

MS 701 GOVERNMENT BUDGET AND ACCOUNTING: INTRODUCTION TO FEDERAL GOVERNMENT FINANCIAL MANAGEMENT

Date: 10/15/97

Office: Office of Planning, Budget, and Finance (OPBF)

Supersedes: 12/08/83, 11/23/83

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ATTACHMENTS

Attachment A Glossary of Federal Financial Management Terms Commonly Used by Peace Corps

1.0 PURPOSE

This Manual Section is an introduction to financial management in the Federal Government and in the Peace Corps. It also introduces the “700” series of Manual Sections which describes Peace Corps’ financial management policies and procedures. In addition, it provides a glossary of Federal Government financial management terms commonly used in the Peace Corps Manual (see Attachment A).

2.0 DEFINITION OF FINANCIAL MANAGEMENT

For the purposes of the Peace Corps Manual, financial management is defined as the range of activities involving the use and safeguarding of the Agency’s financial resources, including their acquisition, authority to obligate and liquidate obligations, internal allocation (use to purchase goods and services), and the recording and reporting of these uses.

3.0 AUTHORITY

3.1 General

Numerous laws and regulations govern financial management activities of the Federal Government. Major laws that control Federal financial activities include:

- The Budget and Accounting Act of 1921 which established the basic framework of current budget and accounting procedures, the General Accounting Office (GAO), and the Bureau of the Budget (now known as the Office of Management and Budget [OMB]).
- The Budget and Accounting Procedures Act of 1950.
- The Antideficiency Act (31 USC 1341 and 1511 -1519) which established rules for controlling the obligation of funds as well as penalties for over-obligating funds.
- The Congressional Budget and Impoundment Control Act of 1974 which refined the budget process and established the fiscal year for the Federal Government as beginning October 1 and ending September 30 of the following year.
- The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576) which laid a foundation for comprehensive reform of Federal financial management.
- The Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255) which required agency heads to establish controls that provide reasonable assurances that (i) obligations and costs comply with applicable law; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for.

The above laws, among others, have been codified as Title 31, United States Code, "Money and Finance."

3.2 Specific

Specific authorities guiding financial management in the Peace Corps are as follows:

- Sections 10 and 15 of the Peace Corps Act provide specific authorities for the Peace Corps in the area of financial management.
- The Federal Property and Administrative Services Act of 1949 established the General Services Administration which sets policy and regulations for government procurement of supplies and services.
- The GAO Policy and Procedures Manual for the Guidance of Federal Agencies provides general guidance for Federal agencies on accounting principles and standards.
- The Treasury Financial Requirements Manual contains detailed instructions for the operation of Agency accounting systems.
- The Federal Acquisition Regulations issued by the General Services Administration govern the Federal Government's procurement of goods and services.
- The Office of Management and Budget Circulars and Bulletins issued by OMB provide detailed guidance on budget formulation and presentation as well as executive policy on a variety of subjects.
- The Foreign Service Act of 1980.

- The Foreign Affairs Manual.

4.0 FINANCIAL MANAGEMENT

Financial management in the Peace Corps includes the following integrated activities: budgeting, contracting and procurement, disbursing (including payments of salaries and benefits to Peace Corps staff and allowances to Peace Corps Volunteers and Trainees), collections, and accounting and reporting. While these activities are carried out continuously throughout the year, the cycle of activity that encompasses them begins with budgeting and ends with accounting and reporting, as described below.

4.1 Budgeting

The first step in the cycle is the formulation of a budget that relates Agency plans to resource requirements. After formulation within the Agency, through the Integrated Planning and Budget System, the budget is presented first to OMB and, after clearance, to Congress (see MS 702, “The Budget Process”).

Once the detailed operating budget for the coming fiscal year has been approved, Congress has appropriated funds, and budget allotments (called “budget advices”) have been issued by the Chief Financial Officer, the budget execution process begins. Budget execution is governed by MS 704, “Administrative Control of Funds.” During the year, each office maintains budgetary records and reviews and reconciles these records against the official accounting reports (MS 705, “Financial Record Keeping (Cuff Records) and Budget Tracking”). Periodic Agency-wide budget reviews are conducted to adjust budgets as necessary (MS 702, “The Budget Process”).

4.2 Contracting and Procurement

During the year, a large portion of Peace Corps’ resources is used for the procurement of goods and services. Sound procurement planning (MS 730, “Acquisition Plans”) is necessary to ensure that procurements are on time and in accordance with applicable laws and regulations (MS 732, “Acquisition Regulations, Rules and Procedures Overseas and U. S.”).

