinction based on purpose. In FY 1994, to implement restructured appropriations and control costs as either administrative or programmatic, the agency revised its budget object and finance subobject classification codes to reflect this philosophy. In FY 1995, Congress directed the agency to review the current budget structure and restructure accounts. In FY 1996, the agency's budget structure eliminated congressional caps on administrative expenses.

In FY 2004, the EPA streamlined its budgetary and spending processes and discontinued use of the "programmatic" vs. "administrative" distinction in its Operating Plan and at the budget object class (BOC) code level. For financial accounting purposes and to report spending to the Office of Management and Budget (OMB), GAO, Congress, agency management, etc., the EPA continues to use "administrative" or "programmatic" at the EPA sub-object code level, also known as the financial object class (FOC) codes. The detailed nature of the FOCs is vital to EPA operations. This financial information is used to support management decisionmaking and to maximize resources to achieve program goals.

All agency personnel responsible for handling and reviewing budget and financial information should ensure that BOCs and FOCs are correctly and consistently applied. The EPA sub-object class codes and definitions are included in the Resource Management Directive System (RMDS), Chapter 2590, and can be viewed online at http://intranet.epa.gov/ocfo/policies/resource.htm. RMDS Chapter 2590 provides additional information to help agency personnel ensure that BOCs and FOCs are used appropriately.

c. Appropriations Charging — Split Funding with Multiple Appropriations

i. Procurements — The use of more than one appropriation on a single work assignment, delivery order or project is known as split funding with multiple appropriations. The EPA receives funding for contracts from several appropriations and may fund a procurement from one or more of these appropriations depending on the nature of the goods or services provided. The agency requires that the Office of the Chief Financial Officer (OCFO) approve the allocation methods when more than one appropriation is used as a funding source on a procurement.

Split funding applies to all procurement transactions that use multiple appropriations where costs are not directly allocable (and not just Superfund). Funding allocation must be based on appropriation benefit, rather than which account can "afford" the work. Stated another way, the appropriations cited on the contract must benefit from the contractor's work. The use of funds from one appropriation because of the absence of funding in another violates basic appropriations law.

The following procedures are necessary to ensure full agency compliance with legal requirements for split-funded procurements:

- Methodology — The OCFO must approve the contracting officer representative's (COR's) rationale for allocating costs among appropriations so that voucher payment can be processed accurately. Approval should be obtained before the contract/task order deliverable is awarded.

  The COR must document the rationale for using multiple appropriations and include an estimate of the costs to be charged to each appropriation, as well as the method for distributing the costs to the benefitting appropriations. All program offices contributing funds to the procurement must indicate on the rationale their concurrence with the estimate. The COR's split funding documentation rationale must be sent to OCFO for approval and also maintained in the overall contract file.

  Costs must be allocated based on a formula derived from the estimated benefits to each appropriation. If each task, work assignment or delivery order within the multi-funded contract will be funded from a single appropriation, OCFO approval is not required. Project officers (POs) are encouraged to structure tasks in this manner. The methodology used for "split funding" of indistinguishable support costs should be applied consistently throughout the fiscal year and not adjusted as a matter of convenience or to balance the usage of funds from available appropriations.

The COR responsible for the contract must include a copy of the approved rationale for using multiple appropriations with the purchase request (PR) submitted to the contracts office.

- Voucher Payment — Whenever a procurement has multiple account funding, the COR must provide the Research Triangle Park Finance Center (RTPFC) with the appropriations (and amounts) on the invoice approval so that payment vouchers are charged correctly. The finance office will charge contract vouchers to the appropriate account number and document control number (DCN) as specified by the methodology.

  For more information on funding procurements with multiple appropriations, see the EPA's Contracts Management Manual (dated April 2004), Chapter 7, Section 7.4, "Accounting for Appropriations in Contracts" at http://OMSintra.epa.gov/node/245.

- Approving Invoices — CORs must use the Electronic Approval System, EASYLITE. EASYLITE allows CORs and their alternates to approve invoices online. EASYLITE takes the place of the hard copy invoice approval form, EPA Form 2550-19, which CORs previously received in pink envelopes. Unless an exception is approved by the RTPFC, all CORs must use EASYLITE to approve invoices.

  OC/RTP receives the invoice for payment from the vendor. The OC/RTP accounts payable technician scans the invoice into the Contract Payment System (CPS). Once the data entry into the CPS is complete, EASYLITE generates an email to the PO and contracting officer (CO) indicating that an invoice is awaiting approval. EASYLITE is a Web-based program that allows approval and payment of contract invoices. Approvals are updated from EASYLITE to the CPS in real time, and payment information is transmitted nightly from CPS to Compass. The PO approves the payment in EASYLITE. EASYLITE reflects the contract, task order and invoice data; through a dropdown menu, it shows the available lines of accounting for cost allocation. It is up to the COR to allocate the invoice amount among the accounting lines and to determine which DCN will be used for the particular invoice. When paying invoices involving more than one appropriation, the COR must follow the OC-approved split-funding methodology previously developed. EASYLITE will not allow overpayment of invoices and provides only available lines of accounting associated with a contract or task order.

ii. Grants/Cooperative Agreements — The EPA Office of Grants and Debarment (OGD), with the assistance of opinions from the OGC, established its policy for multiple appropriation (MA) grants in FY 2001. It states, "It is the EPA policy generally to use only one appropriation as the funding source for an assistance project. Where a project's activities benefit more than one appropriation, the agency should award separate grants for the activities falling within the scope of each appropriation. However, a single MA grant may be awarded, with adequate justification documented in the grant decision memorandum, and on an exception basis, if all of a project's activities are of a type that is fundable from all of the supporting appropriations. Separate grants must be awarded if all of the supporting appropriations are not legally available for all of the types of activities to be performed. This is because of the procedural difficulties involved in individually charging payments to the benefited appropriations. In awarding and administering separate grants, the agency will work to minimize application, accounting and reporting burdens on recipients."

As part of the justification for an MA grant, the PO must include a description of the methodology for charging payments in the decision memorandum that reflects the proportional benefit to each appropriation. When developing their allocation methodology, POs must use the guidelines issued by the Office of the Chief Financial Officer (OCFO). A suggested sample allocation methodology accompanying the decision memorandum could look like the following:

Sample Allocation Methodology for 000000-01-0

All of the project's activities are of a type that is fundable from all of the supporting appropriations.

Project or Description	Appropriation	Funding Request ($)	Funding %
support Tribal capacity building in training in pollution abatement and control	B	193,000	86%
support Tribal capacity building activities in hazardous waste- related activities	T	32,000	14%
	Total	225,000	100%

POs may contact their finance centers (FCs) or, where necessary, OGC or the appropriate Office of Regional Counsel (ORC) if they need further guidance. The Figure 7. Allocation methodology. funding placed on the grant must be consistent with the allocation methodology. The “Multiple Appropriations Awards Policy” can be found in its entirety at http://intranet.epa.gov/OGD/course_library/m5_funding/4.5-INFO-FA.htm.

Although split-funded grants and cooperative agreements are not reviewed by the OC, allocation methodologies are subject to audit, and the funding organization must establish a rationale internally.

- Allocation of Support Costs — The EPA’s operating costs are usually charged directly to an appropriation through its account code structure. For example, a Superfund employee's pay would be charged to a Superfund appropriation account number (the employee's fixed account number).

  However, many support services may benefit activities that are funded from more than one appropriation, but the amount of support benefiting each appropriation cannot be directly measured. As a result, there might be no way to track and report which increments of time worked or what portion of a purchased item supports which appropriation's activities.

  Allocating time worked or other support costs among appropriations is an acceptable method of charging costs. Program offices, which allocate costs, must have a measure of benefit for allocating costs to an appropriation (that is, the ratio of costs from one appropriation to the total costs, where the ratio represents the proportion of service provided to the various recipients of that service).

  The derived percentage(s) is multiplied against the total amount of support costs (or total full-time equivalent personnel compensation and benefits costs if allocating personnel costs) to be distributed. The calculated amounts are then recorded against the respective appropriations. This plan must be adhered to by all offices responsible for distributing support costs or needing to allocate hours worked.

RMDS 2550D, Chapter 5, "Allocation of Personnel and Support Costs to the Superfund Appropriation," describes in further detail allocation methodologies used to redistribute costs or layoff appropriations. Although "Superfund" is specifically mentioned in the chapter title, the methodologies described can be applied to any trust fund or appropriation. The methodology used for "split funding" of indistinguishable support costs should be applied consistently throughout the fiscal year and not adjusted as a matter of convenience or to balance the usage of funds from available appropriations.

B. Tracking and Managing Funds

Users will click on the report of their choice and enter the appropriate selection criteria to retrieve the data they requested. The Compass Data Warehouse (CDW) home page can be accessed at http://ocfosystem1.epa.gov/neis/adw.welcome.

1. CDW and Concise Binary Object Representation (CBOR) Reports

a. Direct Access to the CDW — Direct access to the CDW Oracle database is available. Users will need to provide their own reporting tool and must have an Oracle client set up on their PC. Some reporting tools that are being used and known to work include Lotus Approach, Cognos Impromptu, Business Objects and Microsoft Access, as well as various Oracle reporting products. Any reporting tool capable of connecting to an Oracle database or an open database connectivity data source should work.

b. Compass Business Objects Reports — In FY 2012, the OCFO discontinued its use of the OCFO Reporting Business Intelligence Tool (ORBIT) and began using CBOR. This Business Objects platform enables users to generate standard and ad hoc reports to meet specific information needs (75 total reports). The CBOR reporting tool represents a significant OCFO effort to bring financial information to day-to-day decision-making across the agency.

An FCO's signature on a document signifies that the FCO has personally reviewed the document for accuracy, all accounting data is accurate and complete, the transaction has been accepted in Compass, and the funds are available as to purpose, time, and amount. It is the FCO's responsibility to ensure that all of these actions have taken place before forwarding the document to other agency officials. Other EPA officials rely on the FCO's signature to indicate that the funds will not be altered, revised or withdrawn prior to obligation without advance notice or formal notification in writing.

This section will cover the essential items on funding documents that an FCO should review, and common funding problems an FCO may encounter after committing the funds and how those problems are resolved. Since an FCO's realm of responsibility might vary depending on whether they are located in HQ or the Regions, not all of these functions might actually be performed by the FCO. However, in either location, the FCO is directly responsible for or subject to coordinating with other personnel on the following activities:

2. Reviewing and Approving Funding Documents

A lack of attention to detail in properly reviewing a funding document could result in a violation of the ADA, the Purpose Statute (31 U.S.C. 1301), or other appropriations laws. Therefore, the FCO should ensure that the following information is correctly cited on the document before committing the funds in Compass:

a. Correct Appropriation — Chapter 1, Section II, describes the different appropriations used by the agency and their purpose. The FCO must ensure that the funds cited are being used for the appropriate purpose. The FCO might also need to apply the "Pick and Stick" rule to determine whether the document is funding something from one appropriation that traditionally might have been funded from a different appropriation. This rule was covered in Chapter 1, Section III.

b. Correct Account Number — See Chapter 4, Section I, for a description of the "SixField Compass Account Code" and how to enter this information. FCOs must ensure that the document cites the correct account number.

c. Correct Object Class Code — See Chapter 4, Section I, for a description. FCOs must ensure that the document cites the correct sub-object class code in terms of properly categorizing the item, coinciding with the appropriation cited and properly identifying the item as being administrative or programmatic in nature. For further information, FCOs should review RMDS 2590, which contains a description of all of the agency's sub-object class codes.

d. Correct Finance Center Code — Chapter 5, Section I, describes the roles and responsibilities of an FC. The FC closes out commitments and enters obligations into Compass. Thus, all funding documents must cite the proper FC code to reach their proper destination and be processed. The correct FC code is based on the FCO's geographic location and/or on the type of funding document being processed. See Exhibit 2520-5-3 for the correct FC code to use for each type of funding document.

e. Accurate Computation — FCOs must ensure that the total cost of the purchase is correct when more than one quantity of an item is being procured. Thus, the estimated unit price multiplied by the quantity must equal the total price/cost shown on the document.

   If the funding document is citing more than one appropriation and one of them is a trust fund appropriation, the FCO must make sure that the trust fund layoff percentages used in calculating the costs against each appropriation are correct, and that the document cites the appropriate corresponding accounting information. For more information on the concept of "Trust Fund Layoffs," see Chapter 7, Section VII.

f. Correct Signatures — FCOs must ensure that the document has all the proper signatures (initiator and/or approving official [AO]). Actions sometime require different levels of approval, such as international travel, which requires higher level approvals than domestic travel. Based on the amount of an item being procured, purchase card transactions might need a CO's (who has a warrant) signature. FCOs should be familiar with all persons authorized to sign for their organization. Checking for signatures assures the FCO that the document has been reviewed by the appropriate individuals. If multiple organizations are involved, all appropriate FCOs are responsible. Also, the Office of Acquisition Management (OMS) requires that some types of procurement have signatures from individuals outside of the FCO's office. For example, for the purchase of any information technology (IT) equipment, the funding document must have the senior information resource management official's signature. To procure furniture or rent conference space, the document must have a signature from the Facilities Management and Services Division.

g. Proper Funding Vehicle — Most commonly used funding documents at the EPA are fairly self-explanatory (for example, travel authorizations and travel vouchers for travel-related expenses). However, there are some instances where the FCO needs to apply policy guidance. Although the document may originate with the COR, the FCO must also know when it is appropriate to use a contract but not a grant or cooperative agreement to ensure compliance with the Federal Grant and Cooperative Agreement Act (FGCAA), 31 U.S.C. 6301 et seq. FCOs may obtain additional guidance on the FGCAA in EPA Order 5700.1, "Policy for Distinguishing Between Assistance and Acquisition" (3/22/94), and Section X. b. of this manual.

FCOs monitor open commitments via Compass or printed reports to ensure that the total amount committed is recorded as an obligation. The Office of Budget (OB) sweeps expiring funds if they remain unobligated/committed toward the end of the FY.

3. Recording Obligations

Obligating officials are those individuals who have the legal authority to bind the agency into contractual or other agreements that obligate agency funds.

An obligation can be described as a legal liability of the government to pay for those goods and services ordered or received.

There are five elements that must be present in all agreements in order for an obligation to take place. The agreement must:

- Be legally binding.
- Be in writing.
- Be for a purpose authorized by law.
- Be executed before the expiration of the period of obligational availability (before the funds expire).
- Call for specific goods, real property, work or services.

Principles of Federal Appropriations Law, pp. 7-10 through 7-14.

The obligating official must sign the agreement before the funds can be considered officially obligated and posted as an obligation in Compass by the appropriate FC.

In its simplest form, the amount to be recorded as the obligation would be the contract price. However, in many types of contracts, the final contract price cannot be known at the time of award, and an estimate is recorded. The basic principle is to record the best estimate and adjust the obligation up or down periodically as more precise information becomes available. This principle is used throughout the contract process until the costs are finalized. For long-term contracts, this final cost may not be known until many years after the contract was awarded and the funds have expired.

In contrast, when awarding grants and cooperative agreements, the EPA records the exact amount of the award as an obligation. The obligation amount may be adjusted upwards or downwards only by an amendment to the agreement or an administrative action, such as a termination or close-out, which authorizes de-obligation of the funds.

4. Authorizing Payments

Many of the transactions that FCOs process will result in establishing obligations that will eventually require payment by the EPA. The accounts payable certifying officer is responsible for the payment of contract vouchers or bills. Within the EPA, the process used in paying these bills is very sophisticated and detailed; it is implemented through the agency's Electronic Approval System, known as EASY. A summary of the payment process using EASY is as follows:

The agency acquires goods and services through various contractual vehicles. As goods and services are delivered to the agency, contractors will submit vouchers (i.e., "Public Voucher for Purchases and Services Other Than Personal," Standard Form 1034) or invoices to the RTPFC requesting payment for those goods or services. Contractors are also required, under the terms of their contract, to submit copies of the invoices to the respective PO and CO for their review and approval. The RTPFC performs an initial audit of the invoice before sending an invoice approval form to the appropriate PO. The PO will then review the invoice, distribute the charges to the appropriate account code(s) on the form and return the completed approval form to the RTPFC recommending payment. Upon receipt of the completed approval form, the RTPFC will perform a final audit of the invoice, distribute the charges in the Contract Payment System and certify the invoice for payment by the Department of the Treasury.

Paper invoice approval forms are provided to POs via express mail service, internal office mail, pouch mail, facsimile transmission and regular mail service. However, EASY eliminates the manual distribution of paper approval forms. POs are notified via email that an invoice awaits their review and approval. The POs approve or disapprove the contractor's invoice and distribute the cost to the appropriate account code(s) online using EASY. Once the POs complete their approval and distribution, the approval form is transmitted to CPS. Transmitting the approval form directly to CPS eliminates the RTPFC's need to perform a second audit of the invoice and enables the automatic distribution of PO invoice charges in CPS. Once this information has been recorded in the CPS, the RTPFC reviews the approval data and schedules the payment for certification by the certifying officer.

Designated EPA AOs, such as POs, alternate POs and COs, approve contractual invoices using EASY. EASY enables EPA AOs to electronically authorize the payment of invoices and forward related payment information to CPS for payment processing. The CO or PO reviews the invoice package and verifies that the costs and rates being billed are reasonable and consistent with the terms of the contract. This review includes the contractor's performance and verifies the contractor bills for labor and direct/indirect costs.

For ongoing contracts that are vouchered on a monthly basis, the CO or their accounting representatives will first verify that sufficient unexpended funds remain in obligations to pay the invoice, then forward the invoice(s) to the local COR in the program office for review and approval.

If more than one account number and DCN appear on the invoice, the COR shall indicate the total funds to be charged against each account number and DCN. The COR shall also provide a basis (such as percentages or ratios) for the finance office to follow in charging vouchered costs to each account number and DCN. Because many agency contracts involve numerous tasks for the contractor to perform, the COR delegates the review of invoices to the local work assignment manager or delivery order COR. These officials are in a better position to approve the invoices, since they work more closely with the contractor, and are more familiar with the actual goods and/or service being delivered.

RTPFC coordinates and monitors any exceptions to using EASY for the approval of contractual invoices. For more information on EASY and the payment of invoices, see OCFO Comptroller Policy No. 1-08, dated September 21, 2001, at http://intranet.epa.gov/fmdvally/policies/policy/pa01.htm.

The EPA acquisition regulations require that both the COR and work assignment manager maintain files of approved invoices and all associated documentation. These files will eventually be sent to the CO at the close of the contract.

Once an order for goods or services has been placed, the obligating official will forward a receiving report to the FCO, originator or an authorized receiving official. Often, it is simply an additional copy of the obligating document, usually pink. Since the FC cannot process payments to vendors without this document, it is important for the FCO, originator or an authorized receiving official to ensure that it is completed and forwarded to the appropriate financial management center as soon as the goods or services have been received. It is also important that the receiving report reflect the quantity received, as well as the actual date of receipt of the goods/services, not just the date of signature, since the acceptance date will determine if any interest is owed to the vendor.

Interest payments to a vendor are authorized by the Prompt Payment Act. The Act provides that any federal agency that acquires property or services from a vendor shall be liable for interest if it does not make payment by the required payment date (30 days after receipt of a proper invoice, or the acceptance of the good/service; whichever is later) unless the contract specifies some other payment due date.

Interest payments will be paid automatically and will be charged to the same account as the original payment and to the sub-object established for interest payments. Notice of such interest payments will be provided to allowance holders (AHs) through the voucher selection detail report, which is available for each FC. Interest payment information is available in Compass Data Warehouse queries; however, the only staff that can see this information are usually in the finance offices. Temporary lack of funding does not relieve the agency from its obligation to pay interest penalties. Interest due but not paid to vendors will result in the agency having to pay additional penalties.

By regulation, the EPA generally pays financial assistance recipients in advance provided the recipient has procedures in place that minimize the time that elapses between the recipient's "draw down" of EPA funds and disbursement for allowable costs the recipient has incurred. 2 CFR 200.305. There are exceptions for construction grants and situations in which the EPA has placed a recipient in reimbursement status due to financial management, performance or other problems that warrant careful monitoring of the recipient's expenditure of agency funds.

5. Reconciliation

Just as a person reconciles their individual banking account to verify that all of their recently written checks have cleared their checking account, so too must FCOs reconcile their funds to ensure they have been committed, obligated and disbursed, and that any funds not expended after the work is completed are De-obligated from the financial system.

Ensuring that any funds not expended are De-obligated is part of the FCO's responsibility for performing unliquidated obligation (ULO) reviews. RMDS Policy 2520-03 (http://intranet.epa.gov/fmdvally/policies/resource.htm), "Responsibilities for Reviewing Unliquidated Obligations," and Chapter 7, Section K of this manual describe FCO responsibilities in the ULO review process and how FCOs have a major role in reviewing and monitoring obligations and expenditures by helping their office CORs identify potential funds for de-obligation.

Reconciliation also involves resolving any funding discrepancies so that all records are in agreement. For example, an FCO may encounter discrepancies between what should have been committed or obligated and what is actually reflected in Compass. The process reconciliation process is important in ensuring that the official Compass records reflect all of the correct accounting data, including the DCN, appropriation, program results code and object class, as well as the amount of the transaction.

The first point of contact for any obligation in question is the obligating official who signs the obligating document and forwards it to the FC. If the obligating document is incorrect, the FCO must work with the obligating official to make the necessary amendments to the document. If the document is correct but has been recorded incorrectly in Compass, the FCO must work with the appropriate FC to resolve the discrepancies.

6. Resolving Issues with Commitments and Obligations

In an ideal situation, funds are committed, fully obligated and then fully disbursed. Since this scenario is often not the case, this section covers some of the main problems encountered after funds have been committed and how those problems may be resolved.

a. Funds Are Decommitted — Because a commitment is not a legally binding promise to pay a contractor or financial assistance recipient, the originator and/or FCO may cancel it with a decommitment prior to obligation and commit the funds for another purpose. Before cancelling a commitment, the FCO must tell the obligating official to terminate the procurement or financial assistance award process and return the original documents to the AH/FCO to be filed or destroyed. Failure to do so may result in an unwanted obligation against the AH and could exceed the funds available. Similarly, travel orders that are cancelled must be De-obligated from Compass.

b. Funds Increase Is Needed on the Commitment — Occasionally, an FCO (or the originator) may be notified by the obligating official that more money is needed on the commitment than originally planned.

   The FCO will be asked to increase the commitment amount in Compass and certify the availability of funds before the obligating official will obligate them. On certain documents, such as simplified acquisitions, there is a box to mark indicating authorization to exceed the commitment by 10 percent (not to exceed $100) so that going back to the FCO for small increases is unnecessary.

c. Signed Obligation Not Reflected in Compass or on System Reports — If an obligation has been processed but is not showing in Compass system reports, the FCO should notify the FC and send a copy of the obligating document (copies should have been sent by the obligating official to either the FCO or originator).

d. Funds Obligated for Amount Different from Commitment — A commitment remains completely open until an obligation is posted by the FC. While some spending actions take a long time for obligating officials to process, it is essential to monitor their status to ensure that the actions are not lost or held up because of insufficient or incorrect information.

When an obligation is posted, one of three scenarios may occur, which result in the obligated amount being different from the committed amount: (1) the obligation may be greater than the committed amount because of a posting error, (2) the obligation may be greater than the commitment if the purchase order value exceeds the committed amount but is within the allowable tolerances established in Compass or (3) the obligation may be less than the committed amount.

When obligating officials sign obligating documents and forward them to the FC to record in Compass, they are required to make a notation on the document as to whether the obligation completely or partially fulfills the commitment. This step is critical in determining how the FC processes the obligation transaction in Compass. A notation to close the commitment tells the FC to process the obligation as "final." If there is no notation on the funding document, Compass will default to "partial," indicating that the FC should process the obligation as "partial" only. The difference between a partial and a final obligation is apparent only if the obligated amount is less than the committed amount. If a $100 commitment is obligated for $80 as a partial, the commitment will be reduced by $80 and will remain open for $20. If the $100 commitment is obligated for $80 as a final, the commitment will be closed for the full $100, and the unused $20 will be returned automatically to the AH's operating plan, available for other spending.

If an open commitment results from the processing of a partial obligation, the FCO can easily recoup the unused dollars by processing a decommitment transaction in Compass.

7. Overruns/Recoveries

a. Overruns — Overruns are upward adjustments to recorded obligations of bona fide needs in the year in which the overrun occurred. For the purposes of fund control, the term “overrun” generally encompasses all additional legal liabilities that the agency did not record correctly in Compass. These may occur for any number of reasons, which include but are not limited to:

- Unrecorded obligations
- Price changes
- Cost-rate adjustments
- Final audit billings
- Payroll adjustments

True “cost growth overruns,” in the context of contracts management, are distinctly different from the situations above in that, when handled correctly, the agency does not have a liability that exceeds what is recorded. This situation involves a “Limitation of Funds Clause” and/or “Limitation of Cost Clause” in contracts, an early warning notice from the contractor to the CO that costs are likely to be greater than estimated and a revised funding decision by the agency. This arrangement enables the government to take notice of the status of contract performance and to take appropriate action. Based on the government’s evaluation of the new estimate, it may modify the contract to increase or decrease the cost, modify or cancel the work, or delay or accelerate the project. If more funds are needed on the contract, the CO will coordinate with the COR and the obligation will be increased.

Cost overruns on grants or cooperative agreements are rare. Occasionally, there may be an overrun when a recipient's provisional indirect cost rate is adjusted upwards after all of the funds on the agreement have been drawn down or the agreement has been closed out and the remaining funds De-obligated.

b. Paying Overruns — Overruns can occur during three different time periods in an appropriation's life: unexpired phase, expired phase and cancelled phase.

Determining the approach for paying overruns depends on when the overrun occurred.

i. Unexpired Phase — For overruns in which the legal liability to make an upward adjustment to a previously recorded obligation arises during the unexpired phase of the appropriation charged with the obligation, the EPA will use unexpired funds to make the adjustment. The national program manager (NPM) whose program's actions led to the need for an upward adjustment is responsible for funding the overrun unless the OCFO agrees to alternative arrangements.

ii. Expired Phase — Prior year (expired phase) overruns must be paid with funds available to liquidate obligations for the year of the original obligation. When these obligations or payments involve a legal requirement to pay using prior budget year funds (either expired but not cancelled multi-year funds or prior-year no-year funds) the following applies:

- Program/regional offices are not required to submit new commitments to cover these obligations; Compass does not allow that option.
- The CO or obligating official should fund the obligation with a modification using the appropriate accounting information based on when the work was performed. Previous prior-year funds on the contract, simplified acquisition or other order types can be increased as appropriate to cover the cost overrun.
- New funds should not be requested from the program/regional offices, FCs or the OB. Prior-year funds are available via fiduciary reserves, and appropriate amounts should be obligated to cover the charge.
- After the CO or obligating official funds the charges, the prior-year funds become available to pay the charges with the normal approval process.

nsure that funds are always available for these overruns, preventing an ADA violation. For the multi-year appropriations, a reserve made up of prior-year expired funds is available to cover these overruns. While these funds are available to cover charges against overruns, they are not available to pay for new work. For the no-year appropriations, the OB maintains a fiduciary reserve to cover such expenses.

OB approval is not required to cover the overrun. However, if the prior obligation is more than $50,000, the obligating official or payment official should notify the OB control team leader via email. The notification should include the total amount of charge (above and beyond the ULO) broken down by the budget fiscal year (BFY), appropriation and amount.

The remaining ULO balance on EPA contracts should reflect remaining or unbilled work only. EPA offices should not hold funds as ULOs on contracts to cover potential cost overruns, unanticipated trailing costs, indirect provisional billing rate adjustments and/or final indirect rate adjustments. Agency reserve accounts are available in all appropriations to pay these potential additional costs. If there is no remaining (or unbilled) work left on a contract, the contract's balance of ULO funds should be De-obligated as promptly as practicable (within 180 days if possible).

This means that CORs and OMS officials should not leave ULOs on a funding document that has expired for the sake of waiting until a final contract audit is complete. Once a multi-year appropriation has expired, the entire balance of that account becomes available to pay for any invoice received related to an expired appropriation, to include a final invoice that comes into the agency from a final contract audit.

iii. Cancelled Phase — If the overrun involves prior-year or multi-year funds that have been cancelled (spending authority is cancelled nine years [two + seven years] after the appropriation), program offices MUST obtain accounting information and approval from the OB for an override. Overruns are paid out of Centrally Managed Account AH95, a fiduciary account consisting of unexpired appropriations, which is reserved for payments from a cancelled appropriation. This does not mean offices do not have to pay for their overruns. The OB director, at his/her discretion, may ask the responsible program office to reimburse the fiduciary reserve for the overrun with unexpired funds if the OB believes there is a need to replenish the fiduciary reserve to ensure that the agency maintains up to 1 percent of current-year appropriations to use as a fiduciary reserve.

iv. Recoveries — Downward adjustments to recorded obligations, including De-obligated funds, invalid obligations, refunds, cost-rate adjustments and rebates. Refunds and rebates do not necessarily adjust obligations. They sometimes offset expenditures.

Overruns and recoveries are routine. They are a normal part of the accounting process for recording and finally liquidating legal liabilities. There is no time limit for upward or downward adjustments that require an accounting entry when overruns and recoveries occur. They may occur several years after a contract, delivery order or financial assistance agreement has been closed. They may also occur well after an appropriation has expired and/or has been cancelled, and funds are no longer available to the agency for obligation or expenditure.

The following guidance is applicable when handling overruns and recoveries:

- All invoices are to be forwarded to the appropriate accounts payable office. The respective FC reviews the request for validity based on an obligating document, such as a purchase order, and a receiving report.
- If invoices are received in the RTPFC and upon review have insufficient funds to pay, the invoice will be returned to the vendor. The vendor must contact the CO for resolution of the insufficient fund issues. If the adjustment is a nondiscretionary overrun and there is therefore a legal liability, the overrun must be recorded as soon as possible; there is no reason for OMS to call the OB. There is no decision to be made except exactly where the OC should post the charge. In certain cases, the OB has some discretion between overlapping appropriations that might have been available at the same time. Whether there are sufficient funds to pay the bill is an issue that the OB will address using its authority listed below.
- The FC provides email notification to the OB once the funds have been obligated for an individual overrun in excess of $50,000. This only serves as a courtesy

notification to alert the OB of the action. Neither the OB nor anyone else can commit expired funds or certify expired funds availability for which there may or may not be a lapsed unobligated balance in the U.S. Treasury. Sometimes the OB has some discretion between overlapping appropriations that may have been available at the same time and needs to be made aware before the charge is posted. An overrun of less than $50,000 can be posted without this notification.

- The OB may exercise its authority to take any of the following actions related to overruns or recoveries based on the circumstances, timing and transaction amount.

v. Expired Funds — Expired funds indicate the correct lapsed unobligated balance in the U.S. Treasury (if it has not yet been cancelled) to post the accounting to within the agency.

vi. Unexpired Funds — Unexpired funds (and obligations chargeable to cancelled appropriation accounts that must be paid from currently available appropriations) can do the following:

- Cover overruns from a centrally managed allowance.
- Require program offices to cover the overrun from their current allowance.
- Recertify recovered funds back to the AH.
- Withhold recovered funds to offset overruns, or fund a new initiative or high priority at the discretion of agency management.
- Net out overruns against offsetting recoveries.
- Credit expenditures that automatically increase the available balance.

With regard to overruns and recoveries (upward and downward adjustments), all accounting adjustments are properly chargeable to the original source-year accounting from which the liability or obligation was incurred.

A recovery is credited to the appropriation initially charged with the related expenditure, whether current or expired. If the appropriation is still current, then the funds remain available for further obligation within the time and purpose limits of the appropriation and OMB apportionment. However, if the appropriation has expired for obligational purposes but has not yet been clThe OB monitors total appropriations and OMB apportionment authority to eosed, the recovery must be credited to the expired account, not to current funds. See 23 Comp. Gen. 648 (1944); 6 Comp. Gen. 337 (1926).

Tolerance Levels — The amount or percentage by which the final bill may exceed the original obligation. Please refer to the chart immediately below for percentage and dollar limits. These tolerances have been established in Compass to allow the COs/POs to pay bills that exceed the recorded obligations up to the tolerance levels shown in the chart below without requiring the obligation to be increased by the CO/PO. The Transaction Category Reference Table shows the tolerance levels, based on percentages, and the maximum amount paid for certain transactions. Here are some examples:

Tolerance Category Reference Table

Transaction Description	**Tolerance %**	**MAX AMT (Per Line)**
Unobligated Payment (PS)	0%	$ 0.00

Contract Obligation (CO)	0%	0.00
Payment Vouchers (SPV)	10%	100.00
Transportation Invoice	99%	500.00
Travel Vouchers	25%	300.00
Miscellaneous Order (MO, ME)	10%	100.00
Direct Disbursement (DP)	0%	0.00
Contract Payments (CP)	0%	0.00

8. Ratification of Unauthorized Procurements The act of ratification means to "approve or confirm." There are times when offices acquire items without utilizing the appropriate procurement process. Thus, a procurement was unauthorized. An unauthorized procurement can also occur when a procurement action was taken by an individual who is without procurement authority, or when a procurement action is taken by an individual acting beyond the limits of his/her delegated procurement authority. Unless the item can be returned, an unauthorized procurement will be considered a type of appropriation overrun since an upward adjustment to what was recorded (which was zero) must be made.

If an office receives something that was not officially ordered, the office should return the item to the vendor. If, however, the office decides to keep the item, or if it was a service already provided rather than a product, such as training, then the vendor might have legal entitlement to payment and a ratification of the procurement must be completed. However, the OMS in the Office of Administration and Resources Management might not always approve an unauthorized procurement. For example, if appropriated funds were unavailable for a particular item, OMS may not approve the unauthorized procurement. When requesting ratification from OMS, FCOs need to also certify that funds were available at the time the unauthorized procurement occurred.

The following is a brief overview of the procedures for correcting an unauthorized procurement. For more information, see Federal Acquisition Regulation (FAR) 2.6023(c) and EPA Acquisition Regulation (EPAAR) 1501.602-3.

a. Concept — OMS uses the term "Unauthorized Commitment" to mean an agreement that is not binding solely because the government representative who made it lacked the authority to commit to that agreement on behalf of the government. In this context, the term does not relate to the FCO's process for the reservation, or "commitment" of funds. To avoid confusion, the term "Unauthorized Procurement" is used for this discussion.

   This directive's provisions apply to all unauthorized procurements, whether oral or written, without regard to dollar value. Examples of unauthorized procurements include the following:

   i. Ordering supplies or services by an individual without contracting authority.

   ii. Unauthorized direction of work through assignment of orders or tasks.

   iii. Unauthorized addition of new work. iv. Unauthorized direction of contractors to

   subcontract with particular firms.

   v. Any other unauthorized direction that changed the terms and conditions of the contract.

   vi. Attending training without appropriate authority and funding.

b. Ratification Approvals and Concurrences — The chief of the contracting office is the ratifying official, provided that this individual has delegated contracting authority. For ratification actions that arise in regional offices or laboratory sites, the chief of the contracting office for these offices is the ratifying official, provided that this individual has delegated authority.

For ratification actions exceeding the simplified acquisition threshold ($150,000 in FY 2014), the ratifying official shall submit a memorandum to the assistant administrator for administration and resources management through the HCA for transmittal to the assistant, associate or regional administrator (or equivalent level) of the person responsible for the unauthorized commitment..

For additional information, refer to EPAAR 1501.602-3.

c. Procedures — OMS procedures for approving unauthorized procurements require numerous steps. The office involved must notify the relevant contracting office by memorandum of the circumstances surrounding an unauthorized procurement. The notification memorandum shall include all relevant documents, documentation of the necessity for the work and benefit derived by the government, a statement of the delivery status of the supplies or services associated with the unauthorized procurement, and a list of procurement sources solicited (if any) and the rationale for the source selected.

If only one source was solicited, a “Justification for Other than Full and Open Competition” will be required in the memo. The memo must also address the measures that will be taken to prevent any recurrence of an unauthorized procurement. Most assistant administrators and/or senior resource officials (SROs) have an internal policy allowing the responsible office’s division director (or equivalent) and the SRO to approve the memorandum. If funds expenditure is involved, the program office shall include a procurement request/order, EPA Form 1900 8, with funding sufficient to cover the action. The appropriation data cited on the 1900 8 form shall be valid for the period in which the unauthorized procurement was made.

Obtaining approval for an unauthorized procurement may take some time. The payment of interest owed to the contractor may become an issue as well. The OC will determine if payment must be made for any late fees and/or penalties.

For additional information, refer to EPAAR 1501.602-3.

9. Recertification of Funds

EPA defines recertification as the reissuance of De-obligated, prior-year funds in a subsequent FY by the OB to AHs for commitment, obligation and expenditure.

De-obligations are defined by the GAO as “an Agency’s cancellation or downward adjustment of previously recorded obligations.” They may result from several factors, such as services that cost less than obligated amounts, change in requirements, failure to perform, termination, invalid obligations, refunds, cost-rate adjustments, etc. De-obligated resources for multi-year and no-year funds do not need to be “recertified” *if* they are De-obligated in the same fiscal year they were issued. However, De-obligated prior-year resources for no-year appropriation accounts *do need* to be “recertified” before they are made available for re-obligation.

Recertification is only possible if:

- The period of availability for the appropriation's obligation has not expired.
- The OMB has granted recovery authority in the agency's apportionment.
- The criteria listed in Chapter 3, Section IV, are met.

During the two-year period of availability, de-obligations of two-year funding are automatically recovered to allowances and do not have to be reissued. For appropriations that do not automatically recover or carry over into the next FY, such as Superfund, Leaking Underground Storage Tank (LUST), Inland Oil Spill Programs (OIL), State and Tribal Assistance Grant (STAG), and Building and Facilities (B&F), it is possible to reduce a prior-year obligation (de-obligation) and reissue those funds by recertification so they can be made available for obligation (recertification) in a subsequent FY (re-obligation).

The OB estimates recovery authority for each appropriation and requests this authority annually in an OMB apportionment. Consequently, the EPA must retrieve the funding using the recovery authority in its apportionment before the funds can be recertified to AHs. It is possible for more funds to be recovered during the FY than the amount of the apportionment recovery authority. However, the agency only needs to establish as much recovery authority (of net recovered dollars) as it anticipates collecting, reissuing and obligating before the end of the FY.

a. <u>When Funds Do Not Have to Be Recertified</u>

   i. As noted in this chapter, any unobligated funds from the EPM, S&T and IG appropriations automatically recover in their second year of availability as long as they have not expired and do not have to be recertified to be reissued.

   ii. Funds that are De-obligated during the same FY in which they were originally obligated do not have to be recertified. These funds automatically return to AHs as the de-obligation is processed through Compass and the AH's unobligated balance is increased.

   iii. For unexpired appropriations, recertification is not required by the OB when shifting funds between a contract base and its option periods or between contract option periods. However, these offsetting transactions are legal de-obligations and re-obligations and do require apportionment recovery authority. As such, they will be recorded and maintained in the formal Compass sub-system called the CPS. The offsetting CPS entries, which net to zero, will not impact Compass budget tables or create temporary fluctuations to budget balances. The OB will monitor overrun/recovery activity through Compass reports to ensure that OMB apportionment authority is not exceeded.

   iv. Recertification is not required by the OB when the EPA establishes large "umbrella" contracts for site activities (such as Superfund) and designates the specific sites to the vendor at a later date. The contract is recorded without site coding information in the accounting data. At the point where sites are designated by the EPA, the accounting records are changed to reduce the "umbrella" contract accounting and designate the site-specific accounting. Such activity does not modify the contract, scope of work or funding or change the agency's legal liability in any way.

b. <u>When Funds Do Need to Be Recertified</u> — The OB changed this policy in FY 2013.

- De-obligated No-Year Funds — Under the new carryover system, recertification of De-obligated FY 2013 Superfund, LUST, Oil, B&F, and STAG is not necessary since these funds have automatically rolled over and any de-obligations will go back to the original accounting line. Going forward, these rules would apply to the first year of carryover for no-year appropriations.

  For BFY 2012 and prior, funds De-obligated in subsequent FYs are recovered by the agency and made available for re-obligation. De-obligated funds must be recertified before they are made available for re-obligation. If STAG, Superfund, B&F, LUST, or Oil Spill Response recertified funds are not re-obligated within the FY issued, they will become agencywide carryover in the following FY. The OB's Lotus Notes-based recertification database should be used to request recertification of De-obligated no-year funds. Please contact your control team analyst if you have questions or need access to the recertification database.

  All appropriated no-year funds that are recertified will have a separate recovery fund, which will have a "D" as the last letter. For example, LUST recoveries will be in fund FD; Superfund recoveries will be in fund TD; STAG recoveries will be in fund E1D, E2D; etc. These recovery fund codes will be used when a de-obligation of carryover funds occurs.

  The requirements for recertification of no-year funds apply to all funding vehicles (contracts or grants), including continuing environmental program grants that fall under 40 CFR 35.118, which states:

  "Subject to any provisions of law, if a recipient's Financial Status Report shows unexpended balances, the Regional Administrator will De-obligate the unexpended balances and make them available, to either the same recipient in the same region or other eligible recipients, including Indian tribes or other Tribal Consortia, for environmental program grants."

  This means that ALL grants (in both the regions and headquarters) containing no-year funds MUST go through a recertification process, whereby the OB will review and reissue the funds to the appropriate program office or regional administrator.

- For contracts, recertification is NOT required when funds are between option years or between delivery orders within the same contract. The purpose of recertifying no-year funds into the current FY follows the basic rule of availability of appropriations as to time in 31 U.S.C. 1502(a) and the bona fide needs rule in 31 U.S.C. 1341(a), which requires that an obligation be recorded in the correct FY in which the need arose — and not when the item or service is actually going to be used or delivered.

  Requests for reissuance of De-obligated funds for reasons other than those listed above, such as a new contract with a new scope of work, does require recertification by the OB before the end of the FY to make the funds available for re-obligation. AH recertification requests for De-obligated, unexpired, prior-year funds must be sent in writing to the OB through the small business ombudsman (SBO)/assistant regional administrator. Approval of those requests is subject to several criteria, however, and there is no guarantee that the funds will be recertified. AHs do not have automatic entitlement to any recoveries requiring recertification until they have been reissued to them in Compass by the OB.

In order for the OB to approve a request for recertification, the following criteria must be met:

a. The agency must have received sufficient recovery authority in the currently approved OMB apportionment for the specific appropriation for which funds are being De-obligated.

b. The agency must have a sufficient recovery balance in the specific appropriation in which funds have been De-obligated to cover both a management fiduciary allowance and the recertification request. Overruns and recoveries from upward and downward adjustments to prior-year appropriations continually offset each other, and overruns must be offset before any recovery balance gets reflected.

c. The specific de-obligation for which the recertification is being requested must have been posted in Compass and be reflected as a recovered balance on Compass screens and computer reports.

d. The Resource Planning and Implementation Office (RPIO) must have a sufficient net recovery balance to cover its recertification request after its overruns and recoveries have been netted against each other. It is very possible that an overrun by another AH in the same RPIO may have consumed the recovery.

e. Once sufficient recoveries to cover fiduciary responsibilities have accrued, the OB will consider recertification requests by RPIO on a first-come, first-served basis.

f. The written request for recertification must sufficiently justify the reissuance of the funding and be approved by the OB.

g. The RPIO, through a CO or grants award official, must be able to obligate the recertified funds before the appropriation expires, and the obligation must be for a bona fide need of the current FY.

Generally, Superfund resources are recertified back to the program from which the funds were De-obligated. Any request directing resources into a program area other than where the funds were originally obligated will be coordinated with the Headquarters Program Office to ensure no impact to the program. Superfund funding De-obligated from other federal agency allocation accounts are returned back to the EPA.

When they exist, administrative/operating expense ceilings and travel ceilings can be recovered with the associated funding and be recertified together. As with carryover, De-obligated/recertified funds retain the congressional restrictions as to purpose, time and amount that applied when they were originally appropriated, as well as the last approved OMB apportionment and any conditions that it may have had attached to it.

Annual reprogramming restrictions, issued after the enacted budget is completed in the Advice of Allowance (AOA), also apply to recovered funds. The EPA has authority to reissue or reprogram recovered balances for new priorities up to the congressional reprogramming limitation without congressional notification if the resources are not otherwise earmarked.

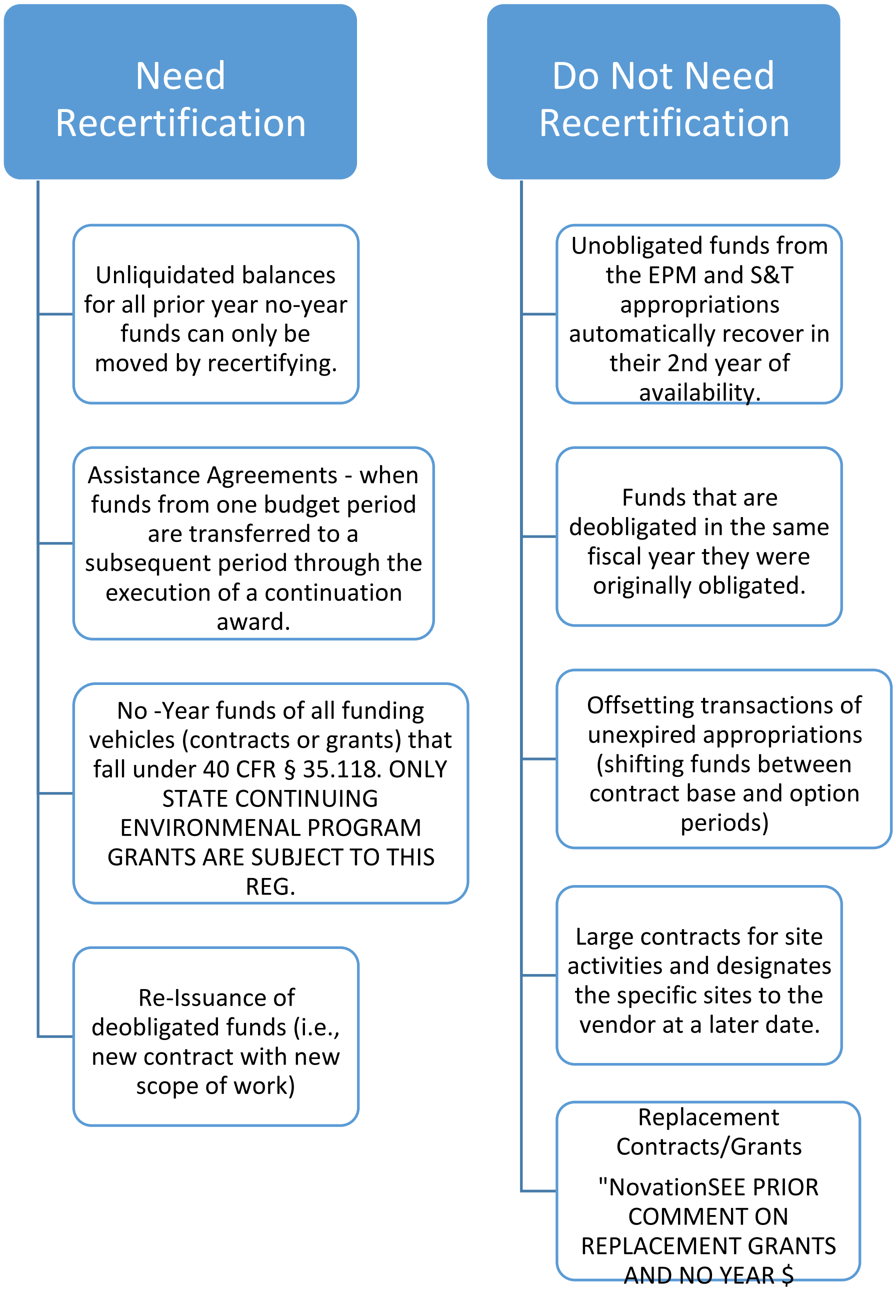

Figure 8. Recertification of funds.

10. Centrally Managed Allowances (CMA) At the EPA, many CMAs are controlled by the agency's AH, the OB. The AOA process for fund control was previously defined and detailed in Chapter 5. These CMAs are not "reserves" established for withholding funds from obligation for the Impoundment Control Act. They are allowances being actively managed, which may fluctuate during the year as funds are reprogrammed in and out. These funds are available for obligation directly from the CMA by the agency AH, the OB.

The CMA AHs are identified as follows:

EPA HQ CMA	AH 92
Cancelled funds / misc. items	AH 94

HQ/NPM CMA	AH 9H
Regional/NPM CMA	AH 9R
Administrator's CMA	AH 9Z
Allocation Transfer CMA	AH 93
Cancelled funds issuances (M Account)	AH 95

All funds in AH 95 for cancelled obligations that are reinstated have been disbursed directly from the CMA since FY 1991 by the agency AH.

These allowances, which are centrally managed for a variety of reasons, represent such amounts as:

a. Authority, such as reimbursable authority and recovery authority, that does not become a resource until agreements are signed, collections are made or de-obligations occur (AH 92 and AH 94).

b. Funding that has been apportioned to the EPA but has been allocated to another federal agency and will be obligated outside of the agency. Frequently, these allocation transfers are written into the legislative history. The CMA ensures that the EPA will not also obligate this funding.

c. Funding awaiting criteria for agencywide distribution, etc. (AH 9H and AH 9R).

d. Small fiduciary amounts used historically as a primary fund control technique for protection against upward adjustments to obligations (overruns). Such sound management practice helps to ensure that ADA violations do not occur in unexpired appropriation accounts. A lapsed, unobligated balance protects against ADA violations from overruns in expired appropriations for the seven years until they are cancelled (AH 92 and AH 94).

e. Liabilities from potential "M" account reinstatements. Chapter 1, Section I described "M" account requirements in the National Defense Authorization Act of 1990. The process for reinstating and liquidating obligations that have been cancelled involves a set aside of up to 1 percent of annual appropriations. The EPA establishes this contingency amount for each fixed appropriation (no-year appropriations are not affected) in AH at the beginning of each FY. These funds are designated for potential legitimate liabilities related to obligations that were canceled and must subsequently be reinstated. At the end of each FY, any funds remaining in the allowances are carried over (if two-year; e.g., EPM, S&T, OIG) or lapsed if expiring to cover liabilities for the seven years until that account is cancelled. For example, for appropriations that expired on September 30, 2010 (FY 2010), ULOs will be cancelled on September 30, 2017. For more on "M" accounts, see Comptroller Policy Announcement 91-11 and 96-05 (Revised Procedures for Requesting "M" Account Funding).

f. Actual disbursements for legitimate liabilities for time-limited appropriations that were cancelled following "M" account legislation but needed to be reinstated to pay subsequent bills received. Funds to reinstate and liquidate these obligations are moved to AH 95 from the contingency funds held in AH 92 and AH 94 for this purpose (AH 95).

11. Reinstating and Liquidating Obligations

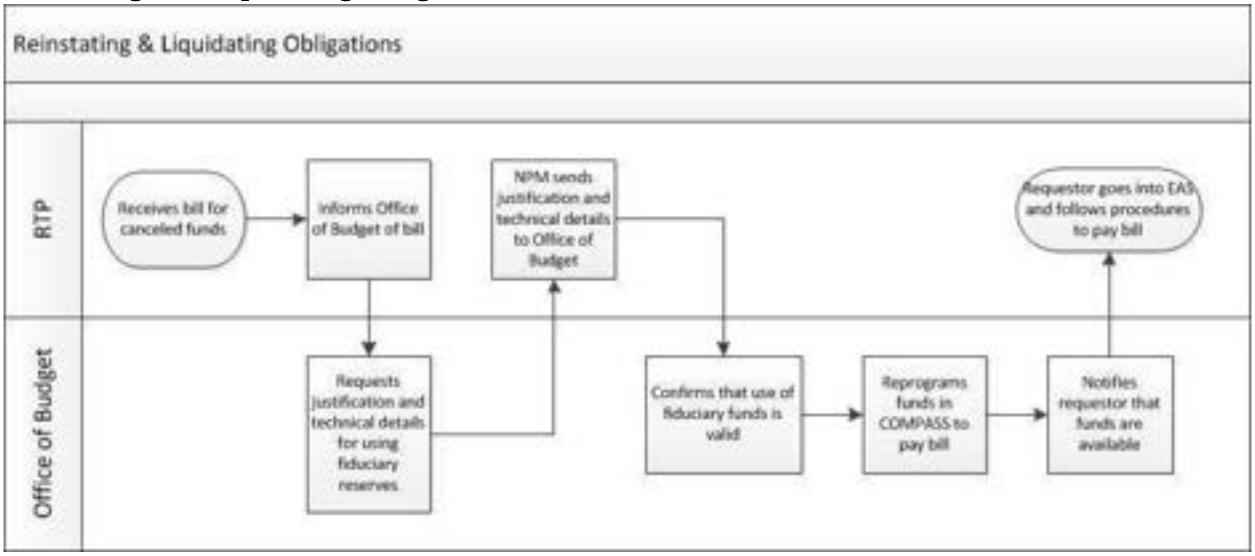

Figure 9. Reinstating and liquidating obligations.

Many factors are considered in establishing CMA levels, including:

- The general overrun or recovery history of a particular appropriation; for example, the Superfund and R&D/S&T appropriations have always had relatively higher net recovery levels than EPM.
- The amount historically held for a specific appropriation and how successful that has been.
- The relative level of “M” account reinstated data that must be paid from current year accounts.
- The size of the appropriation (is it $100 million or $1 billion).
- OB expertise, special circumstances and the discretion of the OB director, which are contributing factors. CMAs are so named because activity is monitored and levels are actively increased or decreased by the OB as circumstances dictate.

Unlike the process of expiration and cancellation in two-year appropriations, all no-year unobligated balances roll forward. The Superfund CMA must protect the appropriation against all liabilities. (Based on a Comptroller General’s decision that states: “no-year liabilities from prior years cannot be paid from subsequent appropriations in the same account” [B-226801, March 2, 1988].) In other words, a $4 million contract obligation arising in and charged to FY 2014 Superfund may not be paid from the EPA’s FY 2015 Superfund appropriation or the Superfund appropriations in subsequent FYs. It is therefore important to carry over a significant amount of no-year funding from year to year.

12. Conferences and Conference Reporting/Tracking

OMB M-12-12, “Promoting Efficient Spending to Support Agency Operations,” dated May 11, 2012, requires the agency to report on conference and conference-related activities to ensure federal funds are being appropriately used and to reduce spending on conferences where practicable.

OMB defines “conferences” and “conference-related” activities as an internal or external meeting, retreat, seminar, symposium or event that involves attendee travel; training activities; and events incurring speaker fees, food expenses, refreshment expenses, nonfederal facility expenses, audiovisual expenses or contract-related conference expenses.

OMB M-12-12 requirements:

- Senior-level approval for conferences (co)hosted or (co)sponsored by the agency with expenses in excess of $20,000 (originally $25,000, lowered by Section 3003 of the FY 2013 Continuing Resolution, Public Law 113-6).
- Also requires the submission of the conference data to the OIG within 15 days of the conference end date: name, location, date(s), and number of agency attendees.
- Deputy Administrator approval for all conferences with expenses in excess of $100,000.
- Prohibits expenses in excess of $500,000 on a single conference (unless a waiver is signed by the administrator).
- Public reporting on the agency’s website, no later than January 31 of each FY, on conferences (co)hosted or (co)sponsored by the agency with expenses in excess of $100,000.

The table below illustrates the appropriate approvals by conference cost range for conference and conference-related activities.

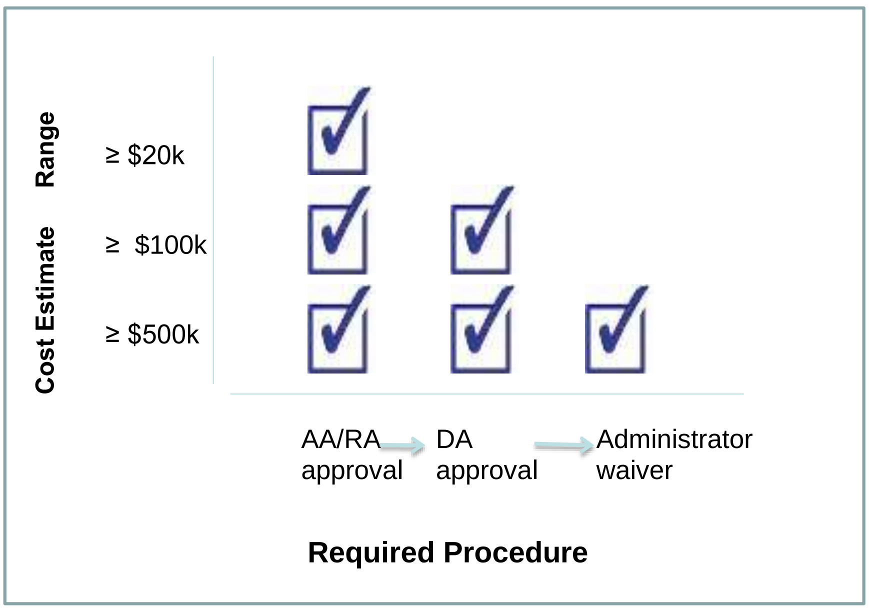

Figure 10. Conference cost range.

EPA conference requirements are outlined in the EPA Conference Spending Guide, http://intranet.epa.gov/ocfo/conferences/documents/conference_spending_guide.pdf. Conferences that fit the definition of a conference must be approved by the appropriate approval official prior to obligation via a signed EPA Form 5170. The EPA Form 5170, Conference Spending Approving Tool is available at https://ocfosystem4.epa.gov/ConferenceSpending/login.

All agency travel requires use of a conference project code in the agency financial system, with the following exceptions:

- Superfund site charges related to conferences will use established site-specific project codes.
- Oil site charges related to conferences will use established site-specific project codes.
- IT programs that are capitalized in Compass should use the IT project code.
- Working capital fund (WCF) costs that are conference-related will use a WCF conference project code.

The conference project code is assigned upon approval of EPA Form 5170 and is delivered to the conference request originator via email by the OCFO Office of Financial Management.

13. Grants — Direct Implementation of State and Tribal Environmental Programs with STAG Appropriations

For some environmental programs, the EPA has delegated or authorized states and tribes to have primary responsibility to carry out and enforce such programs. In the absence of an authorized state or tribal program, the EPA may be legally required to carry out the program. For appropriation and grant purposes, this is called "direct implementation" by the EPA. The National Pollutant Discharge Elimination System program under the Clean Water Act (CWA) and the Underground Injection Control and the Public Water System Supervision (PWSS) programs under the Safe Drinking Water Act (SDWA) are examples of direct implementation programs.

Some of the continuing environmental program grants authorized in the STAG appropriation provide funding for states and tribes to carry out these programs; the EPA may use these funds to support the agency's direct implementation responsibilities under the authority of Public Law 105-65, which requires the EPA to carry out the program in the absence of an acceptable state or tribal program.

Regarding tribes, there may be additional sources to fund the EPA's direct implementation efforts. For example, although tribes can only use General Assistance Program (GAP) grants funded by the STAG appropriation to develop tribal capacity in programs, GAP funds could be used by the EPA for "direct implementation" activities of all environmental programs (40 CFR 35.516 applies).

One exception related to the use of STAG funds for "direct implementation" is that the funding for the tribal set-aside programs cannot be used by the EPA for this purpose. Authority for these programs is found in the CWA and the SDWA, as well as the STAG appropriation language relating to the CWA and SDWA State Revolving Fund (SRF) programs. The funding for the set-aside programs, however, is not contained in the STAG lump-sum earmark for the EPA's continuing environmental program grants, such as CWA 106 or the SDWA PWSS, nor are the tribal set-aside grants programs, which the EPA is required to carry out in the absence of acceptable tribal programs. Thus, the setaside grants are not "direct implementation" programs as defined in our appropriations process or grant regulations.

The EPA funds these programs from CWA and SDWA SRF funding set-asides and provides for these projects either through direct grants to tribes or interagency agreements with the Indian Health Service, which then makes the equivalent of a grant award to tribes for sewage treatment or drinking water facilities, as appropriate. This latter approach is authorized by the EPA's statutory authority to work with other federal agencies under sections 501(b) of the CWA and 1450(b) of the SDWA.

When using STAG funds for direct implementation activities of state or tribal environmental programs by the regional offices, funds will need to be reprogrammed from grants (BOC 41) into contracts (BOC 37) and/or expenses (BOC 36). Since these expenses are associated with program grants, using the programmatic sub-object classes in each series for costs associated with direct implementation will ensure that these costs will not be reflected as administrative costs.

Because there are no travel funds appropriated in the STAG account, any direct implementation travel must be funded from within existing travel ceilings in the EPM and other appropriation accounts that are available for personnel travel.

Additionally, since any equipment purchased for direct implementation of a grant program (such as computers and copy machines) must be dedicated to direct implementation efforts and not put to general use, a region may need to use funds for rental space, office equipment, lights, phones, etc., to segregate the direct implementation effort from the regional office location. However, permanent change of station (PCS) costs to relocate an employee (particularly the household goods portion of the PCS) cannot be charged to STAG — all personnel and travel costs should be borne by the agency's appropriations already available for that purpose, not STAG.

Providing part of a grant award as "in-kind" assistance to help a state or tribe carry out its own environmental program does not constitute direct implementation by the EPA.

The regional office does not have the option of whether to directly implement a state or tribal environmental program if the agency is required by law to carry it out in the absence of an authorized state or tribal program. The state or tribe must be unable to perform all or part of a grant or otherwise be unable to accept primacy (for example, some state constitutions do not provide for a matching funds requirement so the state cannot accept primacy).

Additional grants information:

a. Specific Statutory Authority — Federal agencies have inherent authority (subject to applicable procurement laws and the FARs) to enter into contracts to carry out agency missions. Grants and cooperative agreements, however, require specific statutory authority, and the citation for that authority must be included on the grant award. Three things are needed to award a grant: (1) specific statutory authority, (2) funding provided for the purpose of the grant and (3) an eligible grant recipient.

c. Acquisition vs. Assistance — The FGCAA 31 U.S.C. 6301 et seq., provides that grants and cooperative agreements must be awarded for a principal purpose of support and stimulation, rather than to acquire services or products which directly benefit the government. In interpreting the FGCAA, EPA Order 5700.1, states:

> "If an office or laboratory's principal purpose in undertaking a project is to obtain a product or service for the direct benefit or use of the agency, or any part of the Federal government including the legislative and judicial branches, a contract, rather than a grant (assistance agreement), must be used."

The decision to use a contract or an assistance agreement must be based solely on the principal purpose of the relationship. If the EPA's principal purpose is acquiring property or services from a recipient for direct agency (or government) benefit or use, an acquisition relationship exists requiring the use of a contract.

If the EPA is funding a recipient to support or stimulate activities that are not principally for the direct benefit or use of the federal government, and the award is authorized by federal statute, an assistance relationship exists and a financial assistance agreement (i.e., grant or cooperative agreement) may be used.

An example of an exception to the FGCAA that allows the EPA to use a cooperative agreement to obtain services for the direct benefit or use of the agency is the Senior Environmental Employee Program, which is authorized by the Environmental Programs Assistance Act.

