

FDA STAFF MANUAL GUIDES, VOLUME III - GENERAL ADMINISTRATION

FINANCIAL MANAGEMENT

BUDGET

ADMINISTRATIVE CONTROL OF FUNDS: ALLOTMENTS, ALLOWANCES, AND  
SUB-ALLOWANCES

Effective Date: November 4, 2014

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**1. PURPOSE**

The purpose of this policy is to outline when it is appropriate to issue allotments, allowances and sub-allowances.

**2. DEFINITIONS**

- A. Allotment** - Authority delegated by the head or other authorized employee of an agency to incur obligations within a specified amount, pursuant to the Office of Management and Budget (OMB) apportionment or reapportionment action or other statutory authority making funds available for obligation. Amount allotted cannot exceed the amount apportioned by OMB.
- B. Allowance** – Authority below the allotment level issued to Centers/Offices for funds control purposes and to make funds available for spending.
- C. Apportionment** - An apportionment is an action by which the OMB distributes amounts available for obligation pursuant to law into a fund account. An apportionment divides amounts available for obligation by specific time periods (usually quarters), programs, projects, activities, or a combination thereof. The amounts apportioned limit the amount of obligations that may be incurred.
- D. Appropriation** - An Act of Congress allowing federal agencies to incur obligations and to make payments from Treasury for specified purposes. Appropriations represent amounts that agencies may obligate during the period of time specified in the respective appropriation acts.

- E. Budget Authority** - Authority provided by law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. Budget Authority is classified by its duration, such as, multi-year, which can be used for a specified period of time in excess of one year; no-year, which can be used indefinitely; or one-year, which can only be used in the current year.
- F. Commitment** - An administrative reservation of funds in anticipation of their obligation.
- G. Common Accounting Number (CAN)** – To provide certain organizational identification. The first three digits of the CAN are structured to identify (1) the OPDIV accounting system within the Department, and (2) the accounting points of each OPDIV component.
- H. Continuing Appropriation/Continuing Resolution** – An appropriation act that provides budget authority for federal agencies and/or specific activities to continue in operation when the Congress and the President have not completed action on the regular appropriation acts by the beginning of the fiscal year. A continuing resolution may be enacted for the full year, up to a specified date, or until regular appropriations are enacted. A continuing resolution usually specifies a maximum rate at which the obligations may be incurred based on levels specified in the resolution.
- I. Financial Operating Plan (FOP)** – Center/Office’s planned expenses by month and major object class codes.
- J. Fund Control System** – Internal control system established to ensure compliance with federal fiscal laws. The purpose of the funds control system is to prevent over obligations and expenditures and to fix accountability for obligations or expenditures. An obligation or expenditure that exceeds the amount of the appropriation, the apportionment, or the allotment violates the Anti-deficiency Act. Fund control systems are fully supported by agency accounting systems.
- K. Obligation** – A commitment that creates legal liability of the government for the payment of goods and services ordered or received. Obligations incur when an order is placed, contracts are signed, grants are awarded, services are purchased and similar transactions that will require payment to the public or another government agency. Payments may be made immediately or in the future.
- L. Sub-allowance** - A classification of obligational authority which is issued below the allowance level to make funds available for spending.

### **3. POLICY**

- A. For effective and efficient management of agency funds and to comply with legislative objectives, it is the policy of the Food and Drug Administration that operations be funded at the highest level by means of an allotment issued at the agency level for each appropriation.
- B. Operations will be further funded below the allotment level to monitor how funds are used by means of allowances and sub-allowances.
- C. Centers/Offices must enter all planned expenses in their Financial Operating Plan. Centers/Offices are required to enter their planned expenses at the lowest level determined by the Division of Budget Execution and Control (DBEC), by major object class code.

#### **Allotments**

DBEC will issue a single allotment, by quarter, for each appropriation. Electronic allotment notices will be issued for this purpose. Allotments will not exceed the amount of the apportionment or reapportionment applicable to the period covered.

- 1. Allotments issued at the beginning of the fiscal year prior to the approval of current appropriations will be based upon authority of a continuing resolution.
- 2. Allotments shall not be exceeded and are subject to the limitations and restrictions set forth on the allotment notice.

#### **Allowances**

DBEC will issue allowances by quarter to the Center/Office Budget Contacts and Analysts. Electronic allowance notices will be issued for this purpose.

- 1. Allowances issued at the beginning of the fiscal year prior to the approval of current appropriations will be based upon authority of a continuing resolution.
- 2. Allowances shall not be exceeded and are subject to the limitations and restrictions set forth on the allowance notice.
- 3. Increases to allowances must be requested before allowances are exceeded. Written requests must be submitted to DBEC.

The Budget Analysts from each Center/Office are required to issue sub-allowances within 2 weeks of receiving their allowances. Form FDA1615A, Sub-Allowance Notices, will be used for this purpose.

1. Sub-allowances are not official limitations of total obligations to be incurred and increases should be discussed between the Center/Office Budget Analyst and the receiver of a sub-allowance.
2. Sub-allowances issued at the beginning of the fiscal year prior to the approval of current appropriations will be based upon authority of a continuing resolution.

#### 4. RESPONSIBILITIES

The Center/Office Budget Analysts are responsible for ensuring that obligations and commitments are within the amount specified in the allowance notice. Any person who exceeds the authority provided in a sub-allowance to the extent that an allowance is over obligated will be accountable to his/her Budget Analyst for such action.

#### 5. EFFECTIVE DATE

The effective date of this guide is November 4, 2014.

#### 6. Document History -- SMG 2310.1, Administrative Control of Funds: Allotments, Allowances, and Sub-allowances

STATUS (I, R, C)	DATE APPROVED	LOCATION OF CHANGE HISTORY	CONTACT	APPROVING OFFICIAL
Initial	09/16/2008	N/a	OC/OM/OFM	John P. Gentile, Associate Commissioner for Operations
Revision	07/03/2014	N/a	OFBA/OFO/ OFM	William Collinson, Director, Office of Financial Management