

4 FAH-3 H-050 OBLIGATION VALIDITY CRITERIA

(TL:FMP-6; 11-30-1995)

4 FAH-3 H-051 LEGAL BACKGROUND

(TL:FMP-6; 11-30-1995)

The authority to incur liabilities on behalf of the United States of America originates with the Constitution itself and in laws passed and amended from time-to-time as well as the statutory authority of the Comptroller General to issue regulations and render decisions which have the effect of law. For authority to obligate, see 4 FAM 080, Administrative Control of Funds, which includes the provisions of section 1311 (31 U.S.C. 1501) of Public Law 663, 83d Congress (Supplemental Appropriation Act of 1955), as amended. This law provides that no amount shall be recorded as an obligation unless it meets specific criteria and that statements of obligations furnished to the Congress or to any of its committees shall include only amounts representing valid obligations as so defined.

4 FAH-3 H-052 OBLIGATION, TYPES, AND DOCUMENTS

4 FAH-3 H-052.1 Applicability

(TL:FMP-6; 11-30-1995)

Obligations incurred are defined as amounts of orders placed, contracts awarded, services rendered, and similar transactions during a given period requiring the expenditure of funds. Such amounts include payments not preceded by recorded obligations, except travel advances, and reflect adjustments for differences between obligations and actual payments. In those cases where the exact amount of an obligation is not known at the time it is incurred, the best estimate of the amount to be paid subsequently is used.

4 FAH-3 H-052.2 Obligation Types

(TL:FMP-6; 11-30-1995)

- a. The amounts obligated are subject to adjustment up to the time of final settlement and must be adjusted as changes become known. When it is anticipated that an obligation applicable to a specific month is to be liquidated within the same month, it is permissible to record the obligation concurrently with the liquidation. However, all obligations must be recorded to the records prior to the end of the reporting period, including those to be liquidated in subsequent reporting periods.
- b. Obligations are classified primarily as:
 - (1) Recurring, or of a repetitive nature, covering amounts on either an estimated or fixed basis. Examples are:
 - Payrolls;
 - Rental of facilities or equipment;
 - Utilities and communications; and
 - Custodial and other contractual services.
 - (2) Nonrecurring, one-time or occasional transactions, covering amounts on either an actual or estimated basis.

4 FAH-3 H-052.3 Obligation Documents

(TL:FMP-6; 11-30-1995)

The following are the most commonly used obligating documents:

- (1) Form OF-245, Miscellaneous Obligation Document (MOD), for recurring obligations and also for use as a control sheet where multiple payments are involved regarding a nonrecurring obligation. The MOD is used primarily at posts. Other formats are used at regional centers and domestically under automated procedures. The practice of covering every obligating document under manual operations with a MOD is optional, but is to be discouraged.
- (2) Form OF-206, Purchase Order, Receiving Report and Voucher, is a general purpose document (for Overseas use only) for most nonrecurring obligations.
- (3) Form OF-144, Temporary Duty (TDY) Official Authorization, for other than (1) assignment travel or (2) continuous or intermittent travel covered by a memorandum.
- (4) Form SF-1103, U.S. Government Bill of Lading (GBL), for shipment

of Government-owned property, including subsequent conversion from commercial and ocean bills of lading. The latter also serve as obligating documents. Carrier transportation of employee effects under any type of bill of lading is obligated as part of the DS-1638 (see above).

- (5) Other obligating documents include contracts, and agreements, memoranda.

4 FAH-3 H-053 CATEGORIES OF OBLIGATIONS

(TL:FMP-6; 11-3019-95)

The major categories of obligations are listed below in the sequence of the object classes prescribed by the Office of Management and Budget. Four digit object categories (object and subobject) for Department of State use are contained in 4 FAH-1 , Department of State Account Structure and Classifications Codes. Specific criteria for the application of accounting classification codes to funding, obligation, liquidation and adjustment documents, and the level at which both obligations and liquidations are established are set forth under 4 FAH-1 H-100 . Expenses applicable to all object categories are defined in 4 FAH-1 H-050 .

