



U.S. Department of
Transportation
Office of the Secretary
of Transportation

ORDER

DOT 2700.7C

2-15-89

Subject: ADMINISTRATIVE CONTROL OF FUNDS

1. PURPOSE. This Order establishes policy and prescribes a system for the administrative control of all funds in the Department of Transportation (DOT), enables the Secretary to fix responsibility for the creation of any obligation or the making of any outlay (disbursement) inconsistent with applicable law and the provisions of this Order, and enables the Secretary to promptly report to the President and to the Congress on those violations required by statute to be so reported.
2. CANCELLATION. DOT 2700.7B, Administrative Control of Funds, 3-28-80.
3. AUTHORITY. This Order is issued pursuant to the following provisions of law and regulations:
 - a. Money and Finance. Title 31, U.S.C.:
 - (1) Sections 1341-1342, 1349-1351, 1511-1519 (part of the Antideficiency Act, as amended).
 - (2) Sections 1101, 1104-1108, 3324 (part of the Budget and Accounting Act, 1921, as amended).
 - (3) Sections 1501-1502 (part of Section 1311 of the Supplemental Appropriations Act of 1955).
 - (4) Sections 1112, 1531, 3511-3512, 3524 (part of the Budget and Accounting Procedures Act of 1950).
 - b. Title X of P.L. 93-344, found at 2 U.S.C. 681-688.
 - c. Office of Management and Budget (OMB) Circular A-34, Revised, Instructions on Budget Execution.
 - d. This Order was approved by the Director, Office of Management and Budget, on October 31, 1988, as required by 31 U.S.C. 1514.
4. SCOPE. The provisions of this Order apply to all organizations, appropriations and funds controlled by DOT.
5. TERMINOLOGY AND CONCEPTS. The terminology and concepts used in this Order have the same meaning as those set forth in Part II and Part III of OMB Circular A-34, Revised, which requires that each executive agency establish regulations governing the agency system for administrative control of funds.

DISTRIBUTION:
All Secretarial Officers
All Operating Administrations

OPI:
Office of
Financial
Management

6. DEFINITIONS.

- a. Administrative Division or Subdivision of Funds. An administrative division or subdivision of funds is any distribution of an appropriation or fund. Over-obligation or overexpenditure of the following administrative divisions of funds are always violations of the Antideficiency Act, apportionments and allotments. Overobligation or overexpenditure of other administrative division of funds are violations of the Act only when the overobligation results in the overobligation of an apportionment or allotment.
- b. Apportionment. A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects or combinations thereof. The amounts so apportioned limit the obligations that may be incurred.
- c. Reapportionment. A revision approved by OMB of a previous apportionment for an appropriation or fund account. This approved revision would ordinarily cover the same period, project or activity covered in the original apportionment.
- d. Allotment. Authority delegated by the head or other authorized employee of an agency to agency employees to incur obligations within a specified amount, pursuant to OMB apportionment or reapportionment action or other statutory authority making funds available for obligation.
- e. Agency limitation. For fund control purposes, an agency limitation is any administrative division or subdivision of funds made by agency officials that restricts the use of Government funds.

7. CRITERIA AND POLICIES. The following criteria and policies shall be followed in administering the provisions of this Order:

- a. Responsibilities and Functions. In accordance with Section 31.3 of OMB Circular A-34, Revised, and Section 1514 of Title 31 of the U.S.C., the Secretary is responsible for prescribing a system of administrative control of funds. The Secretary has delegated to the Heads of Operating Administrations and the Assistant Secretary for Administration (or such official as each may designate in writing, generally the Chief Financial Officer) the responsibility for establishing and maintaining a system of fund control in accordance with the criteria and policies set forth in this Order. These officials are responsible for developing and prescribing accounting systems that will provide for

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prompt and accurate recording in the official accounts of all financial transactions having an effect on apportionments and other subdivisions of funds.

b. Relationship of Accounting and Fund Control Systems.

