




**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
Washington, D.C. 20230

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MEMORANDUM FOR: Program Managers and Resource Coordinators  
FROM: Linda Cheatham, Chief Financial Officer   
SUBJECT: Guidance for Administrative Control of Funds in FY2005

As part of an on going review of ITA financial management processes, the Office of Financial Management is better defining and implementing administrative control of funds. "Administrative Control of Funds" is the system that enables ITA to control the use of funds in the execution of its mission at the appropriated, apportioned, allocated and allotted levels of spending authority. Stronger financial controls, or checks and balances, in this system will ensure that managers, program units, and ITA as a whole are in compliance with federal regulations. It will also improve resource management and facilitate ITA reporting capabilities.

Appropriated funds are made available to ITA through an apportionment that is approved by OMB through the Department of Commerce. OMB requires that the apportionment be based on financial plans, by program, by quarter. Funds are then made available to the program offices through an allocation and allotment process which is managed by the Office of Executive Direction and Administration. Using the allotment process allows us to better apply funds control and ensure accuracy in reporting.

As discussed in the July 14 SPLT meeting and with the resource coordinators, in FY2005, funds will be allocated to the program offices at the Deputy Assistant Secretary level (including one allocation at the Assistant Secretary level). Resource Coordinators have already submitted Preliminary Plans by DAS that were the basis for the apportionment and the allocations.

Funds control for the program offices is currently set at the DAS level. Incurring obligations or expenses in excess of the amount made available in the apportionment or allocation are prohibited by the Antideficiency Act. Funds in excess of the quarterly allocated amount are not available for obligation or expenditure unless a re-allocation request is submitted by the Resource Coordinator to the Chief Financial Officer through OFM. If the request exceeds the quarterly apportioned amount, a new apportionment must be prepared by the Director of Budget for approval by the Department of Commerce and OMB. If funds are spent in excess of the apportionment or allocation and a reallocation is not approved, the responsible official may be subject to administrative action.

OFM is developing standard templates and processes for review of fund allocations, allocation change requests and allotment procedures. The Funds Control Policy is attached for your reference. Further guidance and information will be forthcoming.



## FUNDS CONTROL POLICY

### ITA Financial Policy Order Number: ITA-0001

**1.1 What is the purpose of this policy?** This policy establishes guidance on an ITA-wide administrative control of funds system and supplements the Department's Accounting Principles and Standards Handbook, Chapter 7, Administrative Control of Funds. This system ensures that we execute ITA programs and expend funds in accordance with the intent of Congress; establishes an administrative control of funds that restricts obligations and expenditures against each appropriation or fund to the amount available; and places responsibility for any obligation and/or expenditure on the responsible individual.

**1.2 To whom does this chapter apply?** All organizations and funds within ITA are subject to the provisions of this policy unless specifically exempted.

**1.3 What does this chapter cover?** This policy:

- A. Contains general information, terminology and requirements for the ITA's funds control process.
- B. Defines responsibilities of those involved in the execution of program areas' spending decisions that require that funds be used efficiently and effectively as intended by Congress.
- C. Outlines the responsibilities of those charged with administrative control of funds.
- D. Includes guidance on the requirements of ITA financial management systems and reporting mechanisms necessary for compliance with the Department of Commerce, the cross-servicing entities (Department of State and the National Business Center), the Office of Management and Budget, and the Department of Treasury.

**1.4 What is an administrative control of funds system?** An administrative control of funds system enables ITA to control the use of funds appropriated, apportioned, allotted, and allocated in the execution of its mission. The goal is that funds are used only for the purposes authorized and that obligations and expenditures do not exceed the amounts authorized.

**1.5 What is the difference between administrative control of funds and internal controls?** The administrative control of funds is a fundamental component in an effective system of internal controls. Administrative control of funds is a system that accomplishes the following:

- A. Obligations and costs comply with applicable laws.
- B. Budgetary resources are safeguarded against waste, loss, unauthorized use and misappropriation.
- C. We properly record and account for revenues and expenditures so that reliable financial and statistical reports may be prepared and accountability may be maintained.