4 FAH-3 H-053.1 Personal Services And Benefits

(TL:FMP-6; 11-30-1995)

- a. Monthly cost estimates for personal services and benefits should:
 - Be prepared at the beginning of each month;
 - Determine relationship of cost to the approved financial plan; and
 - Document obligations during the accounting period on the appropriate formats.
- b. Estimated obligations are supported by notices of personnel actions reflecting accessions and separations, time and attendance records, and other appropriate source data, such as within-class and within-grade salary increases, pay act increases, and overtime authorizations. Consideration must be given to the following factors in determining amounts to be obligated:
 - (1) Regular pay, based on the product of the average daily rate of pay

obtained from the latest available pay period, multiplied by the number of working days and "paid" holidays occurring within the month.

- (2) Night differential, Sunday and holiday pay, and regularly scheduled overtime, whether paid on regular or supplementary payrolls.
 - (3) Lump-sum leave, severance pay, Christmas bonus (for some FSNs), and other periodic lump-sum payments, when it is known that employee(s) will be separated and/or when payments are due during the month.
 - (4) Benefits including allowances, where applicable, and employer's contributions.
 - (5) Miscellaneous overtime, part-time, When Actually Employed (WAE), and temporary pay at applicable rates in accordance with approved administrative procedures.
- c. The estimated obligations are adjusted as required to reflect the latest liquidations (payroll vouchers supported by computed payrolls). Total obligations and expenditure transactions, applicable to payroll periods beginning in one fiscal year and ending in another, are prorated between the two fiscal years on the basis of the number of working days occurring within each fiscal year. However, lump-sum leave and lump-sum severance payments are charged in their entirety to the appropriation current at the effective date of separation of the employee.

4 FAH-3 H-053.2 Travel Abroad

(TL:FMP-6; 11-30-1995)

- a. The following should be considered for obligation validity criteria for the type of travel to be performed:
 - (1) **Overseas**—All overseas relocations of foreign service employees and special FTR exceptions.
 - (2) **Domestic**—All TDY travel; relocations (Permanent Change of Station (PCS) or Post Assignment Travel (PAT) of civil service employees; and domestic relocation in the Continental United States (CONUS) of foreign service employees.
- b. The purchase of personnel transportation in one fiscal year, where the actual departure begins within a reasonable period of time in the following fiscal year, is construed as an expense in the fiscal year of

purchase. The phrase "reasonable period of time" is construed to be a matter of weeks (rather than months), into the new fiscal year.

- c. For TDY abroad at fiscal year end, Department policy authorizes the purchase of airline tickets prior to fiscal year end (September 30). Travel must begin (departure), within the first two weeks (October 14).

4 FAH-3 H-053.2-1 Permanent Change Of Station (PCS) Travel

(TL:FMP-6; 11-30-1995)

- a. The incurred expenses includes, but is not necessarily limited to, inoculations, passport photos, passport fees, health certificates, copies of birth and/or marriage certificates, purchase of personnel transportation, transportation services (packing, hauling, storage, delivery, etc.), and transportation of things (household effects, unaccompanied baggage, and privately owned vehicles).
- b. Storage under the Personnel Action and Travel Authorization (TMFOUR) is limited to initial placement into storage or temporary storage awaiting shipment. See continuous storage (4 FAH-3 H-054.2 (1) (2)) for excluded storage under TMFOUR.

4 FAH-3 H-053.2-2 TDY Travel

(TL:FMP-6; 11-30-1995)

TDY abroad under Form OF-144, (see 4 FAH-3 H-052.3), or under authority of a continuous or intermittent authorization (couriers, inspectors, etc.), covered by telegram, airgram, or memorandum. The amounts established are construed as valid obligations chargeable to the fiscal year in which the authorization is issued, provided an expense is incurred prior to midnight September 30, and travel must begin (departure), within the first two weeks (October 14).

4 FAH-3 H-053.2-3 Transportation

(TL:FMP-6; 11-30-1995)

Supporting documentation, in the form of sub-authorizations, consists of Forms SF-1169 (Rev. 7-83), U.S. Government Transportation Request, for personnel transportation, SF-1103, U.S. Government Bill of Lading, for transportation of personal effects (UB, HHE, and POV), commercial or ocean bills of lading; Form OF-206, Purchase Order, Receiving Report and Voucher,

in lieu of the foregoing, or other forms as appropriate. In any case, these subauthorizations are not obligation documents but support the basic obligation.

