U. S. Environmental Protection Agency

Office of the Chief Financial Officer Policy Manual

Funds Control Manual

Administrative Control of Funds

Effective Date: Upon issuance **Supersedes February 2008**	**Resource Management Directives System 2520**

Contents

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 government-wide 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.

How Organized

The Funds Control Manual is divided into chapters, each one of which includes basic information about a topic area. Each chapter begins with a summary of overall principles in that area, followed by more detailed explanations on particular topics that include links to additional information. There is one partial exception: detailed instructions on managing funds at each stage of the federal funding process are contained in the section on annual appropriations in chapter 5, since annual appropriations are EPA's largest source of funds. Please refer to this section for requirements and processes at each funding stage (such as apportionments).

Mandatory Review

This 2015 version has been updated to reflect the EPA's Compass financial system implementation; OMB's A-11 and A-123; workload review; new conference management requirements; GAO and Inspector General recommendations; audit findings; and statutory, process, procedural, and policy changes. This policy will be reviewed and revised as warranted by new federal laws, regulations, applicable Federal Accounting Standards Advisory Board requirements or agency policy, with a complete review planned within three years from its date of issuance.

This document, the EPA's Funds Control Manual (Resources Management Directives System, Chapter 2520), is issued as interim guidance until the EPA receives final OMB approval.

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-institute-standards-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:

- <u>Budget Development and Execution</u> — 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:

- Title I includes provisions for setting and achieving ambient air quality standards.
- 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.

- Title VI 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, weed-whackers, leaf-blowers, lawnmowers, tillers, etc.); marine (boat motors, watercraft, jet-skis); 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. <u>The WQA</u> 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. <u>The Beaches Environmental Assessment and Coastal Health Act of 2000</u> 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. <u>1990 Amendment</u> — 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. **Antideficiency 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. <u>The ADA</u>:

      - 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. <u>A 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 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. <u>A rescission</u> 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 deobligated 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 Antideficiency 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 (cyber-security), 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 government-wide 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. <u>OMB Circular A–11 (2014)</u> 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. <u>OMB Circular A-11 (Part 2), Preparation and Submission of Budget Estimates,</u> 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 government-wide 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 Antideficiency 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.

   - Recording an Obligation — 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:

    - Across-the-Board Rescission — Congressional appropriations reduce agency appropriations across the board by a certain percentage.
    - Targeted Rescission — 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-of-Business (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 measureable environmental goals and outcomes. To build a results-based budget, the agency strives to integrate planning and budgeting in all phases of budget development.

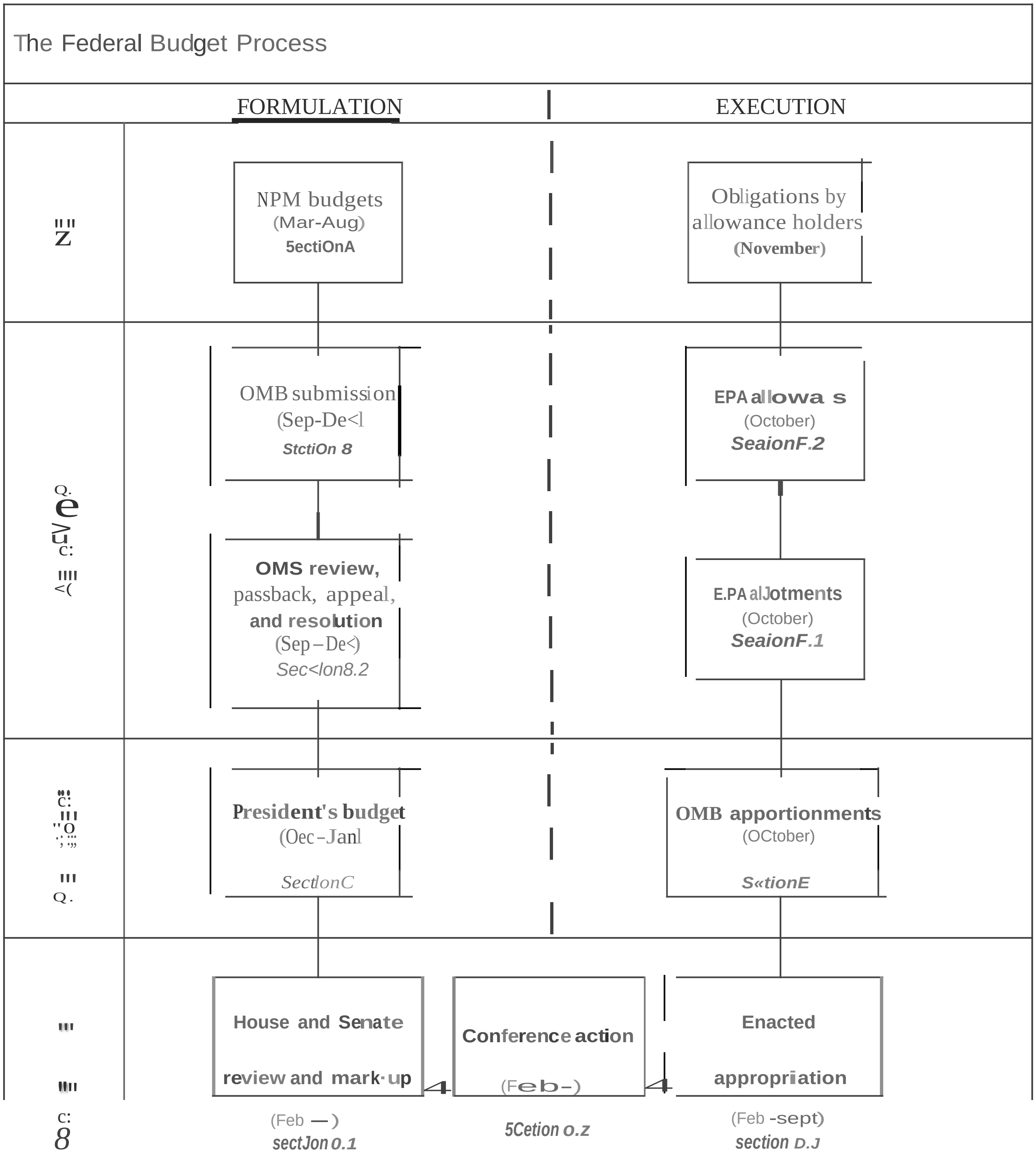


Figure 1. Federal budget process.