D. We carry out programs efficiently and effectively in accordance with applicable laws and agency-defined policy.

E. Individual responsibilities are identified for administrative control of funds.

## 1.6 What are the authorities for administrative control of funds?

**A. The Anti-deficiency Act, as amended (31 U.S.C. [1341 -42](#) , [1349-51](#) , [1511-1519](#) )** accomplishes two functions. First, it requires that an agency's funds are apportioned to prevent spending the entire appropriation in the first few months. Second, it prohibits any Federal employee from entering into contracts that exceed the enacted appropriation for a given year or purchase services and/or merchandise before appropriations are enacted.

**B. The Budget and Accounting Act of 1921, as amended (31 U.S.C. [1101](#) , [1104-1108](#) , [3324](#))** grants the President authority to prepare budgets for the Government requiring a uniform budgetary practice for all Executive agencies. The Act offers guidance on the required content of budget submissions to Congress. Section 3324 governs the advance of public money.

**C. The Supplemental Appropriations Act of 1950 (31 U.S.C. [1501 -1502](#) )** requires documentary evidence for Government obligations, but most importantly defines an obligation and the availability of funds to make outlays for such obligations.

**D. The Budget and Accounting Procedures Act of 1950 (31 U.S.C. [1112](#) ,[1531](#) , [3511-3512](#) , [3524](#) )** requires all agencies to report and maintain standard accounting systems on fiscal, budget, and program information. Section 1531 outlines procedures for transfers between agencies.

**E. Public Law 93-344, The Congressional Budget and Impoundment Control Act of 1974, ( [2 U.S.C. 681-688](#))** establishes Senate and House committees on budget as well as the Congressional Budget Office (CBO), but is highlighted by creating the budgetary timetable for any fiscal year. Additional elements change the end of a fiscal year to September 30 and state that it will not be in order for either House of Congress to consider any bill which provides new advance spending authority unless provided for in appropriation Acts.

**F. Public Law 97-255, The Federal Managers' Integrity Act of 1982 ([31 U.S.C. 3512](#) )** amends the Accounting and Auditing Act of 1950 to require Federal agencies to establish internal accounting and administrative controls to prevent waste or misuse of agency funds or property and assure the accountability of assets.

**G. Public Law 104-208, The Federal Financial Management Improvement Act of 1996 ( [31 U.S.C. 3512](#) ).** Section 803 requires agencies to comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

**H. [Office of Management & Budget Circular A-11](#)** offers instruction in budget execution. Guidance is offered on how to request apportionments (SF-132); how to report progress in carrying out spending plans (SF-133), and how to meet other budget execution requirements.

**I. –Accounting Principles and Standards-Chapter 7, Administrative Control of Funds** offer guidance spending and control of budgetary resources, as well as investigation and reporting requirements for the Anti-deficiency Act. These chapters require each bureau to develop its own directives establishing basic funds control principles and policies to:

- (1) Fix responsibility for the creation of any obligation or the making of any expenditure in excess of an appropriation, statutory limitation, apportionment, reappropriation, allotment or sub-allotment and any other administration subdivision pursuant to provisions of the Anti-deficiency Act.
- (2) Ensure that programs are executed and funds expended in accordance with the intent of the Congress in enacting authorizations.
- (3) Restrict obligations and expenditures against each appropriation or fund to the amount available.
- (4) Require appropriations to be apportioned.
- (5) Restrict obligations and expenditures to the amount of approved apportionments or reappropriations made for each appropriation, and any allotment or sub-allotment.

#### **1.7 Who is responsible for administrative control of funds?**

**A. The Under Secretary for International Trade** establishes and oversees the implementation of ITA administrative control of funds policy and is charged with the overall responsibility for proper fund controls and reporting of violations of such controls.

**B. The Chief Financial Officer** is responsible for proper fund controls and reporting of violations when obligations exceed funds allocated at the Deputy Assistant Secretary level.

**C. The Deputy Chief Financial Officer through ITA Budget Director** ensures that Deputy Assistant Secretary (DAS) allocations do not exceed the appropriation, apportionments, or other legislatively-set limitations.

