



**Subject: RESPONSIBILITIES AND REQUIREMENTS FOR RECORDING AND REPORTING
 COMMITMENTS AND OBLIGATIONS**

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2-30-00 PURPOSE

This chapter prescribes responsibilities and prescribes the general requirements for identifying, validating, recording and reporting commitments and obligations. Further detailed requirements and procedures for processing and controlling commitments and obligations are embodied in the Administrative Control of Funds, Chapter 2-10, Reconciliations and Internal Control, Chapter 2-40, and Systems Requirements and Operations, Chapter 3-00.

2-30-10 CRITERIA FOR DETERMINING COMMITMENTS

A. General

1. Applicability Within HHS
The use and applicability of commitment accounting is outlined in Chapter 3-00, Systems Requirements and Operations. Commitment accounting is optional and its applicability shall be determined by each agency.
2. Definition
A commitment is a reservation of a specific amount of available funds which provides for a later incurring of an obligation.
3. Certification of Fund Availability
When formal commitment accounting is employed a certification should be indicated on the commitment document that funds are available. Modification of this certification requirement should be made in mechanized processing where fund availability can be verified on a mechanized basis. A verification of fund availability will assist in preventing an over-commitment of funds.

B. General Requirements

1. Guidance Review

Since the commitment serves as a basis for a later incurring of an obligation the guidance which follows in this chapter on obligations should be reviewed for applicability to commitments (i.e. funds chargeable, costs incurred, timing, etc.).

2. Accounting Period

Generally, commitments are recorded on a monthly basis; however, it may be advantageous for an operating agency or an accounting office to consider other commitment time periods. Since allotments and allowances are generally issued on a quarterly basis, it may be advantageous to establish an obligation for the first month of a quarter and reserve funds based on a commitment for the remaining two months of the quarter for certain object classes (i.e. personal services and benefits, rents, communications, and utilities, etc.).

3. Adjustments

Adjustment or removal of the commitment is required when the obligation amount is established. This adjustment or removal of the commitment amount will generally be accomplished on a manual basis unless an accounting subsystem has established mechanized procedures for this type of adjustment.

C. Release of Committed Funds

Wherever requirements for funds are cancelled or an obligation will not take place then action should be taken to notify the fiscal office in writing. If funds have been committed but it is determined that the funds will not be obligated for a particular requirement then the commitment should be removed. Unobligated commitments against annual appropriations will be canceled at the end of the fiscal year (September 30). Accounting offices should notify initiating offices (such as procurement, transportation, etc.) of the commitment cancellation. This will provide the initiating offices an opportunity to review and determine if a commitment is to be reestablished in the succeeding year.

D. Recording Commitments

1. Influencing Factors

Each operating agency should determine the extent that commitments should be formally recorded. Time, geographical distance, and document processing (i.e., mechanization) factors may influence this decision. Where commitments for certain transactions are converted to the obligation stage within a short period of time, the use of formal commitment accounting for these type transactions may not be required. In some agencies the method of using a bulk commitment technique based on a dollar level within a monthly or quarterly time frame could be considered if commitment accounting is implemented.

2. Prompt Recording
If formal commitment accounting is established, commitments should be recorded promptly based on acceptable documentation that will support a reservation of funds. The commitment can be based on grant applications approved for funding, requisitions, purchase requests, procurement action documents, proposals, letters of intent, estimates supported by administrative determinations, and other acceptable written forms which indicate the intention to incur an obligation.

E. Criteria

1. Personal Services
For commitment purposes, an administrative determination of pay, allowances, and HHS Contributions Costs can be estimated and established at the beginning of the month or quarter. The cost can be based on prior paid payrolls adjusted for known changes such as general pay raises and projected hires and separations.
2. Travel and Transportation
Costs of travel and transportation can be estimated prior to commencement of the travel and transportation and a commitment established to reserve a specific amount of available funds. The travel request and other related documentation should be used as the basis for the administrative commitment of funds.
3. Communication Services, Rents, and Utility Services
Pending the receipt of agreements and contracts for communication services, rents, and utility services, an administrative commitment of funds can be established for known obligations that will be incurred. Monthly charges for these services can be established as a commitment at the beginning of each month. a certified register or listing as outlined in Chapter 4-80, Voucher Examination Manual, may be used to support the commitment. (See 2-30-10 B.2 for other commitment time periods.)
4. Other Contractual Services and Procurement of Supplies, Materials, and Equipment
 - a. General
When requests for contractual services and procurement of supplies, materials and equipment are processed prior to incurring the obligation, the requests can be established as a commitment of funds. Supporting documentation for the request are purchase requests, proposals, letters of intent, blanket purchase agreements, and obligation authorities. The obligation authority as used in this text represents the authorization to incur obligations within the dollar amount indicated in the obligation authority commitment document.