The basic authority for recording and reporting financial transactions as obligations is prescribed in Section 1311 of the Supplemental Appropriations Act of 1955 (31 U.S.C. 1501-1502). In accordance with Section F50, Appendix 1, Title 2, GAO Manual for Guidance of Federal Agencies, the accounting system should incorporate appropriate techniques to assist in achieving fund control. Section 31.3 of OMB Circular A-34, Revised, specifies the criteria for an adequate system of administrative control of funds to comply with the requirements of the Antideficiency Act, as amended, (31 U.S.C. 1514) and it provides that the fund control systems be fully supported by the accounting systems. Pursuant to the foregoing, accounting systems shall be designed to assist responsible officials in restricting the authorization or incurrence of both obligations and expenditures to amounts available in the apportionment or allotment. Accounting systems must provide timely disclosure of:

- (1) The authorization or creation of obligations or expenditures that exceed apportionments and allotments.
- (2) Total valid obligations incurred to date, and total budgetary resources available for obligations within each apportionment, allotment or other administrative subdivision.
- (3) Restrictions contained in appropriation acts or other statutes, along with total obligations incurred against such restrictions to date.
- (4) Status of estimated reimbursements, including orders received, amounts earned and amounts collected to date.

The accounting records and fund status reports must be periodically reconciled with the subsidiary records. At fiscal year-end, source documents must be analyzed to ensure all transactions affecting the appropriation and fund balances have been recorded properly, accurately, completely and on a timely basis. During this review, the validity of all obligations will be substantiated and adjustments will be processed accordingly.

c. Apportionments.

- (1) General. Specific requirements for apportionments and reapportionments are contained in Part IV of OMB Circular A-34, Revised. All accounts must be apportioned except as provided in Part IV of OMB Circular A-34, Revised. Supporting material for apportionment requests should show planned spending by program activities unless otherwise specified by OMB program staff. The authority to request apportionment or reapportionment of all Departmental funds by OMB has been delegated to the Assistant Secretary for Budget and Programs (Section 1.58d, C, DOT 1100.60A) and has been redelegated to the Director of Budget (Section 1.58A, E, DOT 1100.60A). The one exception is for apportionments or reapportionments which indicate the need for supplemental budget authority. These requests must be accompanied by the Secretary's determination of the reasons for a deficiency apportionment. Apportionments that anticipate the need for a deficiency appropriation or a supplemental under 31 U.S.C. 1515, will be specifically identified on the apportionment request (SF 132). The requirements for this determination are discussed in Section 43.2, OMB Circular A-34, Revised.
- (2) Deferrals and Rescissions. The instructions applicable to deferrals and proposed rescissions are contained in Part VII of OMB Circular A-34, Revised. Where these amounts are not included as apportioned (line 8 of the SF 132, Apportionment and Reapportionment Schedule), they are not available for allotment or obligation unless and until they are reapportioned. All deferrals, whether or not reflected on the SF 132, must be reviewed and reported from time to time so that these funds can be made available for obligation before they expire.
- (3) Apportionment Accounting and Reporting. Normally, reporting will be on the basis of an SF 133, Report on Budget Execution, with supporting data on actual spending by activities or as required by OMB and Departmental staff to track the information submitted in support of the SF 132. Administrative reports may be substituted for the SF 133, if so approved by OMB and Department staff.
- (4) Guidance. Departmental guidance on the processing of all types of apportionments and rescission and

deferral actions is provided by the Assistant Secretary for Budget and Programs.

d. Allotments.

- (1) Basic Control. The development and maintenance of a system for fund control shall include the formal allotment of funds as a means for establishing, within appropriation limitations established by the Congress and funds apportioned by OMB, the amounts available for obligation and outlay. The allotment system shall be established and maintained in such a manner as to assure compliance with all limitations, including those of the Antideficiency Act, as amended.
- (2) Control Level. Allotments shall be made at the highest practicable level within each appropriation or fund. Whenever possible, only one allotment should be issued for each appropriation or fund.
- (3) Procedures. Allotments and fund authorizations should be made using formal documents, which may include electronic transmission, provided adequate internal controls (including separate access controls for signatures) are present. These documents must identify:
 - a) Amount available.
 - b) Funding source, (e.g., appropriations, reimbursements, etc.).
 - c) Time period of availability.
 - d) Position title of the allottee.
 - e) Other agency limitations.
 - f) Justification for changes in allotments.

There might be instances, however, when it is necessary to use more rapid means of communication, such as telephone, telegraph or radio. Use of such means should be limited to emergency circumstances only. In the case of telephone or radio allotments, written authorizations shall be prepared concurrently with the less formal communication and shall be transmitted promptly to the recipient. Such communications shall be documented fully by the recipient and posted to the records. Upon receipt, the formal authorization should be attached to the documentation used for recording purposes.