**D. The Director of Accounting** is responsible for:

- (1) Working with the Budget Director to ensure that DAS allocations, and Centralized-costs allocations are recorded at the approved levels within ITA accounting system, Federal Financial System (FFS).
- (2) Working with program area Resource Coordinators ensuring allotments and sub-allotments issued to offices located worldwide are entered at the approved amounts in the accounting system, the Federal Financial System (FFS).
- (3) Establishing appropriate fund accounts to track obligations and expenditures.
- (4) Preparing automated fund control reports to report obligations and expenditures in excess of allocations, allotments, sub-allotments, or other limitations.

**E. The Budget Director** is responsible for:

- (1) Preparing requests for apportionments and reapportionments.
- (2) Preparing DAS allocation advices in the amounts designated by appropriation, rescissions, reprogramming, deferrals, and apportionments.
- (4) Ensures that amounts allocated at the DAS level do not exceed apportionments.

### 1.8 What is the difference between an appropriation, apportionment, and allocation?

- A. Appropriation:** An act of Congress that provides legal authority and period of availability for Federal agencies to incur obligations and to make payments out of Treasury for specific purposes.
- B. Apportionment:** The action by which 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 apportionment limits the amount of obligations that may be incurred.
- C. Allocation:** An authorization (or further legal subdivision) by ITA agency head or another authorized employee to his/her subordinates to incur obligations within a specified amount. Each agency makes allocations pursuant to specific procedures it establishes within the general requirements stated in [OMB Circular A-11](#). The incurring of obligations in excess of the amount specified in an allocation is a violation of the Anti-deficiency Act.

### 1.9 What is an allotment and sub-allotment?

- A.** An Allotment and a sub-allotment are a further subdivision of a DAS allocation. ITA issues DAS allocations to individuals responsible for programs and organizations as a means of authorizing the incurring of obligations and expenditures. Allotments and sub-allotment also serve to identify the individuals organizationally responsible for ensuring that obligations and expenditures are properly recorded and do not exceed authorized amounts.
- B.** An allotment and a sub-allotment provide funding limits in greater detail than the allocations. Specific levels of authority are offered to implement the allotment and sub-allotment of funds by sub-activity.
- C.** Allotment and sub-allotments may not exceed apportionments or DAS allocations.
- D.** An obligation and/or expenditure in excess of an allocation, allotment or sub-allotment is not a statutory violation of the Anti-deficiency Act unless it causes the apportionment or appropriation to be exceeded. However, these instances may subject the responsible individual to administrative discipline.
- E.** It is the responsibility of each program area DAS members to fix accountability and establish such supplemental controls, as necessary, within their programs and organizations to meet their fund control responsibilities.

### 1.10 Who is responsible for apportionments?

**A.** The **ITA Budget Director** has the primary responsibility to submit apportionment or reapportionment requests to the Department of Commerce Office of Budget for approval and transmittal to OMB.

**B.** The **ITA Budget Director** is responsible for proper completion of apportionment requests.

### **1.11 Who is responsible for DAS Allocations?**

**A.** The **Chief Financial Officer** authorizes allocations to the following ITA structure:

A.1 Trade Promotion and The U.S. and Foreign Commercial Service:

A.1.1 Operating Funds:

A.1.1.1 Assistant Secretary for Trade Promotion and Director General of the U.S. and Foreign Commercial Service Allocation –

A.1.1.2. Advocacy Center Allocation

A.1.1.3 Deputy Assistant Secretary for International Operations Allocation

A.1.1.4 Deputy Assistant Secretary for Domestic Operations Allocation

A.1.1.5 Trade Information Center Allocation

A.1.1.6 International Cooperative of Administrative Support Services (ICASS) Allocation

A.1.1.7 Capital Security Cost Sharing Program Allocation (Managed by CFO)

A.1.1.8 Centralized Services Share Allocation (Managed by CFO)

A.1.2 Overseas Representation Allocation

A.1.3 AID Transfer – BISNIS

A.1.4 AID Transfer- CEEBIC

A.2. Market Access and Compliance:

A.2.1 Assistant Secretary for Market Access and Compliance Executive Direction Allocation