4 FAH-3 H-053.3 Transportation Of Things

(TL:FMP-6; 11-30-1995)

- a. Government property being transported is represented by Forms OF-206 and SF-1103, commercial or ocean bills of lading, or equivalent, and is an obligation at the time shipment is turned over to the carrier. The amount of the obligation includes all costs while in the hands of the carrier. Where a shipment is made by other than GBL (SF-1103) and subsequently converted to a GBL, the obligation must be as of the date of receipt of shipment by the carrier and not the date the GBL is issued.
- b. Personal effects are covered by sub-authorizations under the basic travel authorization, using the same type of documents referred to in a above.

4 FAH-3 H-053.4 Transportation Services

(TL:FMP-6; 11-30-1995)

Packing, crating, handling, hauling, storage, unpacking, delivery, and other such items of expense (including processing of motor vehicles for shipment or delivery) are covered as follows:

- (1) Government property is not involved when shipment is Freight on Board (F.O.B.) destination and the purchase price includes transportation services. If not F.O.B. destination, transportation services are covered by Form OF-206 (or equivalent document) which is a valid obligation at the time it is issued.
- (2) Personal effects are covered by sub-authorizations under the basic travel authorization. Sub-authorizations for transportation services are covered by Form OF-206 (for use in foreign countries only) and DS-1573, Transportation Services Request Authorization (Domestic).
- (3) En route transportation services are included under 4 FAH-3 H-053.3 , and cover temporary storage, repacking, etc., while in the hands of a carrier.

4 FAH-3 H-053.5 Rentals

(TL:FMP-6; 11-30-1995)

Rentals are obligated on the basis of contracts, leases, and agreements for the occupancy of facilities and/or use of equipment. Since rentals are normally of a recurring nature, the Miscellaneous Obligation Document (MOD) is used and supported by the basic document. Obligations are established as follows:

- (1) Prepayments are obligated at the time the document is executed where the basic document stipulates an advance payment, even though extending into future years.
- (2) Periodic payments are obligated at the beginning of the period, when each payment is due, where the basic document stipulates periodic payments.
- (3) Termination payments are obligated in conformance with the stipulations of the basic document. Where an amount other than a repayment is stipulated as due on termination, it is obligated at the time of the agreement.

4 FAH-3 H-053.6 Communications And Utilities

(TL:FMP-6; 11-30-1995)

Obligations for communications and utilities are represented by various forms of contracts, leases, agreements, published rates, monthly billings, etc. Expenses are usually obligated on the basis of monthly estimates using the MOD. In the absence of a binding agreed-to amount, obligations are estimated on the basis of past experience subject to adjustment. Where monthly bills are submitted, the amounts can be concurrently obligated and liquidated in the month of payment rather than estimated in advance and adjusted at time of payment; this applies whether the bill covers all or part of a prior month or even extends over two fiscal years.

- (1) Communications include telephone, telegraph, postage, and under certain circumstances, contractual personal services and use-rental of equipment.
- (2) Utilities include purchased water (except bottled water), electricity (power and light), gas (except bottled gas), and sanitation services (sewerage, drainage, garbage and, trash removal).

4 FAH-3 H-053.7 Obligating Purchasing

(TL:FMP-6; 11-30-1995)

Obligations are required for the acquisition of supplies, material, equipment, and contractual services under procedures (not requiring formal contracts). Upon authorization of acquisition of supplies, material, equipment and contractual services, obligations occur as indicated below.

- (1) Standard procurements are obligated follows:
 - (a) Requisitions (using Form OF-263, Requisition for Equipment Supplies, Furniture, Etc., and Services, or other authorized forms) are an obligation only when submitted to other U.S. Government agencies for catalog stock or mandatory source items, as well as Working Capital Fund (WCF) items. Otherwise, the "Requisition" is a request for procurement action and, as such is not an obligation until a purchase order is issued. Mandatory items are those which are purchased from specified sources.
 - (b) Job orders, when used, are construed the same as requisitions.
 - (c) Purchase orders, Form OF-206 or equivalent Letter of Intent, etc. are obligations at the time they are issued: the term "issued" carries with it the provision that it is duly approved by a purchasing officer and validated as to funds being available.

The amounts shown may be estimated or actual; however, they are subject to adjustment at the time services are rendered and/or the goods are delivered. The execution of a purchase order carries with it the bona fide intent of the contractor or supplier to fulfill the stated requirements.

