

# NIH Policy Manual

## 1920 - Budget Execution

**Issuing Office:** OD/OM/OB **Phone:** [\(301\) 496-4477](tel:3014964477)

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### Transmittal Notice

1. **Explanation of Material Transmitted:** This chapter outlines responsibilities for complying with the National Institutes of Health (NIH) Budget Execution process.

Please refer to NIH-specific guidance for the implementation of the Health and Human Services (HHS) Administrative Control of Funds (ACoF) Policy.

2. **Filing Instructions:** NIH Manual Chapter 1920, dated 02/26/2020
3. **PLEASE NOTE:** Contact the Issuing Office, listed above, for questions regarding this manual chapter.

### A. Purpose

This manual chapter outlines responsibilities for complying with the NIH Budget Execution Process.

### B. Scope

This policy applies to all NIH Institutes and Centers (IC), Office of the Director (OD) offices, and all NIH staff.

### C. Authority

This policy is issued under the following authorities:

- Chapters 11, 13, 15, and 33 of Title 31, United States Code (U.S.C.)
- Title X of Public Law (PL) 93-344, codified in 2 U.S.C. 681-688
- Office of Management and Budget (OMB) Circular No. A-11, Part 4; *Instructions on Budget Execution*
- OMB Circular No. A-127, Chapter 4; *Policies and Standards for Financial Management Systems*
- *Anti-Deficiency Act (ADA)* (31 U.S.C. 1341(a), 1342, and 1517(a))
- Government Accounting Office (GAO)'s *Principles of Federal Appropriations Law* (Red Book)

- HHS Department Accounting Manual; *ACoF and Budget Execution Policy*
- Treasury Financial Manual (TFM)
- Closing Appropriation Accounts (*31 U.S.C. 1552 and 1555*)
- OMB Circular No. A-123, Sections 1-7; *Management's Responsibility for Enterprise Risk Management and Internal Control*

## D. References

1. 31 U.S.C., “Money and Finance”, Section 1514, “Administrative Division of Apportionments” at [https://uscode.house.gov/view.xhtml?req=\(title:31%20section:1514\)](https://uscode.house.gov/view.xhtml?req=(title:31%20section:1514))
2. OMB Circular A-11, Preparation, Submission, and Execution of the Budget, revised June 2019 at <https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf>
3. HHS ACoF Policy and NIH’s implementing guidance
4. GAO Principles of Federal Appropriations Law, revised September 2017 at <https://www.gao.gov/legal/red-book/overview>
5. NIH Manual Chapter 1743, “Keeping and Destroying Records,” Appendix 1, NIH Records Control Schedule at <https://policymanual.nih.gov/1743>
6. NIH Budget Execution and Monitoring Cycle Memorandum, updated through September 30, 2019
7. The United States GAO, A Glossary of Terms Used in the Federal Budget Process at <https://www.gao.gov/products/GAO-05-734SP>
8. The Budget and Accounting Act of 1921 at <https://uscode.house.gov/statviewer.htm?volume=42&page=20>
9. The Budget and Accounting Procedures Act of 1950 at <https://uscode.house.gov/statviewer.htm?volume=64&page=832>
10. The Congressional Budget and Impoundment Control Act of 1974 at <https://legcounsel.house.gov/Comps/93-344.pdf>
11. The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) at [https://legcounsel.house.gov/Comps/Balanced%20Budget%20And%20Emergency%20Deficit%20Control%20Act%20Of%201985--\(Part%20C\).pdf](https://legcounsel.house.gov/Comps/Balanced%20Budget%20And%20Emergency%20Deficit%20Control%20Act%20Of%201985--(Part%20C).pdf)

## E. Background

The budget process occurs in three main phases:

### Formulation Phase

During this phase, the Executive Branch prepares the President's Budget (PB). OMB and the Federal agencies begin preparing the next budget in the spring, soon after the President has sent the last one to the United States (US) Congress. OMB officially starts the process by sending planning guidance to Executive Branch agencies. The President completes this phase by sending the budget to the US Congress on the first Monday in February, as specified in law, although occasionally Presidents have sent it later for various reasons. For example, in a year with a transition between outgoing and

incoming Administrations, the timing of the PB transmittal changes.

### Congressional Phase

This phase normally starts in early February when the US Congress receives the PB documents. The US Congress does not vote on the PB itself, and it does not enact a budget of its own, as such. It considers the PB proposals, passes an overall revenue and spending plan called a "budget resolution," and enacts the regular appropriations acts and other laws that control spending and receipts.

### Execution Phase

This phase lasts for at least five fiscal years and includes two parts. The apportionment part pertains to funds appropriated for that fiscal year and to balances of appropriations made in prior years that remain available for obligation. At the beginning of the fiscal year, and at such other times as necessary, OMB apportions funds—that is, specifies the amount of funds that an agency may use by time period, program, project, or activity—to Executive Branch agencies. Throughout the year, agencies hire people, award contracts, and enter into grant agreements, etc., in order to carry out their programs, projects, and activities. These actions use up the available funds by obligating the Federal Government to make outlays, immediately or in the future. During the apportionment part, funds are executed as follows

- *apportionment* by OMB.
- *allotment* by the NIH Office of Budget (OB) and;
- *suballotments* by the IC budget office, to allowances and operating budgets.

The reporting and outlay part lasts until funds are canceled (one-year and multiple-year funds are canceled at the end of the fifth year after the funds expire for new obligations, unless Congress makes an exception) or until funds are totally disbursed (for no-year funds). The reporting phase consists of closing out the "400000" series of the US Standard General Ledger (USSGL) accounts which are the basis for budgetary accounting accounts. This phase also involves preparing the necessary reports to record results of budgetary performance, including the Report on Budget Execution and Budgetary Resources, Standard Form (SF) 133.

## **F. Policy**

### **1. Execution**

Budget execution activities include receiving, controlling, obligating and monitoring the use of appropriated funds. Budget execution also involves revising financial plans as necessary during the fiscal year to accommodate changes in program priorities as well as address emerging developments unanticipated at the time of formulation. Internal control objectives in this phase focus on controlling resources in accordance with legislative mandates,

congressional directives, and administrative policies; all of which are governed by Title 31 of the U.S.C.

Most important is the ADA (31 USC 1341(a), 1342, and 1517(a)) which: 1) requires OMB to apportion appropriated funds and to monitor spending; 2) prohibits agencies from spending more than the amounts appropriated or apportioned, whichever is lower; 3) requires that agencies control their spending; and 4) provides penalties for overspending. Specifically, agencies may not:

- Purchase services and merchandise *before* appropriations or continuing resolutions are enacted and accounts are apportioned and allotted;
- Enter into contracts that *exceed* the appropriation for the year or the amount apportioned by OMB, whichever is lower;
- Purchase services and merchandise after the period of availability for an appropriation ends; or
- Pay bills when there is no positive balance in the appropriation or fund account.

In the budget execution phase, funds are appropriated, apportioned, allotted, sub-allotted to allowances and operating budgets, both obligated and reported. OB is responsible for preparing and recording the Appropriation, Apportionment, and Allotment level entries of appropriated funds, while the ICs prepare and record the Allowance level, and subsequently record commitments and obligations that utilize appropriated funds. Each of these activities is described below.

#### A. Continuing Appropriation/Continuing Resolution (CR)

If the HHS appropriation bill is not signed into law prior to the beginning of a fiscal year, NIH will operate under the authority of a CR. A CR is an appropriation act that provides budget authority for federal agencies, specific activities, or both to continue in operation when Congress and the President have not completed action on the regular appropriation acts by the beginning of the fiscal year. A CR is passed by both houses of Congress and signed into law by the President. A CR may be enacted for the full year, up to a specified date, or until regular appropriations are enacted. A CR usually specifies a maximum rate at which the obligations may be incurred based on levels specified in the resolution. For example, the resolution may state that obligations may not exceed the current rate or must be the lower of the amounts provided in the appropriation bills passed in the US House or US Senate. If enacted to cover the entire fiscal year, the resolution may specify amounts provided for some or all appropriation accounts.