A.2.2 Deputy Assistant Secretary for Agreements and Compliance Allocation

A.2.3. Deputy Assistant Secretary for Europe Allocation

A.2.4 Deputy Assistant Secretary for the Western Hemisphere Allocation

A.2.5 Deputy Assistant Secretary for Asia Allocation

A.2.6 Deputy Assistant Secretary for Africa, The Middle East and South Asia Allocation

A.2.7 Centralized Services Share Allocation (Managed by CFO)

A.2.9 AID Transfer - SABIT

A.3. Manufacturing and Services:

A.3.1. Assistant Secretary for Manufacturing and Services Allocation

A.3.2 Deputy Assistant Secretary for Manufacturing Allocation

A.3.3 Deputy Assistant Secretary for Industry Analysis Allocation

A.3.4 Deputy Assistant Secretary for Services Allocation

A.3.5 Centralized Services Share Allocation (Managed by CFO)

A.4 Import Administration

A.4.1 Assistant Secretary for Import Administration Allocation

A.4.2 Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations Allocation

A.4.3 Deputy Assistant Secretary for Antidumping and Countervailing Duty Policy and Negotiations

A.4.4 Deputy Assistant Secretary for Textiles and Apparel

A.4.5 Centralized Services Share Allocation (Managed by CFO)

A.5 Executive Direction and Administration

A.5.1 Under Secretary for International Trade and Deputy Under Secretary for International Trade Allocation

A.5.2 Chief Financial Officer and Director of Administration Allocation

A.5.3 Chief Information Officer Allocation

A.5.4 Centralized Services-Special Projects Allocation (Managed by CFO)

**B. The Chief Financial Officer** ensures that allocations do not exceed the appropriation, apportionments, or other legislatively-set limitations.

**C. The Budget Director** prepares requests for apportionments and reapportionments as well as allocations in the amounts designated by appropriation, rescissions, reprogramming, deferrals, and apportionments.

**D. The Director of Accounting** is responsible for ensuring that ITA accounting system supports the ITA's administrative control of funds policy for operations worldwide. This includes, but is not limited to, establishing appropriate activities, sub-activities, projects, and/or other accounting mechanisms to accurately record and report financial transactions in FFS. The Director of Accounting also monitors fund control reports to ensure obligations and expenditures are not in excess of allocations, allotments, or other limitations.

#### **1.12 What is an Allottee and what are the responsibilities of the Allottee?**

**A.** The Allottee is legally responsible for ensuring that amounts distributed as administrative subdivisions of ITA allotments do not exceed amounts appropriated, apportioned, and allocated, and that obligations or expenditures do not exceed allotments and sub-allotments.

**B.** The ITA administrative control of funds is based upon the single Allottee concept whereby a single ITA official is delegated legal responsibility for administrative control over all appropriations and funds made available to ITA.

**C.** The Budget Director and program Allottees must work with the Director of Accounting to ensure that at no time funds are used improperly or in excess of appropriations, apportionments, allocations and allotments.

#### **1.13 What are the individual responsibilities in administrative control of funds?**

**A.** The **Under Secretary** assigns legal responsibility for all ITA funds to the Chief Financial Officer, who serves as ITA's principal Allottee.

**B. Members of ITA** are administratively responsible for ensuring that obligations and expenditures do not exceed approved subdivisions of funds at the apportionment, allocation, allotment and sub-allotment levels made available to execute programs and operate organizations worldwide.

**C.** The **Chief Financial Officer** ensures that ITA employees are charged with individual responsibility for any over-obligation or any expenditure in excess of allocations, allotment and sub-allotments.

#### **1.14 How are responsible officials affected by the Anti-deficiency Act?**

**A.** Limitations on responsible officials below the statutory level of allocations, e.g. allotments and sub-allotments, are established for internal purposes only and are not subject to the statutory provisions of the Anti-deficiency Act. However, if this lower level limitation is exceeded, causing the over-obligation or over expenditure of an allocation,



then a *statutory* violation of the Anti-deficiency Act has occurred. (see section [1.13](#)) Again, is at what level is the statutory violation apportionment or allocation?