- (d) Limitations, with respect to purchase orders for supplies and nonpersonal services from commercial sources, are not to exceed an aggregate amount of \$10,000 for a single transaction. Under special conditions, purchase orders in amounts over \$10,000 can be issued (1) against existing open-end contracts, (2) for sole source of supply, or (3) for professional services; however, these are subject to the provisions covering contracts.
- (e) Subscriptions for periodicals are obligated at the time of issuance of a purchase order covering specific periods of time which may extend beyond the end of the fiscal year.
- (f) Printing purchase orders are not valid obligations unless the manuscript or copy is submitted concurrently.

- (2) Special procurements are obligated as follows:
- (a) General Services Administration (GSA) items are procured by OF-263 placed directly with GSA, for stock catalog items; these are obligations as of the time the requisition is mailed.
 - (b) GSA special procurement of non-stock items is not an obligation until the date of the award, as notified by GSA that a contract has been awarded; the obligation may include both packing and shipping charges.
 - (c) Public Health Service (PHS) items requisitioned from the Public Health Service Supply Center, for stock catalog items, are obligations at the time the requisition is mailed. They may include packing and shipping charges.
 - (d) Petty cash purchases are obligated monthly by the MOD on an estimated basis, and subject to month-end adjustments based on replenishment vouchers or a review of unprocessed petty cash receipts. Cashier expenditures come under the same provisions. Prompt submission of replenishment vouchers is essential at fiscal year-end.
 - (e) Blanket purchase orders, which may be used to facilitate small purchases on a charge account or credit basis from specific vendors by authorized personnel, are not valid obligating documents. Obligations are established monthly by MOD on an estimated basis similar to (d). Purchases are represented by sales slips signed by authorized personnel.

4 FAH-3 H-053.8 Contracting

(TL:FMP-6; 11-30-1995)

- a. Contract obligations are fixed-price contracts, cost type contracts, indefinite delivery, open-end or option contracts, escalation, price redetermination, or incentive clauses
- b. Contract obligations are governed by the following:
 - (1) Fixed-price contracts, where the total amount is stated, are obligations at the time of execution. When a statement is included as to fund availability, only that portion (for which funds are available) is an obligation at the time of execution; the balance of the contract becomes an obligation when validated as to fund availability.

- (2) Escalation, price redetermination, or incentive clauses, when contained in a contract, are subject to prevalidation of fund availability; only the full stated amount, not subject to these special clauses, is an obligation. Any amounts, under special clauses, are obligations when they are determined to be a fact.
- (3) Cost-type contracts are obligated in the estimated amount of the total contract at the time of execution; any increases are subject to prevalidation of fund availability.
- (4) Indefinite delivery, open-end or option contracts do not represent an obligation at the time of execution; only such amounts supported by a subsequent purchase order, job order, requisition, or other purchasing document represent obligations as they come into being.
- (5) When a letter contract or letter of intent, is sufficiently specific as to coverage and evidenced by acceptance, the stated amount obligated when the document is executed.
- (6) For over and underrun contracts, where a specific quantity is designated, but containing provisions as to performance and/or delivery for a greater or lesser amount/quantity under normal commercial practice, the stated amount is an obligation at the time the document is executed. Any increase is subject to prevalidation of fund availability.

4 FAH-3 H-053.9 Miscellaneous Other

(TL:FMP-6; 11-30-1995)

In addition to the foregoing, the following items apply as appropriate:

- (1) Representation expenses are obligated on the basis of past experience on the MOD, and shows the special function codes as provided for in 4 FAH-1 . When the officer's expenditures exceeds available funds, the obligation is adjusted on the basis of quarterly funds availability.
- (2) Official residence expenses are obligated on an estimated basis, usually monthly, by means of the MOD.
- (3) Other expense items not specifically provided for elsewhere are obligated on an estimated basis (by means of a MOD or other appropriate document), and subject to adjustments based on progressive experiences.

- (4) Payable claims are obligations at the time of approval and certification by the duly authorized officer.
- (5) Litigation liability constitutes an obligation when a written statement is executed by a contracting officer which states an amount as a contingent liability being in existence and under pending litigation; the amount is subject to adjustment at the time of settlement. Other miscellaneous obligations are covered in 4 FAH-3 H-053 .

4 FAH-3 H-054 SPECIAL DOMESTIC CRITERIA

(TL:FMP-6; 11-30-1995)

In addition to the foregoing items, which are applicable to both travel abroad and domesticly, the following apply to domestic obligations.