- b. Orders for Supplies and Services Requiring Acceptance
Where orders for supplies and services require acceptance on the part of the supplying agency, a commitment can be established pending the acceptance in writing and conversion to an obligation. The request for supplies and services can be used as the commitment document.
5. Entertainment - Official Reception and Representation Expenses
When official reception and representation functions have been approved, an administrative commitment of funds can be established for the estimated costs for these functions.
6. Land, Buildings, Construction in Process, Structure, and Facilities
Proposals, bids, and letters of intent can serve as a basis for an administrative commitment of available funds prior to completed negotiations of a contract or agreement. Plans, proposals, and specifications with cost estimates can assist in establishing the administrative commitment and reservation of funds.
7. Loans
Pending the signing of loan agreements an administrative reservation of funds can be established for the amount of loan to be charged against available funds.
8. Investments in Securities
Requests for the estimated purchase price of stocks, bonds, debentures, and other securities (excluded are par value U.S. Government securities) can be established as a commitment of available funds. An approved purchase request and other requisition and application forms may be used to support the commitment.
9. Grants
Pending the execution of an agreement of approval of an application or similar document for a grant, a commitment can be established reserving available funds for grants that will be obligated. Approved requests for grants may be used as supporting documentation for the commitment. In certain formula grant-in-aid programs wherein specific projects must be approved by a Federal employee to constitute an obligation the amount determined by the formula for each State may be used to record the commitment

10. Pending Litigation and Other Legal Liabilities
A commitment of available funds can be established for pending litigation and other legal liabilities where evidence is provided that actual obligations will be incurred. Claim applications and other related documentation can be used to support the commitment. See General Administration Manual Part 4, "Claims."
11. Contracts
Pending finalization and definitization of a contract and changes to a contract, a commitment can be established to reserve funds. Proposals, bids, letters of intent, and pending change documentation can be used to support the commitment.
12. Review and Reconciliation
Outstanding commitments should be reviewed and reconciled at least quarterly and an annual year-end review is mandatory. Commitments must be converted to valid obligations or removed from the books before the year-end closing. The procedures in Chapter 2-40, Reconciliations and Internal Control, should be reviewed for applicability to commitments.
13. Reporting of Commitments
If reporting requirements are established by operating agencies, the reports and statements should be based on valid commitments recorded.

2-30-20 STATUTORY REQUIREMENTS FOR OBLIGATIONS

Specific legal requirements for recording and reporting of obligations are set forth in section 1311 of the Supplemental Appropriation Act of 1955, 31 USC 200. Provisions of this section are:

- "(a) -- no amount shall be recorded as an obligation of the Government of the United States unless it is supported by documentary evidence of --
 - "(1) a binding agreement in writing between the parties thereto, including Government agencies, in a manner and form and for a purpose authorized by law, executed before the expiration of the period of availability for obligation of the appropriation or fund concerned for specific goods to be delivered, real property to be purchased, or leased, or work or services to be performed or;
 - "(2) a valid loan agreement, showing the amount of the loan to be made and the terms of repayment thereof; or

- "(3) an order required by law to be placed with a Government agency; or
 - "(4) an order issued pursuant to a law authorizing purchases without advertising when necessitated by public exigency or for perishable subsistence supplies or within specific monetary limitations; or
 - "(5) a grant or subsidy payable (i) from appropriations made for payment of or contributions toward, sums required to be paid in specific amounts fixed by law or in accord with formulas prescribed by law, or (ii) pursuant to agreement authorized by, or plans approved in accordance with and authorized by law; or
 - "(6) a liability which may result from pending litigation brought under authority of law; or
 - "(7) employment or services of persons or expenses of travel in accord with law, and services performed by public utilities; or
 - "(8) any other legal liability of the United States against an appropriation or fund legally available therefor.
- "(b) Hereafter in connection with the submission of all requests for proposed appropriation to the Office of Management and Budget (OMB), the head of each Federal agency shall report that any statement of obligations furnished therewith consists of valid obligations as defined in subsection (a) hereof.
- "(c) Each report made pursuant to subsection (b) shall be supported by certifications of the officials designated by the head of the agency, and such certifications shall be supported by records evidencing the amounts which are reported therein as having been obligated. Such certifications and records shall be retained in the agency in such form as to facilitate audit and reconciliation for such period as may be necessary for such purposes. The officials designated by the head of the agency to make certifications may not redelegate the responsibility.
- "(d) No appropriation or fund which is limited for obligation purposes to a definite period of time shall be available for expenditure after the expiration of such period except for liquidation of amounts obligated in accordance with subsection (a) hereof; but no such appropriation or fund shall remain available for expenditures for any period beyond that otherwise authorized by law.
- "(e) Any statement of obligation of funds furnished by any agency of the Government to the Congress or any committee thereof shall include only such amounts as may be valid obligations as defined in subsection (a) hereof."