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. <u>OMB Submission</u> — 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. <u>OMB Review</u> — 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/epa-contingency-plan-2013.pdf.s/2015-09/documents/2015-epa-contingency-plan-september242015.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 (deobligations 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.

---

[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.

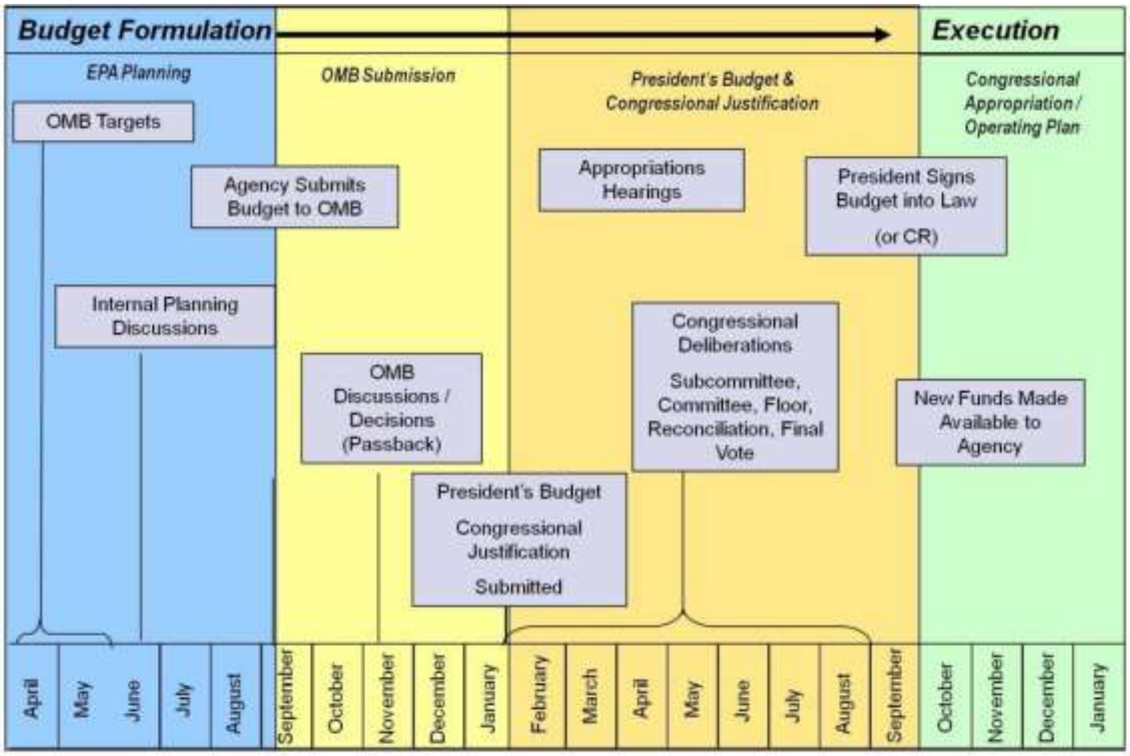


Figure 2. Budget formulation and execution timeline.