**B.** A non-statutory violation of the Anti-deficiency Act occurs whenever an activity, sub-activity and/or project allotment and sub-allotment is over-obligated or over-expended.

**NOTE:** A non-statutory violation occurs for all accounts at the allotment and sub-allotment level. Wherever an amount is specifically appropriated to the sub-activity or project level, a non-statutory violation occurs at that level.

**C.** All non-statutory violations appearing on the final closing balances will be reported. Prior to the close of the fiscal year-end, all non-statutory violations must be corrected. Those violations that cannot be corrected will be reported.

**D.** Non-statutory violations will be reported by the Chief Financial Officer with recommendation of appropriate corrective action.

**E.** Recording errors are not violations themselves (see paragraph [1.16D](#) ).

### **1.15 What are the ramifications of a non-statutory violation by a responsible official?**

**A.** Upon verification that a non-statutory violation has occurred, the Under Secretary may take appropriate disciplinary action, including the following:

- (1) Letter of reprimand.
- (2) Suspension from duty without pay.
- (3) Removal from office.

**B.** Departmental policy included within the Accounting Principles and Standards Handbook, Chapter 7, Section 7.0 Penalties indicates that, states, "Any officer or employee who violates provisions of 31 U.S.C. Secs. 1341(a), 1342, or 1517(a) (the Anti-Deficiency Act) shall be subject to appropriate administrative discipline. Administrative discipline may consist of:

- a. Letter of reprimand or censure for the official personnel record of the officer or employee;
- b. Unsatisfactory performance rating;
- c. Transfer to another position;
- d. Suspension from duty without pay; or
- e. Removal from office.

In addition, any person who knowingly and willfully violates these prohibitions shall be fined not more than \$5,000, imprisoned for not more than two (2) years, or both."

**C.** Specific ITA officers will have administrative fund control as a performance standard. Non-statutory violations may be used as an indicator during the performance appraisal system.

### **1.16 What constitutes an Anti-deficiency Act violation and how are they reported?**

**A.** The Act prohibits any Federal employee from:

- (1) Entering into contracts that exceed the enacted appropriations for the year.
- (2) Purchasing services and merchandise before appropriations are enacted.
- (3) Obligating or expending more than the amount in the appropriation or fund or the amount apportioned, reapportioned, allotted or any other legal subdivision of funds.
- (4) Accepting voluntary services for the United States or employing personal services in excess of that authorized by law, with exceptions.
- (5) Creating or authorizing an obligation against an expired account.
- (6) Deliberately charging the wrong account for purposes of expediency of administrative convenience.

**B.** An employee who knowingly and willfully violates the statute may be subject to criminal penalties, and, upon conviction may be a fined not more than \$5,000 or imprisoned for not more than 2 years, or both.

**D.** Recording errors are not violations themselves. The allottee must coordinate corrective actions with the Director of Accounting to correct balance, regardless of accounting errors. Whether or not an anti-deficiency condition has occurred is based on corrected balance information. An error neither creates nor alleviates a violation.

**E.** Upon determination that a violation has occurred as certified by the Director of Accounting, the Director of Budget is responsible for reporting any violation of the Act as prescribed in this guidance and Section 40 of [OMB Circular A-11](#) . The report must be coordinated with the Under Secretary and Chief Financial Officer.

#### **1.17 What tools are used by ITA to administer administrative control of funds?**

**A.** ITA accounting system (FFS) provides detailed information on ITA allocation process. Final DAS allocations are prepared by the Director of Budget and officially issued by the Chief Financial Officer. Allotments and sub-allotments at the program unit level are prepared by program officials. The Director of Budget in coordination with the Director of Accounting ensures such program allocations do not exceed maximum DAS allocations.

**B.** The administrative fund control system is fully integrated with FFS. Apportionments, DAS allocations, allotments, sub-allotments, and control schedules are recorded by the Director of Accounting. The Director of Accounting is responsible for the processing of obligations and disbursements in relation to these resources.

**C.** The Director of Accounting is the managing authority of FFS, and is responsible for controlling access to implement an appropriate system of administrative control of funds.

Drafted by: Leslie Hyland, ITA Director of Accounting.  
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