#### *Determining Funding Levels*

Standard Treasury warrants are not issued during a CR, so spending authority must be received through OMB. After a CR is enacted, OMB issues a bulletin that provides agencies with blanket apportionment authority for the period covered by the CR. The OMB bulletin contains specific instructions for calculating the apportionments, which generally entails multiplying the “annualized” amount by the percentage of the year covered by the CR. The

annualized amount is set by Congress, and is often the prior year's appropriation, plus qualified supplemental appropriations. In addition, the HHS Office of the Assistant Secretary for Financial Resources (ASFR) issues guidance specific to the NIH, including the process for calculating the CR levels. OB reviews the appropriations language, OMB Bulletin, and ASFR guidance and prepares the CR funding worksheet (Excel spreadsheet) to calculate the available funds for appropriation, apportionment and allotment. The CR worksheet is sent to the ICs for review and input on the allotment requests.

OB is responsible for calculating CR funding levels for each IC, and for recording the applicable funding distributions for each IC using NIH's Budget Application (NBA) tool; which is the application used to record funding into the NIH Business System (NBS) Federal Administrator (FedAdmin) module. Each fiscal year, NBS updates the NBA tool and provides OB with funding distribution lines of accounting, which identifies appropriations, apportionments and allotments.

### *Recording the CR into the USSGL*

Alternate event codes and an alternate USSGL cash account are used to record appropriation level journals since warrants are not issued for a CR. This is done to maintain compliance with Statements of Federal Financial Accounting Standards (SFFAS) No. 7 and USSGL guidelines. Recording CR appropriation level journals also requires the use of two separate event codes.

- Recording the Appropriation Level Entry: While operating under CR, OB records the full annualized amount of the appropriation level and CR unavailable entries using the NBA tool provided by NBS, to the correct USSGLs for the entire CR period.
- Recording the Apportionment and Allotment Level Entries: While operating under CR, OB records the apportionment and allotment level entries to the correct USSGL accounts based on the OMB guidance. If the CR period extends past a fiscal year quarter end, OB could allot the entire amount or on a quarterly basis, up to the quarter end date (e.g. 12/31, 03/31, 06/30).

OB utilizes the NBA tool, which is provided and maintained by NBS, to make funds available to ICs at Appropriation, Apportionment and Allotment budget funding levels. While operating under a CR, an OB budget analyst records the annualized appropriation, CR unavailable, apportionment, and allotment level entries into FedAdmin via appropriate event codes. Once prepared, the FedAdmin module delivers a notification to a designated supervisory approver within OB via email. The OB supervisory approver reviews the prepared entry and attached support and approves the entry within the system.

Once a full-year appropriation is enacted to replace the CR, the US Department of Treasury Bureau of Fiscal Service (BFS) will issue appropriation warrants, FMS 6200, for NIH in the Treasury Central Accounting Reporting System (CARS), which are recorded with an effective date of October 1, as if the appropriation was enacted at the beginning of the fiscal year. All

other budget entries remain intact, and subsequent entries that add to, or decrease the amounts recorded during the CR. OB records the reversing entries into the system and NBS updates the general ledger on a nightly basis.

Only the authority level entries are adjusted at the end of the CR period. The authority level entries while operating under CR are reversed in the FedAdmin module and the FMS 6200 are recorded. An OB budget analyst records the adjusting entries within FedAdmin and attaches appropriate support (e.g., FMS 6200). Notification from the FedAdmin module and approval from OB supervisor processes are the same as those described two paragraphs above.

## B. Appropriation

Appropriation acts provide the statutory authority for agencies to incur obligations and pay for them through the Department of Treasury. If all appropriations bills are not signed into law prior to the beginning of a fiscal year, then some and possibly all Federal Agencies may operate under the authority of a CR. Once the Appropriation bills are enacted by the US Congress, they must be signed by the President before becoming law. Each IC with direct appropriations, the OD, and the Buildings and Facilities (B&F) program receive their own appropriation amount.

OB is responsible for recording appropriations into NBS once an FMS 6200 is received. The recording of all NIH IC appropriations must occur in the same month Treasury issues the respective NIH IC FMS 6200s. OB utilizes NBA, an Oracle-based budget distribution tool, to prepare the appropriation budget entries. Within the NBA tool, all the accounting code information is predefined to provide ease of use, while also reducing the risk of user error. After entering and submitting budget data into the NBA tool and the actual appropriation entry data file, the FMS 6200 format file must be attached by OB in the FedAdmin system for each NIH IC appropriation upload. At this point the uploaded appropriation entries will have a status of “in process” and cannot be modified unless the approver rejects the transaction. After the appropriation entries are uploaded, an approval notification email is automatically generated from NBS and sent to the designated OB approver, letting them know an appropriation has been entered and is awaiting review/approval.

In addition to the segregation of duties between the budget preparer and approver, the NBS FedAdmin module also provides a Budget Check Report (BCR). The BCR provides detailed budget distribution information for subsequent verification and monitoring. The BCR can be run by all authorized users at any time.

Appropriations are recorded by Treasury Appropriation Fund Symbol (TAFS), which is a combination of three code segments.

1. A three-digit Agency Code assigned to NIH (“075”) as documented by code listing found in Appendix C of OMB Circular No. A-11.
2. An alpha-numeric availability code indicating time period of availability for obligation using, up to 5 characters, usually keyed off last 2 digits of the fiscal year enacted (e.g., “20” for annual, “20/21” for multi-year, or “X” for no-year).

3. The main account code, which is a 4-digit serial number defined for assuring distinct transaction tracking within a Federal agency (e.g. “0872” representing NHLBI or “0807” for NLM).

TAFS are established whenever a new appropriation act is passed. They are determined through collaborative efforts of BFS, OMB, HHS, and NIH.

*[Note: TAFS and TAS are sometimes used synonymously, however there is a distinction. A Treasury Account Symbol (TAS) is a generic term used to describe an identification code that is assigned by Treasury to an individual appropriation, receipt, or other fund account. The term "Treasury Appropriation/Fund Symbol" (TAFS) describes a particular type of TAS that contains budget authority with a defined period of availability. Appropriations are recorded into financial systems by TAFS, but financial data is classified and reported by TAS.]*

BFS issues an FMS 6200 after the new TAFS are reconciled with OMB. The FMS 6200 is the official document of the congressional action, and it identifies the amount each IC is authorized to withdraw from Treasury’s central accounts, as well as the period of availability. The FMS 6200 is downloaded directly from Treasury and is attached by OB in the NBS appropriation upload. See section H. General Ledger Transactions for Budget entries.

### C. Apportionment

Apportionment is the action by which the OMB distributes amounts available for obligation, including budgetary reserves established pursuant to law, in an appropriation or fund account. An apportionment divides amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations. In apportioning an account, some funds may be reserved to provide for contingencies or to effect savings made possible pursuant to the ADA. Funds apportioned to establish a reserve must be proposed for deferral or rescission pursuant to the Impoundment Control Act of 1974 (2 U.S.C. §§ 681–688).

The apportionment process is intended to (1) prevent the obligation of amounts available within an appropriation or fund account in a manner that would require deficiency or supplemental appropriations and (2) achieve the most effective and economical use of amounts made available for obligation. (See also Administrative Division or Subdivision of Funds; Allotment; ADA; Appropriated Entitlement; Budgetary Reserves; Deferral of Budget Authority; Deficiency Apportionment; Deficiency Appropriation; Limitation; Reapportionment; Rescission; Supplemental Appropriation.)

NIH is responsible for preparing and submitting apportionment requests on a timely basis to ASFR’s Office of Budget and maintaining liaison with the OMB. NIH provides input as to how the funds are apportioned. Soon after an appropriations bill is signed into Law and IC funding levels are determined, OB develops guidance to ensure NIH spending policies are consistent with the PB and report language from the Congressional Committees associated with applicable appropriation act(s).

The ICs then use this guidance to develop their preliminary spending plans into official apportionment requests.

Apportionment requests are submitted to OMB via a preliminary SF 132 as soon as possible. ICs first submit their SF 132s to OB for review and validation. OB sends the SF 132s to HHS, who in turn sends them to OMB for the official approval. OMB will either approve or modify the request. Approved SF 132s are signed electronically by OMB, and returned to OB.

*Over-obligation of the amounts apportioned by OMB constitutes a violation of the ADA.*

Apportionments may include estimated amounts of “anticipated” budgetary resources that are the result of laws already enacted. This is done to reduce routine reapportionments of such amounts as they become available.

