



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

July 31, 1992

INSPECTOR GENERAL INSTRUCTION 7200.1

SUBJECT: Budget and Fund Control

References:

- a. DoD Directive 7200.1, "Administrative Control of Appropriations," May 7, 1984
- b. DoD 7110-1-M, "DoD Budget Guidance Manual"
- c. DoD 7220.9-M, "DoD Accounting Manual"
- d. OMB Circular A-34, "Instructions on Budget Execution"

A. Purpose. This Instruction establishes administrative fund control and budget guidance for all levels, and assigns responsibilities for managing financial resources.

B. Cancellation. OIG Policy and Procedures Manual, Volume I, Chapter 15, "Budget and Administrative Control of Funds," October 12, 1984.

C. Applicability. This Instruction applies to the Inspector General (IG), the Deputy Inspector General (DIG), the Assistant Inspectors General (AIG), and the Director, Inspector General Regional Office - Europe (hereafter referred to collectively as OIG components).

D. Responsibilities

1. The **Inspector General** shall:
 - a. Approve budget submissions and budget execution plans.
 - b. Appoint an investigating official for any apparent violation of subsection 1341(1) or 1517(a) or section 1342 of 31 U.S.C.
2. The **Assistant Inspector General for Administration and Information Management (AIG-A&IM)** shall:
 - a. Develop Office of the Inspector General (OIG) budget submissions for the Program Objective Memorandum, Budget Estimates Submission, and President's Budget Submission, and in response to any request for budget data from the Comptroller, Department of Defense, the Office of Management and Budget, and the Congress.

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b. Administer the policies and requirements prescribed for the administrative control of funds on behalf of the OIG.

c. Administer, further subdivide as necessary, and oversee the use of funds allocated to the Office of the Inspector General.

d. Enter into support and service agreements with the Military Departments, other DoD Components, or other Government agencies to provide accounting services.

3. The **Assistant Inspectors General and heads of field offices** shall:

a. Identify resource requirements for budget preparation and execution calls.

b. Use funds only for the purpose(s) prescribed and not exceed funding authority, including any limitation, within or on that authority, when receiving budget targets or funding memoranda.

c. Periodically review use of funds against funding targets to ensure that targets are not exceeded and unneeded funds are made available to the agency to reprogram and conduct reconciliation reviews of agency tracking reports to ensure that known obligations are properly recorded.

d. AIGs shall conduct annual reviews of the reliability of travel databases which include blanket travel order authorizations and report the results to the AIG-A&IM.

4. The **Director, Financial Management Directorate, OAIG-A&IM**, shall:

a. Maintain a budget tracking system to ensure that OIG funds are not overdistributed, overcommitted, overobligated, or overexpended.

b. Certify funds availability for specified purposes when authority has been delegated.

c. Validate the accuracy and propriety of billings before forwarding them to the accounting support office, currently Washington Headquarters Services (WHS), for certification and payment processing by the disbursing office.

d. Conduct periodic reviews of OAIG travel databases which include blanket travel order authorizations to verify reliability.

E. Procedures

1. Budget Formulation/Presentation

a. Program Objective Memorandum

(1) The Planning, Programming, and Budgeting System (PPBS) links planning and programming with the budgetary cycle. Program reviews are conducted on a biennial basis and are based on Defense Planning Guidance that defines the threat to national security and a strategy to meet that threat. This planning document is the basis for organizations to evaluate their program requirements for a 6-year period. The Assistant Secretary of Defense (Program Analysis and Evaluation) issues fiscal guidance for the program years. Program Objectives Memoranda (POM) are documents providing organizational proposals for updating the Defense programs within the fiscal guidance. They are the basis for program assessments and decisions by the Deputy Secretary of Defense and the Defense Planning and Resources Board (DPRB). Adjustments to program proposals are recorded in Program Decision Memoranda (PDM) approved by the Deputy Secretary. Each organization's POM, as amended by the PDM, defines the program to be supported in the Budget Estimates Submission.

(2) On receipt of the POM instructions and fiscal guidance, the AIG-A&IM will issue a call for the OIG components to prepare POM submissions necessary for the preparation of a consolidated OIG POM submission, including a transmittal memorandum from the Inspector General. The POM transmittal memorandum and summary section for the consolidated POM afford the IG an opportunity to highlight major changes from prior programs, identify any significant problem, and describe the agency's effectiveness in fulfilling Defense Planning Guidance.

b. Budget Estimates Submission

(1) The Budget Estimates Submission must be submitted to the Comptroller, DoD, by September 15. Basic requirements are identified in the Budget Guidance Manual (reference b). The Comptroller issues a guidance memorandum in June or July of each year, which provides specialized instructions such as economic assumptions and special supporting material requirements. The biennial budget cycle provides for an initial submission covering 2 budget years, and a subsequent update of the budget submission in the following year. The initial budget submission includes data on the past or prior fiscal year (in September, the prior year is the fiscal year under execution), the current year (the upcoming fiscal year), and the budget years (the 2 fiscal years for which estimates are submitted).