To view the specific Grants and Interagency Agreements Management Division policy (EPA Order 5700.1) for distinguishing between assistance and acquisition, go to the following Intranet sites:

- http://intranet.epa.gov/rmpolicy/ads/orders/5700_1.pdf
- http://intranet.epa.gov/OGD/policy/7.0-GPI-GPI-94-04.htm

c. Selecting a Grant or Cooperative Agreement — After an office or laboratory determines that an assistance agreement rather than a contract is appropriate, it must then decide whether to use a grant or a cooperative agreement to provide the assistance. The office or laboratory must base this decision on the extent and nature of the agency's involvement in the activities to be supported under the agreement.

i. Grant Agreements — The EPA shall use a grant agreement whenever an assistance agreement is appropriate and the office or laboratory does not anticipate substantial involvement with the recipient during performance of the contemplated activities.

ii. Cooperative Agreements — The EPA shall use a cooperative agreement whenever an assistance agreement is appropriate and the office or laboratory anticipates substantial involvement with the recipient during performance of the contemplated activity.

Page 11 of EPA Order 5700.1, "Policy for Distinguishing Between Assistance and Acquisition" (located at http://intranet.epa.gov/rmpolicy/ads/orders/5700_1.pdf), dated March 22, 1994, describes the potential criteria that might be present for what constitutes "substantial involvement" for selecting a grant or cooperative agreement for the recipient.

Although contracts are generally used to obtain goods or services for the direct use or benefit of the agency, there is an exception under the FGCAA, 31 USC 6303(2), as interpreted by EPA Order 5700.1. The EPA may use a contract to carry out a public purpose of support or stimulation provided the program office determines in a specific instance that the use of a contract is appropriate. EPA Order 5700.1, p. 3. Contracts for assistance purposes are typically used to provide goods or services as "in-kind assistance" in lieu of funds under a specific grant or cooperative agreement when it is more efficient or effective to use a contract. However, the agency also has specific authority under some statutes to directly "provide" or "conduct" technical assistance and training for non-federal individuals and organizations. The EPA may use contracts to carry out the statutes. Examples of such statutes include section 1442 of the SDWA, section 104 of the CWA, section 103 of the Clean Air Act, section 8001 of the Solid Waste Disposal Act and section 104(k)(6)of CERCLA.

When using contracts for assistance purposes, programs must acquire tangible goods and services and follow applicable acquisition statutes, policies and procedures. Contracts may not be used to transfer funds to "support" an organization's conference or other activity. Program offices should consult with the OGC or ORC if there are questions on the contract for assistance purpose concepts.

d. Policy for Competition in Assistance Agreements — In February 2014, the EPA revised EPA Order 5700.5A1, the "Policy for Competition of Assistance Agreements." The policy had previously been revised in 2005. The policy sets forth the agency's procedures for conducting grant competitions.

The order reaffirms that it is "The EPA policy to promote competition to the maximum extent practicable in the award of assistance agreements. When assistance agreements are awarded competitively, the EPA policy requires that the competitive process be fair and impartial, that all applicants be evaluated only on the criteria stated in the announcement, and that no applicant receive an unfair competitive advantage." The policy applies to all agency assistance agreements except for those exempt as set forth in Section 6.c of the order. To view EPA Order 5700.5A1, see the Intranet site at http://intranet.epa.gov/ogd/policy/5700_5_a_1_final_order_2_11_14.pdf.

14. U.S. Government Purchase Card Program

The EPA originally implemented the U.S. government purchase card program in 1987. The purchase card is the preferred method to purchase and pay for micro-purchases (currently not to exceed $3,000) in accordance with FARs. Purchase card use expedites the acquisition of essential supplies and services, streamlines payment procedures, and reduces the administrative costs associated with traditional paper-based payment methods. The EPA purchase card program operates in a manner similar to any standard commercial credit card system, except that there are additional controls and limitations for government purchases. Cardholders and AOs are advised that U.S. government purchase cards are for official use only and are not authorized for personal use, identification purposes or other non-official business purposes. Cardholders shall not loan out their card and will be held personally responsible for any unauthorized use of the card.

The OMS, the primary office for the EPA's purchase card program, lays out specific policy and procedures in Chapter 13 of the agency's Contract Management Manual, Section 13.3, "Using the Government-wide Commercial Purchase Card," at http://purchasecard.epa.gov/node/14.

The site states: "PURCHASE CARD POLICY — Below is a complete rewrite of policy governing EPA's Purchase Card Program. It has been incorporated into the EPA Management Manual, Section 13, Simplified Acquisitions, to align with the Federal Acquisition Regulation. This new version of the policy is streamlined (reduced to 26 pages from the previous 70). This policy is effective immediately."

The OCFO purchase card website can be found at http://intranet.epa.gov/ocfo/finservices/ccard.htm.

a. Prohibitions, Restrictions and Priority for Use of Sources — The U.S. government purchase card program was developed to be as nonrestrictive as possible; however, contractual terms, procurement policy and regulations require that certain restrictions be imposed. The use of third-party payment processor or mechanisms, such as PayPal, is allowable but strongly discouraged because it is not the agency's preferred method of processing purchase card transactions. When doing business with a vendor through a third-party payment processor or mechanism, it may be difficult for the cardholder to determine the merchant from whom the product/service was obtained for reconciliation and Internal Revenue Service 1099 filing (when necessary); this could lead to greater risk of abuse and cause possible issues involving disputed transactions. Also, the use of third-party mechanisms is strongly discouraged because of the potential for data breaches that may occur when a vendor processes a transaction through a third-party payment processor.

The following is the list of items/services that are restricted for purchase by all cardholders (including purchasing agents), and therefore cannot be acquired using the purchase card:

- Any order which is not a necessary expense of appropriated funds for official government business.
- Travel-related expenses, such as per diem, lodging and transportation; for purchasing airline, bus, boat or train tickets, use EPA travel card.
- Gasoline, oil or similar items for government-owned or leased boats or vehicles (use the official EPA fleet management cards).
- Cash advances.
- Long-term rental or lease of land and buildings.
- Individual employee memberships in professional organizations, associations, etc.
- Gift cards and gift certificates, in any denomination (any cardholder or AO that violates this prohibition shall have his or her purchase card or AO account suspended or permanently revoked, based on the decision of OMS's director and/or the EPA's national purchase card program manager [NPCPM]).
- Printing.
- Personal use supplies/services (items not necessary for EPA work). Purchase of shirts, jackets and other items of clothing with or without the EPA or a program office logo unless the purchase is specifically authorized under agency policies governing clothing purchases (EPA Order 4800.1) or non-monetary awards (3130 A2 Recognition Policy and Procedures Manual).
- Personal services (employer/employee relationship).
- Purchase of any form of unauthorized entertainment.
- Construction, alteration or repair of public buildings.

According to the OGC, the purchase card may be used to purchase meals and light refreshments and to rent space in hotels for training conferences as authorized "necessary expense" under EPA policies implementing the Government Employees Training Act. The purchase card may be used to acquire non-monetary award objects for $75 or less, entertainment, and light refreshments at official EPA awards ceremonies to recognize the achievements of federal employees as authorized by the Government Employees Incentive Award Act.

For information on when EPA may use appropriated funds to purchase food, see EPA Order 1900.3, "Food at an EPA Conference, Workshop, Ceremony, Reception or Observance." See also 5 U.S.C. 4501.06.

b. What the Purchase Card May Be Used For — The purchase card is the EPA's preferred method of acquisition for micro-purchases ($3,000 and under). It is intended for simple, "over–the–counter" purchases, such as general office supplies and equipment, business cards, printing and graphics services, conference room rental, training, and a variety of other "necessary expenses" of the agency for official government (not personal) use. The purchase card program's "convenience check" feature may be used to pay speaker fees. Note, however, that speakers may not receive their fee before making their presentation.

Ordering some of these supplies or services requires the approval of a third party, such as the Facilities Management and Services Division (conference space, printing), training officer, information management, etc. The requestor must obtain the appropriate approvals when required. The cardholder and AO must ensure that these approvals have been obtained before placing the order.

Some purchases may require special justifications, such as informal non-monetary awards, light refreshments and novelty items. The requestor must ensure that these justifications are provided to the AO and cardholder when making the request.

For more information, please refer to the OMS's purchase card Internet site at http://purchasecard.epa.gov/.

Although offices may use their purchase card to order supplies, the General Services Administration (GSA) uses a more streamlined billing process by encouraging offices to use "Activity Address Codes" that are managed through the Cincinnati Finance Center (CFC). The following steps briefly describe how the program works:

i. Program offices identify the individuals they want to be authorized to order supplies and complete GSA Form 3525 to "register" authorized buyers with the GSA Customer Supply Center (CSC).
ii. EPA property management staff assign activity address codes to each responsibility center staff member and assign access codes to each person authorized to order supplies (the access code tells the GSA where to deliver the supply order). GSA catalogs are then given to authorized personnel.
iii. Program offices submit EPA Form 2550-10 ("Miscellaneous Obligation Document") to the CFC to establish beginning balances in each account (similar to the purchase card program).
iv. Authorized buyers contact a CSC by phone, fax or Internet to place their order.
v. The CSC will send an itemized receipt to the customer the next day and invoices to the CFC twice a month. Emergency orders can be placed and picked up the same day.
vi. The CFC receives and pays bills and sends transaction reports to each responsibility center once a month.

c. What the Purchase Card May Not Be Used For — The purchase card cannot be used for purchases exceeding $3,000 or purchases requiring a statement of work; specifications; or contract clauses, terms or conditions. It cannot be used for personal use items, personal services, travel expenses or travel tickets, gasoline or oil, cash advances, motor vehicle rentals or leases, individual memberships in professional organizations or associations unless expressly authorized by law (i.e., memberships in consensus-based, standard-setting organizations or memberships required for training), or brokers or separate third-party processors who provide payment processing services (such as PayPal). For more information, please refer to OMS's purchase card internet site at http://purchasecard.epa.gov/.

If there is an unauthorized procurement, the cardholder should notify the AO immediately. The cardholder and AO should work with OMS to ratify the GSA charges before they result in a debit to the program office resources. It is important for the FCO to keep track of expenditures as they are incurred. A log, record book or spreadsheet should be maintained for each GSA purchase showing supplies purchased, the costs and the date the purchases were made. The buyer should complete the ordering forms before requesting FCO approval so the FCO can certify that funds are available for the expenditure.

The customer receives the receipts for the purchases. The FCO should always be sure to get the receipt (or a copy) back from the buyer, since it will be important for reconciling any accounting errors with the CFC, as well as for receiving proper credit if items need to be returned to the CSC purchase or take another course of action recommended by the OMS.

d. GSA Office Supplies Purchase Cards — Effective September 30, 2004, the EPA's Corporate Express Blanket Purchase Agreement became the mandatory mechanism for ordering all office supplies. See OMS's Web pages:

   i. http://OMSintra.epa.gov/node/235#BPAs on "Blanket Purchase Agreements and Simple Acquisitions Made Easy"

   ii. http://OMSintra.epa.gov/?q=node/465

The GSA SmartPay® Program manages the set of master contracts through which agencies and organizations can obtain charge cards for employees to accomplish the agency or organization's mission.

e. Roles and Responsibilities in the Purchase Card Program — The key players in EPA's purchase card program are the purchase card team (PCT), the CFC, the contractor bank, FCOs, AOs, cardholders and the GSA SmartPay® Program.

   i. The PCT maintains the agency's "Purchase Card Program" Web page found at http://purchasecard.epa.gov/. The Web page includes informative information, forms and links to helpful sites. The PCT is managed by the agency's NPCPM. The NPCPM has the authority to issue cards, make changes by any means necessary, and to convey the change to cardholders and AOs. All cardholders and AOs shall comply with any change issued by the NPCPM pursuant to EPA policy.

   ii. The CFC is part of the OCFO and is responsible for national financial issues such as cost allocations, accounting corrections and manual payments. The CFC also serves as the agency liaison with the contractor bank for dispute resolution and monthly reconciliation. The CFC examines purchase card transactions to detect and resolve funding problems and provide appropriate corrective measures to cardholders and finance personnel.

   iii. The contractor bank is selected through a competitive acquisition under the GSA SmartPay® master contracts. The contractor bank is responsible for issuing cards, paying the vendors for purchase card orders and providing customer services such as dispute resolution. The agency receives a quarterly rebate from the contractor bank.

      (a) The dollar amount of the rebate is calculated on points earned. The faster the cardholder cost allocates, the faster the agency pays and the more base points the agency earns.

(b) Once the rebate check is received, the CFC identifies purchase card payments by the cardholder's organization, either NPM or region. The rebate is then distributed to the organization.

(c) Payment Net® — the contractor bank, Internet-based system used to manage, track, document and control purchase card transactions.

iv. FCOs certify that funds are available, the financial transaction complies with agency financial policy and procedures, and all of the accounting data are accurate and complete. The method for funding purchase card orders will vary according to established office procedures. Any method is acceptable as long as the cardholder ensures funds are available before making a purchase. FCOs have specific responsibilities associated with the use of purchase cards in their program offices. First, the FCO must ensure that what is being procured is not a restricted item for purchase card purchases. A list of frequently asked questions about certain purchases can be found at http://purchasecard.epa.gov/node/4.

(a) The FCO should maintain the proper documentation for internal control purposes.

(b) The FCO shall review all purchase card transactions at least monthly to ensure that all transactions are properly cost allocated, to initiate and/or provide assistance as needed, and to provide an opportunity for the FCO to decommit any unused funds.

(c) The following provide FCO guidance on the two options available to set up commitments for the cardholders to use in cost allocating transactions through EPA's Intranet Purchase Card Cost Allocation System. The option used depends entirely on local procedures and/or arrangements established between the FCO and the cardholder. For further information, review Chapter 13 of the agency's Contract Management Manual, Subsection 13.3.1, "Using the Government-wide Commercial Purchase Card." OMS's PCT also provides a very helpful online refresher training site at http://purchasecard.epa.gov/node/77.

(1) Default Purchase Card Commitment. This option allows the FCO to establish a base commitment by assigning a default DCN that cardholders can use the entire FY. The commitment is recorded by the FCO in "Compass"; refer to the website at http://workplace.epa.gov/financial.html.

(2) Single Purchase Card Commitment. This option allows the FCO to establish individual DCNs for each purchase card order using the appropriate OC. When funding splits for appropriations and/or program result codes are necessary, multiple lines of accounting must be recorded at the ratio that will be used for the cardholder's purchase. When the cardholder cost allocates a transaction, each commitment line will be reduced accordingly. It is important for the cardholder to select the assigned OC for that DCN. However, if the cardholder selects an OC that does not match the original commitment, that OC will be ignored since the commitment has been previously established. If a transaction is cost allocated using 98 percent or more of the commitment, the remaining balance will be liquidated.

(3) Exceeding the Commitment Amount. If the final transaction amount exceeds the commitment by more than $100 or 10 percent, the transaction will not process. The cardholder will receive an email from the CFC notifying them that the

transaction has been reset for cost allocation. It is the cardholder's responsibility to contact the FCO to make the necessary correction. If the default DCN funding option will be used, the FCO must inform the cardholder of the default DCN and BOC to select for their purchase card transactions. If a single purchase card commitment is selected, the FCO must establish a procedure to inform the cardholder of the DCN assigned for each purchase. Cardholders must have this information before they begin to allocate the purchase in the system at http://oasint.rtpnc.epa.gov/fmc2/card.card_welcome.

(4) Obligation Processing. On a daily basis, Cincinnati-FMC (C-FMC) compiles a list of all completed transactions cost allocated on the EPA website and those transactions approved through the allocation site. From these data, C-FMC creates the obligation lines for input into Compass. The transaction will be divided among the obligation lines in the same ratio as the commitment. In cases where there are multiple funding lines, the obligation amount will equal the amount of the purchase as provided by the cardholder in the EPA cost allocation system.

(5) Payment Processing. During the creation of obligation documents, payment documents are also created. The payment amount will be the same as the obligated amount and the obligation document will be closed. This procedure will eliminate the need to perform the ULO review for purchase card transactions since the obligation and payment amounts will be equal. The C-FMC reviews, certifies and processes a daily payment to the contractor bank. As soon as the goods or services have been received and accepted, the cardholder must cost allocate immediately. EPA makes daily payments to the contractor bank using the agency cost allocation system information and earns cash rebates for expedited payments. The cardholder will receive an electronic notification that states, "The cardholders and Approving Officials receive email notifications of charges received on their card and those pending allocation." For additional information on obtaining AO transaction reports, see http://purchasecard.epa.gov/node/6.

(6) Reconciliation. EPA has developed an Intranet, Web-based purchase card transaction review page that electronically captures all purchase card transactions. The purchase card transaction review page is available to the purchase card community to perform oversight of cardholders' transactions. Cardholders, FCOs and AOs can review the activity of each cardholder over a chosen timeframe to ensure the cardholder has correctly reconciled the funding for transactions and cost allocated them. FCOs and AOs have access to valuable transaction data to help facilitate budget decisions and identify problems with cardholder purchasing activity. Since all activity is captured on this page, detailed reports are available on purchase card transactions.

v. The AO can be the cardholder's supervisor or an individual one organizational level above the cardholder.

(a) Every cardholder must have an AO who has an AO account with the contractor bank.

(b) AOs are not authorized to establish written individual standard operating procedures for cardholders. Purchase card transactions shall be done in accordance with EPAAG 13.3.

(c) Complete the required training as the cardholder.

(d) Pre-approve all purchases to be made by the cardholder to ensure transactions comply with federal and agency guidance.

(e) Provide support and validate cardholder transactions.

(f) Annually perform transaction volume reviews and notify the PCT if changes are needed.

(g) Notify the PCT when leaving the agency or leaving for an extended period, and/or when you will no longer be an AO.

vi. Cardholders are agency employees who are responsible for the following:

(a) Completing all required training.

(b) Following applicable federal and agency policy.

(c) Maintaining complete records of each transaction.

(1) Every agency purchase cardholder shall establish and maintain an official purchase log that includes a record of every transaction completed. The official cardholder purchase log shall be kept on an FY basis and shall be maintained on a 30-day billing cycle. (The EPA purchase card begins on the 28th day of each month and ends on the 27th day of the following month. The EPA fleet card billing cycle begins on the 24th day of each month and ends on the 23rd day of the following month.)

(2) The log may be in written or electronic form. However, it must be a separate and discrete document; be an orderly, legible accounting of all purchase card transactions made by the individual cardholder; and, when needed, be provided to the PCT.

(3) At a minimum, the log shall contain a brief description of the items/services ordered, the vendor or merchant used, the date of the order, the total cost, the date the item was received/signed for by a third party, and the date of payment (also referred to as the EPA cost allocation).

(4) In addition to the log, there may be other forms of supporting information necessary to fully document the order. These items shall also be maintained either in paper or electronic form. Examples of such supporting documentation are as follows:

a. Vendor/merchant receipts or confirmations associated with the orders
b. Vendor invoices (if provided)
c. Documentation of required prior approvals
d. Memoranda for the record documenting any problems or unusual circumstances surrounding an order
e. Verification of receipt by independent third party

(5) Use the card ethically, in accordance with the standards of conduct.

(6) Notify the PCT when leaving the organization; when leaving temporarily, such as on a detail; or when permanently reassigned and no longer need the card.

(7) The log must include any additional documentation required by organizational or local procedures, or as required by the purchase cardholder or the AO. As with all acquisition records, the cardholder's log and all supporting documentation shall be retained in the immediate office for a period of at least three years after the end of the FY in which the transaction was completed.

f. Record Keeping — Cardholders must maintain the following records:
   i. Delegation of Procurement Authority or certificate of appointment (SF1402) retained in permanent file or prominently displayed at work location. ii. A copy of the purchase card log for each 30-day billing cycle. The cardholder records each purchase made during the 30-day billing cycle on this log.
   iii. The cardholder must maintain their statements of account (along with all original documentation) for at least three years (FAR 4.805[b]).
   iv. As with all acquisition records, purchase card logs and all supporting documentation shall be retained for a period of at least three years after the end of the FY in which the transaction was completed.

15. Property

a. EPA's Personal Property Management Program — This program establishes the authorities, roles and responsibilities for EPA employees as they pertain to the acquisition, utilization, physical accounting and disposition of personal property. The program also provides oversight and guidance to entities outside of the EPA that are furnished with government personal property from the EPA or that are authorized to procure personal property through EPA assistance agreements and interagency agreements. For more information, visit http://intranet.epa.gov/oa/fmsd/property/index.htm.

b. Capitalization of Software — Each EPA organization must obtain an "IT project code" for any system that will have a cumulative value above $250,000. That IT project code must be used in the "site/project field" in the accounting information when the money is obligated for development of that system. When that money is paid, it is the responsibility of the organization (FCO, contracting officer technical representative, etc.) to ensure that any money paid is for eligible IT development costs. This is important because anything paid with an IT project code is capitalized as the value for that system; once the system moves to production, this impacts the value of the system and the depreciation. All policies for "Property, Plant and Equipment" can be found at http://intranet.epa.gov/ocfo/policies/direct/2540.htm.

c. Agency Asset Management System (AAMS) — The AAMS is the EPA's official property system, commonly referred to as "Sunflower." AAMS is the agency's official system of record for tracking all assets from acquisition through disposal. Sunflower assets enable property managers to monitor, control and account for property transactions. The system accounts for personal and real property, contractorheld, material, capital, sensitive, IT assets, vehicles, weapons, scientific equipment, uniforms, parts, tools and more. For more information, see https://www.sunflowersystems.com/index.html.

d. Year End Close-Out — As the fiscal year nears completion, the OB and the OC issue workplans and timetables for closeout activities. The memos issued to SBOs, AHs, and FCOs provide key cutoff dates for budget and financial transactions, including final reprogrammings, entering commitments into Compass, and submitting purchase requests/orders and grant funding packages to OMS and the OGD. The OB may review expiring funds that remain uncommitted in Compass during the summer for possible redistribution to other AHs. The agency will make every attempt to redirect funds that become available to ensure that expiring funds are carefully managed and achieve maximum benefit.

No expiring or lapsing funds should be requested and/or obligated except to meet a legitimate or bona fide need arising in the period of availability for obligation. In addition, for expiring appropriations, the agency's policy for obligations for services on non-severable contracts requires that performance starts no later than September 15 to be considered a bona fide need. The program office must include a statement with the commitment that explains why it is necessary that the service(s) start in September, and that they are not severable in nature.

e. FCO Responsibilities — FCOs should review all open commitments of expiring funds in Compass, as well as the OCFO's Open Commitment Database, on a daily basis to verify that commitments are being obligated in a timely manner.

For documents that remain committed but not yet obligated, FCOs need to communicate with the appropriate parties in their office to ensure those monies get obligated. In regard to contracts, FCOs should be communicating with the appropriate COR, who in turn should be communicating with the obligating official — the CO. For grants, FCOs should communicate with the appropriate grants/interagency PO, who in turn should be communicating with the obligating official — the grants award official or associate award official. In early May, the OB sends out its end-of-year schedule. Around the beginning of August, RPIOs must use the Open Commitment Database to enter the status of any unobligated commitments for expiring funds (EPM and S&T). Any items not referenced will be swept. Note that the database only includes commitments of $1,000 or greater.

The end-of-year memo also establishes closing/cutoff dates for financial transactions. OMS and the OGD will have specific deadlines regarding the receipt of funding documents. Priority will be given to processing financial transactions that are citing expiring funds. However, as long as a funding document is received in OMS/OGD by the established cutoff date, the transaction should be processed by the end of the fiscal year. FCOs and the obligating officials should maintain contact with each other to make sure the document(s) are obligated by the end of the fiscal year.

Open commitments should be reviewed in the following manner:

i. Identify commitments that should and/or must become obligations by September 30. The OB often establishes a cutoff date in early September, after which they sweep (pull back the funds to a central account) unobligated expiring fund commitments. The FCO should ensure that the dated obligating document reaches the proper FC by early September. The FCO should send the FC a duplicate copy of the obligating document if the FC does not receive the original document.

ii. Unnecessary commitments should be cancelled and decommitted. Recoveries or de-obligations and potential new spending that occurs during the last part of the FY make for volatile balances. As a result, the system locks midway through the last quarter to prevent commitments against expiring funds.

f. Year End Close Process — At the end of the “12th month” accounting period (through September 30), AHs and their RPIOs must review their final commitment and obligation data and forward any corrections to their FC. After September 30, a "13th month" accounting period remains open for four days or less to capture documents signed prior to midnight, September 30, which are still coming through the recording process. At the end of this 13th month period, the OC officially reports end-of-accounting data to the U.S. Treasury and the OMB.

16. ULOs

A ULO is the amount of outstanding obligations or liabilities that have not been expended (paid, outlaid, disbursed or liquidated [GAO Budget Glossary]). The cause for an obligation not being fully paid may either be that all the goods or services have not yet been received and accepted by the EPA or that the FC has not received the final payment request (invoices, etc.) from the supplier, vendor or recipient. If all payments have been made on that obligation, each EPA organization must promptly request the de-obligation of the remaining funds through the procedures applicable to that obligation type. Any de-obligations of current year funds automatically return to the AH’s available Compass balance. If funds are De-obligated after an account has expired, these funds are available in the EPA’s reserve account to cover any overruns or trailing costs on these obligations.

Proper ULO management, tracking and reporting is critical to the accuracy of the EPA’s financial reporting. The EPA must continually monitor the use of obligated funds to ensure they are used efficiently and timely. Using the ULO tool, EPA organizations can closely monitor obligations. In addition, EPA organizations review all inactive (defined as no activity within the last 180 days) ULO balances annually to De-obligate the funds or provide a reason that the obligation should remain open.

a. Grants

i. Within 180 days after the grant expires, grants specialists should aim to financially close out the grant.

ii. Grant specialists should prioritize grant actions involving expiring funds (funds in the last year of availability for obligation).

iii. POs must continually monitor the expenditures of their grants and report any irregularities to their assigned grants specialist on an ongoing basis.

iv. Grant specialists are responsible for formally reviewing all inactive ULOs annually.

b. Contracts

i. Contract ULOs should reflect remaining or unbilled work only. EPA reserve accounts will cover potential cost overruns, unanticipated trailing costs, indirect provisional billing rate adjustments and/or final indirect rate adjustments.

ii. Within 180 days after the end of the period of performance, officials should aim to pay all invoices and De-obligate all remaining funds.

iii. Officials should put their best efforts to ensure that the amount ordered and obligated for a particular contract, simplified acquisition, task order, purchase order or modification represents a realistic, best cost estimate and does not include any additional funds.

iv. Officials should prioritize contract actions involving expiring funds (funds in the last year of availability for obligation).

v. COs are responsible for formally reviewing all inactive ULOs annually.

d. Interagency Agreements

i. Interagency agreements should reflect remaining or unbilled work only. EPA reserve accounts will cover potential cost overruns, unanticipated trailing costs, indirect provisional billing rate adjustments and/or final indirect rate adjustments.

ii. Within 180 days after the end of the period of performance, officials should aim to pay all invoices and De-obligate all remaining funds.

iii. Officials should put their best efforts to ensure that the amount ordered and obligated for a particular interagency agreement represents a realistic estimate and does not include any additional funds.

iv. Officials should prioritize interagency agreement actions involving expiring funds (funds in the last year of availability for obligation).

v. Interagency agreement specialists are responsible for formally reviewing all inactive ULOs annually.

d. WCF and Miscellaneous Obligations

i. WCF and miscellaneous ULOs should reflect remaining or unbilled work only. EPA reserve accounts will cover potential cost overruns, unanticipated trailing costs, indirect provisional billing rate adjustments and/or final indirect rate adjustments.

ii. Within 180 days after the end of the period of performance or the service is received, officials should aim to make all payments and De-obligate all remaining funds.

iii. Officials should prioritize actions involving expiring funds (funds in the last year of availability for obligation).

iv. EPA organizations are responsible for formally reviewing all inactive ULOs annually.

e. Travel

i. Travel ULOs should reflect only trips that have not yet been taken.

ii. Within 90 days after the trip, officials should ensure that employees have vouchered their trip and De-obligated remaining funds (EPA policy requires employees to file vouchers within five business days).

iii. Officials should prioritize actions involving expiring funds (funds in the last year of availability for obligation).

iv. EPA organizations are responsible for formally reviewing all inactive ULOs annually.

For more on information on conducting ULO reviews, see:

• RMDS 2520-03-P1, "Responsibilities for Reviewing Unliquidated Obligations," at http://intranet.epa.gov/ocfo/policies/direct/2520-03-P1_ULO.pdf • RMDS 2520-03 Procedure, "Standard Operating Procedures: De-obligating Unliquidated Obligations," at http://intranet.epa.gov/ocfo/management_integrity/FY2011/de-obligation_procedures.pdf

17. Violations: Creation, Reporting and Penalties

a. ADA Violations — Section 1514 of Title 31 of the U.S. Code requires each head of a federal executive department or agency to prescribe by regulation a system of administrative control designed to restrict obligations and expenditures to the amount of budgetary resources available. This agency regulation is subject to the approval of the OMB director. This act also provides for reporting of violations of these regulations and for penalties. These requirements are supplemented by instructions and a sample letter contained in OMB Circular A-11 (Section 145) (formerly OMB Circular A-34). The restrictions of the ADA (31 U.S.C. 1341-42, 1349-51, and 151119) are the basis for the EPA's policies on controlling funds.

b. Creation of the Violation — In its current form, 31 U.S.C. 1341, 1342 and 1517(a) and the ADA prohibit:

   i. "Making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law." An accounting error occurring when an obligation is posted to an incorrect appropriation is subject to audit and an accounting correction. If posting that correction violates appropriations as to amount, an ADA violation will have occurred as well. Statutory ceilings may also be a basis for an ADA violation. The OLC has advised that making an expenditure in violation of a statutory prohibition on using appropriated funds (e.g., 31 U.S.C. 1345) does not violate the ADA unless that prohibition is contained in the appropriation act that provided the funds for the expenditure. Memorandum for Roger R. Martella, Jr. General Counsel, Environmental Protection Agency Re: Use of Appropriated Funds to Purchase "Light Refreshments" at Government Meetings for Persons Who Are Not Federal Employees (April 5, 2007).

   ii. "Involving the government in any contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless the contract or obligation is authorized by law." An obligation may be incurred only after Congress passes and the President enacts (signs) the appropriations bill.

   iii. "Accepting voluntary services for the United States, or employing personal services in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property." According to the OGC, the voluntary services prohibition does not apply when a non-federal party agrees in writing not to submit a claim for compensation to the government for actions taken under a "gratuitous" service agreement provided the party providing the service is not entitled by law to compensation. B-204326 (July 26, 1982); B302811 (July 12, 2004).

   iv. "Making obligations or expenditures in excess of an apportionment or reapportionment, or in excess of the amount permitted by agency regulations" (promulgated under 31 U.S.C. 1514). Apportionment totals and apportionment categories, as well as any conditions on the use of funds, are also a basis for ADA violations. Additionally, if more funds have been obligated than legally available, de-obligating or receiving new quarterly funding does not eliminate the need to report the violation. Failure to post an obligation to an agency's financial system when incurred, or delaying this posting, cannot prevent a violation.

c. Reporting Violations — In accordance with the instructions and examples contained in OMB Circular A-11 (Part 4) (formerly OMB Circular A-34), the steps for handling potential and actual ADA violations are as follows:

i. Any EPA employee must notify the agency allotment holder, the OB director, upon learning of an apparent violation. Verbal notification should immediately be followed up with a written, detailed description of the apparent violation.

ii. The chief financial officer (CFO) and the OB director, as the agency allotment holder, must ascertain whether a violation exists. This determination is generally achieved with the assistance of an OGC legal opinion. While reviewing, auditing and examining authorities may detect violations, only the CFO and the OB director (with the assistance of the OGC) can make the actual determination. Once it is determined that a violation does exist, the agency is required to report it immediately.

iii. At the EPA, the administrator reports ADA violations through the OMB director to the President, Congress and the Comptroller General. The letter format for doing this is contained in OMB Circular A-11 (Part 4) (formerly OMB Circular A-34).

iv. The organization responsible for the violation must provide a comprehensive plan of action for preventing any future recurrence, including appropriate disciplinary action. This plan should be coordinated through the OB director for recommendations and submitted to the EPA CFO.

d. Penalties — 31 U.S.C. 1349, 1350, and 1519 provide that an officer or employee of the U.S. government violating the ADAmay be subject to:

- Suspension from duty without pay
- Removal from office, and / or
- As well as criminal penalty of being "fined not more than $5,000, imprisoned for not more than 2 years, or both"

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In addition, the employee may be subject to "appropriate administrative discipline," including:

- A letter of reprimand for the official personnel record of the employee
- An unsatisfactory performance rating
- Transfer to another position

e. The EPA Administrative Control of Fund Violations — Any officer or employee of the EPA has violated the OCFO's system of administrative control of funds if he or she:

i. Authorizes or creates an obligation or makes an expenditure in excess of the amount permitted by the EPA's system of administrative fund control.

ii. Makes allowances in excess of an apportionment pending the passage of appropriations.

iii. Issues agency allowance in excess of the related apportionment, by quarter or total for the year.

iv. Makes or authorizes an expenditure or creates or authorizes an obligation without authority.

v. Authorizes expenditures or an obligation under any appropriation or fund in excess of the amount available.

vi. Involves the EPA in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purposes, unless the contract or obligation is authorized by law.

vii. Accepts voluntary service for the United States or employs personal services in excess of the amount authorized by law, except in instances of emergency involving the safety of human life or the protection of property.

For current funds, "amounts available" are equal to the lesser of apportionments, allocations or budgetary resources available for obligation. For expired appropriations, "amounts available" include amounts available for restoration to the account. Violations occur when adjustments are made, which cause obligations in expired appropriations that retain their FY identity to exceed the apportionment for the year during which such obligations were required.

18. Working Capital Fund (WCF) Services

a. Summary — EPA headquarters and regional offices procure certain general administrative services through the agency's WCF, as authorized by the EPA's 1997 Appropriation Act and Section 403 of Public Law 103-356, the Government Management Reform Act. EPA Order 2570.1 identifies the WCF overarching authorities and policies. The EPA uses the WCF to finance basic needs, including:

- Data processing
- Background investigations
- eRelocation
- Postage
- Conference and meeting planning
- Financial management (Compass)
- PeoplePlus
- Continuity of operations planning (COOP)
- Budget formulation system
- Cincinnati Voice over Internet Protocol (VoIP)

There are three major WCF service categories:

- Sole Provider — Services must be ordered through the WCF (e.g., desktop, email, Web forms, assigned smartphones, audio and Web conferencing services).
- Preferred Provider — WCF is considered the most efficient provider. To procure services from an alternate provider, must obtain a departure waiver (e.g., long distance/enhanced voice services or application hosting).
- Discretionary — Services may be procured from the WCF or an alternate provider (e.g., technical consulting and PC acquisitions [non-EZ Tech]).

b. Spending Deadlines for WCF Funds — Funds provided by paying agency "customers" to the WCF for the purchase of goods and services retain the fiscal identity of the customer's source appropriation, meaning they will expire in their normal course. Funds retained by the WCF to be spent for its own operation and maintenance do not expire. OCFO links can be found at http://intranet.epa.gov/ocfo/wcf/index.htm.

Below are some additional descriptions about the WCF and how it operates.

c. WCF Activities — The EPA's WCF offers services under 10 separate activities: data processing, postage, background investigations, eRelocation, conference and meeting planning, Compass, PeoplePlus, continuity of operations, budget formulation system and Cincinnati VoIP. The data processing activity provides mandatory services that support the workforce, such as computers, email and telephones/long distance, as well as discretionary services such as call center, hosting and technical consulting. The OEI provides the bulk of the data processing services to the agency; most data processing services must be procured via the WCF. The postage activity supports the mailing needs of each agency organization. The Office of Administration, within OARM, provides the technical support for postage services, and all postage services must be procured through the WCF. The background investigation activity is managed by the Personnel Security Branch within OARM. All background investigations must be processed through the WCF.

The eRelocation activity provides services related to PCS moves. The CFC within the OCFO manages the eRelocation services, and agency customers must order these through the WCF. The conference and meeting planning activity, managed by the Office of Financial Services, provides a wide array of meeting planning support and is a discretionary service for customers. The Compass activity provides financial system access for all agency customers, and the PeoplePlus activity provides access to the time entry system, as well as customized reports. Both Compass and PeoplePlus are managed by the Office of Technology Solutions. The budget formulation system, managed by the OB, is used by the agency in all phases of budget development and to craft the strategic plan every three years. The OCFO not only manages each of the three previously mentioned activities, but is the sole-payer of the operations and maintenance, with technical consulting services being offered for other offices to order if necessary.

COOP activity provides the EPA's COOP facility, managed by the Office of Land and Emergency Management (OLEM), and jointly funded by OLEM, OEI and OARM. The Cincinnati VoIP activity provides employees located in the Cincinnati offices a VoIP communications system, as well as a wireless network solution to allow wireless access throughout EPA-Cincinnati.

d. WCF Services and Service Agreements — WCF service agreements are an annual "contract" between headquarters and regional program offices and the WCF providers of services. Every year customers are required to certify their anticipated level of consumption for each service agreement they have. This certified workload value is identified as the estimate at completion (EAC) for each agreement. Most headquarters and regional customers have at least two WCF service agreements to support their workforce and daily operations. Each RPIO has at least one data processing agreement, one postage agreement and one background investigations agreement. Customers are required to have a unique service agreement for any capital planning and investment control specific system, and they are strongly encouraged to have a unique agreement for any CPIC Lite system.

Every service agreement is comprised of at least one service (technical consulting, mobile devices, hosting) and at least one registration ID within the service. While service agreements are annual agreements, they "roll over" each FY. The service agreement number stays the same; the two-digit FY identifier changes (14DP06G0001 becomes 15DP06G0001 in FY 2015). All of the registrations on a service agreement also "roll over," as long as they remain open at the end of the previous FY.

The services that support the agency's workforce fall under the data processing activity. Depending on an employee's location, there are a minimum of six to nine services that must be procured for all employees. These services are referred to as mandatory. Mandatory services can only be ordered through the WCF. The WCF also offers an array of discretionary services, such as call center, hosting and technical consulting services. Discretionary services may be purchased outside of the WCF, such as technical consulting. Program office managers are encouraged to review and monitor existing discretionary services and their usage and scrutinize new orders for such services. New services may be ordered at any time during the FY. Similarly, non-mandatory services may be terminated at any time (see "Monitoring Service Agreements").

e. eBusiness — eBusiness is the agency's Web application where customers are able to establish new service agreements, shop for WCF products and services via an online catalog, order products and services, and monitor usage. WCF account managers must monitor activity against their agreements on a monthly basis, from both a WCF billing perspective and a financial perspective. Account managers and alternate account managers may be FCOs or other program office personnel with specialized knowledge for the particular agreement. For example, an FCO might be responsible for a workforce related agreement, and an environmental scientist might be responsible for an agreement for geospatial services. eBusiness offers a wide range of reports to assist in this monitoring. The "Monitoring Service Agreements" section below elaborates on this monthly exercise and the multiple reporting tools that are available to assist customers in this monitoring.

f. Funding Service Agreements — Customers must fully fund their agreements to the EAC level described above at the beginning of each FY, with one exception. If the agency is under a CR, the WCF staff within the OC, OCFO, will issue guidance to customers advising them that the required minimum funding of service agreements is equivalent to the percentage of the operating plan issued under the CR. If the CR happens to be for 18 percent of the FY, customers will be required to fund a minimum of 18 percent of each of their service agreements. When the agency has a full-year bill, guidance will be issued requesting full funding of all service agreements.

Before the start of each FY, the OCFO strongly encourages customers to provide funds for their next years' service agreements. The WCF does not have an appropriation; the money used to pay contractors that provide WCF services to the agency (as well as pay the salaries, travel and other costs of the EPA employees who support the WCF) is based on funds collected from the customers for their agreements.

To seamlessly provide services from one FY to the next, without disruption or cancellation of services, the fund must have “cash on hand” at the beginning of the FY to pay the contractors that provide those services. This is achieved through forward funding.

In early September, the OCFO WCF staff issues the call for funding plans for the next fiscal year. Customers may provide PRs with funds that expire in the subsequent FY (FY 2015/2016 funds may be used to fund a 2016 service agreement), as well as current no-year funds (FY 2015 Superfund or LUST or OIL). Funds that expire in the current FY may only be used to fund current year agreements and may not be used to fund any subsequent years. (For example, FY 2014/2015 funds can fund a FY 2015 but not a 2016 service agreement).

g. Committing and Obligating Funds — During the FY, customers may fund their service agreements with funds legally available for obligation (e.g., unexpired twoyear, no-year funds, etc.). As with any other funding action, customers must ensure the funds are available prior to entering a commitment in the financial system. If a service or services are funded using multiple appropriations, FCOs must have a logical methodology to explain how each appropriation benefits from the services received.

To commit funds for a WCF service agreement, FCOs must follow the same policies and procedures outlined for committing funds in the financial system. There are two mandatory components to a WCF funding package: a WebForms PR and a screen shot of the committed RQ (miscellaneous request) document from the Compass Data Warehouse. If funding a data processing service agreement, the IT Code Guideline Report must also be submitted. This report can be found in eBusiness. All WCF PRs must be submitted via WebForms. The PR must reference the complete service agreement number in Box 25b, and signatures from either a branch or division level manager, as well as the FCO, must be included. The dollar amount on the PR must match the dollar amount of the funds committed. The only object class that may be used for funding a service agreement is 2576.

The accounting on the PR and the RQ document must reflect the IT coding appropriate for the specified service agreement. FCOs should refer to either the OB’s AOA, which includes an attachment on how to properly identify IT resources using established IT codes, or the WCF order form, which is color=coded by IT systems/code.

If any of the information listed above is missing or incorrect, the PR will be rejected. An optional component to the WCF funding package is the “Funding Continuation” page, which is available in eBusiness. This spreadsheet is largely duplicative of the PR, so it is no longer mandatory.

The WCF activity manager (data processing, postage, background investigations, etc.) acts as an obligating official and is authorized to obligate funds committed by agency offices. An obligation is authorized when the WCF activity manager signs off on a PR. Approved PRs are routed to the RTP finance office for processing. The RTPFC posts the obligations in Compass via an overnight interface. A signed copy of the processed PR is routed to the customer.

h. De-obligating Funds — If an FCO determines there are excess funds on a service agreement, they must provide the WCF activity manager with a “negative PR,” which includes a screen shot of the WCF obligation document as an attachment. This screen shot is required to show that funds are truly available for de-obligation. Once approved by the activity manager, the de-obligation request is submitted to the RTPFC. De-obligation of funds generally takes place the same day the request is received by RTPFC (as opposed to overnight for obligations).

A customer may wish to process a de-obligation of funds and an obligation of funds at the same time, essentially processing a "net-zero" modification to the service agreement. For example, a customer may wish to De-obligate new money and replace it with expiring funds. This is acceptable; however, the FCO must provide two attachments to the WebForms PR: a screen shot of the WO document to indicate which line or lines of accounting should be De-obligated and a screen shot of the RQ document, which will identify the "replacement" lines of accounting. Both screen shots are required for this type of modification.

i. <u>Monitoring Service Agreement Billings/Disbursements — </u>It is imperative that WCF account managers or alternate account managers, both of whom are frequently FCOs, monitor the monthly billings against their service agreements. Account managers need to ensure that each monthly billing is valid and appropriate for each service on their agreement. There are many reports available in eBusiness to support this review. The first report that should be reviewed is the report by organization, billing and funding, run by invoice. This report will provide the billing against each registration within each service on the agreement for a particular month. Customers are encouraged to review all monthly billings to make sure they are valid for the registration and for the service. If registrations should no longer be associated with a service agreement, registrations should be transferred or canceled. For example, if an employee goes on detail to another organization or leaves the agency, account managers need to make sure registrations associated with those individuals are transferred (to the appropriate office's service agreement) or cancelled.

Customers and FCOs also need to review the funding on their service agreements via the CDW. If a service agreement has insufficient funding, customers must process a PR for the shortfall. If an agreement has too much funding, a customer should submit a negative PR. If a customer would like to process a "funding swap," (for example, apply a line of accounting with funds that will expire after the current FY ends funds to an expenditure against a line of accounting with funds that will not expire until the end of the next FY) they must submit a written request to the activity manager, along with a justification for the swap. Note, however, that the bona fide needs rule, federal laws and guidance apply.

Once approved, the activity manager will forward the request to the RTPFC and the accounting adjustment will be processed. It is extremely important that customers/FCOs monitor the accounting balances on service agreements during the fourth quarter of the FY. Account managers and FCOs need to make sure that available balances on accounting lines with expiring funds are used via a funding swap or De-obligated in time to be reprogrammed to another BOC. If too much funding has been De-obligated (and the funds were expiring funds), and an invoice is received several months later, the program office might have to pay for the invoice with current year funds. The OB has established cutoff dates for the transfer of expiring funds on service agreements.

In addition to the eBusiness report mentioned above, there are many other reports available in eBusiness for an account manager or FCO to review. The CDW also provides valuable reports to monitor service agreement spending.

j. <u>Modifying WCF Service Agreements</u> — A modification to a service agreement can be initiated by a customer at any time during the FY. If a customer wishes to add new services to an agreement or reduce the workload on a particular project, they can adjust the EAC for that agreement, as well as the level of funding. A modification is required for additional funds to be added, or surplus funds to be removed from the original WCF service agreement, as described above. The OCFO advises customers to review their SA EACs at least quarterly, and update as necessary.

Once the FY is over, if a customer is able to determine that final billing has occurred for all services on their agreement, they may request a de-obligation of any excess or remaining unexpiring funds by submitting a negative PR. The De-obligated funds may then be applied to a current FY service agreement. Customers may also reprogram these funds into another BOC. However, FCOs must ensure that sufficient funds remain to cover all end-of-FY invoices, where for some services, the last invoice is not received by the activity until four or five months after the end of the FY. Only after the last invoice has been paid, should an FCO De-obligate any non-expiring funding. The WCF staff in the OC will notify customers when all billing is final for an FY.

Chapter 8: Roles and Responsibilities

Summary

Who is responsible? Every federal manager bears responsibility for ensuring that funds are used appropriately and for their allocated purpose, but some positions within the EPA are designated with specific fund control responsibilities. This section identifies these positions and describes their roles and responsibilities. However, all officials can be held accountable if expenditures are authorized or an obligation is created under an appropriation or fund in excess of the amount available [31 U.S.C 1341(a)]. Thus, all managers, particularly those responsible for administrative control of funds should familiarize themselves with at least the basic legal requirements in the Anti-Deficiency Act (31 U.S.C. 1341[a]) and OMB Circular A-11, Part 4.
(Both of these descriptions can be found in this manual's chapter 2, "Federal Laws, Regulations and Guidance").

Officials with designated responsibilities for the administrative control of funds include:

- **Senior Resource Officials (SROs) —** SROs are the Deputy Assistant Administrators (DAAs) or Assistant Regional Administrators (ARAs) in national program management (NPM) offices and regional offices. SROs are accountable for effective resource management, including acquisitions, grants, budget, financial management, property and management integrity. The agency's SROs must:
    - Concur on all procurement requests with incremental funding over $1 million and agreements for federal funding assistance when total project costs are expected to be at least $5 million for continuing program grants and over $1 million for project grants. o Ensure that program or regional resource managers (e.g., contracting officer's representatives [CORs], grant project officers] and their supervisors are qualified, have reasonable workloads, and take required training.
    - Certify completion of the annual review of unliquidated obligations for current and prior year travel and simplified acquisitions.
- **Senior Budget Officers (SBOs) —** Each NPM has an SBO (with a small team) who helps with budget formulation and guides budget execution. Larger NPMs also tend to have smaller financial units within their major offices (e.g., the Office of Water's Clean and Drinking Water groups, Research Triangle Park in North Carolina). SBOs coordinate with Lead Regions on particular budget topics.
- **ARAs** — The agency's ARAs generally manage all administrative functions (including finance) within their regions.
- **Regional Comptrollers** — Those who serve in this capacity manage financial execution and participate in budget execution exercises that normally have a budget and finance lead.
- **Regional Budget and Finance Officers** — These positions report to regional comptrollers.
- **Funds Control Officers (FCOs) —** EPA organizations designate and train officials to assure sound financial management. FCOs track, review, report and ensure the proper use of funds. FCO Guide and Reference Resources contain valuable links for managers (see http://intranet.epa.gov/fmdvally/perform/fco_guide.htm).

More Detailed Discussion of EPA Responsible Officials Roles and Responsibilities A. SROs

The SROs are Senior Executive Service (SES) managers. They are designated by and report to the Administrator, the agency's 10 Assistant Administrators (AAs), the 10 Regional Administrators (RAs), the General Counsel and the Inspector General. Additionally, one SES manager is designated by the Deputy Administrator for the Office of the Administrator. The Chief Financial Officer (CFO) approves all SRO designations upon initial designation. In accordance with the CFO Act of 1990, SROs must have the knowledge, skills and abilities in resource management that are necessary for the position.

SROs are typically DAAs and ARAs. The SRO is accountable for the headquarters office's or region's effective resource management including acquisition, financial assistance, budget, financial management and management integrity.

EPA Order 1130.2A, *Senior Resource Officials and Resource Management Committee*, is available at http://intranet.epa.gov/ohr/rmpolicy/ads/orders/1130_2a.pdf.

An SRO's accountability, like the accountability of other agency managers and officials, cannot be delegated, even if his or her functions are delegated. When an SRO is temporarily absent, the person acting for the SRO must be apprised of SRO responsibilities. In cases where a resource requirement involves more than one program or regional office, the SROs of all impacted offices share responsibility. While the SROs are accountable for resource management in their respective headquarters offices or regions, the CFO has overall responsibility for these resources. Specifically, SROs:

1. **Advise** the CFO on resource management issues, including acquisition, financial assistance, budget, financial management and management integrity. Extramural resources within this scope include contracts, simplified acquisitions, grants, loans, and cooperative and interagency agreements.

2. **Oversee, assess and advocate** accountable fiscal resource management.

3. **Ensure** compliance with fiscal resource management laws and regulations while furthering program mission.

4. **Ensure** that appropriate and effective systems, procedures, management controls, communication and outreach are in place for accountable fiscal resource management.

5. **Ensure** that appropriate and effective planning, assessment, monitoring and controls are in place for accountable fiscal resource management.

6. **Ensure** that assistance and acquisition mechanisms are used for work appropriate to their purposes.
7. **Review and approve** the following extramural management actions and funding requests:

    a. Requests for contract advisory and assistance services.

    b. Procurement requests not including requests for incremental funding over $1 million.

    c. Agreements for federal financial assistance when total project costs are expected to be at least $5 million for continuing program grants or over $1 million for project grants.

8. **Ensure,** by working through established organizational structure, that program or regional resource managers, such as CORs, project officers, work assignment managers, delivery order project officers, grants management officers, FCOs and financial management officers and their supervisors:

   a. Work within their workload limitations.

   b. Complete all appropriate program- or office-specific training and possess adequate experience.

   c. Have appropriate resource management responsibilities in their position descriptions and performance standards.

9. **Manage and certify** completion of the annual review of unliquidated obligations for current and prior year travel and simplified acquisitions.

10. **Develop and approve** an annual financial plan that outlines the estimated expenditures for the fiscal year, reconcile that plan quarterly with actual expenses, and update estimated expenditures for subsequent quarters.

B. AAs, National Program Managers (NPMs), and Responsible Planning and Implementation Offices (RPIOs)

The Administrator and the 12 AAs at EPA headquarters are referred to as NPMs. They control resources. These 13 NPMs, who are normally political officials, formulate budgets for the EPA's national programs and offices, including the regional program components. NPM responsibilities include planning, formulating and justifying budgets for national EPA programs; making adjustments to national program budgets, such as headquarters/regional splits as needed; and preparing program operating guidance. For example, the AA for the Office of Water has national budget responsibilities for the entire EPA Water Program.

The RPIOs are the 23 EPA senior managers responsible for planning and implementing operating plans, using and accounting for resources, and reviewing programs. These 23 individuals include the Administrator, the 12 headquarters AAs (including the Inspector General), and the 10 RAs. Each RPIO has program operations to administer and a budget to execute.

RPIOs are accountable for the proper utilization of funds. For example, the RPIOs (along with their allowance holders [AHs] and CFOs) bear primary responsibility for ensuring that funds are being used properly for their appropriated purposes. The RPIOs are accountable for knowing what is permissible in the authorizing statutes for their programs. Additionally, the RPIOs play an active role during the process of budget formulation, the Office of Management and Budget (OMB) submission, the Congressional Justification, and all subsequent stages of the legislative history behind the appropriations act. They receive copies of the House, Senate, and Conference Committee Appropriation Reports and must stay informed of what is in the Public Law for their programs. The Office of General Counsel is available to provide them with legal advice. The actions taken by the RPIOs in executing their portion of the budget are subject to audit and review by the Office of Inspector General, the U.S. Government Accountability Office, Congressional Committees, and agency management.

C. RAs

Each RA is both an RPIO and an AH. The RAs administer and execute budgets for all programs in the states and territories that fall within their region. They are not NPMs since they hold regional — not national — responsibilities. The RAs do, however, coordinate on budget formulation and execution with NPMs and present regional budget planning concerns through the Lead Region process.

Lead Regions are designated for each major program (e.g., Water, Air) and they are responsible for representing the designated program with the appropriate NPM in developing priorities, budgets, and work-year estimates for the regional program components. Lead Regions are rotated every two years and are responsible for identifying and synthesizing the issues of all 10 regions into a "regional view" that can be effectively factored into agency decision-making. NPMs must solicit and use this information to help inform major decisions. A list of Lead Regional Coordinators can be found at http://www.epa.gov/regional/leadregionprocess.htm.

As RPIOs, RAs are responsible for overseeing the execution of their allowances and for the review of budget reprogrammings before they are sent to the Office of Budget. In carrying out their responsibilities, RAs typically depend heavily upon their ARA and a person in the ARA's office who serves essentially as a Budget Officer. In many regions, this person is the regional comptroller.

D. SBOs

At headquarters, SBOs greatly assist the NPMs and SROs in carrying out the responsibilities listed previously. SBOs also serve as the primary liaison between the Office of Budget and AHs. SBOs:

1. **Manage** budget formulation on behalf of their NPM.
2. **Coordinate** budget execution activities for their RPIO and (if needed) the NPM's programs in the regional offices.
3. **Review, approve, process or forward** budget reprogrammings and coordinate these activities with the Office of Budget.
4. **Review** each AH Operating Plan and spending utilization to ensure that fund controls and program goals are being met.
5. **Manage** the review of headquarters' yearly unliquidated obligations to determine their validity and viability, as required by the CFO.
6. **Coordinate** the formulation and execution with the programs' regional components.

E. Regional Comptrollers

A regional comptroller serves as the regional manager on all matters related to budget and finance responsibilities and functions. This position serves as the primary point of contact on regional budget and financial matters for the Office of the Chief Financial Officer's (OCFO's) offices and the NPMs. This position is also similar to the SBO and works with SBOs at the regional level to address national environmental program issues.

The regional comptroller:

1. **Coordinates** budget formulation and execution processes and decisions on resources (dollars and full-time equivalents [FTEs]) at the regional level.

2. **Manages** the execution of the budget at the regional level following agency fund control policies, guidelines and procedures.

3. **Oversees** utilization of regional resources and prepares reprogramming requests as necessary.

4. **Ensures** resources are utilized according to government-wide and agency budget and financial policies and procedures.

5. **Accounts** for and reports on resource utilization according to agency and governmentwide financial accounting standards and policies.

6. **Manages** regional data systems to account for resources and coordinates with centralized financial servicing offices on payments of payroll, contracts, financial assistance agreements and other activities. Works with headquarters' Office of Financial Management on Compass financial policy and accounting issues.

7. **Maintains** close working relationship with regional grants management offices to facilitate proper and timely award of agency grants.

8. **Manages** the review of unliquidated obligations with all regional offices to facilitate timely expenditures of regional resources.

9. **Serves** as the regional point of contact for budget and financial investigation audits.

F. Regional Budget Officers (RBOs) The RBO serves as the region's point of contact on all matters dealing with budget formulation, operating plan development and budget execution. RBOs must communicate with headquarters' NPMs and the Office of Budget on all budget matters, especially with regard to furnishing information and advice on regional programs and objectives.

During budget formulation, the RBO oversees all aspects of the region's budget by appropriation, program results code and budget object class for the inclusion in the agency's OMB budget submission. This includes:

1. **Developing** regional resource requirements for budget out-years.

2. **Reviewing** budget requests submitted by regional managers and negotiating budget changes with program managers and headquarters' budget officials by explaining and advocating regional position on budgetary issues.

3. **Leading** regional managers in developing, justifying and recommending budget allocations.

4. **Evaluating** variances and trends within various appropriations to ensure consistency among programs and recommending corrective actions where discrepancies arise.

5. **Establishing and implementing** an annual process by which dollars and FTE workyears are allocated within the region so that programs can effectively carry out their requirements.

6. **Working** closely with Lead Region coordinators.

During budget execution, the RBO serves as the primary fund control custodian. The RBO ensures that all regional FCOs are familiar with the agency's budget structure, are trained and have a general knowledge of appropriations law. The RBO:

1. **Oversees** the preparation of sub-allowances for regional responsibility centers in accordance with approved regional budget requests.

2. **Analyzes and makes** recommendations on the best means of maximizing resource allocation for payroll, travel, expenses, contracts and grants.

3. **Monitors** funds to ensure that program funds are being used for intended purposes at the AH, program results code, and appropriation level and that they are within AH ceilings and floors.

4. **Conducts** quarterly budget reviews with Division Directors to ensure compliance with approved operating plans.

5. **Recommends and initiates** reprogramming of funds and FTE work years to ensure program objectives are met and to accommodate unplanned requirements.
6. **Reviews and approves** AH reprogrammings.

7. **Ensures** implementation of budget tracking codes for special budgets (e.g., required RPIO/activity codes) and the monitoring of spending to comply with headquarters' guidance.

8. **Coordinates** the development of regional IT budget projections for out-year budgets and the implementation of IT coding to track expenditures to this budget.

G. Allowance Holders

Many headquarters and regional program directors and staff directors are AHs. The Office of Budget issues allowances to AHs to support their programs, thereby giving these officials the day-to-day responsibility for controlling the EPA's funds. AHs or their designees are responsible for:

1. **Ensuring** that fund control practices within their organizations do not violate federal laws, directives and agency policies.

2. **Verifying** proper funds certification and funds availability before an obligation is incurred. Funds must be available for purpose, time and amount. The AH must ensure that FCOs are familiar with the organization's budget structure and budget justification and that they have general knowledge of appropriations law.

3. **Adhering** to any established ceilings, floors and other limitations in addition to total AH appropriations levels. These may include travel, administrative and work-year ceilings, personnel compensation and benefits floors, and other program costs.

4. **Maintaining** complete and up-to-date fund control records, including prompt entry of commitments into Compass.

5. **Prompt and consistent monitoring** to ensure that spending transactions are recorded in Compass correctly. AHs also monitor the status of open transactions and verify products and

services received against invoices to ensure that payments are made correctly. If errors are identified, they must be promptly corrected.

6. **Completing** annual reviews of all unliquidated obligations and taking action to cancel any invalid obligations that are found. The review is initiated by the Office of Financial Management and is recommended in the U.S. Government Accountability Office's standards.

AHs may designate one or several FCOs to take the lead in tracking and managing funds. The AH must formally designate FCOs and alternates in writing and submit this list to the Office of Budget annually. Any change in FCO designations must also be reported to the Office of Budget as soon as possible.

H. FCOs

EPA organizations designate and train officials to assure sound financial management. FCOs track, review, report and assure the proper use of funds. FCOs do the following:

1. **Prepare** budget execution reports and track funds balances.

2. **Certify availability of funds** and maintain records of funds documents.

3. **Make sure** to *not* exceed ceilings.

4. **Commit funds in Compass** and reconcile records when needed.

5. **Anticipate reprogrammings** and work to process reprogrammings when needed.

6. **Manage purchase requests**, purchase card transactions, working capital fund service agreements, and travel-related documents, such as travel authorizations and vouchers.

AHs must use *FCO Designation Forms* to specify the responsibility centers that an FCO has authority over. There are two main reasons for this. First, the designation form serves as the EPA's official record for granting FCO authority and responsibilities and prompts the agency to clearly describe each FCO's areas of responsibility. Second, if an FCO was asked to perform functions outside their area of familiarity, the FCO might not be able to fulfill those functions because they might not be sufficiently familiar with the status of funds for that responsibility center. Local managers must clearly outline the areas of responsibility for each FCO and include a provision for ensuring that adequate backup is always available.

FCOs must be formally designated through a letter that is signed by the relevant SBO or regional comptroller and the FCO's supervisor. The letter must be sent to the OCFO's Office of Budget Control Team. FCOs must review the EPA's guidance (including this Manual) on the proper use of funds prior to assuming FCO duties. The FCO application process is available at FCO Guide and Reference Resources (see http://intranet.epa.gov/fmdvally/perform/fco_guide.htm). Note: Managers will also find this information extremely useful.

I. Originators

The originator of a spending action may be any agency employee having the need to obtain goods or services. Examples include branch secretaries ordering supplies or branch staff entering into program contracts for which they will be the work assignment manager. In some cases, originators are required to attach a written justification to spend funds for a specific activity or to use a specific appropriation, object class or program results code.

Originators have varying degrees of knowledge regarding fund control and budgeting/accounting policies and procedures. Some originators have branch budgets and know the proper accounting entries and how to enter accounting data. In other cases, originators may need to depend upon their FCOs to enter all financial accounting data.

J. Approving Officials

Each spending document must be signed by an approving official, the document initiator and the FCO. Generally, the approving official is a Division Director and/or an AH. Unlike the FCO, whose signature indicates technical correctness, the approving official's signature indicates that management has decided to commit resources. Depending upon management's preferences and the established procedures in a particular office, the spending document may be routed to the FCO either before or after the approving official. In some offices, the FCO may see the document twice: once to review it for accuracy and/or funds availability prior to the approving official's signature, and again afterwards to actually assign the document control number and enter the commitment into Compass. The dollar value of the document may also impact which level of approving official signature is required. For instance, a Division Director (at the responsibility center level) may have authority to sign for amounts up to a certain threshold, but the Office Director's approval (the AH) is needed for greater amounts. It is the FCO's responsibility to know the organization's internal policies and procedures governing such levels of authority and approvals. The FCO must also ensure that the proper signatures are obtained.

K. Obligating Officials

The authority to enter into an obligation is limited to certain designated individuals known as "obligating officials." It is illegal for any non-designated individual to obligate the government to pay for delivered goods or services. Most of the EPA's obligating officials are located in specific offices within the Office of Administration and Resources Management (OARM), including:

1. **Office of Acquisition Management (OMS)** – OMS's contracting officers (COs) serve as obligating officials for contracts and simplified acquisitions.

2. **Office of Grants and Debarment (OGD)** — Grants and IA officers serve as obligating officials for grants, cooperative agreements and interagency agreements.

3. **Office of Human Resources Management** – Training authorization

Additionally, there are situations where designated local officials have delegated authority to incur obligations (obligating official function). These include employees like Division Directors who approve travel and are the approving officials for purchase card ordering officers.

There is a distinct difference between certifying the availability of funds (an FCO function) and incurring legal obligations. After entering a commitment into Compass or one of the agency's feeder systems, the funding transaction will either be forwarded directly to an obligating official, or the program office's COR or a Grants/interagency agreement project officer who coordinates with the appropriate obligating official for receiving the transaction.