Apportionments that anticipate the need for a deficiency or supplemental appropriation under 31 U.S.C. 1515 will be specifically identified on the SF 132 and must be accompanied by a letter and certification from the HHS Secretary.

An OB budget analyst prepares and records the apportionments into the NBA, which is then uploaded into FedAdmin via appropriate event codes. Notification from the FedAdmin module and approval from OB supervisor processes are the same as those described above (end of section F.1.A).

Apportionment entries are also validated against the appropriations already recorded in NBS. If the apportionments are in conflict with the appropriation, their status will be identified as “Not Reserved,” and the conflict must be resolved before they are approved and recorded. Verification that the apportionments were correctly uploaded into NBS can also be achieved by reviewing the BCR report. *(The BCR identifies the status of the entry(s); e.g. In Process, Not Reserved or Approved).* See section H. General Ledger Accounts for associated entries.

Allotments must be in place before obligations are incurred, so ICs will also use nVision Balance of Accounts (BOA) or BCR reports to verify that allotments have been recorded, and amounts are correct.

#### D. Allotment

An allotment is a legal sub-division, subject to the ADA requirements, of apportionments by an agency to its subordinate elements. The NIH OB is responsible for distributing allotments to the ICs. In general, allotments transfer authority from the Director of NIH to IC Directors, to incur obligations within a specified amount, within a specified period. An allotment makes an IC Director (allottee) directly responsible for:

1. Administering the allotted funds for the purpose allotted,
2. Conforming to any limitations included in the allotment and applying the limitations of the appropriation act and other governing law,
3. Complying with the ADA, and

#### 4. Ensuring that obligations are pre-validated for fund availability prior to release.

Allotments are required whenever apportionments are approved by OMB, and any time thereafter if IC funding levels change (e.g., rescission action or when transfers between the allotments occur). Allotments cannot exceed the amount apportioned by the OMB and over-obligation of an allotment is a violation of the ADA.

OB issues allotments using a Public Health Service (PHS) 114 form *Advice of Allotment*. Allotments are based upon IC financial plans (Form SF 350), which the ICs submit to OB once SF 132 approval is received from OMB. SF 350s are quarterly spending plans and are generally developed by the IC's budget office and reviewed by the IC's Budget Officer (BO) or IC designee. The IC BO, or designee, submits and signs the SF 350 in the Financial Plan Automation Tool.

Advice of Allotments may be issued for multiple purposes within various funds; however annual funds at NIH are generally distributed between two types of allotments: Direct Funds and Reimbursable authority. Direct Funds may consist of General Funds, Small Business Set Aside (SBIR/STTR), and statutory Programs, Projects or Activities (PPA). The Advice of Allotment distributes direct funds and reimbursable authority by quarter, which is an important distinction. The SF 132 identifies the total amount of direct funds and reimbursable authority available for each quarter, which is reflected in the PHS 114, which limits the amount of direct funds and reimbursable authority available within a quarter. The allotments, both direct and reimbursable, must be consistent with the amounts authorized on the latest SF 132. Consequently, if an SF 132 is revised, so must the PHS 114s.

An OB budget analyst prepares and records the allotment into the NBA, which is then uploaded into FedAdmin via appropriate event codes. Notification from the FedAdmin module and approval from OB supervisor processes are the same as those described above (end of section F.1.A).

Allotment entries are also validated against the apportionments already recorded in NBS. If the allotments are in conflict with the apportionments, their status will be identified as "Not Reserved," and the conflict must be resolved before the entries are approved and recorded. Allotments must be in place before obligations are incurred. IC staff may verify the allotments have been correctly uploaded into NBS by reviewing a variety of nVision reports, or a BCR report. Once the allotments are in place, the ICs must record sub-allotments (allowance and operating budget) against the allotments to initiate the systematic funds control in NBS and spend the funds. (*The BCR identifies the status of the entry(s); e.g. In Process, Not Reserved or Approved*). See section H. General Ledger Accounts for associated entries.

*Special note: Reimbursable authority is allotted under 2 categories; reimbursable and sponsored travel. Sponsored travel is only recorded from the PHS 114. The amount allocated as reimbursable is allotted for interagency reimbursable agreements. That funding is not recorded until a valid reimbursable agreement is recorded into NBS.*

#### E. Allowances/Operating Budgets

Allotments are distributed to allowances for two reasons. First, it provides operations personnel with the authority to incur obligations for specific mechanism or programs, segments of a mechanism or program, or administrative activities within the framework of higher-level controls, i.e., apportionments and allotments. But more importantly, allowances must be recorded to support the systematic “hard” funds control that is performed before commitments or obligations are recorded into NBS. Funds control occurs at the allowance level, which may also be referred to as the Internal/External (I/E) level. Allowances and operating budgets are recorded into FedAdmin by IC Budget Office personnel.

Allotments are issued for the purpose of I/E level allowances to the extent that a fund engages in these activities. Internal allowances include Intramural Research (IR) and Research Management and Support (RMS); External allowances include extramural funds. The allowances are then subdivided into Operating Budgets, in order to provide resources to the managers or program officials who are responsible for the major mechanisms and program segments. An operating budget provides authority within an allowance to another official to incur obligations (within a specified amount and time) chargeable to the appropriation from which the organization’s funds were issued. Spending occurs against specific accounts, projects, or common accounting numbers (CAN) within the operating budget.

IC budget personnel record allowances and operating budgets into NBS with the NBA tool. The allowances are validated against the allotments already approved within the system. The NBS Funds Control (see section 2. Funds Control below) prevents an allowance level entry from exceeding an allotment level entry.

## **2. Funds Control**

The NIH uses commitment accounting as the primary means of systematic funds control. Commitment accounting is a uniform practice of reserving funds through commitments prior to incurring and recording a valid obligation. In this way, NBS systematically verifies that spending requests are made in accordance with spending plans (recorded allowances), and also that spending documents are not approved if there are no funds available for the submitted spending request. Budget authority is also not available to be shifted between allowance or allotment after it is committed or obligated within an allowance.

Commitments A commitment is a reservation of budget authority that is recorded in anticipation of an obligation. Commitment transactions are posted against an allotment, and they are recorded at the IC allowance level through the NBS sub-ledgers for grants and acquisitions.

Obligations An obligation is recorded when a legal liability of the government is created to pay for goods or services ordered or received. The obligation typically follows from the award of a grant or contract where budget authority was previously reserved by a commitment. Payment may be made immediately or in the future. Obligations are recorded and monitored at the IC level.

When a transaction is initiated that requires a commitment, a funds check is performed at the I/E level. If funds are available, NBS reserves the funds and creates the commitment in the general ledger. If funds are not available, the commitment is not recorded and NBS returns an insufficient funds error message. The insufficiency must be resolved, or the initiating action must be cancelled.

The same process occurs with an obligation, with one additional step. An obligating transaction initiates a funds check at the I/E level to confirm there are sufficient funds to complete the transaction. If funds are available, the funds will be moved from the commitment account to the obligation account. If funds are not available, the system produces an error message and the obligation is not recorded. The insufficiency must be resolved, or the obligating action must be cancelled.

When funds are committed or obligated, the NBS Funds Control, an automated system control, will perform a real-time test for the availability of funds, preventing an obligation from being recorded, which would exceed the available allowance level entry recorded in the system. Additionally, Funds Control prevents a user from recording an entry at one budgetary level that exceeds the available balance one level higher (e.g., Allowance larger than an Allotment; Allotment that is larger than an Apportionment, etc.).

The funds check confirms the availability in account 461002 (Allowance Available), and the transaction will generate an exception notification when funds are not available. When transactions arise within the NBS or its sub-ledgers and the funds control processes detect insufficient funds, the proposed commitment and/or obligation is prevented. See section H. General Ledger Accounts for associated entries.

Only a very limited set of transactions bypass the NBS automatic funds control process. These include only the following items: payroll, interest charges, and investment purchases.