(2) The AIG-A&IM issues a budget call to the OIG components in June. The call includes a request for budget data for the upcoming year to establish budget execution targets and to identify requirements for the budget fiscal years. Also included is guidance on necessary resource allocations, such as estimated workyear levels, based on the authorized DoD fiscal guidance. The OIG components must identify effects of resource constraints, any change in mission or programs during the budget years, and critical funding requirements.

(3) The Inspector General and Deputy Inspector General are briefed on issues raised in the budget call to obtain their decisions before the consolidated budget submission is completed. The Financial Management Directorate completes the budget exhibits and drafts the IG transmittal memorandum, which present key issues in relation to the funding guidance provided.

c. OSD Budget Review Process

(1) The Financial Management Directorate is the point of contact for questions regarding the budget submission from the DoD Comptroller, the Office of Management and Budget, and other DoD offices.

(2) The DoD Comptroller drafts Program Budget Decision documents for coordination with affected agencies and approval by the Deputy Secretary. The Financial Management Directorate, OAIG-A&IM, prepares the OIG responses to PBD documents, in coordination with affected OIG components.

d. President's Budget. After the DoD budget review is completed, the fiscal guidance, amended by approved Program Budget Decisions, is the basis for preparing the President's Budget submission in January or February. The AIG-A&IM requests updated materials from the OIG components for that purpose. The Financial Management Directorate prepares and submits the supporting budget exhibits to the DoD Comptroller.

e. Hearings/Congressional Budget Questions

(1) The Financial Management Directorate, working with the Office of Congressional Liaison, coordinates the preparation of testimony and back-up books for budget hearings. The OIG components are asked to review and update their program and budget issues for the budget hearings.

(2) Responses to congressional budget questions are prepared by the Financial Management Directorate, cleared by the AIG-A&IM, and provided to the Office of Congressional Liaison for delivery to the appropriate congressional committees.

2. Budget Execution/Fund Control

a. Continuing Resolution Authority (CRA). In the absence of an appropriation, a CRA usually authorizes continuation of normal operations at a rate not to exceed the latest congressional action or the previous fiscal year rate. The CRA does not authorize new starts or expansions to programs. In the absence of an appropriation or CRA, agencies are directed to maintain contingency plans to conduct an orderly shutdown of operations, but may continue activities that are otherwise authorized by law, activities that protect life and property and activities necessary to begin phase-down of other activities.

b. Authorization. The authorization of funds for OIG programs is normally provided in the annual authorization act for the Department of Defense.

c. Appropriation. Appropriations are statutory authorities to incur obligations and make payments out of the U.S. Treasury for specified purposes. Appropriations can lawfully be applied only to the objects for which the appropriations were made except as otherwise provided by law. The OIG receives its funds through the DoD Appropriations Act. The OIG has a separate appropriation that includes Operation and Maintenance funds, which are available for the particular fiscal year, and limited procurement funds, which are available for 3 fiscal years. After the President has signed the Appropriations Act, the U.S. Treasury issues appropriation warrants for each appropriation.

d. Apportionment. An apportionment is a distribution by the Office of Management and Budget (OMB) of amounts available in an appropriation into amounts available for specified time periods, projects, objects or combinations thereof. Funds are apportioned to prevent obligation at a rate that would require a deficiency or supplemental appropriation for the period. An officer or employee of the United States may not make or authorize an expenditure or obligation that exceeds an apportionment. The Financial Management Directorate, OAIG-A&IM, prepares requests for quarterly apportionment or reapportionment based on the OIG appropriation and anticipated reimbursable orders and submits the requests to the DoD Comptroller. The DoD Comptroller submits apportionment requests to the OMB. On approval of the apportionment, the DoD Comptroller allocates, in writing, apportioned amounts to the Inspector General. The Inspector General, or designee, allots the amount to the accounting support office. Obligations and disbursements during any apportionment period may not exceed the amount of the apportionment available for that period.

e. Distributed Budget Targets

(1) The Financial Management Directorate, OAIG-A&IM, reviews the OIG component budget requests and recommends budget distributions based on funds availability to the AIG-A&IM. The AIG-A&IM and the Director, Financial Management Directorate, brief the Inspector General and the Deputy Inspector General on the recommended funding levels and unfunded requirements. The Director, Financial Management Directorate, then distributes budget allocations to the OIG components that include personnel compensation related to approved workyear levels, administratively uncontrollable overtime, overtime, cash awards, travel, permanent change of station, training, and emergency and extraordinary expense targets.