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

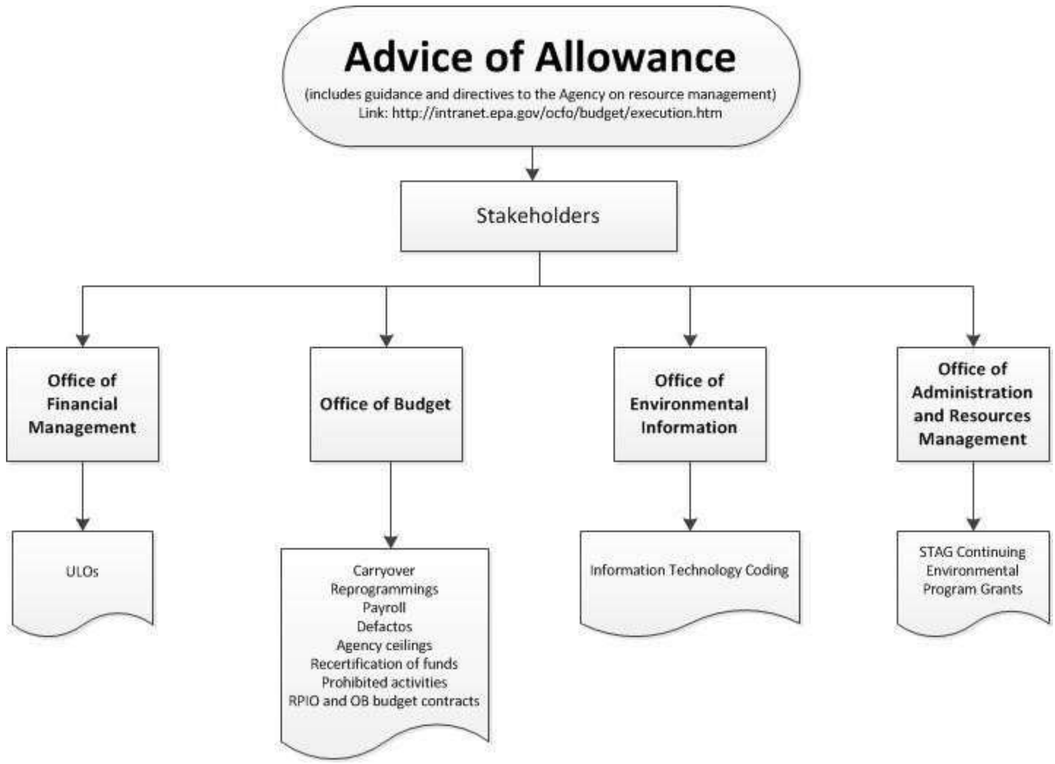


Figure 3. Advice of allowance.

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)
- 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.

[2] Key internal control

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 (deobligation 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.

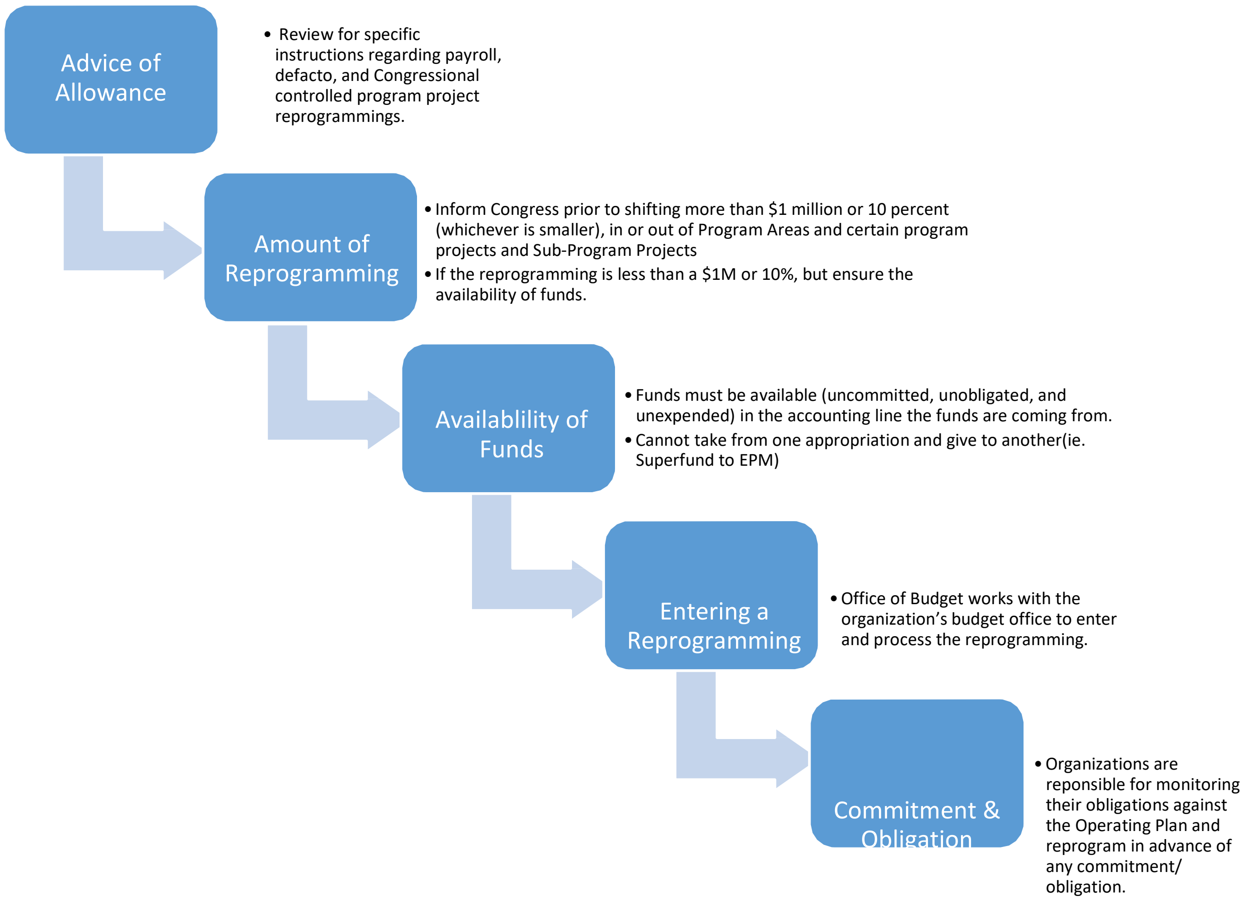


Figure 4. Reprogramming process.

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 add-on/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. Ceilings — 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 obligations or disbursements 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. Work Year Ceilings – 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. Payroll — Payroll costs represent approximately 25 percent of the EPA's budget. Each year, payroll costs increase due to cost of living adjustments and within-grade 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. Travel Ceilings and Rules — 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 well-written, 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 deobligated 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 mid-October 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 deobligations.