*Note: if the obligation is less than the commitment, the difference is credited to USSGL 461007, Allotment Authority Used. If the obligation is greater, various operations take place with the net result of recording the increased obligation. In some business areas the increment/decrement is recorded. In other business areas the full transaction is reversed, and a new transaction is recorded.*

### **3. Monitoring**

#### **Status of Funds Reports**

IC budget personnel utilize the nVision BOA reports to monitor budgetary activity; however, OFM no longer utilizes the BOA report. Local proprietary reporting systems may also be used, while the reconciliation of the proprietary reporting to the official reporting from the NBS and nVision is the responsibility of the IC. Regardless of the report, the monitoring process is the same; obligation amounts that were processed through NBS are compared to authorized levels of funding. *Over-obligation of apportionments or allotments constitutes a violation of the ADA. Penalties for violation include fines up to \$5,000 and prison terms for*

*the responsible officials.*

Operating Budgets are issued for the current year only, regardless of the expiration date of the appropriation. All unobligated allowance amounts are withdrawn as of the end of the fiscal year. In the case of multi- or no-year funds, allowances may be reissued in the subsequent fiscal year after reapportionment and allotment occur.

In addition, the IC must also complete, at a minimum, an annual reconciliation of the Information for Management Planning Analysis and Coordination (IMPAC) grant reporting system to NBS and the Status of Funds Report.

#### Report on Budget Execution and Budgetary Resources, SF 133 and Quarterly IC Review

Monthly, with the exception of October and rare occurrences where SF 133s are not produced during a particular month, the NIH Office of Financial Management (OFM) Financial Reporting Division (FRD) accountant transmits, via bulk file, the NIH ATB data from NBS into Treasury's Government Treasury Account Symbol Adjusted Trial Balance System (GTAS). After the bulk file passes the necessary edit checks, GTAS generates the SF 133, 11 times in most years (November to September). The information required by GTAS is divided into four sections: (1) Budgetary Resources, (2) Status of Budgetary Resources, (3) Change in Obligated Balances, and (4) Net Outlays.

An FRD accountant forwards the SF 133s to OB. OB saves the SF 133 reports to the designated OB internal SharePoint site (the "portal") and advises the ICs that the SF 133s are available for their review. IC users can access the OB Portal found at: <https://www.od.nih.gov/OM/OB/default.aspx>.

The ICs monitor their available funds by reviewing the SF 133 report and comparing to various reports (standard and ad hoc) generated from nVision, to certify that the data within their SF 133 is accurate and that there are no significant outstanding issues. The ICs complete the Quarterly Status of Funds Management Review form and submit to OB. OB maintains the quarterly certifications as evidence of the review.

#### Monitoring of Supplemental Appropriations

Supplemental appropriations bills provide additional appropriations and are typically considered during a fiscal year as opposed to prior to the fiscal year for which budget authority is requested. Supplemental actions enacted during the fiscal year generally increase funding for selected activities previously funded in the regular bills. The original request for supplemental appropriations is typically submitted by the President, but Congress is also capable of initiating them. Supplemental appropriations are not a frequent occurrence.

The same process and reports are used to execute and monitor supplemental appropriations as are used for regular appropriations.

#### Nonrecurring Expenses Fund (NEF)

42 U.S.C. 3514a. established in the Treasury of the United States a fund to be known as the NEF: Provided, that unobligated balances of expired discretionary funds appropriated from the General Fund of the Treasury to HHS may be transferred (not later than the end of the fifth fiscal year after the last fiscal year for which such funds are available for the purposes for which appropriated) into the NEF: Provided further, that amounts deposited in the Fund shall be available until expended, and in addition to such other funds as may be available for such purposes, for capital acquisition necessary for the operation of HHS, including facilities infrastructure and information technology infrastructure, subject to approval by the Office of Management and Budget (OMB): Provided further, that amounts in the Fund may be obligated only after the Committees on Appropriations of the U.S. House of Representatives and the U.S. Senate are notified 15 days in advance of the planned use of funds.

ICs monitor their unobligated balances of expired discretionary funds for potential transferring into the NEF. In addition, NIH complies with the ASFR monthly reporting requirement to ensure proper controls over allocated amounts for each approved project.

#### **4. Other Execution Activities**

Historically, the HHS Appropriations Act provides the Secretary of HHS authority to transfer up to 1 percent of any discretionary funds which are appropriated for the current fiscal year, i.e., IC annual general appropriations, but no such appropriation shall be increased by more than 3 percent by any such transfer. Usually more information on transfer restrictions are specified in Section 205 and other General Provision elements of the Appropriations Public Law which can be found at <https://officeofbudget.od.nih.gov/cy.html>. Other actions that may affect the availability of funds during the execution phase include rescissions and supplemental appropriations (refer to OMB Circular A-11 for additional information). OB will notify IC budget offices of changes, and then the IC will submit the revised apportionment if required.

#### **Reprogramming**

According to GAO principles of Appropriations Law, reprogramming is the shifting of funds within an appropriation to purposes other than those contemplated at the time of appropriation. More specifically, it is the application of appropriations within a particular account to purposes, or in amounts, other than those justified in the budget submissions or otherwise considered or indicated by congressional committees in connection with the enactment of appropriation legislation.

Following Congressional appropriations action, NIH provides the Appropriations Committees of both Houses of Congress with an Operating Plan that reflects a PPA breakdown. Operating plans ensure that NIH will be obligating and executing funds consistent with their appropriations and in accordance with Congressional, HHS and Administration priorities. If changes in funds usage are required and there is a need for reprogramming, the Appropriations Committees of both Houses of Congress must be notified. OB will collaborate with ICs and other relevant offices to prepare necessary materials for HHS and OMB review. After HHS and OMB have completed review of the NIH materials, they are

transmitted to the appropriate Appropriations Subcommittee Chairmen and Ranking Members of both Houses of Congress.

After the advance notice period has elapsed from receipt of the package by the Labor/HHS Subcommittees, HHS Office of Budget will formally inform NIH that the notification process is completed. If a Subcommittee raises concerns during the consultation or notification periods or requests additional time to review, HHS will work with OB to address that concern and/or determine whether to modify planned reprogramming in response to those concerns. *The Labor/HHS provision explicitly forbids announcements regarding the planned funding change in the form of press releases, speeches, etc., prior to the completion of the notification period.*

#### Reprogramming Guidelines for Labor/HHS Subcommittees

|                                                                                      |   |
|--------------------------------------------------------------------------------------|---|
| <b>Requirements:</b>                                                                 |   |
| <i>Notification required if the reprogramming:</i>                                   |   |
| Creates a new program                                                                | X |
| Initiates a program not funded by Congress                                           |   |
| Eliminates a Program Project or Activity                                             | X |
| Increases funds or personnel, which have been denied or restricted                   | X |
| Relocates an office or employees                                                     | X |
| Reorganizes or renames an office                                                     | X |
| Reorganizes offices                                                                  |   |
| Reorganizes programs or activities                                                   | X |
| Contracts out functions presently performed by Federal employees                     | X |
| Changes HHS assessments as presented in the CJ, including Service Supply Funds (SSF) |   |
| Notification required if the reprogramming is > \$1M or 10%                          |   |
| Notification required if the reprogramming is > \$500 K or 10% and:                  |   |
| Augments an existing Program Project Activity (PPA) (including construction)         | X |
| Reduces funding or staffing by 10 %                                                  | X |
| Personnel reduction would change an existing PPA as approved by Congress             | X |
| <b>Other Requirements:</b>                                                           |   |
| Consultations must be 15 days in advance                                             | X |
| Notifications must be 10 days in advance                                             | X |
| Notifications must be 30 days in advance                                             |   |
| Notifications considered “approved” if no objection 30 days after receipt            |   |
| Notifications not considered approved unless written or electronic                   |   |

|                                                             |  |
|-------------------------------------------------------------|--|
| Approval is received from both Houses of Congress           |  |
| Only permissible if due to unforeseen events                |  |
| Only if postponement would result in actual loss or damage  |  |
| Land Exchanges > \$500K - \$1M require advance notification |  |
| Land Exchanges > \$1M require 30-day review by Committees   |  |

## Reprogramming Language in Appropriations Bills and Reports

### A. Labor /HHS – Reprogramming – Bill & Report Language

#### 1. Bill Language – Labor / HHS

P.L. 115 – 245 (H.R. 6157) – September 28, 2018

SEC. 514. (a) None of the funds provided under this Act, or provided under previous appropriations Acts to the agencies funded by this Act that remain available for obligation or expenditure in fiscal year 2019, or provided from any accounts in the Treasury of the United States derived by the collection of fees available to the agencies funded by this Act, shall be available for obligation or expenditure through a reprogramming of funds that—

- (1) creates new programs;
- (2) eliminates a program, project, or activity;
- (3) increases funds or personnel by any means for any project or activity for which funds have been denied or restricted;
- (4) relocates an office or employees;
- (5) reorganizes or renames offices;
- (6) reorganizes programs or activities; or
- (7) contracts out or privatizes any functions or activities presently performed by Federal employees;

unless the Committees on Appropriations of the House of Representatives and the Senate are consulted 15 days in advance of such reprogramming or of an announcement of intent relating to such reprogramming, whichever occurs earlier, and are notified in writing 10 days in advance of such reprogramming.