2-30-30 CRITERIA FOR DETERMINING OBLIGATIONS

A. Obligation Defined

Reference OMB Circular No. A-34. "An obligation for Federal Government Accounting represents the dollar amount for orders placed, contracts awarded, services received and similar transactions during a given period which will require payments during the same or a future period. In addition to orders and contracts for future performance, obligations incurred include (a) the value of goods and services accepted and other liabilities arising against the appropriation or fund without a formal order, and (b) disbursements made for which obligations were not previously reported." The obligation represents a stage in the fund control and administration of public funds. It is generally associated with the ordering or agreement stage (contract) in contrast to the request or commitment action stage.

B. General Requirements

1. Introduction

All obligations should be recorded promptly in the accounts as they are incurred when the obligations meet the tests set out in the statutory requirements cited in the preceding paragraph. Valid obligations should be recorded as they are incurred even though the control accounts indicate that sufficient funds may not be available. This situation may require an anti-deficiency report to be issued. When an agency, after applying the specific statutory tests and after research of the Comptroller General decisions on "obligations," is unable to resolve whether a particular financial transaction should be recorded as an obligation, it should submit the question to the Office of the Deputy Assistant Secretary, Finance, Office of Assistant Secretary, Comptroller, for consideration. If necessary, a decision will be obtained from the Comptroller General.

2. Certification of Fund Availability

Where formal commitment accounting is not employed, a certification should be indicated on the obligation document that funds are available. Modification of this certification requirement should be made in mechanized processing where fund availability can be verified on a mechanized basis. If formal commitment accounting is employed it should not be necessary to recertify availability of funds to process obligation documents since the commitment document would be the basis to convert to the obligating document. The verification of fund availability should assist in the administrative control of funds.

3. Documentation

- a. Obligations Supported by Contractual/Documents
Obligations must be supported by proper documentation as outlined below. They are not recordable until such documents have been (1) where required, signed by the contractor or other performing agency, (2) signed by the authorizing representative of the operating agency, (3) where required, approved administratively, and (4) mailed or otherwise delivered to the contractor or other performing agency. The date of all signatures and approvals must be shown on the document. All required actions must be completed within the period of availability for obligation of the funds being cited.
- b. Accounting Office Copy
A signed copy of the obligating document must be filed in the accounting office which records the obligation. A certified true, photographed, or similar reproduced copy may be used for this purpose. See Part 3-50, HHS Procurement manual, for distribution of numbered contracts, purchase orders, delivery orders and other purchasing instruments.
- c. Written Evidence Prior to Receipt of Documentation
Written evidence that a valid obligating document exists should suffice until a copy of the document as prescribed above is received.

In such cases, the accounting office will take immediate action to obtain the prescribed copy of the actual document. Written evidence may be a letter, memorandum, electronic message, other written communication from the individual having physical possession of the valid obligating document, or a written record of a telephone conversation with that person signed by the responsible individual receiving the communication. Information must be included to support a determination that a valid recordable obligation does in fact exist. While specific details may vary, the following information should be included:

- (1) document number;
- (2) date and type of the obligating document;
- (3) contractor's or vendor's name and address;
- (4) actual or estimated amount of the obligation;

- (5) quantity and brief description of the supplies or services being procured;
 - (6) fund citation;
 - (7) a statement that all required signatures and administrative approvals have been obtained and delivery or mailing of document accomplished, when applicable, and
 - (8) name, title, organization and phone number of person submitting the above data and the date it was received.
- d. Responsibility of Contracting or Procuring Activity
It is the responsibility of the activity taking the obligating action to provide the necessary documentation to the proper accounting office in a timely manner.
- e. Administrative Determinations
In some cases written administrative determinations with estimated amounts can constitute the supporting documentation for obligations relating to: personal services, travel and related transportation, amounts due periodically under some rental and lease agreements, grants, public utilities services, subsidies, and similar transactions. This type of documentation can be used where a contract or other document supporting the obligation provides for a payment or a series of payments to be made, and where there is no separate purchase or delivery document to place in the files to substantiate the recording of each accrued unpaid item. Such written administrative determination should contain a description of the transaction, refer where appropriate to the document initially authorizing the transaction, and be authenticated by an official who is vested with the authority to make such administrative determination.
- f. Miscellaneous Obligation Document (MOD)
The miscellaneous obligation document may be used to establish obligations at the beginning or during an accounting period for estimated costs for personnel, travel, communications and other costs for which valid documentation is not currently available. The use of the MOD in this manner provides a means of identifying and obligating funds immediately for fund control purposes. The written administrative determinations referred to in e. above may be prepared upon, or made a part of, the Miscellaneous Obligation Document. Upon receipt of valid documentation the amount of the obligation should be adjusted accordingly.

g. Machine Listings as obligation Documents

The recording of obligations may be based upon signed summaries supported by mechanized listings of the documents when operations are automated with ADP equipment and documents are authorized to be processed without signature. Other applicable requirements must be satisfied. These listings must be verified as to correctness and certified that copies of the supporting documents are available in auditable form.