(2) Blanket travel orders without specific cost limitations are issued to OIG employees in the Audit, Investigations and European field offices. The AIGs for Auditing and Investigations and the Director of the European Field Office must maintain travel commitment records/databases and take other steps necessary to ensure that travel targets are not exceeded. The AIGs for Auditing and Investigations and the Director of the European Field Office must also report individual trips and costs under each blanket travel order to the Financial Management Directorate. To meet that need, the AIGs for Auditing

and Investigations and the Director of the European Field Office may use hard copy reports or grant the Financial Management Directorate access to their databases used to track travel.

f. Centrally Controlled Funding

(1) The Financial Management Directorate monitors and centrally funds costs for Senior Executive Service bonuses, performance management recognition system awards, lump sum leave and severance pay, Department of Labor workers' compensation reimbursement, General Services Administration (GSA) rent, telephone and other communication costs, postage, leased vehicles, equipment rental and maintenance, minor construction, centralized Automated Data Processing (ADP) and other contractual services, drug testing, centralized training, supplies and furniture and equipment.

a Critical overhead costs, such as space rental costs, are included within the funded operating budget. Requests for additional space must compete with agency priorities for funding availability.

b The AIG-A&IM establishes priorities for funding centralized training, supplies, office furniture and equipment and non-critical contracts.

c The AIGs submit requests for services, supplies, furniture and equipment through the automated procurement system. The Acquisition and Supply Branch, Administration and Resources Directorate, OAIG-A&IM, reviews and approves the requests before the items/services may be purchased. Further, the Information Systems Directorate, OAIG-A&IM, must review and approve any request involving an ADP requirement that is input into the automated procurement system. Any request involving over \$10,000 input into the procurement system also requires AIG-A&IM approval. Finally, the Financial Management Directorate reviews all procurement requests for propriety of OIG appropriation usage and must approve funding based on funds availability.

(2) Headquarters Imprest Fund. The Financial Management Directorate maintains the headquarters imprest fund, monitors costs and ensures funding availability for small purchases and local travel claims processed through the headquarters imprest fund.

(3) Funding Documents Issued to Field Offices. The Director, Financial Management Directorate, issues funding memoranda to field offices in response to requirements submitted by an AIG and the Director of the European Field Office to provide funds for field office costs such as inter-service support agreements, copier rentals, contractual services, and supplies. The field office may not exceed the funding limits established in the funding memoranda. Requests for funding revisions should be submitted to, and approved by, the appropriate AIG before submission to the Financial Management Directorate.

(4) Local Travel Claims

a The Director, Financial Management Directorate, provides the accounting classification to be cited on local travel claims by field office employees. Local travel targets are issued to the AIGs and status reports are required to ensure that costs do not exceed target levels.

b The Financial Management Directorate tracks local travel claims submitted by headquarters employees for imprest fund reimbursement or reimbursement from the supporting disbursing office.

(5) GSA Supply. The OIG supply office and field offices are provided with Department of Defense Automatic Address Codes that allow them to order GSA supplies. Copies of the receiving reports must be sent to the Financial Management Directorate to document and validate GSA

billings. The Financial Management Directorate monitors costs and sets aside sufficient funding to cover that budget item.

(6) **Metro Fare Cards.** The Financial Management Directorate budgets for and issues metro fare cards to employees for official trips on the Washington Metro system.

g. **Budget Review.** The Financial Management Directorate monitors obligations against budget targets, reconciles budget tracking records against official accounting records, and conducts quarterly reviews with the OIG components. The quarterly reviews focus on execution of operating budgets, revised annual requirements, and identification of unfunded requirements. The Financial Management Directorate prepares a report, based on the quarterly reviews, for the Inspector General and Deputy Inspector General.

h. **Financial Management Working Group (FMWG).** The FMWG is chaired by the Director, Financial Management Directorate, and includes representatives from each OAIG. Meetings are held to discuss agency budget issues.

i. **Procurement Funds**

(1) Procurement funds must be used to acquire all items that constitute investments in capital assets. The DoD Comptroller has described all equipment items with a system unit cost equal to or greater than \$15,000 as investments in capital assets. The system definition for automatic data processing (ADP) equipment includes the aggregate cost of new equipment/systems, including peripherals and system unique software. The OIG local area network, for example, is a system that includes the ADP hardware (work stations, servers, printers), software (network operating system and network application software) and cabling. When new requirements necessitate adding, replacing or modifying equipment/software which is a component of, or supports the functioning of an existing system, only the additional equipment/software procurement costs will be used to determine whether it should be treated as an expense or investment cost. Upgrades to an existing system involving multiple equipment component/software changes which are combined to address validated system deficiencies or to improve system performance will be treated as new equipment system procurement in determining the applicability of the expense/investment criteria.