(b) None of the funds provided under this Act, or provided under previous appropriations Acts to the agencies funded by this Act that remain available for obligation or expenditure in fiscal year 2019, or provided from any accounts in the Treasury of the United States derived by the collection of fees available to the agencies funded by this Act, shall be available for obligation or expenditure through a reprogramming of funds in excess of \$500,000 or 10 percent, whichever is less, that—

- (1) augments existing programs, projects (including construction projects), or activities;

- (2) reduces by 10 percent funding for any existing program, project, or activity, or numbers of personnel by 10 percent as approved by Congress; or
- (3) results from any general savings from a reduction in personnel which would result in a change in existing programs, activities, or projects as approved by Congress;

unless the Committees on Appropriations of the House of Representatives and the Senate are consulted 15 days in advance of such reprogramming or of an announcement of intent relating to such reprogramming, whichever occurs earlier, and are notified in writing 10 days in advance of such reprogramming.

## 1. Report Language – Labor / HHS

### FY 2019 Conference Report (Accompanies P.L. 115-245)

Where the explanatory statement speaks to an issue that was addressed in the House or Senate reports, the explanatory statement should supersede the language in the House or Senate reports. In cases where the House Report and the Senate Report address an issue not specifically cited in the explanatory statement, the House Report and the Senate Report should be complied with and carry the same emphasis as the language included in the explanatory statement. Each department and agency funded in this Act shall follow the directions set forth in this Act and the accompanying statement and shall not reallocate resources or reorganize activities except as provided herein. Funds for individual programs and activities are displayed in the detailed table at the end of the explanatory statement for this division. Funding levels that are not displayed in the detailed table are identified within this explanatory statement. Any action to eliminate or consolidate programs, projects, and activities should be pursued through a proposal in the President's Budget so it can be considered by the Committees on Appropriations of the House of Representatives and the Senate.

## 5. Reporting

### a. Reconciliation of Budgetary Authority to the General Ledger

FRD accountants are responsible for performing a reconciliation comparing budgetary authority to amounts recorded in the USSGL. While operating under standard Treasury warrants, FRD performs the Apportionment and Reapportionment Schedule (SF 132) to the Adjusted Trial Balance (ATB) Reconciliation. While operating under CR, FRD reconciles the CR authority amounts to the ATB. Any noted variances are communicated to IC budget offices and the NIH OB for investigation and corrective action, as needed. Additionally, ICs will contact OFM if they see variances between SF 133 and their IC transactions.

An FRD Accountant performs a monthly reconciliation to compare the USSGL to the most current SF 132 or if operating under a CR, the OMB guidance regarding automatic apportionment. The FRD Accountant verifies that the amounts recorded to the USSGL match the apportionment amounts provided by OMB. The FRD Accountant notes any variances or

discrepancies within the reconciliation and, as necessary, communicates the differences to OB personnel for follow up and research.

#### b. Quarterly Undelivered Orders (UDO) Review

UDOs are the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made, but for which delivery or performance has not yet occurred. OFM runs the nVision Open Obligation Report (excluding contracts and grants) for each IC, shortly after the close of each quarter. This report identifies outstanding UDOs by IC and fiscal year. OFM sends the reports to the IC BO or designee of each IC, along with instructions for the review process and a certification form that must be signed by the BO and returned to OFM.

The IC's BO or designee distributes the report to the budget office staff to research the documents and determine the validity of the obligations that are listed within the report. If an obligation is invalid (e.g. the final invoice has been received and paid), the IC may de-obligate the funds at the IC level or note in the comment section of the Open Obligations report that the obligation may be de-obligated in the system by OFM and/or NBS. Once the ICs finish their review of the Open Obligation report, they certify that the obligations that remain open are valid.

UDO USSGL balances are reconciled to the sub-ledger. Variances are researched and explained prior to approval by the OFM Reconciliation and Analysis Branch (RAB) Chief (or designated approver).

#### a. Closing

For annual appropriation accounts, the budget execution process is completed at the end of the fiscal year. The NIH Combined Business Owner Group, consisting of OB, OFM, the Office of Acquisition and Logistics Management (OALM), the Office of Extramural Research (OER), and the Office of Research Services (ORS) issue current fiscal year closeout procedures, including milestones to be used during year end. At this time, budgetary closing entries are made and a Final Status Report (FSR) is submitted to OMB.

For annual and multi-year appropriation accounts, the budget execution process is completed at the end of the 5-year period, following the fiscal year in which the funds expire. For no-year appropriation accounts, the budget execution process continues into succeeding years until the purpose for which the funds were appropriated has been accomplished.

There are three phases that make up the life cycle of budget authority, as follows:

- *Unexpired phase.* During this time period the apportioned budget authority is available for incurring "new" obligations. An agency may make "new" grants or sign "new" contracts during this phase and may make disbursements to liquidate the obligations. This period of availability lasts for a set number of years. Annual budget authority lasts for up to one fiscal year. Multi-year authority lasts for longer periods, currently from over one fiscal year up to 15 fiscal years, and no-year authority, which does not expire

but remains available until the funds are expended.

- *Expired phase.* During this time period, the budget authority is no longer available for new obligations but is still available for disbursement. This phase lasts five years after the last unexpired year, unless the expiration period has been changed by legislation. Generally, an agency may not incur new obligations against expired budget authority but may liquidate existing obligations by making disbursements. In addition, there can be recoveries of funds and upward or downward adjustments to obligations as warranted during the expired phase.
- *Canceled phase.* After the last expired year, the account is closed, and the balances are canceled. The authority to disburse is canceled and is no longer available for any purpose. Any offsetting collections credited to the account at the time the account is canceled or subsequently must be transferred to miscellaneous receipts in the Treasury. Any old bills with valid obligations that are submitted after the account is closed must be obligated against and disbursed from budget authority that is available for the same general purpose but still in the unexpired phase.

OMB Circular A-11, Part 4 requires that all these unobligated balances and unliquidated obligations remaining on the final September 30 report be canceled before an account will be closed.

## **G. Financial Statement Impact**

Listed below are significant line items related to the Budget Cycle. The related journal entries and accounts are described throughout the memo.

- Unobligated Balances – Apportioned
- Unobligated Balances – Not Available
- Obligated Balance – Undelivered Orders
- Obligated Balance – Accounts Payable
- Outlays – Disbursements
- Outlays – Collections
- Offsetting Receipts

In addition to these financial statement line items, the significant aspects of Budgetary Cycle, including the above bullets, are disclosed in the ‘Notes to the Financial Statements.’ The following represents the budget-related footnote disclosures.

### Note 1 – Summary of Significant Accounting Policies

- *Basis of Presentation and Accounting Standard* – Financial statements are prepared in accordance with the Chief Financial Officers Act of 1990 as enhanced by the Government Management Reform Act of 1994. Consolidated financial statements are presented in conformity with Generally Accepted Accounting Principles and OMB Bulletin No. 97-01 and, as appropriate, OMB Bulletin No. 01-09.

- *Budgets and Budgetary Accounting* – Financing sources are provided through Congressional appropriations on an annual, multi-year and no-year basis, or through reimbursable agreements. Annual appropriations are available for incurring obligations during a specified year, and multi-year appropriations are generally available for multiple years. “No-year” or “X-year” appropriations are available for obligations until the purpose for which they are provided is carried out, and therefore are for an indefinite period. For financial statement purposes, appropriations are recognized as financing sources as expenses are incurred.