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. Don’t Co-Mingle Funds — 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. Emergency Related Expenses Tracking — 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

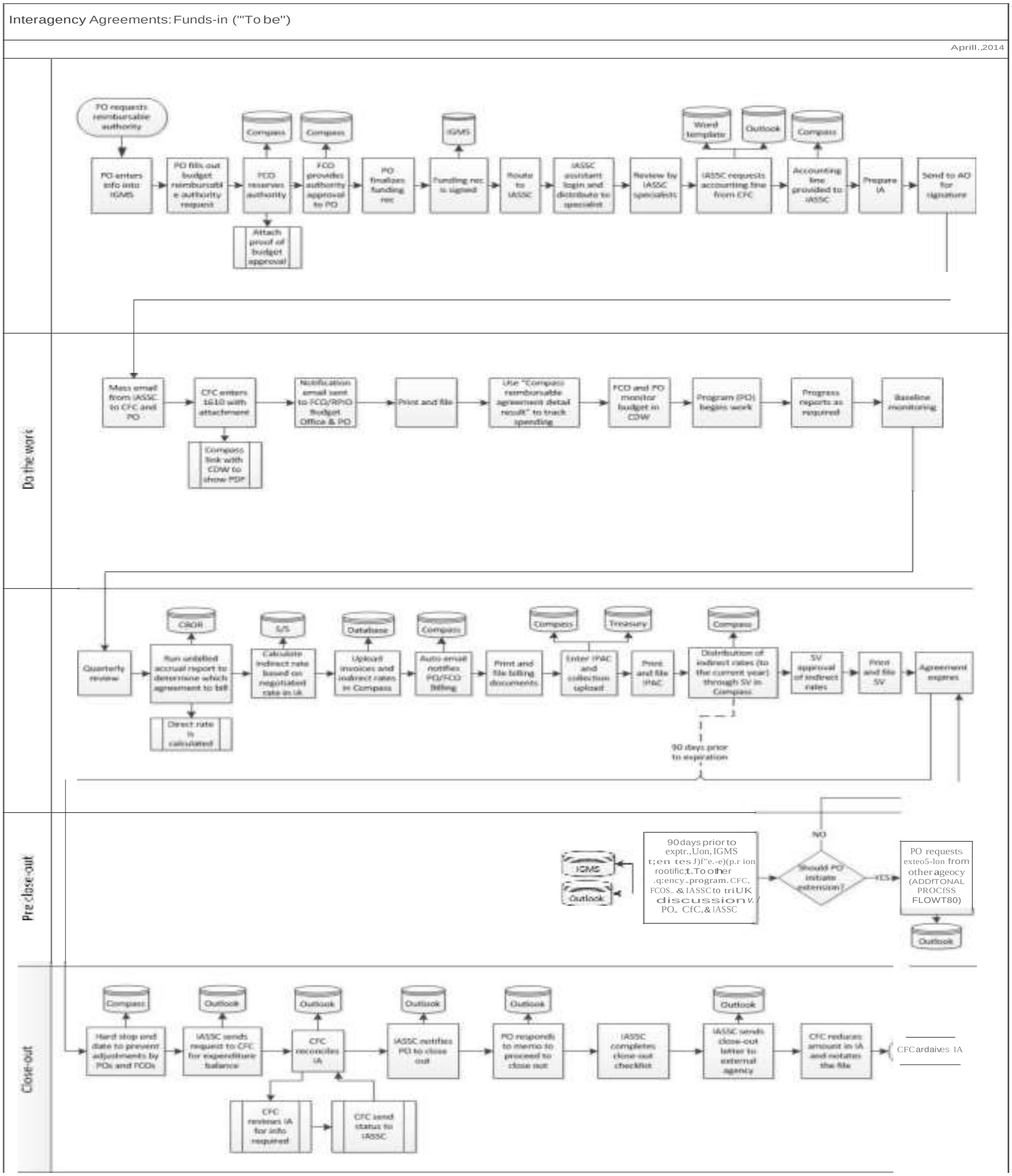


Figure 5. Interagency agreement process.

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 deobligated 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 deobligation 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 deobligate 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:

- <u>TR2, Non-Federal Special Accounts Unearned Revenue</u> — 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.
- <u>TR2A, Federal Special Accounts Unearned Revenue</u> — 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.
- <u>TR2B, Special Accounts Earned Revenue</u> — 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." Single-year 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. Organization Field — 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. <u>AH Code</u> — 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. <u>Roll-Up Codes in Compass</u>

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)**	**1 2 3 4 1 2 3 4** Beginning End BFY (2-YEAR FUNDS ONLY)
Fund Field **(6)**	**1 2 3 4 5 6** APPROP. SUB — RESTRICTED USE RESERVED APPROP (e.g. Reimbursable)
Organization Field **(7)**	**1 2 3 4 5 6 7** 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)**	**1 2 3 4 5 6 7 8 9** Program Results Goal Objective NPM Program / Agency Local Code (PRC) Project Activity Option (Spending Only)
SITE/PROJECT FIELD **(8)**	**1 2 3 4 5 6 7 8** 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)**	**1 2 3 4 5 6 7** A. SEMS (formerly CERCLIS) Serial Number B. OPPT Extramural IT Classifications. C. Other Local Option (to be determined)

Figure 6. Account code utilization.

g. Program Field: PRC Field — 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.

- <u>Defining NPM Roll-Up Codes in Compass</u> — 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

- <u>Defining Program Area Roll-Up Codes in Compass</u> — 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

- <u>Defining Program Project Roll-Up Codes in Compass</u> — 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. <u>Setting up PRC Roll-Up Codes in Compass</u>
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.
  - 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. <u>Augmentation</u> — 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. <u>Specific over General</u> — 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. <u>Pick and Stick/Consistent Charging</u> — 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 Antideficiency 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. <u>Unexpired Phase</u> — 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 deobligation.

   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. Non-severable 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. The ADA — 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. "Administrative" vs. "Programmatic" — 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 sub-object 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 decision-making 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://oamintra.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 drop-down 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

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 “Six-Field 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 (OAM) 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 deobligation 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 deobligated from the financial system.