4. Appropriation or Fund to be Charged

An obligation will be charged to the appropriation or fund available for the fiscal year in which the obligation was incurred. The general rule is that the obligation must have been made to meet a bona fide need of the fiscal year to be charged.

Supplies and services ordered should be for the intention of meeting a bona fide need of the fiscal year in which the need arises or to replace stock used in that fiscal year. If the supplies and services can not be used (exception: stock replacement) in the current fiscal year then the obligation should be established in the fiscal year in which the costs are incurred and the supplies and services will be used: i.e., it is not proper to contract for the installation of carpet in the current fiscal year when the office space where the carpet is to be installed will not be available until the next fiscal year. In this case, the installation costs for the carpet should be established as an obligation in the next fiscal year when the actual or bona fide need exists and the office space is available and ready for the installation of the carpet. In determining the bona fide need for a fiscal year each case must be examined on its own individual set of facts.

An appropriation or fund is an account established to make amounts available for obligation and expenditure from the Treasury. These accounts include not only those to which money is directly appropriated, but also revolving funds, trust funds, etc.

A one-year account is one which is available for incurring obligations only during a specified fiscal year.

A multiple-year account is one which is available for incurring obligations for a definite period in excess of one fiscal year.

A no-year account is one which is available for incurring obligations for an indefinite period of time.

An unexpired account is one which is available for incurring obligations.

An expired account is one which is no longer available for obligation but is still available for disbursement to pay existing obligations. (See Chapter 3-50.)

C. Personal Services

1. Pay and Allowances

Obligations incurred for personal services for civilian and commissioned officers consist of amounts earned during the reporting period. This includes base pay, allowances, overtime pay, night differential pay, and other additions to base pay, such as monetary allowances for subsistence and quarters.

a. Salaries and Allowances

Obligations for salaries and allowances are in the gross amount before deductions for retirement, bonds, taxes, insurance, and allotments, but are net deductions for such items as quarters, subsistence and refunds which are credited back to the appropriation. Obligations for personal services should be supported by payrolls or other written administrative determinations at the close of the monthly accounting period. The obligations should represent the liability for the monthly accounting period for personal services of individuals supported by personnel records. For civilian personnel and commissioned officers, the obligation should be supported by the Payroll Data Flowback CAN and Object Class Cost Summary and the Accrual Cost Summary for earned but unpaid salary costs for the balance of the month. These reports are supported by tape formatted records for automatic input to the OPDIV/agency accounting systems.

b. HHS Contributions

Obligations for required HHS contributions for Federal insurance (FICA and MEDICARE), group life insurance, health benefits, and retirement, should be estimated for the monthly accounting period. Such determinations should be supported by information furnished from personnel records. The prior payroll adjusted for known changes may be used for estimating the obligations. Accounting documentation will be provided as in "a." above.

c. Payroll Period Covering Portions of Two Months

Where a payroll period covers portions of two calendar months, the proportionate amount accruing within each month is an obligation

d. Witnesses and Experts - Obligations for obtaining witnesses and employing experts should be evidenced by a signed copy of the document evidencing their employment. Accounting documentation will be provided as in "a." above.

- e. Continuation Pay - Commissioned Officers - Continuation Pay for Commissioned Medical Officers is obligated for the total amount of the entitlement in the accounting period in which the Commissioned Medical Officer signs the agreement to remain on active duty. The fiscal year appropriation available on the date of agreement is the only appropriation available for obligation and payment of such continuation pay regardless of the fact some installments may be paid in subsequent fiscal years. Adjustment should be made from payroll FY/CAN to obligation FY/CAN.
 2. Incentive Awards - Cash awards made to civilian personnel under the incentive awards program should be recorded as obligations in the accounting period during which such awards are approved. A copy of the document informing the recipient of the award should be used to support the obligation. Adjustment should be made from payroll FY/CAN to obligation FY/CAN.
 3. Lump Sum Leave Payable - In an obligation against the FY/CAN available at the time of the separation date, adjustment should be made from payroll FY/CAN to obligation FY/CAN.
 4. Accrued Annual Leave - Annual leave and compensatory time accrued as earned leave and sick leave (not accrued) are recorded as obligations only at the time leave is used and paid for with the exception of those appropriations/funds which are specifically authorized by law to obligate on the basis of annual leave earned.
 5. Severance Pay - Is to be reported as an obligation when payable.
 6. Equalization Allowance - Obligations for equalization allowances (under 5 USC 3373) will be reported at the time the salaries and wages are earned.
 7. Uniform Allowance - Is to be established as an obligation when payable to the employee.
- D. Travel and Transportation
1. Travel and Related Transportation
Unless otherwise provided below, obligations for temporary duty and permanent change of station travel and related transportation are obligated and charged against the appropriations current in the year in which the costs are incurred and the employee becomes entitled to reimbursement. Types of supporting documents are described in Part 4, Voucher Examination Manual and the Travel Manual, and their use for obligation purposes is indicated in the following paragraphs.