Reimbursable service agreements generally recognize revenues when goods are delivered or services rendered between the service provider and other Federal agencies, HHS Operating Divisions (OPDIVs), and the public. In addition, other financing sources are provided in the form of gifts from the public, interest on investments, and miscellaneous sales. All these financing sources may be used to finance operating expenses and for capital expenditures, as specified by law.

- Canceled Appropriations – Payments may be required up to 1 percent of current year appropriations for valid obligations incurred against cancelled appropriations.

## H. General Ledger Accounts

### Continuing Resolution

| Scenario Name                                         | Event Class     | Event Type                    | Budgetary DR | Budgetary CR | Proprietary DR | Proprietary CR |
|-------------------------------------------------------|-----------------|-------------------------------|--------------|--------------|----------------|----------------|
| Continuing Resolution - Standard Direct Appropriation | Budget Resource | D-Enactment Appropriation     | 41190001     | 44500001     |                |                |
|                                                       | Budget Resource | D-FBWT Under CR               |              |              | 10900001       | 30900001       |
|                                                       | Apportionment   | A/CP- Apportionment           | 44500005     | 45100001     |                |                |
|                                                       | Apportionment   | A/SP- Apportionment           | 44500005     | 45100002     |                |                |
|                                                       | Apportionment   | A/SP to A/CP Apportionment    | 45100002     | 45100001     |                |                |
|                                                       | Allotment       | A-Allotment                   | 45100005     | 46100001     |                |                |
|                                                       | Allowance       | A-Allowance                   | 46100005     | 46100002     |                |                |
|                                                       | Sub Allowance   | A-Sub Allowance               | 46100006     | 46100003     |                |                |
|                                                       | Budget Resource | D-Recalls CR FBWT Warrant Rec |              |              | 10100001       | 10900001       |

## General Appropriations

| Scenario Name                                            | Event Class     | Event Type                 | Budgetary DR | Budgetary CR | Proprietary DR | Proprietary CR |
|----------------------------------------------------------|-----------------|----------------------------|--------------|--------------|----------------|----------------|
| Appropriation Enactment - Standard Direct Appropriations | Budget Resource | D-Enactment Appropriation  | 41190001     | 44500001     |                |                |
|                                                          | Budget Resource | D-Warrant                  |              |              | 10100001       | 31010001       |
|                                                          | Apportionment   | A/CP- Apportionment        | 44500005     | 45100001     |                |                |
|                                                          | Apportionment   | A/SP- Apportionment        | 44500005     | 45100002     |                |                |
|                                                          | Apportionment   | A/SP to A/CP Apportionment | 45100002     | 45100001     |                |                |
|                                                          | Allotment       | A-Allotment                | 45100005     | 46100001     |                |                |
|                                                          | Allowance       | A-Allowance                | 46100005     | 46100002     |                |                |
|                                                          | Sub Allowance   | A-Sub Allowance            | 46100006     | 46100003     |                |                |

## Commitment

| Scenario Name                    | Event Class    | Event Type     | Budgetary DR | Budgetary CR |
|----------------------------------|----------------|----------------|--------------|--------------|
| Direct Appropriations Commitment | General Ledger | Commitments    | 46100007     | 47000001     |
|                                  |                | Obligations    | 47000001     | 48010001     |
|                                  |                | De-commitments | 47000001     | 46100007     |

## **I. Roles and Responsibilities**

### **1. Deputy Director for Management (DDM) and NIH Chief Financial Officer (CFO) shall:**

- Ensure agency compliance with budget execution policies and standards, including the ADA (responsibility aligns with HHS guidance in Table 1: Supplemental Funds Control Roles and Responsibilities of the HHS ACoF Policy).
- Ensure financial management system design/control are consistent with budget execution standards and requirements.
- Ensure financial controls are in place and comply with budget execution laws, policies, and practices (responsibility aligns with HHS guidance in Table 1: Supplemental Funds Control Roles and Responsibilities of the HHS Administrative Control of Funds Policy).

- d. Manage financial resources to ensure funds are properly used to carry out programs (responsibility aligns with HHS guidance in Table 1: Supplemental Funds Control Roles and Responsibilities of the HHS ACoF).
- e. Report ADA violations through the appropriate supervisory chain (responsibility aligns with HHS guidance in Table 1: Supplemental Funds Control Roles and Responsibilities of the HHS ACoF).
- f. Participate in the investigation of ADA violations (responsibility aligns with HHS guidance in Table 1: Supplemental Funds Control Roles and Responsibilities of the HHS ACoF).

**2. Director, OB, within the Office of Management, shall:**

- a. Devise alternative budget policy scenarios for consideration by NIH Leadership and develop associated NIH-wide budget projections in response to continuously evolving budget formulation and execution requirements.
- b. Maintain active and efficient communications with key external stakeholders such as HHS, OMB, and Congress.
- c. Monitor and coordinate NIH budget activities of the 27 ICs.
- d. Receive SF 132, Apportionment and Reapportionment Schedule, from HHS, as well as incremental appropriations (i.e., continuing resolutions, 30-Day funds, or immediate funding) throughout the year as necessary, and provide to IC/OD budget offices.
- e. Review the IC/OD quarterly budget reallocation submissions for policy adherence.
- f. Communicate special fund setup guidance and requirements to OFM and NBS.
- g. Perform quarterly reviews of expired account balances based on accounting reports and subsequent IC validation to recommend amounts for transfer to HHS for new obligation under conditions defined by statute.
- h. Post special funds into NBS and FedAdmin for apportionments, allotments, and appropriations to NIH in order to make the funds available and visible to the ICs and OD.
- i. Serve as the NIH principal point of contact for the interpretation, preparation, dissemination and implementation of HHS, OMB, and Congressional budget policies and procedures.
- j. Resolve relevant IC/OD budget issues.
- k. In conjunction with the Combined Business Owner Group, issue current Fiscal Year closeout procedures, including milestones to be used during year end.
- l. Review and analyze financial plans.
- m. Review and submit apportionment and reprogramming requests.

**3. Director, Office of Financial Management (OFM), and Deputy CFO, within the Office of Management, shall:**

- a. Record budgetary entries of operating budgets for SSF and MF.
- b. Review Status of Funds reports for specific Central Services funds as well as Service and Supply, Gift, CRADA, Royalties, and Management Funds. Follow-

- up with fund owners about errors and discrepancies as needed.
- c. Review and approve Common Accounting Number (CAN) change requests and input the change within NBS.
- d. Review provided data elements to ensure that all required information is provided to facilitate creation of special fund accounts within NBS.
- e. Review the special fund setup guidance provided by OB and determine if additional information is necessary.
- f. Request additional information from OB or perform internal research to evaluate and address the HHS, OMB, and Congressional guidance.
- g. In conjunction with the Combined Business Owner Group, issue current Fiscal Year closeout procedures, including milestones to be used during year end.
- h. Review the completion and submission of Quarterly Status of Funds Management Review certification forms from each IC/OD budget office provided by OB.
- i. Work with the DDM to provide the annual certification of compliance with the HHS ACoF Policy and associated internal controls.

**4. Director, NIH Business System (NBS) Office, within the Office of Management, shall:**

- a. Review the guidance provided by OB and determine if additional information is necessary.
- b. Request additional information from OB or perform internal research to evaluate and address the guidance. Perform analysis of NBS system for invalid entries or errors and communicate to applicable parties.
- c. In conjunction with the Combined Business Owner Group, issue current Fiscal Year closeout procedures, including milestones to be used during year end.
- d. Develop and maintain an FAQ document of commonly encountered issues.

**5. IC Budget Officers, shall:**

- a. Develop and submit spending plans to OB for official apportionment requests.
- b. Analyze budget expenditures, monitor status of funds, and submit reallocation requests.
- c. Submit reallocation to OB via NIH Budget Database (NBUD) for review of policy adherence and compliance, and for submission to HHS for notification to Congress.
- d. Upload beginning balances to NBS using the NBA tool.
- e. Review SF 133, Report on Budget Execution and Budgetary Resources, within the OB internal SharePoint site (the “portal”) and reconcile to the IC totals. Certify SF 133 once final totals have been reconciled.
- f. Review the guidance provided by OB and determine if additional information is necessary.
- g. Request additional information from OB or perform internal research to evaluate and address the guidance.
- h. Log tickets in NBS when issues are encountered.