(2) The Financial Management Directorate requests OIG components to identify their procurement requirements in budget calls. The Information Systems Directorate, OAIG-A&IM, evaluates all such ADP requirements and recommends priorities in relation to the agency ADP plans.

(3) The AIG-A&IM briefs the Inspector General and the Deputy Inspector General on the procurement requirements and recommended funding priorities. Based on the approved list, the Financial Management Directorate certifies funding availability for individual procurement requests.

(4) Procurement/investment requirements are reviewed during the quarterly reviews. Any revision to the established procurement priorities must be approved by the Inspector General and/or the Deputy Inspector General.

j. **Expenditures/Disbursements.** The Financial Management Directorate, field offices with funding memoranda, and any OIG office provided special limitation funds (such as official representation funding or emergency and extraordinary expense funding for investigative purposes) monitor billings to ensure that payments do not exceed funds authorized and obligations established. However, payment of valid charges may not be delayed. If an OIG component determines that additional funds are needed, the OIG components should immediately contact the Financial Management Directorate. For current year funding, the Financial Management Directorate determines if funds are available. For prior year funding, the Financial Management Directorate contacts the WHS to determine whether funds are available.

3. Violations of Administrative Fund Control

a. As set out in 31 U.S.C. 1349 (a) and 1518, officers or employees of the United States Government are subject to appropriate administrative discipline, including suspension without pay, removal from office, fines and imprisonment for administrative control violations that violate 31 U.S.C. 1341(a), 1342, and 1517 (these three particular administrative fund violations are called Antideficiency Act violations). A list of administrative fund control violations includes:

(1) An officer or employee may not make or authorize an obligation or expenditure that exceeds a formal subdivision of funds established by regulations prescribed under 31 U.S.C. 1514 and 31 U.S.C. 1517. Allocations and allotments are formal subdivisions under 31 U.S.C., but allowances are not.

(2) An officer or employee may not make or authorize an obligation or expenditure exceeding an amount available in an appropriation or fund for the expenditure or obligation. (31 U.S.C. 1341 [a][1][A])

(3) An officer or employee may not involve the Government in a contract or obligation for payment of money before an appropriation is made unless authorized by law. (31 U.S.C. 1341 [a] [I] [B])

(4) An officer or employee may not make or authorize an expenditure or obligation of funds required to be sequestered. (31 U.S.C. 1341 [a][1][C] and [D])

(5) An officer or employee may not accept voluntary services exceeding those authorized by law except for emergencies involving the safety of human life or the protection of property. (31 U.S.C. 1342)

(6) A violation of 31 U.S.C. 1301 (the Purpose statute) may result in a violation of 31 U.S.C. 1341 and 1517.

(7) A violation of 31 U.S.C. 1502 (the Bona Fide Needs statute) may also result in a violation of 31 U.S.C. 1341.

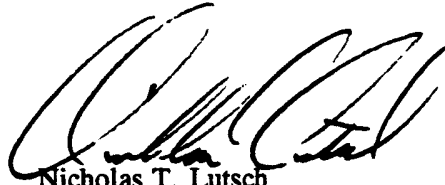
b. The head of any OIG component will promptly report, in writing, any suspected administrative fund violation to the AIG-A&IM. Further reporting to the Comptroller, DoD, will be made in accordance with DoD Directive 7200.1.

c. If an apparent violation of any provision of subsection 1341 (a) or 1517(a) or section 1342 of 31 U.S.C. exists, the AIG-A&IM must promptly report to the Inspector General. The Inspector General must then appoint an investigating officer to conduct a review and submit an investigative report, in the format prescribed in DoD Directive 7200.1 to the DoD Comptroller. The investigative report must identify the causes for and circumstances surrounding the violation, the officials responsible for the violation, the administrative discipline imposed or justification for waiving disciplinary action, and changes and safeguards imposed to prevent recurrence of the violations.

d. If a determination is made that the violation of agency fund controls did not result in a statutory violation, the individual(s) responsible for the violation of the OIG fund control restrictions still may be subject to appropriate administrative discipline. Administrative actions could include a letter of reprimand for the official personnel record, a transfer to another position, a suspension from duty without pay, or a removal from office.

E. **Effective Date and Implementation.** This Instruction is effective immediately.

FOR THE INSPECTOR GENERAL:

A handwritten signature in black ink, appearing to read 'N. T. Lutsch', written in a cursive style.

Nicholas T. Lutsch
Assistant Inspector General for
Administration and Information Management

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