a. Costs Included

The amount of the obligations should include all authorized costs incident to the travel, such as: (1) transportation of the employee, professional equipment, household goods, and dependents, (2) monetary allowance in lieu of transportation, (3) mileage and per diem allowances, (4) incidental travel expenses, (5) dislocation allowances, and (6) temporary and non-temporary storage.

b. Travel Orders

Pending receipt of the SF 1012 Travel Voucher, tentative obligations for travel and related transportation may be based on travel authorizations issued. It is recognized that the travel order at the time of issuance and where travel has not been initiated is not considered a valid obligating document (reference 35 CG 183 and 31 CG 472). However, in 35 CG 183, GAO acknowledges that the travel order at the time of issuance can serve tentatively as an obligation for transportation to be purchased and reimbursements to be earned where it is administratively determined desirable to avoid certain additional accounting requirements and that all estimated amounts for travel and related expenses so recorded are adjusted to actual obligations periodically and, in any event, prior to the submission of the report on obligations required by Subsection (b) of Section 1311, Public Law 663, 83rd Congress (31 USC 200). However, follow up action is required with the traveler to insure that travel and related transportation did actually occur. Immediate adjustment of the obligation must be made upon receipt of the approved SF 1012 Travel Voucher. In the case of single year appropriations where the period covered by the travel authorization extends beyond the end of the fiscal year, the estimate will be for the transportation purchased (see paragraph f. below) and the reimbursements earned to the end of the fiscal year. At the end of a fiscal year, a careful review must be made to insure the obligations are valid and travel and transportation costs were incurred within the fiscal year.

c. Basis for Estimates

It is not contemplated that the estimates should necessarily be recorded at the maximum amount that might be incurred. Rather, estimates should be based on statistical factors, the individual travel experience of the estimating office, and such other information as is available to produce the most accurate and realistic estimate practicable. However, these estimates must be adjusted for actual costs when incurred.

- d. Travel Advance Adjustments
When a travel advance is obtained that covers periods of travel in two fiscal years, the advance is disbursed against the current fiscal year appropriation. However, at the time the travel voucher is submitted for settlement, an adjustment by each fiscal year must be made based on when the travel is performed and when the cost is incurred.

- e. Per Diem, Mileage, and Miscellaneous Expense
Costs for the per diem allowance in lieu of subsistence, mileage, and miscellaneous expenses are obligated in the fiscal year in which the traveler incurs the costs and performs the travel. In the case where two fiscal years are involved in a travel situation, costs for per diem, mileage, and miscellaneous expense must be separated by fiscal year based on when travel cost is incurred.

- f. Transportation Expenses
Transportation expenses are obligated to the fiscal year current at the time the transportation request (TR) is exchanged for a commercial type ticket except where a transportation request is exchanged for a ticket in one fiscal year for travel to commence in the following fiscal year. In the case of the transportation request (TR) which is exchanged for a commercial type ticket in a fiscal year, the total cost of the ticket is charged to the current fiscal year even if the travel commences within the current fiscal year and extends into the next fiscal year. Where travel does not start until the next fiscal year then the next fiscal year must be charged with the travel costs including the commercial ticket purchased with a TR.

- g. Permanent Change of Station (PCS)
 - (1) Obligations for permanent change of station should be established when costs are incurred and the employee becomes entitled to reimbursement.
 - (2) Travel, Household Goods, and Personal Effects
 - (a) Commuted and Reimbursement Basis
When the employee travels and ships household goods and personal effects at his own expense, the expenses of travel and transportation (including packing, crating, drayage, and/or storage) are obligated to the appropriation current at the time the employee becomes entitled to reimbursement (i.e. when the employee performs the travel or pays the transportation costs). It is recognized that

the travel order at the time of issuance and where travel has not been initiated is not considered a valid obligating document (35 CG 183, and 31 CG 472). However, for fund control purposes, determination of the estimated cost should be made for tentative (estimated) obligation purposes pending the receipt of the reimbursement travel voucher SF 1012. The travel order and related documentation should be used to assist in establishing the tentative (estimated) obligation. In the case of reimbursements on a commuted basis for the transportation of household effects, there should be eliminated from obligations at year-end the portion thereof for which the employee has not yet earned the reimbursement by making his own expenditure for transportation.

- (b) Bill of Lading (See Part 103-40, HHS Materiel Management Manual)
When a SF 1103, "U.S. Government Bill of Lading" (GBL) or SF 1113, "Public Voucher for Transportation Charges" are used, the costs of transportation of household goods and personal effects are obligated against appropriation current at the time the carrier picks up the goods (31 CG 471). Where several shipments are involved and separate bills of lading are issued, then each shipment is considered separate and distinct. In the case of multiple shipments, the date each bill of lading is receipted for by the carrier determines the accounting period for obligating and charging to the proper appropriation. The receipted bill of lading should be used as the obligating document. The issuing office shall annotate each GBL with the actual or estimated transportation charges and forward the GBL to the applicable fiscal office for obligating purposes.