- i. Resolve IC/OD budget accounting issues and IC/OD system budget issues.
- j. Certify, as noted on the HHS form, “that all transactions entered into the accounting system for [Fiscal Year] are not exceeding available [Fiscal Year] appropriations. All known transactions meet the criteria of 31 U.S.C. 1501 (a) and have supporting documentation.”
- k. Certify status of funds reviews quarterly.

**6. Combined Business Owner Group, shall:**

- a. Provide forum to discuss current Fiscal Year closeout procedures.
- b. Provide recommendations to DDM and NBS Change Control Board about potential enhancements to the NBS.
- c. Coordinate communications to provide timely, targeted, and tracked messaging to the budget community on policy, system deadline requirements, business processes, and community impacts.

**7. NIH Employees, shall:**

- a. Comply with laws, regulations, policies, and procedures.
- b. Report suspected ADA violations through the appropriate supervisory chain to the OpDiv CFO.

**8. No officer or employee may:**

- a. Make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.
- b. Involve the Government in any contract or other obligation, for the payment of money before an appropriation is made, unless authorized by law.
- c. Make or authorize an expenditure or obligation of funds required to be sequestered.
- d. Involve the Government in a contract or obligation for the payment of money required to be sequestered.

An employee who violates these prohibitions is subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.

## **J. Definitions**

### **Account**

A separate financial reporting unit for budget, management, and/or accounting purposes. All budgetary transactions are recorded in accounts, but not all accounts are budgetary in nature. Some accounts do not directly affect the budget but are used purely for accounting purposes. Budget accounts are used to record all transfers within the budget, whereas other accounts (such as deposit fund, credit financing, and foreign currency accounts) are used for

accounting purposes connected with funds that are nonbudgetary in nature. The OMB, in consultation with the Department of the Treasury (Treasury), assigns account identification codes reflecting appropriations as enacted in appropriations laws. Treasury establishes and maintains a system of accounts that provides the basic structure for the U.S. Standard General Ledger Chart of Accounts. (See also Accounts in the President's Budget; Accounts for Purposes Other Than Budget Presentation; Credit Reform Act Accounts under Federal Credit; Standard General Ledger Chart of Accounts.)

### **Allotment**

An authorization by either the agency head or another authorized employee to his/her subordinates to incur obligations within a specified amount. Each agency makes allotments pursuant to specific procedures it establishes within the general apportionment requirements stated in OMB Circular No. A-11. The amount allotted by an agency cannot exceed the amount apportioned by the OMB. An allotment is part of an agency system of administrative control of funds whose purpose is to keep obligations and expenditures from exceeding apportionments and allotments.

### **Allowance**

For agency budgetary accounting and funds control purposes, an allowance is a subdivision of an allotment. The term also refers to amounts included in the PB request or included in a projection in a congressional resolution on the budget to cover possible additional proposals, such as contingencies for programs whose expenditures are controllable only by statutory change and other requirements. As used by Congress in the concurrent resolutions on the budget, an allowance represents a special functional classification designed to include an amount to cover possible requirements. An allowance remains undistributed until the contingency on which it is based occurs; then it is distributed to the appropriate functional classification.

### **Anti-Deficiency Act**

Federal law that:

- prohibits the making of expenditures or the incurring of obligations in advance of an appropriation;
- prohibits the incurring of obligations or the making of expenditures in excess of amounts available in appropriation or fund accounts unless specifically authorized by law (31 U.S.C. § 1341(a));
- prohibits the acceptance of voluntary or personal services unless authorized by law (31 U.S.C. § 1342);
- requires the OMB, via delegation from the President, to apportion appropriated funds and other budgetary resources for all executive branch agencies (31 U.S.C. § 1512);
- requires a system of administrative controls within each agency 31 U.S.C. § 1514;
- prohibits incurring any obligation or making any expenditure in excess of an apportionment or reappportionment or in excess of other subdivisions established

pursuant to sections 1513 and 1514 of title 31 of the United States Code (31 U.S.C. § 1517); and

- specifies penalties for deficiencies

## **Apportionment**

The action by which the OMB distributes amounts available for obligation, including budgetary reserves established pursuant to law, in an appropriation or fund account. An apportionment divides amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations. In apportioning any account, some funds may be reserved to provide for contingencies or to effect savings made possible pursuant to the Anti-Deficiency Act.

## **Appropriation Act**

A statute, under the jurisdiction of the House and Senate Committees on Appropriations, that generally provides legal authority for federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act fulfills the requirement of Article I, Section 9, of the U.S. Constitution, which provides that “no money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law.” Under the rules of both houses, an appropriation act should follow enactment of authorizing legislation. Major types of appropriation acts are regular, supplemental, deficiency, and continuing. Regular appropriation acts are all appropriation acts that are not supplemental, deficiency, or continuing. Currently, regular annual appropriation acts that provide funding for the continued operation of federal departments, agencies, and various government activities are considered by Congress annually. From time to time, supplemental appropriation acts are also enacted. When action on regular appropriation bills are not completed before the beginning of the fiscal year, a continuing resolution (often referred to simply as “CR”) may be enacted in a bill or joint resolution to provide funding for the affected agencies for the full year, up to a specified date, or until their regular appropriations are enacted. A deficiency appropriation act provides budget authority to cover obligations incurred exceeding available budget authority.

## **Budget**

A detailed statement of anticipated revenues and expenditures during an accounting period. For the federal government, the term “budget” often refers to the PB submission to Congress early each calendar year in accordance with the Budget and Accounting Act of 1921, as amended, and represents proposals for congressional consideration. The PB includes requests for budget authority for federal programs and estimates of revenues and outlays for the upcoming fiscal year and, with respect to budget authority requests in some cases, for future fiscal years. By law, certain elements of the budget, such as the estimates for the legislative branch and the judiciary, must be included in the budget without review by the OMB or approval by the President. In the context of individual federal agencies and their programs,

the term “budget” also may be used to refer to their budget submissions or, in response to Congress passing laws providing budget authority, the agencies’ plans for spending the funds they were provided.

### **Budget Authority**

Authority provided by federal law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. The basic forms of budget authority include: (1) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting collections. Budget authority includes the credit subsidy cost for direct loan and loan guarantee programs but does not include the underlying authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

### **Commitment**

An administrative reservation of allotted funds, or of other funds, in anticipation of their obligation.

### **Deobligation**

An agency’s cancellation or downward adjustment of previously incurred obligations. Deobligated funds may be reobligated within the period of availability of the appropriation. For example, annual appropriated funds may be reobligated in the fiscal year in which the funds were appropriated, while multiyear or no-year appropriated funds may be reobligated in the same or subsequent fiscal years.

### **Disbursements**

Amounts paid by federal agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations. “Disbursement” is used interchangeably with the term “outlay.” In budgetary usage, gross disbursements represent the amount of checks issued, and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided.

### **Discretionary**

A term that usually modifies either “spending,” “appropriation,” or “amount.” “Discretionary spending” refers to outlays from budget authority that is provided in and controlled by appropriation acts. “Discretionary appropriation” refers to those budgetary resources that are provided in appropriation acts, other than those that fund mandatory programs. “Discretionary amount” refers to the level of budget authority, outlays, or other budgetary resources (other than those which fund mandatory programs) that are provided in, and controlled by, appropriation acts.

### **Economy Act**

A common reference to section 1535 of title 31 of the United States Code that provides general authority for one agency or unit thereof to obtain goods and services from another agency or unit. Payment may be made in advance or upon the provision of the goods and services ordered.

### **Fiscal Year**

Any yearly accounting period, regardless of its relationship to a calendar year. The fiscal year for the federal government begins on October 1 of each year and ends on September 30 of the following year; it is designated by the calendar year in which it ends. For example, fiscal year 1990 began October 1, 1989, and ended September 30, 1990. (Prior to fiscal year 1977, the federal fiscal year began on July 1 and ended on June 30.)