By signing off on financial transactions, obligating officials legally obligate the government to incur costs and pay for goods and services. An obligation legally binds the government to pay a supplier for delivery of goods or services or to provide funds under an assistance agreement. This signature is what constitutes the legal obligation of funds − posting the transaction into the agency's financial system is not the actual legal obligation of funds.

Obligating officials have the following responsibilities:

1. **Return documents** to the AH if they discover funding errors (such as expired funds) that should not be obligated as submitted.

2. **Immediately forward** an accurate and complete obligating document to the appropriate financial center to record the obligation in Compass.

3. **Communicate** with either the FCO, COR or Grant/interagency agreement project officer regarding insufficient funding, contract modifications or contract overruns and alert them when a commitment needs to be increased so that the funding transaction can be awarded and obligated.

4. **Take action to address** financial transactions processed through the EPA Acquisition System (EAS) if the amount awarded and obligated is less than the original commitment by 1) informing the FCO immediately and 2) closing out the commitment by:

    a. Clicking on the "Final" button in EAS so that any excess committed funds from the initial commitment can automatically be de-committed in Compass, and returned back to the program office's budget, or

    b. Processing an amendment that de-commits the excess funds back to the program office's budget.

L. Finance Center Directors

Each Finance Center Director manages a servicing finance office and is responsible for all standard accounting functions. These functions primarily include the posting of obligations into Compass, managing accounts receivable and accounts payable, reporting, and helping program offices reconcile accounting data problems and discrepancies. The agency has three finance centers. They are located in Research Triangle Park, North Carolina; Las Vegas, Nevada; and Cincinnati, Ohio. The three finance centers have nationwide responsibilities for managing the agency's financial management transactions. They provide the following services:

- The Research Triangle Park finance center handles contracts and simplified acquisition.
- The Las Vegas finance center handles grants and assistance agreements.
- The Cincinnati finance center handles interagency agreements, travel and purchase card functions.

In carrying out accounts payable responsibilities for simplified acquisition, the finance center at Research Triangle Park receives invoices from suppliers for payment. Before the finance center may pay the supplier, it must have an obligating document and a receiving report (sent by the originating office) to verify that the work was completed or the goods were received satisfactorily. Unpaid obligations are not removed from Compass at the end of the fiscal year. Rather, they remain in the system until paid or until the AH or obligating official notifies the finance center that no further payments will be made against the obligation.

M. EPA Acquisitions (Contracts) Management

The OMS provides functional direction and control of all processes and operations governing the EPA's acquisition programs. A contract is a legally enforceable agreement between two or more competent parties, is mutually binding, and obligates one party to furnish something of value and the other party to provide consideration. The OMS's website (see http://OMSintra.epa.gov/) provides more information about acquisition data, roles and responsibilities, regulations and policy, training, performance measurement and the EAS. For example, the website provides details about:

1. **The Federal Acquisition Regulation (FAR).** The FAR governs the process by which federal agencies acquire goods and services. http://www.acquisition.gov/FAR/

2. **COs** serve as the government's contracting agents for acquiring goods and services. COs are authorized to execute, administer, modify or terminate a contract. COs may bind the government only to the extent of the authority delegated to them in writing.

   In contracts with the private sector:

   - The government is one party,
   - The CO is the government's agent, and
   - The contractor is the other party.

   COs are responsible for ensuring that:

   - The government obtains value from contracts.
   - All requirements of law and regulation are met prior to executing an action.
   - Sufficient funds are available for obligation.
   - Contractors receive impartial, fair and equitable treatment.
   - Both parties comply with the terms of the contract.
   - The interests of the United States are safeguarded.
   - Independence is maintained. COs often request advice from specialists in audit, law, engineering and other fields. However, the CO is solely responsible for determining the appropriate contract type, the final pricing of a contract, and other decisions related to a contract. The recommendations and counsel of contributing subject matter experts are advisory.

   COs receive advice and assistance from the following officials:

   a. CORs are generally representatives of program/staff offices that originate the requirements for goods or services. CORs are designated by COs to perform contract administration activities regarding technical issues. They are delegated limited authority for such responsibilities as monitoring contractor progress and alerting COs to problems, recommending contract changes, and inspecting and accepting deliverables.

FAR 1.6 has short descriptions of the roles and responsibilities of the CO and COR: http://www.acquisition.gov/FAR/current/html/Subpart%201_6.html

FAR 2.1 has brief definitions of CO and COR: http://www.acquisition.gov/FAR/current/html/Subpart%202_1.html

b. Contract specialists may serve as COs or support them. Contract specialists are trained in acquisition and in related business skills such as market research, source selection, cost and price analysis, negotiation and contract administration.

c. Program managers are tasked with planning and controlling assigned programs/projects to achieve mandated goals. They identify the deliverables required for their missions and perform functions related to acquiring those deliverables such as:

  i. Identifying and defining requirements for goods or services.
  ii. Preparing acquisition plans, purchase requests and performance work statements.
  iii. Recommending evaluation criteria and evaluating proposals from offerors (private sector firms competing for the award).
  iv. Overseeing technical progress.
  v. Inspecting and accepting contract deliverables.

d. Attorneys review proposed solicitations, awards and other acquisitions and contract- related documents for legal sufficiency; represent the agency in protests and disputes; and interpret acquisition law.

e. Competition Advocates are responsible for identifying and removing barriers to competition. They review documents (e.g., draft acquisition plans, performance work statements, justifications) for other than full and open competition and protests.

f. Office of Small Business Programs, formerly known as the Office of Small and Disadvantaged Business Utilization, ensures that applicable agency personnel thoroughly consider opportunities to set aside awards to small, small disadvantaged, HUB-Zone, service disabled veteran owned, and women-owned businesses. The office also provides assistance and counseling to business firms.

g. Auditors and Accountants do the following:

  i. Audit cost and pricing data provided by offerors and recommend positions on proposed cost elements. ii. Investigate the financial responsibility of offerors. iii. Audit contractor invoices.
  iv. Review contractor accounting and cost estimating systems.

N. Grants Management: Roles and Responsibilities of EPA Officials OARM's OGD manages and directs the EPA's grants, cooperative agreements and interagency agreement processes, polices and operations. High-quality grants management requires an active partnership between program offices and grants management offices. This partnership should focus on presenting a consistent position to EPA management and to applicants or recipients and encourage an appropriate balance between administrative requirements and attaining program goals.

The EPA needs clear delineation and adequate separation of roles and responsibilities for grants management to have legally compliant, effective and efficient use of EPA grant funds. Thus, a grants management officer's responsibilities are separate from programmatic and technical responsibilities in grant programs and awards. This allows appropriate management and internal controls and accommodates differences in expertise and primary focus. The roles are complementary − not adversarial or hierarchical.

Regional and headquarters grant management or program offices have some discretion to allocate roles in grant management as needed, but must maintain adequate separation of responsibilities and accountability, and ensure all tasks are performed. If an office believes that responsibilities are not, or will not be, completed by the designated grants management officers or grant project officers, the relevant office must inform the Director of the National Policy, Training and Compliance Division (NPTCD) in OGD in writing. NPTCD may issue a written concurrence.

The major roles are as follows:

1. **Grants specialists** serve as the EPA's day-to-day grants management administrative points of contact. Grant specialists provide administrative guidance and direction. This includes reviewing applications for administrative considerations, reviewing the application budget, preparing the grant award and amendments for award official signature, monitoring grants for compliance with administrative requirements, and closing out awards.

2. **Grants management officers** have delegated authority to take certain actions on behalf of the EPA. Grants management officers are senior EPA representatives who oversee the grant specialists within a grants management office.

3. **Project officers** are appointed by the recommending or approval official to handle the programmatic or technical aspects of one or more grants as specified in EPA Orders and other policies. Project officers are the programmatic counterpart of grant specialists. The EPA project officer must be certified to manage grants.

At the EPA, the OARM-OGD serves as the NPM for grants, cooperative agreements and assistance agreements (including interagency agreements and fellowships). Each EPA region has a grants management office and OARM-OGD has two located in Washington, D.C. Visit the Grants Management Web page for further information: http://intranet.epa.gov/ogd/.

O. Interagency Agreements: Roles and Responsibilities

At the EPA, OARM-OGD manages interagency agreements as well as Grants and Cooperative Agreements. EPA managers should be aware that many other agencies handle interagency agreement management within their contracts group. At the EPA, however, interagency agreements are managed by the Interagency Agreement Shared Service Center (IASSC). The center has two locations: one in Washington D.C., and the other in Seattle, Washington. Each location is managed by a grants management officer. Both locations are responsible for the business management aspects associated with the review, negotiation and award of interagency agreements. In the regions, the grants management officer is subordinate to the ARA. In headquarters, the GMO is located in OARM-OGD.

Interagency Agreement Specialist (IAS): Within the IASSC, the IAS is responsible for the administrative and business management of interagency agreements and maintains the EPA's official interagency agreement file.

The project officer is the EPA employee that provides the technical supervision and programmatic management of the activities carried out under the assigned interagency agreement. The EPA's project officer must be certified to manage interagency agreements.

For more information on the IASSC and interagency agreements, visit http://intranet.epa.gov/ogd/IASSC/main/iassc_home.htm.

P. Accounts Payable Certifying Officers and Disbursing Officers

Accounts payable certifying officers should not be confused with agency FCOs. In many federal agencies, different government officials make "certifications" of one type or another on documents, but this does not make them "certifying officers" for purposes of accountability and financial liability.

The accountability of public funds rests primarily with the certifying officer, who is usually located in an agency's accounting department (the EPA's finance centers). The certifying officer is responsible for the financial accountability and disbursement of public funds, and certifies contractor payment requests in Compass after the COR has asserted the acceptance of goods and services.

The obligations are recorded directly into Compass from EAS for simplified acquisitions in general. For contract obligations, the document is forwarded to the finance center at the agency's Research Triangle Park to obligate via the Contract Payment System into Compass. The certifying officer must have assurance that the obligation process has internal controls and thus the obligation is valid. Certifying officers review the invoices and certify the disbursements in Compass. Despite receiving a COR/PO/WAM/DOPO/TOPO's approval for paying an invoice, certifying officers are still the ones that are ultimately held accountable. As required by 31 U.S.C. 3528, a certifying officer will be held accountable for:

- The existence and correctness of the computations and facts stated in a voucher and its supporting records.
- The legality of a proposed payment with the appropriation or fund involved.
- The rejection of vouchers that are inadequately documented.
- The correctness of computations on the voucher.

31 U.S.C. 3528 also provides that certifying officers will be accountable for the amount of any "illegal, improper, or incorrect" payment resulting from his or her false or misleading certification. This includes any payments prohibited by law or payments that do not represent a legal obligation under the appropriation or fund involved.

The Office of Legal Counsel (OLC), U.S. Department of Justice (DOJ), opined that 31 U.S.C. 3528(b) (which purports to authorize the Comptroller General to relieve certifying officers from liability) and 31 U.S.C. 3529 (which purports to authorize the Comptroller General to issue advance opinions on the legality of payments) are not consistent with the U.S. Constitution's separation of legislative and executive powers (memorandum for Janis A. Sposato, General Counsel, Justice Management Division, from John O. McGinnis, Deputy Assistant Attorney General, Office of Legal Counsel, August 5, 1991 [McGinnis memo]). Only DOJ has prosecutorial authority to initiate a court proceeding to hold a certifying officer liable for an illegal or improper payment. OLC has stated that DOJ will "not bring suit against [a certifying] official to recover a payment if that official has obtained from his or her component general counsel . . .an

opinion advising him or her that the payment could legally be made" (McGinnis memo at p. 7.), Under EPA Order 2515.1 ("Policy and Procedures for Relieving Certifying and Disbursing Officers from Liability," March 17,
2000), certifying officers have the right to obtain an advance opinion from the EPA Office of General Counsel regarding the lawfulness of any payment to be certified. The Office of General Counsel also has authority under the Order to relieve certifying officers from liability.

OLC is responsible for providing legal advice to the President and the heads of executive departments and agencies. Its decisions are binding on executive agencies unless a court rules otherwise.

A disbursing officer is an employee of a federal agency designated to disburse public funds. Like most federal agencies, the EPA does not have any disbursing officers located within the agency. Most federal disbursing officers are located in the Department of Treasury. A disbursing official shall disburse money only as provided by a voucher certified by the head of the agency or by an authorized certifying official.

Q. OCFO

The OCFO, under the supervision of the CFO, is responsible for developing, managing and supporting a goals-based management and accountability system for the agency that involves strategic planning and accountability for environmental, fiscal and managerial results. A current organizational chart of OCFO can be found on the agency's Intranet at: http://intranet.epa.gov/ocfo/about/org.htm.

Under the CFO Act of 1990, the OCFO is responsible for bringing more effective general and financial management practices to the federal government; improving systems of accounting, financial management, and internal controls; and providing for the production of complete, reliable, timely, and consistent financial information. The Act also requires a presidentially appointed, Senate-confirmed CFO and the appointment of a career SES Deputy CFO in each major executive department and agency.

The CFO is responsible for the following seven primary implementation areas:

- Annual audited financial statements
- Annual reports
- An agency five-year financial management plan
- Financial management personnel
- Financial management systems
- Performance measures
- Agency user fees

To complete its mission, the OCFO is organized into five offices:

- Office of Planning, Analysis and Accountability
- Office of Budget
- Office of Financial Management

- Office of Financial Services
- Office of Technology Solutions
- Office of Resource and Information Management

To view the complete list of the CFO's areas of responsibility, visit the agency's intranet at: http://intranet.epa.gov/ocfo/about/functions.htm.

1. Office of Planning, Analysis and Accountability

a. **Develops, manages, and supports** a performance management system for the agency that involves strategic and annual planning; performance measurement improvement and analysis; and accountability for environmental, fiscal, and managerial results.

b. **Works** with agency program and regional offices, state and tribal partners, and external stakeholders to solicit advice on agency planning, priority setting, accountability, and other performance measurement and management issues.

c. **Manages and implements** agencywide performance measurement improvement efforts to strengthen data quality and analysis and promote increased reliance on results to inform agency decision-making.

d. **Works with the Office of Budget** to integrate performance measurement information and consideration of program performance results with agency decision-making for the allocation of resources in annual planning and budgeting.

e. **Manages and coordinates** agency compliance with the GPRA (Government Performance and Results Act) Modernization Act; the Federal Managers' Financial Integrity Act; the Inspector General Act Amendments of 1988; and related Congressional, Administration, or agency requirements or initiatives.

2. Office of Budget

a. **Serves** as the agency's central budget office.

b. **Assumes responsibility** for developing and defending the EPA's annual plan and budget request.

c. **Manages** the operating plan development and apportionment process.

d. **Serves** a fiduciary role by monitoring and analyzing the agency's resource utilization.

e. **Works** with the Office of Financial Management to report Anti-deficiency Act violations.

f. **Provides** guidance to the agency to ensure proper use of resources.

g. **Works** with the other OCFO offices, the NPMs and Regions, to integrate goals-based decision-making into the allocation of agency resources through multi-year and annual planning and the annual budget and accounting processes.

3. Office of Financial Management

a. **Develops, manages and supports** the agency's federal financial management program by interpreting fiscal legislation, maintaining fiscal operations and implementing government-wide external reporting reforms.

b. **Establishes** the priorities, policy, guidance and strategy for the agency's financial management community.

c. **Leads and manages** the agency's A-123, "Internal Control Systems," process.

d. **Oversees** OCFO's management integrity process (includes Management Assurance Letter and semi-annual update).

e. **Provides financial information** to agency program managers in support of day-today decisions and environmental results.

f. **Implements** cost accounting requirements and monitors financial management performance.
g. **Reports** quarterly on agency financial activities and issues annual financial statements.

h. **Works** with the Office of Budget to report Anti-Deficiency Act violations.

i. **Manages** the agency's working capital fund.

j. **Assists** in coordinating financial management program-related corrective actions which can directly and indirectly impact regions and program offices.

Office of Financial Services

a. **Tracks and coordinates** OCFO responses to the Inspector General audits and reports which includes coordination with other program offices as well as internal to OCFO.

b. **Coordinates** with the ARAs, regional comptrollers, and headquarters' SBOs on resolving a variety of issues.

c. **Provides** a full range of national, local and specialized accounting, financial and customer services through the agency's four finance centers located in Cincinnati, Las Vegas, Research Triangle Park and Washington, D.C.

d. **Promotes** the Office's services to other federal agencies.

e. **Manages** the agency's payroll provider, including the reporting of the agency's time and attendance functions, and provides customer service and support to the agency's employees on time reporting and payroll issues.

4. Office of Technology Solutions

a. **Holds primary responsibility** for information technology planning, standard setting, and development and deployment of agency and OCFO financial and resources management systems. This includes all aspects of program analysis and formulating and overseeing implementation of a strategic approach to agency-level technology investment planning, budgeting, and resource allocation for financial systems, and development and implementation of agencywide and OCFO financial systems and policies that effectively and efficiently support achievement of the EPA's environmental mission.

b. **Supports** the CFO and the Chief Information Officer as liaison to OMB and other federal agencies and external entities on matters related to the EPA's financial and resources management systems.

c. **Identifies and provides** innovative strategies and approaches in outreach to internal and external sources through a variety of reporting and business intelligence tools to assist program planning and performance management.

d. **Leads** the strategic planning, development, integration and implementation of new financial systems for OCFO.

e. **Provides operational support and maintenance** for OCFO application, warehousing and reporting IT assets. This includes managing assets hosted both internally and externally and implementing processes to ensure compliance with OCFO, agency and federal information security requirements.

5. Office of Resource and Information Management

a. **Provides support** to the CFO and DCFO on matters relating to resource and program management, human resources, budget operations, emergency preparedness, administrative operations and information management.

b. **Coordinates** planning and implementation for information security for all financial systems, impacting the regions and programs. Works with the regions and program offices on finding ways to safeguard personally identifiable information as well as efficiencies that conserve agency resources. Works directly with the Office of Environmental Information on information technology policies and procedures which impact financial systems and the agency's financial management work.

c. **Prepares** the OCFO's Fair Act Inventory.

d. **Coordinates** OCFO's competitive sourcing data.

R. Office of General Counsel

Based on the traditional attorney/client function, the Office of General Counsel staff is frequently involved in providing advice and counsel in all areas of agency activity pertaining to appropriations law, fund control and financial management. Staff members opine both formally and informally on the EPA's behalf in the interpretation of the EPA's authorizing and appropriations language, legislative history and government-wide statutes. The agency's employees may rely on Comptroller General opinions as useful sources of appropriations law in conducting their day-to-day activities. However, if a certifying officer or disbursing officer is facing the possibility of personal liability, an Office of General Counsel opinion can be relied on by such officials. (EPA Order 2515.1, Paragraph 4.a., Policy.)

Chapter 9: Analysis and Controls

Summary

EPA organizations must maintain critical management and financial controls and continually review and evaluate their operations to deliver the EPA's mission effectively and efficiently. Below are descriptions and links to the federal government's major requirements for management and financial controls, as well as descriptions of some major work analysis tools available to agency programs.

A. Internal and Management Controls/A-123 Reviews

1. Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The FMFIA requires agencies to establish management controls and financial systems that provide reasonable assurance that the integrity of agency programs and resources is protected from fraud, waste, abuse and misappropriation. The FMFIA requires the Administrator to submit an annual assurance statement on whether the EPA has met this requirement.

More information on the EPA's Management Integrity Program can be found at http://intranet.epa.gov/ocfo/management_integrity/index.htm.

2. OMB Circular A-123, Revised, Management's Responsibility for Risk Management and Internal Controls

Circular A-123 provides guidance on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting and reporting on internal controls over financial reporting.

In an effort to maintain the integrity of EPA resources, the Office of the Chief Financial Officer (OCFO) has established a system of internal controls to help identify and resolve potential management vulnerabilities.

OCFO issues annual guidance for all agency offices and conducts onsite management accountability reviews in several regional and headquarters offices, which focus on compliance and best practices in carrying out the agency's management integrity and audit management responsibilities. These reviews focus in particular on assessing the adequacy and effectiveness of internal controls for managing EPA funds, real property, equipment and software. In addition, the reviews ensure effective audit follow-up, including timely completion of corrective actions and accurate tracking and reporting.

The OCFO is developing a compliance matrix which will tie all the controls together showcasing how the internal controls prevent or reduce risks of Anti-Deficiency Act violations. All stakeholders will sign off on the matrix as part of the A-123 process, ensuring that everyone knows what they are responsible for.

B. Workload Analysis

Agency programs should use workload analyses to gain additional insight for financial, performance and process planning. The EPA has developed several workload analysis tools to help programs to examine and understand connections between hours of work (or full-time equivalents) and specific tasks, products, results or outcomes. The tools are designed to complement existing financial, budget and program information that organizations already track and use. The primary goal of these workload analysis tools is not to allocate resources, nor to come up with a hypothetical total workforce "need," but to better understand work and processes and estimate the critical tasks that take up the most time.

Note — The EPA has two major efforts that are separate but related:

- Workload — How many people are needed to complete particular tasks (OCFO lead).
- Workforce — What skills people need to complete particular tasks (Office of Administration and Resources Management lead).

1. Types of Workload Analysis Tools

The EPA has used four major types of workload analysis:

a. Surveys — Agency organizations have used employee, stakeholder and organizational surveys to understand policy and program challenges. This experience has built a working knowledge on how to manage survey methods, function and task definitions, implementation processes, use of and comparability of results, etc.

b. Benchmarking — The EPA and component offices have benchmarked programs and processes against other comparable organizations. These efforts have helped managers understand challenges and possibilities and find other methods already developed by similar organizations. Managers have experience with scoping and organization tools, implementation processes to focus efforts to compare the EPA's functions, methods and organizational structures with those of comparable organizations.

c. Existing Data — Agency offices regularly collect a wide variety of performance, outcome, financial and other data to help manage their work. Workload analysis can be used solely to structure the analysis of existing, already available data to estimate/understand links between work and major tasks. In addition, almost all workload analyses efforts, including surveys, benchmarking, or analytic estimator tools, should begin with gathering and understanding existing data.

d. Analytic Tools — The EPA analyzed several functional areas to better understand the link between major tasks and end products. Using the Coast Guard's "Table Top" analytical framework, the EPA analyzed permitting and grants processes and developed several templates that can be adopted by other programs. The Table Top approach is not designed to create an exact measurement of hours worked, but rather a strategy to organize managers' educated estimates of work needed for the major tasks in a particular program. It is important to emphasize that, although the approach uses a spreadsheet to organize managers' estimates and the spreadsheet automatically calculates exactly, the method explicitly recognizes that these analyses provide approximations only, not exact forecasts.

2. Practical Notes

a. Methods Scale-able — All of the processes and tools above are designed to be flexible, scale-able and results oriented. The analyses can be quick and high-level or incredibly detailed to help specific managers tackle specific issues.

b. Methods Can Be Integrated or Used in Combination — The four major types of tools the EPA has can also be used in parallel if managers wish to examine crucial challenges from several points of view.

3. Uses

Agency organizations have used workload analysis tools to understand, analyze and explain a wide range of challenges. Examples:

a. Find and Understand Drivers of Regional, Functional and Other Variations in Workload — Also shows where expertise or supplemental effort is needed.

b. Manage Increases/Decreases – Quantify impacts of reduced funding or staffing.

c. Workload Planning — Managers use to prioritize and assign tasks.

d. Identifying and Sharing of Best Practices — Enables regions to compare to and learn from other regions.

e. Understand Fixed vs. Variable — Breakout shows fixed management costs compared to specific task drivers.

f. Explain How the Program Works — Step-by-step analysis helps show major logical steps and tasks needed to fulfill certain functions.

g. Identify Streamlining Targets of Opportunity — Estimating the time needed to complete major tasks can help managers identify areas for LEAN analyses and/or be used to help develop and target the LEAN analyses themselves.

h. Capture and Describe Regional Variation — The EPA's programs frequently work differently in different areas of the country. Different regions prioritize different tasks and functions due to major differences in geography, political structure, nature of industry, agriculture or mining, etc. These differences can create centers of excellence in different regional offices and possible opportunities for regions and headquarters offices to leverage each other's resources.

4. Stakeholder Interest The EPA's major stakeholders (Congressional appropriators, the Office of Management and Budget, the Inspector General, and the Government Accountability Office) have communicated that they would like the EPA to more clearly explain how its work hours tie to specific products, tasks or results produced. In addition to the voluminous submissions that the EPA submits for annual budgets and other processes, these organizations have asked for clearer descriptions linking the EPA's specific work to particular outcomes. It is important to stress that it is extremely difficult to clearly show this tie for many agency activities (such as research or regulatory development) — so workload analyses generally should be targeted at task-driven areas. In these functions, workload analysis can provide a crucial way for the EPA to explain how it works.

The workload analysis tools will not provide answers to completely satisfy all stakeholders. The tools do not, and cannot, offer specific "widget" counts as created by workload models used by some larger agencies. Recognizing that even the EPA's task-driven activities have significant variation, the goal is not to develop specific forecasts, but create a structure to logically and numerically estimate connecting resources to work. Generating some estimated numerical analyses provides a more credible and understandable case about how the EPA is managing its work and how it is working to streamline that work. Clearly describing the limitations of the data is a crucial component both in developing and using these workload analyses.

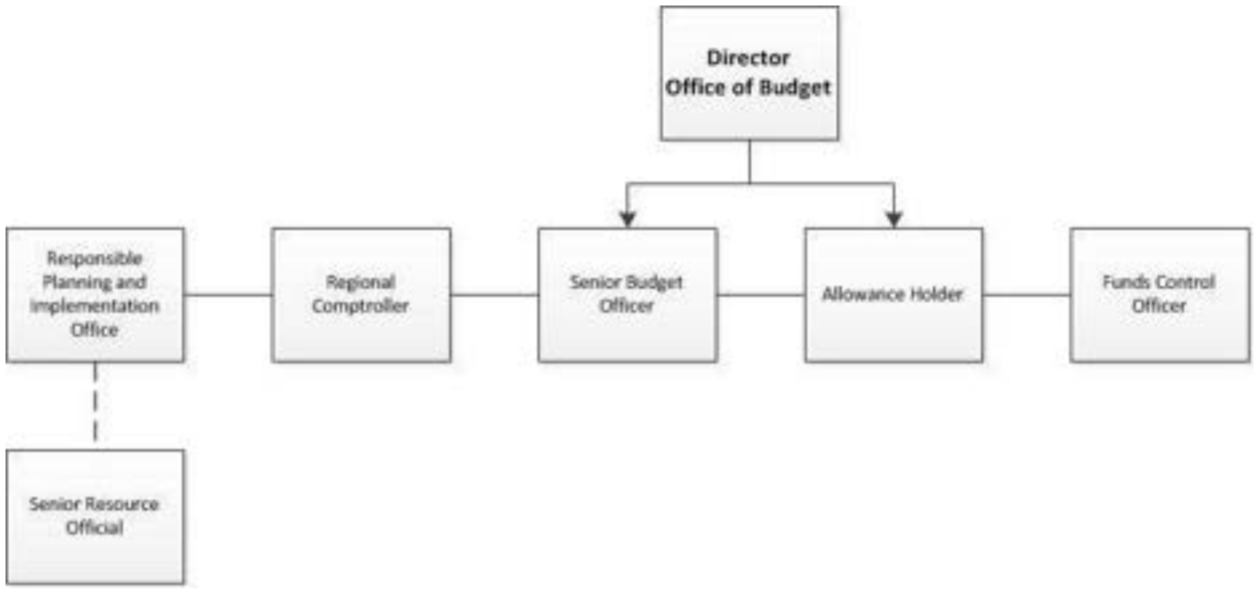
5. Work Needed for Analysis

One of the principal goals of workload analysis is to make efficient use of the work hours available — including the work devoted to the workload analysis itself. All the analytic tools are designed to focus analyses efficiently and can be scaled to meet the time limitations of management. Programs should consult with the OCFO in planning how to best minimize the work needed to produce workload analyses' products.

6. Limitations

Workload analysis holds much greater potential for analyzing process-oriented functions like inspections, permits, grants or contract awards; it is much more challenging on harder-to-count tasks such as research. The EPA’s intent is not to try and use workload analyses for all programs or tasks, but to focus efforts on process-oriented functions for which it holds the most promise. Also, given that workload analyses are based on managers’ estimates, the analyses are not expected to exactly match actual full-time equivalents.

Appendix A: Fund Control Relationships at the EPA



Appendix B: Designation of Funds Control Officer Letter

TEMPLATE

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.
Mail Code 3PM00

MEMORANDUM

SUBJECT: Designation of Funds Control Officer
FROM: Assistant Regional Administrator for Policy and Management, Region III
THROUGH: Susan Janowiak
TO: OCFO/Office of Budget Control Team (2732A)

In accordance with Chapter 2520 of the Resources Management Directives System (RMDS); the EPA Funds Control Manual — Administrative Control of Appropriated and Other Funds, the following individual(s) is/are designated as the Funds Control Officer (FCO) and/or Alternate Funds Control Officer for this office: Sandy Whittaker.

The FCO's financial management authority to commit properly executed funding documents is restricted to resources allocated to the allowance holder(s)/Responsibility Center(s) indicated below. Under no circumstances may the FCO sign commitment documents outside the authority, scope or control of the AH/Responsibility Center(s) listed.

As stated in RMDS 2520, by signing in the funds certification block on funding documents, the FCO acknowledges and accepts the responsibility that his/her signature on a document certifies that the document has passed his/her personal review and that the funds cited are available as to the **appropriate purpose, time and amount.** The FCO is also responsible for notifying obligating officials if committed funds are subsequently decommitted in Compass. The FCO will be responsible for maintaining a document control tracking system that will reconcile funding documents against the EPA financial system (Compass), and will assist the allowance holder in maintaining proper funds control.

For verification, the FCO signatures are provided below:

Signature of new FCO ____________________________________

RPIO abbreviation and code (e.g., OCFO 17): Region III, RPIO 03

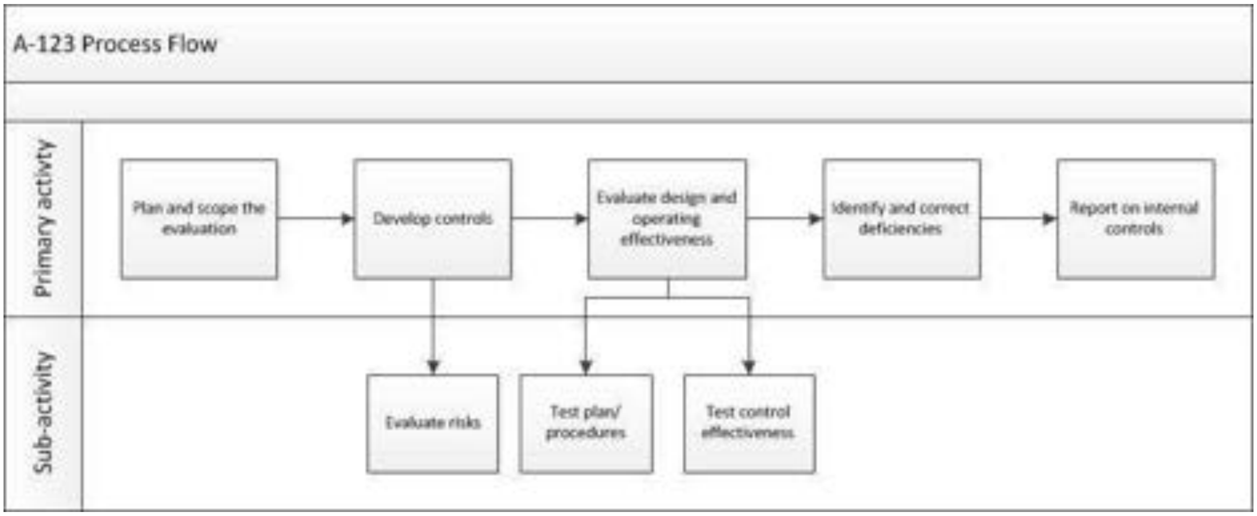
Allowance holder code(s) (e.g., 42): 03 and 3A

Sandy Whittaker

Diana Esher ____________________ ____________

ARA / SENIOR RESOURCE OFFICIAL DATE

Appendix C: A-123 Process Flow



Appendix D: List of Key Internal Controls

1. Apportionment

The Office of Budget (OB) reconciles the apportionment SF-132 from OMB with the agency budgets that are loaded into Compass, which is the agency's financial system, to ensure that there are no discrepancies.

2. Compass Limits EPA's financial system, Compass, prevents funds from being committed or obligated before the enacted budget has been loaded by the OB.

3. Fund Control Officer (FCO) Reviews

FCO signature on a document signifies that the document has been personally reviewed for accuracy; that all accounting data are accurate and complete; that the transaction has been accepted in Compass; and that the funds are available as to purpose, time, and amount. FCOs reviews ensure that:

a. Funds cited are and will be used for the appropriate purpose.

b. The document cites or uses the correct account number.

c. The document cites the correct sub-object class code in terms of properly categorizing the item, coinciding with the appropriation cited and properly identifying the item as being administrative or programmatic in nature. Thus, all funding documents must cite the proper fund control code in order to reach their proper destination and be processed.

d. When more than one quantity of an item is being procured, the total cost of the purchase is correct.

e. The document has all the proper signatures (initiator and/or approving official).

f. The vehicle used is correct — e.g., it is appropriate to use a contract but not a grant or cooperative agreement.

g. The funds are available as to purpose, time, and amount using the Compass Data Warehouse or Status of Funds reports.

h. Only FCOs can both commit and obligate funds; they have dual responsibilities to make financial adjustments.

i. Obligating officials are informed *before* a commitment is cancelled, so that the obligating official can terminate the procurement process and return the original documents to the allowance holder/FCO to be filed or destroyed.

4. Unliquidated Obligations (ULOs)

a. Annual required review of all ULOs that do not show financial activity.

b. Contracting officer's representatives (CORs) and Office of Acquisition Management officials are strongly encouraged not to leave unliquidated obligations on a funding document that have expired for the sake of waiting until a final contract audit is done.

5. Cost Overage Reviews

a. If invoices are in excess of the recorded obligation, the Finance Center will require the contracting officer, in conjunction with the COR, to establish whether the vendor is entitled to payment — whether the EPA has a legal liability for the balance — before the Finance Center will record the overrun and make payment.

6. Ratification — Senior Official Review Requirements

a. For ratification actions exceeding the small purchase limitation, the ratifying official shall submit a memorandum to the Assistant Administrator for Administration and Resources Management through the HCA for transmittal to the Assistant, Associate or Regional Administrator (or equivalent level) of the person responsible for the unauthorized commitment.

7. Recertification Requirements for Grants

All grants (in both the EPA regions and headquarters) containing no-year funds *must* go through a recertification process, whereby the OB will review and reissue the funds to the appropriate program office or Regional Administrator.

8. Headquarters Coordination for Funds Movement

Any request directing resources into a program area other than where the funds were originally obligated will be coordinated with the Headquarters Program Office to ensure no impact to the program.

9. Earlier Deadlines for Committing Expiring Funds

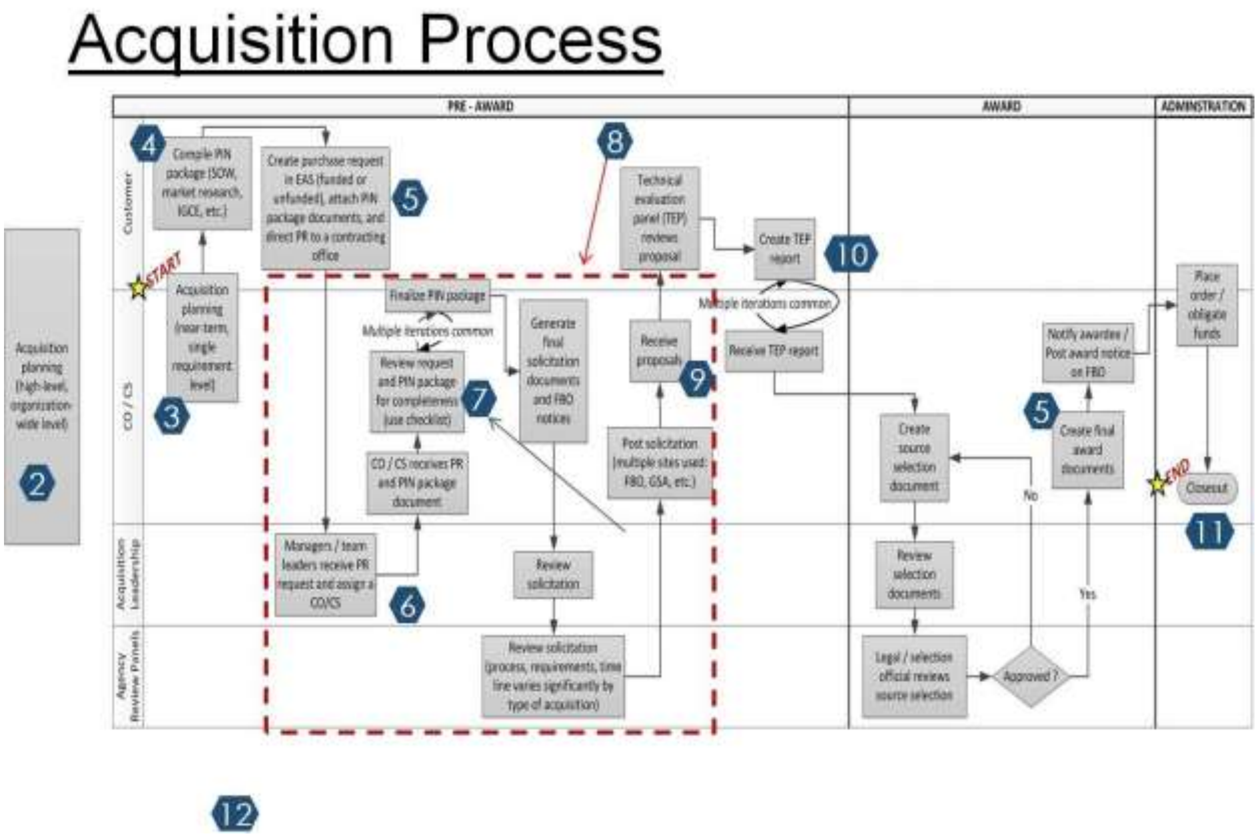
The system locks midway through the last quarter to prevent commitments against expiring funds.

10. Signature Requirements

If there is no signature from an obligating official on the funding document, the obligation *will not* be posted.

Appendix E: Management Integrity Milestones

Appendix F: Acquisitions (Procurement) Process



Appendix G: Finance Center Listing

SFO #	Address	Areas of Responsibility
99	Washington Finance Center Mail code (2734R) 1200 Pennsylvania Avenue, N. W. Washington, DC 20460	Headquarters Training Labor Distribution Time and Labor Administration
22	Research Triangle Park Finance Center U.S EPA, MD-32 T.W. Alexander Drive, Adm. Bldg. Research Triangle Park, NC 27711	All Simplified Acquisitions All Agency Training Payments All Agency Settlement Payments All Contracts All Working Capital Fund Service Agreements

33	Las Vegas Finance Center P.O Box 98515 Las Vegas, NV 89193-8515	Las Vegas Training All Assistance Agreements All State Grants and Cooperative Agreements
27	Cincinnati Finance Center 26 Martin Luther King Drive Cincinnati, OH 45268-7002	All Bankcards All Interagency Agreements Payments to Federal Agencies All Travel Processing Payments and Collection of IPA Assignments Permanent Change of Station for the EPA and Other Federal Agencies *Federal Register* Notices Cincinnati Training

Appendix H: Abbreviations and Terms and Definitions

Abbreviation	**Meaning**
AA	Assistant Administrator
ADA	Anti-Deficiency Act
AH	Allowance Holder
AHRC	Allowance Holder Responsibility Center
AOA	Advice of Allowance
ARAs	Assistant Regional Administrators
B&F	Building and Facilities (Appropriation)
BAS	Budget Automation System
BFY	Budget Fiscal Year
BOC	Budget Object Class
BPA	Blank Purchase Agreement
CAA	Clean Air Act
CDW	Compass Data Warehouse
CERCLA	Comprehensive Environmental Response Compensation Liability Act (1980)
CFC	Cincinnati Finance Center
CFO	Chief Financial Officer
CJ	Congressional (Budget) Justification
CMA	Centrally Managed Allowances
CO	Contracting Officer
Comp.Gen	Comptroller General (a.k.a. the Government Accountability Office)
CORs	Contract Officer Representative
CPARS	Combined Payroll Redistribution and Reporting System
CPS	Contract Payment System
CR	Continuing Resolution
CWA	Clean Water Act (1972)
CWSRF	Clean Water State Revolving Fund
DAA	Deputy Assistant Administrator
DCN	Document Control Number
DWSRF	Drinking Water State Revolving Fund
EASY	Electronic (Invoice) Approval System
EPAAR	Environmental Protection Agency Acquisition Regulation
EPCRA	Emergency Planning and Community Right-to-Know Act (1986)

EPM	Environmental Programs and Management (Appropriation)
FAN	Fixed Account Number
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act (1994)
FC	Finance Center
FCO	Funds Control Officer
FIFRA	Federal Insecticide, Fungicide Act (1972)
FMFIA	Federal Managers' Financial Integrity Act (1982)
FQPA	Food Quality Protection Act (1996)
FSOC	Finance Sub-Object Class (code)

FTE	Full-Time Equivalent
FTTA	Federal Technology Transfer Act
FWPCA	Federal Water Pollution Control Act
GAO	Government Accountability Office
GC	General Counsel
GPRA	Government Performance Results Act (1993)
IA	Interagency Agreement
ICMS	Integrated Contracts Management System
IGMS	Integrated Grants Management System
IPA	Inter-personnel Act
LUST	Leaking Underground Storage Tanks (Appropriation)
LVFC	Las Vegas Finance Center
MO	Miscellaneous Obligation
NOA	New Obligational Authority
NPM	National Program Manager
ODN	Obligating Document Number
Op Plan	Operating (Budget) Plan
ORBIT	OCFO Reporting Business Intelligence Tool
PC&B	Personnel Compensation and Benefits
PA	Pollution Control Act (1990)
PO	Project Officer
PPGs	Performance Partnership Grants
PR	Purchase Request
PRC	Program Results Code
R&D	Research and Development
RA	Regional Administrator
RMDS	Resource Management Directive System
RPIO	Resource Planning and Implementation Office
RTPFC	Research Triangle Park (North Carolina) Finance Center
S&T	Science and Technology (Appropriation)
SARA	Superfund Amendments and Reauthorization Act (1986)
SBO	Senior Budget Officer
SDWA	Safe Drinking Water Act (1974)
SF	Superfund (Appropriation)
SIRMO	Senior Information Management Officer
SOC	Sub-Object Class Code (also known as FSOC)
SRF	State Revolving Fund
SRO	Senior Resource Official
STAG	State and Tribal Assistance Grants (Appropriation)
TA	Travel Authorization
TSCA	Toxic Substances Control Act
WCF	Working Capital Fund
WQA	Water Quality Act (1987)

Please visit the U.S. Government Accountability Office's Budget and Spending: A Glossary of Terms Used in the Federal Budget Process at:

http://gao.gov/assets/80/76911.pdf

Definitions, terminology and concepts in the Office of Management and Budget's Circular No. A–11 apply. https://www.whitehouse.gov/omb/circulars_default/

Appendix I: Index of Major Revisions/New Material

- New title o EPA Funds Control Manual applies to all EPA funds — not just appropriated dollars o More detailed instructions on using other sources of funding
- New financial system o Reflects change from IFMIS to Compass as the EPA's financial system
- Internal controls o Reflects updated guidance on the EPA's FMFIA/A-123 Key Internal Controls
- Conference reporting and tracking
- New interagency agreement process
- Updated explanations of environmental and administrative statutes
- Formatted to meet government's plain language guidance
- Table of contents formatted to show major topics areas for quicker access and review
- Document stored in separate PDFs for every major topic area for quicker download and review
- Workload analysis instructions

INTRODUCTION

The control of funds in the federal government is governed by statutes and implemented by directives from the Office of Management and Budget (OMB), the General Accounting Office (GAO), the U.S. Treasury, and the Congress. This document presents information on EPA's funds control principles and policies and details their legal basis. These provisions apply to all organizations, appropriations, and funds at EPA. We have included detailed procedures for controlling funds where possible or referenced the annual guidance or organization where the latest procedures can be obtained. Although the main audience for this material is the EPA Allowance Holders and their Funds Control Officers, it is a useful reference for all members of the resource community. Ultimately, resource management is everyone's responsibility.

EPA receives several Congressional appropriations which provide for both general and specific areas of activity. Congressional appropriations are provided for a particular time, purpose, and amount. These three characteristics are regulated through restrictions such as the Bona Fide Needs Statute (time), the Necessary Expense Rule (purpose) and the Anti-Deficiency Act (ADA) (amount). The Anti-Deficiency Act also governs timing prohibiting obligations in advance of appropriations.

The complex nature of EPA's mission and the diversity of its programs have a major impact on procedures developed for controlling EPA's funds. Since funds control is conducted throughout Headquarters offices, as well as in the various Regional Offices and laboratories, standard policies and procedures are necessary to ensure that EPA does not violate the Congressional intent of the appropriations provided and EPA's managers do not violate the U. S. statutes. To that end, 31 U.S.C. 1514 requires the head of each Agency, subject to approval of the President, to prescribe by regulation a system of administrative control of funds. The approval of fund control regulations has been delegated to the Director of the Office of Management and Budget (OMB). OMB approval is intended to ensure that the objectives of financial plans are met.

OMB Circular A-11 (Part 4) "Instructions on Budget Execution" (formerly OMB Circular A-34) provides government-wide guidance and a checklist for Agency use in preparing draft regulations for approval by OMB. This document, Administrative Control of Appropriated Funds (Resources Management Directives System (RMDS) Chapter 2520), will be submitted to OMB as EPA's revised documentation of its Funds Control Regulation and system.

This Funds Control Regulation:

A. establishes policy with regard to the administrative control of funds,

B. prescribes a system for positive administrative control of funds designed to restrict obligations and expenditures against each appropriation or fund account to the amount available therein,

C. enables the Administrator to determine responsibility for over obligation and over disbursement of appropriations, apportionments, statutory limitations, allotments, and other administrative subdivisions, as well as violations of limitations imposed by the Agency, and

D. provides procedures for dealing with violations of the Anti-Deficiency Act as well as violations of limitations imposed by the Agency, including reporting requirements.

This directive is effective immediately and supersedes all previous versions. This document will be accessible online in HTML and/or PDF formats as soon as it is finalized.

[NOTE: The PDF format contains word and phrase search capabilities that are useful in locating specific funds control content.]

Supplemental guidance regarding the financial management of selected areas, such as travel, and selected appropriations, such as those derived from the Superfund and LUST Trust Funds, can be found in other sections of the RMDS 2500 series. The entire series, as well as all other OCFO policy documentation can be accessed online at the following URL address: http://intranet.epa.gov/ocfo/policies/policies.htm

CHAPTER 1: THE FEDERAL BUDGET PROCESS, LAWS, & GUIDANCE

I. **OVERVIEW OF FEDERAL BUDGET PROCESS AT EPA**

General knowledge of the federal budget development process is necessary to set the stage for learning detailed budget execution policies and procedures. The following overview briefly describes the Executive and Congressional budget formulation processes.

A. BUDGET PLANNING AND FORMULATION OF NATIONAL PROGRAM MANAGER (NPM) BUDGETS:
(March - June)

The budget formulation process at EPA has evolved a great deal over recent years. As EPA seeks to present its budget more effectively to Congress and to the public, it has moved toward linking budgetary resources to measurable environmental goals and outcomes. Building such a "results-based" budget requires the integration of planning and budgeting in all phases of budget development.

The following information is to be considered as a "quick overview" of the budget formulation process. The first step in the process is one of outreach from EPA to stakeholders, state, and tribal organizations to discuss their concerns and priority areas that will move them toward achieving goals and meeting statutory requirements. This input is then factored into the discussions and decisions at an Annual Planning Meeting. The focus of this meeting is for the Administrator and the Agency's senior leadership to review and prioritize major investments and disinvestment proposals that will move the Agency closer to achieving its environmental goals contained in the Agency's Strategic Plan.

Based on discussions and agreements reached at the Annual Planning Meeting, budget policy and technical guidance is issued to the Agency for the development of its outyear budget. The guidance memo developed by the Office of Budget (OB), with input from the Office of Planning, Analysis, and Accountability (OPAA) includes the framework and formats.

Each Assistant Administrator (AA), plus the Inspector General and General Counsel, serve as National Program Managers (NPMs). They work with the senior managers in their program offices and with the Regions to develop a budget request which reflects implementation of the Agency's Strategic Plan and follows the guidance issued by the Administrator.

Assistant Administrators submit their requests to the Administrator. OB and OPAA review and analyze the requests and work together to make recommendations to the Agency's senior managers. The recommendations take the form of a budget straw proposal and include edited budget decisions. The Agency's senior managers then meet at a Budget Forum to discuss and make recommendations on the proposed budget decisions. The Administrator's final decisions are communicated to the Agency along with technical instructions for preparation and submission of the OMB budget.

B. OMB SUBMISSION: (July - August)

Assistant Administrators, based on the Administrator’s final decisions, prepare their portion of the Agency's budget request and submit them to OB for consolidation into a single document. OMB Circular A-11, issued annually, provides the technical guidance for preparation of the Agency's budget request, which is due to OMB on usually on the first Monday after Labor Day (13 months in advance of the fiscal year). After an initial period of review, OMB holds hearings with selected Assistant Administrators to justify the requested resource levels. OMB also works with the Agency to get additional information.

1. OMB REVIEW and PASSBACK: (September - November)

After an internal OMB review process of the Agency’s budget submission, that also includes a “Director’s Review”, OMB informs the Agency about decisions on the budget request, which is known as the "OMB Passback".

After receiving this "passback", the Agency generally has 72 hours to prepare and return an appeal to OMB. If there is an appeal, a second passback process occurs. This stage is complete after outstanding issues between the Agency and OMB have been resolved. Issues that cannot be resolved between the Agency and OMB may be appealed to the President.

C. PRESIDENT'S BUDGET: (December - January)

The budget request is then produced in a specific format for Congressional submission known as the Congressional Justification. This format, which includes summaries and special analyses, displays resource levels for three fiscal years (prior year, current year, and budget year including explanations of change) and narrates the strategy, accomplishments, and budget request for each of the Agency's programs. Each National Program Manager submits their portion of the justification in final form to the Office of Budget (OB), which prepares supplemental schedules, exhibits, and final documents and data. EPA combines the Congressional Justification with the Agency's Annual Plan to produce one document entitled: The Annual Plan and Budget. The document is then printed and awaits distribution as the detailed justification to EPA's portion of the President's Budget Request to Congress.

Throughout this preparation period, there is a continuous exchange of information among the various federal agencies, OMB, and the President, including revenue estimates and economic outlook projections from the Treasury Department, the Council of Economic Advisers, and the Departments of Commerce and Labor. During President's Budget preparation, all information, correspondence, and data is strictly confidential. Budget information remains confidential until the President's Budget is officially released to the public. EPA's appropriations for its budget is included in the annual V.A., H.U.D., and Independent Agencies appropriations act.

The Office of Management and Budget (OMB), which is charged with broad oversight, supervision, and responsibility for coordinating and formulating a consolidated budget submission, produces a document in the form of the President's Budget Appendix. On a specified date (usually, the 1st Monday in February), the President submits this to Congress as the Administration's budget request for the fiscal year to start the following October 1. Most agencies schedule a press conference on the day of the President's Budget submission and release their portion of the request to the general public.

D. CONGRESS (February - September)

1. HOUSE and SENATE REVIEW and MARK-UP: (February-August)

Congress holds hearings on the President's Budget. This review is done primarily by the House and Senate Appropriations Subcommittees even though authorizing committees also hold hearings. EPA officials testify on the requested levels and respond to questions received from Congressional Committees. Both the House and Senate Reports are then produced detailing each house's mark-ups to the proposed Budget Request. This information is distributed to the Assistant Administrators and Regional Administrators who follow the steps of the legislative process and make the changes (add-ons, reductions, etc.) to their programs.

Through the appropriations process, Congress may also impose additional restrictions on how EPA uses its funds, including travel ceilings, expense and/or function ceilings, (e.g. Superfund Management Cap) and reprogramming limitations. These will be discussed in more detail in subsequent sections of this directive.

2. CONFERENCE ACTION: (September)

There are usually variations in the Senate and House versions of a particular appropriations act as well as differences in accompanying reports. A conference committee with representatives from both Houses of Congress is then formed. It is the function of the conference committee to resolve all differences, but the full House and then Senate (in that order) must also vote to approve the conference report. If the Appropriations Act is rejected in either the full House or Senate, the process must reconvene at the conference committee level.

3. ENACTED APPROPRIATION: (October)

Following either the Senate's passage of the House version of an appropriation measure, or the approval of a conference report by both bodies, the enrolled bill is then sent to the President for signature or veto. The Congressional Budget Act envisions completion of the government-wide process by October 1. Currently, there are 13 regular appropriations acts enacted annually. EPA's appropriations are included in the VA, HUD & Independent Agencies Appropriations Act. [NOTE: Appropriation restrictions applicable to all agencies are often included in the Treasury Appropriations Act.]

Once EPA receives its enacted Appropriations, all the Congressional changes must be reflected in the Agency's Operating Plans. Generally, there are adjustments that must be made, as well as specific directions that must be followed, such as funding earmarks or "add-ons." In some cases, the Administrator may determine that available resources need to be redirected to meet emerging unfunded priorities. Making these decisions and implementing these changes result in the development of the Agency's Enacted Operating Plan, which is then submitted to OMB and Congress for final approval.

a. CONTINUING RESOLUTIONS / AGENCY SHUTDOWN:

If an Agency's Appropriations Act is not approved by the start of the new fiscal year on October 1, the Congress will usually pass one or more Continuing Resolutions (CR) which allow Agencies to continue operations for specific periods of time. Given the additional time, Congress ultimately passes the Agency's Appropriations Act, a CR through the end of the fiscal year, or an Omnibus appropriations act covering all Agencies whose individual appropriations acts have not been enacted. In the absence of either an annual Appropriations Acts or a Continuing Resolution the Agency faces a shutdown situation at the start of the new fiscal year.

b. SUPPLEMENTAL APPROPRIATIONS:

During the fiscal year, the President may submit to Congress proposed deficiency and supplemental appropriations that he/she decides are necessary because of laws enacted after the submission of the budget or that are in the public interest. Deficiency and supplemental appropriations that the Agencies want to propose themselves are submitted to the President through OMB.

E. OMB APPORTIONMENTS: (October)

Following Congressional enactment of appropriations legislation (including continuing resolutions and deficiency or supplemental appropriations), the Office of Budget Director at EPA, requests funding apportionments from OMB. [NOTE: Apportionment requests for carryover balances, recovery authority, and reimbursable authority do not require legislation.] In accordance with OMB Circular A-11 (Part 4) (formerly OMB Circular A-34) instructions for the Apportionment and Reapportionment of funds, OMB Standard Form, SF-132 (or an acceptable equivalent such as the letter apportionment format used by EPA) is used to make these requests. The document(s) comes back signed by OMB to signify their approval. The reason that funding provided by Congress requires apportionment by OMB before it can be accessed by Agencies is explained as follows:

Subsection (b) of the Anti-Deficiency Act, 31 U.S.C. 1513, requires that all appropriations be administratively apportioned by the Director of the Office of Management and Budget (OMB) so as to ensure their expenditure at a controlled rate which will prevent deficiencies from arising at the end of a fiscal year.

31 U.S.C. 1512 (b) provides that apportionments need not be made strictly on a monthly, quarterly, or other fixed time basis nor must they be for equal amounts in each time period. The apportioning officer may also consider the "activities, functions, projects, or objects" of the program being funded and the usual pattern of spending for such programs in deciding how to apportion the funds.

Normally, budgetary resources will be apportioned for calendar quarters (category A apportionments). However, periodically OMB has apportioned on an "other than quarterly basis" for activities, projects, objects; or for a combination thereof (category B apportionments). The apportionment requirement is designed to prevent an agency from spending its entire appropriation before the end of the fiscal year and then putting the Congress in a position in which it must either grant an additional appropriation or allow the entire activity to come to a halt.

[NOTE: An agency usually does not have the full amount of its appropriation available to it at the beginning of the fiscal year. However, since FY 1995, EPA has been fortunate in having all of its funding provided in the first quarter by OMB. This has been transmitted using a revised letter format which apportions all Agency funding. Beginning in FY 2002, both the standard SF-132 Apportionment form and EPA's one-page letter format are being entered and transmitted to OMB electronically.

Apportionment authority is normally based upon obligations to be incurred. However, when it is determined that obligations and outlays for certain appropriations can best be controlled at some other point before firm obligations are incurred, OMB may agree to apportion on a basis other than obligations. **At EPA, commitments are the basis for apportionment since that is the process for controlling funds prior to obligations that the Agency has adopted and described to OMB as part of its funds control system.** When quarterly restrictions have applied, they have been "front-loaded" (apportioned very heavily in the first and second quarters of the fiscal year) to allow for the early commitment of resources that require a lot of lead time and will be obligated later in the year.

With regard to carryover funding, for which funds are available beyond the current fiscal year for no-year appropriations and multiple-year appropriations, new apportionment action is required for the new fiscal year unless OMB determines otherwise. For balances of prior year budget authority, initial estimated apportionment schedules for the year are due to OMB by August 21 annually, as required by law.

[NOTE: See OMB Circular A-11 (Part 4)(formerly OMB Circular A-34) and/or Chapter 6 of the Principles of
Federal Appropriation Law for more detailed information on Apportionments.]

F.1. EPA ALLOTMENTS: (October)

OMB apportions all appropriated funds to the EPA, Office of Budget (OB) Director who serves as the Agency's apportionment holder and single allotment holder. The Agency does not have sub-allotments. The OB Director retains the original signed apportionment documents on behalf of the Agency. The "allotment" is the only formal administrative subdivision of funds under 31 U.S.C. 1514 and 31 U.S.C. 1517 and is the OB Director's authority to issue Advices of Allowance to EPA Allowance Holders. For more information on Advices of Allowance, see Chapter 3, part II.

F.2. ADVICES OF ALLOWANCE: (November)

Advices of Allowance (AOA) are made available to the respective Allowance Holders through the Integrated Financial Management System (IFMS) at the start of the new fiscal year. This assumes Congress has provided an Appropriations Act and that an Operating Plan has been entered into IFMS in support of the Congressional Action. The final step shown in FIGURE-1: Budget Execution (October-September) will be covered at length in Chapter 3.

[NOTE: In situations where the new fiscal year has begun and the Agency's operating plan has been submitted to the Appropriation Sub-Committees staff but has not yet been approved, OB will generally load the operating plan into IFMS and issue the AOA in anticipation of general approval. Controversial budget items may be withheld from issuance by the OB in anticipation of pending coordination with the Appropriation Sub-
Committees staff.]

II. <u>FEDERAL LAWS AND GUIDANCE</u>

The following list of guidance documents and legislative acts provide the primary foundation upon which government-wide budgeting and accounting is based.

A. PRINCIPLES OF FEDERAL APPROPRIATIONS LAW

This extensive GAO document devotes entire chapters to the three concepts of fund availability which are: **Purpose, Time, and Amount**. All three concepts must be observed for the obligation or expenditure to be legal. This three-part principle ensures that no money shall be drawn from the Treasury but in consequence of appropriations made by law. Whether appropriated funds are legally available for something depends upon the following three tests:

The <u>purpose</u> of the obligation or expenditure must be authorized;

The obligation must occur within the <u>time</u> limits applicable to the appropriation; and

The obligation and expenditure must be within the <u>amounts</u> Congress has established.

1. <u>Appropriations as to **Purpose**:</u>

31 U.S.C. 1301(a) provides that public funds may be authorized only for the purpose or purposes for which they were appropriated by the Congress unless the expenditure is otherwise provided by law. The first step in interpreting a statute is to examine the plain meaning of the words in the law itself. If Congress has directly spoken to the precise question, then its unambiguously expressed intent must be given effect. Other indicators of Congressional intent, such as legislative history, are examined only if the plain meaning of the statute is unclear, Committee reports or portions of Committee reports may be expressly incorporated into the appropriations act itself and thereby have the force of law. Lump sum appropriations may contain little detail on Congressional intent.

Legislative history includes conference committee reports, Appropriation Committee Reports and floor debates. Conference Committee Reports have the greatest weight since they reflect the views of representatives of both houses of Congress and are usually voted on and adopted by both houses when appropriations legislation is passed. Appropriations committee reports are next in order of importance, followed by floor debates. Congressional Budget Justifications are also considered to be part of legislative history.

Failure of the Agency to adhere to Congressional intent is taken very seriously by the Congressional Appropriations Committees and can have adverse consequences for the Agency's relationship with the committees. The Agency, as a matter of policy, generally will act in accordance with the views expressed in Conference Reports, Appropriation Committee Reports, and other documents that reflect legislative history. Where neither the statute nor the legislative history clearly and unambiguously express Congressional intent on an issue, courts will give deference to the Agency's interpretation of a statute so long as that interpretation is a permissible and reasonable construction of the statute.

[NOTE: As provided in 31 U.S.C. 1301(a), Agency appropriations contained in the annual Appropriations Act must be expended only for the <u>purpose</u> for which an appropriation is made, unless the expenditure is otherwise authorized by law. A purpose violation is not **necessarily** an Anti-Deficiency Act violation. The ADA is violated if a purpose violation cannot be corrected because sufficient unobligated funds do not exist in the correct appropriation account. Further, both the Comptroller General and the Office of Legal Counsel, DOJ have opined that an expenditure or obligation of appropriated funds for a purpose precluded by an express prohibition in an appropriation act violates the ADA, because no funds are available for that purpose. Moreover, violations of appropriations laws are serious matters which can undermine the Agency's working relationship with the Congress. Responsible EPA employees may be subject to administrative discipline as the penalty for violating 31 U.S.C. 1301.]

[NOTE: The Office of Legal Counsel (OLC), U.S. Department of Justice (DOJ) has opined that 31 U.S.C. § 3528(b), which purports to authorize the Comptroller General (CG) to relieve certifying officers from liability, and 31 U.S.C. § 3529, which purports to authorize the CG to issue advance opinions on the legality of payments, are not consistent with our Constitution's separation of legislative and executive powers. *Memorandum* for Janis A. Sposato, General Counsel, Justice Management Division, from John O. McGinnis, Deputy Assistant Attorney General, Office of Legal Counsel (August 5, 1991) (McGinnis Memo). . OLC is responsible for providing legal advice to the President and the heads of Executive departments and agencies. Its decisions are binding on Executive Agencies unless a court rules otherwise. Nonetheless, OLC has also determined that CG decisions are "useful sources" in resolving appropriation law issues and EPA will follow CG opinions unless the Office of General Counsel advises otherwise. See *Memorandum* for Emily C. Hewitt, General Counsel, General Services Administration from Richard L. Shiffrin, Deputy Assistant Attorney General, Office of Legal Counsel (August 11, 1997)]

While certain funding levels and limitations may be included in authorizing legislation, appropriation legislation will generally control the disposition of an issue where the appropriations act itself or the legislative history of the appropriations act clearly demonstrate Congressional intention to depart from funding levels or limitations in the authorizing legislation. Nonetheless, the authorizing act and appropriations act should be harmonized to the greatest extent possible. The authorizing legislation and the appropriation go hand in hand to establish a mandate for environmental action followed by the funds to carry out the mandate.