Ensuring that any funds not expended are deobligated 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 deobligation.

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 deobligated 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 deobligated.

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 deobligated as promptly as practicable (within 180 days if possible).

This means that CORs and OAM 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 deobligated 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 non-discretionary overrun and there is therefore a legal liability, the overrun must

be recorded as soon as possible; there is no reason for OAM 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 OAM 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, OAM may not approve the unauthorized procurement. When requesting ratification from OAM, 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) 2.602-3(c) and EPA Acquisition Regulation (EPAAR) 1501.602-3.

a. Concept — OAM 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 — OAM 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 deobligated, prior-year funds in a subsequent FY by the OB to AHs for commitment, obligation and expenditure. Deobligations 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. Deobligated resources for multi-year and no-year funds do not need to be “recertified” *if* they are deobligated in the same fiscal year they were issued. However, deobligated prior-year resources for no-year appropriation accounts *do need* to be “recertified” before they are made available for reobligation.

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, deobligations 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 (deobligation) and reissue those funds by recertification so they can be made available for obligation (recertification) in a subsequent FY (reobligation).

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. When Funds Do Not Have to Be Recertified

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 deobligated during the same FY in which they were originally obligated do not have to be recertified. These funds automatically return to AHs as the deobligation 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 deobligations and reobligations 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. When Funds Do Need to Be Recertified — The OB changed this policy in FY 2013.

- Deobligated No-Year Funds — Under the new carryover system, recertification of deobligated FY 2013 Superfund, LUST, Oil, B&F, and STAG is not necessary since these funds have automatically rolled over and any deobligations 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 deobligated in subsequent FYs are recovered by the agency and made available for reobligation. Deobligated funds must be recertified before they are made available for reobligation. If STAG, Superfund, B&F, LUST, or Oil Spill Response recertified funds are not reobligated 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 deobligated 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 deobligation 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 deobligate 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 deobligated 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 reobligation. AH recertification requests for deobligated, 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 deobligated.

b. The agency must have a sufficient recovery balance in the specific appropriation in which funds have been deobligated 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 deobligation 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 deobligated. 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 deobligated 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, deobligated/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.

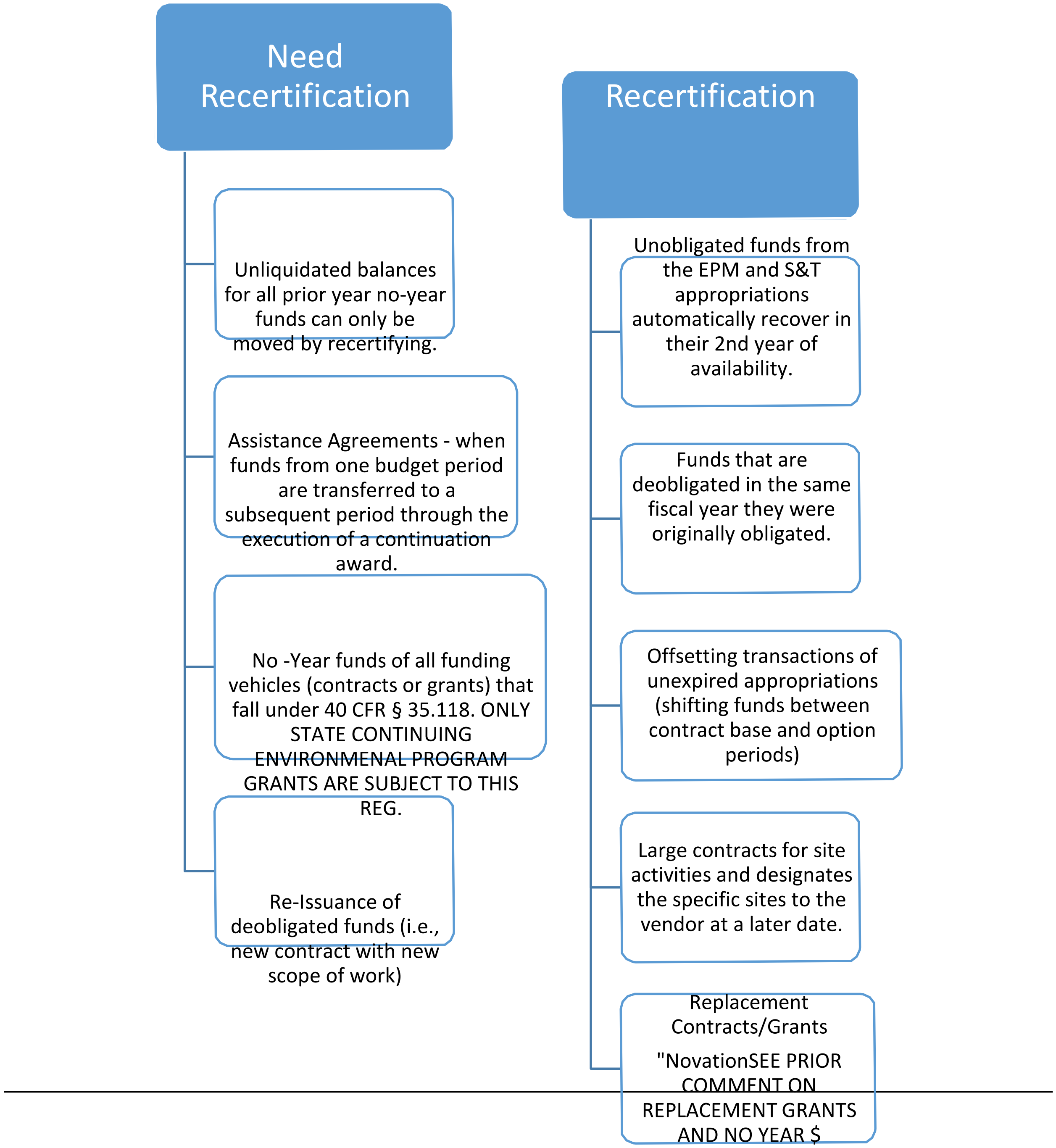


Figure 8. Recertification of funds.