Special policies and procedures apply to:

- vehicle procurement (MS 527, “Vehicle Procurement and Fleet Management”).
- residential and office leases (MS 733, “Leases”).
- medical supplies and equipment (MS 734, “Medical Supplies and Equipment”).
- construction (MS 739, “Construction Contracts”).
- personal service contracts (MS 743, “Procurement of Personal Services of Host Country Residents by Contract” and MS 744, “Procurement of Personal Services of Non-Residents of Host Country by Contract”).
- procurement requests and unsolicited proposals in headquarters (MS 736, “Procurement Requests and Unsolicited Proposals in the United States”).

4.3 Disbursing, Payroll, and Collections

Payments are made from imprest funds (MS 760), or by Electronic Funds Transfer (EFT). Federal legislation enacted in 1996 requires agencies to convert from paper-based payment methods to EFT. Checks are issued only upon certification by the intended recipient that he/she does not have an account at a

financial institution or an authorized payment agent. All payments must be authorized by certifying officers (MS 758, "Authorized Certifying Officer").

Peace Corps Headquarters provides payroll service for all U. S. direct-hire employees; automated payroll data is processed by another Federal agency under an Interagency Agreement. Staff salary payments are based on official time and leave records maintained for each employee (MS 742, "Maintenance of Employees' Time and Leave Records"). In most cases, current Federal regulations require all Federal wage, salary, and retirement payments to be made by EFT. In cases where the use of EFT creates a personal financial hardship for the recipient, the Peace Corps Director has the authority to waive this requirement on a case-by-case basis, upon written request. If the requirement is waived, salary checks are mailed to the recipient's home address, or to a designated relative's home address. (Payment of allowances to Peace Corps Volunteers and Trainees is covered in MS 221, "Volunteer Allowances," MS 222, "Trainee Allowances," and MS 223, "Volunteer/Trainee Readjustment Allowance.")

Collections at Peace Corps follow a comprehensive and uniformly-applied claim and debt collection program consistent with good business practices and Federal requirements. This program applies to domestic and foreign operations and is readily adaptable within any administrative or fiscal operation in support of headquarters or field operations. Covered transactions include those based on claims, billings, or other demands for payment for amounts due the United States Government in U. S. dollars or foreign monies. Billings to other government agencies, foreign governments, non-government entities and organizations, individuals, Peace Corps direct-hire employees, experts, consultants, contractors, Volunteers, Trainees, vendors, and suppliers are included. See MS 777, "Billing and Collection Procedures, Debts and Claims" for further information.

4.4 Accounting and Reporting

As Peace Corps' resources are consumed during the year, it is necessary to properly account for and report their use (MS 709, "Financial Management System" and MS 714, "Fiscal Coding").

5.0 FINANCIAL MANAGEMENT SERVICES AT OVERSEAS POSTS

At many Peace Corps Posts, accounting and payment processing services, along with other administrative services, are provided by the Department of State through International Cooperative Administrative Support Services (ICASS), which replaced the Foreign Affairs Administrative Support (FAAS) system and the Memoranda of Agreement (MOAs) at the start of FY 1998. (See MS 708, "Foreign Affairs Administrative Support [FAAS]" to be re-titled "International Cooperative Administrative Support Services [ICASS]" upon its next release).

6.0 SPECIAL REQUIREMENTS

Peace Corps' authority to accept and use gifts and contributions has led to the creation of a number of trust fund accounts and a foreign currency account (MS 726, "Trust Funds and Foreign Currency Accounts"). Specific policies and procedures have been established for the acceptance and use of general gifts and contributions (MS 721, "Gifts and Contributions to the Peace Corps") and for contributions to the Peace Corps Partnership Program (MS 720, "Peace Corps Partnership Program"). In the course of its operations, Peace Corps also receives contributions (usually in local currency or in-kind) from its host countries (MS 722, "Host Country Contributions").

Because the Peace Corps sometimes must respond to unusual circumstances, the Peace Corps Director has been granted certain extraordinary authorities to use funds to cover unforeseen emergencies or contingencies (MS 723, "Use of Peace Corps' Extraordinary Authorities"). Also, as a foreign affairs agency, the Peace Corps is authorized to use its resources to pay limited expenses of officials representing the

United States abroad (MS 724, “Representation Allowance”). Similar authority exists to pay for certain official functions in the United States (MS 725, “Entertainment Funds”).

7.0 FINANCIAL MANAGEMENT TERMS

A number of specialized terms have developed over the years regarding financial management. A glossary of these terms is provided as Attachment A. The definitions shown are those used throughout the “700” series of the Peace Corps Manual (except where alternate definitions are included in the individual sections.) The glossary also contains references to some of the Manual Sections that deal specifically with the terms being described.