Since it is not possible to specify every item for which appropriations will be expended within the appropriations act, particularly if it is a lump sum appropriation, the spending agency has reasonable discretion in determining how to carry out the objectives of the appropriation. Some of the specific program results code (PRC) activities for which the Agency has justified funding are found under the goals and objectives portions of the Congressional Budget Justification. These funding declarations become a part of the legislative history to the annual Appropriations Act.

Additionally, other costs that are undeclared but necessary in implementing Agency programs are incurred based on the **"Necessary Expense Rule"**.

For an expenditure to be justified as a necessary expense, three tests must be met:

The expenditure must bear a logical relationship to the appropriation sought to be charged. In other words, it must make a direct contribution to carrying out either a specific appropriation or an authorized agency function for which more general appropriations are available.

The expenditure must not be prohibited by law.

The expenditure must not be otherwise provided for, that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.

Additionally, for an expenditure to be justified as meeting the purpose of a particular appropriation, it is important to know whether or not the action is funding something from one appropriation that traditionally may have been funded from a different appropriation. In 59 Comp. Gen 518 (1980), GAO opined that:

"Where either of two appropriations may reasonably be construed as available for expenditures not specifically mentioned under either appropriation, the determination of the agency as to which of the two appropriations to use will not be questioned. However, once the election has been made, the continued use of the appropriation selected to the exclusion of any other for the same purpose is required."
This case involved separate EPA lump-sum appropriations for "Research and Development" and "Abatement and Control." The contract in question, entered into in 1975, could arguably have been charged to either appropriation, but EPA had elected to charge it to Research and Development. Applying the above rule, the Comptroller General concluded that a 1979 modification to the contract had to be charged to

Research and Development funds, and that the Abatement and Control appropriation could not be used. [NOTE: this case should not be read as limiting the rule to a particular contract, grant, or other transaction.]

This concept has become known throughout the Federal Government as the **"Pick and Stick"** rule**.** Basically, the Agency may make an initial election as to which appropriation to use (the "Pick"), but once the decision has been made the Agency must "Stick" to its choice, and the Agency cannot, because of insufficient funds or other reasons, change its election and use another appropriation unless Congress is first informed of the Agency's planned change.

2. Appropriations as to **Time**:

The placing of time limits on the availability of appropriations is one of the primary means of congressional control. By imposing a time limit, Congress reserves the prerogative of periodically reviewing a given program or agency's activities.

The life cycle of appropriations. An appropriation has phases roughly similar to the various stages in the existence of "a human" -- conception, birth, death, and even an afterlife. The life-cycle of appropriations with fixed periods of availability consists of three sequential phases: the unexpired phase, the expired phase, and the cancelled phase. When an appropriation is made available for a fixed period of time, the general rule is that the availability relates to the authority to obligate the appropriation. It does not necessarily prohibit payments after the expiration date for obligations previously incurred, unless the payment is otherwise expressly prohibited by statute. The availability of balances of appropriations to incur, adjust, or pay obligations differs in each phase.

NOTE: Statutory and regulatory changes (Federal Acquisition Streamlining Act of 1994 (FASA) section 1073, and Federal Acquisition Regulation (FAR) 37.106), now permit agencies to enter into a contract, exercise an option or issue a delivery order and obligate annual ("one year") appropriations to acquire severable services that begin in one fiscal year and end in the next fiscal year. The contract, option period or delivery order cannot exceed 12 months. The EPA Office of General Counsel has opined that these provisions also apply to acquisitions funded with multi-year appropriations (such as the "two-year" appropriations provided to EPA). What this means, for example, is that EPA may obligate FY2004/2005 funding to fund twelve months severable services that begin in FY 2005 and end in FY2006. [Severable services are those which are continuing and recurring in nature (such as window washing services), while non-severable services are those that are characterized as a single undertaking (conducting a study and preparing a final report thereon). Non-severable services may be charged to the appropriation current at the time the contract was made, even though performance carries over into a subsequent fiscal year.]

a. **The Unexpired Phase.** During this phase, the appropriation may be used to incur new obligations and to liquidate (pay) properly incurred existing obligations. Balances in this phase are unexpired and uncancelled.

b. **The Expired Phase.** The expired phase begins when the authority to incur new obligations against appropriations expires. For annual appropriations this occurs at the end of the fiscal year for which the funds are appropriated. For multi-year appropriations this occurs at the end of the last fiscal year for which the funds are appropriated. During the expired phase, no new obligations can be incurred against the appropriation. Expired balances of an appropriation are available for the following:

Expired obligated balances are available to liquidate obligations properly incurred during the period when the appropriation was unexpired.

Expired unobligated balances are available only to satisfy an unrecorded or under recorded obligation properly chargeable to the appropriation of that particular year, and cannot be used to satisfy an obligation properly chargeable to current appropriations, or to any other year of the five-year period.

Unless otherwise specified by law, this phase lasts for five years after the period for which the appropriation is available for new obligations. All audit requirements, limitations on obligations, and reporting requirements applicable to an appropriation in the unexpired phase continue to apply to it in the expired phase. NOTE: EPA requested and received the statutory authority for this phase to last for **seven** years after the period for which the appropriation is available for new obligations. This request was granted to start with two-year appropriations beginning in FY 1999 (i.e. FY1999/2000 funding). Two-year appropriations enacted prior to FY 1999 continue to be cancelled 5 years after expiration.

c. **The Cancelled Phase.** At the end of the expired phase, all obligated and unobligated balances must be cancelled, and the account is closed. Cancelled balances may not be used to incur or pay obligations. Collections authorized or required to be credited to a cancelled appropriation that are received after the account is closed must be deposited in the Treasury as miscellaneous receipts.

(For more information regarding the expired and cancelled phase, see section G, "M" Account Legislation in this Chapter).

One of the fundamental principles of appropriations law is the **"bona fide needs rule"** which says that a fiscal year appropriation may be obligated only to meet a legitimate, or bona fide, need arising in, or in some cases arising prior to but continuing to exist in, the time period for which the appropriation was made. A good example of the *bona fide* rule is when ordering supplies at the end of a FY. An order or contract for the replacement of stock is viewed as meeting a *bona fide* need of the year in which the contract is made as long as it is intended to replace stock used in that year, even though the replacement items will not be used unit the following year. Stock in this context refers to 'readily available common-use standard items'. There are limits, however, GAO has questioned the validity from the *bona fide needs* perspective, of the purchase of materials carried in stock for more than a year prior to the issuance for use (See GAO Decision B-134277, Dec 18, 1957).

EPA appropriations are of three term types: annual, multi-year, and no-year (these three types are covered in more detail in Part IIIB of this Chapter).

One-Year appropriations are available only to meet a bona fide need of the fiscal year for which they were appropriated. [NOTE: As of FY 2004, EPA has no one-year appropriations.]

Apart from the extended period of availability, multi-year appropriations are subject to the same bona fide need rule applicable to annual appropriations.

No-year appropriations are available for obligation to satisfy a need arising during the year of and subsequent to the no-year appropriation. No-year funds may be obligated for needs arising in: (a) the year the no-year funds were appropriated; (b) years subsequent to the year of the no-year appropriation, and; (c) continuing after the year the no-year funds were appropriated. Prior year(s) obligations cannot be paid with future year no-year appropriations for such a payment would violate the Anti-Deficiency Act prohibition against obligations or expenditures in advance of an appropriation unless authorized by law.

[NOTE: based on advice from OLC, EPA's Office of General Counsel has advised that the bona fide needs rule does not apply to payments made to financial assistance recipients from funds obligated in a previous fiscal year. The bona fide need for a grant or cooperative agreement arises in the fiscal year in which funding is obligated to meet the authorized public purpose of the grant or cooperative agreement.]

3. Appropriations as to **Amount**:

The third major element of the concept of the "legal availability" of appropriations is restrictions relating to amount. It is not enough to know what you can spend appropriated funds for and when you can spend them. You must also know how much you have available for a particular activity.

The **"Anti-Deficiency Act"** is one of the major laws in the statutory pattern by which Congress exercises its constitutional control of the public purse. It has been termed the cornerstone of Congressional efforts to bind the Executive branch of government to the limits on expenditure of appropriated funds.

Briefly, in its current form, the Anti-Deficiency Act prohibits:

obligation or expenditure in excess of appropriations;

obligation or expenditure in advance of appropriations unless authorized by law;

accepting voluntary services for the United States exceeding that authorized by law; and

obligations or expenditure in excess of apportionments or administrative divisions of apportionments.

The Anti-Deficiency Act is described in greater detail in Chapter 4 (Section A) including reporting violations and both civil and criminal penalties for violation.

B. BUDGET AND ACCOUNTING ACT(1921)/ SUPPLEMENTAL APPROPRIATIONS ACT OF 1955

The Budget and Accounting Act of 1921 and Supplemental Appropriations Act of 1955 provide the budget and appropriations authority of the President, budget contents and submissions to Congress, supplemental appropriations, and advances. The specific requirements for recording obligations such as documentary evidence, is provided by 31 U.S.C. 1501.

C. ECONOMY ACT (1932)

It is not uncommon for federal agencies to provide goods or services to other federal agencies. The Economy Act authorizes agencies to obtain services either directly or through contracts awarded by other agencies when it promotes economy and efficiency for the government. Examples of when the another federal agency enters into an agreement with EPA (a.k.a an IAG) is when the U.S. Coast Guard contracts with EPA to assist them in oil spills, or when the Federal Emergency Management Agency (FEMA) needs the Agency's help with planning for and reacting to a chemical emergency. IAGs also work in the opposite direction whereby EPA may give contract with another agency (i.e., EPA contracting with the Department of Health and Human Services for a study on health-related issues). Both agencies must have the authority for the underlying activities proposed in the agreement.

An Economy Act agreement may not exceed the period of availability of the source appropriation. In addition, a one-year appropriation obligated under an Economy Act agreement must be De-obligated at the end of that fiscal year if the performing agency has not performed or incurred valid obligations under the agreement. In the case of a multi-year appropriation, this rule applies at the end of the source appropriation's period of availability. The reason for this requirement is to prevent the Economy Act from being used to extend the life of an appropriation beyond that provided by Congress in an appropriations act.

D. CONGRESSIONAL BUDGET IMPOUNDMENT & CONTROL ACT (1974)

Under this Act, an impoundment is defined as an action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by Congress.

There are two types of impoundment actions: deferrals and rescission proposals. A <u>deferral</u> is a postponement of budget authority in the sense that an agency temporarily withholds or delays an obligation or expenditure. Deferrals may be proposed by agencies but must be communicated to the Congress by the President in a special message. Deferred budget authority may not be withheld from obligation unless an act is passed to approve the deferral and the act is presented to the President. A <u>rescission</u> involves the cancellation of budget authority previously provided by Congress (before that authority would otherwise expire) and can be accomplished only through legislation.

If a federal agency fails to obligate appropriated funds, the Comptroller General is authorized by 2 U.S.C. 682 to bring a civil action against that agency. The expiration of budget authority or delays in obligating it resulting from a legitimate programmatic delay or ineffective or unwise program administration are not regarded as impoundment unless accompanied by or derived from an intention to withhold funds.

E. FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT (FMFIA) (1982)

The Federal Manager's Financial Integrity Act is a very brief law, but one with substantial impact on agency programs, functions, and operations. The Integrity Act was designed to:

protect government resources from fraud, waste, abuse or mismanagement;

require systematic self-examination of management controls by program managers; and

require agency heads to report annually to the President and Congress on the state of management control systems, identify material management control weaknesses, and provide corrective action plans and milestones.

The Act requires the establishment of systems of internal accounting and administrative controls, according to standards prescribed by the Comptroller General, which provide reasonable assurance that:

obligations and costs are in compliance with applicable law;

funds, property, and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and

agency revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over assets. The agency's annual report must provide a separate statement of whether the agency's accounting system conforms to the principles, standards and related requirements prescribed by the Comptroller General under Section 112 of the Accounting and Auditing Act of 1950.

OMB Circular A-123 establishes broad guidelines for agency self-evaluation of management control systems.

F. CHIEF FINANCIAL OFFICERS ACT (CFO) (1990)

The Chief Financial Officers Act of 1990 requires 23 Departments and agencies to prepare and audit financial statements for Trust Funds, Revolving Funds, and commercial activities accounts.

Chief Financial Officers are designated by each federal department or agency and have the initial and fundamental responsibility to assure that its use of public funds adheres to the terms of the pertinent authorization and appropriations acts, as well as any other relevant statutory provisions. The Assistant Administrator, Office of Chief Financial Officer is the CFO for the Agency.

G. "M" ACCOUNT LEGISLATION

The National Defense Authorization Act of 1990 amended the controls on the availability of appropriation accounts and the procedures for closing appropriation accounts. 31 U.S.C. 1551-57. The legislation cancelled all merged ("M" account) surplus authority (unobligated balances in expired appropriations) as of December 5, 1990. The legislation also requires that, from 1990 on, unobligated balances & unliquidated obligations will be cancelled five years after an appropriation has expired and that account will be closed out. [NOTE: EPA requested and received the statutory authority for this phase to last for **seven** years after the period for which the appropriation is available for new obligations. This request was granted to start with two-year appropriations beginning in FY 1999 (i.e. FY 1999/2000 funding). Two-year appropriations enacted prior to FY 1999 continue to be cancelled 5 years after expiration.]

After an appropriation account has been closed out, bills received against the cancelled obligations must be paid from current appropriations available for the same purpose. The total amount of charges to a current appropriation account may not exceed 1% of the total appropriations for that account. OMB Bulletin 91-07, which implements this legislation, requires Federal Agencies to have available up to 1% of current year appropriations to liquidate liabilities.

H. GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) (1993)

An outgrowth of the CFO Act, GPRA requires the head of each agency to submit to the Director of the Office of Management and Budget and to Congress a strategic plan for program activities. The plan shall contain-

a comprehensive mission statement covering the major functions and operations of the agency;

general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the agency;

> a description of how the goals and objectives are to be achieved, including a description of the operational processes, skills and technology, and the human, capital, information, and other resources required to meet those goals and objectives;
>
> a description of how the performance goals included in the plan required by 31 U.S.C. 1115(a) of Title 31 shall be related to the general goals and objectives in the strategic plan;
>
> an identification of those key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives; and
>
> a description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations.

The Government Performance and Results Act (GPRA) requires EPA to report each year on our progress towards achieving our annual, strategic goals. Annual Performance Reports, which assess Agency accomplishments against annual performance goals and measures, are due to Congress six months after the end of each fiscal year. EPA submitted its first Annual Performance Report to Congress on March 30, 2000, using performance data submitted by states, tribes, regions, and national programs. EPA managers will be able to consider these performance results, together with cost/benefit and risk assessment/risk management information, to help them evaluate and adjust strategies, program directions, and resource allocations to achieve EPA's strategic goals.

I. OMB CIRCULAR A-11 (PART4)/ INSTRUCTIONS ON BUDGET EXECUTION

Government-wide guidance and Agency requirements regarding Budget Execution are contained in OMB Circular A-11 (Part 4) (formerly OMB Circular A-34). Contents include guidance on: requirements and instructions, concepts, agency accounting and fund control systems, reports on budget execution, apportionments, rescissions and deferrals, etc.

J. OMB CIRCULAR A-11 (PART 2)/ PREPARATION & SUBMISSION OF BUDGET ESTIMATES

Government-wide guidance and Agency requirements on the preparation and submission of Federal Budgets are contained in OMB Circular A-11. Contents include: policies, instructions for building the budget data base and preparing the budget documents, requirements in support of the budget and for the transmittal of the budget.

In relation to budget formulation, A-11 requires agencies to report costs in terms of Object Classification, defined in Part II of the Circular. Object Classification is used to report obligations for each account according to the nature of the services procured. Obligations are categorized by their purpose and are designated to one of the following groupings: Personnel Compensation and Benefits (PC&B); Contractual Services and Supplies; Acquisition of Capital Assets; Grants and Fixed Charges; and Other. These classifications tie into RMDS 2590 Part IV which includes all of EPA's sub-object class codes and definitions. This will be discussed in more detail in Chapter 3.

III. EPA LEGISLATION

A. AUTHORIZING LEGISLATION

EPA's management and administrative functions are provided for by "enabling legislation". Our environmental programs are legislated by Acts of Congress in the form of authorizing (or program) legislation. Authorizing legislation provides zero funding in and of itself: it is not an appropriation of funds. For EPA, authorizing legislation establishes the Agency's environmental mission that may be undertaken with funds provided by subsequent appropriations legislation.

1. Clean Air Act (CAA)

The Clean Air Act (CAA) is intended to foster the protection and enhancement of the nation's air quality, and to safeguard public health and welfare and the productive capacity of the population. The Act is divided into six titles:

> Title I includes provisions for setting and achieving ambient air quality standards, and requirements to control pollution from certain stationary sources;
>
> Title II deals with control of pollution from mobile sources;
>
> Title III addresses general and administrative matters;
>
> Title IV deals with requirements to control pollution that leads to acid deposition;
>
> Title V includes requirements for the issuance of operating permits for certain stationary sources; and
>
> Title VI deals with pollution that contributes to depletion of the stratospheric ozone layer.

The Act requires EPA to promulgate National Ambient Air Quality Standards (NAAQS) for certain pollutants to protect the public health and welfare.

2. Federal Water Pollution Control Act (FWPCA) of 1948

Clean Water Act (CWA) 1972

Water Quality Act (WQA) of 1987

Beaches Environmental Assessment & Coastal Health Act of 2000

The Federal Water Pollution Control Act (FWPCA), 33 U.S.C.A. 7251 et seq., originally enacted in 1948, was amended in 1956 and 1966 to authorize a program of grants to municipalities for construction of sewage treatment plants and institute a program of mandatory water quality standards for interstate waters. The Act was substantially revised in 1972 by amendments referred to as the Clean Water Act (CWA). The stated objective of the CWA is to restore and maintain the "chemical, physical, and biological integrity of the Nation's waters", and the goal is to achieve "fishable and swimmable" waters by 1983 and total elimination of pollutant discharges into navigable waters. The CWA spells out requirements for water quality standards and an implementation system of permits for technology-based effluent limitations that apply to industrial and municipal discharges. Congress made certain fine-tuning amendments of the CWA in 1977 and reauthorized and revised the construction grants program in 1981. The Water Quality Act of 1987 (WQA) brought major revisions to the CWA. It authorized new water quality programs, reauthorized existing programs, and called for EPA to supplement technology-based controls with water quality-based pollution controls. The WQA increased requirements pertaining to toxics, sludge, and non-point sources of pollution and authorized funds for Nonpoint Source grants, the National Estuary Program, and the Great Lakes and Chesapeake Bay programs. The WQA also reauthorized the construction grants program through 1990 and provided for its phase-out and replacement with a State Revolving Fund program, to be capitalized by grants to the States. The Beaches Environmental Assessment & Coastal Health Act of 2000 amends the Clean

Water Act to improve the quality of coastal recreation waters. This Act authorizes a national program grant to assist state, tribal, and local governments in developing and implementing monitoring and public notification programs for their coastal recreation waters. It also requires states to adopt improved water quality standards for pathogens and pathogen indicators and requires EPA to conduct studies and develop improved microbiological water quality criteria guidance.

3. Safe Drinking Water Act (SDWA) 1974

The Safe Drinking Water Act SDWA as amended in 1986 and 1996 is the basis for protecting drinking water systems that serve the public. The Act directs the Administrator of EPA to establish primary (enforceable) and secondary (advisory) National Drinking Water Regulations based on maximum contaminant levels of specific pollutants, provides for state enforcement of the requirements, establishes a program for protection of underground sources of drinking water, and provides for a State Revolving Fund to aid systems in carrying out the Act.

4. Solid Waste Disposal Act (SWDA)

Resource Conservation and Recovery Act (RCRA) 1976

Hazardous and Solid Waste Amendments (HSWA) of 1984

The Solid Waste Disposal Act (as amended by the Resource Conservation and Recovery Act (RCRA) and the Hazardous and Solid Waste Amendments of 1984), is commonly known as "RCRA." The statute is intended to address the health and environmental dangers arising from the generation, management and disposal of solid and hazardous wastes. Subtitle C of RCRA provides for comprehensive "cradle-to-grave" regulation of hazardous wastes: owners or operators of hazardous waste treatment, storage or disposal facilities must obtain a permit to operate, and must meet standards appropriate to the type of unit managing the waste; hazardous wastes must be treated prior to land disposal; and off-site movements of hazardous wastes must be accompanied by a document known as a "manifest." The requirement for a manifest applies from the waste's point of generation to its point of final treatment or disposal, and helps ensure that wastes are not discarded indiscriminately in the environment by listing precise origin, volume, and amounts of each waste. Although much of RCRA is focused on the current and future management of hazardous wastes, the statute also includes a significant cleanup program: e.g., owner/operators seeking an operating permit are required to clean up past releases of hazardous wastes and constituents at their facility in order to obtain a permit. In addition, RCRA Subtitle D establishes a largely State-administered program for the management of solid, non-hazardous wastes.

5. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) of 1980

Superfund Amendments and Reauthorization Act (SARA) of 1986

Emergency Planning and Community Right-to-Know Act (EPCRA) of 1986

Small Business Liability Relief and Brownfields Revitalization Act of 2002

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), (42 U.S.C. 9601 et sea.), enacted in 1980, was amended and reauthorized for five years by the Superfund Amendments and Reauthorization Act of 1986 (SARA). CERCLA as amended by SARA charges the Agency with the responsibility for providing emergency response for hazardous substances released into the environment and the cleanup of inactive or abandoned hazardous waste disposal sites. The Agency is authorized under SARA to respond to releases of hazardous substances, pollutants, and contaminants by either a removal or remedial action or by compelling responsible parties to undertake the response action. The reauthorized statute significantly broadened Superfund authorities in key response, enforcement, and research areas. It established cleanup standards and mandatory schedules to ensure rapid and permanent solutions in cleaning up sites. It contained new and stronger enforcement provisions to encourage expeditious settlements with responsible parties, and to implement a more formal cleanup process for Federal facilities. It significantly increased Superfund health related and research and development authorities, including provisions for an alternative treatment demonstration program and health effects research. Overall, the statute expands State and public participation at all stages of the cleanup process.

A subpart of SARA Title III, the national "Emergency Planning and Community Right-to-Know" Act (EPCRA) was signed into law October 17, 1986 as the key legislation of community safety. Congress enacted this law to help local communities protect public health, safety, and the environment from chemical hazards. Two of the main goals of EPCRA are to "provide a basis for each community to develop a chemical emergency preparedness and planning program that suits its individual needs," and "provide the public with the identity, quantity, location, and properties of hazardous substances in the community, as well as data on annual release of certain chemicals into the environment."

SARA also amends Subtitle I of the Hazardous and Solid Waste Amendments (HSWA) and authorizes the establishment of a Leaking Underground Storage Tank (LUST) Trust Fund to clean up releases from leaking underground petroleum storage tanks. The LUST Trust Fund is financed by taxes on motor fuels. Owners and/or operators are initially responsible for cleanup of their leaking tanks. At abandoned sites or at sites where owners/operators do not meet their cleanup responsibilities, the Trust Fund provides the resources for EPA or States to undertake or enforce necessary corrective action and to recover costs expended from the fund. EPA's objective is to implement this program primarily through cooperative agreements with States. To this end, the Agency will only undertake corrective action when an owner/operator or a State fails to respond to a substantial threat to human health and the environment.

The Small Business Liability Relief and Brownfields Revitalization Act was signed into law on January 11, 2002. It amends CERCLA to encourage cleanup and reuse of brownfields and other contaminated properties. The law establishes a statutory Brownfields program, clarifies Superfund liability for certain parties as well as the State and Federal roles in hazardous waste cleanup. The Brownfields program includes grants for assessment, cleanup, capitalizing cleanup revolving loan funds, State and Tribal response programs, and training, research, and technical assistance.

6. <u>Pollution Prevention Act (PPA) of 1990</u>

The Pollution Prevention Act (PPA) of 1990 requires the EPA to establish an Office of Pollution Prevention, develop and coordinate a pollution prevention strategy, and develop source reduction models. In addition to authorizing data collection on pollution prevention, the Act requires owners and operators of facilities required to file an annual toxic release form under section 313 of EPCRA to report annually on source reduction and recycling activities.

Enactment of the Pollution Prevention Act of 1990 marked a major turning point in the direction of U.S. environmental protection policy. From an earlier focus on the need to reduce or repair environmental damage by controlling pollutants at the point where they are released to the environment--i.e., at the "end of the pipe" or smokestack, at the boundary of a polluter's private property, in transit over public highways and waterways, or after disposal--Congress turned to pollution prevention through reduced generation of pollutants at their point of origin. Broad support for this policy change was based on the notion that traditional approaches to pollution control had achieved progress but should in the future be supplemented with new approaches that might better address methods of controlling pollution from dispersed or nonpoint sources of pollution. Pollution prevention, in the form of "source reduction," is viewed as the first step in a hierarchy of options to reduce risks to human health and the environment. Where source reduction is not possible or may not be cost effective, other options would include recycling, followed next by waste treatment according to environmental standards, and as a last resort, safe disposal of waste residues.

7. <u>The National Environmental Policy Act (NEPA) (1969)</u>

The National Environmental Policy Act (NEPA) establishes a broad national framework for assessing the environmental impacts of major federal actions that significantly affect the quality of the human environment. NEPA has two major objectives: To prevent damage to the environment and to ensure that federal agency decision makers give appropriate consideration and weight to environmental factors before taking any major federal action that significantly affects the quality of the human environment. NEPA also established the Council of Environmental Quality (CEQ) to advise the President on environmental matters. CEQ promulgated regulations implementing section 102(2) of NEPA. Under NEPA and the CEQ regulations, unless an action is categorically excluded, agencies conduct an environmental review in the form of an Environmental Assessment or Environmental Impact Statement (EIS), as appropriate. These documents, analyze the environmental impacts of and alternatives to the proposed action. Most of EPA's actions are not subject to NEPA because either they are statutorily exempt from NEPA or functionally equivalent to NEPA. EPA actions that are subject to NEPA include issuance of National Pollutant Discharge Elimination System (NPDES) permits for new sources under the Clean Water Act, award of grants for certain projects funded through EPA's annual Appropriations Acts, research and development activities, and facilities construction. EPA has adopted a voluntary NEPA policy under which EPA may prepare NEPA documents voluntarily when it is not legally required to do so if such documents would be beneficial in addressing agency actions. In addition, in conjunction with other statutes, NEPA generally provides authority for EPA to conduct international environmental activities.

8. Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) 1972

The Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) of 1972 requires that all pesticides, with minor exceptions, must be registered with EPA before they can be sold or distributed in commerce. Pesticide products can be registered only if they can be shown not to cause unreasonable adverse effects on humans or the environment. As part of the registration process, scientific data and proposed label instructions for use and cautionary statements are submitted by registrants and reviewed by EPA to ensure that when registered products are used in accordance with label instructions they will be safe. FIFRA also provides that EPA can designate the more dangerous pesticide products for restricted use by certified applicators only.

9. Food Quality Protection Act (FQPA) of 1996

The Food Quality Protection Act (FQPA) amends two pesticide-related statutes: the Federal Insecticide, Fungicide, and Rodenticide Act and the Federal Food, Drug, and Cosmetic Act. The new law corrects the so-called "Delaney clause", replacing it with a protective and more consistent regulatory system that applies a uniform health-based standard for pesticide residue tolerances in raw and processed food. EPA can approve a tolerance only if it is considered safe, and the law defines safe as "a reasonable certainty of no harm." The Act also makes children's health a primary concern in assessing pesticide tolerances. If a pesticide residue will be unsafe for children, it will not be permitted on food. New pesticide/use applications that meet the reduced risk criteria will be expedited. Another provision of the Act directs that consumers will have a right to know about pesticide residues found in the food they buy at the grocery store. The law also mandates a revamping and modernization of the pesticide review system in light of the new safety standard. The statute also requires EPA to reevaluate all existing pesticide tolerances within 10 years. The reviews will give the public greater assurance that only pesticides that meet strict and current safety standards can remain on the market.

10. Toxic Substances Control Act (TSCA) of 1976

The Toxic Substances Control Act (TSCA) of 1976 was enacted by Congress to test, regulate and screen all chemicals produced in or imported into the U.S. Many thousands of chemicals and chemical compounds are developed each year with unknown toxic characteristics. To prevent tragic consequences should they come in contact with the general public, TSCA requires that any chemical which reaches the consumer marketplace be tested for possible toxic effects prior to first commercial manufacture.

Any existing chemical which is determined to pose unreasonable health and environmental hazards is also regulated under TSCA (example: polychlorinated biphenyls (PCBs) are controlled under TSCA). Procedures are also authorized for corrective action under TSCA in cases of cleanup of toxic materials contamination.

11. Radon Abatement Act (RAA) of 1988

In October 1988 Congress amended TSCA by adding Title III-Indoor Radon Abatement (15 U.S.C. 2661 et seq., P.L. 100-551). The basic purpose of Title III is to provide financial and technical assistance to the States that choose to support radon monitoring and control; neither monitoring nor abatement of radon is required by the Act.

12. Oil Pollution Act of 1993

The Oil Pollution Act (OPA) legislation significantly increases the spiller's liability for oil spill cleanup costs and damages, imposing stiffer civil and criminal penalties. Spillers are required to pay oil spill cleanup costs and to compensate parties economically injured by them. Additional money for cleanup and compensation is to be available through the Oil Spill Liability Trust Fund managed by the Coast Guard. This fund is supported by an oil tax, but subject to annual appropriations. The fund is to be used by the federal government for removal costs, monitoring, administrative, operational and personnel costs for implementation and enforcement of the Act.

The Act also requires double hulls on most oil tankers and barges, and requires better contingency planning on the part of potential spillers and federal, state, and local governments. The Act continues to allow states to impose unlimited liability on shippers and contains various provisions to increase navigation safety. The Act also expands research on environmental impacts and cleanup methods of spills and expands the President's power to direct oil spill cleanups.

13. Inspector General Act of 1978

The Inspector General Act requires the Inspector General (IG) to conduct and supervise independent and objective audits and other reviews relating to agency programs and operations (including contracts, grants, and acquisition management, financial transactions, funds control, and financial statements). The IG also makes recommendations to promote economy, efficiency, and effectiveness; prevents and detects fraud, waste, and abuse; and keeps agency heads and the Congress fully and currently informed of problems. The EPA OIG conducts and promotes program evaluations of EPA programs and activities (including process, outcome, impact, and cost-benefit). The OIG Office of Investigations is a law enforcement entity that conducts criminal, civil, and administrative investigations of alleged misconduct by Agency, contractor, or grantee employees. To ensure objectivity, the IG Act provides the IG’s with independent authority to carry out activities such as determining what reviews to perform and obtaining all necessary information, developing and executing budgets through independent appropriations, selecting and appointing OIG employees (including SES positions), and entering into contracts. This independence protects the OIG from interference by Agency management and allows it to function as the Agency’s fiscal and operational watchdog. In the budget formulation process through execution, Agency management may not reduce or reallocate OIG resources if the OIG conforms to OMB and Congressional guidance.

14. Marine Protection, Research, and Sanctuaries Act (MPRSA)

Unless authorized by a permit, the Marine Protection, Research, and Sanctuaries Act (MPRSA) generally prohibits (1) the transportation of material from the United States for the purpose of ocean dumping; (2) the transportation of material from any location for the purpose of ocean dumping by U.S. agencies or U.S.-flagged vessels; and (3) the dumping of material transported from outside the United States into the U.S. territorial sea. MPRSA § 101. Permits under the MPRSA may not be issued for the dumping of sewage sludge or industrial waste (MPRSA § 104B(a)); or radiological, chemical, and biological warfare agents; high-level radioactive waste; or medical waste (MPRSA § 102(a)). The dumping at sea of low-level radioactive waste requires a joint resolution of Congress. MPRSA § 104(i). Permits may be issued for other materials if the dumping will not unreasonably degrade or endanger human health, welfare, or the marine environment. MPRSA §§ 102 (a) and 103(a). EPA is charged with developing criteria to be used in evaluating applications for ocean dumping permits. MPRSA § 102(a). EPA also is responsible for designating recommended sites for ocean dumping. MPRSA § 102(c). EPA is the permitting authority for all materials except dredged material. MPRSA § 102(a). The U.S .Army Corps of Engineers is the permitting authority for dredged material, subject to EPA concurrence and the use of the ocean dumping criteria developed by EPA. MPRSA § 103.

B. APPROPRIATIONS ACTs

Annual Appropriations Acts provide the funding authorized by the program legislation. While certain funding levels and limitations may be included in authorizing legislation, appropriation legislation will generally control the disposition of an issue where the appropriations act itself or the legislative history of the appropriations act clearly demonstrate Congressional intention to depart from funding levels or limitations in the authorizing legislation. Nevertheless, the authorizing act and appropriations act should be harmonized to the greatest extent possible. The authorizing legislation and the appropriation go hand in hand to establish a mandate for environmental action followed by the funds to carry out the mandate.

Congress provides appropriations to EPA for three basic periods of availability. These are annual, multi-year and no-year. Within the context of appropriations as to Time, Purpose, and Amount (referred to in Part II A of this Chapter), these periods define the <u>time</u> of availability, and to a somewhat lesser degree, the purpose. A review of eight major EPA appropriations as they fall within these periods of availability follows:

1. **<u>One-Year Appropriations</u>** are provided for a specific fiscal year and are available for obligation only during that fiscal year. The federal government's fiscal year begins on October 1 and ends on September 30 in the following year.

One-Year appropriations are available only to meet a bona fide need of the fiscal year for which they were appropriated. The bona fide needs rule provides that a fiscal year appropriation may be obligated only to meet a legitimate, or bona fide, need arising in, or in some cases arising prior to but continuing to exist in, the time period for which the appropriation was made.

If an agency fails to obligate its annual funds by the end of the fiscal year for which they were appropriated, they cease to be available for obligation and are said to have "expired" for obligational purposes. [NOTE: As of FY 2004, EPA has no one-year appropriations.]

2. **<u>Multi-Year Appropriations</u>** are available for obligation for a definite period in excess of one fiscal year. Apart from the extended period of availability, multi-year appropriations are subject to the same principles that apply to annual appropriations. Because of the extended period of availability, multi-year appropriations may have unobligated balances which "carry over" from one year to the next and are available for obligation following reapportionment by OMB.

EPA's multi-year appropriations are two-year appropriations which are appropriated annually but are available for obligation for two years.

EPA's two-year appropriations are:

a. <u>Environmental Programs and Management</u> (EPM)

The EPM account encompasses a broad range of abatement, prevention, and compliance activities, and personnel compensation, benefits, travel, and expenses for all programs of the Agency except Science and Technology (S&T), Hazardous Substance Superfund, Leaking Underground Storage Tank Trust Fund, Oil Spill Response, and the Office of Inspector General. Abatement, prevention, and compliance activities include setting environmental standards, issuing permits, monitoring emissions and ambient conditions and providing technical and legal assistance toward enforcement, compliance, and oversight. In most cases, the states are directly responsible for actual operation of the various environmental programs. In this regard, the Agency’s activities include oversight and assistance in the facilitation of the environmental statutes. In addition to program costs, this account funds administrative costs associated with the operating programs of the Agency, including support for executive direction, policy oversight, resources management, general office and building services for program operations, and direct implementation of all Agency environmental programs except those previously mentioned for Headquarters, the ten EPA Regional offices, and all non-research field operations.

b. Science and Technology (S&T)

EPA's Science and Technology (S&T) Program is designed to produce the scientific knowledge and tools necessary to support decisions on preventing, regulating, and abating environmental pollution and to advance the base of understanding on environmental sciences. The S&T account funds most EPA research. The Agency's S&T efforts are conducted through contracts, grants, and cooperative agreements with universities, industries, other private commercial firms, nonprofit organizations, State and local government, and Federal agencies, as well as through work performed at EPA's 12 laboratories and various field stations and field offices.

The S&T account funds activities such as developing and improving sampling and analytical methods and instruments for measuring pollutants; determining the effects of pollutants on many animals, plants, materials, and the general environment; researching the processes that relate to pollution; evaluating technologies for preventing and controlling pollution; and developing guidelines and research tools to improve risk assessments. This account also provides S&T operating expenses for most Agency research. This includes categories such as personnel salary & benefits, laboratory supplies and materials, operation and maintenance of lab facilities, equipment, ADP support, human resource development, and printing. Beginning in FY 1996, this account also funds Hazardous Substance research formerly appropriated in the Superfund account.

c. Office of Inspector General (IG)

This appropriation provides funding for EPA audit and investigative functions and program evaluations to identify and recommend corrective actions of management, program, and administrative deficiencies which create conditions for existing or potential instances of fraud, waste, and mismanagement. The audit function provides contract audit, internal audit, and financial audit services. Contract audits provide professional judgments, findings, and recommendations to Agency contracting officials on accounting and financial matters relative to negotiation, award, administration, repricing, and settlement of contracts. Internal audits review and evaluate all facets of Agency operations. Grant audits focus on the effectiveness of individual projects, reasonableness of costs, and adequacy of management systems. The investigative function provides for the detection and investigation of improper and illegal activities involving programs, personnel, and operations.

In addition to program costs, this account funds PC&B, travel, and administrative costs associated with the OIG program.

There are historically two sources of funds for the budget authority in the OIG account: a.) General Revenues, b.) the Superfund Trust Fund. Although the SF appropriation is provided to EPA from the SF Trust Fund as a no-year appropriation, the budget authority for the OIG account is provided from the SF Trust Fund as a two-year appropriation. The Agency’s financial coding structure ensures that both OIG sources of funds are tracked separately to provide proper accounting. Budget authority that is not obligated during the fiscal year is not “drawn down” from the respective funding source.

3 No-Year Appropriations are available for obligation without fiscal year limitation. They remain available until expended, rescinded or otherwise withdrawn. In order for an appropriation to be no-year, it must be expressly stated as such in the appropriating language.

EPA's no-year appropriations are:

a. Hazardous Substance Response Trust Fund (Superfund)

The Superfund appropriation is provided to carry out the legislative mandates of CERCLA as amended by SARA by addressing the problems of uncontrolled hazardous waste sites and spills. Essentially, the legislation mandates that EPA (1) provide emergency response to hazardous waste spills; (2) take emergency action at hazardous waste sites that pose an imminent hazard to public health or environmentally sensitive ecosystems; (3) engage in long-term planning, remedial design, and construction to clean up hazardous waste sites where no financially responsible party can be found; (4) take enforcement actions to require responsible private parties to clean up hazardous waste sites; and (5) take enforcement actions to recover costs where the fund has been used for cleanup.

In addition to program costs, this account funds PC&B, travel, and administrative costs associated with the Agency's Superfund program.

b. Leaking Underground Storage Tanks Trust Fund (LUST)

The LUST appropriation is provided to carry out the legislative mandates of SARA by conducting corrective action for releases from leaking underground storage tanks containing petroleum and other hazardous substances. EPA implements the LUST program through State cooperative agreements which enable States to conduct corrective actions to protect human health and the environment. The trust fund is also used for enforcement by forcing responsible parties to finance corrective actions and by providing the states with the authority to cost recover from responsible parties state funds expended for cleanup of abandoned tanks.

In addition to program costs, this account funds PC&B, travel, and administrative costs associated with the Agency's LUST program.

c. Buildings and Facilities (B&F)

EPA receives the Buildings and Facilities appropriation each year to cover the necessary major repairs and improvements to existing installations which house the Agency. This appropriation also covers new construction projects when authorized.

d. Oil Spill Liability Trust Fund

This appropriation, authorized by the Federal Water Pollution Act and amended by the Oil Pollution Act of 1990, provides funds for preventing and responding to releases of oil and other petroleum products in navigable waterways. EPA is responsible for directing all cleanup and removal activities posing a threat to public health and the environment; conducting inspections, including inducing responsible parties to undertake cleanup actions; reviewing containment plans at facilities; reviewing area contingency plans; pursuing cost recovery of fund-financed cleanups; and conducting research and oil cleanup techniques. Funds are provided through the Oil Spill Liability Trust Fund established by the Oil Pollution Act and managed by the Coast Guard.

In addition to program costs, this account funds PC&B, travel, and administrative costs associated with the Agency's Oil Spill program.

e. State and Tribal Assistance Grants (STAG)

The STAG appropriation includes two components: State Revolving Funds (SRF) and Categorical State and Tribal Assistance Grants.

SRFs comprise the majority of the appropriation with the funds going towards major environmental capitalization infrastructure projects for cities and towns. There are two types of Water Infrastructure SRFs (WIF/SRFs): Clean Water SRF (CW/SRF) and Safe Drinking Water (DW/SRF). The SRFs provide financial assistance for wastewater, drinking water, and other infrastructure projects to include; activities related to nonpoint sources, estuaries, stormwater, combined sewer overflows, and sanitary sewer overflows. These environmental infrastructure projects contribute to ecosystem improvements through reduced loadings of conventional and toxic pollutants in surface waters.

The states loan these funds to municipalities for the infrastructure projects, who then pay back their loan by making payments back into the SRF account. The money can then be used to make more loans (hence the term "revolving") to other municipalities.

State and Tribal Assistance Categorical Grants provide financial assistance to states and tribes in numerous environmental categories by program. These grants help states and tribes develop the technical, managerial, and enforcement capacity to operate the environmental programs that monitor drinking water systems, implement water quality standards, combat air pollution, promote the use of safer pesticides, manage hazardous waste, and assure compliance with Federal environmental laws. In addition, Categorical STAG funds are available for Brownfields grants under Section 104(k) of CERCLA.

The Omnibus Rescissions and Appropriations Act of 1996 (P.L. 104-134) provided EPA permanent authority within the STAG account to award Performance Partnership Grants (PPGs). PPGs permit states and tribes to combine "categorical" grants (i.e air, water) into one or more grants, to be used for addressing the unique priorities of each state and tribe. PPGs were created to reduce the burden and increase the flexibility that state and tribal governments need to manage and implement their environmental protection programs, and at the same time produce the results-oriented performance necessary to address the most pressing concerns and achieve a clean environment.

[NOTE: The Water Quality Act of 1987 (WQA) reauthorized the “construction grants” program through 1990 and provided for its phase-out and replacement with a State Revolving Fund (SRF) program, to be capitalized by grants to the States.]

CHAPTER 2: ROLES AND RESPONSIBILITIES FOR FUNDS CONTROL

There are a number of levels of management and staff involved with funds control at EPA (for an illustration showing the relationships of these, see Exhibit 2520-2-1). The positions associated with this function range from National Program Managers to funding document originators. This section will briefly describe the roles and responsibilities of each of these key players regarding funds control and focus most on the Funds Control Officers (FCOs).

I. PARTICIPANTS:

A. ASSISTANT ADMINISTRATORS (AAs), NATIONAL PROGRAM MANAGERS (NPMs), and RESPONSIBLE PLANNING AND IMPLEMENTATION OFFICERS (RPIOs)

The Responsible Planning and Implementation Officers (RPIOs) are the 23 EPA senior managers including: thirteen individuals in headquarters (the Administrator, General Counsel, Inspector General, nine Assistant Administrators (AAs)), and the ten Regional Administrators (RAs). Each has headquarters or regional operations to administer and a budget to execute. RPIOs are responsible for implementing operating plans, controlling resource ceilings, and reviewing programs.

[NOTE: In terms of properly utilizing funds for the purpose for which they were appropriated, the RPIOs and their AHs and FCOs bear sole responsibility. No other Agency organizations are fully aware of the obligating activities and the decisions behind them that transpire on a day-to-day basis. By default, the RPIOs are presumed to be the most knowledgeable EPA entity regarding what is permissible in the authorizing legislation for their own programs. Additionally, the RPIOs are active participants during the process of budget formulation, the OMB submission, the Congressional Justification, and all subsequent stages of the legislative history behind the Appropriations Act. They receive copies of the House, Senate, & Conference reports and are kept informed of what is in the Public Law for their programs. The Office of General Counsel (OGC) is available to assist them in any ambiguous interpretation of ambiguous language. The actions taken by the RPIOs in executing their portion of the budget is subject to audit and review by the OIG, GAO, Congressional Committees, Agency management, etc. It is the RPIOs responsibility to live with the consequences of their actions with regard to accountability for the utilization of funds.] National Program Managers (NPMs) are the twelve headquarters RPIOs (without the RAs). These twelve senior managers, who wear two hats...RPIO and NPM, also formulate budget requests for EPA programs nation-wide including the regional program components. NPMs responsibilities include: helping to prepare Agency Operating Guidance, preparing budget submissions, determining the Headquarters/Regional resource split and the preparation of the narratives which will be used as justification to OMB and Congress to defend the requested resource levels. For example, the AA for the Office of Water has national budget formulation responsibilities for the entire EPA Water

Program. **B. REGIONAL ADMINISTRATORS (RAs)**

Each Regional Administrator is both a Responsible Planning and Implementation Officer (RPIO) and an Allowance Holder. Regional Administrators are not National Program Managers since they have a primary responsibility for regional administration and budget execution for all programs only in their states and territories including programs for Water, Air, Pesticides, etc. RAs communicate and coordinate on budget formulation and execution with NPMs and present regional budget planning concerns through the Lead Region process. Lead Regions are designated for each major program (Water, Air, etc.) and they are responsible for working with the appropriate NPM in developing priorities, dollar and Work-year estimates for the regional program components. Lead Regions are rotated every two years and are also responsible for working with their respective NPM to identify and synthesize the issues of all ten regions into a "regional view" that can be effectively factored into Agency decision-making. NPM's are responsible for soliciting and using this contribution from their lead region on major decisions.

As RPIOs, Regional Administrators are responsible for overseeing the execution of their allowances, and for the review of budget reprogrammings before they are sent to the Office of Budget (OB). In carrying out his or her responsibilities, a Regional Administrator typically depends heavily upon their Assistant Regional Administrator (ARA) and an individual in the ARA's office who serves essentially as a chief budget officer. In many Regions, this individual is the Regional Comptroller.

C. SENIOR RESOURCE OFFICIALS (SROs)
DEPUTY ASSISTANT ADMINISTRATORS(DAAs)/ASSISTANT REGIONAL ADMINISTRATORS (ARAs)

The SROs are Senior Executive Service (SES) managers who are designated by and report to the Administrator, the 10 Regional Administrators, the General Counsel, the Inspector General, and nine Assistant Administrators (AAs). Additionally, one SES manager is designated by the Deputy Administrator for the Office of the Administrator. The Chief Financial Officer (CFO) approves all SRO designations upon initial designation, and annually thereafter. In line with the Chief Financial Officers Act of 1990, SROs must have the knowledge, skills and abilities in resource management necessary for the position.

SROs are typically Deputy Assistant Administrators and Assistant Regional Administrators. The SRO is accountable for the Headquarters Office's or Region's , effective resource management, including acquisition, assistance, budget, financial management and management integrity.

SRO accountability, like the accountability of other EPA managers and officials, cannot be delegated, no matter to what extent SRO functions are delegated. When SROs are temporarily absent, the individual acting for the SRO must be apprised of SRO responsibilities. In cases where a resource requirement may involve more than one program or Regional Office, the SROs of all affected offices share responsibility. While the SROs are accountable for resource management in their respective Headquarters Offices or Regions, the CFO has overall responsibility for these resources. Specifically, the SROs:

1. advise the CFO on fiscal resource management issues, including acquisition, assistance, budget, financial management and management integrity. Extramural resources within this scope include contracts, simplified acquisitions, grants, loans, and cooperative and interagency agreements;

2. oversee, assess and advocate accountable fiscal resource management;

3. ensure compliance with fiscal resource management laws and regulations while furthering program mission;

4. ensure appropriate and effective systems, procedures, management controls, communication and outreach are in place for accountable fiscal resource management;

5. ensure appropriate and effective planning, assessment, monitoring and control for accountable fiscal resource management;

6. ensure that assistance and acquisition mechanisms are used for work appropriate to their purposes;

7. review and approve the following extramural management actions and funding requests. SRO concurrence is required for all:

   a. requests for contract advisory and assistance services;

   b. procurement requests (PRs) not including requests for incremental funding over $1 million and;

   c. agreements for Federal funding assistance when total project costs are expected to be $5 million or more for continuing program grants and over $1 million for project grants.

8. Ensure -- by working through established organizational structure -- that program or Regional resource managers e.g., Contracting Officer's Representatives (CORs), (project officers (POs), work assignment managers (WAMs), delivery order project officers (DOPOs), etc); grants management officers; funds control and financial management officers; and their supervisors:

a. are working within their workload limitations;

b. have Agency-required training and experience, and receive appropriate program or office-specific training that is available; and,

c. have appropriate resource management responsibilities in their position descriptions and performance standards.

9. Manage and certify completion of the Annual Review of Unliquidated Obligations for current and prior year travel and simplified acquisitions, as described in Chapter 3, Part IV.A.

D. SENIOR BUDGET OFFICERS (SBOs)

In Headquarters, Senior Budget Officers (SBOs) greatly assist the NPMs and SROs in carrying out the responsibilities listed previously and serve as the primary liaison between the Office of Budget (OB) and the Allowance Holders. The SBO:

1. has the lead role for coordinating the budget formulation process on behalf of their RPIO;

2. usually has the lead role in coordinating the budget execution activities;

3. is responsible for reviewing, approving, processing or forwarding budget reprogrammings and coordinating with the Office of Budget (OB) as needed;

4. reviews each Allowance Holder's Operating Plan and spending utilization to ensure that funds controls and program goals are being met;

5. manages the review of Headquarters current year unliquidated obligations to determine their validity and viability, as required by the CFO.

E. REGIONAL BUDGET OFFICERS

The Regional Budget Officer serves as the Region's point of contact on all matters dealing with budget formulation/operating plan development and budget execution. In both areas, the Budget Officer must constantly maintain liaison with HQ on all budget matters, especially with regard to furnishing information and advice on Regional programs and objectives.

During budget formulation, the Regional Budget Officer oversees all aspects of the Region's budget by appropriation, program results code and budget object class for the inclusion in the Agency's OMB Submission. This includes:

1. developing regional resource requirements for budget outyears;

2. reviewing budget requests submitted by regional managers and negotiating budget changes with program managers and HQ budget officials by explaining and advocating regional position on budgetary issues;

3. leading regional managers in developing, justifying, and recommending budget allocations;

4. evaluating variances and trends within various appropriations to ensure consistency among programs, and recommend corrective actions where discrepancies arise;

5. establishing and implementing an annual process by which dollars and FTE Work-years are allocated within the Region so that programs can effectively carry out their requirements; and

6. working closely with other regions which serve as the lead region for various programs.

During budget execution, the Regional Budget Officer serves as the primary funds control custodian. The Regional Budget Officer ensures that all regional FCOs are familiar with the Agency's budget structure and have a general knowledge of appropriation law. During the budget execution phase the Budget Officer:

1. oversees the preparation of sub-allowances for regional responsibility centers in accordance with approved regional budget request;

2. analyzes and makes recommendations on the best means of maximizing resource for payroll, travel, expenses, contracts, and grants;

3. monitors utilization of funds to ensure program funds are utilized for intended purposes at the allowance holder, program results code, and appropriation level, to include the monitoring of any allowance holder ceilings and floors;

4. conducts quarterly budget reviews with Division Directors to ensure compliance with approved operating plan;

5. recommends and initiates reprogramming of funds and FTE Work-years to ensure program objectives are met, as well as accommodate unplanned requirements; and 6. reviews and approves allowance holder reprogrammings.

F. ALLOWANCE HOLDERS

The Deputy Administrator, Assistant Administrators, Regional Administrators, Inspector General, General Counsel, many Headquarters Office Directors, and some staff offices, are Allowance Holders. The Office of Budget (OB) issues allowances to Allowance Holders to support their programs, thereby giving these officials the day-to-day responsibility for controlling EPA's funds. Allowance Holders (AHs) or their designees are responsible for:

1. ensuring that funds control practices within their organizations do not violate federal laws, directives or EPA policies;

2. verifying proper funds certification and funds availability before an obligation is incurred. Funds must be available for purpose and time as well as amount. The Allowance Holder is responsible for ensuring that the AH's Funds Control Officers (FCOs) are familiar with the organization's budget structure and budget justification, as well as have general knowledge of appropriations law;

3. adhering to any established ceilings, floors, and other limitations in addition to total AH appropriation levels, these may include travel, administrative and Work-year ceilings, PC&B floors, etc.;

4. maintaining complete and up-to-date funds control records, including prompt entry of commitments into the Integrated Financial Management System (IFMS);

5. prompt and consistent monitoring to ensure that spending transactions are recorded in the IFMS correctly. Also, monitoring the status of open transactions and verification of products and services received against invoices to ensure that payments are made correctly. Any errors identified must be promptly corrected; and

6. completing an annual review of all unliquidated obligations and taking action to cancel any invalid obligations that are found. The review is initiated by the Office of Financial Management (OFM) and is a requirement of the General Accounting Office (GAO).

The Allowance Holder must formally designate FCOs and alternates in writing and submit this list to the Office of Budget (OB) annually. Any change in these designations must also be reported as soon as possible. An example of this document is included as Exhibit 2520-2-2.

[NOTE: The FCO designation forms encourage RPIOs to identify the specific Responsibility Centers (RCs) for which an FCO has authority to perform the functions listed below. If local office managers are going to ask FCOs to perform those functions for an RC outside of their designation (such as when one FCO is filling in for another), the FCO may not be sufficiently familiar with the status of funds for that RC to adequately fulfill those functions.

It must be the responsibility of those local managers to determine how such instances will be transacted and if they should be transacted at all. Certainly, no FCO has authority to perform the functions below for an RC for which they have not been designated without direct orders from a local manager.]

G. FUNDS CONTROL OFFICERS (FCOs)

In smaller organizations, the Funds Control Officer (FCO) is usually in the immediate office of the Allowance Holder. In larger organizations, where an Allowance Holder's organization is subdivided into Responsibility Centers (RCs), more than one FCO may perform the daily tasks necessary for controlling funds at the sub-allowance or RC level.

An FCO's realm of responsibility also may vary between that of an FCO located in Headquarters, and that of an FCO in the Regions. In either location, the FCO is either directly responsible for, or subject to coordinating with other personnel on the following duties:

1. serving as the central point of contact for all budgetary/financial information on funds control for payroll, travel, and procurement of goods and services (i.e. available balances in a PRC & budget object class by appropriation);

2. certifying the availability of funds as to the correct purpose, time, and amount;

3. ensuring that all financial transactions are in compliance with any funds availability ceilings and floors;

4. ensuring the accuracy of accounting data of spending documents to include all financial data and accounting elements cited are correct, as well as appropriation codes, account numbers, object class codes, and signatures;

5. identifying the need to reprogram funds in advance;

6. entering the spending actions/commitments into IFMS and forwarding the spending document to the appropriate office for subsequent obligation;

7. ensuring that once the funds have been committed, the funds will not be altered, revised, or withdrawn prior to obligation without advance notice to the proper obligating official;

8. ensuring that funds are properly obligated for correct amount and that any unobligated funds are decommitted if necessary.;

9. monitoring utilization of program funds through the use of financial management reports. Keeps Allowance Holders informed on status of appropriations;

10. maintaining proper records of all Document Control Numbers (DCNs) for the Allowance Holder;

11. maintaining constant communication with document originators and Servicing Finance Offices (SFOs) to facilitate the reconciliation of funding documents; and

12. performing fiduciary responsibilities by conducting unliquidated obligation reviews (close-out of funding documents) and coordinating with SFOs in de-obligating unused funds.

In many cases the FCO serves as the organization's expert on funding policies and procedures, management of any ceilings and floors, criteria for object classification, etc. and has been assigned many of the same responsibilities as listed above for Allowance Holders. Many FCOs provide or arrange for assistance and training for the organization staff, distribute guidance materials for staff direction, and protect the organization from problems and errors in the commitment and obligation of funds.

See APPENDIX 2520-B for a Checklist of Good Fund Control Practices and APPENDIX 2520-C for Suggested Qualifications and Training for FCOs.

H. APPROVING OFFICIAL

An approving official's signature appears on each spending document in addition to the document initiator and the Funds Control Officer. Generally, the approving official is a Division Director and/or Allowance Holder. Unlike the FCO, whose signature indicates technical correctness, the approving official's signature indicates a management decision to make the expenditure of resources. Depending upon management preferences and the established procedures in a particular office, the spending document may be routed to the FCO either before or after the approving official. In others, the FCO may see the document twice, once to review for accuracy and/or funds availability before the approving official signs it, and again afterwards to actually assign the DCN and enter the commitment into IFMS. The dollar value of the document may also affect the levels of approving official signatures that will be required. For instance, a Division Director (at the RC level) may have authority to sign for amounts up to a certain threshold, but the Office Director's approval (the AH) is needed for greater amounts. It is the FCOs responsibility to know the organization's internal policies and procedures governing such delegations of authority and approvals and ensure that the proper signatures are obtained.

I. ORIGINATOR

The originator of a spending action may be any EPA employee having the need to obtain goods or services. Examples include branch secretaries ordering supplies or branch staff entering into program contracts for which they will be the Work Assignment Manager (WAM). In some cases, originators are required to attach a written justification in order to spend funds for a specific activity or to use a specific appropriation, object class, or program results code .

Originators will have varying degrees of knowledge regarding funds control and budgeting/accounting policies and procedures. Some originators have branch budgets, know the proper accounting entries for their documents, and enter the accounting data on their documents. In other cases, they must depend upon their FCO to enter all accounting data.

J. OBLIGATING OFFICIALS

The authority to enter into an obligation is limited to certain designated individuals known as "obligating officials". It is illegal for any non-designated individual to obligate the government. At EPA, the obligating officials for the majority of transactions are located in specific offices in OARM. Examples of these offices and the obligation types they handle include:

Office of Mission Support (OMS) contracts,
simplified acquisitions

Office of Grants & Debarment (OGD) grants, interagency agreements, cooperative agreements

Office of Human Resources Management (OHRM)
training agreements

Additionally, there are situations where designated local officials have delegated authority to incur obligations. These include employees like Division Directors who approve travel and are the Approving Official for Purchase Card ordering officers.

There is a distinct difference between certifying the availability of funds (FCO function) and incurring legal obligations. After commitment into IFMS, FCOs forward funding documents to the obligating official to incur the legal obligation on behalf of the government. An obligation legally binds the government to pay a supplier for delivery of goods or services or to provide funds under an assistance agreement.

It is the responsibility of the obligating officials to:

1. return documents to the AH if they discover funding errors (such as expired funds) that should not be obligated as submitted;

2. immediately forward accurate and complete documentation to the appropriate Financial Management Officer (FMO) to record the obligation in IFMS; and

3. communicate with contracting officer representatives (CORs) regarding insufficient funds, contract modifications, contract overruns, etc.

K. OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO) [Reorganized in FY 2004]

The Office of the Chief Financial Officer, under the supervision of the Chief Financial Officer (CFO), is responsible for developing, managing, and supporting a goals-based management system for the Agency that involves strategic planning and accountability for environmental, fiscal, and managerial results. A current organizational chart of OCFO can be found on the Agency's intranet at: http://intranet.epa.gov/ocfo/about/org.htm

In compliance with the CFO Act, the OCFO will bring more effective general and financial management practices to the Federal Government, improve systems of accounting, financial management and internal controls, and provide for the production of complete, reliable, timely and consistent financial information. The Act also designated a Presidentially appointed, Senate confirmed CFO and the appointment of a career SES deputy CFO in each executive department and major agency.

There are seven primary implementation areas for which the CFO is responsible. These are

- Annual Audited Financial Statements
- Annual Reports
- An Agency Five-Year Financial Management Plan
- Financial Management Personnel
- Financial Management Systems
- Performance Measures
- Agency User Fees

To complete its mission, the OCFO is organized into five Offices which are:
Office of Planning, Analysis, and Accountability (OPAA),
Office of Enterprise Technology and Innovation (OETI)
Office of Budget (OB),

Office of Financial Management (OFM), Office of Financial Services (OFS).

To view the complete formal list of the many areas for which the CFO is responsible, go to the site of the CFO mission and description of functions at: http://intranet.epa.gov/ocfo/about/functions.htm

1. Office of Planning, Analysis, and Accountability (OPAA)

To facilitate the requirements of GPRA, the Office of Planning, Analysis, and Accountability (OPAA) is responsible for developing, managing, and supporting a goals-based management system for the Agency that involves strategic planning and accountability for environmental, fiscal, and managerial results. OPAA works with the Office of Budget (OB) to integrate goals-based decision making into the allocation of Agency resources through multi-year and annual planning in the annual budget process.

2. Office of Budget (OB)

The Office of Budget (OB) Director is the Allotment Holder for all Agency resources and issues Advices of Allowance in accordance with the Operating Plan to EPA Allowance Holders. The Allotment Holder is legally accountable for assuring that obligations are made in accordance with statutory requirements and that spending authority is not exceeded.

The Office of Budget (OB) is the responsible authority for budget execution and budget formulation activities for the agency. These activities include reviewing Operating Plan reprogramming requests, monitoring resource utilization, ensuring the application of appropriations laws and OGC or Comptroller General legal opinions pertaining to Agency Allotments, and providing directives, guidance, and support to assist Allowance Holders in fulfilling their own responsibilities. Office of Budget (OB) operates the Budget Automation System (BAS) which serves as the primary agency-wide database during formulation of the Agency's budget.

3. Office of Financial Management (OFM)

OFM is responsible for ensuring Agency compliance with the Federal Managers Financial Integrity Act (FMFIA) of 1982, and the Chief Financial Officers (CFO) Act of 1990. The FMFIA requires Agencies to protect government resources against fraud, waste, abuse or mismanagement through systematic self-evaluation of management controls, and to report material weaknesses in management controls with corrective action plans annually to the President and Congress. The CFO Act requires preparation and audit of financial statements to ensure accountability and fair presentation of government resources, as well as decision support. The OFM meets these responsibilities by developing, implementing, and maintaining agency-wide financial systems, providing end user training, and issuing accounting policies, as well as provide training and support for users. 4. Office of Financial Services (OFS)

The Office of Financial Services-(OFS) is responsible for accounting and financial services at 4 locations: Washington, DC, Research Triangle Park, NC, Las Vegas, NV, and Cincinnati, OH. The OFS also has national responsibility for processing, accounting, reconciling & reporting of the Agency's biweekly payroll. • Office of Enterprise Technology and Innovation (OETI)

The function of OETI is to meet the growing challenges in business processes and to increase efficiency. OETI also ensures there is a strategic approach to planning, budgeting, developing, integrating, implementing, and monitoring agency-wide and OCFO financial systems and policies. OETI will have primary responsibility for ORBIT, OCFO's Reporting and Business Intelligence Tool. ORBIT is a financial, operations, and human resources reporting system using a query, reporting, and analytical software package designed to support the use of information in making financial and programmatic business decisions across the Agency.

L. FINANCIAL MANAGEMENT OFFICERS (FMOs)

Each Financial Management Officer (FMO) manages a Servicing Finance Office (SFO) and is responsible for all standard accounting functions. These functions include the authorized processing of commitment and obligation documents into IFMS, managing accounts receivable and accounts payable, reporting, and providing support to program offices in reconciling accounting data problems and discrepancies. There are fourteen FMOs -- one in each of the ten Regional Offices and one in each of the four Financial Management Centers (FMCs). The FMCs are located at Washington, DC, Research Triangle Park, NC, Las Vegas, NV, Cincinnati, OH. Each Regional FMO is responsible for the regional accounting process and updates to the IFMS for their region. In addition to servicing local clients, the FMO at an FMC has nationwide responsibilities. Each FMC services all AHs as follows: payroll (Washington, DC), contracts (Research Triangle Park, NC), assistance agreements (Las Vegas, NV), interagency agreements and Purchase Card functions (Cincinnati, OH). Exhibit 2520-2-3 lists the addresses of the fourteen SFOs and their respective scope of responsibilities.

