

General Requirements

21.1. Accounting and internal control systems.

As specified in 31 U.S.C. 3512, the head of each agency shall establish and maintain systems of accounting and internal controls that provide reliable accounting for the activities of the agencies. These systems will provide the basis for preparing and supporting the budget requests of the agency; for providing financial information the President requires in formulating the budget; and for executing the budget. These systems will also provide reasonable assurance that transactions are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over assets; that funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; and that transactions, including those related to obligations and costs, are executed in compliance with laws and regulations.

For the purposes of budget formulation and execution, the agency systems of accounting and internal controls shall provide information on actual obligations, outlays, and budgetary resources. Agencies will use the standard general ledger account balances as the principal source of information and establish controls consistent with financial plans.

See also OMB Circular No. 127, Financial Management Systems, for further policies and standards to follow in developing, operating, evaluating, and reporting on financial management systems. An electronic version of this circular is available on the internet from the OMB home page at “<http://www.whitehouse.gov/WH/EOP/omb>”.

21.2. Definitions.

Part I of this Circular contains the definitions of the technical terms used in this part.

For the purposes of this Circular, the terms “system of administrative control of funds,” “administrative control of funds system,” “fund control system,” and “fund control regulation” are used interchangeably.

21.3. Fund control regulations.

31 U.S.C. 1514 requires the head of each agency, subject to approval of the President, to prescribe by regulation a system of administrative control of funds. The approval of fund control regulations has been delegated to the Director of OMB. OMB approval is intended to ensure that the objectives of financial plans are met.

The fund control regulation will be a part of the agency’s internal control system. It may include provisions for allotments and other administrative subdivisions of budgetary resources within the limits of apportionments and will be designed to:

(1) restrict both obligations and expenditures from each appropriation to the lesser of:

(a) the amount available in the appropriation or fund or

(b) the amount of the apportionment or reapportionment of the appropriation or fund; and

(2) enable the head of the agency to determine responsibility for an obligation or expenditure exceeding an appropriation, apportionment or reapportionment, allotment, and any other administrative subdivision of funds.

Allotment systems should be designed so that responsibility for budget control is placed at the highest practical organizational level consistent with effective and efficient management and control. For example, a single allotment within the amount apportioned for each appropriation or fund generally provides an appropriate basis for control of a single category A or B apportionment, without further allotting the funds. However, in some cases agencies will establish other internal reporting systems below the allotment level that will provide adequate data for monitoring the efficiency and economy with which funds are used.

The fund control regulation should distinguish administrative subdivisions, the violation of which are automatically violations of the Antideficiency Act, from classifications or subdivisions, the violation of which are not automatically violations of the Antideficiency Act.

For budget execution purposes, agency fund control systems will be fully supported by agency accounting systems. The timeframe covered by an agency’s fund control system will correspond to the agency’s financial plans. Where financial plans extend beyond the fiscal year (e.g., construction, capital projects, multi-year grants), appropriate control and accounting mechanisms will be incorporated into the administrative control system.

21.4. Treatment of anticipated budgetary resources.

Part I of this Circular contains general guidance for the treatment of budgetary resources, such as, budget authority, unobligated balances of budget au-

thority, transfers, spending authority from offsetting collections, and recoveries of prior year obligations.

The system of apportionment provided in this Circular permits inclusion of estimates of anticipated amounts that do not require further congressional action (but not anticipated additional appropriations not yet enacted). This is done to reduce routine reapportionments of such amounts as the amounts actually become available for obligation. The anticipated amounts which are not yet available for obligation are presented on lines 1.E, 2.C, 3.C, and 4.B, respectively, of the S.F. 132 and S.F. 133.

The inclusion of these anticipated amounts does not authorize an agency to obligate or make expenditures in excess of the total amount available for obligation. The total amount available for obligation is the sum of the lines above line 7, excluding the amounts on the anticipated lines.

Apportioned anticipated amounts should not be allotted unless there is reasonable assurance that such items will be collected and deposited to the credit of the appropriation or fund account that incurred the obligation. The system of administrative control should, therefore, be designed to keep obligations and expenditures from exceeding apportionments and allotments or from exceeding budgetary resources available for obligation, whichever is smaller.

21.5. Review and approval of fund control regulations.

The checklist in Appendix B provides guidance for agency use in preparing draft regulations for approval by OMB.

An original and three copies of the draft regulations, covering a proposed new system of fund control will be submitted to the Director of OMB for approval. In the case of a newly created agency, the proposed regulations will be submitted within 90 days after the establishment of such agency. The Director of OMB will indicate to the agency concerned the action taken within 90 days of receipt of the draft regulations. Agency fund control regulations are in effect only to the extent approved by OMB.

The system of fund control should be reviewed periodically to determine whether improvements should be made. At a minimum, the system should be reviewed whenever OMB issues revised regulations or a reorganization occurs. Draft regulations, consistent with revised instructions by OMB or the new organization of the agency, should be submitted to OMB. In addition, the occurrence of an Antideficiency Act violation may indicate a need to strengthen system safeguards.