### **Mandatory**

A term that usually modifies either “spending” or “amount.” “Mandatory spending,” also known as “direct spending,” refers to budget authority that is provided in laws other than appropriation acts and the outlays that result from such budget authority. Mandatory spending includes entitlement authority, payment of interest on the public debt, and certain non-entitlements such as payments to states from Forest Service receipts. By defining eligibility and setting the benefit or payment rules, Congress controls spending for these programs indirectly rather than directly through appropriations acts. “Mandatory amount” refers to the level of budget authority, outlays, or other budgetary resources that are controlled by laws other than appropriations acts. Budget authority provided in annual appropriations acts for certain programs is treated as mandatory either because the authorizing legislation entitles beneficiaries to receive payment or otherwise obligates the government to make payment or because of longstanding budgetary classification.

### **Monthly Treasury Statement**

A summary statement prepared from agency accounting reports and issued by the Department of the Treasury (Treasury). The MTS presents the receipts, outlays, resulting budget surplus or deficit, and federal debt for the month and the fiscal year to date and a comparison of those figures to those of the same period in the previous year. Treasury also issues the Daily Treasury Statement (DTS), which is published every working day of the federal government. It provides data on Treasury’s cash and debt operations.

### **Object Classification**

A uniform classification identifying the obligations of the federal government by the types of goods or services purchased (such as personnel compensation, supplies and materials, and equipment) without regard to the agency involved or the purpose of the programs for which they are used. If the obligations are in a single object classification category, the classification is identified in the Program and Financing Schedule in the PB. For the activities distributed among two or more object classification categories, the budget has a separate object classification schedule to show the distribution of the obligations by object

classification. See also Explanation of Estimates in the “Detailed Budget Estimates” section of the PB. General instructions are provided in OMB Circular No. A-11, revised.

## **Obligation**

A definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another.

## **Outlay**

The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments to liquidate obligations. Also, under credit reform, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed. An outlay is not recorded for repayment of debt principal, disbursements to the public by federal credit programs for direct loan obligations and loan guarantee commitments made in fiscal year 1992 or later, disbursements from deposit funds, and refunds of receipts that result from overpayments. Outlays during a fiscal year may be for payment of obligations incurred in prior years (prior-year obligations) or in the same year. Outlays, therefore, flow in part from unexpended balances of prior-year budgetary resources and in part from budgetary resources provided for the year in which the money is spent. Outlays are stated both gross and net of offsetting collections.

## **Reapportionment**

A revision of a previous apportionment of budgetary resources for an appropriation or fund account. The OMB reapportions just as it apportions. Agencies usually submit requests for reapportionment to OMB as soon as a change becomes necessary due to changes in amounts available, program requirements, or cost factors. For exceptions, see OMB Circular No. A-11, sec. 120. This approved revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

## **Reimbursement**

A sum (1) that is received by an agency as a payment for commodities sold or services furnished either to the public or to another government account and (2) that is authorized by law to be credited directly to specific appropriation and fund accounts. Reimbursements between two accounts for goods or services are usually expenditure transactions/transfers. Anticipated reimbursements are, in the case of transactions with the public, estimated collections of expected advances to be received or expected reimbursements to be earned. In transactions between government accounts, anticipated reimbursements consist of orders

expected to be received for which no orders have been accepted. Agencies cannot obligate against anticipated reimbursements without specific statutory authority.

## **Sequestration**

Sequestration is the cancellation of budgetary resources for budget enforcement purposes. Sequestration is required under certain circumstances as set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended, and the Statutory Pay-As-You-Go Act of 2010 (PAYGO Act).

## **Standard General Ledger (SGL) Chart of Accounts**

A chart of accounts (and technical guidance) established to support the consistent recording of financial events as well as the preparation of standard external reports required by the OMB and the Department of the Treasury. Agencies are required by law (31 U.S.C. § 3512) to “implement and maintain financial management systems that comply substantially with,” among other things, the Standard General Ledger. It contains two complete and separate, but integrated, self-balancing sets of accounts—budgetary and proprietary. Budgetary accounts are used to recognize and track budget approval and execution, whereas proprietary accounts are used to recognize and track assets, liabilities, revenues, and expenses. The Standard General Ledger is reproduced in the Treasury Financial Manual.

## **Transfer**

Shifting of all or part of the budget authority in one appropriation or fund account to another. Agencies may transfer budget authority only as specifically authorized by law. For accounting purposes, the nature of the transfer determines whether the transaction is treated as an expenditure or a non-expenditure transfer.

### **Expenditure Transfer**

For accounting and reporting purposes, a transaction between appropriation and fund accounts, which represents payments, repayments, or receipts for goods or services furnished or to be furnished. Where the purpose is to purchase goods or services or otherwise benefit the transferring account, an expenditure transfer/transaction is recorded as an obligation/outlay in the transferring account and an offsetting collection in the receiving account. If the receiving account is a general fund appropriation account or a revolving fund account, the offsetting collection is credited to the appropriation or fund account. If the receiving account is a special fund or trust account, the offsetting collection is usually credited to a receipt account of the fund. All transfers between federal funds (general, special, and non-trust revolving funds) and trust funds are also treated as expenditure transfers.

### **Non-expenditure Transfer**

For accounting and reporting purposes, a transaction between appropriation and fund accounts that does not represent payments for goods and services received or to be

received but rather serves only to adjust the amounts available in the accounts for making payments. However, transactions between budget accounts and deposit funds will always be treated as expenditure transactions since the deposit funds are outside the budget. Non-expenditure transfers also include allocations. These transfers may not be recorded as obligations or outlays of the transferring accounts or as reimbursements or receipts of the receiving accounts. For example, the transfer of budget authority from one account to another to absorb the cost of a federal pay raise is a non-expenditure transfer.

## **Warrant**

An official document that the Secretary of the Treasury issues upon enactment of an appropriation that establishes the amount of monies authorized to be withdrawn from the central accounts that the Department of the Treasury maintains. Warrants for currently unavailable special and trust fund receipts are issued when requirements for their availability have been met.

## **K. Records Retention and Disposal**

All records pertaining to this chapter must be retained and disposed of under the authority of [NIH Manual 1743](#), "Keeping and Destroying Records," Appendix 1, "NIH Records Control Schedules" (as amended). These records must be maintained in accordance with current NIH Records Management and Federal guidelines. Contact your NIH Records Officer for additional information.

## **L. List of Acronyms**

|       |                                                               |
|-------|---------------------------------------------------------------|
| ADA   | Anti-Deficiency Act                                           |
| ASFR  | The Office of the Assistant Secretary for Financial Resources |
| BCR   | Budget Check Report                                           |
| BERB  | Budget Execution & Reporting Branch                           |
| BFMB  | Budget Formulation & Modeling Branch                          |
| BFS   | Treasury's Bureau of Fiscal Service                           |
| BO    | Budget Officer                                                |
| CAN   | Common Accounting Number                                      |
| CJ    | Congressional Justification                                   |
| CR    | Continuing Resolution                                         |
| CSBOD | Central Services and Budget Operations Division               |

|           |                                                     |
|-----------|-----------------------------------------------------|
| DHHS, HHS | Department of Health and Human Services             |
| ERP       | Enterprise Resource Planning                        |
| FedAdmin  | Federal Administrator                               |
| FMS       | Department of Treasury Financial Management Service |
| FRD       | Financial Reporting Division                        |
| FR        | Financial Reporting                                 |
| FRB       | Financial Reporting Branch                          |
| FSR       | Final Status Report                                 |
| FTE       | Full Time Equivalent                                |
| GAAP      | Generally Accepted Accounting Practices             |
| GAO       | Government Accountability Office                    |
| GLB       | General Ledger Branch                               |
| IC        | Institutes and Centers                              |
| I/E       | Internal/External                                   |
| IR        | Intramural Research                                 |
| NBA       | NIH Budget Application Tool                         |
| NBUD      | NIH Budget Database                                 |
| NBS       | NIH Business System                                 |
| NEF       | Nonrecurring Expenses Fund                          |
| NIH       | National Institutes of Health                       |
| PB        | President's Budget                                  |
| OB        | Office of Budget                                    |
| OD        | Office of the Director                              |
| OFM       | Office of Financial Management                      |
| OLPA      | Office of Legislative Policy and Analysis           |

|       |                                          |
|-------|------------------------------------------|
| OMB   | Office of Management and Budget          |
| OFPR  | Office of Financial Policy and Reporting |
| OPDIV | HHS Operating Division                   |

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