In carrying out accounts payable responsibilities, FMOs receive invoices from suppliers for payment. Before the FMO may pay the supplier, it must have an obligating document and a receiving report (sent by the originating office) to verify that the work was completed or the goods were received satisfactorily. Unpaid obligations are not removed from IFMS at the end of the fiscal year. Rather, they remain in the system until paid or until the Allowance Holder or obligating official notifies the FMO that no further payments will be made against the obligation.

M. ACCOUNTS PAYABLE CERTIFYING OFFICERS and DISBURSING OFFICERS

Accounts Payable Certifying Officers should not be confused with agency Fund Control Officers (FCOs) discussed earlier in this chapter. In many federal agencies, different government officials make “certifications” of one type or another on documents, but this does not make them "Certifying Officers" for purposes of accountability and financial liability.

The accountability of public funds rests primarily with the Certifying Officer. Certifying Officers, are usually located in an agency’s accounting department (EPA’s SFOs) and are responsible in two areas of budget execution: posting the obligation from funding documents into IFMS and certifying contractor bills for payment.

Certifying Officers move funds from a commitment to an obligation in IFMS upon receiving the **signed** obligating document (Contract, Purchase Order, Cooperative Agreement/Grant, Training Form, etc.). If there is no signature from an obligating official on the funding documents, the obligation will not get posted. In regards to certifying bills for payments, Certifying Officers will first coordinate with Agency Project Officers (POs), Work Assignment Managers (WAMs) or Delivery Order Project Officers (DOPOs) in first getting their approval for paying an invoice. However, despite receiving a PO/WAM/DOPO’s approval for paying an invoice, the Certifying Officers are still the ones that are ultimately held accountable. 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;

- the legality of a proposed payment under the appropriation or fund involved;
- returning payment vouchers that are inadequately documented; and
- the correctness of computations on the voucher.

31 U.S.C. 3528 also provides that Certifying Officers will be accountable for the amount of any "illegal, improper, or incorrect" payment resulting from his or her false or misleading certification. This includes any payments prohibited by law, or payments which do not represent a legal obligation under the appropriation or fund involved. Since there is a high degree of accountability placed on certifying officers, under EPA Order 2515.1, [Policy and Procedures for Relieving Certifying and Disbursing Officers From

Liability (March 17, 2000)] they have the right to seek and obtain an advance opinion from the EPA Office of General Counsel regarding the lawfulness of any payment to be certified. Beyond that, the statute allows for a GAO opinion.

[NOTE: :As previously noted, the Office of Legal Counsel (OLC), U.S. Department of Justice (DOJ) has opined that 31 U.S.C. § 3528(b), which purports to authorize the Comptroller General (CG) to relieve certifying officers from liability, and 31 U.S.C. § 3529, which purports to authorize the CG to issue advance opinions on the legality of payments, are not consistent with our Constitution's separation of legislative and executive powers. *Memorandum* for Janis A. Sposato, General Counsel, Justice Management Division, from John O. McGinnis, Deputy Assistant Attorney General, Office of Legal Counsel (August 5, 1991) (McGinnis Memo). . Only DOJ has prosecutorial authority to initiate a court proceeding to hold a certifying officer liable for an illegal or improper payment. OLC has stated that DOJ will "not bring suit against [a certifying] official to recover a payment if that official has obtained from his or her component general counsel . . .an opinion advising him or her that the payment could legally be made." McGinnis Memo at p. 7. OLC is responsible for providing legal advice to the President and the heads of Executive departments and agencies. Its decisions are binding on Executive Agencies unless a court rules otherwise.

A Disbursing Officer is an employee of a federal agency designated to disburse public funds. Like most federal agencies, EPA does not have any disbursing officers located within the agency; instead, most of the federal disbursing officers are located in the Department of Treasury. A disbursing official shall disburse money only as provided by a voucher certified by the head of the agency or by an authorized certifying official.

N. OFFICE OF GENERAL COUNSEL (OGC)

Based on the traditional attorney/client function, OGC staff is frequently involved in providing advice and counsel in all areas of Agency activity pertaining to Appropriations Law, funds control, and financial management. OGC staff opine both formally and informally on EPA's behalf in the interpretation of EPA's authorizing and appropriations language, the legislative history, and government-wide statutes. Under EPA Order 2515.1, EPA employees may rely on CG decisions as useful sources of appropriations law in conducting their day to day activities. However, if a certifying or disbursing officer is facing the possibility of personal liability, a OGC opinion can be relied on by such officials. See EPA Order 2515.1, Paragraph 4. a., Policy.

CHAPTER 3: BUDGET EXECUTION PROCESS

I. ACCOUNT CODE STRUCTURE AT EPA

After the annual Appropriations Act becomes a Public Law, EPA must implement that legislation in a user-friendly fashion within the Agency. Budget execution involves a great deal of structured coding, some of it from the Treasury and OMB, in order to conduct automated processes. This coding, when entered in the 6 Integrated Financial Management System (IFMS) account fields, forms unique records which capture the detailed level of accounting information that is needed by the Agency or required by government-wide standards and reporting. These records drive the integrated budgeting and accounting features in the IFMS. This section covers the account structure and coding at EPA.
[NOTE: Some column labels in the IFMS tables may be inaccurate as EPA has chosen not to attempt core software changes.]

A. 6-FIELD IFMS ACCOUNT CODE

The IFMS has been processing a 6-field IFMS account code nightly since its installation in 1989. Added together, the 6 fields have a maximum character length of 41-characters. From FY 1989 to FY 1994, older Agency sub-systems and interface systems continued to use a 10-digit fixed account code which did not fully utilize the capability of the IFMS code space. FY 1995 was a year of transition as the Agency began to utilize the added capabilities of the 6-field IFMS account code for budgeting and accounting. Definitions and guidance in the use of the 6-field IFMS account code since FY 1996 are outlined in this Chapter.

The following explanation refers to FIGURE-2 and reflects additional expansion into available character space for new capabilities beginning in FY 1996. The following is a description of each of the six fields that comprise the IFMS account code:

1. BUDGET FISCAL YEAR (BFY) FIELD

The Budget Fiscal Year field is processed by IFMS as two-character fields in the IFMS account code. The first two characters represent "beginning budget fiscal year", and the second two characters represent the "ending budget fiscal year." In FY 1996, the Agency began using the first two characters of the field for all single-year and no-year funds. For two-year funds, however, the Agency began using all four characters to take advantage of IFMS capabilities to automatically carry over two-year funding. Data entered into these fields is validated against the FUND table in IFMS. The FUND table is controlled and maintained by the Office of Budget (OB).

CHARACTER LOCATION/USE (S):

1 & 2 Beginning Budget Fiscal Year

1 & 2 Ending Budget Fiscal Year (2-Year funds only)

2. FUND FIELD:

The FUND (or Appropriation) field is processed by IFMS in a 6-character string as the second of six character fields. The first two characters of this field indicate appropriations/accounts and sub-accounts.

CHARACTER LOCATION/USE (S):

1 Appropriation/account (1 character) (corresponds to a Treasury symbol)

2 Appropriation sub-account (1 character)
Identifies specific portion of an appropriation account (e.g. reimbursable authority)

3 4 Restricted use for Receipt Accounts or other OB specified unique accounts

5 6 Reserved

EXAMPLES:

T = SF New Obligational Authority (NOA)
TR = SF Reimbursable
T2 = SF IG

C = Science & Technology (S&T) CR
= S&T Reimbursable

The complete list of current Appropriations codes for EPA is included as Exhibit 2520-3-1.

Data entered into this fields is also validated against the FUND table in IFMS. The FUND table is controlled and maintained by the Office of Budget (OB).

3. ORGANIZATION FIELD:

The organization (or allowance holder) field is processed by IFMS in a 7-character string as the third of six character fields.

CHARACTER LOCATION/USE(S):

1 2 A.H. code 2-char.
(no other uses permitted)

3 4 A. R.C. code / blank (if nothing to follow), or
B. R.C. code / zero (if more to follow), or
C. R.C. code-2 char., or
D. R.C. code/local option (e.g. Branch), or
E. R.C. code/numeric State Code (for all State grants)

5 6 7 A. Add-on code (A/B/C/D)/2-char. Add-on #, or
B. Superfund Activity codes R/E/P/S/H (if alpha allowance),/ local option 2-char., or
C. Trackable Items (other than add-on) (X in char. 5) D. Reimbursable I.D. code (X in char. 2, char.6-7 map to Reim. Agreement)
E. if none of the above, local option 3-char., or
F. blank

EXAMPLES:

3 3 A	AH/RC
0 1 1	AH/STATE (REGION I-CONNECTICUT)
3 3 A 1	AH/RC/SUB RC

4 A D 0 R SF ALPHA AH/RC/ZERO (0) SUB RC/REMEDIAL ACTION

Data entered in this field is verified in the ORGANIZATION (ORGN) table in IFMS. The Operating Plan issued by the Office of Budget and shown in the Allowance Inquiry table (ALLT) does not contain the Responsibility Center code or the local option features. That information is contained in the Sub-allowance Spending Control Inquiry table (SASP) and Sub-allowance Inquiry table (SAIN). The mapping of the additional codes is included in the ORGN table in the ALLOWANCE ORG field. The ORGN table is jointly maintained by OB and the Financial Systems Staff, OFM.

IFMS ACCOUNT CODE UTILIZATION
Figure 2

FIELD NAME/SIZE **CHARACTER LAYOUT / PRIMARY UTILIZATION**

1. BFY FIELD (2+2)

1 2 1 2

BFY END
BFY (2-YEAR FUNDS ONLY)

2. FUND FIELD (6)
1 2 3 4 5 6

APPROP. SUB- RESTRICTED USE
RESERVED
APPROP.
(e.g. REIMBURSABLE)

3. ORGANIZATION FIELD (7)
1 2 3 4 5 6 7
A.H. R.C./ A. ADD-ON CODE LOCAL OP. B. SF ACTIV.CODE
C. TRACKABLE ITEMS
D. REIMBURSABLE I.D.
E. LOCAL OPTION

4. PROGRAM FIELD (9)
PROGRAM RESULTS CODE (PRC) 1 2 3 4 5 6 7 8 9
GOAL OBJECTIVE NPM PROGRAM/ AGENCY LOCAL
PROJECT ACTIVITY OPTION
(SPENDING ONLY)

5. SITE/PROJECT FIELD (8)
1 2 3 4 5 6 7 8
A. SF REGION/SITE SF ACTIV. OPER.UNIT
B. ******* WORKING CAPITAL FUND **********
C. ** INFORMATION TECHNOLOGY (I.T.) CODE **
D. * LOCAL OPTION (TO BE DETERMINED) *****

6. COST/ORG FIELD (7) 1 2 3 4 5 6 7
A. CERCLIS SERIAL #
B. OPPT EXTRAMURAL IT CLASSIFICATIONS

C. OTHER LOCAL OPTIONS (TO BE DETERMINED)

4. PROGRAM FIELD [PROGRAM RESULTS CODE (PRC)]:
[NOTE: Reflects budget architecture beginning in FY 2004]

The IFMS Program Field contains what EPA calls its Program Results Code (PRC) and is processed by IFMS in a 9-character string as the fourth of six character fields. [NOTE: Until FY1998, EPA had Program Elements and IFMS tables may still reflect this term.]
In addition to what is entered into the 9-character code above, the Program Reference table (PGMT) associates behind-the-scene information to the PRC such as the title, Goal/Objective, NPM, Program Project, and Activity code. None of this information needs to be key entered as part of the PRC field for IFMS to have this information for reporting purposes.

CHARACTER LOCATION/USE(S):

1 **Goal** (Comprises 1 character and represents the Agency's long-term Strategic Goals)

2 **3** **Objective** (Comprises 2 characters and represents each objective under each Goal)

[NOTE: Subobjectives will no longer be coded in IFMS for budget execution beginning in FY 2004. They will still be used for performance and planning and in the Budget Automation System (BAS) which serves as the primary agency-wide database during formulation of the Agency's budget.]

4 National Program Manager (NPM)
(Comprises 1 character and identifies the NPM associated with resources being used for a particular Goal and Objective)

5 6 **Program/Project**
[Comprises 2 characters and defines "what" the Agency does based upon specific statutory authority (programs) or "what" significant tasks or problems the Agency is addressing (projects). Program/Project replaces "Key Programs" in the structure beginning in FY 2004.]

7 Agency Activity
(Comprises 1 character and represents "how" we accomplish our objectives in general terms. These "activities" are somewhat generic across all government agencies (e.g. research and development, financial assistance, program implementation, reg/policy development.) In FY 2004, the new **Agency Activity** code will **not** be loaded as part of the IFMS Operating Plan (Budget in IFMS). The IFMS Op plan PRC will be the first 6 characters of the PRC and include - Goal, Objective, NPM and Program Project. The **Agency Activity** code will be used in the PRC for all spending actions including fixed

account numbers--all characters of the PRC. Similar to the way the fourcharacter finance object code used for spending rolls up to the 2-character Budget Object Code, the Full PRC (Up to 9 characters if RPIO activity is included), will roll up to the 6-character PRC in the budget.

<u>8 9</u> **RPIO Activity**
(Comprises 2 characters for unique reporting needs of RPIOs use)

Data entered in the program field will be verified in the Program Reference table (PGMT) in IFMS. The PGMT table is maintained by the Office of Budget (OB) and contains additional information found in the following IFMS tables:

PROG	PRC
PCLS	[to be determined]
PCAT	Goal/Objective
PTYP	Program/Project
PGRP	National Program Manager (NPM)
FUNC	Agency Activity

For more information regarding specific program results codes (PRCs) , see the latest program/project description book at the EPA intranet URL address: http://intranet.epa.gov/ocfo/budget/architecture.htm

5. SITE/PROJECT FIELD:

The site/project field is processed by IFMS in a 8-character string as the fifth of six character fields.

For those Regions who have exhausted their initial supply of Site IDs, the first position will be "A" followed by one position for the Region (with "0" representing Region 10). For example, **A401** represents a new site ID for Region 04 after the initial supply of site IDs has been exhausted.

All work performed under the Superfund, LUST, or WCF appropriations will use the SITE/PROJECT field.

It is recommend that this field have multiple uses and structures based upon the FUND code used in the transactions. The use of the IFMS Project Cost Accounting System (PCAS) module in conjunction with this field will enable the BFY/FUND field to determine which structure is valid for that FUND code. PCAS offers three layers of structure:

<u>Agency-wide code</u> , which enables the PROJ costs to be gathered regardless of BFY/FUND combinations.

<u>Project</u> , which is the basic level to gather either obligations, expenditure, or cost data.

<u>Sub-project</u>, which allows for a lower level of data structure linked to a specific project.

<u>EXAMPLES:</u>

a. **SUPERFUND:** positions will enable the gathering of data by site ID, activity code, and operable unit within the site. [NOTE: all 8 characters must be entered for the edit program to recognize the code as valid.]

<u>CHARACTER LOCATION/USE (S):</u>

<u>1 2 3 4</u> Superfund ID identifying region and the specific site or nonsite cost

<u>5 6</u> Superfund activity code

<u>7 8</u> Operable unit within a specific site (If no operable unit, enter 00)

b. WORKING CAPITAL FUND: Positions will enable the gathering of fund data and costs by each service level and charge customers of the Fund a standard charge for each of the service levels provided.

CHARACTER LOCATION/USE (S):

1 Indicates whether code is a cost or revenue

2 **3** Identifies cost pool

4 5 6 7 For revenue codes, denotes customer's allowance holder and responsibility center codes

8 Future uses

c. INFORMATION TECHNOLOGY CODE: Used to track purchasing related to IT.

CHARACTER LOCATION/USE (S): [Note: for all characters except the first, use zero if N/A]

1 L for IT

2 **3** Specific identifiers for major and significant project and/or system.

4 Life cycle phase of major and significant project. If 2nd and 3rd characters are not zero, then 4th character must be a P, D, or M.

5 **6 7** Specific IT cost area for security, and regional uses.

8 Future uses

For more information on use of IT codes, see Office of Comptroller policy on the Agency's intranet at: http://intranet.epa.gov/ocfo/policies/policy/pa01.htm

d. **OTHER USES:** Other Offices planning to use this field should contact the Office of Budget (OB).

CHARACTER LOCATION/USE (S):

1 2 3 4 5 6 7 8 Local Option

Data entered in the SITE/PROJECT field will be verified for validity by the Project Reference table (PROJ) and the Sub-project Reference table (SPRJ) in IFMS. This table is maintained primarily by the Financial Systems Staff, OFM. In each of the regional offices, access will be granted to a Superfund finance person for updating new site names and establishing codes.

This field can be a required entry within a particular FUND.

6. COST/ORG FIELD:

The cost/org field is processed by IFMS in a 7-character string as the last of six character fields. All space is available for local option.

EXAMPLES:

OSWER proposed using this field for a 3-character activity sequence number called "CERCLIS Serial Number."

OPPT classifications were moved here from the PROJECT field when the IT classifications were begun. The field was to be used only for extramural work.

Data entered in this field is verified in the ORGANIZATION (ORGN) table in IFMS. The ORGN table is maintained by the Financial Systems Staff, OFM.

B. APPROPRIATION NUMBER (TREASURY ACCOUNT SYMBOL)

Each appropriation account is identified at the U.S. Treasury by a code called a Treasury Account Symbol. These symbols consist of seven or more alpha-numeric characters, for example:

68**4/5**0108	EPA FY 2004/2005 EPM acct.
68**-20X**8153	EPA L.U.S.T. Trust Fund acct.
68**X**0110	EPA B&F account

The account symbols provide the following information:

Department or Agency Code - the first 2 characters identify the Agency (EPA = 68) responsible for the account and is assigned by the Treasury. [NOTE Agency code 20 signifies a Treasury account and is found in EPA's Trust Fund account codes.]

Period of Availability - the next character(s) represent the period of availability of the account for obligation, e.g.:

one-year appropriations - a single digit (0 through 9) indicates the fiscal year for which the appropriation is available for obligation (e.g. 4 = FY 2004) [NOTE: As of FY 2004, EPA has no one-year appropriations.]

multiple-year appropriations - two digits separated by a slash indicate the first and last fiscal year for which the appropriation is available for obligation (e.g. 4/5 = FY 2004/2005)

no-year appropriations - an "X" is used to designate an appropriation which is available for an indefinite period of time

Fund Group - the last four digits identify the specific account by Treasury fund group (e.g. 0108 = EPM)

For a complete list of EPA Treasury Symbols, see Exhibit 2520-3-1.

C. OBJECT CLASSES

1. OMB Object Classification Codes

Federal Agency object classification requirements are issued annually by OMB in Circular A-11. Object classes are used for government-wide accounting and reporting of the services or articles procured. OMB supplies the structure and major object class codes for which the Agencies supply the detail. Examples of OMB Major Object Class codes are:

24	Printing and Reproduction
26	Supplies and Materials
31	Equipment
41	Grants

All of the OMB Major Object Class codes can be viewed in IFMS by accessing the Budget Object Code (BOCT) table and observing the column labeled "MAJ OBJ CLS".

2. <u>EPA Object Classification Codes</u> **[NOTE: Revised in FY 2004]**
For purposes of budget planning and execution, EPA does not use all of the OMB Major Object Class codes. Beginning with FY 2004, the Agency has streamlined the OMB codes into only seven Budget Object Classes (BOCs) eliminating the programmatic/administrative distinction in the Operating Plan. (NOTE: the programmatic/administrative distinction will continue at the sub-object class level). The BOC list for FY 2004 will be as follows: (new codes in bold):

10 PC&B
21 Travel
28 Site Travel
36 Expenses
37 Contracts
38 Working Capital Fund
41 Grants

By utilizing only seven BOCs, EPA has grouped such OMB codes as rent, printing, supplies, transportation, and equipment into BOC 36 (Expenses). This new structure was adopted to help streamline budget processes and reduce workload for the budget community.

All of the Agency's BOC codes (cross-walked to OMB Major Object Class codes and Accounting Sub-Object Class codes) can be viewed in IFMS by accessing the BOCT table and observing the column labeled "BUDG BOC". [NOTE: Not all BOCs are valid for all appropriations (e.g. the 32.00 series - Land and Structures is only valid in the B&F account). The legislative history of an annual appropriation determines what object class activity is permissible in a given fiscal year.]

3. <u>EPA Sub-Object Classification Codes</u>

For EPA's budget planning and execution purposes, only a certain level of information is needed and seven budget object class codes (BOCs) are sufficient. For accounting purposes, however, the four digit budget sub-object classes number over 250. Each of the sub-object class codes rolls up into one of the seven budget object classes (BOCs). The sub-object class codes provide the level of detailed information needed for recording and sorting various spending transactions and to fulfill external reporting requirements to OMB, GAO, Congress, etc.. All the sub-object class codes and definitions fall within the broader scope of the OMB Major Object Class codes. For example, EPA has 18 sub-object class codes/definitions for the OMB Object Class code 26 (Supplies and Materials). Additionally, all accounting sub-object class codes crosswalk to one of the seven budget object class codes. A display of the OMB, BOC, and accounting sub-object class relationships is included as Exhibit 2520-3-2.

All of the Agency's Accounting Sub-object Classes (cross-walked to OMB object class codes and budget object class codes) codes can be viewed in IFMS by accessing the BOCT table and observing the column labeled "OBJECT CLASS". The sub-object class codes and definitions are Part IV of RMDS Chapter 2590 and can be viewed on-line at the following intranet URL address:
<u>http://intranet.epa.gov/ocfo/policies/resource.htm</u>

II. OPERATING PLAN CONTROL AND MANAGEMENT

A. ADVICES OF ALLOWANCE

1. Nature of Allowances

31 U.S.C. 1514 provides that Agency allotments will be established at the highest practical level. At EPA, OMB apportions the appropriated funds to the EPA Office of Budget (OB) Director as the Agency's single Allotment Holder. The OB Director retains the original signed apportionment documents on behalf of the Agency. This is the Agency's formal designation regarding "Administrative Subdivisions of Funds". The Agency does not have sub-allotments. The one restriction on the Agency's allotment is that it cannot exceed the amount of the apportionment.

Advices of Allowance are then issued by the Office of Budget (OB) (Allotment Holder) that cannot exceed the amount of the apportionment. The Advices of Allowance are provided to EPA managers called Allowance Holders (AHs). This system establishes an organizational framework for funding and permits the appropriate Agency officials to commit and obligate portions of the Agency's Operating Plan. The majority of Allowance Holders are National Program Managers or Regional Administrators who organizationally manage portions of many EPA appropriations. While Advices of Allowance are not formal sub-allotments or administrative subdivisions of funds, they represent serious responsibilities within the Agency. Although EPA currently operates in this manner, the Allotment Holder has the responsibility, authority and technical capability to issue, withhold, or withdraw any or all Allowances or portions of allowances as appropriate. The Allotment Holder also has the authority to consolidate Allowances centrally (or designate new Allowance Holders), if Allowance Holder responsibilities are being abused.

2. Advice of Allowance Issuance

Advices of Allowance (AOA) are made available to the respective Allowance Holders through the IFMS at the start of the new fiscal year. This assumes Congress has provided an Appropriations Act and that an Operating Plan has been entered into IFMS.

The funds control lockout level at EPA is set in IFMS at the Appropriation/Allowance level. The on-line feature in IFMS which shows this Appropriation/Allowance Holder level is called the Suballocation Inquiry Table (SALC). Allowance Holders will have a SALC table record for each appropriation for which they hold an allowance. This includes carryover and reimbursable allowances. For example, the Allowance Holder who is the Director of the XYZ Program may hold the following four allowances: a. EPM

b. LUST
c. Superfund
d. Superfund Reimbursable

Advices of Allowance are issued at the Appropriation/Allowance Holder level. The Operating Plan, which is the more detailed budget that adds up to an allowance, is found in the Allowance Inquiry Table (ALLT) in IFMS and is at the program results codes/budget object class level.

Some organizations are sufficiently large or geographically spread so that an Allowance Holder subdivides its organization and Operating Plan into smaller units of control called Responsibility Centers (RCs). In IFMS, this lower level of RC detail is found in the Sub-allowance Inquiry Table (SAIN) and is displayed at the program results codes/budget object class level. Allowance Holders and Responsibility Centers may view their respective allowances or Operating Plan at anytime IFMS is operating. Exhibit 2520-3-3 provides a display of the organizational hierarchy of the budget tables in IFMS.

When the Congressional Appropriations Committees approve the EPA Operating Plan (usually during December), the Office of Budget (OB) Director issues an annual Advice of Allowance Letter which formally transmits the following types of information:

Advice of Allowance Report

Agency Ceilings (if any)
Limitations to the Operating Plan
Congressional Approval Letter
List of Control Team Analysts
Action Items

The computer generated Advice of Allowance Report is a point-in-time hard copy confirmation of the allowance data found in the SALC table. The Allowance Holders are responsible for staying within the FTE ceilings and fund ceilings reflected in their Allowances. Additional guidance and computerized allowance data is transmitted at the start of each new quarter, as necessary, after the Advice of Allowance Letter has been transmitted.

FCOs must obtain a copy of the Advice of Allowance Letter from their Allowance Holder (AH).

3. Adhering to Advices of Allowance

Advices of Allowance, represented in IFMS by the SALC tables, specify how much the Allowance Holder may commit and obligate in the fiscal year. The SALC table updates instantaneously to reflect commitments, obligations, payments, and reprogrammings processed in IFMS.

[NOTE: Each federal agency usually does not have the full amount of its appropriation at the beginning of the fiscal year. However, since FY 1995, EPA has been fortunate in having all of its funding provided in the first quarter by OMB. This has been transmitted using a revised one-page letter format which apportioned all Agency funding. Beginning in FY 2002, both the standard SF-132 Apportionment form and EPA's one page letter format are entered and transmitted to OMB electronically.

IFMS also provides the Office of Budget (OB) with the capability to set funds control at either the total Operating Plan level or for a combination of data elements. A control on a combination of data elements may specify any particular Appropriation, RPIO, Allowance Holder, Responsibility Center, program results code or budget object class. Allowance Holders also have the capability in IFMS to set their own spending controls on sub-AH levels (such as the RC level or lower) without OB approval.

B. REPROGRAMMING

1. Purpose and Definition

A reprogramming is any movement of dollars or FTEs in the Operating Plan either at a Responsibility Center or Allowance Holder level including any change into or out of a Program Results Code, budget object class, Allowance Holder or Responsibility Center. Managers use reprogrammings to meet the changing needs and priorities of the Agency. As a matter of policy, EPA adheres to reprogramming limitations contained in the Appropriations Sub-Committee reports accompanying the annual Appropriations Act.

Some examples of reprogramming actions are:

- Resource changes between budget object classes within a program results code.
- Resource changes between program results codes to either different budget object classes or within the same budget object class.

- Resource changes between organizations (e.g. AHs, RCs)
- General resource reductions or increases.

IFMS is set up to monitor ceilings and floors, if any. However, this capability is based on the Operating Plan and not spending. Therefore, all organizations are responsible for monitoring their obligations against the Operating Plan and reprogramming when needed in advance of commitment and obligation. Failure to adhere to this policy could result in a lower level of organizational lockout and/or withdrawal of Allowances by the Agency Allotment Holder.

IFMS uses one of two transaction documents to reprogram funds or FTEs. The Office of Budget (OB) Reprogramming Transaction (RP) and the RPIO Internal Reprogramming Request Transaction (RR).

The RR transaction is primarily for program offices to use to move resources within their own RPIO. All RR transactions require an approval by a Reprogramming Approval Official within each RPIO. In general, RR transactions do not require approval by the Office of Budget (OB) and unlimited amounts can be reprogrammed within a PRC.

The RP transaction is used for reprogrammings across RPIOs, to and from the Office of Budget (OB) (for taps and increases), and for Congressional Add-ons. All RP transactions require Office of Budget (OB) approval.

2. <u>General Reprogramming Restrictions</u>

Reprogramming activity at the start of the fiscal year does not usually begin until Congress has approved the Agency's Enacted Operating Plan. The Enacted Operating Plan is the detailed Agency budget that results from adjustments (general and specific add-ons and reductions) that Congress has made to EPA's budget request. It also reflects adjustments that EPA has made since the Agency's initial request to reflect emerging priorities which require a reallocation of resources. Congress usually requires that this Operating Plan be sent to it within 30 days of the enactment of our Appropriations Act.

A general limitation on reprogrammings is included annually in the committee reports for the VA/HUD and Independent Agencies Appropriations Act, which includes EPA. In recent years, EPA has operated under a limitation of $500,000 for most appropriations and for the EPM appropriation, committee approval is required only above $1 million and notification is required above $500,000. Understandings reached with our Appropriations Committees provide that the limitation is not cumulative for the year but applies incrementally to reprogramming activities undertaken for a specific purpose. In other words, reprogrammings between particular goal/objectives are not cumulative if each reprogramming is done for a **different** stated purpose. However, for goal/objective reprogrammings done for the **same** purpose (and are cumulative at the Agency level), EPA has agreed to notify or request approval from the Appropriation Sub-Committees staff. In some years, restrictions may limit the number or timing of reprogrammings requiring Congressional approval. Additionally, EPA has agreed to notify the Committees of reprogramming actions that involve **less** than the limitation if such actions:

a. involve substantive changes in policy or direction at the goal/objective level,

b. change the agency's funding requirements in future years,

c. affect programs or projects specifically cited in the Committee's reports (i.e. earmarked resources or add-ons)

<u>Additionally, EPA has agreed to notify the Committees of:</u>

d. reorganization of offices, programs or activities prior to the planned implementation of such reorganizations.

The Office of Budget (OB) will assist Responsible Planning and Implementation Officers (RPIOs) in providing Congressional notification for reprogrammings in excess of the limitation, whenever it is needed. If you anticipate the need to reprogram funds in excess of the limitation, please notify the Formulation, Control and Policy Staff. They will provide guidance on current procedures such as format, content and timing. However, the proposed reprogramming should not be entered into IFMS until the Agency has a response from the Committees and you are notified by the Formulation, Control and Policy Staff.

The (Office of Budget (OB) also will monitor and enforce compliance with both the letter and spirit of these limitations to ensure that the Agency's arrangements and relationships with the Appropriations Committees are not jeopardized.

RPIOs will not be permitted to compromise the Agency's position by:

- splitting reprogrammings (for the same general purpose) into **more than one document** to circumvent the limitation,
- reprogramming incremental amounts (for the same general purpose) into or out of **more than one organization** (such as ten regions) where the cumulative amount moving between PEs is in excess of the limitation,
- reprogramming <u>or</u> spending **any** amount of Congressional add-on/earmarked funding for a purpose other than that stipulated by the Congress, (add-on plus base in instances where Congress has increased an underfunded program),
- overobligating a goal/objective in excess of a Congressional limitation and circumventing the reprogramming process (de facto reprogramming),
- reprogramming between activities within a PRC goal/objective that does not move Operating Plan resources but represents a major policy shift.

Information regarding the current restrictions and limitations can be found in the annual Advice of Allowance Letter.

Resources may only be reprogrammed within a single Appropriation (or Fund, in IFMS). Movement between appropriations requires an Appropriation Transfer which Congress considers on a case-by-case basis and approves through the use of a Supplemental Appropriations Act.

Funds must also be available (uncommitted, unobligated, and unexpended) in order to be reprogrammed. This can be verified by first viewing the Operating Plan (the Allowance Table (ALLT) in IFMS). When OMB apportions funds to EPA by quarter, reprogrammings may only move funds from one quarter to another if offsetting funds are moving the other way on the same document.

3. <u>Reprogramming Limitations (Ceilings and Floors)</u>

Any Agency ceilings and floors, which may be imposed on EPA appropriations for a given year, are transmitted by the Office of Budget (OB) to the Agency in a number of ways including: direct communication; the annual Advice of Allowance letter; and the appropriation analysis binder that is sent to each Assistant Administrator/Regional Administrator.

a. **Ceilings -** Certain Agency resources are designated by Congress or OMB with a cap or limitation referred to as a "ceiling". Ceilings are not resources. Ceilings impose planning and spending limitations for resources that cannot be exceeded. In a number of our appropriations, one or more ceilings may be imposed upon EPA for: Full-Time-Equivalent Work-years (FTEs), site-specific & non site-specific Travel, Administrative Expenses, Superfund Functions, and sometimes even specific programs. In addition, the Agency may violate the Anti-Deficiency Act if its obligations and disbursements exceed specified statutory ceilings. [NOTE: the OIG appropriation account does not have ceilings.]

EPA establishes and maintains agency limitations for the following ceilings:

Work-year Ceilings - Work-years are also known as FTE (full-time equivalents). [NOTE: A full-time equivalent (FTE) is the total number of hours (worked or to be worked) divided by the number of compensable hours applicable to each fiscal year. A Work-year is equal to between 2080 - 2096 employee workhours per year (listed by year in OMB Circular A-11) depending on annual calendar fluctuations.] All employees, including Agency Co-ops and stay-in-school employees count against the Agency Work-year ceilings. These ceilings apply to workforce appropriations such as: Environmental Programs & Management (EPM), Science & Technology (S&T), Superfund, and Leaking Underground Storage Tanks (LUST). Work-year levels are developed during the budget planning process and are determined by anticipated PC&B dollars divided by cost-per FTE estimates. Work-year ceilings are imposed by the Agency to restrain the obligation of PC&B resources and to control the size of the Agency's workforce. FTE ceilings are no longer imposed by OMB and are also not mandated by Congress. However, Congress may put language within the Act, or legislative history to the Act, that has explicit FTE implications. At times, FTE "Caps" to certain EPA Offices have also been included as Administrative Provisions in our Act. Within the Agency, FTE ceilings in workforce appropriations are issued to the appropriate RPIOs/Regions including ceilings on reimbursable Work-years. Each RPIO is responsible for monitoring and managing their FTEs. RPIOs are also expected to manage FTEs consistent with existing budgets and should implement hiring plans such that end of year on-board staff levels leave the Agency with flexibility to deal with reasonable budget changes in the next fiscal year.

Travel Ceilings - These ceilings apply to travel appropriations such as: Environmental Program & Management (EPM), Science & Technology (S&T), Superfund, and Leaking Underground Storage Tanks (LUST)), etc. and are imposed to prevent government travel abuse. They are based on travel budget estimates included in EPA's President's Budget Request and are subject to change by the Congress. When enacted, the Appropriations Act includes a General Provision (Section 401), which states that: "Where appropriations in titles I, II, and III of this Act are expendable for travel expenses and no specific limitation has been placed thereon, the expenditures for such travel expenses may not exceed the amounts set forth therefor in the budget estimates submitted for the appropriations:...Provided further, That if appropriations in titles I, II, and III exceed the amounts set forth in budget estimates initially submitted for such appropriations, the expenditures for travel may correspondingly exceed the amounts therefor set forth in the estimates only to the extent such an increase is approved by the Committees on Appropriations." [NOTE: EPA's appropriations act typically states "that this section shall not apply to ... travel performed by the Offices of Inspector General in connection with audits and investigations."]

Superfund (SF) Functional Ceilings- The report accompanying our annual Appropriations Act established functional caps that restrict how Superfund resources can be spent. Regions must not spend more than allotted under these functional caps. However, Regions may shift functional amounts to other Regions. This can be done via reprogramming documents in IFMS. The document must state in the purpose that the reprogramming shifts Superfund function resources. Currently, the three Superfund functional ceilings are Response, Enforcement, and Management.

Administrative Expenses Ceilings - These ceilings have been imposed in the past to limit administrative expense costs. In some cases, the ceilings were specified in the Appropriations Act with specific dollar amounts. Even though our appropriations act does not currently contain specific administrative expense ceilings, the Agency has agreed with the Committees that prudent management will be observed. As a result, EPA continues to maintain the administrative/programmatic charging distinctions and to carefully monitor spending.

Programmatic Ceilings

This type of ceiling represents a limit placed on a particular Goal, Objective, Program/Project, Agency Activity, etc. (e.g. Criminal Enforcement Training), (e.g. the new Brownfields law contains a ceiling on expenditures for expenditures for Brownfields research, training, and technical assistance carried out under CERCLA 104(k)(6). It's 15% of the amount appropriated to carry out CERCLA 104(k)).

To ensure that the Agency is in compliance with its ceilings, EPA organizations are provided with ceilings of their own (sub-ceilings). An organization, for ceiling purposes, may be defined as any level within EPA including RPIOs, Regions, Allowance Holders, or even RCs. All organizations must live within each of the ceilings imposed and must take affirmative measures in advance to ensure that ceilings are not exceeded at any time.

Work-year ceilings (including Reimbursable FTEs) are issued annually and do not carry over from one year to the next. All other multi-year and no-year ceilings do carry over in conjunction with the dollar balances. Neither carryover ceilings nor dollars are part of an Allowance Holder's budget until the Office of Budget (OB) has made them accessible in the IFMS Operating Plan. The Agency cannot carry over more ceiling than it has carryover dollars, and neither can any RPIO/Region.

b. **Floors -** Congress or OMB may mandate minimum amounts that must be dedicated for specific purposes (e.g add-ons), programs, budget object classes, projects, etc. These resource amounts that the Agency must, at a minimum, dedicate for the activities indicated, are called "resource floors". Resources to meet floor levels, if any, cannot be planned, reprogrammed, committed, obligated, or disbursed for any purpose other than that intended by Congress or OMB. A major object class such as Personnel, Compensation and Benefits (PC&B), a particular activity within a program, a whole program, are all candidates for floor designation.

Programmatic Floors - Floors are sometimes created by using earmarked totals or restrictive language which specify the exact amounts to be budgeted (including reprogrammings) or obligated for a specific program (e.g., formula-driven grant programs), group of programs or a specific activity within a program (e.g., Compliance Assistance Program at $25 M in FY 2000). Congress does this to "lock in" a specific amount of funding for a particular purpose that prevents deviation from the amount of funding that it deems necessary.

To ensure that the Agency is in compliance with its floors, if any, EPA organizations are provided with floors of their own (sub-floors). An organization, for floor purposes, may be defined as any level within EPA including RPIOs, Regions, Allowance Holders, or even RCs. All organizations must comply with each of the floors affecting their operation and must take affirmative measures in advance to ensure that floors are not violated at any time.

In multi-year appropriations, any floors do carry over from one year to the next in conjunction with any associated dollar balances being reissued.

Agency limitations such as **ceilings and floors** are established in the IFMS Limits Reference Table (LIMT). An error message will occur if reprogramming transactions violate any of the limitations in this "net" through which all IFMS reprogramming transactions are screened.

4. Reprogramming Process

The AH/SBO/Regional Budget Officer initiates a reprogramming document as a result of any planned change, either programmatic or budgetary, to the current year Operating Plan in IFMS. They are responsible for editing and correcting the reprogramming document and indicating their approval (level 1) in IFMS. These reprogrammings appear on the Suspense File (SUSF) in IFMS.

The Control Team of the Formulation, Control and Policy Staff accesses all reprogramming documents that appear on the SUSF in IFMS where 1st level approval has been applied on the prior day. The Control Team reviews the reprogrammings and, if necessary, routes the reprogramming document to the appropriate Office of Budget (OB) Staff for review and approval (there may be instances where more than one Staff reviews the document). The Office of Budget (OB) Staffs review reprogrammings which affect the programmatic and policy concerns of the programs.

A well written, informative purpose statement (justification) is necessary for approval of the reprogramming document. Reprogramming justifications provide the permanent audit trail of EPA's resources and protection for the initiator whose rationale is documented. Reprogramming justifications should simply state: 1.) what the action achieves for the program(s) or office(s) receiving an increase and, 2.) what the impact is to the program(s) or office(s) losing resources. See Exhibit 2520-3-4 for more on how to write a reprogramming justification.

Once all steps are completed, the reprogramming document is approved and updated in IFMS. Approval of the document can be viewed by the initiator on the SUSF and is reflected as "ACCPT" in the Status column. The ZRRP table in IFMS displays all recently approved reprogrammings which reprograms funds between RPIOs.

C. CARRYOVER of UNOBLIGATED BALANCES

Carryover funds are defined as unobligated balances of appropriation accounts which have not expired at the end of the fiscal year. Because OMB Apportionments expire every September 30th, these carryover balances must be reapportioned to the Agency by OMB in the new fiscal year. Each year, the Office of Budget (OB) estimates carryover balances that will be unobligated at year-end and submits carryover apportionment requests to OMB by August 21st in accordance with OMB Circular A-11 (Part 4) (formerly OMB Circular A-34) requirements. This helps to ensure that authority has been granted by OMB to have carryover funding available to the Agency at the start of the new fiscal year. However, because this authority is based on amounts estimated almost three months prior to EPA closing its books for year-end, the Agency must be prudent in the use of these estimated carryover amounts until final totals are available and estimated apportionments are revised to reflect actual balances.

Beginning in FY 1996, the Integrated Financial Management System (IFMS) was coded so that two-year funds would remain available into the second fiscal year and, in effect, carry over automatically. Utilizing this feature, allowances were automatically available when IFMS opened for processing. Although this enhancement provides a number of benefits to Allowance Holders, it also adds responsibilities for managing the funds for a two-year period. For example, while Allowance Holders will no longer be required to request recertification of second-year recovered funds, because IFMS will automatically recover those funds to the accounting data from which they were De-obligated, AH’s will have to anticipate and cover any overruns that might occur, since overruns will also impact the original accounting data as they are posted in the second year.

For the no-year appropriations which do not automatically carryover, the Office of Budget (OB) issues annual guidance (usually during September) which describes the carryover review process and the standard operating procedures for requesting carryover balances for the new fiscal year. Carryover funds are then released as quickly as possible, usually in stages beginning at the start of the new fiscal year and continuing throughout the year. Their release is dependent upon final closeout data and policy decisions by Agency management.

Work-years and reimbursable dollars automatically carry over in 2-year unexpired carryover appropriations; No-year appropriations do <u>not</u> carry over and must be newly issued each year. Travel ceilings <u>do</u> carry over provided that dollars have also carried over. The precedent for unused ceiling carrying forward was negotiated with the Congressional Appropriations Committees and OMB in FY 1986 when the Superfund program had to be operated using carryover funds while waiting for reauthorization. This practice is not limited to the Superfund appropriation. Unused ceilings that are covered by unobligated carryover dollars are also available for reissuance in <u>all other</u> two-year and no-year appropriation accounts.

Annual reprogramming restrictions, which are issued at the start-of-year in the Advice of Allowance Letter, also apply to all carryover funds. EPA has authority to reissue or reprogram carryover balances for new priorities, up to Congressionally specified levels, without Congressional notification provided the resources are not otherwise earmarked. However, resources which carry over as unobligated balances retain any Congressional restrictions as to purpose, time, and amount that applied when they were originally appropriated.

D. REIMBURSABLE ALLOWANCES

Reimbursable authority is additional budgetary authority granted to EPA by the Office of Management and Budget (OMB). This additional authority is requested by the Agency and permits EPA to obligate collections and other funding sources (both federal and non-federal) which are in addition to EPA's annual appropriations. The authority is established using an Apportionment and Reapportionment request (OMB Standard Form SF132).

Federal agencies frequently enter into both federal and non-federal agreements where they are either the disbursing Agency or the receiving Agency. Disbursement agreements are made by EPA Offices by obligating their regular allowances from the Agency's enacted appropriations. At EPA, reimbursable allowances are only issued if EPA is the receiving Agency. Some of the instances for which EPA has utilized the reimbursable allowance mechanism in the past are listed below.

1. Reimbursable Interagency Agreements (IAGs) - This is by far the most common reimbursable situation. Under this arrangement, other Federal Agencies provide funding to EPA for services which we provide directly or for which we utilize one of our contractors. The authority cited for such agreements is frequently:
a.) "cooperation" authority for IAGs [NOTE: these sections are found in EPA authorizing legislation (e.g. CERCLA, RCRA, CAA, CWA, etc.)], b.) the Clinger-Cohen Act (CCA), also known as the Information Technology Management Reform Act (ITMRA) (e.g. GSA IAGs), and c.) the Economy Act. [NOTE: The agreements themselves are overseen and processed by the Grants Offices throughout EPA. [NOTE: OMS approves a determination and finding relating to Economy Act IAGs that involve contracts.] Once the agreement is forwarded to and recorded by the Cincinnati Financial Management Office, this office handles the billing (e.g. if on an actual reimbursable basis, the other Federal Agency will be billed as work is completed and/or as the contractor submits bills for payment to EPA).]

To avoid technical violations of the Anti-deficiency Act by making disbursements in excess of the appropriation cash balance, close monitoring of the available cash balance for the effected appropriation should be exercised. If the cash balance falls below $500,000, further obligations from the appropriation should be shut down until reimbursements or an advance is received from the paying Agency to replenish the cash in the appropriation.

2. Intergovernmental Agreements (IGAs) - (Agreements with Other Governments)

a. State or Local Governments - are provided for under the Intergovernmental Cooperation Act of 1968. In this arrangement EPA provides specialized services being purchased by state or local governments.

b. Foreign Governments & International Organizations - are provided for by specific legislation such as section 607 of the Foreign Assistance Act (22 U.S.C. 2357), which allows EPA to receive funds from foreign governments and certain international organizations in exchange for services.

3. Fees -This includes activities such as state and local operating permit and fee programs to enhance the effectiveness of programs for reducing pollutants. Only if authorized by statute, can collections that are received by the Agency be obligated by EPA during that

fiscal year. Otherwise, the fees must be deposited as Miscellaneous receipts to Treasury as required by 31 U.S.C. 3302 (b), or as directed in a statute.

4. Special Accounts / Cash-outs - This is funding that EPA receives from "Potentially Responsible Parties" through agreements or legal settlements in the Superfund program. The funding is intended to pay for future work at specific sites and EPA is authorized to " retain and use" these funds by Section 122(b)(3) of CERCLA.

5. Federal Technology Transfer Act (FTTA) - This is authority for Cooperative Research and Development Agreement (CRADA) income and royalty payments from licensing agreements with private firms which will pay royalties to the Federal Government for an exclusive license to use Federally-developed technology. FTTA CRADA funds are held in trust for the co-operators and may be used solely for specified purposes. CRADA funds are subject to recertification and the same internal controls as appropriated funds.

NOTE: FTTA royalty funds lapse at the end of the fiscal year following the one during which they were received.

6. Advance State Match/State Cost Share - This is the percentage of site response costs matched by the individual states either after-the-fact, or under rare circumstances, in advance in the Superfund program.

7. Reimbursable Work-years (FTEs) - Additional Work-years to undertake the terms of an agreement can only be provided by OMB and FTEs should not be written into any agreement during budget execution. In the past, in the rare instances where OMB has agreed that reimbursable FTEs were appropriate and justifiable, the FTE were granted during the budget planning cycles (either the OMB submission or the Operating Plan development stage).

8. FIFRA IPAs - Intergovernmental Personnel Act employees under the Federal Insecticide, Fungicide and Rodenticide Act of 1972.

9. Recycling Fees - Collections from the Agency's recycling program.

Not all instances for which EPA uses the reimbursable allowance mechanism are situations of actual reimbursement. Many are up-front collections (such as fee programs, intergovernmental agreements, and cash-outs) where it is merely the best apportionment mechanism for OMB to provide the specific authority to the Agency. In all cases, however, where other organizations are providing funding, there is a net zero impact (the result is neither an increase or decrease) upon EPA's Enacted Appropriations following disbursement and/or reimbursement. Also, the reimbursable apportionment authority is not a budgetary resource until an agreement is entered into (if an IAG) or funds are received (if a collection) and the apportionment authority is thereby funded.

Reimbursable authority must be obtained from the Office of Budget (OB) in the form of a reimbursable Advice of Allowance prior to commitment or obligation of any of the resources described above. However, before authority can be issued, the OB must have received documentation that an IAG has been executed or that funds have been collected by the Agency. For example, an EPA office that has entered into an IAG cannot act upon the agreement until they have forwarded an official executed copy to the OB and received a reimbursable allowance to commit and obligate against. Reimbursable Advices of Allowance are issued through the Integrated Financial Management System (IFMS) and are reflected in the Operating Plan as reimbursable appropriations.

Those appropriation accounts for which EPA receives Reimbursable Authority from OMB are: EPM, S&T, LUST, Superfund, OIG, and Oil Spills. Since reimbursable agreements may involve any of the budget object classes, authority will be issued in the appropriation for which the object class and/or work being performed is appropriate. Because there is a net zero impact upon EPA's enacted appropriations, ceilings and floors, if any, do not apply except in the case of Reimbursable Work-years (FTE).

Reimbursable Work-years (FTE) which accrue as a result of charging PC&B against a reimbursable agreement are subject to an RPIO's own direct FTE ceiling. In other words, an RPIO cannot exceed its total Work-year ceiling (direct plus reimbursable FTE).

Not all unfunded Agency reimbursable authority and not all unobligated reimbursable allowances expire at yearend. If the reimbursing Agency's funding has not expired at year end, RPIOs can request a reimbursable allowance in the new fiscal year to cover any unobligated portion of their agreement(s).

For more on reimbursable interagency agreements and the reimbursable process, see Chapter 4 of RMDS 2550C entitled: Interagency Agreements.

III. COMMITTING AND OBLIGATING APPROPRIATED FUNDS

A Funds Control Officer's signature on a document signifies that the document has been personally reviewed for accuracy, that all accounting data is accurate and complete, that the transaction has been accepted in IFMS, and that the funds are available as to purpose, time, and amount. There may be rare exceptions when a transaction may not accepted into IFMS. These rare exceptions happen before IFMS is opened at the beginning of a fiscal year. **It is the FCOs responsibility to ensure that all of these actions have taken place before forwarding the document to other Agency officials. These officials will be relying on the FCOs signature to indicate that the funds will not be altered, revised, or withdrawn prior to obligation without advance notice, or until the recipient of the document is notified in writing.**

This section will cover the essential items on funding documents that an FCO should review, and common funding problems an FCO may encounter after committing the funds and how those problems are resolved. Since an FCO's realm of responsibility may vary between depending on whether they are located in HQ or the Regions, not all of these functions may actually be performed by the FCO. However, in either location, the FCO is directly responsible for, or subject to, coordinating with other personnel on the following activities.

A. REVIEWING AND APPROVING FUNDING DOCUMENTS

A lack of attention to detail in properly reviewing a funding document could result in a violation of the Anti-Deficiency Act. Therefore, the FCO should ensure that the following information is correctly cited on the document **before** committing the funds in IFMS:

1. Correct Appropriation: Chapter 1 Part III describes the different appropriations used by the Agency and their purpose. The FCO must ensure that the funds cited are being used for the appropriate purpose. The FCO may also need to apply the "Pick and Stick" rule to determine whether or not the document is funding something from one appropriation that traditionally may have been funded from a different appropriation. This rule was covered in Chapter 1 (Part II, A 1).

2. Correct Account Number: See Chapter 3, Part I for description of the 6-Field IFMS Account Code and how to enter this information.

3. Correct Object Class Code: See Chapter 3, Part I for description. FCOs must ensure that the document cites the correct sub-object class code in terms of properly categorizing the item, coinciding with the appropriation cited and properly identifying the item as being administrative or programmatic in nature. For further information, FCOs should review RMDS 2590 which contains a description of all of the Agency's sub-object class codes.

4. Correct SFO Code: Chapter 2, Part II describes the roles and responsibilities of an SFO. The SFO closes out commitments and enters obligations into IFMS. Thus, all funding documents must cite the proper SFO code in order to reach their proper destination and be processed. The correct SFO code is based upon the FCO's geographic location and/or on the type of funding document being processed. See Exhibit 2520-2-3 for the correct SFO code to use for each type of funding document.

5. Accurate Mathematics: FCOs must ensure that, when more than one quantity of an item is being procured, the total cost of the purchase is correct. Thus, the estimated unit price multiplied by the quantity must equal the total price/cost shown on the document.

If the funding document is citing more than one appropriation and one of them is a Trust Fund appropriation, the FCO must make sure that the Trust Fund layoff percentages used in calculating the costs against each appropriation are correct, and that the document cites the appropriate corresponding accounting information. For more information on the concept of Trust Fund Layoffs, see Chapter 4(G).

6. Correct Signatures: FCOs must ensure that the document has all the proper signatures (Initiator and/or Approving Official). Actions sometimes require different levels of approval, such as international travel which requires higher level approvals than domestic travel. FCOs should be familiar with all persons authorized to sign for their organization. By checking for signatures, the FCO is assured that the document has been reviewed by the appropriate individuals. (If multiple organizations are involved, all appropriate FCOs are responsible.) Also, OMS requires that some types of procurement have signatures from individuals outside of the FCO's office. For example, for the purchase of any ADP equipment, the funding document must have the SIRMO's (Senior Information Resource Management Official) signature. For the procurement of furniture or renting of conference space, the document must have a signature from the Facilities Management & Services Division (FMSD).

7. Proper Funding Vehicle:

Most commonly used funding documents at EPA are fairly self-explanatory (i.e. Travel Authorization and Travel Voucher for travel related expenses). However, there are some instances where the FCO needs to apply policy guidance. Although the document may originate with the Contracting Officer Representative (COR), the FCO must also know when it is appropriate to use a contract but not a grant or cooperative agreement. The Federal Grant & Cooperative Agreement Act (FGCAA), 31 U.S.C. 6301 et. seq., provides that grant and cooperative agreements must be awarded when the principle purpose is to carry out a public purpose of support or stimulation authorized by statute, rather than to acquire services or products which directly benefit the government. In interpreting the FGCAA, EPA Order 5700.1, states:

If an office or laboratory's principal purpose in undertaking a project is to obtain a product or service for the direct benefit or use of the Agency, or any part of the Federal government including the legislative and judicial branches, a contract, rather than a grant (assistance agreement), must be used.

[NOTE: An exception where services for the direct benefit or use of the Agency could be obligated through a grant award is in association with the Senior Environmental Employee (SEE) Program, which is authorized by th Environmental Programs Assistance Act. This program was established by Congressional legislation and is awarded through SEE grants.]

B. RECORDING COMMITMENTS

Once the document has been properly reviewed, and all financial data is correct, the funds are ready to be committed. Committing funds reserves a specified amount for a specific purpose. Commitments help managers to estimate how much individual spending actions will cost and to predict overall expenditures based on actions that are not yet obligations. Since large procurements often take months to award, it is essential that FCOs ensure that committed funds remain available throughout the entire procurement process.

1. Funds Availability Check

The **first** thing an FCO must do after reviewing the document is a funds availability check. A document cannot be committed if sufficient fund are not available. If allowances have been established at the RC level, the two key tables to observe in IFMS are the SASP and SAIN Tables. For those Allowance Holders whose funds are not distributed to a lower level, funds availability can be confirmed in the ALLT or ALST Tables. If funds are available, then the document can be committed. However, if there are **insufficient funds,** the commitment may not be processed and it may be necessary to submit a reprogramming request. Although IFMS will not lock out such a spending action unless the AH total is insufficient at the appropriation level, spending another RC's resources within the same Allowance violates Agency policy. If the Operating Plan has not been established at the RC level, an office must have alternate procedures in place to determine RC balances. See Section II of this chapter for more information on reprogrammings. The FCO initiates the reprogramming request based on their own organizational level. For example, an FCO at the RC level would contact the AH. An FCO at the AH level would contact the SBO. Remember, the type of reprogramming required (RR or RP) will determine the level of approvals needed. If there are insufficient funds and a reprogramming cannot be accomplished, then the spending action cannot be undertaken.

2. Entering Documents into IFMS and Travel Manager

If funds are available, the FCO enters the funding document into IFMS as a Requisition (RQ) or into Travel Manager as a Travel Order (TO). While the RQ is entered as a commitment, TOs are entered as an obligation. The FCO (or IFMS) will assign the document a Document Control Number (DCN). The DCN is then written on the funding document. A DCN should never be written on a funding document without having been entered into IFMS first. The number on the document and in IFMS must match. Putting the "next in line DCN" on a document without actually committing the funds into IFMS is poor fiscal management. It is essential that data on funding documents be accurate, legible and consistent with what is entered into IFMS.
If any changes are made to the funding document after it has been sent forward, the FCO must immediately notify the obligating official of the changes.

It is critical that the FCO maintain organized and accurate records of all the funding documents processed throughout the fiscal year. [NOTE: According to EPA's Record Management Manual, all funding documents and records related to IFMS should be held for up to 3 years after they are filed and final payment has been made, then retired to the Federal Records Center.] After the document has been entered into IFMS and the funds are committed, the FCO may choose to transmit the document or return it to the originator for transmittal to the obligating official, according to local office procedures.

Obligating officials are EPA employees who have been delegated authority to legally obligate the government to pay for goods and services. Obligating officials, including Contracting and Grants Officers, know how to process an obligation, and what constitutes evidence of the obligation. Obligating officials forward a copy of the obligating documents to the SFO to officially record the obligation of funds in IFMS. Obligating officials will also forward copies of the obligating document to the originator and/or to the FCO. The copies may be marked "Receiving Report" and "Originator". If the originator is someone other than the FCO, internal procedures should be established to ensure that the originator forwards a copy to the FCO. This is especially true with Training Requests, which are obligated as Purchase Orders on the same form and usually returned to the trainee for submission to the vendor. It is important that the FCO maintain a copy of all obligating documents in their files to facilitate any reconciliation that may be necessary.

3. Unfunded Procurement Requests (PRs) for Planning Purposes

Many Federal Agencies use Planning Purpose PRs (PPPRs) in their procurement process. Traditionally, these types of PRs are non-funded actions that are used in initiating procurement efforts that will take a long time to award, as well as for procurement actions that must begin on, or soon after, the start of the next fiscal year (i.e., contracts for service-related contracts that an Agency uses every fiscal year).

Currently, in OMS, the Procurement Initiation Notice (PIN) has replaced the planning PR (PPPR) for **new procurements** using other than simplified acquisition procedures. Exercising options, renewing leases, maintenance agreements and other requirements submitted **subject to the availability of funds** are initiated by the Project Officer (PO) using a PPPR. In order to start the procurement process in a timely manner, a PPPR is necessary to help the procurement office determine how much money the

Agency needs for a given good or service, and using that estimate as a base during the negotiating process with a contractor. Once a contract is negotiated in terms of cost, a Contracting Officer (CO) will then request a revised PR (from those offices that submitted PPPRs) that reflects the negotiated amount prior to obligating the contract.

When planning PRs are done for a service that will be required in a new fiscal year, federal procurement regulations require that the PR contain the following statement: "**This PR is for planning purposes only and is subject to the availability of funds at the time of award."** This statement is placed on PRs to ensure compliance with the Anti-Deficiency Act (no funds may be obligated on any government contract in advance of an appropriation) and the bona fide needs rule (an appropriation may only be obligated to meet a legitimate need that exists during the period of availability). See Chapter 1 for further information.

A good example of when the Agency uses planning PRs is with maintenance contracts. Maintenance is a service that is continually required every fiscal year. To negotiate a price with a contractor for maintenance, the Office of Acquisition Management (OMS) first determines how many program offices within the Agency will need the service. OMS will send out an annual call letter (during the summer months) requesting that those offices needing maintenance service send them an planning PR containing a cost estimate (based on previous years) for how much the office expects to pay for their maintenance costs. These planning PRs are then used by OMS as a base when negotiating with a contractor for the actual cost of the contract.

[NOTE: Offices that fail to provide a planning PR (or a revised PR after the contract costs have been negotiated) to OMS for a service or good, and then actually receive a service or good from a contractor may create an unauthorized procurement. See Section I for more on unauthorized procurements.]

For more information on Planning PRs, see section 7.3.5.1, paragraphs C and E of the Contracts Management Manual at: http://epawww.epa.gov/OMSintra/policy/cmm.pdf

C. MONITORING FUNDS AFTER COMMITMENT

It is important that the FCO monitor open commitments to ensure that the obligations are promptly and properly recorded in the IFMS. There are at least two methods for FCOs to monitor the status of commitments and obligations in IFMS: through IFMS on-line tables or through report printouts.

When a funding document has been obligated, it is usually assigned an Obligating Document Number (ODN), which will be used by the SFO to record the transaction in IFMS. Your receipt of a copy of the obligating document should alert you that the obligation transaction should soon appear in IFMS. By looking for the ODN in IFMS tables or on reports, FCOs can determine if the obligation has been properly recorded.

1. IFMS Tables

There are three tables in IFMS an FCO can use to see if a commitment document has been obligated:

a. The **DXRF** table is particularly helpful in determining whether a commitment has been obligated. The FCO can use this table by scanning on the RQ Document ID. The table displays the Obligating Document Number (ODN), the date obligated, and the amount. Also, the ODN will appear in IFMS in the form of a Contractual Obligation (CO), Grant Obligation (GO), Miscellaneous Obligation (MO), or a Construction Grant (CG). [NOTE: The view displayed on DXRF will not provide the current status of the obligation but the OBLH / OBLL table will.]

b. The **OBLH and OBLL** tables display the current status of obligation transactions, including the total obligated amount, the total expended amount, the closed amount and any outstanding, or open, obligation amount. The OBLL table shows status by line; not for the total obligations. Users simply need to scan on the Obligating Document Number (ODN) that was identified in DXRF. The expended amount is the amount of the obligation that has been paid. The closed amount reflects the amount of the obligation that is no longer available for payments. The outstanding amount identifies how much of the obligation is still open or unpaid.

2. Financial Data Warehouse (FDW) Reports

FCOs, in monitoring their funds in IFMS, will need to use EPA's Financial Data Warehouse (FDW) or IFMS tables.

EPA developed the FDW to consolidate financial data from various enterprise systems into a single relational database that provides user-friendly access through the use of standard queries or an ad hoc software query package. The FDW is a collection of data from the following enterprise financial information systems:

- Integrated Financial Management System (IFMS)

IFMS is the core financial management system supporting budget execution and accounting functions. IFMS supports the standard general ledger, is the source of data for preparing financial statements and budgetary reports and supports program officers in the management and control of funds. Transaction level financial data is copied to the FDW.

- EPA 's Payroll System (PeoplePlus)

PeoplePlus is EPA's new payroll system that supports the time and attendance functions. Payroll information by employee is copied to the FDW. Summarized information at the account level is interfaced on a bi-weekly basis to IFMS.

- Combined Payroll Redistribution and Reporting System (CPARS) (PeoplePlus module version) CPARS supports the adjustment or correction of payroll costs among accounts after employee compensation is made. Adjustments to payroll information by employee are copied to the FDW.

- Contract Payment System (CPS)

CPS is used to process all payments for all EPA contracts. Invoice, obligation and vendor data is copied nightly into the FDW.

- Grants Information and Control System (GICS)

GICS is used to manage all EPA grants. Award, disbursement, and grantee data is copied nightly into the FDW.

All of the data that resides in the FDW originates from a separate official system. The copy of the official data that resides in the FDW is never changed. User access to the data is read-only. Access to sensitive data, such as that related to employee pay and awards, requires special access.

The data that is stored in the Financial Data Warehouse is available to the EPA users in two options.

- the user may utilize the EPA's Financial Data Warehouse via the EPA Intranet ,or

- the user may use direct access by using Lotus Approach, Impromptu, MS Access, and other tools.