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 deobligations 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

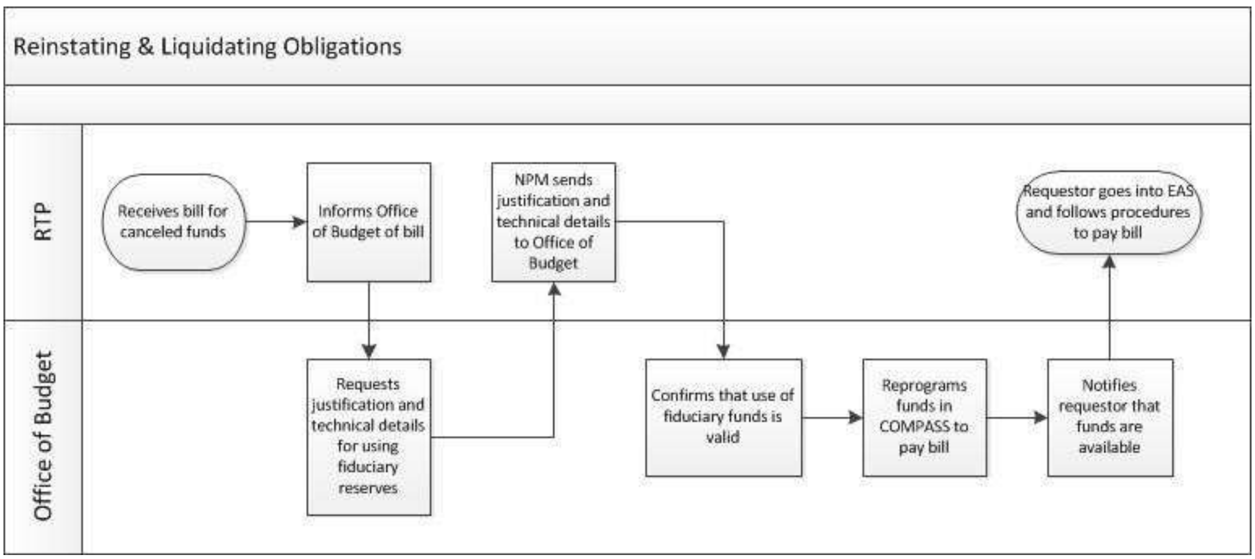


Figure 9. Reinstating and liquidating obligations.

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.

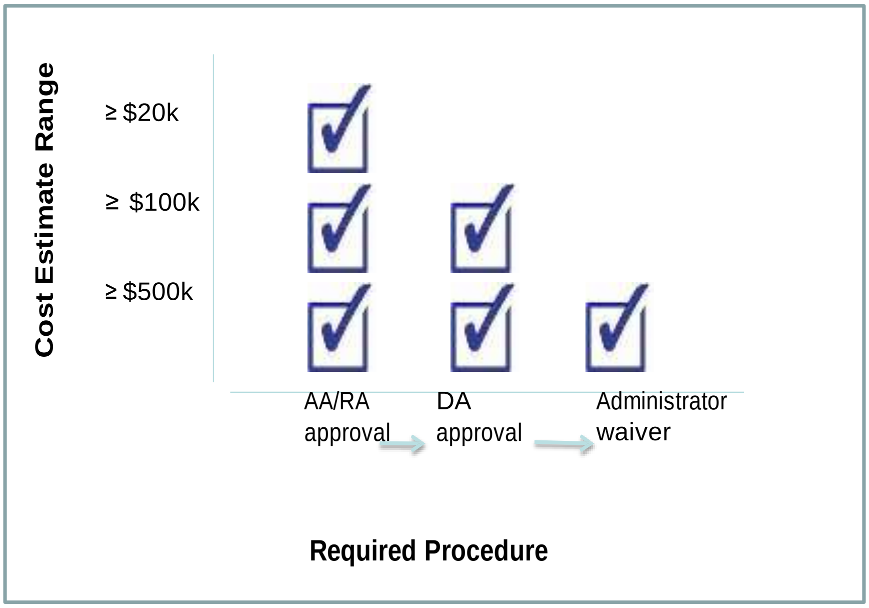


Figure 10. Conference cost range.

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 set-aside 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 OAM, 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 OAM’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 OAM’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 OAM'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 OAM 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 OAM."

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 OAM's Web pages:

   i. http://oamintra.epa.gov/node/235#BPAs on "Blanket Purchase Agreements and Simple Acquisitions Made Easy"

   ii. http://oamintra.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." OAM'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. <u>Record Keeping</u> — 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, contractor-held, 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 OAM 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. OAM 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 OAM/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 deobligations 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 deobligation of the remaining funds through the procedures applicable to that obligation type. Any deobligations of current year funds automatically return to the AH's available Compass balance. If funds are deobligated 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 deobligate the funds or provide a reason that the obligation should remain open.

a. <u>Grants</u>

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. <u>Contracts</u>

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 deobligate 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 deobligate 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 deobligate 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 deobligated 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: Deobligating Unliquidated Obligations," at http://intranet.epa.gov/ocfo/management_integrity/FY2011/deobligation_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 1511-19) 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); B-302811 (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, deobligating 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”
-