- (3) Allowance for Expenses Incurred in Connection with Residence Transactions
In accordance with conditions and requirements outlined in Chapter 3-60 of the HHS Travel Manual, an employee can be reimbursed for expenses paid in connection with: the sale of one residence at the old official station; the purchase (including construction) of one dwelling at the new official station; or the settlement of an unexpired lease involving a residence or a lot on which a house trailer used as a residence was located at the old

official station. Reimbursement for these expenses should be obligated against the proper appropriation at the time costs are incurred and the employee becomes entitled to the reimbursement. A tentative obligation can be established based on the estimated cost pending the receipt of the approved "Employee Application for Reimbursement of Expenses Incurred Upon Sale or Purchase (or both) of Residence Upon Change of Official Station - HHS 531" with the SF 1012 Travel Voucher. The estimated amount can be determined from the travel orders issued to the employee.

- (4) Allowance for Miscellaneous Expenses and Temporary Lodging Allowances on Authorized or Approved Permanent Change of Station
Allowances for miscellaneous expense and temporary lodging allowances on a PCS move (see Chapter 3-60, HHS Travel Manual) are obligated against the proper appropriation at the time the employee becomes entitled to payment or reimbursement. A tentative obligation can be established based on the estimated cost pending the receipt of the approved SF 1012, Travel Voucher.
- (5) Transportation of House Trailer
The costs for moving a house trailer should be obligated against the appropriation current when the costs are incurred and the employee becomes entitled to reimbursement. If the house trailer is moved by the individual employee with his own personal automobile or truck on a mileage basis or the employee pays a commercial carrier to move the house trailer then a tentative obligation can be established based on the estimated cost pending the receipt of the SF 1012 Travel Voucher. If the government moves the house trailer for the individual then the bill of lading shall be used to obligate and charge the appropriation current at the time the carrier picks up the house trailer for transporting. The issuing office shall annotate each GBL with the actual or estimated transportation charges and forward the GBL to the applicable fiscal office for obligating purposes. In some cases, a combination of the above methods of transporting may be employed and the applicable obligating documentation should be used.
- (6) Authorized Costs Prior to Date of Reassignment
Any cost incurred by the Government prior to the effective date of reassignment should be obligated against the appropriation current at the time such cost is incurred. These costs include

Transportation Request (TR) for transportation of persons, or Government Bills of Lading (GBL) for shipment of household goods, cartage, packing, carting, and storage.

(7) Storage of Household Goods

When the employee is entitled to storage of household goods for a permanent change of station movement, the cost of such storage is chargeable to the appropriation current when the service is rendered. For example, if household goods are placed in storage, the service for the first fiscal year or part thereof is chargeable to the current year funds. Each subsequent year's service is chargeable to the subsequent year's appropriation.

2. Transportation of Government Property and Supplies

Obligations incurred for transportation of Government property and supplies should be evidenced by: (1) Government Bill of Lading (GBL) issued to commercial carriers, (2) other contracts for commercial transportation or rental of trucks and (3) Intra-Governmental orders for specific transportation. The obligation should be based on established rates, in amounts representing the estimated cost of the transportation to be furnished. The obligations should be adjusted upon receipt of evidence of payment of final bills. Transportation is an obligation of the fiscal year in which the carrier picks up the goods. The issuing office shall annotate each GBL with the actual or estimated transportation charges and the date the carrier picked up the shipment, and forward the GBL to the applicable fiscal office for obligating purposes.

E. Communication Services, Rents Leases, and Utility Services

1. Communication Services

Include amounts for services received or amounts owed for the use of property during the reporting period. For contracts within or beyond the fiscal year involving recurring services (such as rent), exclude amounts for services not yet performed, even though the total amount of the contract is definite (Ref. OMB Circular A-34). Where contracts or agreements are entered into for communication services, a copy of the signed contract or agreement should support the obligation. For recurring type communication services, the estimated cost may be used for obligation purposes pending the receipt of the actual billing. General Services Administration (GSA) has sole authority for entering into long-term contracts not to exceed 10 years with communication common carriers. The GSA will normally enter into area-wide, general purpose, and special purpose contracts for telecommunications services to executive agencies. Where the agency is authorized to enter into general or special purpose contracts as outlined in Part 9, HHS Real Property Management Manual, a copy of the signed contract or agreement

should support the obligation. For a telegram, the date a telegram is sent determines the fiscal year accounting period for obligation purposes. When the telephone service begins in one fiscal year and ends in another fiscal year, provision is made by the Act of April 27, 1957, 50 Statute (31 US 668a) whereby the billing for telephone service may be charged to the appropriation current at the end of the period. In the case of postage, include the cost of stamps purchased and advance payments for metered mail. Forms and supporting documents are described in Chapters 4-70 and 4-80 of the Voucher Examination Manual.