The EPA's Financial Data Warehouse Web Queries are available via a link from EPA's Intranet home page and consists of a list of reports from the various financial systems. The user will click on the report of their choice and enter the appropriate selection criteria to retrieve the data they requested. The FDW home page can be accessed at the following EPA intranet address: http://intranet.epa.gov/fdw/

Direct access to the FDW

Direct access to the FDW Oracle database is available. Users will need to provide their own reporting tool and must have an Oracle client set up on their PC. Some reporting tools that are being used and known to work include Lotus, Approach, Cognos Impromptu, Business Objects, Microsoft Access, plus the various Oracle reporting products. Any reporting tool capable of connecting to an Oracle database or an ODBC data source should work.

3. Orbit Reports

In FY 2004, OCFO is planning the launch of ORBIT (OCFO's Reporting and Business Intelligence Tool). Although some EPA offices have already been using Business Objects, the software that ORBIT is built on, for a range of financial operations for the past year, the launch of the customized and centrally-managed ORBIT tool represents a significant milestone in OCFO's efforts to bring financial information to day-to-day decision making across the Agency. The phased deployment of ORBIT will begin with a Phase I pilot program and will include an executive dashboard, a group of standard reports, and an ad hoc reporting tool for advanced users. Future development of ORBIT will focus on meeting financial reporting needs not addressed in Phase I in addition to addressing new report requirements including the introduction of programmatic and performance information to the reporting structure. Additionally, plans for ORBIT include reporting against additional data sources not represented in the Financial Data Warehouse. ORBIT will support a wide range of management, analysis and operation activities across the Agency. The goal of ORBIT is to improve the Agency's financial reporting capabilities, and significantly expand the ability to integrate financial, administrative, and program performance information providing managers and executives the tools necessary to make informed decisions about their programs.

D. RECORDING OBLIGATIONS

As mentioned earlier in Chapter 2, Obligating Officials are those individuals who have the legal authority to enter the Agency into contractual or other agreements that obligate Agency funds.

An obligation can be described as a legal liability of the government to pay with appropriated funds those goods and services ordered or received.

GAO's Principles of Federal Appropriations Law (also known as the Red Book) Chapter 7, "Obligation of Appropriations", lists the five elements that must be present in all agreements (or contracts) in order for an obligation to take place. The agreement must:

- be legally binding;
- in writing;
- for a purpose authorized by law;
- executed before the expiration of the period of obligational availability (before the funds expire); and
- must call for **specific** goods, real property, work, or services.

Only after the Obligating Official signs the agreement, can the funds be considered officially obligated, and posted as an obligation in IFMS by the appropriate SFO.

In its simplest form, the amount to be recorded as the obligation would be the contract price. However, in many types of contracts, the **final** contract price cannot be known at the time of award, and an estimate is recorded. The basic principle-record your best estimate, and adjust the obligation up or down periodically as more precise information becomes available-is used throughout the contract process until the costs are finalized. For longterm contracts, this final cost may not be known until many years after the contract was awarded and the funds have expired.

E. AUTHORIZING PAYMENTS

Many of the transactions that FCOs process will result in the establishment of obligations that will eventually require payment by EPA. As noted in Chapter 2, Section M, the Accounts Payable Certifying Officer is responsible for the payment of contract vouchers or bills. Within EPA, the process used in paying these bills is very sophisticated and detailed, and is done through the Agency's Electronic Approval System (EASY). A summary of the payment process using EASY is as follows:

The Agency acquires goods and services through various contractual vehicles. As goods and services are delivered to the Agency, contractors will submit vouchers (i.e., "Public Voucher for Purchases and Services Other Than Personal," Standard Form 1034) or invoices to the Research Triangle Park Financial Management Center (RTP-FMC) requesting payment for those goods or services. Contractors are also required, under the terms of their contract, to submit copies of the invoices to the respective PO and Contracting Officer for their review and approval. Before RTP-FMC sends an invoice approval form to the appropriate PO, they will perform an initial audit of the invoice. The PO will then review the invoice, distribute the charges to the appropriate account code(s) on the form, and return the completed approval form to RTP-FMC recommending payment. Upon receiving the completed approval form, RTP-FMC will perform a final audit of the invoice, distribute the charges in the Contract Payment System (CPS), and certify the invoice for payment by the Department of the Treasury.

Paper invoice approval forms are provided to POs via express mail service, internal office mail, pouch mail, facsimile transmission, and regular mail service. However, under EASY, the manual distribution of paper approval forms will be eliminated. POs will be notified via e-mail that an invoice is currently awaiting his/her review and approval. The PO will approve, or disapprove, the contractor's invoice and will distribute the cost to the appropriate account code(s) on-line using EASY. Once the PO completes his/her approval and distribution, the approval form will be transmitted to CPS. Transmitting the approval form directly to CPS will eliminate RTP-FMC's need to perform a second audit of the invoice and enable the automatic distribution of the PO's invoice charges in CPS. Once this information has been recorded in CPS, RTP-FMC will review the approval data and schedule the payment for certification by the Certifying Officer.

Designated EPA approving officials (i.e., Project Officers, Alternate Project Officers, and Contracting Officers) will approve contractual invoices using EASY. EASY will provide EPA's approving officials with the ability to electronically authorize the payment of invoices and forward related payment information to CPS for payment processing. The Contracting Officer or Project Officer will review the invoice package and verify that the costs and rates being billed are reasonable and consistent with the terms of the contract. This review includes the contractor's performance and verifying the contractor bills for labor and direct/indirect costs.

For on-going contracts that are vouchered on a monthly basis, the Certifying Officer or their accounting representatives will first verify that sufficient unexpended funds remain in obligations to pay the invoice then forward the invoice(s) to the local Contracting Officer Representative (COR) in the program office for review and approval.

If more than one account number and DCN appear on the invoice, the COR shall indicate the total funds to be charged against each account number and DCN. The COR shall also provide a basis (such as percentages or ratios) for the finance office to follow to charge vouchered costs to each account number and DCN. Because many EPA contracts involve numerous tasks for the contractor to perform, the COR will delegate the review of invoices to the local Work Assignment Manager (WAM) or Delivery Order Contracting Officer Representative (DOCOR). These officials are in a better position to approve the invoices since they work more closely with the contractor, and are more familiar with the actual goods and/or service being delivered. For more on the PO's rationale for charging costs, see Chapter 4, section F, "Split Funding with Multiple Appropriations."

Any exceptions to using EASY for the approval of contractual invoices will be coordinated and monitored by RTPFMC. For more information on EASY and the payment of invoices, see OCFO Comptroller policy No. 1-08 dated September 21, 2001.

EPA acquisition regulations require that both the COR and WAM maintain files of approved invoices and all associated documentation. These files will eventually be sent to the Contracting Officer (CO) at the close of the contract.

Once an order for goods or services has been placed, the Obligating Official will forward a Receiving Report to the FCO, Originator, or an authorized receiving official. Often, it is simply an additional copy of the Obligating Document, usually pink. Since the SFO cannot process payments to vendors without this document, it is important for the FCO, Originator, or an authorized receiving official to ensure that it is completed and forwarded to the appropriate Financial Management Center as soon as the goods or services have been received. It is also important that the Receiving Report reflect the quantity received as well as the actual date of receipt of the goods/services, not just the date of signature, since the acceptance date will determine if any interest is owed to the vendor.

Interest payments to a vendor are authorized by the Prompt Payment Act. The Act provides that any Federal agency that acquires property or services from a vendor shall be liable for interest if it does not make payment by the required payment date (30 days after receipt of a proper invoice, or the acceptance of the good/service – whichever is later) unless the contract specifies some other payment due date).

Interest payments will be paid automatically, and will be charged to the same account as the original payment and to the sub-object established for interest payments. Notice of such interest payments will be provided to Allowance Holders through the voucher selection detail report, which is available for each SFO. Interest payment information is available in Financial Data Warehouse queries, however, usually the only staff who can see this information are in the finance offices. Temporary lack of funding does not relieve the Agency from its obligation to pay interest penalties. Interest due but not paid to vendors will result in the Agency having to pay additional penalties.

F. RECONCILIATION

The process of ensuring that all funding transactions (commitments, obligations, and disbursements) are posted correctly in IFMS and of resolving any discrepancies so that all records are in agreement is called reconciliation. During reconciliation, FCOs may encounter many types of discrepancies between what should have been committed or obligated and what is reflected in IFMS. The process of reconciliation is important in ensuring that the official IFMS records reflect all of the correct accounting data, including the DCN, appropriation, program results code, and object class, as well as the amount of the transaction.

The first point of contact for any obligation in question is the obligating official who signs the obligating document and forwards it to the SFO. If it is the obligating document that is incorrect, the FCO must work with the obligating official to make the necessary amendments to the document. If the document is correct, but has been recorded incorrectly in the IFMS, the FCO must work with the appropriate SFO to resolve the discrepancies.

G. RESOLVING ISSUES with COMMITMENTS and OBLIGATIONS

In an ideal situation, funds are committed, fully obligated, and then fully disbursed. Since this scenario is often not the case, this section will cover some of the main problems encountered after funds have been committed, and how those problems may be resolved.

1. Funds are de-committed

Because a commitment is not a legal promise to pay, the originator and/or FCO may cancel it with a decommitment, prior to obligation, and commit the funds for another purpose. **BEFORE CANCELLING A COMMITMENT, HOWEVER, THE FCO MUST TELL THE OBLIGATING OFFICIAL TO TERMINATE THE PROCUREMENT PROCESS AND RETURN THE ORIGINAL DOCUMENTS TO THE AH/FCO TO BE FILED OR DESTROYED.** Failure to do so may result in an unwanted obligation against the Allowance Holder and could exceed the funds available. Similarly, Travel Orders which are cancelled must be De-obligated from IFMS.

2. An increase of funds is needed on the commitment

Occasionally, an FCO (or the originator) may be notified by the obligating official that more money is needed on the commitment than originally planned. The FCO will be asked to increase the commitment amount in IFMS, and certify the availability of funds before the obligating official will obligate the funds. [NOTE: On certain documents such as simplified acquisitions there is a box to mark indicating authorization to exceed the commitment by 10% (not to exceed $100) so that going back to the FCO for small increases is unnecessary].

3. Signed obligation not reflected in IFMS or on system reports

If an obligation has been processed but is not showing on IFMS screens or system reports, the FCO should notify the SFO and send a copy of the obligating document (copies should have been sent by the obligating official to either the FCO or originator).

4. Funds obligated for amount different from commitment

A commitment remains completely open until an obligation is posted by the SFO. While some spending actions take a long time for obligating officials to process, it is essential to monitor their status to ensure the actions are not lost or held up because of insufficient or incorrect information.

When an obligation is posted, one of three scenarios may occur which result in the obligated amount being different from the committed amount: 1) the obligation may be greater than the committed amount because of a posting error, 2) the obligation may be greater than the commitment if the purchase order value exceeds the committed amount but is within the allowable tolerances established in IFMS, or 3) the obligation may be less than the committed amount.

When obligating officials sign obligating documents and forward them to the SFO to be recorded in IFMS, they are required to make a notation on the document as to whether the obligation completely or partially fulfills the commitment. This step is critical in determining how the SFO processes the obligation transaction in IFMS. A notation to close the commitment tells the SFO to process the obligation as a "final." **[Note: If there is no notation on the funding document, IFMS will default to "partial" indicating that the SFO should process the obligation as "partial" only]**. The difference between a partial and a final obligation is apparent only if the obligated amount is less than the committed amount. If a $100 commitment is obligated for $80 as a **partial**, the commitment will be closed for $80 and will remain open for $20. If the $100 commitment is obligated for $80 as a **final**, the commitment will be closed for the full $100 and the unused $20 will be returned automatically to the Allowance Holder's (or the AHRC's) operating plan, available for other spending.

If an open commitment results from the processing of a partial obligation, the FCO can easily recoup the unused dollars by processing a decommitment transaction in IFMS.

H. PREVALIDATION OF FUNDS

The Agency has adopted commitments as the basis for controlling funds prior to obligations. That process has been described to OMB as EPA's funds control system. Therefore, it is essential that all funds be committed in IFMS prior to obligation. Comptroller Policy Announcement 86-19 set forth policy and related procedures for "prevalidating" commitments before award of certain contract and assistance projects.
Prevalidation is a term which means that obligating officials are verifying that funds have actually been committed in IFMS by the FCO before they proceed with the obligation of a procurement or grant. It is highly recommended that obligating officials do this as a way of protecting both themselves and the Agency.

With prevalidation, obligating officials are able to achieve a level of internal control on funds. The obligating official also has a greater assurance that they will not violate the Anti-Deficiency Act by obligating funds in excess of appropriation limits.

The method of achieving prevalidation that is encouraged and recommended by OCFO is for the obligating officials to require that a copy of the IFMS REQL table printout showing the recorded commitment be attached to the obligating document. This alleviates the burden of obligating officials having to look up the committment in IFMS themselves, or the possibility of the procurement being cancelled or changed after the REQL screen has been printed out of IFMS. If a commitment has not been entered into IFMS, obligating officials should not process the procurement request or assistance package until evidence of a valid commitment is provided to them. It is also recommended that obligating officials "freeze" all commitments in IFMS that are greater than $25,000. This is recommended in order to ensure that the funds stay committed and are not de-committed without their knowledge. This way, obligating officials know that the funds will be available when the document is ready to be signed.

SFOs must record obligations in IFMS even if the obligating document does not include evidence of prevalidation.

I. OVERRUNS/RECOVERIES

Overruns are upward adjustments to recorded obligations. For the purposes of funds control, the term "overrun" will be used generally to encompass all additional legal liabilities that the Agency did not record correctly in IFMS. These may occur for any number of reasons which include but are not limited to:

1. unauthorized procurements
2. unrecorded obligations
3. obligations De-obligated in error
4. price changes
5. cost-rate adjustments
6. final audit billings 7. court or other claims

8. payroll adjustments.

[NOTE: True "cost growth overruns," in the context of contracts management, are distinctly different from the situations above in that when handled correctly, the Agency does not have a liability in excess of what is recorded. This situation involves a "Limitation of Funds Clause" and/or "Limitation of Cost Clause" in contracts, and an "early warning" notice from the contractor to the Contracting Officer (that costs are likely to be greater than estimated), and a revised funding decision by the Agency. The purpose of this arrangement is to enable the Government to take notice of the status of contract performance and to take appropriate action. Based on the government's evaluation of the new estimate, the government may modify the contract to increase or decrease the cost, modify or cancel the work, or delay or accelerate the project. If more funds are needed on the contract, the Contracting Officer will coordinate with the contracting officer representative (COR) and the obligation will be increased in advance of the liability occurring.]

Recoveries are downward adjustments to recorded obligations. Examples of these are De-obligated funds, invalid obligations, refunds, cost-rate adjustments, and rebates. Refunds and rebates do not necessarily adjust obligations. They sometimes only offsets to expenditures.

Overruns and recoveries are routine. They are a normal part of the accounting process for recording and finally liquidating legal liabilities. There is no time limit for upward or downward adjustments which require an accounting entry when overruns and recoveries occur. They may occur several years after a contract or delivery order has been closed. They also may occur well after an appropriation has expired and/or closed and funds are no longer available to the Agency.

The following guidance is given when handling overruns and recoveries:

1. All invoices are to be forwarded to the appropriate accounts payable office (FMO) who reviews for validity based on holding an obligating document (e.g., a purchase order) and a receiving report.

2. If invoices received are in excess of the recorded obligation, the FMO will require the Contracting Officer (in conjunction with the Contracting Officer Representative (COR)) to establish whether the vendor is entitled to payment (whether EPA has a legal liability for the balance) before the Office of Financial Management (OFM) will record the overrun and make payment. [NOTE: If the adjustment is a nondiscretionary overrun and therefore there is a legal liability, the overrun must be recorded as soon as possible and there is no reason for OMS to call OB. There is no decision to be made except exactly where OFS should post the charge (sometimes the OB has some discretion between overlapping appropriations that may have been available at the same time). Whether or not there are sufficient funds to pay the bill is an issue that OB will address using its authority listed below. If there are insufficient funds, see the section on Anti-Deficiency Act violations (Chapter 4-A-1).]

3. E-Mail notification is to be provided to the Office of Budget (OB) by the FMO through the Regional Budget Office prior to posting any individual overrun in excess of $50,000. This is only a courtesy notification to alert OB of the action. Neither the OB nor anyone else can commit expired funds or certify expired funds availability for which there may or may not be a lapsed unobligated balance in the U.S. Treasury. The OB must not be asked to do so. But again, sometimes the OB has some discretion between overlapping appropriations that may have been available at the same time and need to be made aware <u>before</u> the charge is posted. An overrun less than $50,000 can be posted without this notification.

4. The Office of Budget (OB) may exercise its authority to take any of the following actions relating to overruns or recoveries based on the circumstances, timing, and amount of the transaction:

<u>Expired Funds:</u>

a. indicate the correct lapsed unobligated balance in the U.S. Treasury (if it has not yet been cancelled) to post the accounting to within the Agency (sometimes the OB has some discretion between overlapping appropriations that may have been available at the same time);

<u>Unexpired Funds (and cancelled funds which must be paid from currently available appropriations):</u>

b. cover overruns from a Centrally Managed Allowance (CMA);

c. require a Program Office to cover the overrun from their current allowance;

d. recertify recovered funds back to the Allowance Holder;

e. withhold recovered funds to offset overruns, or fund a new initiative or high priority at the discretion of Agency Management;

f. net out overruns against offsetting recoveries; or

g. credit expenditures which automatically increase the available balance.

With regard to overruns and recoveries (upward and downward adjustments) all accounting adjustments are properly chargeable to the original source-year accounting from which the liability (obligation) was incurred. The Principles of Federal Appropriations Law provides the rationale for this as follows:

“Upon expiration of a fixed appropriation, the obligated and unobligated balances retain their fiscal-year identity in an "expired account" for that appropriation for an additional five fiscal years. As a practical matter, agencies must maintain separate obligated and unobligated balances within the expired account as part of their internal financial management systems in order to insure compliance with the Anti-Deficiency Act.

During the five-year period, the potential for an Anti-Deficiency Act violation exists if identifiable obligations chargeable to one of those five years exceed the sum of the obligated balance for that year plus the amount available for adjustment from the unobligated balance for the same year. Should this happen, the excess can be liquidated only pursuant to a supplemental or deficiency appropriation or other congressional action. See B-179708-O.M., June 24, 1975 (applying same principle during first two post-expiration years under prior law).

At the end of the five-year period, the account is closed. Any remaining unexpended balances, both obligated and unobligated, are canceled, returned to the general fund of the Treasury,(294) and are thereafter no longer available for any purpose.

A repayment is credited to the appropriation initially charged with the related expenditure, whether current or expired. If the appropriation is still current, then the funds remain available for further obligation within the time and purpose limits of the appropriation. However, if the appropriation has expired for obligational purposes (but has not yet been closed), the repayment must be credited to the expired account, not to current funds. See 23 Comp. Gen. 648 (1944); 6 Comp. Gen. 337 (1926).”

NOTE: EPA requested and received the statutory authority for this phase to last for **seven** years after the period for which the appropriation is available for new obligations. This request was granted to start with twoyear appropriations beginning in FY 1999 (i.e. FY1999/2000 funding). Two-year appropriations enacted prior to FY 1999 continue to be cancelled 5 years after expiration.

Tolerance Levels

For small overruns, amounts have been established in IFMS which allow FMOs to pay bills that exceed the recorded obligations up to certain tolerance levels without requiring the obligation to be increased. The Transaction Category Reference Table **(TCAT)** shows the tolerance levels, based on percentages, and the maximum amount paid for certain transactions. Here are some examples:

Transaction Description	Tolerance %	MAX AMT (Per Line)
Unobligated Payment	10%	$500.00
Contract Obligation	10%	500.00
Payment Vouchers	10%	500.00

Transportation Invoice	99%	500.00
Travel Vouchers	25%	300.00
Miscellaneous Order	10%	100.00
Direct Disbursement	10%	500.00

J. RATIFICATION OF UNAUTHORIZED PROCUREMENTS

The act of ratification means to "approve or confirm". There are times when offices acquire items without utilizing the appropriate procurement process. Thus, a procurement was "unauthorized". An unauthorized procurement can also occur when a procurement action was taken by an individual who is without procurement authority, or when a procurement action is taken by an individual acting beyond the limits of his/her delegated procurement authority. Unless the item can be returned, an unauthorized procurement will be considered a type of appropriation overrun since an upward adjustment to what was recorded (which was zero) must be made.

If an office receives something that was never officially ordered, the office should return the item to the vendor. If, however, the office decides to keep the item, or if it was a service already provided (e.g. training) rather than a product, then the vendor may have legal entitlement to payment and a ratification of the procurement must be done. OMS <u>may not</u> always approve an unauthorized procurement.

The following is a brief overview of the procedures for correcting an unauthorized procurement. For more information, see EPA Contracts Management Manual, Chapter 12, "Ratification of Unauthorized Commitments," or EPA Acquisition Regulations (EPAAR) section 1501.

1. <u>Concept</u>

OMS uses the term "Unauthorized Commitment," to mean an agreement that is not binding solely because the Government representative who made it lacked the authority to commit to that agreement on behalf of the Government. In this context, the term does not relate to the FCO's process for the reservation, or "commitment" of funds. To avoid confusion, the term "Unauthorized Procurement" is used for this discussion.

The provisions of this directive apply to all unauthorized procurements, whether oral or written and without regard to dollar value. Examples of unauthorized procurements are:

a. ordering supplies or services by an individual without contracting authority;

b. unauthorized direction of work through assignment of orders or tasks;

c. unauthorized addition of new work;

d. unauthorized direction of contractors to subcontract with particular firms; or

e. any other unauthorized direction which changed the terms and conditions of the contract.

2. <u>Ratification Approvals and Concurrences</u>

The Chief of the Contracting Office is the ratifying official, provided that this individual has redelegable contracting authority.

For ratification actions which arise in regional offices or laboratory sites, the Chief of the Contracting Office to whom the activity functionally reports is the ratifying official, provided that this individual has redelegable authority. The responsible Chief of the Contracting Office is the ratifying official for actions which arise in regional or laboratory sites which do not functionally report to a Contracting Officer.

All proposed ratification actions of $250,000 or more for which the Chief of the Contracting Office is not the ratifying office shall be forwarded for review to the responsible OMS Associate Director prior to approval by the ratifying official.

If prior year or expired funds are involved, then the Office of Budget (OB) **must approve.**

3. Procedures

The procedures used by OMS in approving unauthorized procurements involve numerous steps. The office involved must notify the cognizant contracting office by memorandum of the circumstances surrounding an unauthorized procurement. The notification memorandum shall include: all relevant documents, documentation of the necessity for the work and benefit derived by the Government, a statement of the delivery status of the supplies or services associated with the unauthorized procurement, and a list of procurement sources solicited (if any) and the rationale for the source selected.

If only one source was solicited, a Justification for Other than Full and Open Competition (JOFOC) will be required in the memo. The memo must also address what measures will be taken to prevent any reoccurrence of an unauthorized procurement. Most Assistant Administrators and/or SROs have an internal policy allowing for The Division Director (or equivalent) of the responsible office and the SRO to approve the memorandum. If expenditure of funds is involved, the program office shall include a Procurement Request/Order, EPA Form 1900-8, with funding sufficient to cover the action. The appropriation data cited on the 1900-8 shall be valid for the period in which the unauthorized procurement was made.

Obtaining approval for an unauthorized procurement may take some time. The payment of interest owed to the contractor may become an issue as well. OFM will determine if payment must be made for any late fees, and/or penalties.

K. RECERTIFICATION OF FUNDS

Recertification is defined here as the reissuance of De-obligated prior year funds in a subsequent fiscal year by the Office of Budget (OB) Director to Allowance Holders (AHs). De-obligation is defined by GAO as *"an Agency's cancellation or downward adjustment of previously recorded obligations."* De-obligations may result from several factors such as services that cost less than obligated amount, change in requirements, failure to perform, termination, etc..

Recertification is only possible if:

1. the life of the appropriation has not expired,
2. recovery authority has been granted by the Office of Management & Budget (OMB) in the Agency's apportionment, and
3. the seven criteria listed in Section III.K.2 are met.

During the 2-year period of availability, de-obligations of two-year funding recover to Allowances automatically and do not have to be reissued. For appropriations that do not automatically recover or carryover into the next fiscal year (Superfund, LUST, Oil Spills, STAG, B&F), it is possible to reduce a prior year obligation (de-obligation) and reissue those funds (recertification) to be obligated again in a subsequent fiscal year (re-obligation).

The Office of Budget (OB) estimates recovery authority for each appropriation and requests this authority annually in an OMB apportionment. When prior year obligations are De-obligated, the funds "recover" to the U.S. Treasury and not to Agency allowances. Consequently, the funding must be retrieved by EPA using the recovery authority in its apportionment before the funds can be recertified to AHs. It is possible for more dollars to be recovered during the fiscal year than the amount of the apportionment recovery authority. The Agency, however, only needs to establish as much recovery authority (of net recovered dollars) as it anticipates collecting, reissuing and obligating before the end of the fiscal year.

1. **When funds <u>do not</u> have to be recertified:**

a. .As noted in section IIC of this chapter, any unobligated funds from the EPM and S&T appropriation automatically recover in their second year of availability and do not have to be reissued.

b. Funds that are De-obligated during the same fiscal year in which they were originally obligated do not have to be recertified. These funds automatically return to Allowance Holders as the de-obligation is processed through IFMS and the AH's unobligated balance is increased.

c. For unexpired appropriations, recertification is not required by the Office of Budget (OB) when shifting funds between a contract base and its option periods or between contract option periods. However, these offsetting transactions <u>are</u> legal de-obligations and re-obligations and <u>do</u> require apportionment recovery authority. As such, they will be recorded and maintained in the formal IFMS sub-system called the Contracts Payment System (CPS). The offsetting CPS entries, which net to zero, will not impact IFMS budget tables or create temporary fluctuations to budget balances. The Office of Budget (OB) will monitor overrun/recovery activity through IFMS reports to ensure that OMB apportionment authority is not exceeded.

Also, all contract funding is subject to the bona fide needs rule which states that an obligation against an appropriation is valid only if it relates to an actual need existing within the life of that appropriation. <u>Contracting Officers and Contracting Officer Representatives (CORs) must ensure, depending on contract type, that obligations are entered into appropriately and responsibly.</u>

d. Recertification is not required by the Office of Budget (OB) when EPA establishes large "umbrella" contracts for site activities (such as Superfund) and designates the specific sites to the vendor at a later date. The contract is recorded without site coding information in the accounting data. At the point where sites are designated by EPA, the accounting records are changed to reduce the "umbrella" contract accounting and designate the site-specific accounting. Such activity does not modify the contract, change the scope-of-work, change the funding, or change the Agency's legal liability in any way. The necessary accounting transactions constitute an "account code modification" <u>not</u> a "de-obligation" or "re-obligation".

e. For assistance agreements such as grants (including STAG State grants) and cooperative agreements, recertification is not required by the Office of Budget (OB) when funds from one budget period are made available in a subsequent budget period through the execution of a continuation award [de-obligation and <u>immediate</u> re-obligation transactions can be processed in IFMS to accommodate the minor changes in obligating document numbers, if necessary]. Depending upon the type of agreement, this is usually permissible as long as the scope of work remains unchanged and the appropriation has not expired.

f. When an assistance agreement recipient is unable to perform the agreement, the Agency may issue a “replacement grant” to another recipient to complete the project. The replacement grant concept is discussed in Chapter 10 of GAO’s Principles of Appropriations Law. An important feature of the replacement grant concept is that the scope of work for the replacement grant must be the same as the original (or the remaining portion of the original) grant. Funds that are still available for expenditure may be De-obligated and reobobligated to a replacement grantee. This does not violate the bona fide needs rule because the replacement grant is simply fulfilling the purpose for which the funds were originally obligated.

2. **When funds <u>do</u> need to be recertified:**

Requests for reissuance of De-obligated funds for reasons other than those listed above, such as an obligation for a new assistance agreement or for a new contract with a new scope-of-work, <u>do</u> require recertification by the Office of Budget (OB) before the end of the fiscal year. AH recertification requests for De-obligated, unexpired, prior year funds must be sent in writing to the OB through the SBO/ARA. Approval of those requests is subject to a number of criteria, however, and there is no guarantee that the funds will be recertified. **Allowance Holders do not have automatic entitlement to <u>any</u> recoveries requiring recertification until they have been reissued to them in IFMS by the Office of Budget (OB).** In order for the OB to approve a request for recertification, the following criteria must be met:

a. The Agency must have received sufficient recovery authority in the currently approved OMB apportionment for the specific appropriation for which funds are being De-obligated.

b. The Agency must have a sufficient recovery balance in the specific appropriation in which funds have been De-obligated to cover both a management fiduciary allowance and the recertification request. [NOTE: Overruns and recoveries from upward and downward adjustments to prior year appropriations continually offset each other and overruns must be offset before any recovery balance gets reflected.]

c. The specific de-obligation for which the recertification is being requested must have been posted in IFMS and be reflected as a recovered balance on IFMS screens and computer reports.

d. The <u>RPIO</u> must have a sufficient net recovery balance to cover their recertification request after their overruns and recoveries have been netted against each other. (It is very possible that an overrun by another AH in the same RPIO may have consumed the recovery.)

e. The written request for recertification must sufficiently justify the reissuance of the funding and be approved by the Office of Budget (OB).

f. Once sufficient recoveries to cover fiduciary responsibilities have accrued, the Office of Budget (OB) will consider recertification requests, by RPIO, on a first come first served basis.

g. The RPIO, through a Contracting Officer or Grants Award Official, must be able to obligate the recertified funds before the appropriation expires and the obligation must be for a bona fide need of the current fiscal year.

<u>NOTE</u>: Generally, Superfund resources are recertified back to the program from which the funds were De-obligated. Any request directing resources into a program area other than where the funds were originally obligated will be coordinated with the Headquarters Program Office to ensure no impact to the program. Superfund funding De-obligated from other Federal agency allocation accounts are returned back to EPA.

When they exist, administrative/operating expenses ceilings and travel ceilings can be recovered along with the associated funding and be recertified together.

As with carryover, De-obligated/recertified funds retain the Congressional restrictions as to purpose, time, and amount that applied when they were originally appropriated.

Annual reprogramming restrictions, issued at start-of-year in the Advice of Allowance Letter, also apply to recovered funds. EPA has authority to reissue or reprogram recovered balances for new priorities, up to the Congressional reprogramming limitation without Congressional notification provided the resources are not otherwise earmarked.

L. CENTRALLY MANAGED ALLOWANCES (CMAs)

At EPA, there are a number of centrally managed allowances which are controlled by the Agency's Allotment Holder (Office of Budget) Director). [NOTE: The Advice of Allowance process for funds control was previously defined in Chapter 1 and detailed in Chapter 3.] These centrally managed allowances are not managed for the purpose of withholding funds from obligation for the purpose for which they were appropriated. They are Advices of Allowance being actively managed and which may fluctuate during the year as funds are reprogrammed in and out. These funds are available for obligation directly from the centrally managed allowance by the Agency Allotment Holder.

[NOTE: all funds in AH 95 for cancelled obligations which are reinstated have been disbursed directly from the CMA since FY 1991 by the agency Allotment Holder.]

The CMA Allowance Holders (AHs) are identified as follows:

EPA HQ CMA.....................................AH 92
Cancelled funds / misc. items..........AH 94
HQ/NPM CMA..... ....AH 9H
Regional/NPM CMA...... ....AH 9R
Administrator's CMA.........................AH 9Z
Allocation Transfer CMA...................AH 93
Cancelled funds issuances (M Account).....AH 95

These allowances, which are centrally managed for a variety of reasons, represent such amounts as:

1. authority (such as reimbursable authority and recovery authority) that does not become a resource until agreements are signed, or collections are made, or de-obligations occur (AH 92 and AH 94).

2. funding that has been apportioned to EPA but has been allocated to another Federal Agency and will be obligated outside of the Agency. Frequently, these allocation transfers are written into the legislative history. The CMA ensures that EPA will not also obligate this funding (AH 93).

3. programmatic delays such as: funding awaiting Congressional reprogramming approval; funding targeted for Congressional rescission; funding awaiting criteria for Agency-wide distribution; etc. (AH 9H and AH 9R).

4. small fiduciary amounts used historically as a primary funds control technique for protection against upward adjustments to obligations (overruns). Such sound management practice helps to ensure that Anti-Deficiency Act violations do not occur in unexpired appropriation accounts. A lapsed unobligated balance protects against Anti-Deficiency Act violations from overruns in expired appropriations for the five years until they are cancelled (AH 92 and AH 94).

5. liabilities from potential "M" Accounts reinstatements - In Chapter 1 (section G), "M" account requirements in the National Defense Authorization Act of 1990 were

described. The process for reinstating and liquidating obligations that have been cancelled after 7 years involves a set aside of up to one percent of annual appropriations. EPA establishes this contingency amount for each fixed appropriation (no-year appropriations are not affected) in AH 92 & AH 94 at the beginning of each fiscal year. These funds are designated for potential legitimate liabilities related to obligations which were canceled and must subsequently be reinstated. [NOTE: If obligations actually are reinstated, that portion of these funds are moved to AH 95.] At the end of each fiscal year, any funds remaining in the AH 92 and AH 94 allowance are carried over (if two-year e.g. EPM, S&T, OIG) or lapsed if expiring (e.g. EPM C/O, S&T C/O) to cover liabilities for the five/seven years until that account is cancelled. For example, for appropriations that expired on September 30, 1994 (FY 1994), unliquidated obligations will be cancelled on September 30, 1999. For more on "M" accounts, see Comptroller Policy Announcement 91-11 (AH 92 and AH 94)and 96-05(Revised Procedures for Requesting M Account Funding).

6. actual disbursements for legitimate liabilities which were cancelled in accordance with "M" Account legislation but needed to be reinstated to pay subsequent bills received. Funds to reinstate and liquidate these obligations are moved to AH 95 from the contingency funds held in AH 92 and AH 94 for this purpose (AH 95).

There a number of factors that are considered in establishing Centrally Managed Allowance (CMA) levels including:

1. The general overrun or recovery history of a particular appropriation (e.g. the SF and R&D/S&T appropriators have always had higher net recovery levels than AC&C/EPM).

2. The amount historically held for a specific appropriation and how successful that has been.

3. The relative level of “M” account reinstated data that must be paid from current year accounts.

4. The size of the appropriation (is it $100 M or $1 billion).

5. Lastly, OB expertise, special circumstances, and the comfort level of the Agency Allotment Holder (OB Director) are contributing factors. Centrally Managed Allowances (CMAs) are so named because activity is monitored and levels are actively increased or decreased by OB as circumstances dictate.

Whether it is a 2-year or no-year account (e.g. unlike the process of expiration then cancellation in 2-year appropriations., all no-year unobligated balances have rolled forward. The SF CMA must protect the appropriation against all liabilities since FY81 [NOTE: there is a Comp.Gen.Decision that basically says: no-year liabilities from prior years cannot be paid from subsequent appropriations in the same account. In other words, a $4 M overrun to FY95 SF cannot be paid from our FY99 SF appropriation, or FY96-FY98 either. It is therefore important to carry over a significant amount of old no-year funding from year to year.]

IV. MANAGEMENT REPORTING and END-OF-YEAR CLOSEOUT

AHs/FCOs usually prepare summary level Status of Funds reports for their management in accordance with the standard operating procedures of their organization. The report is usually prepared monthly and frequently takes the form of a Lotus spreadsheet showing the status of funds at the appropriation level, the program results code/object class level, or by organization. The spreadsheet can include columns showing 1) the Approved Operating Plan, 2) commitments, 3) obligations, 4) disbursements, and 5) the available balance. To get the necessary information for these spreadsheets, FCOs can use either Orbit reports (when available), Financial Data Warehouse reports or print the appropriate screens from IFMS.

Procedures do not generally change to accommodate end-of-year closeout, although the frequency of reconciliation and reporting should increase. If reconciliation is performed routinely and faithfully throughout the year, there should not be a need for extensive corrections at year end.

A. UNLIQUIDATED OBLIGATIONS

An unliquidated obligation is the difference between the recorded obligation and what has been paid out as disbursements (also called outlays or expenditures). The implications of an obligation not being fully paid is that either all the goods or services have not yet been obtained or that the Servicing Finance Office (SFO) has not received the supplier's (or vendor's) final invoice or bill. If a final invoice has been received, and the obligation is fully satisfied, the SFO should remove (De-obligate) any remaining obligation in IFMS thus liquidating the entire recorded obligation. In order for the SFO to De-obligate funds so that obligations equal the disbursed amount, the FCO and/or originator should determine that there will be no further payments against the obligation. Any de-obligations of current year funds automatically return to the Allowance Holder's available IFMS balance. If funds are De-obligated after an account has expired, the recovered balance is posted to an expired Treasury account and is only available to the Agency thereafter to liquidate legal liabilities (overruns) to the previously recorded obligations.

Unliquidated obligation reviews are required by law (31 U.S.C. 1554(c)). The Office of Inspector General (OIG) within EPA specifically requires the agency to perform an unliquidated obligations review on an annual basis. The (Office of Financial Management (OFM)) is responsible for initiating and coordinating the Agency's review of unliquidated obligations as often as deemed appropriate. Following are the Agency's policy and procedures on how unliquidated obligation reviews are to be conducted:

OFM will provide the reports (with the exception of contract and interagency agreement obligations) and detailed instructions that form the basis on which the reviews of unliquidated obligations will be conducted. The reports will identify inactive unliquidated obligations of 180 days or more (90 days for travel). OFM will verify that these reports match the Agency's official accounting records in IFMS. OFM submits these reports to the Office of Acquisition Management (OMS), the Office of Grants and Debarment (OGD), appropriate Headquarters Allowance Holders, and Regional Contracting Officers, for review.

The reviewing official analyzes the unliquidated obligations to identify those items which are not valid or viable. A certification that the review was conducted is then provided by the certifying official to the Director, OFM.

The Senior Resource Official (SRO) will have primary responsibility for certifying that the review was completed for their RPIO. At Headquarters the SROs will have their Allowance Holders and Responsibility Centers review all inactive, unliquidated travel and simplified acquisitions obligations. Regional SROs will ensure that appropriate staff review all inactive, unliquidated obligations administered by their Region.

Procedures

1. <u>Contracts</u>

The Research Triangle Park - Finance Center (RTP-FC) will submit the unliquidated obligations report directly to the contracting offices (both in Headquarters and in the Regions) for review. The contracting office will take action to De-obligate all invalid/non-viable obligations in coordination with the Contracting Officer Representative (COR) and the FCO. For those de-obligations involving **unexpired**

funds, the FCO must send a PO/PR to the contracts office so that a funding modification can be made on the contract. The Contracting Officer (CO) or FCO can then send the signed de-obligating document to the finance center so that the funds can be De-obligated. This process will ensure that the FCO is aware of any increased balances appearing in IFMS for the program office's budget. After the funds have expired, the FCO will not need to be involved in the process. The CO can coordinate directly with the finance office.

For inactive contracts with a balance under $100, the Chief, RTP-FMC is delegated authority by the Director, OMS to routinely De-obligate remaining funds. Before processing de-obligations, RTP-FMC will notify the COs of the proposed actions. If these de-obligations involve unexpired funds, the COs and/or POs must again ensure that the FCO is also aware of these de-obligations taking place. If the COs do not wish funds to be De-obligated, they must contact RTP-FMC within 30 days.

2. <u>Interagency Agreements (IAGs)</u>

For Headquarters administered IAGs, the Cincinnati FC will distribute the listing of Headquarters IAGs to the Grants Administration Division (GAD). For Regionally administered IAGs, the listing of Regional IAGs will be distributed to the remote printer bins of the Regional SROs or designees. Reviewing officials in GAD and the Regions will discuss the projects with Project Officers to determine whether the obligation is valid and viable. If it is, the reviewing official will ask the Project Office to request an appropriate project period extension.

If the Project Officer indicates inactive projects are complete, GAD staff or the Region will contact Cincinnati-FMC to ensure that there are no unpaid bills and to verify the unliquidated obligation amount. GAD or the Region will notify the other agency of the unliquidated amount and advise that the amount will be De-obligated and the project closed out unless the other agency notifies EPA within 30 days of the date of notification that the amount is incorrect or disputes the close-out for some other reason. Cincinnati-FMC will record a de-obligation when a written notice is received from GAD or the Region after the 30 days.

3. <u>Grants and Cooperative Agreements</u>

For Headquarters administered grants and cooperative agreements, OFM will distribute the listing to GAD. For those administered Regionally, the list will be distributed to the Regional SROs or designees. The Assistance Award Official or designee must De-obligate invalid or non-viable items by (1) soliciting feedback from the program office and taking action on their requests to De-obligate funds under the grant/ cooperative agreement, or (2) taking action on a **final** Financial Status Report from the recipient indicating an unobligated balance of Federal funds. The Assistance Award Official should take aggressive follow-up action to ensure timely submission of either document.

If a final Financial Status Report indicates a balance of Federal funds that has not been obligated by the grantee, the Headquarters/Region Grants Award Official will (1) De-obligate the balance if the grant/cooperative agreement has ended, (2) consult with the Project Officer if there is a subsequent budget period for which the funds may be carried over to allow the recipient to continue work, or (3) issue an Assistance Adjustment Notice or amendment directing the relevant Finance Office to take appropriate action as specified by the Award Official or designee.

4. <u>All other items (e.g. travel, simplified acquisitions, Government Bills of Lading, Federal Express, utilities)</u>

OFM will distribute reports sorted by Allowance Holder Responsibility Center (AHRC) to the remote printer bins of Headquarters SROs and Regional SROs or designees.

The AHRC will annotate directly on the report items to be De-obligated and submit a copy of the report and a signed cover memorandum to the appropriate SFO. Based on these annotations, the SFO will record the de-obligation for those items which have been designated as invalid and/or non-viable.

For travel and miscellaneous items under $100 (except for Permanent Change of Station travel and billings from other Federal agencies) on which there has been no activity for 90 days and for which there is no justification, the SFO will routinely cancel the unliquidated obligations.

AH/FCOs are encouraged to use direct IFMS access to De-obligate travel. AH/FCOs staff should also ensure that final travel vouchers are marked "FINAL" before sending them to their SFOs for payment. This will alert the SFO to record the voucher as a final payment in IFMS which will De-obligate any remaining balance. Paying travel vouchers as final will minimize the review burden of unliquidated travel orders.

Other Requirements

The RPIO and the AH will continue to review all current year obligations and commitments on a routine basis to ensure they are valid and accurate and properly recorded in IFMS. The FMO will continue to certify the final General Ledger Trial Balance that includes both current and prior year obligations.

To assist the RPIO and AH in performing the reviews, the FMOs are required to retain all (except for Superfund) financial documents (including supporting documentation) for three years after project completion or delivery of goods and services. Superfund legislation requires that all financial documents be retained for 20 years.

For more on information on conducting unliquidated obligation reviews, see Office of Comptroller Policy Announcement 96-04 “Review of Unliquidated Obligations.”

B. END-OF-YEAR CLOSEOUT

As the fiscal year nears completion, OFM and the Office of Budget (OB) issue workplans and timetables for closeout activities of the IFMS budgeting and accounting modules. The memos issued to SBOs, AHs, and FCOs provide key cutoff dates for budget and financial transactions (i.e. final reprogrammings, entering commitments into IFMS, submitting purchase requests/orders and grant funding packages to OMS and GAD). Expiring funds that remain uncommitted in IFMS may be reviewed by the OB as early as the end of August for possible redistribution to other Allowance Holders. The Agency will make every attempt to redirect funds that become available to ensure that expiring funds are carefully managed to achieve maximum benefit.

No expiring or lapsing funds should be requested and/or obligated except to meet a legitimate, or bona fide need arising in the fiscal year for which the appropriation was provided. The bona fide needs rule is explained in detail in Chapter 2, Federal Laws and Guidance. Restated, the rule means that one year appropriations are available only for the needs of the current year and are not available for the needs of a future year. For multiple-year appropriations, the rule is that the appropriation is available for obligation to meet a bona fide need covered by the period of the appropriation. The bona fide need rule does not apply to No-Yr funds prospectively (forward funding). It only applies by prohibiting satisfaction of a prior year liability with subsequent appropriations. As previously discussed, the bona fide need for an assistance agreement arises when the Agency decides to stimulate and support the recipient’s project rather than when that project will be physically carried out or payments made under the assistance agreement.

In addition, for expiring appropriations, the Agency's policy for obligations for services on non-severable contracts requires that performance <u>start</u> no later than September 15 in order to be considered a bona fide need. The program office must include a statement with the commitment that explains why it is necessary that the service(s) start in September, and that they are not severable in nature.

NOTE: Statutory and regulatory changes (Federal Acquisition Streamlining Act of 1994 (FASA) section 1073, and Federal Acquisition Regulation (FAR) 37.106), now permit agencies to obligate annual ("one year") appropriations to acquire up to twelve months of severable services that begin in one fiscal year and end in the next fiscal year. The EPA Office of General Counsel has opined that these provisions also apply to acquisitions funded with multi-year appropriations (such as the "two-year" appropriations generally provided to EPA). What this means, for example, is that EPA may obligate FY2004/2005 funding to fund twelve months severable services that begin in FY 2005 and end in FY2006. In effect, this extends the availability of appropriations as to time by up to 364 days into a fiscal year in which those funds would have no longer been available. [Severable services are those which are continuing and recurring in nature (such as window washing services), while non-severable services are those that are characterized as a single undertaking (conducting a study and preparing a final report thereon). Non-severable services may be charged to the appropriation current at the time the contract was made, even though performance carries over into a subsequent fiscal year.]

In preparation for the closing of the fiscal year, particularly the last few weeks of September, FCOs should review all open commitments in IFMS on a daily basis to verify that commitments are being obligated in a timely manner.

As mentioned earlier, an end-of-year memo goes out which establishes closing/cutoff dates for financial transactions. OMS and GAD will have specific deadlines regarding the receipt of funding documents. Priority will be given to processing financial transactions that are citing expiring funds. However, as long as a funding document was received in OMS/GAD by the established cutoff date, the transaction should be processed by the end of the fiscal year. FCOs and the obligating officials should keep in contact with each other to make sure the document(s) does indeed get obligated by the end of the fiscal year.

Open commitments should be reviewed in the following manner:

1. Identify commitments that should and/or must become obligations by September 30. The FCO should ensure that the dated obligating document reaches the proper SFO by September 30. The FCO should send the SFO a duplicate copy of the obligating document if they do not receive the original document; 2. Unnecessary commitments should be cancelled and decommitted;

3. Identify commitments that will not be obligated by September 30. If a commitment using expiring funds will not be obligated by September 30, the commitment should be cancelled and the funds used for a priority which can be obligated by the end of the fiscal year. If appropriate, funds received in the new fiscal year may be used for the cancelled item by renewing an action in the procurement process.

At the end of the "12th month" accounting period (through September 30), the Allowance Holder and their RPIO must review their final commitment and obligation data and forward any corrections to their SFO. After September 30th, a "13th month" accounting period remains open for two weeks or less to capture documents signed prior to midnight September 30 which are still coming through the process to be recorded. At the end of this 13th month period, OFM officially reports end-of-accounting data to the Treasury and to OMB.

CHAPTER 4: SPECIAL SUBJECT ITEMS

I. SPECIAL SUBJECT ITEMS

A. VIOLATIONS: CREATION, REPORTING, and PENALTIES

1. Anti-Deficiency Act Violations

Section 1514 of Title 31 of the U.S. Code requires each head of a Federal Executive Department or Agency to prescribe by regulation a system of administrative control designed to restrict obligations and expenditures to the amount of budgetary resources available. This Agency regulation is subject to the approval of the Director of the Office of Management and Budget (OMB). This Act also provides for reporting of violations of these regulations and for penalties. These requirements are supplemented by instructions and a sample letter contained in OMB Circular A-11 (Part 4) (formerly OMB Circular A-34). The restrictions of the Anti-Deficiency Act (31 U.S.C. 1341-42, 1349-51, and 1511-19) are the basis for EPA's policies on controlling funds.

In its current form, the Anti-Deficiency Act prohibits:

a. "Making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law" An accounting error occurring when an obligation is posted to an incorrect appropriation is subject to audit and an accounting correction. If posting that correction violates appropriations as to amount, an Anti-Deficiency Act violation will have occurred as well. Statutory ceilings may also be a basis for Anti-Deficiency Act violation.

b. "Involving the government in any contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless the contract or obligation is authorized by law" An obligation may be incurred only after Congress passes the appropriation.

c. "Accepting voluntary services for the United States, or employing personal services in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property"; and

[NOTE: According to OGC, the voluntary services prohibition does not apply when a non-Federal party agrees in writing not to submit a claim for compensation to the Government for actions taken under a "gratuitous" service agreement.]

d. "Making obligations or expenditures in excess of an apportionment or reapportionment, or in excess of the amount permitted by agency regulations" (promulgated under 31 U.S.C. 1514). Apportionment quarterly totals and apportionment earmarks are also a basis for Anti-Deficiency Act violation. Additionally, if more funds have been obligated than legally available, de-obligating or receiving new quarterly funding does not eliminate the need to report the violation. Failure to post an obligation to an agency's financial system when incurred, or delaying this posting, cannot prevent a violation.

Reporting Violations

In accordance with the instructions and examples contained in OMB Circular A-11 (Part 4) (formerly OMB Circular A-34), the steps for handling potential and actual Anti-Deficiency Act violations are as follows:

a. Any EPA employee is required to notify the Agency Allotment Holder (Office of Budget Director) upon learning of an apparent violation. Verbal notification should immediately be followed up with a written detailed description of the apparent violation.

b. The Chief Financial Officer (CFO) and the Office of Budget Director (Agency Allotment Holder) must ascertain whether or not a violation exists. This determination is generally achieved with the assistance of an Office of General Counsel (OGC) legal opinion. While reviewing, auditing, and examining authorities may detect violations, only the CFO and the Office of Budget Director (with the assistance of OGC) can make the actual determination. Once it is determined that a violation does exist, the Agency is required to report it immediately.

c. At EPA, the Administrator reports ADA violations through the Director of the Office of Management and Budget, to the President and Congress. The letter format for doing this is contained in OMB Circular A11 (Part 4) (formerly OMB Circular A-34).

d. The organization responsible for the violation must provide a comprehensive plan of action for preventing any future recurrence. This plan should be coordinated through the Office of Budget Director for recommendations and submitted to the EPA CFO.

Penalites

The law provides that an officer or employee of the U.S. Government violating the Anti-Deficiency Act shall be subject to:

a. suspension from duty without pay; or

b. removal from office.

In addition, the employee may be subject to "appropriate administrative discipline" including:

a. a letter of reprimand for the official personnel record of the employee;

b. an unsatisfactory performance rating;

c. transfer to another position;

An officer or employee of the U.S. government knowingly and willfully violating the Anti-Deficiency Act shall face a criminal penalty of being "fined not more than $5,000, imprisoned for not more than 2 years, or both.” **2. EPA Administrative Control of Funds Violations**

Any officer or employee of the Environmental Protection Agency has violated the OCFO’s system of administrative control of funds if he or she:

a. authorizes or creates an obligation or makes an expenditure in excess of the amount permitted by the EPA's system of administrative funds control;

b. makes allocations in excess of an apportionment pending the passage of appropriations;

c. issues agency allowance in excess of the related allocation, by quarter or in total for the year;

d. makes or authorizes an expenditure or creates or authorizes an obligation without authority;

e. authorizes expenditures or an obligation under any appropriation or fund in excess of the amount available;

f. involves the EPA in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purposes, unless the contract or obligation is authorized by law; or

g. accepts voluntary service for the United States or employs personal services in excess of the amount authorized by law, except in instances of emergency involving the safety of human life or the protection of property.

For current funds, "amounts available" are equal to the lesser of apportionments, allocations, or budgetary resources available for obligation. For expired appropriations, "amounts available" include amounts available for restoration to the account. Violations occur when adjustments are made that cause obligations in expired appropriations that retain their fiscal year identity to exceed the apportionment for the year in which such obligations were required.

B. U.S. GOVERNMENT PURCHASE CARD PROGRAM

EPA originally implemented the U.S. Government purchase card program in 1987. The purchase card is the preferred method to purchase and pay for micropurchases (currently stated as less than $2,500) in accordance with Federal Acquisition Regulations (FAR). The use of the purchase card expedites the acquisition of essential supplies and services, streamlines payment procedures, and reduces the administrative costs associated with traditional paper-based payment methods. The EPA purchase card program operates in a manner similar to any standard commercial credit card system, except that there are additional controls and limitations for Government purchases. Cardholders and Approving Officials (AOs) are advised that U.S. Government purchase cards are for OFFICIAL USE ONLY AND ARE NOT AUTHORIZED FOR PERSONAL USE, IDENTIFICATION PURPOSES, OR OTHER NONOFFICIAL BUSINESS PURPOSES. CARDHOLDERS SHALL NOT LOAN OUT THEIR CARD. Cardholders will be held personally responsible for any unauthorized use of the card.

The Office of Acquisition Management is the overall office in charge of the Agency's Bankcard program, lays out specific policy and procedures in Chapter 13 of the Agency's Contract Management Manual, Section 13.3 titled "EPA Policy and Guidelines for the Use of the U. S. Government: Purchase Card Program" which can be found at: http://dcrrOMS05.reagan.epa.gov:9876/NATAPPS/OARM/OMS/PurCard/PurchaseCardWebDB.nsf/

The OCFO Purchase Card website can be found at: http://intranet.epa.gov/ocfo/finservices/ccard.htm

The following portions are excerpted from the EPA Guidelines for Use of the U.S. Government Purchase Cards because they are of particular importance with regards to funds control.

General Information

The Cincinnati Financial Management Center (C-FMC) is responsible for processing the Agency's purchase card payments to the contractor bank. The C-FMC processes and certifies a daily payment to the bank. They also serve as the Agency liaison working with the bank for payment, dispute resolution and monthly reconciliation. Analyses on purchase card transactions are performed to detect and resolve funding problems and provide appropriate corrective measures to cardholders and finance personnel.

It is the FCO's responsibility to certify the availability of funds. The FCO must ensure that the financial transaction is compliant with Agency financial policy and procedures and that all accounting data are accurate and complete. The FCO will enter the commitment into the Integrated Financial Management System by assigning a document control number (DCN) to each individual purchase card transaction. Alternatively, the FCO may provide cardholders with a default DCN for all purchase card transactions throughout the entire fiscal year. *These options are discussed further in the "Purchase Card Funding Options and the FCO" section.*

The FCO should maintain the proper documentation for internal control purposes. The FCO shall review all purchase card transactions at least monthly to ensure that all transactions are properly cost allocated to initiate and/or provide assistance as needed, and to provide an opportunity for the FCO to decommit any unused funds. Typically, every Agency purchase cardholder shall establish and maintain an official log which includes a record of every transaction completed. The log may be in written or electronic form. However, it must be a separate and discreet document, and it must be an orderly, legible accounting of all purchase card transactions made by the individual cardholder.

NOTE: The requirement of needing EPA Form 1900-8, "Purchase Request/Order" is no longer required for internal Bankcard transaction processing since there is some duplication with the Bankcard log. The decision on using the form should be a local option for each individual office. However, for detailed signature and documentation record keeping purposes, offices should consider continue use of the form.

1) Every cardholder shall have a log that shows every transaction completed by that cardholder.

2) The official cardholder log shall be kept on a fiscal year basis and shall be maintained

on a 30 day billing cycle. (NOTE: The EPA billing cycle begins on the 28th day of each month and ends on the 27th day of the following month.)

3) At a minimum, the log shall contain a brief description of the items/services ordered, the vendor or merchant used, the date of the order, the total cost, the date the item was received/signed for by a 3 rd party, and the date of payment (also referred to as the EPA cost allocation).

4) In addition to the log, there may be other forms of supporting information necessary to fully document the order. These items shall also be maintained either in paper or electronic form in such a manner that they are physically with the respective log entry or can be easily merged and/or reconciled with the corresponding order. Examples of such supporting documentation are as follows:

- Vendor/merchant receipts or confirmations associated with the orders;
- Vendor invoices (if provided);
- Documentation of required prior approvals;
- Memoranda for the Record (MFR) documenting any problems or unusual circumstances surrounding an order, and;
- Verification of receipt by independent 3rd party.

5) The log needs to include any additional documentation required by organizational or local procedures, or as required by the purchase cardholder or the Approving Official (AO). As with all acquisition records, the cardholder's log and all supporting documentation shall be retained in the immediate office for a period of at least three years after the end of the fiscal year in which the transaction was completed.

Purchase Card Funding Options and the FCO

The following sections give the FCO information on the two options available to set up commitments for the cardholders to use in cost allocating transactions through EPA's Intranet Purchase Card Cost Allocation System or the contractor bank's Internet Electronic Accounting Government Ledger System (e.g., EAGLS). The option used is entirely dependent upon local procedures and/or arrangements established between the FCO and the cardholder. [NOTE: For further information on these options, as well as visual examples, see Paragraph K in Chapter 13, Section 13.3.5.2 of OMS's Contract Management Manual and the website mentioned at the beginning of this section].

1. Default Purchase Card Commitment

This option allows the FCO to establish a basecommitment by assigning a default document control number (DCN) that cardholders can use the entire fiscal year. The commitment is recorded by the FCO in the Integrated Financial Management System (IFMS) under Object Class (OC) 2620. When funding splits for appropriations and/or Program Result Codes (PRCs) are necessary, multiple lines of accounting must be recorded at the ratio that will be used for the cardholder's purchase. Up to ten lines of accounting can be recorded against a DCN to accommodate this split. NORMALLY, THIS COMMITMENT IS $100.00. When cardholders approve a purchase in the EPA system (Purchase Card Allocation Page), they will enter the default DCN and select the correct OC, from the drop down menu, for that purchase. New commitment line(s) will be created with the selected OC. All allocations processed with the OC 2620 commitment may be entered with a Site Project Value for Superfund or IT Cost Tracking. The generic IT Site Project Value is provided if needed and may be changed. The original commitment against OC 2620 will remain the same in IFMS.

2 Single Purchase Card Commitment

This option allows the FCO to establish individual DCNs, for each purchase card order using the appropriate OC. When funding splits for appropriations and/or program result codes (PRCs) are necessary, multiple lines of accounting must be recorded at the ratio that will be used for the cardholder's purchase. When the cardholder cost allocates a transaction, each commitment line will be reduced accordingly. It is important for the cardholder to select the assigned OC for that DCN. However, if the cardholder selects an OC that does not match the original commitment, that OC will be ignored since the commitment has been previously established. If a transaction is cost allocated using 98% or more of the commitment, the remaining balance will be liquidated.

If the final transaction amount exceeds the commitment by more than $100 or 10%, the transaction will not process. The cardholder will receive an email from the CFC notifying them that the transaction has been reset for cost allocation. It's the cardholder's responsibility to contact the FCO to make the necessary correction. If the default DCN funding option will be used, the FCO must inform the cardholder of the default DCN to select for their purchase card transactions. If a single purchase card commitment is selected, the FCO must establish a procedure to inform the cardholder of the DCN assigned for each purchase. Cardholders must have this information before they begin to allocate the purchase in the system at: http://oasint.rtpnc.epa.gov/fmc2/card.card_welcome

Obligation Processing

On a daily basis, Cincinnati-FMC compiles a list of all completed transactions cost allocated on the EPA website, and those transactions approved through EAGLS. From this data, C-FMC creates the obligation lines for input into the EPA Integrated Financial Management System (IFMS). The transaction will be divided among the obligation lines in the same ratio as the commitment. In cases where there are multiple funding lines, the obligation amount will equal the amount of the purchase as provided by the cardholder in the EPA cost allocation system. The obligation document number will consist of the last two digits of the fiscal year, the two character letters 'BK', and a 6 digit sequential number.

Payment Processing

During the creation of obligation documents, payment documents are also created. The payment amount will be the same as the obligated amount and the obligation document will be closed. This procedure will eliminate the need to perform the unliquidated obligation review for purchase card transactions since the obligation and payment amounts will be equal. The C-FMC reviews, certifies and processes a daily payment to the contractor bank. As soon as the goods or services have been received and accepted, the cardholder must cost allocate immediately. Cardholders are not to delay payment by waiting to reconcile purchases against contractor bank statements of account. EPA makes daily payments to the contractor bank using the Agency cost allocation system information, and earns cash rebates for expedited payments. The cardholder will receive an electronic notification that states: "We have received the following list of purchases from the contractor bank. Please note the list does not include purchases already allocated. Please cost allocate all valid and delivered purchases as soon as possible.

Reconciliation

EPA has developed an Intranet web-based purchase card transaction review page that electronically captures all purchase card transactions. The purchase card transaction review page is available to the purchase card community to perform oversight of cardholders' transactions. Cardholders, FCOs, and AOs can review the activity of each cardholder over a chosen time frame to ensure the cardholder has correctly reconciled the funding for transactions and cost allocated them. FCOs and AOs have access to valuable transaction data to help facilitate budget decisions and identify problems with cardholder purchasing activity. Since all activity is captured on this page, detailed reports are available on purchase card transactions. The transaction review page can be accessed at: http://oasint.rtpnc.epa.gov/fmc2/card.card_review.

Agency Rebate from Contractor Bank

The Agency receives a quarterly rebate check from the contractor bank. The dollar amount of the rebate is calculated on points earned. The faster the cardholder cost allocates**,** the faster the Agency pays and the more base points the Agency earns. Once the rebate check is received, the CFC identifies purchase card payments by Responsible Planning and Implementation Office (RPIO) for each quarter. The rebate is then distributed based on the RPIO ratio of purchases during each quarter.

Funds Control Officer (FCO) Requirements

In order to make use of the Bank of America VISA card and EAGLS, the FCO's need to decide which method their office will use to account for the purchases and payments. If option one is selected the FCO must create a commitment in IFMS and let the cardholder know which commitment to use for their purchase card transactions. If option two is selected, the FCO's must work with the cardholders to establish a procedure to inform the cardholder which DCN to use for each purchase before the cardholder begins to input the accounting data for the purchase payment in EAGLS.

Responsibilities of Funds Control Officer

FCOs have specific responsibilities associated with the use of Purchase Cards in their program offices. First, the FCO must ensure that what is being procured is **not** a restricted item for Purchase Card purchases.

Prohibited Purchases

The U.S. Government Purchase Card program was developed to be as nonrestrictive as possible; however, procurement policy and regulations require that certain restrictions be imposed. The following is the list of items/services that are restricted for purchase by all cardholders (including purchasing agents), and therefore, may not be acquired using the Purchase Card:

1. Personal use supplies/services (items not necessary for EPA work).
2. Personal services (employer/employee relationship)
3. Purchase of individual meals, drinks, and rooms at hotels or motels for lodging, or any other employee travel-related expenses (use EPA approved travel credit card for this purpose.)
4. Purchase of any form of unauthorized entertainment.
5. Purchase of shirts, jackets and other items of clothing with or without the EPA or a program office logo unless the purchase is specifically authorized under Agency policies governing purchases of clothing (EPA Order 4800.1) or non-monetary awards (3130 A2 Recognition Policy and Procedures Manual)
6. Purchase of gasoline or oil for GSA Interagency Fleet Management System vehicles (use EPA approved fleet management cards for these purchases.)
7. Cash advances (use EPA travel card)
8. Purchase of airline, bus, boat, or train tickets (use EPA travel card).
9. Employee rental or lease of motor vehicles, land, or buildings of any type.
10. Long term rental and maintenance agreements.
11. Construction, alteration or repair of public buildings.