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 two-year, 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. <u>Deobligating Funds</u> — 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 deobligation. Once approved by the activity manager, the deobligation request is submitted to the RTPFC. Deobligation 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 deobligation 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 deobligate 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 deobligated 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 deobligated in time to be reprogrammed to another BOC. If too much funding has been deobligated (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. Modifying WCF Service Agreements — 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 deobligation of any excess or remaining unexpiring funds by submitting a negative PR. The deobligated 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 deobligate 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 Antideficiency 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.
    - 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 government-wide 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 work-years 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 (OAM)** – OAM'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. <u>Clicking</u> 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. <u>Processing</u> 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 OAM 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 OAM's website (see http://oamintra.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-to-day 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 Antideficiency 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 Antideficiency 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

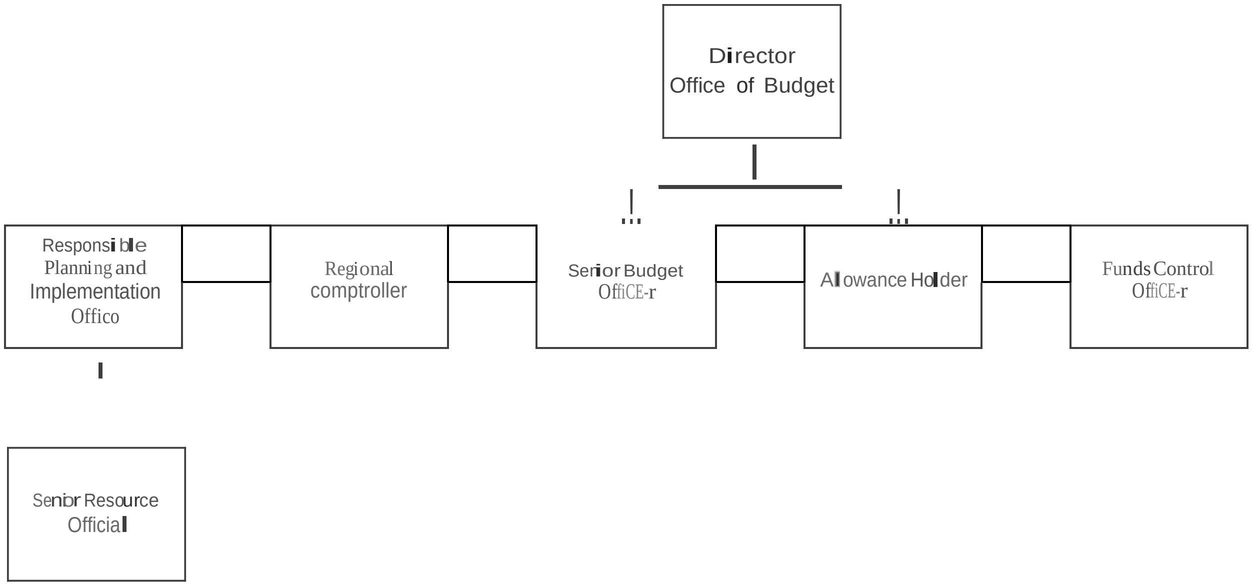
The EPA's major stakeholders (Congressional appropriators, the Office of Management and Budget, the Inspector General, and the Government Accountability Office) have communicated that they would like the EPA to more clearly explain how its work hours tie to specific products, tasks or results produced. 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 ____________________________________

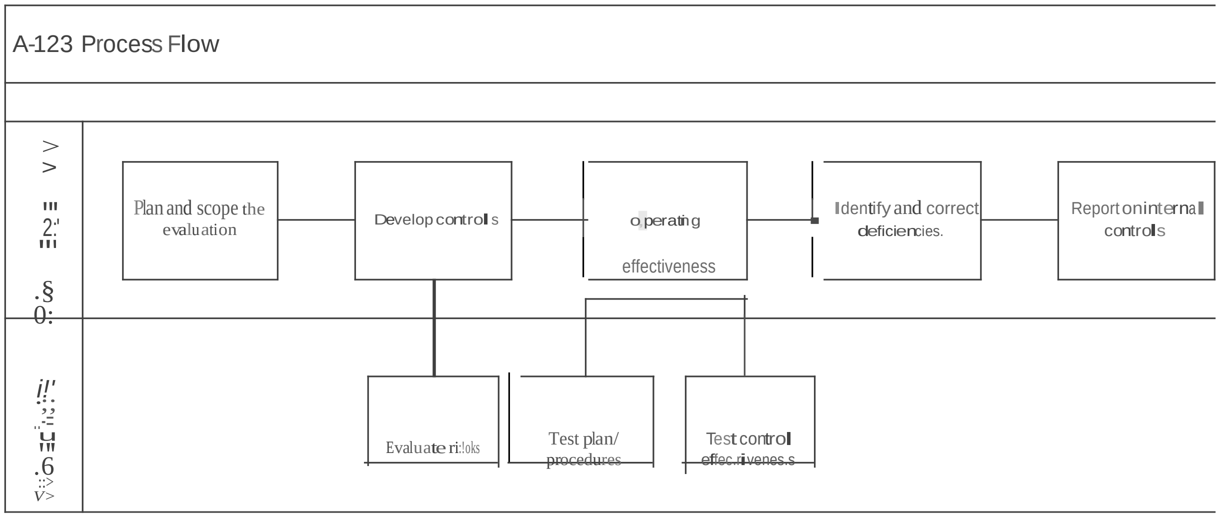
RPIO abbreviation and code (e.g., OCFO 17): Region III, RPIO 03

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.