- (4) Obligations and Outlays. No obligation should be created or outlay made from apportioned funds unless authority therefore has been established by formal allotment and the amount available is sufficient to cover the amount of such obligation or outlay.
- (5) Anticipated Receipts and Reimbursements. The amount apportioned for any appropriation or fund account that includes unrealized reimbursements or other anticipated receipts will not be allotted unless there is reasonable assurance that such items will be collected and deposited to the credit of the appropriation or fund involved. Responsibility for making this determination shall be vested in the allottee who must evaluate the validity or worth of such unrealized amounts before requesting them to be used as a basis for incurring obligations. The failure to realize such amounts does not relieve the designated official of the responsibility to request adjustment of allotments so as to bring the allotment within the total to be realized. The inclusion of anticipated amounts in determining the amounts available for apportionment or allotment in no way authorizes the allottee to obligate or make expenditures in excess of budgetary resources available for obligation.

Obligations and expenditures must not exceed apportionments and allotments or exceed budgetary resources available for obligation, whichever is smaller.

In the case of reimbursable work, budgetary resources available for obligation from reimbursements are comprised of earned reimbursements and unfilled customers' orders. An earned reimbursement is the amount representing orders that have been filled, provided that in the case of orders from the public, including State and local governments, the amount is limited by the amount of the advance received. As with an earned reimbursement, an unfilled order is available for obligation, provided that in the case of orders from the public the amount is limited by the amount of the advance received. Throughout the year these amounts are adjusted to the extent that orders are filled, canceled or new orders received.

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- (6) Restrictions. An administrative control system shall be established to ensure that:
- a) The sum of allotment amounts issued shall not exceed the apportionment.
 - b) Allotments or other administrative subdivisions shall be fixed in amount and changed only when authorized by the authority who issued the subdivision initially.
 - c) Congressional restrictions contained in appropriation acts shall be covered.
 - d) Agency restrictions can be established with respect to administrative subdivisions.
- (7) Responsibility.
- a) Allotter. Each individual assigned responsibility for issuing allotments is responsible for limiting the amounts made available for obligation and/or outlay to the amounts apportioned or otherwise authorized by law.
 - b) Allottee. Each individual receiving an allotment of funds is responsible for restricting obligations and/or outlays to the amounts available in such allotment.
- (8) Allotment Accounting and Reporting. Allotment accounting and reporting procedures shall be prescribed as an integral part of the accounting and reporting system. Provision shall be made for prompt and accurate recording in the official accounts of all transactions affecting an allotment and a timely reporting by the accounting organization on its status to the allottee.
- e. Special Situations.
- (1) Obligations. All transactions meeting the criteria stated for obligations in Section 1311 of the Supplemental Appropriations Act of 1955 (31 U.S.C. 1501) constitute obligations and shall be recorded as obligations. For purposes of effective financial planning, including fund control, data on proposed obligations, (i.e., commitments, reservations as used by program activity) may be systematically accumulated in accounting records in advance of their becoming valid obligations. When these records are used to

prepare official reports on obligations incurred, appropriate corrections must be made to conform such data to the amounts representing valid obligations as defined by law. The recording of obligations shall be accomplished at the earliest possible time after the transaction has been consummated and without regard to the availability or unavailability of funds. In no event should the recording of legal obligations be withheld pending receipt of additional funds or apportionment/allotment of those funds.

- (2) Errors. Those cases caused by errors where the facts indicate that no actual overobligation exists are not violations. This is so even though the records indicate otherwise. An error does not establish a bona fide obligation. An error, however, can lead to an actual violation. For example, an overobligation incurred because an error led to the belief that sufficient funds were available is a violation. Actual violations, even though caused by errors, must be reported.
- (3) Overobligations Resulting from Inaccurate Estimates of Obligations. Obligations in excess of the actual amount available at any given time are prohibited. In the case of some indefinite price contracts and similar obligations, it is difficult to determine the precise amount of the Government's ultimate liability at the time contracts are made.

In these cases the allottee is responsible for obligating funds to cover the Government's potential liability under the contract, and to ensure that sufficient funds are available for complete liquidation of such obligations. While it is recognized that these cases present many difficulties from a control standpoint, the allottee, nevertheless, is responsible for ensuring that adequate funds are available in the allotment for complete liquidation of such obligations.