NOTE: According to OGC, the purchase card may be used to purchase meals, light refreshments, and to rent space in hotels for training conferences may be an authorized "necessary expense" under EPA policies implementing the Government Employees Training Award Act. The purchase card may also be used to purchase lodging and meals for groups of EPA employees on travel provided the purchase is financed with travel funds. In addition, the purchase card may be used to acquire non-monetary award objects (e.g. plaques, pen and pencil sets) consisting of $75.00 or less, entertainment and light refreshments at official EPA awards ceremonies to recognize the achievements of Federal employees as authorized by the Government Employees Incentive Award Act.

Record Keeping

Cardholders must maintain the following records:

a. Delegation of Procurement Authority or certificate of appointment (SF1402) retained in permanent file or prominently displayed at work location.

b. A copy of the Purchase Card log for each 30-day billing cycle. The cardholder records each purchase made during the 30-day billing cycle on this log.

c. The cardholder must maintain their Statements of Account (along with all original documentation) for at least 3 years (FAR 4.805(b)).

As with all acquisition records, Purchase Card logs and all supporting documentation shall be retained for a period of at least 3 years after the end of the fiscal year in which the transaction was completed.

C. ORDERING GSA OFFICE SUPPLIES

Effective September 30, 2004, EPA's Corporate Express Blank Purchase Orders (BPAs) became the mandatory mechanism for ordering all office supplies. See OMS's web pages:

- http://epawww.epa.gov/OMSintra/hpod/bpagen.pdf on BPAs, and/or Simple Acquisitions Made Easy (SAME)
- http://epawww.epa.gov/OMSintra/policy/sacq.pdf and
- http://dcrrOMS05.reagan.epa.gov:9876/NATAPPS/OARM/OMS/PurCard/PurchaseCardWebDB.nsf/ for additional information.

At Headquarters, employees purchase supplies by ordering from a GSA catalog that includes complete descriptions and pictures of every item. Although offices may use their Purchase Card to order supplies, GSA uses a more streamlined billing process by encouraging offices to use "Activity Address Codes" that are managed through the Cincinnati-FMC. The following steps briefly describes how the program works:

1. Program offices identify the individuals they want to be authorized to order supplies and complete GSA Form 3525 to "register" authorized buyers with the CSC.

2. EPA's property management staff assign Activity Address Codes to each Responsibility Center staff, and access codes are assigned to each person authorized to order supplies (the access code tells GSA where to deliver the supply order). GSA catalogs are then given to authorized personnel.

3. Program offices submit EPA Form 2550-10 (Miscellaneous Obligation Document) to Cincinnati to establish beginning balances in each account (similar to the Purchase Card program).

4. Authorized buyers contact a CSC by phone, fax, or Internet to place their order.

5. The CSC will send the order an itemized receipt to the customer the next day and invoices to Cincinnati twice a month. Emergency orders can be placed and picked up the same day.

6. Cincinnati-FMC receives and pays bills and sends transaction reports to each Responsibility Center once a month.

Since the GSA charges will result in a debit to the program office's resources, it is important for the FCO to keep track of the expenditures as they are incurred. A log, record book or spreadsheet should be maintained for each GSA purchase showing supplies purchased, the costs, and the date the purchases were made. The buyer should complete the ordering forms before requesting FCO approval in order for the FCO to certify that funds are available for the expenditure.

As noted in step #5, the customer receives the receipts for the purchases. The FCO should always be sure to get the receipt (or a copy) back from the buyer, since it will be important in reconciling any accounting errors with Cincinnati-FMC, as well as in receiving proper credit if items need to be returned to the CSC.

D. PAYROLL MANAGEMENT and TRACKING/PEOPLE PLUS

Since payroll is such a large expense at EPA, AHs/FCOs must monitor and control it carefully. Personnel, Compensation & Benefits (PC&B) costs must be continually reviewed and projected for the entire fiscal year. Necessary steps must be taken to ensure that costs remain within all approved limits. Further explanation of accounting for personnel charges is located in RMDS Chapter 2550A entitled Financial Management of Personnel. [NOTE: For FY 2004, EPA has purchased PeoplePlus - an integrated management system for Human Resources, Benefits, Payroll, Time and Labor . Additional payroll guidance and instructions for the PeoplePlus system and software will be distributed under separate cover though normal agency channels.]

1. <u>Payroll Accounting</u>

Obligations for monthly payroll costs are generated by the biweekly submission of time and attendance forms for all employees. After processing payroll for each pay period, actual PC&B costs are posted and an accrual for the remainder of the month is calculated based on the actual payroll data. PC&B actuals plus the remaining accrued balance of the month are displayed in the IFMS tables SASP or SAIN under budget object class Code 10 (PC&B). Both actuals and accruals are displayed as disbursed in the Expended Amount field.

Each employee has one or more standard fixed account numbers (FAN) to which all payroll expenses for the employee are normally charged. The fixed account number(s) corresponds to the program results code that supports employee Work-years and personnel costs. It shows whether an employee is paid with management and support funds, or from environmental program funds. It is important that the employee is assigned a fixed account number (or numbers) that corresponds to the work the employee actually performs so that expenditures for specific environmental programs or activities are accurately reported. As each pay period ends, some or all of the employee's payroll expense can be charged to account numbers other than their FAN, if appropriate. Consequently, payroll accruals could be inaccurate if employees had any unusual payroll distributions to other account codes during the last previous pay period.

2. <u>Split-funding Payroll Costs</u>

As noted above, program offices may charge an employee's payroll costs to more than one account. This can be done through direct charging as needed or by an established methodology. No documentation or approval is needed to direct charge. However, in order to use a methodology, written documentation must be submitted to the SFO at the beginning of each fiscal year which specifies the names of the employees, their social security numbers, the FAN, and the percentages of each appropriation to be charged throughout the fiscal year. Of course, only appropriations available for PC&B may be used in split-funding payroll costs.

3. Calculating FTE Usage

An "FTE" (Full Time Equivalent) or "Work-year" is the number of compensable hours that an employee working full time would work in a given year. A Work-year has either 2,080 2,088, or 2096 compensable hours based on the calendar year and the total to be used is published annually in OMB Circular A-11.

To calculate FTE usage, compute the total number of hours worked in an organization, including holidays, leave, co-ops, and stay-in-school hours. Divide this number of hours by the compensable hours in the fiscal year to find the FTE usage to date. Dividing this FTE usage by the FTE ceiling gives percent usage. This fraction should be about the same as the fraction of the year that has passed. On March 31st, for example, 50 percent of the fiscal year has passed, so you should find 50 percent of the FTE ceiling used. If FTE usage is too high or low, the Allowance Holder should discuss this with the Senior Budget Officer, for possible redistribution of FTE ceiling or other action as necessary.

E. OPERATING UNDER A CONTINUING RESOLUTION

Congress sometimes does not pass an appropriations act before October 1 of the new fiscal year. Until Congress officially determines how much spending authority it will provide for the new fiscal year, it may pass a Continuing Resolution to allow agencies to continue operations until the budget is passed. This normally permits EPA to incur expenditures at approximately the same rate as it did during the previous fiscal year. Under a Continuing Resolution, the Office of Budget (OB) provides guidance to each Allowance Holder stating the level/rate of expenditures which the Allowance Holder may incur by Appropriation/Allowance. This guidance may include a temporary Advice of Allowance. Allowance Holders must restrain spending during a Continuing Resolution to ensure that EPA does not violate Congressional limitations.

If Congress does not pass the budget by October 1, or vote on a Continuing Resolution, EPA issues orders regarding possible shutdown of all non-essential operations. See EPA Order 1000.26A entitled: EPA CONTINGENCY PLAN FOR THE SHUTDOWN OF THE AGENCY DUE TO A FUNDING HIATUS for more detailed information on shutdown. This order can be viewed on-line at intranet URL address: http://intranet.epa.gov/rmpolicy/ads/orders/1000_26a.pdf

F. SPLIT FUNDING WITH MULTIPLE APPROPRIATIONS

Procurements

The use of more than one appropriation on a single work assignment, delivery order, or project is known as split funding with multiple appropriations. EPA receives funding for contracts from several appropriations and may fund a procurement from one or more of these appropriations depending on the nature of the goods or services provided. There is an Agency requirement that Office of Financial Management (OFM) approval of allocation methods must be obtained when more than one appropriation is the source of funds on a procurement. Office of Comptroller Policy No. 96-05 further stated that split funding applied to all programs that use multiple appropriations where costs are not directly allocable (and not just Superfund). Allocation of funding must be based on appropriation benefit, rather than which account can "afford" the work. Or stated another way, the appropriations cited on the contract must benefit from the work being done by the contractor. The use of funds from one appropriation because of the absence of funding in another violates basic appropriation law.

As stated in Chapter 2, Section M, Accounts Payable Certifying Officers are legally responsible for ensuring that payments on each contract are made from the proper account. To carry out this responsibility the following procedures are necessary to assure full Agency compliance with GAO standards and with legal requirements:

1. Methodology

Office of Financial Management (OFM) **must approve the Contracting Officer Representative's (COR) rationale for allocating costs among appropriations so that the payment of vouchers can be done accurately.**

The COR must document the rationale for the use of multiple appropriations and include in the rationale an estimate of the costs to be charged each appropriation and the method for distributing the costs to the benefitting appropriations. All program offices contributing funds to the procurement must indicate on the rationale their concurrence with the estimate.

Costs must be allocated based on a formula derived from the estimated benefits to each appropriation. [NOTE: if each task, work assignment, or delivery order within the multi-funded contract will be funded from a single appropriation, OFM approval is not required.] POs are encouraged to structure tasks in this manner.

The COR of the contract must include a copy of the approved rationale for using multiple appropriations with the PR submitted to the contracts office.

2. Voucher Payment - whenever a procurement has multiple account funding, the COR must provide the FMO with the appropriations (and amounts) on the invoice approval so that vouchers for payment are charged correctly. The finance office will follow the methodology and charge contract vouchers to the appropriate account number and DCN as specified by the methodology.

For more information on funding procurements with multiple appropriations, see EPA's new Contracts Management Manual (dtd June 2004) Chapter 7, Section 7.4 "Accounting for Appropriations in Contracts", and Comptroller Policy Announcement 86-02 and 88-01.

Grants/Cooperative Agreements

OGD, with the assistance of opinions from OGC, established their policy for Multiple Appropriation (M.A.) grants in FY 2001. It states:
"It is EPA policy generally to use only one appropriation as the funding source for an assistance project. Where a project's activities benefit more than one appropriation, the Agency should award separate grants for the activities falling within the scope of each appropriation. However, a single, MA grant may be awarded, with adequate justification documented in the grant decision memorandum, and on an exception basis, if all of a project's activities are of a type that is fundable from all of the supporting appropriations. Separate grants must be awarded if all of the supporting appropriations are not legally available for all of the types of activities to be performed. This is because of the procedural difficulties involved in individually charging payments to the benefitted appropriations. In awarding and administering separate grants, the Agency will work to minimize application, accounting and reporting burdens on recipients."

As part of the justification for an MA grant, the Project Officer must include in the decision memorandum a description of the methodology for charging payments that reflects the proportional benefit to each appropriation. When developing their allocation methodology, Project Officers must use the guidelines contained in Comptroller Policy Announcement 98-10, "Accounting for Resources under the Government Performance and Results Act.

Project Officers may contact their Servicing Finance Offices (SFOs), or where necessary, OGC or the appropriate Office of Regional Counsel (ORC), should they need further guidance. (The funding placed on the grant must be consistent with the allocation methodology.)" The Multiple Appropriations Awards Policy can be found in its entirety at: http://intranet.epa.gov/ogd/multiple_appropriations_awards_policy.htm

[NOTE: Although split-funded grants and cooperative agreements are not reviewed by the Office of Financial Management (OFM), allocation methodologies are subject to audit and a rationale must be established internally by the funding organization.]

G. LAYOFFS BETWEEN APPROPRIATIONS

EPA's operating costs are usually charged directly to an appropriation through the Agency's account code structure. For example, a Superfund employee's pay would be charged to a Superfund appropriation account number (the employee's Fixed Account Number).

However, many support services may benefit activities that are funded from more than one appropriation, but the amount of support benefitting each appropriation cannot be directly measured. As a result, there may be no way to track and report which increments of time worked, or portion of a purchased item, are in support of which appropriation's activities.

Allocating time worked or other support costs among appropriations is an acceptable method of charging costs. Program offices which allocate costs must have a measure of benefit for allocating or "laying-off" costs to an appropriation (i.e. the ratio of costs from one appropriation to the total costs, where the ratio represents the proportion of service provided to the various recipients of that service). The derived percentage(s) is multiplied against the total amount of support costs (or total FTE PC&B costs if laying off personnel costs) to be distributed. The calculated amounts are then recorded against the respective appropriations. This plan must be adhered to by all offices responsible for distributing support costs or needing to allocate hours worked.

RMDS 2550D, Chapter 5 entitled "Allocation of Personnel and Support Costs to the Superfund Appropriation" describes in further detail allocation methodologies used to redistribute costs, or layoff appropriations. [NOTE: Although Superfund is specifically mentioned in the chapter title, the methodologies described can be applied to any Trust Fund or appropriation.]

H. WORKING CAPITAL FUND SERVICES

EPA's Headquarters & Regional Offices procure certain general administrative services through the Agency's Working Capital Fund (WCF), as authorized by EPA's 1997 Appropriation Act and Section 403 of Public Law 103-356, the Government Management Reform Act (GMRA). EPA Order 2570.1 identifies the WCF overarching authorities and policies.

1. WCF Service Agreement (SA)

The WCF SA is comprised of two parts: 1) WCF Order Form, which identifies the quantity of services ordered by the customer, and 2) WCF Funding/Requisition Form which provides the accounting information to pay for the services ordered. The WCF Funding/Requisition Form is organized so that customers use a unique DCN for each service ordered. This allows for customers to readily obtain financial information on each service from the Agency's IFMS.

The SA contains information on the types of services needed by the customer for a fiscal year, and is approved and signed at the appropriate Allowance Holder/Responsibility Center (AH/RC) level, as determined by each Senior Resource Official (SRO). The AH/RC may centrally fund services for an entire RPIO, AH, or at the AH/RC level. FCOs must sign each WCF Funding/Requisition Form to indicate that funds are available, committed, and appropriate for the WCF services identified.

2. Committing and Obligating Funds

There are three ways that customers can fund their WCF SA: 1) unexpiring two-year funds, 2) new funds, or 3) a combination of both. If customers include new funds, FCOs must ensure that a "Subject of

Availability of Funds" statement is cited on the WCF Funding/Requisition Form. If a service or services are funded using multiple appropriations, FCOs must have a logical methodology to explain how each appropriation benefits from the services received.

To commit funds for a WCF SA, FCOs should follow the same policies and procedures outlined in Chapter 3, Section III for committing funds in IFMS. Commitments on the WCF Funding/Requisition Form occur in EPA budget object class 38, using sub-object classes 2475 (programmatic) and 2476 (administrative). See the following section (I) of this chapter titled, "Administrative v. Programmatic" Philosophy, for clarification of what constitutes an administrative or programmatic cost. After funds have been committed in IFMS, the FCO provides the IFMS REQL screens as part of the WCF SA package to confirm the commitment and reservation of funds in IFMS. **FCOs must ensure that REQL screens match the "lines of accounting" on the WCF Funding/Requisition Forms.**

The WCF Activity Manager acts as an obligating official and is authorized to obligate funds committed by Agency offices. An obligation occurs when the WCF Activity Manager signs the WCF Funding/Requisition Form. The WCF SA, signed by both the customer and WCF Activity, is forwarded to the RTP-FMC for posting the obligation in IFMS. The WCF Activity provides a signed copy of the WCF Funding/Requisition Form to the customer. It contains the assigned SA number which is the customer's Obligation Document Number (ODN) in IFMS.

As noted in Chapter 3, section IIIG, if an FCO decides to decommit or cancel funds which have been committed, the FCO must notify the WCF Activity Manager, who is authorized to approve the de-obligation of funds. For WCF SAs, the FCO notifies the WCF Activity Manager of the intent and rationale to decommit the funds. Funds will not be decommitted unless there is a mutual agreement between the customer and the WCF Activity Manager.

3. Monitoring Disbursements

Consistent with the WCF SA, the WCF Activity earns "revenue" from the delivery of WCF services to customers, and provides monthly Billing Statements to the customers. Upon receipt of the Billing Statements, customers are responsible for analyzing the reports and monitoring funds expended/disbursed for services delivered. This monthly monitoring is conducted by the WCF SA originator and the FCO.

FCOs should use FDW data and reports to assist in monitoring WCF funds. By monitoring year-todate disbursements against funds obligated for each WCF service, customers can determine if the service quantity ordered (units) should be increased or decreased with respect to the original SA.

EPA has implemented a sub-system in IFMS called the Project Cost Accounting Subsystem (PCAS). The PCAS tracks service costs, associates the service costs with Customer SAs, distributes the service costs to customers and bills the customer. Recommended WCF PCAS tables for FCOs are the following: FPCA, FPCD, PROJ, and CADT. These provide different accounting information on obligations and expenditures for a WCF service.

FCOs may also consider using the WCF link at the OCFO@Work website to monitor their SA expenditures as well.

4. Modifying WCF Service Agreements (SA)

A WCF SA modification can be initiated by a customer at any time during the FY. A modification is required for additional funds to be added, or surplus funds to be removed from the original WCF SA. FCOs must use the original DCN assigned to the WCF service to be modified (refer to the original WCF Funding/Requisition Form). Additionally, FCOs must maintain the same sequencing of accounting information as referenced using the WCF Requisition Line numbers from the original WCF

Funding/Requisition Form. If additional "lines of accounting" are required representing additional sources of funds, the next available WCF Requisition Line number should be used.

If higher service levels are required, FCOs should increase funds using a WCF SA modification request. Likewise, if service quantities should decrease, FCOs should request a de-obligation of funds from the WCF Activity Manager. The actual de-obligation, once agreed to by the obligating official (WCF Activity manager), is actually accomplished by RTP-FMC. Prior to initiating a request for de-obligation, FCOs must ensure that sufficient funds remain available, or unliquidated, to pay remaining bills for the service for the remainder of the FY. Using the customer's WCF SA number (ODN), the FCO should access the IFMS OBLL table that shows the amount of funds obligated and expended against the DCN/ODN for the service, using the MO transaction code. FCOs must attach IFMS OBLL screens (date stamped to indicate when the table was printed) for all WCF SA modification requests involving the de-obligation of funds for WCF services.

Once the FY is over, customers may request a de-obligation of any excess or remaining unexpiring funds from their WCF SA by initiating an FY closeout modification. To request a de-obligation of funds, customers should follow the end-of-year closeout procedures issued annually from OFM. Once the FY closeout modification has been accepted by the WCF Activity manager, associated funds will be De-obligated by the RTP-FMC. Customers may use these funds for their new FY WCF SA, or request a reprogramming into other budget object classes to spend the funds, as needed.

I. "ADMINISTRATIVE" vs. "PROGRAMMATIC"

1. Philosophy

The concept of costs being either "administrative" or "programmatic" is a functional distinction based on purpose. In FY 1994, to implement restructured appropriations and to control costs as being either administrative or programmatic, the Agency revised its budget object class and finance subobject class coding to reflect this philosophy. As of FY 2004, we continue to track administrative and programmatic costs from obligation data.

The purpose for which funds are obligated can generally be described as being either "administrative" or "programmatic". Please note that whether a particular obligation is administrative or programmatic is determined by what is being bought and the purpose for which it is acquired, not by who is buying it or by which organization they are employed.

Please read the entire philosophy and the examples to acquire a clear understanding of the distinctions being drawn. Individual portions of this section, taken out of context, do not provide sufficient guidance.

Administrative Costs are:

a. staff-related - these costs include items for groups of employees such as rent for staff space and consumable office supplies that would not be incurred if the Agency did not have a workforce.

b. support-related - including all of the Agency's major support contracts for general-use facilities, maintenance, etc. Also, includes costs associated with Program Office management staff activities, administration and management.

c. individual-related - includes personal desk-top office equipment and includes general staff training (as opposed to technical program-specific training) that provides knowledge that can be utilized by the employee upon leaving their present position.

d. overhead-related - including management and administrative functions that all government and business organizations have and which are not related to environmental programs.

Programmatic Costs are:

a. environmental mission-related - these costs are specifically driven by environmental statute and program activities rather than the in-house office staff involved with the programs. Regulation development and water quality monitoring activities are examples of costs that are mission-related.

b. acquisition or assistance-related - include items historically termed as "extramural" which aredirectly related to activities outlined by environmental statute and are traditionally obligated through contracts/IAGs or grants/cooperative agreements.

c. field-related - include program activities such as hazardous waste clean-up, environmental emergencies, field sampling and testing & monitoring, etc.

d. special-use facility-related - infrastructure operating costs (rent, utilities, etc.) associated with dedicated single-purpose special use facilities including the Regional ESD labs and the others listed in Section 2A.

e. unique and limited use-related - includes cost of items with limited application or unique use for specific programs that have no general use elsewhere. Examples would include weapons and ammunition unique to enforcement work and cost recovery data collection & enforcement efforts unique to Superfund

The APPLICATION OF THE ADMINISTRATIVE VS PROGRAMMATIC PHILOSOPHY TO SOME SPECIFIC AREAS FOLLOWS:

a. Appropriation Layoffs

With the exception of Superfund ADP, layoffs between appropriations must be moved against the same accounting sub-object classes in both appropriations. No layoffs are permitted **between** administrative and programmatic object classes **except** for Superfund ADP.

ADP Cost Layoff/Methodology - EPA and the Appropriation Committees have agreed that a percentage of Superfund ADP timeshare contract costs could be charged as programmatic. Under the revised definition, a methodology may be used to allocate an appropriate amount of ADP timeshare costs to programmatic contracts. Several options for methodologies are being examined, including percentages of mainframe computer CPU hours used to support Program Office database systems, as well as percentages of administrative vs. programmatic application systems.

For appropriations other than Superfund, it will still be necessary to separate obligations into identifiable units that can be determined, justified and direct charged as either 100% administrative or 100% programmatic. Restated, other than for Superfund, obligations that cannot be segregated, justified, and directly charged to a programmatic object class will still have to be charged to an administrative object class.

b. Training & Training Materials

EPA and the Congressional Appropriations Committees have agreed that scientific, technical and program specific costs of training and training materials are programmatic. All other training is administrative. This determination is to be made on a course by course basis. For example, the OHROS Core Curriculum

Training Program is itself neither administrative or programmatic. The specific nature of the course being offered determines whether the cost is administrative or programmatic, not the training program and not the position or employing office of the individual receiving the training. Programmatic training must be for the benefit of the Agency, not the employee's career development, and be program-specific to the extent that the knowledge or skills would not be useful elsewhere in the Agency or the U.S. Government. In general, there should be very little programmatic training within administrative organizations (e.g., OARM, OCFO, OGC, OIG, AO). Even within Program Offices, the designation of training as programmatic must be selective and be a unique requirement because of employment at EPA. Programmatic sub-object classes 25.02, 25.59, and 25.61 are appropriate for such instances. c. Printing of Public Information

EPA and the Committees have agreed that the cost of printing environmental materials for public awareness (to publicize EPA and its programs) to be part of the Agency's operating costs, and therefore, administrative. Programmatic printing would encompass scientific and technical reports and documents and program-specific material intended to generate or direct environmental action (such as materials to promote recycling). Sub-object classes 24.11 and 24.13 are available for appropriate programmatic printing costs.

d. Field Activities

EPA and the Congressional Appropriations Committees have agreed that items unique to program activities in the field may be charged to programmatic sub-object classes. For example, in the area of Criminal Investigator enforcement activities, programmatic costs would include such items as: guns, ammunition, specially equipped vehicles and boats, local/State police datalines, surveillance equipment, and other such items that have a use limited to the enforcement program. Conversely, passenger cars, fuel, and parking space leases; car phones and paging service, etc. are to be charged to administrative sub-object classes as items that are not unique to enforcement work. Other field activities, aside from Criminal Investigation, can be funded similarly by applying the same criteria to determine whether costs are administrative or programmatic. This would include items unique to Superfund removal and cleanup activities, etc. e. Specifically Funded Items

Except for PC&B and Travel which are always administrative, trackable items such as Congressional Add-ons which are issued to the Allowance Holders through specially coded allowances are provided only in programmatic budget object classes. Because Congress did not provide additional Operating Expenses Ceiling to cover these items, we are unable to issue sufficient ceiling to cover what would otherwise be purely administrative expenses that might be associated with these special projects. Consequently, all costs associated with **Congressional Add-Ons** should be charged to the proper programmatic sub-object classes unless other agreements have been reached with the Office of Budget (OB).

f. Health and Safety Requirements

Consistent with the basic definition of **administrative** expenses being those that are staff-related, most general occupational health and safety (H&S) costs for the purpose of protecting the welfare of the Agency's employees must be funded as Administrative. This includes such costs as: development and implementation of general safety plans and general safety training, compliance with government-wide H&S requirements (e.g., OSHA), maintenance of health records, health unit employee physicals, wellness program activities, etc.

Health and safety costs that are an integral part of the Agency's environmental mission are **programmatic** costs. This includes such costs as: program-specific risk-related Health & Safety activities (e.g., medical monitoring, and protective equipment, clothing, training and certification), industrial inspections by EPA, development of environmental H&S guidelines, H&S standards development, and environmental compliance costs such as collaboration with Program Offices in the development of model programs, techniques, and protocols. Also, Safety, Health and Environmental audits (program evaluations) at approved, dedicated special-use facilities are considered to be programmatic costs.

g. OARM Programmatic Costs

The Committees have stated that "all elements identified in the management and support section of the agency's Congressional budget justification should be included under the Operating Expenses Ceiling". Because grants, programmatic expenses and programmatic contracts are excluded from the ceiling, some specific OARM costs may be classified as programmatic costs. Examples are:

- Approved Special-Use Facility Infrastructure Costs which are Paid by OARM
- ADP Costs Directly Supporting Programmatic Offices (Including Programmatic Databases such as: Storet, Hazardous Waste.DMS, New Air Data System, Docket System, Pesticides Product Information System, etc.)
- State/EPA Data Management Programmatic Costs
- Environmental Equity Programmatic Costs
- Approved Programmatic Health & Safety Activities
- Environmental Financing Programmatic Costs

h. OIG Programmatic Costs

The Congressional Appropriation Committees have indicated that they do not consider the OIG account to be 100% administrative. The Agency has agreed to track its administrative expenses in this account using the "global" definition for expense categories developed for the other EPA appropriations. Based on an earlier agreement between EPA and the Congressional Appropriations Committees, the OIG has formulated its Operating Plan based on target percentages of approximately 83% administrative and 17% programmatic and they have produced the following list of programmatic activities that center around their grant and Superfund activities However, since there is no legal limitation, the OIG is free to reprogram as necessary between administrative and programmatic budget object classes. Programmatic activities include:

- audit of all payments, obligations, reimbursements or other uses of the Superfund Trust Fund;
- audit of Superfund claims;
- examination of a sample of agreements with States carrying out response actions;
- examination of remedial investigations and feasibility studies;
- audit of Construction Grant Program; and
- pre-award and other audit assistance needed to award contracts. i . Abuses

of the Programmatic Designation

A number of concerns were expressed about potential abuse in opening the Rent, Communications & Utilities (23.00 object class series) to programmatic cost charging. These object classes were established not only to accommodate the special-use facility arrangements but to provide for the lease/rental of the same equipment and facilities that had been categorized as programmatic when purchased outright in other sub-object class series (26.00, 31.00).

With regard to abuses, the programmatic designation of charges will be subject to Congressional reporting as well as OIG and GAO audits. If an Agency official knowingly and willfully causes a statutory ceiling to be exceeded, the violator may be subject to fine and/or imprisonment under the Anti-Deficiency Act or administrative sanctions. All offices are cautioned to be conservative and ensure adequate justification is available to support programmatic cost designations.

2. Special Use Facilities

Beginning in FY 1993, based upon precedent established by NASA, the Committees permitted the classification of operating infrastructure costs for certain approved, dedicated, special-use facilities as being exclusively programmatic. Infrastructure costs include: rent, utilities, communications, and land and structure modification costs, etc. This will allow EPA to exclude those facility costs from any administrative and operating expense ceilings. Infrastructure costs at other than special-use facilities are administrative and are under the expenses ceilings.

A list of EPA approved special-use facilities follows. These facilities will be permitted to charge the programmatic sub-object classes in each object classification series for their operating infrastructure costs. These costs can be charged to programmatic sub-object classes regardless of whether the costs are obligated by the Region, the HQ Program Office, or by OARM. If the special-use facility is co-located within or a part of other facilities, the costs can be charged programmatically provided they can be determined and justified. To propose a location as a dedicated, special-use facility, please send the Office of Budget (OB) a written request with justification. Approval by the Committees will be required.

Purely administrative costs at special-use facilities (non- infrastructure costs, such as office supplies, etc.), would still be charged to the appropriate administrative sub-object classes and require administrative expenses ceiling.

Congressionally Approved and Dedicated Special-Use Facilities

ESD Regional labs

Montgomery, AL facility (OAR)

Radiation and Indoor Environments National Laboratory (OAR)

Ann Arbor, MI facility

Bay St. Louis, MS (OPPTS)

Beltsville, MD (OPPTS)

NEIC in Denver (OECA)

Bay City, Michigan supercomputing complex

EPA Research Vessel "R/V Lake Guardian" (OW)

EPA Research Vessel "OSV Peter W. Anderson" (OW)

National Enforcement Training Institute (NETI) (OECA)

Exposure Research Lab - EPA/RTP Campus, RTP, NC

- A Human Exposure & Atmospheric Sciences Division (ORD)
- A Atmospheric Modeling Division (ORD)

Exposure Research Lab – Fluid Modeling Facility (Grand Slam Bldg) RTP, NC

A Atmospheric Modeling Division (ORD)

Exposure Research Lab – Environmental Photographic Interpretation Ctr., Reston, VA

A Human Exposure & Atmospheric Sciences Division (ORD)
A Environmental Sciences Division (ORD)

Exposure Research Lab – Cincinnati, OH

A Ecological Exposure Research Division (ORD)

A Microbiological & Chemical Exposure Assessment Division (ORD)

Exposure Research Lab – Las Vegas , NV

A Environmental Sciences Division (ORD)

Exposure Research Lab – Athens, GA

A Ecosystems Research Division (ORD)

Health and Environmental Effects Research Lab – EPA/RTP Campus, RTP, NC

A Experimental Toxicology Division (ORD)
A Environmental Carcinogenesis Division (ORD)
A Neurotoxicology Division (ORD)

Health and Environmental Effects Research Lab – Reproductive Toxicology Facility, RTP, NC

A Reproductive Toxicology Division (ORD)

Health and Environmental Effects Laboratory Clinical Facility, Chapel Hill, NC

A Human Studies Division (ORD)

Health and Environmental Effects Research Lab – Gulf Breeze, FL A
Gulf Ecology Division (ORD)

Health and Environmental Effects Research Lab – Duluth, MN A
Mid-Continent Ecology Division (ORD)

Health and Environmental Effects Research Lab – Grosse Ile, MI A
Mid-Continent Ecology Division (ORD)

Health and Environmental Effects Research Lab –Corvallis, OR A
Western Ecology Division (ORD)

Health and Environmental Effects Research Lab –Newport, OR A
Western Ecology Division (ORD)

Health and Environmental Effects Research Lab –Narragansett, RI A
Atlantic Ecology Division (ORD)

Environmental Assessment Center – EPA/RTP Campus, RTP, NC

A Environmental Assessment Center (ORD)

Environmental Assessment Center – CINN, OH A
Environmental Assessment Center (ORD)

Risk Management Research Laboratory – CINN, OH

A Water Supply and Water Resources Division (ORD)
A Land Remediation & Pollution Control Division (ORD)
A Sustainable Technology Division (ORD)
A Air Pollution Prevention and Control Division (ORD)

Risk Management Research Laboratory – Edison, NJ

A Water Supply and Water Resources Division (ORD)

Risk Management Research Laboratory – Ada, OK

A Groundwater and Ecosystems Restoration Division (ORD)

Infrastructure Costs at Special-Use Facilities

In addition to items that are mission-related and can be designated as programmatic under the "Administrative vs. Programmatic" Philosophy, the following **Infrastructure Costs**, which are administrative at all other locations, can be charged to programmatic sub-object classes at approved, dedicated, **Special-Use Facilities**:

Programmatic:

Utilities: Electric/Heat/Staff Telephones
Rent/Lease
Technical Furniture/Equipment Including Maint. & Repairs
Guard Services
Groundskeeping
Housekeeping/Janitorial Services
Building Repairs & Maintenance
Snow Removal
Trash Removal/Carting Service
Contract to Operate Parking Facility
Hazardous Material (HAZMAT) Transport Service
Fire Extinguisher/Equipment
Health & Safety Monitoring of Facilities

Administrative:

Health Unit/Wellness Center
Exercise Facility/Stress Lab
Office Supplies
Non-Technical Employee Training
Non-Technical Furniture/Equipment (Office Furniture) including Maintenance & Repairs

3. **Examples** of the ADMINISTRATIVE vs PROGRAMMATIC Philosophy

These examples include but are NOT LIMITED to the following.

22.00 Series Transportation of Things

Administrative:

PCS Transfer of Effects
Office Relocation Costs
Trucks, Forklifts, etc. for Administrative Transportation of Things

Transport Costs Between Facilities
Surplus Property Relocation/Redistribution

Programmatic:

Shipment of Scientific Equipment, Samples, and Laboratory Animals
Shipment of Hazardous Waste Materials
Shipment of Possibly Toxic Soil & Water Samples
Trucks, Forklifts, Aircraft, etc. for Mission-Related Transportation of Things
Shipment of Program-related Exhibits
Delivery of Programmatic Equipment to its Location of Use

23.00 Rent, Communications & Utilities

Administrative:

Messengers

Courier Services
HQ/Region Rental use of Land and Buildings
HQ/Region Space Rental Paid to GSA
HQ/Region Utilities
HQ/Region General Purpose ADP Data Facilities, Hardware, and Software Rental General Postage/Mail

Programmatic:

Special-Use Facility Rent Paid to GSA, Utilities, etc.
Mission-Related ADP Software and Hardware Rental
Lease/Rent of Programmatic Equipment & Services
Rental of Scientific Equipment
Programmatic Postage/Mail **24.00 Series**

Printing & Reproduction

Administrative:

General Purpose Advertising
Program Management Analyses
Printing of Non Program-Specific Public Information Materials
Administrative Federal Register Notices such as Grant Regulations
Employee Information (e.g., Payroll, Retirement or Wellness Materials, Bulletins, and Newsletters)
General Purpose Training Materials
Requests for Proposals
Congressional Testimony
Public Relations Materials Generally Publicizing EPA and its Programs (e.g., EPA Journal, EPA's Approach and Progress; program overviews, directories and Annual Reports -- unless Congressionally directed) Superfund Program Managers SCAP Manuals

Programmatic:

Mission-Related Advertising such as Public Notices of Hearings
Programmatic Federal Register Requirements such as Notice of Rulemaking

Proposed and Final Rules
Reports Needed to Meet Congressional Requirements for Programmatic Decisionmaking
Scientific: Reports, Newsletters, Program Fact Sheets, and Manuscripts
Technical Documents (e.g., The Safe Drinking Water Act: A pocket guide to the requirements for the operators of small water systems, Wetlands Manual)
Program Specific Material Intended to Generate or Direct Environmental Action by Readers such as:

- S Materials to Promote Recycling;
- S Lead and Your Drinking Water;
- S Affects of Suns Rays;
- S Targeting Indoor Air Pollution; and
- S other technical "How To" Guides (e.g., How To Reduce Radon Levels In Your Home)

25.00 Series Contracts/IAGs

Administrative:

Meeting and Conference Subsistence
Auto Parking Contracts
Management and Support Contracts/IAGs
General Health and Safety Contracts/IAGs (e.g., Development and Implementation of General Safety Plans, Health Unit Physicals, and Wellness Program Activities)
Personnel Security Investigations/Clearances
Administrative and Management Consulting Services

Employee Developmental and Rotational Assignments
Program Management Conference Facilitators
TQM Awareness Training
Cost/Benefit Analysis Training
Computer (and other general) Skills Training
General Health & Safety Training (e.g., General Safety Practices and General Laboratory Safety Techniques)
Operation of Health Facility IAGs
General booth displays at Job Fairs, Car & Boat Shows, Earth Day Festivities, etc.
Contracts for Facility Maintenance and Operations at other than Special-Use Facilities

Programmatic:

Mission-Related Public Databases/Hotlines
Mission-Related Consulting Services
On-Line Database Searches such as LEXIS and NEXIS
Research Computer Literature Searches such as DIALOG, NTIS, STN and MEDLARS
Program Contracts/IAGs
Research Contracts/IAGs
Scientific ADP Contracts for Research Database Management
Demonstration IAGs
Laboratory Animal Care Contracts
Research Library Operations Contracts at Special-Use Facilities
Maintenance Contracts for Scientific/Technical Equipment & Repair
Hazardous Waste Removal Contracts
Expert Witnesses
Scientific/Technical Booth Displays at Public/Technical Conferences
Field Unit/Mobile Unit Superfund/LUST Contracts

Contracts for Remedial Action, Remedial Design, or Removal
Remedial Investigation & Feasibility Studies
Contracts for Site Assessment and Clean-up
Superfund Program Enforcement Contracts (such as:
Oversight of Potentially Responsible Party (PRP) Cleanup, Superfund Compliance Monitoring, Cost RecoveryDocumentation (SCRIPTS), "Waste In" Liability Allocation Analysis, Enforcement Training, PRP Search Contracts
Contracts for Facility Maintenance and Operations at Special-Use Facilities
Special-Use Facility Occupational Health and Safety Requirements (Buildings Only)
Program-Specific Risk-Related Health Monitoring Contracts/IAGs
Program-Specific Risk-Related Health & Safety Training and Certification
Combustion Engine Economy Training
How to Write Permits Training
Mass Spectrometer Equipment Training
Emissions from Alternative Fuel Engines Training
On-Site Coordinator Training
Remedial Project Manager Training
Environmental License Fees
Site Response Management Contracts (such as: site cleanup guidance, cleanup prioritization, and site monitoring)

26.00 Series Supplies & Materials

Administrative:

Motor Pool Gasoline
Office Supplies
General Purpose Subscriptions
Standard Office Reference Books such as Dictionaries, Thesaurus, etc.
Informal non-monetary awards such as T-shirts, coffee cups, gift certificates, $75.00 U.S. Savings Bonds

Programmatic:

Test Fuel
Mission-Related Subscriptions
Scientific and Technical Laboratory Supplies
Criminal Investigator Ammunition and Surveillance Supplies (such as Film)
Program-Specific Risk-Related Protective Clothing and Supplies
Subscriptions
Supplies for Hazardous Waste Disposal
Laboratory Animal Care Supplies

31.00 Series Equipment

Administrative:

Purchase of General Purpose ADP Software Packages
Copy Machines
Facs Machines
General Purpose Telephone Equipment for Staff
Office Furniture
Individual Desk-top Equipment (such as Calculators)

Personal Computers or Other Word Processor Equipment for General Staff Use such as Local Area Network (LAN) Equipment)
Car Phones
Pagers/Beeper Equipment
Personnel Classification and Directive Books Programmatic:

Programmatic ADP Software Packages such as:

- S toxic chemical composition analysis programs - LHASA, SYNGEN,CAMEO;
- S chemical property estimation programs; and

S CLOGP & PC GEMS; SAS & SAS-Graph software when used for generating research lab. data, etc.) (25.75 if WCF)
Programmatic ADP Software Disk Update (25.75 if WCF)
Technical Books or Manuals
Research Vessel Equipment
Laboratory and Scientific Equipment
Mission-Related Phones for Hotlines such as EPA Water Resource Center
Criminal Investigator Guns, Surveillance Equipment
Program-Specific Risk-Related Health & Safety Equipment
Specially Equipped Vehicles for Law Enforcement/ Surveillance or Boats for Emergency Response.
ADP Equipment for Programmatic Databases such as:

- S Storet;
- S Haz.Wst.DMS;
- S New Air Data System;
- S Docket System;
- S Pesticide Product Info. System;
- S CERCLIS.

Site & Field Protective Clothing

32.00 Series Land and Structures * FOR USE WITH B & F APPROPRIATION ONLY *****

HQ/Region Land, Buildings, & Structures
Special-Use Facility Land, Buildings, & Structures

42.00 Series Insurance Claims/Indemnities

Administrative:
Insurance Claims & Indemnity Claims for Employees
Insurance Claims & Indemnity Claims for Contractors
Local, State, or Federal Fines or Claims
Claims for Court Costs Involving EEO or other Hiring Practices litigation

Programmatic:
Pesticide Indemnification Payments
Superfund Indemnifications
Superfund Response Claims
Court Costs such as: Equal Access to Justice Act, Claims for failed Enforcement Actions, failure to implement environmental statutes cases, improper issuance of regulations cases, etc.

J. DIRECT IMPLEMENTATION by EPA of STATE and TRIBAL ENVIRONMENTAL PROGRAMS with STAG APPROPRIATIONS

For state and tribal continuing environmental program grants authorized in the STAG appropriation, the states or tribes have primacy (primary responsibility to carry out the environmental program supported by the grant). If a state or tribe chooses not to carry out a specific program or programs, EPA then has primacy if EPA is required by law to carry out the environmental program in the absence of a state or tribal program. The EPA regional office for that particular state will either carry out the environmental program themselves ("in-house") or procure a contractor to perform the state's role. This is referred to as Direct Implementation. Sometimes states share primacy with EPA. In some cases, a state may carry out part of the environmental program with EPA grant funds and EPA will directly implement others. For example, in the Underground Injection Control (UIC) grant program there are 5 classes of wells and a state may only accept primacy for certain ones and refuse others. They can accept all wells, class II wells only, or classes I, III, IV and V only. In that case, EPA must directly implement sections that the state or tribe does not carry out and therefore, share primacy with the state or tribe.

For the direct implementation with STAG funds of state or tribal environmental programs by the Regional Offices, funds will need to be reprogrammed from grants (BOC 41) into contracts (BOC 37) and/or expenses (BOC 36). Since these expenses are associated with program grants, using the programmatic sub-object classes in each series for costs associated with direct implementation will ensure that these costs will not be reflected as administrative costs.

NOTE: Because there are no travel funds appropriated in the STAG account, any direct implementation travel needs in the Regions must be funded from within existing travel ceilings in the EPM account. OGC has opined that "boilerplate" report language for the EPM appropriation states that the EPM account contains "PCB and Travel expenses for all media and programs of the Agency except SF, LUST, Oil Spills, and the OIG". Therefore, PCB or Travel for anything in STAG is paid out of EPM.

Additionally, since any equipment purchased for direct implementation of a grant program (such as computers and copy machines) must be dedicated to direct implementation efforts and not put to general use by the region, a region may be required to use funds for rental space, office equipment, lights, phones, etc. to segregate the direct implementation effort from the regional office location. However, Permanent Change of Station (PCS) costs to relocate an employee (particularly the household goods portion of the PCS) can not be charged to STAG -- all personnel and travel costs should be borne by the Agency's appropriations already available for that purpose, not STAG.

NOTE: Providing part of a grant award as "In-Kind" assistance to help a state or tribe carry out its own environmental program does not constitute direct implementation by EPA.

NOTE: It is not the option of the regional office whether or not to directly implement a state or tribal environmental program if the Agency is required by law to carry it out in the absence of an authorized state or tribal program. The state must be unable to perform all or part of a grant or otherwise be unable to accept primacy (e.g. sometimes a state constitution does not provide for a matching funds requirement for the state to be able to accept primacy.)

K. FEES AND FEE PROGRAMS

Only if authorized by statute, can collections that are received by the Agency be obligated by EPA during that fiscal year. Otherwise, the fees must be deposited as Miscellaneous receipts to Treasury as required by 31 U.S.C. 3302 (b), or as directed in a statute. EPA is already receiving all the funding that we can rationalize in our budget justification. The fees we collect go back to Treasury and OMB/Congress considers them to be offsets to our appropriated dollars. So funds we collect may actually get appropriated back to us in our environmental programs. For us to be able to use the collected fees held at Treasury, they

would have to be specifically appropriated by Congress. Were that to happen, we'd expect a reduction in appropriated funds from General Revenues, so there would be no net gain. The OCFO environmental finance staff is responsible for reviewing Agency user fees. Their web site is:
http://www.epa.gov/efinpage/

L. ADDITIONAL GRANTS INFORMATION

Specific Statutory Authority

Federal agencies have inherent authority (subject to applicable procurement laws and the Federal Acquisition Regulations or FAR) to enter into contracts to carry out agency missions. Grants and cooperative agreements, however, require specific statutory authority and the citation for that authority must be included on the grant award. Three things are needed to award a grant: 1) specific statutory authority, 2) funding provided for the purpose of the grant, 3) an eligible grant recipient.

Acquisition VS Assistance

The Federal Grant & Cooperative Agreement Act (FGCAA), 31 U.S.C. 6301 et. seq., provides that grant and cooperative agreements must be awarded for a principal purpose of support and stimulation, rather than to acquire services or products which directly benefit the government. In interpreting the FGCAA, EPA Order 5700.1, states:

If an office or laboratory's principal purpose in undertaking a project is to obtain a product or service for the direct benefit or use of the Agency, or any part of the Federal government including the legislative and judicial branches, a contract, rather than a grant (assistance agreement), must be used.

The decision to use a contract or an assistance agreement must be based solely on the principal purpose of the relationship. If EPA's principal purpose is acquiring property or services from a recipient for direct Agency (or government) benefit or use, an acquisition relationship exists requiring the use of a contract.

If EPA is funding a recipient to support or stimulate activities that are not Principally for the direct benefit or use of the Federal Government, and the award is authorized by federal statute, an assistance relationship exists and a financial assistance agreement (i.e., grant or cooperative agreement) may be used.

To view the specific GAD policy (EPA Order 5700.1) for distinguishing between assistance and acquisition, go to the following intranet URL sites: http://intranet.epa.gov/rmpolicy/ads/orders/5700_1.pdf
http://intranet.epa.gov/ogd/policy/7.0-GPI-GPI-94-04.htm

Selecting between a Grants or Cooperative Agreement

After an office or laboratory determines that an assistance agreement rather than a contract is appropriate, it must then decide whether to use a grant or a cooperative agreement to provide the assistance. The office or laboratory must base this decision on the extent and nature of the Agency's involvement in the activities to be supported under the agreement.

1. Grant Agreements. EPA shall use a grant agreement whenever an assistance agreement is appropriate and the office or laboratory does not anticipate substantial involvement with the recipient during performance of the contemplated activities.

2. Cooperative Agreements. EPA shall use a cooperative agreement whenever an assistance agreement is appropriate and the office or laboratory anticipates substantial involvement with the recipient during performance of the contemplated activity.

Policy for Competition in Assistance Agreements

In August 2004, GAD revised EPA Order 5700.5 – "Policy for Competition of Assistance Agreements. For the "Effective Date" the policy stated: "The requirements of this Order apply to: (1) competitive announcements issued, released, or posted after December 31, 2004, (2) assistance agreement competitions, and awards, resulting from competitive announcements issued, released, or posted after December 31, 2004, (3) assistance agreements that are awarded on a non-competitive basis after December 31, 2004, and (4) amendments to assistance agreements that are issued after December 31, 2004". The authority for this Order is the Federal Grant and Cooperative Agreement Act of 1977, as amended, 31 U.S.C. 6301(3). The policy further states that "It is EPA policy to promote competition to the maximum extent practicable in the award of assistance agreements. When assistance agreements are awarded competitively, EPA policy requires that the competitive process be fair and impartial, that all applicants be evaluated only on the criteria stated in the announcement, and that no applicant receive an unfair competitive advantage." Unless an individual award or an assistance program qualifies for one of the exemptions from competition contained in the Order, it applies to all EPA assistance programs and each assistance agreement where the funds available for award(s) exceed the competition threshold. To view EPA Order 5700.5 and view the lists of awards the policy does and does not apply to, see intranet URL site: http://intranet.epa.gov/rmpolicy/ads/orders/5700_5.pdf

EXHIBITS

Funds Control Relationships in EPA

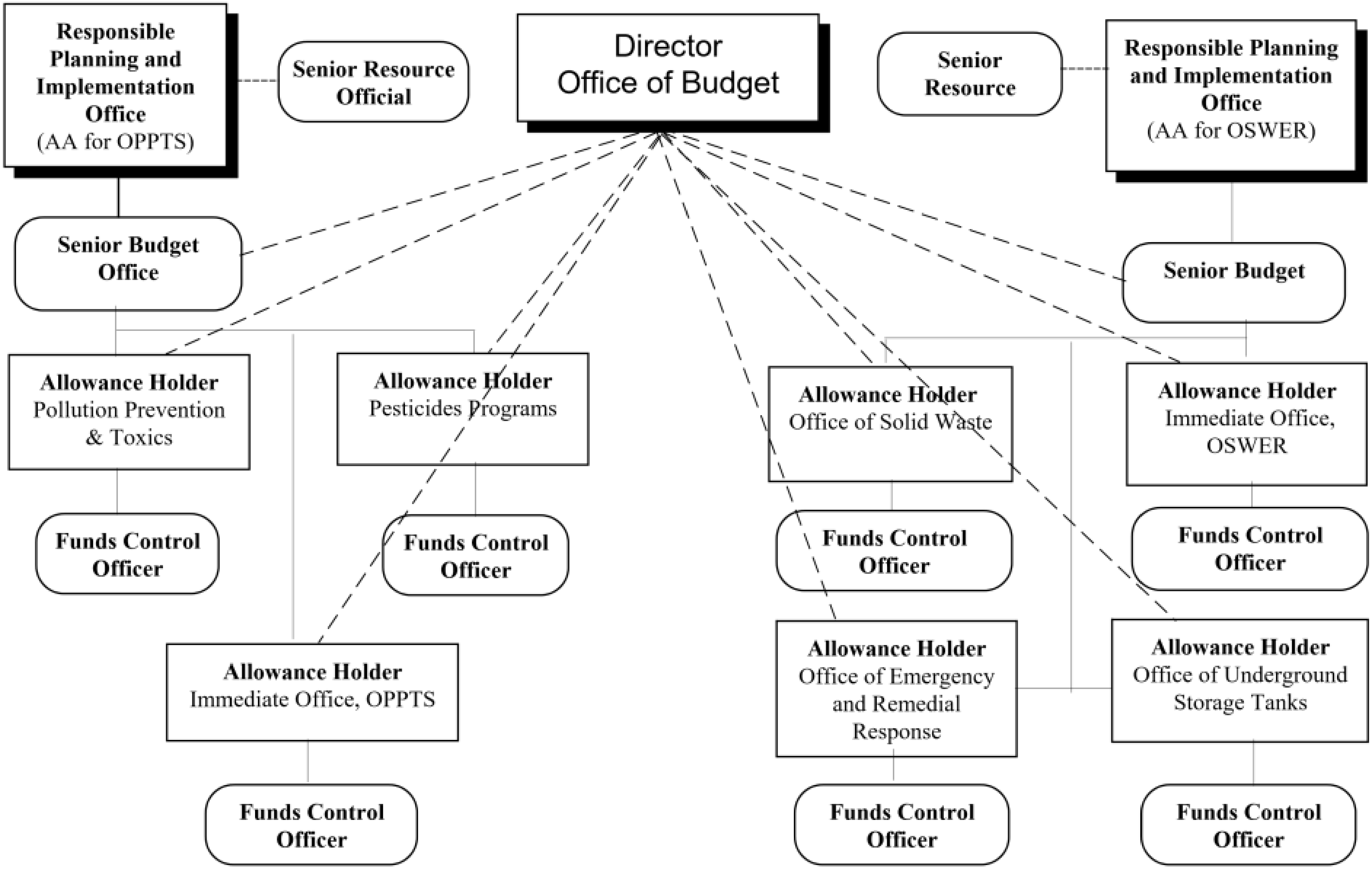


EXHIBIT - 2520 - 2-1

FCO Designation Letter

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY WASHINGTON, D.C.

OFFICE of XXXXXXXXX (Mail code)

MEMORANDUM

SUBJECT: Designation of Funds Control Officer

FROM: (Title of Allowance Holder) \signed\

TO: Office of Budget (2732A)

The purpose of this memorandum is to inform you that in accordance with Chapter 2520 of the Resources Management Directives System (RMDS); Administrative Control of Appropriated Funds, the individual(s) listed below has been designated as the Funds Control Officer (FCO) and/or Alternate Funds Control Officer for this Office.

The FCO's financial management authority to commit properly executed funding documents is restricted to resources allotted to the Allowance Holder(s) / Responsibility Center(s) indicated. Under no circumstances will the FCO be permitted to sign for commitment documents outside the authority, scope or control of the AH/Responsibility Center(s) listed above.

As stated in RMDS 2520, by signing in the funds certification block on funding documents, the FCO understands and accepts the responsibility that his/her signature on a document certifies that the document has passed his/her personal review and that the funds cited are available as to the **appropriate purpose, time, and amount.** The FCO is also responsible for notifying obligating officials if committed funds are subsequently decommitted in IFMS. The FCO will also be responsible for maintaining a document control tracking system which will reconcile funding documents against the EPA Integrated Financial Management System (IFMS), and also assist the Allowance Holder in maintaining proper funds control management.

For verification, their signatures are provided below:

Signature of new FCO ______________________________________ and/or

Signature of Alternative FCO ______________________________

FCO Designation Form

In accordance with Chapter 2520 of the Resources Management Directives System (RMDS); Administrative Control of Appropriated Funds, the following persons are officially designated as Funds Control Officers (FCOs) for the office listed below:

RPIO Abbreviation and Code (e.g. OCFO 17):

Allowance Holder Code (e.g. 42):

RC CODE(S)(e.g.42a)

FCO NAME(S) LIST IF MORE THAN 1 NAME OF ALTERNATE(S)

ARA / SENIOR RESOURCE OFFICIAL DATE

Servicing Finance Offices (SFO)

SFO # **Address** **Responsibility**

1 FMO Region 1 Purchase Orders
US EPA, Region I Region 1 Training (except contract, interagency)
One Congress Street Region 1 Travel
Suite 1100 (MCO) Region 1 Superfund
Boston, MA 02114-2023 Grants/Cooperative Agreements

2 FMO Region 2 Purchase Orders
US EPA, Region II Region 2 Training (except contract, interagency)
290 Broadway Region 2 Travel
New York, NY 10007-1866 Region 2 Superfund Grants/Cooperative Agreements

3 FMO Region 3 Purchase Orders
US EPA, Region III Region 3 Training (except contract, interagency)
1650 Arch Street Region 3 Travel
Philadelphia, PA 19103-2029 Region 3 Superfund
Grants/Cooperative Agreements

4 FMO Region 4 Purchase Orders
US EPA, Region IV Region 4 Training (except contract, interagency)
Atlanta Federal Center Region 4 Travel
61 Forsyth Street, S. W. Region 4 Superfund
Atlanta, GA 30303-3104 Grants/Cooperative Agreements

5 FMO Region 5 Purchase Orders
US EPA, Region V Region 5 Training (except contract, interagency)
77 West Jackson Boulevard Region 5 Travel
Chicago, IL 60604-3507 Region 5 Superfund Grants/Cooperative Agreements

6 FMO Region 6 Purchase Orders
US EPA, Region VI Region 6 Training (except contract, interagency)
1445 Ross Ave. Region 6 Travel
Suite 1200 Region 6 Superfund Dallas, TX 75202-2733
Grants/Cooperative Agreements

7 FMO Region 7 Purchase Orders
US EPA, Region VII Region 7 Training (except contract, interagency)
901 N. 5th Street Region 7 Travel
Kansas City, KS 66101 Region 7 Superfund Grants/Cooperative Agreements

8 FMO Region 8 Purchase Orders (RTP obligating and paying)
US EPA, Region VIII Region 8 Training (except contracts, interagency)
999 18th Street Suite 500 Region 8 Travel
Denver, CO 80202-2466 Region 8 Superfund Grants/Cooperative Agreements

9 FMO Region 9 Purchase Orders
US EPA, Region IX Region 9 Training (except contract, interagency)
75 Hawthorne Street Region 9 Travel

San Francisco, CA 94105 Region 9 Superfund Grants/Cooperative Agreements

EXHIBIT - 2520 - 2-3

SFO #	**Address**	**Responsibility**
10	FMO	Region 10 Purchase Orders
	US EPA, Region X	Region 10 Training (except contract, interagency)
	1200 Sixth Avenue	Region 10 Travel

Seattle, WA 98101 Region 10 Superfund Grants/Cooperative Agreements

99	Director	
	Office of Financial Services	Headquarters Training
	Mailcode (2734R)	(except contract, interagency)

1200 Pennsylvania Avenue, N. W. Headquarters Payroll Washington, DC 20460

22	Director	Headquarters & RTP Purchase Orders
	Office of Financial Services	RTP Training (except contract, interagency)
	U.S. EPA, MD-32	RTP Travel
	T.W. Alexander Drive, Adm. Bldg.	Contracts
	Research Triangle Park, N. C. 27711	Working Capital Fund Service Agreements

33	Director	Las Vegas Purchase Orders
	Office of Financial Services	Las Vegas Training (except contract, interagency)
	U.S. EPA, LVFMC	Las Vegas Travel

PO Box 98515 Assistance Agreements Las Vegas, Nevada 89193-8515 State Grants/Cooperative Agreements

27	Director	Cincinnati Purchase Orders
	Office of Financial Services	Cincinnati Training (except contract)
	U.S. EPA, CFMC	Bankcards
	26 Martin Luther King Dr.	Federal Register Notices
	Cincinnati, Ohio 45268-7002	Interagency Agreements (IAG)

Headquarters & Cincinnati Travel

Payments to Federal Agencies

Payments & Collection of IPA Assignments (for Cin., HQ, RTP, & Las Vegas)

EXHIBIT - 2520 - 2-3

EPA Appropriation Fund Codes / Treasury Symbols

Approp. Code	Title	Years	Treasury Symbol
General Fund Accounts			
B	Environmental Programs and Management (EPM)		685/60108
BR	EPM Reimbursable (Multi-Year)		685/60108
BR2	EPM Reimbursable - Ocean Dumping (Multi-Year)	05/06	685/60108
BR3	EPM Reimbursable - IPA and Non-Federal (Multi-Year)	05/06	685/60108
BR4	EPM Recycling Proceeds (Multi-Year)	05/06	685/60108
B2	AC&C No-Year - Carryover	05/06	68X0108
B3	DOE Appropriation Transfer	05/06	68X0108
B4	Agency for International Development Appropriation Transfer	05 05	684/50108
LR	EPM Reimbursable - Homeland Security or other special	04/05	685/60108
04 B5	Agency for International Development Appropriation Transfer	05/06	68X0108
B9	Homeland Security Supplemental - EPM Carryover	05 05	68X0108
C	Science and Technology (S&T)	05/06	685/60107
CR	S&T Reimbursable (Multi-Year)	05/06	685/60107
CR1	S&T Reimbursable	05/06	685/60107
CR3	S&T - IPA and Non-Federal (Multi-Year)	05/06	685/60107
C2	R&D No Year - Carryover	05	68X0107
C3	S&T - Superfund for Execution	05/06	685/60107
C4	DOT Appropriation Transfer - S&T	05	68X0107
C9	Homeland Security Supplemental - S&T Carryover	05	68X0107
D	Buildings & Facilities	05	68X0110
DC	Buildings & Facilities - Carryover	05	68X0110
D9	Buildings and Facilities - Supplemental **(see Note)**	05/06	685/60110
N	Inspector General	05/06	685/60112
NR	Inspector General - Reimbursable (Multi-Year)	05/06	685/60112
N2	Inspector General - Superfund for execution	05/06	685/60112
	State and Tribal Assistance Grants (STAG)		
E1	STAG Categorical Grants	05	68X0103
E1C	STAG Categorical Grants - Carryover	05	68X0103
E2	STAG Clean Water State Revolving Fund (SRF)	05	68X0103
E2C	STAG Clean Water SRF - Carryover	05	68X0103
E3	STAG Drinking Water SRF	05	68X0103
E3C	STAG Drinking Water SRF - Carryover	05	68X0103
E4	STAG Special Programs	05	68X0103
E4C	STAG Special Program - Carryover	05	68X0103
	Water Infrastructure / State Revolving Funds (FY 95 and Prior)		
GT1	FY 95	05	68X0103
GM1	FY 94	05	68X0103
GH1	FY 93	05	68X0103
GB1	FY 92	05	68X0103
GZA	FY 91	05	68X0103
GXA	FY 90	05	68X0103

GVA	FY 89	05	68X0103
GWR	FY 77-88	05	68X0103
GHS	Contract Authority: FY 73-77	05	68X0103
G7A	P.L. 84-660: FY 67-72	05	68X0103

EXHIBIT - 2520 - 3-1

Approp. Code	**Title**	**Years**	**Treasury Symbol**
Special Fund Accounts			
P	FIFRA	05	68X4310
P1	Pesticide Registration	05	68X5357
Y	Tolerance Fund	05	68X4311
Intergovernmental Fund Accounts			
WR	Working Capital Fund - Service Agreements	05	68X4565
WR1	Working Capital Fund - Reimbursables	05	68X4565
Trust Fund Accounts			
F	LUST	05	68-20X8153
FC	LUST - Carryover	05	68-20X8153
H	Oil Spill	05	68X8221
HC	Oil Spill - Carryover	05	68X8221
HR	Oil Spill - Reimbursable	05	68X8221
T	Superfund	05	68-20X8145
TC	Superfund Appropriated Funds - Carryover	05	68-20X8145
TR	Superfund Reimbursable - All Other	05	68-20X8145
TR1	Superfund Reimbursable - SSC	05	68-20X8145
TR2	Superfund Reimbursable - Special Accts: Future Costs	05	68-20X8145
TR2A	Superfund Reimbursable - Special Accts: Fed Unearned Advances	05	68-20X8145
TR2B	Superfund Reimbursable - Special Accts: Interest & Past Costs	05	68-20X8145
TR3	Superfund - IPA	05	68-20X8145
T2	Superfund - Inspector General for Treasury Transfer	05/06	685/68145
T3	Superfund - S&T for Treasury Transfer	05/06	685/68145
T4	National Drug Control Policy - Appropriation Transfer	05	68-20X8145
T5	Superfund - Appropriation Transfer for McElroy Site	05	68-20X8145
T9	Homeland Security Supplemental - Superfund Carryover	05	68-20X8145
Miscellaneous Accounts:			
ZA	Operations, Research and Facilities	05	68X0100
ZB	Energy R&D	05	68X0109
ZC	Miscellaneous Contributed Funds	05	68X8741
ZD	GSA Building Delegated Program	05	68-47X4542
ZE	Appalachian Regional Commission	05	68-46X0200
ZF	Agency for International Development	05	68-72X1010
ZG	Exxon Valdez Settlement Fund	05	68X5297

NOTE - All multiyear (BFY 2005/2006) funds are also valid for BFY 2004/2005 except for

Buildings and Facilities Supplemental which is available only for BFY 2005/2006 EXHIBIT - 2520

Object Class Relationships

OMB Object Classification Codes
11.1 - 11.9 Personnel Compensation
12.1 - 13.0 Benefits
21.0 - 26.0 Contractual Services and Supplies
31.0 - 33.0 Aquisition of Equipment and Land
41.0 - 44.0 Grants and Fixed Assets

EPA Budget Object Classes
10 - Personnel Compensation & Benefits
21 - Travel
28 - Site Travel
36 - Expenses
37 - Contracts
38 - WCF
41 - Grants

EPA Accounting Sub-Object Class Codes
(Several hundred broken out by OMB Object Class Code

EXHIBIT 2520 - 3 - 2

IFMS Budget Hierarchy

The organizational hierarchy of the IFMS budget subsystem and the related inquiry tables are displayed below.