2. Rental Agreements and Leases

Obligations for amounts due under rental agreements and leases should be based on such agreements or leases, or upon written determinations of specific amounts due under the provisions thereof. Include amounts for services received or amounts owed for the use of property during the reporting period. In determining reimbursement to GSA for real property rentals, the Form 65, Space Assignment Record, should be examined to determine the annual and quarterly rental rate.

a. Termination Provisions

Obligations should be recorded in the amount of the liability for the current monthly period. Where the liability under the terms of the lease is for a longer period or a greater amount (e.g. where a lease contains no termination clause or a clause requiring payment of termination costs or more than 30 days' notice), the amount of such greater liability should be recognized.

b. Without Termination Provisions

Obligations under rental agreements or leases without termination provisions will be recorded (1) when the agreement is entered into, or (2) at the beginning of the fiscal year. The amount is based on the use of the property during the year.

c. Estimates and Adjustments

Obligations covering costs accrued for use of property during the accounting period may be estimates. Such estimates should be adjusted to actual costs based on invoices received.

d. Data Processing Equipment

Obligations covering rental of data processing equipment should be recorded: (1) on a monthly basis, (2) as the charges accrue, and (3) when delivery orders covering rental of such equipment are issued under open-end contracts, except as provided in a. above, for termination clauses.

3. Utility Services

Obligations for recurring charges for utility service may be evidenced by estimated costs. These will be based upon the estimated service which has been furnished or the actual amounts billed, if available for that period. Where a contract or agreement exists then the contract or agreement should support the obligation for utility services. For recurring type charges, the certified register or listing as outlined in Chapter 4-80, Voucher Examination Manual, may be used to support the obligation. The obligation should be recorded in the accounting period in which services are received or amounts are owed for the use of property. However, 31 USC 668(a) permits meter readings such as gas, electricity, water, steam and the like to be charged to the appropriation current at the end of the billing period where the charge begins in one fiscal year and ends in another fiscal year.

F. Other Contractual Services and Procurement of Supplies, Materials, and Equipment

1. General

Obligations for contractual services, and obligations for procurement of supplies, materials, and equipment should be evidenced by documents as required.

a. Binding Agreements

Such obligations must be evidenced by written agreements. The agreements will be in a form and purpose authorized by law. Types of documents most commonly used are: contracts, purchase orders, statement and certificate of award, orders issued against indefinite quantity contracts, and basic ordering agreements. (See Chapters 4-60 and 4-90 of the Voucher Examination Manual.)

b. Document Content

The provisions of the documents used and the nature of the transactions involved determine when obligations have been incurred and in what amount.

c. Commitment

Documents which serve only to reserve funds administratively for specific use do not constitute documentary evidence of obligations. Examples of such documents are: administrative commitment documents, blanket purchase agreements, and blanket delivery orders.

- d. Cash Discount
Contractual documents with provision for cash discount for payment within a specified time will be recorded in the gross amount if it is determined that the cash discount is not effective, according to Chapter 10-40-50 B Guidelines. If the discount is to be taken the obligation and cost of purchase will be recorded in the net amount. The amount of discounts not taken or lost, due to late payment, will be charged to expense account 601.7.

- e. Termination Provisions
Contractual documents with specific provisions for termination prior to performance without cost or liability to the Government are not recordable as obligations until the Government's right to terminate has expired. If annual funds are involved, the charge must be to funds current when the Government may no longer terminate.

- f. Notice to Proceed
Contractual documents with provisions for the use of a "notice to proceed" must contain a positive statement that the "notice to proceed" will be issued not later than a specified date or within a specified time period after the execution of the document provided either date is within the current fiscal year. These documents are then recordable as obligations against current funds. In the absence of such a positive statement, such documents are recordable as obligations only after the "notice to proceed" has been issued and are properly chargeable to the funds current when the "notice to proceed" is issued.

- g. Foreign Currency
Some contractual documents provide for payment in foreign currency. The dollar amount of obligations should be computed on the basis of the lowest available legal exchange rate on the date the contract is executed. If changes occur in the legal rate of exchange, unliquidated obligations should be reviewed and adjusted accordingly. Treasury Department publishes rates on the first working day of each quarter which represents the latest available Treasury Selling Rate in each country. See Treasury Department Circular No. 930 "Regulations Governing Foreign Exchange Operations". Unliquidated obligations should be reviewed at least quarterly and the dollar amounts adjusted to reflect the current quarterly exchange rate. Where required fund control records shall be maintained on both the foreign currency and dollar values.