- (4) Deobligations. The accounting organizations will review obligations (at a minimum, during the fourth quarter) to ascertain that only those amounts meeting the criteria of Section 1311 of the Supplemental Appropriations Act of 1955 (31 U.S.C. 1502) remain. Other amounts should be deobligated. However, arbitrary deobligation action is taken at the risk of a future violation if subsequent payment or charges should disclose an overobligation.

f. Expired Allotments - Withdrawal and Restoration.

- (1) The process for withdrawal and restoration of unobligated balances is described by 31 U.S.C. 1552. The account for each appropriation available for obligation for a definite period of time shall be closed as follows: Upon the expiration of the period of availability for obligation or for no year funds the fulfillment of purpose and two years of inactivity, the unobligated balance shall be withdrawn, and if the appropriation was derived in whole or in part from the general fund, shall revert to such fund. Appropriations derived solely from a special or trust fund shall revert to the fund from which derived. For all types of funds, when it is determined that a portion of the unobligated balance withdrawn is required to liquidate obligations and effect adjustments, such portion of the unobligated balance may be restored to the appropriate accounts.
- (2) A violation occurs during the expired period only if the apportionment or the funds available for restoration (whichever is smaller) is exceeded. Procedures for administrative control of unobligated and unliquidated balances of expired funds must enable the agency head to fix responsibility for transactions that cause violations. In addition, where unobligated balances of an allotment have been withdrawn upon expiration of the allotment, procedures must provide for control of the unobligated balance available for restoration to the appropriation throughout the entire period of expiration.

8. VIOLATIONS AND REPORTS.

- a. General. A fund violation can occur at anytime during the current period that the obligations or outlays exceed the allotment, apportionment or appropriation. A fund violation can occur at anytime during the expired period that the obligations or outlays exceed the amounts apportioned or otherwise available by law. In addition, each obligation or outlay transaction which exceeds amounts available must be examined to determine responsibility for causing the violation. Actions which subsequently relieve the violation condition do not negate the fact that a violation occurred, which must be reported. Further, the amount of the violation is not a factor in determining whether a report must be submitted. All violations must be reported, except those that are one-half dollar or less.

b. Types of Violations. The Antideficiency Act, as amended, requires that there be furnished to the President, through the Director of OMB, and to the Congress, information on violations of the following character:

- (1) Overobligation or Overexpenditure of an Appropriation or Fund. This is any case where an officer or employee of the United States has made or authorized an expenditure from, or created or authorized an obligation against any appropriation or fund in excess of the amount available in the account. For expired accounts, the "amount available" includes amounts available for restoration to the account (31 U.S.C. 1341(a)).
- (2) Contract or Obligation in Advance of an Appropriation. This is any case where an officer or employee of the United States has involved the Government in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law (31 U.S.C. 1341(a)). If authorized by law, but not financed by an appropriation, the budget authority recorded to cover such transactions is known as contract authority. If the contract authority is provided in anticipation of receipts, then obligations incurred against such contract authority cannot be liquidated unless either the receipts are collected and credited to the account or an appropriation to liquidate has been enacted (31 U.S.C. 1341(a)).
- (3) Acceptance of Voluntary Service. This is any case where an officer or employee of the United States has accepted voluntary service for the United States or employed personal services in excess of that authorized by law, except in cases of an emergency involving the safety of human life or the protection of property (31 U.S.C. 1342).
- (4) Overobligation or Overexpenditure of an Apportionment or Reapportionment. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of an apportionment or reapportionment. This includes adjustments that cause obligations in expired accounts that have not been merged to exceed the apportionment for the year in which such obligations were incurred (31 U.S.C. 1517(a)).

- (5) Overobligation or Overexpenditure of an Allotment. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of the amount permitted by the prescribed and approved agency fund control system (31 U.S.C. 1517(a)).
- (6) Overobligation or Overexpenditure of a Credit Limitation. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure exceeding a credit limitation contained in an appropriation act restricting the amount that can be obligated or committed for a credit program (31 U.S.C. 1517(a)).

c. Reports of Violation.