Organizational Level	Sample Codes	Inquiry Tables
FULL CONTROL		
Agency	APPROPRIATION BFY: 97 05 APPR: B	APPR
Agency	APPORTIONMENT QTR: 1	APOR
RPIO	ALLOCATION BFY: 05 06 APPR: B RPIO: 16	ALOC
Allowance Holder	SUBALLOCATION BFY: 05 06 APPR: B RPIO: 16 ORG: 42	SALC

****

PRESENCE CONTROL

Organizational Level	Sample Codes	Inquiry Tables
Allowance Holder	ALLOWANCE BFY: 05 06 APPR: B RPIO: 16 ORG: 42 PE: GUX BOC: 30	ALLT

****

NO CONTROL

SUB-ALLOWANCE

Responsibility Center	BFY- 05 06 APPR: B	SASP/SAIN

EXHIBIT - 3-3

How to Write a Good Reprogramming Justification

Written justifications provide the permanent audit trail of explanations for EPA's resource reprogrammings. The justification protects the initiator by establishing the rationale for the action and making it part of the data record.
Concise, well written justifications are essential to the success of IFMS as an administrative system.

The coded data on your reprogramming already indicates:

1. Programs involved (PRC Codes)

2. Offices involved (RPIO/A.H. Codes)

3. Dollar and FTE Amounts

INFORMATION for the JUSTIFICATION

Your justification should simply state:

1. What the reprogramming is buying for programs, activities, or offices receiving an increase? If it is the result of an FTE change, provide details of (a) why there is a change and (b) the impact on the programs affected.

2. What are the impacts to the programs, activities, or offices losing resources? Something previously budgeted for has been reduced. Have priorities or schedules changed?

3. Include the name and telephone number of a contact person.

EXAMPLE:

Proper Justification:

This action reprograms $200 K for additional contractor support and $80 K for additional research equipment to accelerate the level of Acid Rain research in this fiscal year. The Air research contract with the XYZ Corporation will be delayed until next fiscal year as a result of this reprogramming. Questions should be directed to: Richard Certain (OAR) at 202-564-2525.

Poor Justification:

Transfers funds from the New Chemical Review PRC to the Chemical Registration PRC to meet end-of-year needs.

EXHIBIT - 2520 - 3-4

APPENDIX

APPENDIX A

BUDGET

TERMS and DEFINITIONS

BUDGET TERMS and DEFINITIONS
Excerpted from the GAO Glossary

Account

A separate financial reporting unit for budget, management, and/or accounting purposes. All budgetary transactions are recorded in accounts, but not all accounts are budgetary in nature (that is, some accounts do not directly affect the budget but are used purely for accounting purposes). Budget (and off-budget) accounts are used to record all transactions within the budget (or off-budget), where other accounts (such as deposit fund, credit financing, and foreign currency accounts) are used for accounting purposes connected with funds that are nonbudgetary in nature. The Budget Enforcement Act defines account" as an item for which appropriations are made in any appropriation act; for items not provided for in appropriation acts, account means an item for which there is a designated budget account identification code number in the President's budget.

Account in the President's Budget:
Expenditure/Appropriation and Receipt Accounts - classified by Fund Types

Accounts used by the federal government to record outlays (expenditure ac counts) and income (receipt accounts) primarily for budgeting or management information purposes but also for accounting purposes. All budget (and off budget) accounts are classified as being either expenditure or receipt (including offsetting receipt) accounts and by fund group. Budget (and off-budget) transactions fall within either of two fund groups: (1) federal funds and (2) trust funds.

All federal fund and trust fund accounts are included within the budget (that is, they are on-budget) unless they are excluded from the budget by law. Federal and trust funds excluded from the budget by law are classified as being off-budget. The term off-budget differs from the term non-budgetary. Non-budgetary refers to activities (such as the credit financing accounts) that do not belong in the budget under existing concepts, while off-budget refers to accounts that belong on-budget under budget concepts but that are excluded from the budget under terms of law.

Federal Fund Accounts

Accounts composed of moneys collected and spent by the federal government other than those designated as trust funds. Federal fund accounts include general, special, public enterprise, and intra governmental fund accounts.

General Fund Accounts. Federal fund accounts composed of all federal money not allocated to any other fund account.

1. General Fund Receipt Account

A receipt account credited with all collections that are not earmarked by law for a specific purpose. These collections are presented in the Budget of the United States Government as either governmental (budget) receipts or offsetting receipts. These include taxes, customs duties, and miscellaneous receipts.

2. General Fund Expenditure Account

An appropriation account established to record amounts appropriated by law for the general support of federal government activities and the subsequent expenditure of these funds. It includes spending from both annual and permanent appropriations.

Special Fund Accounts Federal fund accounts earmarked by law for a specific purpose.

1. Special Fund Receipt Account

A receipt account credited with collections that are earmarked by law but included in the federal funds group rather than classified as trust fund collections. These collections are presented in the Budget of the United States Government as either governmental (budget) receipts or offsetting receipts.

2. Special Fund Expenditure Account

An appropriation account established to record appropriations, obligations, and outlays financed by the proceeds of special fund receipts.

Intra-governmental Fund Accounts

Expenditure accounts authorized by law to facilitate financing transactions primarily within and between federal agencies on a revolving fund basis.

1. Intra governmental Revolving Fund Account

An appropriation account authorized to be credited with collections, primarily from other agencies and accounts, that are earmarked to finance a continuing cycle of business-type operations, including working capital funds, industrial funds, stock funds, and supply funds.

2. Management Fund Account

An account authorized by law to credit collections from two or more appropriations to finance activity not involving a continuing cycle of business-type operations. Such accounts do not generally own a significant amount of assets such as supplies, equipment, or loans, nor do they have a specified amount of capital provided-a corpus. The Navy Management Fund is an example of such an account.

Consolidated Working Fund Accounts are a subset of management funds. These are special working funds established under the authority of Section 601 of the Economy Act (31 U.S.C. 1535, 1536) to receive advance payments from other agencies or accounts. Consolidated working fund accounts are not used to finance the work directly but only to reimburse the appropriation or fund account that will finance the work to be performed. Amounts in consolidated working fund accounts are available for the same periods as those of the accounts advancing the funds.

Consolidated working fund accounts are shown as separate accounts on the books of Treasury, but are not separately identified in the President's budget. Transactions of these accounts are included in the presentation of the appropriation or fund account actually performing the service or providing the materials.

Trust Fund Accounts

Accounts designated as trust funds by law, regardless of all other meaning of the words “trust fund." A trust fund account is usually either a receipt or an expenditure account. A trust revolving fund, however, receives offsetting collections authorized to be credited to an expenditure account.

Trust Fund Receipt Account

A receipt account credited with collections classified as trust fund collections. These collections are presented as either governmental (on-budget or off-budget) receipts or offsetting receipts.

Trust Fund Expenditure Account

An appropriation account established to record amounts appropriated to finance programs specified by law as being trust funds. Such funds may be on-budget or off-budget.

Trust Revolving Fund Account
A trust fund expenditure account that is an appropriation account authorized to be credited with collections and used to carry out a cycle of business-type operations in accordance with statute.

Allocation
For the purposes of budgeting, an allocation is the amount of budget authority transferred from one agency, bureau, or account that is set aside in a transfer appropriation account to carry out the purposes of the parent appropriation or fund. (The appropriation or fund from which the allocation is made is called the parent appropriation or fund.) For example, an allocation is made when one or more agencies share the administration of a program for which appropriations are made to only one of the agencies or to the President. Transactions involving allocation accounts appear in the Object Classification Schedule, with the corresponding Program and Financing Schedule, in the Budget of the United States.

Allotment
An authorization by either the agency head or another authorized employee to his/ her subordinates to incur obligations within a specified amount. Each agency makes allotments pursuant to specific procedures it establishes within the general requirements stated in OMB Circular A-11 (Part 4)/Instructions on Budget Execution (formerly OMB Circular A-34). The amount allotted by an agency cannot exceed the amount apportioned by the Office of Management and Budget.

Anti-Deficiency Act
Enacted legislation which:

C prohibits the making of expenditures or the incurring of obligations prior to appropriations,

C prohibits the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriation or fund accounts unless specifically authorized by law (31 U.S.C. 1341(a)),

C requires agencies to apportion appropriated funds and other budgetary resources (31 U.S.C. 1512),

C requires a system of administrative controls within each agency (see 31 U.S.C. 1514 for the administrative divisions established),

C prohibits incurring any obligation or making any expenditure (outlay) in excess of an apportionment or reapportionment or in excess of other subdivisions established pursuant to 31 U.S.C. 1513 and 1514 (31 U.S.C. 1517),

C specifies penalties for Anti-Deficiency violations (see Anti-Deficiency Act Violation),

C requires the apportionment of appropriation or fund accounts to prevent the need for a supplemental or deficiency appropriation, and

C assists in bringing about the most effective and economical use of appropriations and funds (31 U.S.C. 1512-1519).

The Act permits agencies to reserve funds (that is, withhold them from obligation)under certain circumstances.

Anti-Deficiency Act Violation
An Anti-Deficiency Act violation occurs when one or more of the following occurs:

C over obligation or over expenditure of an appropriation or fund account (31 U.S.C. 1341(b));

C entering into a contract or making an obligation in advance of an appropriation, unless specifically authorized by law (31 U.S.C. 1341(a));

C acceptance of voluntary service, unless authorized by law (31 U.S.C. 1342); or

C over obligation or over expenditure of (1) an apportionment or reapportionment or (2) amounts permitted by the administrative control of funds regulations (31 U.S.C. 1517(a)).

Penalties for Anti-Deficiency Act violations include administrative discipline, such as suspension from duty without pay or removal from office. In addition, an officer or employee convicted of willfully and knowingly violating the law shall be fined wt more than $5,000, imprisoned for not more than 2 years, or both (31 U.S.C. 1349, 1350, 1518, and l519).

Apportionment
An action by which OMB distributes amounts available for obligation, including budgetary reserves established pursuant to law, in an appropriation or fund account. An apportionment divides amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. In apportioning any account, some funds may be reserved to provide for contingencies or to effect savings, pursuant to the Anti-Deficiency Act. Funds, including Anti-Deficiency Act reserves, may also be proposed for deferral or rescission pursuant to the Impoundment Control Act of 1974 (2 U.S.C. 681-688).

The apportionment process is intended to (1) prevent the obligation of amounts available within an appropriation or fund account in a manner that would require deficiency or supplemental appropriations and (2) achieve the most effective and economical use of amounts made available for obligation.

Appropriation Act
A statute, under the jurisdiction of the House and Senate Committees on Appropriations, that generally provides legal authority for federal agencies to incur obligations and to make payments out of Treasury for specified purposes. An appropriation act fulfills the requirement of Article I, section 9 of the Constitution, which provides that no money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law." Consequently, even entitlements must be funded by appropriations; however, such appropriations (often permanent, indefinite ones that are not under the jurisdiction of the appropriations committees) may be created by authorizing legislation.

An appropriation act generally follows enactment of authorizing legislation unless the authorizing legislation provides budget authority.

The three major types of appropriation acts are regular, supplemental, and continuing. Regular appropriation acts are all appropriation acts that are not supplemental or continuing. Currently, 13 regular appropriation acts are considered annually. From time to lime, supplemental appropriation acts are also enacted. When action on regular appropriation bills is not completed before the beginning of the fiscal year, a continuing resolution or bill may be enacted to provide funding for the affected agencies for the full year, up to a specified date, or until their regular appropriations are enacted.

Authorizing Committee
A standing committee of the House or Senate with legislative jurisdiction over the subject matter of those laws, or parts of laws, that set up or continue the operations of federal programs or agencies. An authorizing

committee also has jurisdiction in those instances where backdoor authority is provided in the substantive legislation.

Authorizing Legislation

Substantive legislation that sets up or continues the operation of a federal program or agency either indefinitely or for a specific period of time or that sanctions a particular type of obligation or expenditure within a program. Authorizing legislation is normally a prerequisite for appropriations. It may place a limit on the amount of budget authority to be included in appropriation acts or it may authorize the appropriation of ~such sums as may be necessary." In some instances, authorizing legislation may provide authority to incur debts or may mandate payment to particular persons or political subdivisions of the country.

Budget Amendment

A revision to a pending budget request which the President submits to the Congress before the Congress completes appropriations action.

Budget Authority

Authority provided by law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. Budget authority includes the credit subsidy cost for direct loan and loan guarantee programs, but does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

The basic forms of budget authority include (l) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting receipts and collections. Budget authority may be classified by its duration (l-year, multiple-year, or no-year), by the timing of the legislation providing the authority (current or permanent), by the manner of determining the amount available (definite or indefinite), or by its availability for new obligations.

Forms of Budget Authority are:

1. Appropriations

Authority given to federal agencies to incur obligations and to make payments from Treasury for specified purposes. An appropriation act, the most common means of providing budget authority, usually follows the enactment of authorizing legislation, but in some cases the authorizing legislation itself provides the budget authority.

Appropriations do not represent cash actually set aside in Treasury for purposes specified in the appropriation act; they represent authority that agencies may use to obligate funds during the period of time specified in the respective appropriation acts. Certain types of appropriations are not counted as budget authority because they do not provide authority to incur obligations. Among these are appropriations:

C liquidate contract authority (legislation to provide funds to pay obligations incurred against contract authority)

C to redeem outstanding debt (legislation to provide funds for debt retirement), and to refund receipts.

2. Borrowing Authority

Authority that permits agencies to incur obligations and make payments to liquidate the obligations out of borrowed moneys. Usually the funds are borrowed from Treasury, but in a few cases agencies borrow directly from the public. Borrowing authority does not include Treasury's authority to borrow from the public or other sources.

3. Contract Authority

Authority that permits obligations to be incurred in advance of appropriations or receipts. Contract authority is therefore unfunded and a subsequent appropriation or offsetting collection is needed to liquidate the obligations.

4. Offsetting Receipts and Collections

Authority to obligate and expend the proceeds of offsetting receipts and collections. The Congressional Budget Act of 1974, as amended by the Budget Enforcement Act of 1990, defines offsetting receipts and collections as negative budget authority and the reductions thereof as positive budget authority.

Amount Determinations are:

C Definite Authority

Budget authority which is stated as a specific sum at the time the authority is granted. This type of authority, whether in an appropriation act or other law, includes authority stated as “not to exceed” a specified figure.

C Indefinite Authority

Budget authority of an unspecified amount of money. Indefinite budget authority (usually an appropriation) may be appropriated as all or part of the amount of proceeds from the sale of financial assets, the amount necessary to cover obligations associated with payments, the receipts from specified sources-the exact amount of which is determinable only at some future date or it may be appropriated as “such sums as may be necessary” for a given purpose.

Duration can be:

C One-Year (Annual) Authority

Budget authority which is available for obligation only during a specific fiscal year and which expires, if not obligated, at the end of that time. It is also known as a “fiscal year" or “annual” budget authority.

C Multiple-Year Authority

Budget authority which is available for a specified period of time in excess of 1 fiscal year. This authority generally takes the form of 2-year, 3-year, etc., availability but may cover periods that do not coincide with the start or end of a fiscal year. For example, the authority may be available from July 1 of one year through September 30 of the following fiscal year, a period of 15 months. This type of multiple-year authority is sometimes referred to as “forward funding."

C No-Year Authority

Budget authority that remains available for obligation for an indefinite period of time, usually until the-objectives for which the authority was made available are attained.

Extensions of Budget Authority are:

C Reappropriation

Statutory action to continue the availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. Re-appropriations are counted as budget authority in the first year for which the availability is extended.

C Continuing Appropriation/Continuing Resolution

Legislation that may be enacted to provide budget authority for federal agencies and/or specific activities to continue in operation when the Congress and the President have not completed action on appropriations by the beginning of the fiscal year. Until regular appropriations are enacted, continuing appropriations may take their place. Continuing appropriations usually are passed in the legislative form of joint resolutions.

A continuing resolution may be enacted for the full year, up to a specified date, or until regular appropriations are enacted. A continuing resolution usually specifies a maximum rate at which the obligations may be incurred based on levels specified in the resolution.

The resolution may state that obligations may not exceed the current rate or must be the lower of the amounts provided in the appropriations bills passed in the House or Senate. If enacted to cover the entire fiscal year, the resolution will usually specify amounts prov for each appropriation account.

Timing of Legislative Action:

C Current Authority
Budget authority made available by the Congress in; or immediately prior to, the fiscal year or years during which the funds are available for obligation.

C Permanent Authority
Budget authority that is available as the result of previously enacted legislation and which does not require new legislation for the current year. Such budget authority can be the result of substantive legislation or appropriation acts. When budget authority is enacted that will be treated as permanent authority in subsequent years, it is treated as permanent authority the first year it becomes available, as well as in succeeding years.

Availability for New Obligations:

C Expired Budget Authority
Budget authority which is no longer available to incur new obligations. Such authority is still available for 5 years (7 years at EPA) after the account expires for the payment of those valid obligations which were incurred before the authority expired. Unobligated balances of expired budget authority remain available for 5 years (7 years at EPA) after the account expires to cover adjustments to prior obligations or obligations that should have been but may not have been recorded at that time. (For a statutory reference, see 31 U.S.C. 1552 (a)(2).

C Unexpired Budget Authority
Budget authority which is available for incurring new obligations.

Budget Estimates
Estimates of budget authority, outlays, receipts, or other budget measures that cover the current, budget, and future years, as reflected in the President's budget and budget updates.

Budget Preparation System (formerly BPS, now MAX)
A computer system used by OMB to collect and process much of the information required for preparing the budget.

Budgetary Resources
The forms of authority given to an agency allowing it to incur obligations. Budgetary resources include the following:
new budget authority, unobligated balances, direct spending authority, and obligation limitations.

Carryover
Unobligated balance of an appropriation account which has not expired at the end of the fiscal year. The treatment of carryover appropriated funds are discussed in Chapter 3, Section II.C "Carryover of Unobligated Balances" of this Manual.

Closed Account
An appropriation account whose balance has been canceled. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

An account available for a definite period (fixed appropriation account) is canceled 5 fiscal years (7 years for EPA) after the period of availability for obligation ends.

An account available for an indefinite period (no-year account) is canceled 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 2 consecutive fiscal years.

Commitment
A commitment is an administrative reservation of an allotment or of other funds in anticipation of their obligation.

Congressional Budget
The budget as set forth by the Congress in a concurrent resolution on the budget. By law, the resolution establishes, for the fiscal year beginning on October 1 of the year of the resolution, planning levels for the 2 following fiscal years and appropriate levels for the following: C total federal revenues;

C the surplus or deficit hl the budget;

C new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments in total and for each major functional category;

C the public (Treasury) debt practically defined as debt subject to statutory limit; and

C for purposes of protecting Social Security trust funds in the Senate, Social Security outlays and revenues.

Congressional Budget Act
The law (Titles I-IX of the Congressional Budget and Impoundment Control Act of 1974, as amended, 2 U.S.C. 601461) that established the congressional budget process and created the Senate and House Budget Committees and Congressional Budget Office.

The act created a timetable for the budget process, established a requirement for a yearly concurrent resolution on the budget and procedures concerning its adoption and set forth a procedure called reconciliation to assure congressional committee compliance with the concurrent resolution on the budget.

Contingent Liability
An existing condition, situation, or set of circumstances which poses the possibility of a loss to an agency that will ultimately be resolved when one or more future events occur or fail to occur. Contingent liabilities may lead to outlays. Contingent liabilities arise, for example, with respect to unadjudicated claims and flood insurance, loan guarantee programs, and bank deposit insurance programs. Contingent liabilities are normally not covered by budget authority.

However, under credit reform, for most programs, loan guarantee commitments cannot be made unless the Congress has made appropriations of budget authority to cover the credit subsidy cost in advance in annual appropriations acts.

Financing Account
A non-budget account (or accounts) associated with each credit program account which holds balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and

from the government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991.

Deferral of Budget Authority
Temporary withholding or delaying the obligation or expenditure of budget authority or any other type of executive action which effectively precludes the obligation or expenditure of budget authority. Budget authority may be deferred to provide for contingencies, to achieve savings or greater efficiency in the operations of the government, or as otherwise specifically provided by law. Budget authority may not be deferred in order to effect a policy in lieu of one established by law or for any other reason.

Deferrals may be proposed by agencies but must be communicated to the Congress by the President in a special message. Deferred budget authority may not be withheld from obligation unless an act is passed to approve the deferral and the act is presented to the President. Additionally, unless the Congress has approved a deferral, budget authority whose availability expires at the end of the fiscal year must be made available with sufficient time remaining in the fiscal year to obligate that budget authority before the end of the fiscal year.

Deficiency Apportionment
An apportionment by the Office of Management and Budget for the fiscal year in an amount or rate that may compel the enactment of supplemental budget authority. Such apportionments may only be made under certain specified conditions as provided for in the Anti-Deficiency Act, 31 U.S.C. 1515. In such instances, the need for additional budget authority is usually indicated by apportioning for the fourth quarter less than the amount that will actually be required. Approval of requests for deficiency apportionment does not authorize agencies to exceed available resources within an account.

Deficiency Appropriation
A type of supplemental appropriation which provides budget authority necessary | to cover obligations that have been incurred in excess of available authority.

Deficit

C Budget Deficit
The amount by which the government's budget outlays exceed its budget receipts for a given period, usually a fiscal year. For purposes of defining deficits under Gramm-Rudman-Hollings as amended by the Budget Enforcement Act, this amount excludes the off-budget activities such as the outlays and receipts of the Postal Service and Social Security.

C Total Deficit
The amount by which the government's on-budget and off-budget outlays exceed the sum of its on-budget and off-budget receipts for a given period, usually a fiscal year.

De-obligation
An agency's cancellation or downward adjustment of previously recorded obligations.

Earmarking
Either of the following:

C Dedicating collections by law for a specific purpose or program. Earmarked collections comprise trust fund receipt accounts, special fund receipt accounts, and offsetting collections credited to appropriation accounts. These collections may be classified as budget receipts, proprietary receipts, or reimbursements to appropriations.

C Dedicating appropriations for a particular purpose. Legislative language may designate any portion of a lump-sum amount for particular purposes.

Emergency Appropriation (Budget Enforcement Act Term)
For fiscal years 1991 through 1995, an appropriation designated as an emergency requirement by both the President and the Congress. Under BEA, the discretionary spending limits are adjusted by the total amount of such appropriations for the fiscal year in which the appropriation was enacted and each succeeding year through 1995 and will not cause a sequestration.

Expenditure
With respect to provisions of 31 U.S.C. 1341 (a) and 2 U.S.C. 622(1), a term that has the same definition as outlay or disbursement.

Expense
For accounting purposes, the outflow of assets or incurrence of liabilities (or both) during a period as a result of rendering services, delivering or producing goods, or carrying out other normal operating activities.

Expired Account
An appropriation or fund account in which the balance is no longer available for incurring new obligations because the time available for incurring such obligations has expired. Expired accounts will be maintained by fiscal year identity for 5 years (7 years at EPA). During this 5-year period (7 years at EPA), obligations may be adjusted if otherwise proper and outlays may be made from these accounts. Unobligated balances will not be withdrawn from expired accounts.

They will remain available for legitimate obligation adjustments or for obligations properly chargeable to such accounts, which should have been but were not recorded, but not for new obligations. After the five-year period has elapsed, all obligated and unobligated balances are canceled and the expired account is closed.

Fiscal Policy
Federal government policies with respect to taxes and spending which are intended to promote the nation's macroeconomic goals, particularly with respect to employment, gross domestic product, price level stability, equilibrium in the balance of payments, the exchange rate, the current account, and the national savings/investment balance. The budget process is a major vehicle for determining and implementing federal fiscal policy.

Fiscal Year
Any yearly accounting period, regardless of its relationship to a calendar year. The fiscal year for the federal government begins on October 1 of each year and ends on September 30 of the following year, it is designated by the calendar year in which it ends. For example, fiscal year 1990 began October 1, 1989, and ended September 30, 1990. (Prior to fiscal year 1977, the federal fiscal year began on July 1 and ended on June 30.)

1. Budget Year

The fiscal year for which the budget formulation estimates are being considered, that is the fiscal year following the current year. For Budget Enforcement Act purposes, the term budget year means, with respect to a session of Congress, the fiscal year of the Government that starts on October 1 of the calendar year in which that session begins.

2. Current Year

The fiscal year immediately preceding the budget year. For Budget Enforcement Act purposes, the term current year means, with respect to a budget year, the fiscal year that immediately precedes that budget year.

3. <u>Prior Year</u>
The fiscal year immediately preceding the current year.

Forward Funding - Forward funding can be defined in two ways:

1. Appropriation of budget authority that is made available for obligation in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year.

2. Appropriation of budget authority that is available for a specified period of time, generally in excess of one fiscal year, which may cover periods that do not coincide with the start or end of a fiscal year. For example, an appropriation available from July 1, 2004 until September 30, 2005 (Comptroller General decision).

Fund Accounting
The legal requirement that federal agencies establish accounts for segregating revenues, other resources, related liabilities, obligations, and balances in order to carry out specific activities or achieve certain objectives in accordance with special regulations, restrictions, or limitations.

In a broad sense, the federal government requires fund accounting to demonstrate agency compliance with existing legislation for which government funds have been appropriated or otherwise authorized. One of the most important laws requiring federal agencies to adhere to fund accounting concepts is the Anti-Deficiency Act.

Grant
A federal financial assistance award making payment in cash or in kind for a specified purpose. The federal government is not expected to have substantial involvement with, the state or local government or other recipient while the contemplated activity is being performed.

The term “grants" frequently has a broader meaning and may include grants to nongovernmental recipients, whereas the term “grants-in-aid” is commonly restricted to grants to states and local governments. The two major forms of federal grants-in-aid are block and categorical. Block grants are given primarily to general purpose governmental units in accordance with a statutory formula.

Such grants can be used for a variety of activities within a broad functional area Examples of federal block-grant programs are the Omnibus Crime Control and Safe Streets Act of 1968, the Housing and Community Development Act of 1974, and the grants to states for social services under Title XX of the Social Security Act.

Categorical grants can be used only for a specific program. They may be formula or project grants. Formula grants allocate federal funds to states or their subdivisions in accordance with a distribution formula prescribed by law or administrative regulation. Project grants provide federal funding for fixed or known periods for specific projects or the delivery of specific services or products.

Impoundment
Any action or inaction by an officer or employee of the federal government that precludes obligation or expenditure of budget authority.

Incremental Funding
The provision or recording of budgetary resources for a program or project based on obligations estimated to be incurred within a fiscal year when such budgetary resources will not cover all the program's or project's obligations. Contracts that cannot be separated for performance by fiscal year may not be funded on an incremental basis without statutory authority.

Internal Control
Plan of organization, methods, and procedures adopted by management to ensure that (1) resource use is consistent with laws, regulations, and policies; (2) resources are safeguarded against waste, loss, and misuse; and (3) reliable data are obtained, maintained, and fairly disclosed in reports.

Liability
Assets owed for items received, services received, assets acquired, construction performed (regardless of whether invoices have been received), an amount received but not yet earned, or other expenses incurred.

Liabilities include (1) amounts owed for goods in the hands of contractors under the constructive delivery concept (when an agency, the seller, meets long-term contract obligations) and (2) amounts owed under grants, pensions, awards, and other indebtedness not involving the furnishing of goods and services.

Limitation
A restriction on the amount of budgetary resources that can be obligated or committed for a specific purpose. While limitations are most often established through appropriations acts, they can also be established through authorizing legislation. Limitations may be placed on the availability of funds for program levels, administrative expenses, direct loan obligations, guaranteed loan commitments, or other purposes. For the purposes of the Budget Enforcement Act, obligation limitations are one type of budgetary resource because they establish the amount that can be obligated.

M Account
A successor account into which obligated balances (unexpended funds) under an appropriation were transferred from the expired account (merged) at the end of the second full fiscal year following expiration. The National Defense Authorization Act of 1991 (Public Law 101-510) amended the procedures for closing appropriation and fund accounts.
Under this legislation, no new M accounts will be established and existing M accounts will be phased out.

Merged Surplus Account
An account that represented an unobligated balance from an appropriation whose period of availability had been expired for more than 2 years. The National Defense Authorization Act of 1991 (P.L. 101-510) amended the procedures for closing appropriation and fund accounts. Under this legislation, no new merged surplus accounts will be established and existing ones will be phased out.

Multiyear Budget Planning
A process such as the one used to develop the President's budget and the Congressional budget designed to ensure that the long-range consequences of budget decisions are identified and reflected in the budget totals. The President's (or executive) budget includes multiyear planning estimates for budget authority, outlays, and receipts for 4 years beyond the budget year. The congressional budget process considers estimates covering a 3 year period. However, under the Budget Enforcement Act, congressional budgets cover a 5 year period. This process provides a structure for the review and analysis of long-term program and tax policy choices.

OMB planning estimates are either presidential policy or current services estimates. Presidential policy estimates represent projections or extrapolations of likely outcomes based upon current law and enunciated administration policy. In some cases, outyear presidential policy estimates represent outyear policy rather than an extrapolation from budget-year policy. Current services estimates represent projections of possible outcomes based on the continuation of existing levels of service without policy changes.

New Budget Authority
Budget authority that first becomes available for obligation in a given fiscal year. This includes budget authority that becomes available as a result of a reappropriation or a statutory change in the availability of

unobligated balances from a prior fiscal year. It also includes a change in the estimated level of indefinite budget authority.

Object Classes

A uniform classification identifying the obligations of the federal government by the types of goods or services purchased (such as personnel compensation; supplies and materials, and equipment) without regard to the agency involved or the purpose of the programs for which they are used. If the obligations are in a single object classification category, the classification is identified in the Program and Financing Schedule in the Budget of the United States Government. For the activities distributed among two or more object classification categories, the budget has a separate object classification schedule to show the distribution of the obligations by object classification. General instructions are provided in OMB Circular A-11.

Obligational Authority

The sum of (1) budget authority provided for a given fiscal year, (2) unobligated balances of amounts brought forward from prior years, (3) amounts of offsetting collections to be credited to specific funds or accounts during that year, and (4) transfers between funds or accounts. The balance of obligational authority is an amount carried over from one year to the next because not all obligational authority that becomes available in a fiscal year is obligated and paid out in that same year.

Balances are described as (1) obligated, (2) unobligated, or (3) unexpended.

Obligated Balances

The amount of obligations already incurred for which payment has not yet been made. For a fixed appropriation account, this balance can be carried forward and retains its fiscal year identity for five fiscal years after the period of availability ends. At the end of the fiscal year, the account is closed and any remaining balance is canceled. Obligated balances of an appropriation account available for an indefinite period may be closed if (1) specifically rescinded by law, or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for 2 consecutive years.

Unobligated Balance

The portion of obligational authority that has not yet been obligated. Unobligated balances whose period of availability has expired are not available for new obligation and may only be used for recording, adjusting, and liquidating obligations properly chargeable to the fiscal year account. For a fixed appropriation account, the balance can be carried forward for five fiscal years after the period of availability ends.

At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward indefinitely until (1) specifically rescinded by law, or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for 2 consecutive years.

Unexpended Balance

The sum of the obligated and unobligated balances.

Obligations Incurred

Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Such amounts will include outlays for which obligations have not been previously recorded and will reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations.

Outlay
The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the government issues bonds. notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. Also, under credit reform, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed. Outlays during a fiscal year may be for payment of obligations incurred in prior years (prior-year obligations) or in the same year. Outlays, therefore, flow in part from unexpended balances of prior-year budgetary resources and in part from budgetary resources provided for the year in which the money is spent.

Outyear
Any year (or years) beyond the budget year for which projections are made. For Budget Enforcement Act purposes, the term outyear means, with respect to a budget year, any of the fiscal years that follow the budget year through fiscal year 1995.

Reapportionment
A revision of a previous apportionment of budgetary resources for an appropriation or fund account. This revision must be approved by the Office of Management and Budget. Agencies usually submit requests for reapportionment to OMB as soon as a change becomes necessary due to changes in amounts available, program requirements, or cost factors. (For exceptions, see OMB Circular A-34, sec. 44.4.) This approved revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

Reimbursement
A sum (1) that is received by the federal government as a repayment for commodities sold or services furnished either to the public or to another government account and (2) that is authorized by law to be credited directly to specific appropriation and fund accounts.

These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts. Reimbursements between two accounts for goods or services are an expenditure transaction/transfer.

Anticipated reimbursements are, in the case of transactions with the public, estimated collections of expected advances to be received or expected reimbursements to be earned. In transactions between government accounts, anticipated reimbursements consist of orders expected to be received for which no orders have been accepted.

Re-obligation
Obligation of De-obligated funds for another purpose.

Reprogramming
Shifting funds within an appropriation or fund account to use them for different purposes than those contemplated at the time of appropriation (for example, obligating budgetary resources for a different program/program element from the one originally planned). While a transfer of funds involves shifting funds from one account to another, reprogramming involves shifting funds within an account.

Reprogramming is generally preceded by consultation between federal agencies and the appropriate congressional committees. It often involves formal notification and opportunity for congressional committees to state their approval or disapproval.

Rescission
Legislation enacted by Congress that cancels the availability of budgetary resources previously provided by law before the authority would otherwise lapse. The Impoundment Control Act of 1974 (2 U.S.C. 683) provides for the President to propose rescissions whenever the President determines that all or part of any

budget authority will not be needed to carry out the full objectives or scope of programs for which the authority was provided. Also, a rescission will be proposed if all or part of any budget authority limited to a fiscal year that is, annual appropriations or budget authority of a multiple-year appropriation in the last year of availability is to be reserved from obligation for the entire fiscal year. Rescission of budget authority may also be proposed for fiscal policy or other reasons. Amounts proposed for rescission are withheld for up to 45 calendar days of continuous session while the Congress considers the proposals.

All funds proposed for rescission, including those withheld, must be reported to the Congress in a special message. If both houses have not completed action on a rescission proposed by the President within 45 calendar days of continuous session, any funds being withheld must be made available for obligation. Congress may also initiate rescissions through its own appropriations process. Such congressional action occurs for various reasons, including changing priorities, program terminations, excessive unobligated balances, and program slippage.

Rescission Bill
A bill or joint resolution that cancels, in whole or in part, budget authority previously granted by law. Rescissions proposed by the President must be transmitted in a special message to the Congress. Under section 1012 of the Impoundment Control Act of 1974 (2 U.S.C. 683), unless both houses of the Congress complete action on a rescission bill within 45 calendar days of continuous session after receipt of the proposal, the budget authority must be made available for obligation.

Responsible Planning Implementation Office (s) - RPIOs
RPIOs are the 23 EPA senior managers including: thirteen individuals in headquarters (the Administrator, General Counsel, Inspector General, nine Assistant Administrators (AAs)), and the ten Regional Administrators (RAs). Each has headquarters or regional operations to administer and a budget to execute. RPIOs are responsible for implementing operating plans, controlling resource ceilings, and reviewing programs.

Restoration
An unobligated amount previously withdrawn (that is, transferred out of an appropriation account) by administrative action that is returned to the account and again made available for obligation and outlay.

Revenue Either
of the following:

C As used in the congressional budget process, a synonym for governmental receipts. Revenues result from amounts, such as receipts from individual income taxes, that are owed to the government but for which no current government action is required. Article I, section 7 of the U.S. Constitution requires that revenue bills originate in the House of Representatives.

C As used in an accounting sense, the increase in assets (or decrease in liabilities) that results from operations. Revenues result from (1) services performed by the federal government and (2) goods and other property delivered to purchasers.

Spending Authority
As defined by section 401© of the Congressional Budget Act of 1974, as amended (2 U.S.C. 651(c)), a collective designation for authority provided in laws other than appropriation acts to obligate the government to make payments. It includes contract authority, authority to borrow, and entitlement authority for which the budget authority is not provided in advance by appropriation acts. It also includes authority to forgo the collection of proprietary offsetting receipts and to make any other payments for which the budget authority is not provided in advance by appropriation acts. Spending authority is commonly referred to as backdoor authority or 401© authority.

Spending Committee
A standing committee of the House or Senate with jurisdiction over legislation permitting the obligation of funds. The House and Senate Appropriations Committees are spending committees for discretionary programs. For other programs, the authorizing legislation itself permits the obligation of funds (backdoor authority). In that case, the authorizing committees are the spending committees.

Standard General Ledger Chart of Accounts
A uniform listing of accounts and supporting transactions that standardizes federal agency accounting and supports the preparation of standard external reports.

Sub-Object Class
Sub-object class codes provide the level of detailed information needed for recording and sorting various spending transactions and to fulfill external reporting requirements to OMB, GAO, Congress, etc.. All sub-object class codes and definitions fall within the broader scope of the OMB Major Object Class codes.

Supplemental Appropriation
An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond the original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) in cases where the need for funds is too urgent to be postponed until enactment of the regular appropriation bill. Supplementals may sometimes include items not appropriated in the regular bills for lack of timely authorizations.

Surplus

C Budget Surplus
The amount by which the government's budget receipts exceed its budget outlays for a given period, usually a fiscal year. Sometimes a deficit is a negative surplus.

C Total Surplus
The amount by which the sum of the government's on-budget and off-budget receipts exceed the sum of its on-budget and off-budget outlays for a given period, usually a fiscal year.

Suspense Account
A combined receipt and expenditure account established to temporarily hold funds which are later refunded or paid into another government fund when an administrative or final determination as to the proper disposition is made.

Transfer
Shifting of all or part of the budget authority in one appropriation or fund account to another, as specifically authorized by law. The nature of the transfer determines whether the transaction is treated as an expenditure or a nonexpenditure transfer.

C Expenditure Transfer
A transaction between appropriation and fund accounts which represents payments, repayments, or receipts for goods or services furnished or to be furnished. Where the purpose is to purchase goods or services or otherwise benefit the transferring account, an expenditure transfer/transaction is recorded as an obligation/outlay in the transferring account and an offsetting collection in the receiving accounts. If the receiving account is a general fund appropriation account or a revolving fund account, the offsetting collection is credited to the appropriation or fund account. If the receiving account is a special fund or trust account, the offsetting collection is usually credited to a receipt account of the fund. All transfers between federal funds and trust funds-are also treated as expenditure transfers.

C Nonexpenditure Transfer

For accounting and reporting purposes, a transaction between appropriation and fund accounts that does not represent payments for goods and services received or to be received but rather serves only to adjust the amounts available in the accounts for making payments. However, transactions between budget accounts and deposit funds will always be treated as expenditure transactions since the deposit funds are outside the budget. Nonexpenditure transfers also include allocations. These transfers may not be recorded as obligations or outlays of the transferring accounts or as reimbursements or receipts of the receiving accounts. For example, the transfer of budget authority from one account to another to absorb the cost of a federal pay raise is a nonexpenditure transfer.

Undelivered Orders

The value of goods and services ordered and obligated which have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred. This term is synonymous with unliquidated obligations.

User Fee

A fee charged to users for goods or services provided by the federal government. User fees generally apply to federal activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public. User fees are normally related to the cost of the goods or services provided. They may be paid into the general fund or, under specific statutory authority, may be made available to an agency carrying out the activity. An example is a fee for entering a national park.

From an economic point of view, user fees may also be collected through a tax such as an excise tax. Since these collections result from the government's sovereign powers, the proceeds are recorded as budget receipts, not as offsetting receipts or offsetting collections.

In the narrow budgetary sense, a toll for the use of a highway is considered a user fee because it is related to the specific use of a particular section of highway. Such a fee would be counted as an offsetting receipt or collection and might be available for use by the agency. Alternatively, highway excise taxes on gasoline are considered a form of user charge in the economic sense, but since the tax must be paid regardless of how the gasoline is used and since it is not directly linked with the provision of the specific service, it is considered a tax and is recorded as a governmental receipt in the budget.

Working Capital Fund

A revolving fund that operates as an accounting entity. In these funds, the assets are capitalized and all income is in the form of offsetting collections derived from the funds' operations and available in their entirety to finance the funds' continuing cycle of operations without fiscal year limitation. A working capital fund is a type of intra governmental revolving fund.

APPENDIX B

CHECKLIST of

GOOD FUNDS CONTROL

PRACTICES

CHECKLIST of GOOD FUNDS CONTROL PROCEDURES

Maintain a Centralized Document Control Record

Allowance Holders and FCOs should maintain a document record system which houses copies of all funding documents with their Document Control Numbers, along with budget reports which are used in tracking the status of those funding documents.

Prepare Practical Budget Execution Reports

Allowance Holders and FCOs should also maintain budget/financial reports which show the current status of funds on all accounts by appropriation, PRC/Object Class. These may be prepared on a monthly, quarterly, or even weekly basis (near the end of the FY).

Certify Availability of Funds

The Funds Control Officers must certify the availability of funds for every commitment and obligating action and ensure that no spending action will exceed a specific limitation in the Advice of Allowance.
(Allowance Holders not budgeting at the RC level should, at a minimum, inform their RCs what their budget is in an operating-plan memorandum).

Do Not Exceed Ceilings

Allowance Holders must not exceed allowances or certain object class ceilings, i.e., travel, Superfund functional, and FTE ceilings.

Commit Funds in IFMS

Allowance Holders and FCOs are required to enter all commitments into the agency Integrated Financial Management System (IFMS) on a timely basis, and ensure that the funds will not be altered or withdrawn prior to obligation without advance notice to the proper obligating official.

Spend Evenly Throughout the Year

Allowance Holders should ensure that their funds are spent evenly throughout the fiscal year. They should avoid last minute year-end spending.

Anticipate Reprogrammings

Allowance Holders should anticipate reprogramming requests in advance and submit them to the Budget Division on a timely basis.

Reconcile with IFMS

Funds Control Officers should reconcile their funding documents on a regular basis with IFMS to ensure all documents have been fully liquidated (paid), and resolve any discrepancies accurately and as quickly as possible.

Do Not Expect to be Bailed Out

Allowance Holders should never assume that additional resources or Work-years will be reprogrammed to their allowances if they exceed a resource ceiling.

Develop and Maintain Standard Operating Desk Procedures

Allowance Holders and FCOs should prepare written procedures indicating specific steps to be followed to implement the activities specified in this directive. These procedures should describe how to do the daily funds control activities when the AH or FCO is out of the office. Examples include: How funding documents are processed within the office, where to find the latest status of funds report (ie. what documents have been obligated and which ones are still committed) , how to run FDW reports, and where to find copies of current funding documents.

Delegate Authority

Allowance Holders should identify, in writing, their Funds Control Officer and designated backup.

APPENDIX-2520-B

APPENDIX C

SUGGESTED

FCO

JOB QUALIFICATIONS and TRAINING

Suggested Funds Control Officer (FCO) Job Qualifications and Training

A prerequisite to enhancing human resource development is the establishment of core competencies for individuals who work in federal financial management. While there are currently no specific and/or formal job qualification standards and training requirements for an EPA Funds Control Officer, the following requirements are recommended for sustaining and developing the career growth of an FCO:

COMPETENCIES

- Basic knowledge of Federal budget and accounting principles, policies, and procedures sufficient to understand their relationship to allotments, financial plans, allowances, commitments, and obligations.

- Knowledge of public laws and the legal requirements placed on appropriations, as well as OMB circulars / bulletins and Agency directives / policies governing the budget process.

- Knowledge of Agency's financial systems and internal controls sufficient to retrieve financial information to
monitor and reconcile all funding documents, and prepare status of funds reports for all program accounts.

- Knowledge of OMB and Agency Object classes, Agency account coding, and document flow.

- Knowledge of Agency's budget operations and processes and how obligations and expenditures are incurred for assigned program areas.

- Knowledge and ability to certify the availability of funds from within the assigned allowance(s), and procedures used in requesting the reprogramming of funds.

TRAINING

C Principles of Federal Appropriations Law course

C Federal Budget Process course

C Federal Budget Execution course

C Office of Budget's Basic Budget Execution course

C Office of Acquisition and Management's Purchase Card training class

C Administrative Control of Appropriated Funds course 1/

C Basic computer applications for spreadsheets and writing

C Effective Communication (oral and writing) course

NOTE: 1- Proposed internal Agency course for individuals assigned the position of FCO. Authority to certify the availability of funds will be contingent upon the successful completion of this course once it becomes available.

APPENDIX D

FREQUENTLY
ASKED QUESTIONS (FAQs)

BUDGET EXECUTION

FREQUENTLY ASKED QUESTIONS (FAQs)

INDEX

REPROGRAMMINGS

A1. How long does it take budget reprogrammings to be approved?

Once a reprogramming document is entered into IFMS and 1st level approval is applied, the Office of Budget (OB) Control Team will pull and review that document the following morning. The analyst will either process the document immediately or, if necessary, submit it to the appropriate OB staff for review. The OB staff has 3 days to review, approve, and return the document to the Control Team for action. OB strives to process most reprogrammings in 5 work days. This time frame will expand if: 1) the reprogramming does not clearly state the impact to both the gaining and losing program results code (PRC) (see next FAQ); 2)the reprogramming purpose is not clear, or 3) if there are policy issues or data entry errors. Recertification requests and requests for additional administrative or travel ceiling will take longer as additional research and/or review of RPIO spending patterns may be needed. Reprogrammings requesting reimbursable allowances are processed once a week.

A2. What is a "defacto reprogramming"? What do I do to prevent them?

A defacto reprogramming is created when an AH commits and/or obligates funds in excess of a goal/objective in their Operating Plan. In effect they have already reprogrammed and spent the funding without bothering to actually process a reprogramming. Since we have an annual Congressional Reprogramming Limitation for goal/objectives for which we must monitor, defacto reprogrammings bypass the automated controls in IFMS which help to do this and pose a risk to the Agency. Defacto reprogrammings are corrected by recommitting and de-obligating funds or by processing the reprogramming that should have been done first. Defacto reprogrammings are prevented by processing a reprogramming in advance of committing and obligating funds.

A3. How can I get a reprogramming which needs to be processed on an emergency basis approved more quickly than 3 workdays?

A regular dialog of communication should exist between the requestor and the budget analyst processing the requests. An expressed need for priority consideration will be taken seriously if it does not become a habit. To request OB to process a reprogramming on an "emergency" basis, the requestor should call their control team analyst or the control team leader.

A4. My RPIO operates at the "RC" level. I receive resources often from other RPIOs and the resources are issued to me at the allowance level. Why do I have to continue processing reprogramming documents to move my funds from the allowance level to the SUB-allowance (RC) level. Who's responsible for ensuring that my funds are issued at the RC level?

It is the responsibility of the RPIO issuing resources to your RPIO to ensure that you receive your funds at the RC level. They should contact you for the information & include it in the reprogramming document...otherwise substantial delays may occur.

A5. I entered a reprogramming and received an error message stating there are insufficient resources at the Sub-Allotment (SALC) level. What does that mean?

This is the funds control lockout level in IFMS. When reprogramming resources, you must have an available unobligated/uncommited balance at the AH/Appropriation (SALC) level. If not, IFMS will not process the document.

A6. How do I reflect FTEs on a reprogramming document?

As a numeric with two decimal places (e.g. 1.00) - FTE budget level = F

A7. How long do reprogrammings remain on the IFMS SUSF table?

Once processed, they should remain for 7 days; during peak periods (September) this may be reduced to 5 days. Documents that have rejected remain until deleted by the Program office. OB may clean up old reprogrammings once or twice a year. After they have been processed and are no longer on SUSF, header and line information can be viewed on IFMS tables RPGH and RPGL respectively.

A8. How should a reprogramming justification be properly written?

FCO's must ask the person in their office who is initiating the reprogramming action for sufficient details to provide an adequate justification. A well written, informative purpose statement is necessary for approval of the reprogramming document. Reprogramming justifications provide the permanent audit trail of EPA's resources and protection for the initiator whose rationale is documented. Reprogramming justifications should simply state: 1.) what the action achieves for the program(s) or office(s) receiving an increase and, 2.) what the impact is to the program(s) or office(s) losing resources. We can't accept acronyms in justification unless it is a universal known acronym. As part of the IG audit, it was determined that many justifications are too vague and not understandable. In order to correct this problem, the Budget Control Team is requiring that justifications be explicit. For more on how to write a reprogramming justification, see Exhibit 2520-34 in the main chapters of the <u>Administrative Control of Appropriated Funds</u> (funds control manual).

A9. What is the reprogramming document limitation on the number of lines permissible on one reprogramming?

You should never exceed 13 lines (from and to total) on the line screen.

A10. I don't know the correct program results code. Which IFMS table can I access to view the list of valid program results codes?

The IFMS 'PGMT' table provides a listing of all valid program results codes.

A11. What about opening "budget buckets"? Before IFMS opens for reprogrammings at the start of the new fiscal year, how can we commit funds in a BOC that has not yet been established in our AH?

You must request that the OB open the BOC and you must justify this action. We encourage everyone to establish all anticipated BOC addresses in their initial development of the Operating Plan to avoid this delay.

A12. My office operates the Responsibility Center (RC) level. Which table is available in IFMS to reflect the Operating Plan and/or status of resources?

The "SAIN" and "SASP" tables are available reflecting your operating plan, obligations, available balances etc. RCBT table shows resources rolled up to the RC level (w/o BOC or PRC).

A13. When do we use an RP vs an RR document on reprogramming?

The RR transaction is primarily for program offices to move resources within their own RPIO. All RR transactions require an approval by a Reprogramming Approval Official within each RPIO. In general, RR transactions do not require approval by OB. However, reprogrammings that affect ceilings and floors or that are greater than $250,000 do require OB approval.

The RP transaction is used for reprogrammings across RPIOs, to and from the OB (for taps and increases), for Congressional Add-ons and for recertified funds and carryover funds. All RP transactions require OB approval.

A14. My AH/Appropriation (SALC) level is negative in IFMS. How can that happen with a lockout and what do I do to correct it?

The only thing that IFMS will not lock out are payroll charges being loaded from the payroll subsystem because these are legal liabilities that have already been earned by the employee. You have now exceeded your allowance. First, you should check that your payroll was processed correctly. If it is correct, you will need to either recommit or De-obligate some other item in your allowance or reprogram funds to this allowance from another AH in your RPIO, if possible. If you choose to reprogram funds, this action will be evaluated against the Congressional Reprogramming Limitation.

A15. Where can I find the status of a reprogramming document without having to contact the OB?

It is important for users to understand how to read and follow the status of reprogramming requests on the suspense file IFMS table (SUSF) and we strongly encourage you to check SUSF before calling the OB. SUSF shows the status of documents as being either held, approved, deleted, etc.

A16. I am transferring resources to another RPIO, which document should I use?

When transferring out of or to a different RPIO, you must always complete the "RP" document, not the "RR" document.

A17. Which IFMS table should you reference if you see a "hard error" message on your reprogramming document?

The "ERRG" table deciphers all hard error messages. [NOTE: except for the absence of "to" and "from" lines, when appropriate, a "hard error" message should always be corrected before forwarding your document to OB for review/approval. OB cannot process your document through IFMS unless these errors are resolved.]

CONTRACTS

B1. Do I have to recertify funds with the Office of Budget(OB) when moving funds between contract options or base and option periods?

For unexpired appropriations, <u>recertification is not required</u> by the OB when shifting funds between a contract base and its option periods or between contract option periods. However, these offsetting transactions <u>are</u> legal de-obligations and re-obligations and <u>do</u> require apportionment recovery authority. As such, they will be recorded and maintained in the formal IFMS sub-system called the Contracts Payment System (CPS). The offsetting CPS entries, which net to zero, will not impact IFMS budget tables or create temporary fluctuations to budget balances. The OB will monitor overrun/recovery activity through IFMS reports to ensure that OMB apportionment authority is not exceeded. For more information, search on Recertification of Funds in the main chapters of the <u>Administrative Control of Appropriated Funds</u> (funds control manual).

B2. Our office has an overrun. Who is supposed to pay for it?

Ultimately, the Allowance Holder is responsible. GAO defines overruns as "upward adjustments to recorded obligations". For the purposes of funds control, the term "overrun" will be used by the OB to encompass all additional legal liabilities that the Agency did not record correctly in IFMS. These may occur for any number of reasons which include but are not limited to: unauthorized procurements, unrecorded obligations, obligations De-obligated in error, price changes, cost-rate adjustments, final audit billings, court or other claims (such as Equal Access to

Justice legal costs), payroll adjustments, etc. Generally, overruns (if true legal liabilities) are posted to the original accounting data that was charged initially. If initially unrecorded, it should be charged to the accounting data of the benefitting office where the goods or services were received and where the liability was created. The OB may exercise its authority to take any of five distinct actions relating to overruns or recoveries based on the circumstances, timing, and amount of the transaction. The five distinct actions are:

a. *net out overruns against offsetting recoveries,*

b. *require a Program Office to cover the overrun from their current allowance in the event that Agency policy was violated;*

c. *recertify recovered funds back to the Allowance Holder;*

d. *withhold recovered funds to offset overruns, or fund a new initiative or high priority at the discretion of Agency Management; or;*

e. *cover overruns from a Centrally Managed Allowance;*

For more information, search on Overruns/Recoveries in the main chapters of the <u>Administrative Control of Appropriated Funds</u> (funds control manual).

B3. Can I split-fund contractual obligations using multiple appropriations and what are the general rules I need to follow?

This is a complicated issue. EPA receives funding from several appropriations and may fund a spending action from one or more of these appropriations on a single work assignment, delivery order, or project depending on the nature of the goods or services provided. [See the discussion in Chapter 9 of the Contracts Management Manual for specific information on this topic.] Allocation of funding must be based on appropriation benefit, rather than which account can "afford" the work. Additionally, the use of funds from one appropriation because of the absence of funding in another violates basic appropriation law. For more information, see the Split Funding with Multiple Appropriations section in the main chapters of the <u>Administrative Control of Appropriated Funds</u> (funds control manual).

<u>GRANTS</u>

C1. How does the Regional Office charge costs when doing direct implementation of a federal program required by law in the absence of an acceptable state or tribal program?

This refers to the direct implementation by the Federal Government of a program <u>required by law</u> in the absence of an acceptable State or tribal program. Typically, EPA directly implements a federal program through the use of contracts. Therefore, funds for such contracts will need to be reprogrammed between budget object classes (BOCs) from grants (BOC 41) into contracts (BOC 37) and/or expenses (BOC 36). Since the contracts & expenses are associated with program grants, using the programmatic sub-object classes in each series will ensure that these costs will not be reflected as administrative costs. Since there are no PC&B or travel funds appropriated in the STAG account, any direct implementation payroll or travel needs in the Regions must be funded from within existing resources in the EPM account. For more information search on direct implementation in the main chapters of the <u>Administrative Control of Appropriated Funds</u> (funds control manual).

C2. How do I budget or reprogram for "in-kind" grants to states and tribes and what are the general rules I need to follow?

According to the EPA Grants Administration Division which administers and processes the "in-kind" grants feature, funding remains in the grants BOC (41) and are not reprogrammed. Under this approach, if it would be more efficient, in terms of cost or time savings, for EPA to purchase allowable equipment or services instead of a grantee, EPA may acquire the equipment or services with funds from the grantee's allotment. The equipment or services may then be provided to the grantee under the assistance agreement along with the remainder of the grantee's allotment. A purchase request is attached to the grant award and "in-kind" box is checked on the award package. However, in addition to the requirement that there be a savings in cost or time, the equipment or services provided under the in-kind grant feature must benefit the grantee...not EPA. For more information, contact the Grants operations Branch at (202) 564-5376

C3. Do I have to recertify funds with the Office of Budget (OB) when moving funds between grant budget periods?

For assistance agreements such as grants (including STAG State grants) and cooperative agreements, recertification is not required by the OB when funds from one budget period are made available in a subsequent budget period through the execution of a continuation award [de-obligation and immediate re-obligation transactions can be processed in IFMS to accommodate the minor changes in obligating document numbers, if necessary]. Depending upon the type of agreement, this is usually permissible as long as the scope of work remains unchanged and the appropriation has not expired.

TRAVEL

D1. Who can we invite to EPA sponsored events and have EPA pay for their travel under invitational travel orders?

The rules for invitational travel orders state that eligibility is met when a non federal individual is requested to meet with federal officials to confer on a matter of official business because of his/her knowledge, capability, or experience and is otherwise providing a direct service to the agency. This direct service provision must be met in order to pay travel expenses for an invitational traveler. Invitational travel orders may not be used for individuals merely attending a meeting without providing a direct service to EPA. Some examples of acceptable invitational travel include:

1. *witnesses without pay*
2. *consultants/experts*
3. *attendants of disabled employees when traveling*
4. *federal advisory committee members*
5. *speakers at EPA conferences*

In addition to the "invitational travel" statute, other laws may authorize EPA to pay for non federal travel. For example, EPA may pay for travel expenses of guests of Agency employees at awards ceremonies as a "necessary expense" under the Government Employees Incentive Award Act, 5 USC 4501-4507. The guests must by related to the employee by blood or affinity whose close association is equivalent to a family relationship. Further, Section 206 of the Federal Employee Pay Comparability Act, 5 USC 5706b, provides specific statutory authority for certain pre-employment travel expenses relating to interviews. Travel authorized under these statutes is not an entitlement but can be paid for at the discretion of the Agency. For additional information, see 2550B, Chapter 3 of the Resources Management Directive System (RMDS) *which can be accessed online at the following URL address: http://intranet.epa.gov/ocfo/policies/policies.htm*

D2. Must travel funding be used for procurements for lodging and subsistence?

Unless it is for training, yes For meetings and conference subsistence, charging to travel sub-object class 21.35 is necessary to ensure that these charges properly accrue to the Agency's travel ceiling. For more information search on the sub-object class listings on-line at: (http://intranet.epa.gov/budgpage/policy/rmds2590.pdf).

D3. What appropriations have exemptions from travel ceilings for site-specific travel?

Historically, exemptions from travel ceilings for site-specific travel exist in the Hazardous SubstanceSuperfund, Hazardous Substance Research (S&T), and Office of Inspector General appropriations. These exemptions have either been by Congressional statute or by Agency policy developed in consultation with the Congressional Appropriations Committees. Other appropriations which may have sites, such as LUST and Oil Spills, have not attained this exemption. Therefore, any site travel in the LUST and Oil Spills appropriation must be charged to the travel ceiling. Travel ceilings are imposed by Congress to prevent government travel abuse and apply to all accounts with funds in the travel object class. They are based on travel budget estimates included in EPA's President's Budget Request and are subject to change by the Congress. When enacted, the Appropriations Act includes a General Provision (Section 401), which states that expenditures for travel expenses may not exceed the amounts set forth in the budget estimates (i.e. President's Budget Request) submitted for the appropriation...in other words...a ceiling limitation.

D4. Can I obligate funds in September for travel or training that will not occur until the new fiscal year?

If the funds are not expiring, the end-of-year process should not interrupt the normal commitment, obligation, and disbursement steps for funding these items. If the funds are expiring, an obligation for something that will occur beyond the life of the appropriation is subject to the bona fide needs rule. Briefly stated, fiscal year appropriations may be obligated only to meet a legitimate, or bona fide, need arising in, or in some cases arising prior to but continuing to exist in, the time period for which the appropriation was made. As an example, for travel or training, if the lead time or *scheduling requires you to obligate before the end of the fiscal year, then the bona fide needs rule will have been met. For more information search on the bona fide needs rule in the main chapters of the Administrative Control of Appropriated Funds (funds control manual).*

GENERAL

E1. Which Working Capital Fund (WCF) services are administrative and which are programmatic?

In the main chapters of the Administrative Control of Appropriated Funds (funds control manual). there is a special subject item (Chapter 4(I)(3) which provides many examples of "Administrative" vs "Programmatic" costs by object class series. Some ADP equipment examples include:

ADMINISTRATIVE
Purchase of General Purpose ADP Software Packages
Individual Desk-top Equipment (such as Calculators),
Personal Computers or Other Word Processor Equipment for General Staff Use (Such as Local Area Network (LAN) Equipment)

PROGRAMMATIC
Programmatic ADP Software Packages (such as: Toxic chemical composition analysis programs - LHASA, SYNGEN, CAMEO; chemical property estimation programs CLOGP & PC GEMS; SAS & SAS-Graph software when used for generating research lab. data, etc.)
Programmatic ADP Software Disk Update
ADP Equipment for Programmatic Databases such as: Storet, Haz.Wst.DMS, New Air Data Sys. Docket Sys., Pest. Product Info. Sys., CERCLIS, etc.

E2. What types of items can we provide to the public at EPA sponsored events?

In a 1992 Comptroller General Decision (B-247686), GAO opined that EPA's expenditure for buttons and magnets inscribed with environmental messages was a proper use of appropriated funds since the items are intended to convey a message related to EPA's mission. They cited EPA authorization under the Environmental Education Act as the basis for this decision. Since that time, similar such items have been disseminated at Earth Day festivities and other opportune instances of public awareness and education using the same authority. In the absence of specific authority, however, an agency may not purchase items for distribution as gifts or souvenirs to the public. GAO had previously opined that expenditures for key chains, ice scrappers, and miniature novelty garbage cans containing candy, as having a real use other than to convey a message were not a proper use of appropriated funds. Items without specific authority would be subject to the "necessary expense rule" which allows the Agency "reasonable discretion in determining how to carry out the objects of the appropriation." Additional information can also be found by searching on the Necessary Expense Rule excerpts in the main chapters of the Administrative Control of Appropriated Funds (funds control manual).

E3. What will happen to open commitments funded with 2 year appropriated funds at the end of the first year (i.e., EPM and S&T)?

The commitment reversal process will not affect commitments funded with two-year appropriated funds. Those commitments will remain open in IFMS until obligated or the appropriation expires which ever comes first.

E4. How do I find the correct sub-object class code for obligating a particular item?

Use the sub-object class listings on-line in intranet and search the package for your specific item (e.g."lodging"). If the search feature does not find the specific item when it searches both the OMB general headings and the EPA definitions, you will need to look for a more general category that includes similar type items. Search the sub-object class listings on-line at: (http://intranet.epa.gov/budgpage/policy/rmds2590.pdf).

E5. What is the proper sub-object class code for IPAs?

Other than for Commissioned Officers (for which there are 5 sub-object class listing), the correct code and definition reads as follows:

11.83 Intergovernmental Personnel Act (IPA) Salaries - Non-Ceiling*. Salary paid to an EPA employee on an Intergovernmental Personnel Act assignment where EPA pays less than 50% of the employee's salary.*

If the EPA pays 50% or more of the employee's salary, it is charged to the Agency's regular PC&B sub-object classes.

E6. Where do I look in IFMS to verify that my de-obligations has been processed?

You should pull up the IFMS table called GLDB and look under general ledger (GL) account 4801 or 4802.

E7. Is there a place in IFMS to see year-end carryover balances?

IFMS tables FALC (ALOC), FSAL (SALC), FALT (ALLT) show budgets, spending and available amounts by fiscal year.