4 FAH-3 H-054.1 Domestic TDY Travel

(TL:FMP-6; 11-30-1995)

- a. Per diem and other expenses involving two fiscal years are charged to the respective fiscal year in which actually incurred. The exception is that personnel transportation is chargeable to the fiscal year in which travel begins (including transportation involving the following fiscal year) if purchased in the prior fiscal year; i.e., return portion of a round-trip ticket. However, additional personnel transportation purchased in the subsequent fiscal year is chargeable to the fiscal year in which the additional expense is incurred.
- b. As opposed to travel abroad, both assignment travel and TDY travel expenses within or between the 50 states and the District of Columbia are applicable to the year in which incurred.

4 FAH-3 H-054.2 Transportation Services Of Personal Effects

(TL:FMP-6; 11-30-1995)

The obligation for transportation services related to employee and dependent assignment to, from, or between overseas locations involves the following domestic transactions not provided for under 4 FAH-3 H-053 :

- (1) Continuous storage domestic, beyond the initial placement into

storage, is obligated quarterly in the fiscal year of storage (based on "in-place inventory" listings by the storage company and by the employees) and the adjustment is based on liquidations. This is provided for under a special domestic, centrally controlled, automated procedure. Continuous storage includes permanent, continuing (taken over as part of an interagency transfer of an employee) and storage renewal. It excludes temporary storage while awaiting shipment.

- (2) Continuous storage abroad is centrally obligated domestically by "post of storage" with non-obligated sub-authorizations (effected overseas between the post and the storage company), and payments made against the centrally controlled account; same type coverage as in (1) above.
- (3) Residence to residence is included under the obligating procedure of the TMFOUR assignment travel process (see 4 FAH-3 H-052.3).
- (4) POV transportation services between residence and port of embarkation or debarkation are covered under the TMFOUR authorization, and include preparation for shipment, and/or delivery and "drive-away" services.
- (5) Form DS-1573, Transportation Services Request Authorization is used domestically as a sub-authorization for packing, crating, hauling, initial or temporary storage. It is a sub-authorization, under the TMFOUR as well as the control document (for placements into and withdrawals from storage) under the special "Continuous Storage Domestic" procedure referred to in (1) above.

4 FAH-3 H-054.3 Other Agency Items

(TL:FMP-6; 11-30-1995)

- a. Obligations are required for GSA self storage, GSA mandatory items, Public Building Services, as required by law or regulation, Public building services non-mandatory, and other agency items such as Government Printing Office, Federal Prison Industries, or Public Health Service Center as required by law and regulations.
- b. Special domestic "other agency" items are:
 - (1) **GSA Self Service Storage**, for which purchases are obligated monthly on an estimated basis (using prior experience as a guide) and adjusting to actual "credit card" purchase from monthly bills rendered.

- (2) **GSA Mandatory Items**, required by law and regulation to be purchased from GSA, are obligated on the basis of requisitions (Form OF-263) submitted to them.
- (3) **Public Building Services (PBS) Mandatory Building Services**, as required by law or regulation, are obligations at the time of requisition, job order of work order submitted to PBS. Included are the operation, maintenance, alterations, and other services for buildings. Amounts are obligated either on a firm price or estimated basis.
- (4) **PBS Non-Mandatory Items** cover services which PBS is in a position to render but not required to be furnished by them. Such services are furnished, on a request basis, by means of a memorandum, requisition, work order, or equivalent. However, an obligation does not exist until a contract is executed or a work order is issued by them; the amount specified is an obligation as of the date of their issuance or the contract or work order is against an open-contract or a specific new contract.
- (5) **Other Agency Items include**, but are not necessarily limited to (a) Government Printing Office, (b) Federal Prison Industries, or (c) Public Health Service Supply Center, where required by law or regulation. Under these circumstances, the obligation exists at the time the requisition or request is submitted to the other agency.

4 FAH-3 H-054.4 Working Capital Fund (WCF)

(TL:FMP-6; 11-30-1995)

WCF items, except for year-end requisitions, are governed by the provisions 4 FAH-3 H-053.7 (Purchasing).

4 FAH-3 H-054.5 Grants And Subsidies

(TL:FMP-6; 11-30-1995)

Grants and subsidies are obligations in the amounts stated in the documents at the time of execution.

4 FAH-3 H-054.6 Miscellaneous Items

(TL:FMP-6; 11-30-1995)

Other items, represented by any form of document issued by a duly

authorized official, are obligations at the time the document is issued,
whether the stated amount is estimated or actual.

4 FAH-3 H-055 THROUGH H-059 UNASSIGNED