- (1) Internal Reporting. It shall be the primary responsibility of the chief of the accounting office or other organizational unit in which the official accounts are maintained to immediately initiate written reports of obvious or possible violations. However, any employee of the Department having knowledge of an apparent violation shall be responsible for initiating a written report through appropriate channels. In both instances, the report shall be addressed to the head of the operating element. The Heads of Operating Administrations shall report to the Secretary, through the Assistant Secretary for Administration, IMMEDIATELY after it has been established, that a violation has occurred and shall also send an information copy of the report to the Assistant Secretary for Budget and Programs. In the event that investigations are not completed and an external report made within six months of discovery, quarterly reports will be made to the Assistant Secretary for Budget and Programs until investigation discloses that the violation did not occur or an external report is made. The Assistant Secretary for Administration will prepare the report to the Secretary for violations which occur in the Office of the Secretary (OST).
- (2) External Reporting. If it is determined that a violation has occurred, then external reports are required. One report shall be in the form of a letter (original and three copies, plus the number of copies desired for internal use) to the President, prepared for the signature of the Secretary and forwarded to the President through the Director of OMB. The opening

sentence of the letter should be, "This letter is to report a violation of the Antideficiency Act, required by Section [1341(a), 1342, and 1517(a)] of Title 31, United States Code."

- a) The letter will set forth the following data, preferably in the sequence indicated:
- (1) The title and symbol (including the fiscal year) of the appropriation or fund account, the amount involved for each violation and the date on which the violation occurred.
 - (2) The name and position of the officer or employee responsible for the violation.
 - (3) All the pertinent facts of the violation, including the type of violation, (e.g., overobligation of an allotment or apportionment of an appropriation, etc.) the primary reason or cause, and any statement from the responsible officer or employee with respect to any circumstances which he or she believes to be extenuating, and any germane report by the agency's Inspector General and/or the agency's counsel.
 - (4) A statement of administrative discipline imposed by the Head of the Operating Administration, or Assistant Secretary for Administration within the Office of the Secretary, and any further steps taken with respect to the officer or employee, or an explanation as to why no disciplinary action is considered necessary.
 - (5) In the case where an officer or employee is suspected of willfully and knowingly violating the Antideficiency Act, confirm that all information has been submitted to the Department of Justice for determination of whether further action is needed.
 - (6) A statement that the Operating Administration's instructions implementing this Order are adequate, or if not, will be appropriately revised.

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- (7) A statement of any additional action taken by, or at the direction of, the head of the operating element or Assistant Secretary for Administration within OST, including any new safeguards provided to prevent recurrence of the same type of violation.
 - (8) If another agency is concerned, a statement concerning the steps taken to coordinate the report with the other agency.
 - (9) If an allocation account is involved in a violation, the violation will be reported through DOT by the agency administering the allocation.
- b) An information copy of the report to the President will be sent to the DOT Office of Inspector General.
 - c) The second report will be made to Congress as required by law. This report will also be prepared for the signature of the Secretary and will be in the form of letters addressed to the Speaker of the House of Representatives and the President of the Senate. A copy of this report will be submitted to the OMB with the report mentioned previously, unless they are substantially identical. If identical, a statement to this effect should be included in the report to the President.
- (3) All reports to the President and the Congress under this paragraph will be forwarded for signature to the Secretary through the Assistant Secretary for Administration and the Assistant Secretary for Budget and Programs.
 - (4) In addition to reports of violations discovered by Operating Administrations or offices of the Department, reports will also be made on violations not previously reported which are included in findings of the General Accounting Office (GAO) in connection with audits and investigations. In these cases, the reports should contain an explanation as to why the violation was not discovered and previously reported. If the Department does not agree with the GAO that a violation has actually occurred, a letter explaining the reason for the point of view should be prepared for the Secretary's signature and transmitted through usual channels to be submitted to the Comptroller General with a copy to the Director of OMB.

d. Penalties. Any officer or employee who violates provisions of the Antideficiency Act is subject to appropriate administrative action. Administrative actions may consist of:

- (1) Letter of reprimand or censure for the official personnel record of the officer or employee.
- (2) Reassignment to another position.
- (3) Suspension from duty without pay.
- (4) Demotion.
- (5) Removal from office.

In addition, any person who knowingly and willfully violates these prohibitions shall be fined not more than \$5,000, imprisoned for not more than two years, or both.

9. IMPLEMENTATION. Upon promulgation, copies of instructions issued by the Operating Administrations to implement the provisions of this Order will be forwarded to the Assistant Secretary for Administration, Attention: M-80.

FOR THE SECRETARY OF TRANSPORTATION:



Melissa J. Allen
For the Assistant Secretary
for Administration