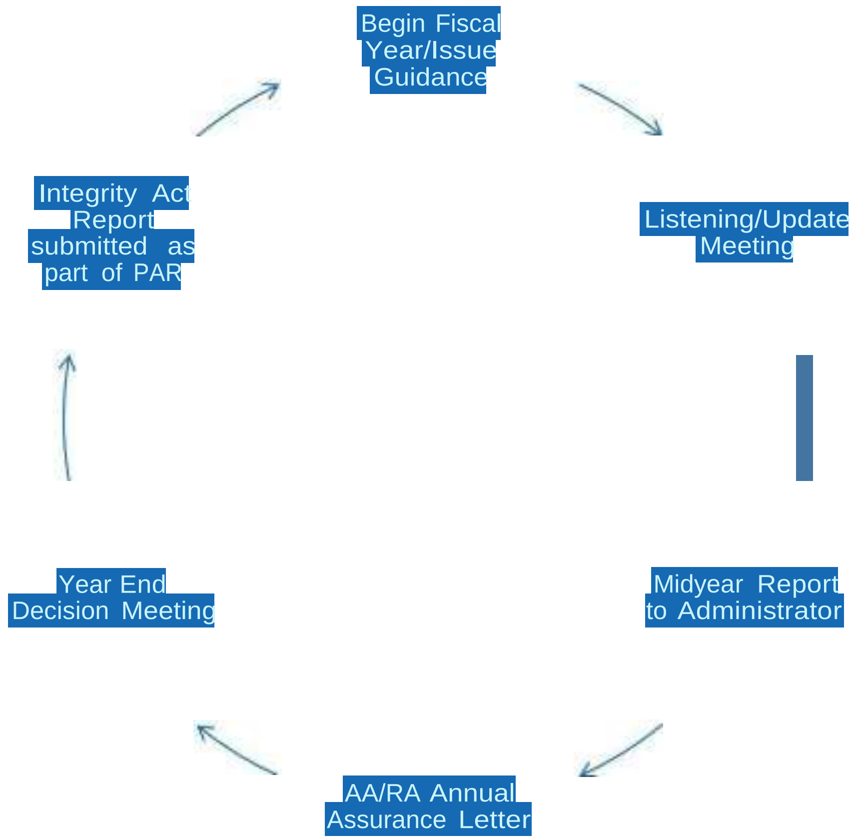
7. Recertification Requirements for Grants
All grants (in both the EPA regions and headquarters) containing no-year funds *must* go through a recertification process, whereby the OB will review and reissue the funds to the appropriate program office or Regional Administrator.

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.

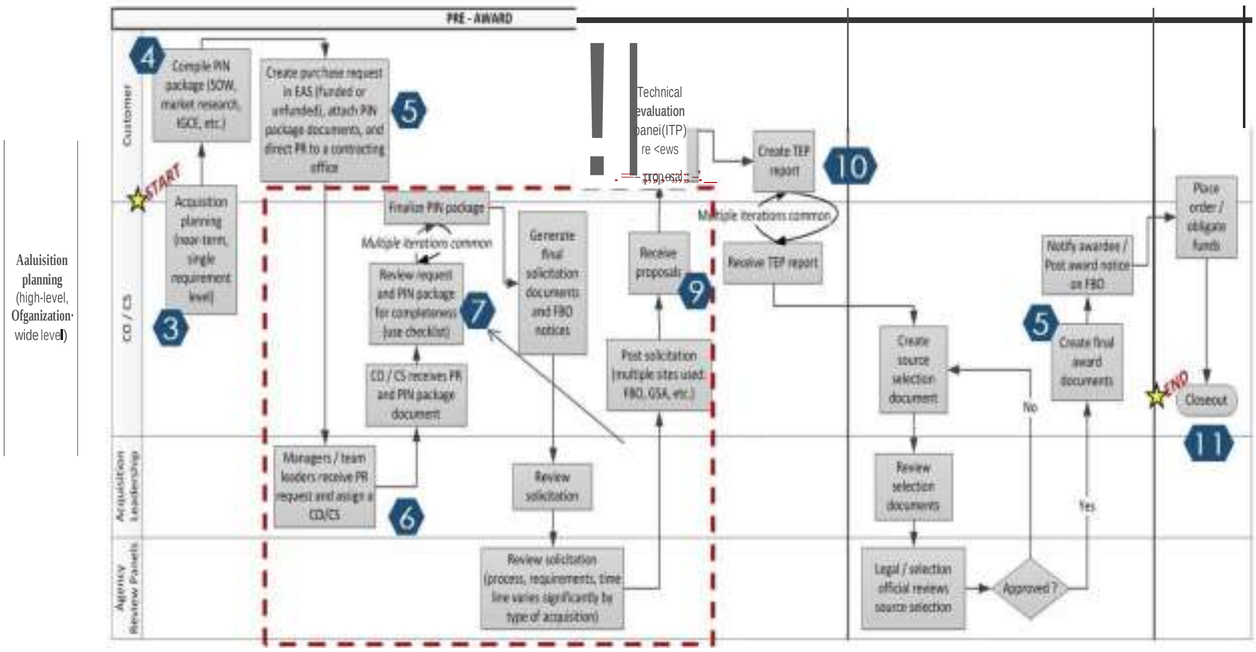
10. Signature Requirements
If there is no signature from an obligating official on the funding document, the obligation *will not* be posted.

Appendix E: Management Integrity Milestones



Appendix F: Acquisitions (Procurement) Process

Acquisition 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	Antideficiency 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
  - EPA Funds Control Manual applies to all EPA funds — not just appropriated dollars
  - More detailed instructions on using other sources of funding
- New financial system
  - Reflects change from IFMIS to Compass as the EPA's financial system
- Internal controls
  - 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