2. Contracts Between the Operating Agency and Contractors (Including Foreign and State Governments and Instrumentalities Thereof)

(For specific details and guidelines on preparation and types of contracts see Federal Procurement Regulations and HHS Procurement Manual. General guidance on selecting Award Instrument, Contract or Grant, is outlined in Part 3-1, HHS Procurement manual.) Contracts as evidence of obligations should be recorded as follows:

a. General

- (1) The Comptroller General has stated in a number of decisions that the general rule governing the obligation of appropriations by contract is not in the terms of the length of contract, but in terms of whether the contract meets a need of the fiscal year sought to be charged. In 33 Comptroller General Decision 60-61, the Comptroller General said:

"..... the general rule has been stated that, in order to obligate a fiscal year appropriation for payments to be mad in a succeeding year, the contract imposing the obligation must have been made within the fiscal year sought to be charged and the contract must have been made to meet a bona fide need of the fiscal year to be charged."

In this same decision the provisions of Section 1 of the Surplus Fund - Certified Claims Act of 1949, 31 USC 712a are stated:

"Except as otherwise provided by law, all balances of appropriations contained in the annual appropriation bills and made specifically for the service of any fiscal year shall only be applied to the payment of expenses properly incurred during that year, or to the fulfillment of contracts properly made within that year, or to the fulfillment of contracts properly made within that year."

- (2) Regarding amendments to contracts, the Comptroller General has held that amendments to contracts within the original scope of work should be charged to the appropriation initially obligated "under the long established rule that consummation of a Government contract obligates the appropriation initially charged to the extent necessary to satisfy all charges contemplated by the contract" (41 CG 134-138). If there is a change in scope of the work beyond that set forth in the original

contract, the cost of services to be performed in the period covered by the amendment must be charged to the appropriations of the fiscal year in which the amendment or new contract is executed.

- (3) In determining the length of a particular contract, the following factors should be considered: nature of the project; whether the project is readily divisible into stages; the statute involved; and the budget justifications for the appropriations involved.
- (4) Cost overruns which are approved by an authorized HHS official should be charged to the same appropriation against which the contract was charged since it involves the same scope of work as the original contract.

b. Types of Contracts and Agreements

- (1) Firm Fixed-Price Contract
Obligation should be recorded in the amount stated in the contract.
- (2) Fixed-Price Contract with Escalation, Price Redetermination, or Incentive Provisions
Obligations should be recorded in the amount stated in the contract. Contracts with an incentive clause should be recorded at the billing price, if available. Obligations recorded should be adjusted as provided in amendments to the contract.
- (3) Cost-Reimbursement and Time and Material Contracts
Obligations should be recorded for the total estimated costs or the estimated payments, as provided in the contract, for the following types: cost, cost sharing, cost-plus-fixed-fee (CPFF), cost-plus-incentive-fee (CPIF), time-and-material, and labor-hour contracts. Obligations should not be recorded in excess of the maximum current liability, including the fixed fee in the case of CPFF contracts, and fee in the case of CPIF contracts. Obligations recorded should be adjusted as provided in amendments to the contract.
- (4) Indefinite Delivery Type Contracts and Basic Ordering Agreements
 - (a) Call Procurement Arrangements
When a contract provides for an indefinite quantity at specific prices, the total amount of each call represents an obligation. To be valid each call must be supported by a docu-

ment evidencing such calls. All obligations should be recorded when calls are issued.

(b) Basic Ordering Agreements with Negotiated Contracts

When a contract provides for an indefinite quantity at indefinite prices, the estimated amount of each written order for specific quantities placed thereunder is a recordable obligation evidenced by the order. Obligations should be adjusted when firm prices are established.

(c) Requirements Contracts

These contracts are similar to call procurement arrangements. Under requirements contracts, the Government agrees to order all supplies or services from the contractor. Except for blanket delivery orders, each written order placed under a requirements contract represents an obligation upon issuance. Obligation of blanket delivery orders issued against a requirements type contract should be accomplished, based upon: (i) receiving reports in the case of supplies, or (ii) written evidence of work scheduled in the case of services. In the case of services, the written evidence may be a consolidated periodic listing of work orders scheduled to the contractor showing estimated dollar amount of each.

(d) Blanket Purchase Agreements

All purchases made under these agreements should be consolidated and forwarded to the accounting office which should record obligations in the month the purchases are made.

(e) Definite Quantity Contracts

When the contract provides for a definite quantity at specific prices, with delivery or performance at designated location upon order, the amount of the fixed prices stated should be recorded as an "obligation."

(f) Indefinite Quantity Contracts

In the case of "Indefinite quantity contracts," in which a minimum quantity is specified in the contract, the amount stated as the cost should be recorded as an obligation when the contract is executed. Additional obligations should be recorded,

based upon written orders for quantities in excess of this minimum.

- (g) Acceptance
When the terms of a contract or agreement described in (a) through (f) above require acceptance of a definitive order by the contractor, the obligation is created when the contractor accepts the order in writing, delivers the goods, or performs the services. Partial delivery or performance should constitute evidence of acceptance to the extent of such delivery or performance. Such delivery or performance must be accomplished during the period funds are available for obligation.

- (5) Letter Contracts
A letter contract and amendment thereto should be evidence of an obligation as provided below.
- (a) The letter contract and subsequent amendments must be signed by the contracting officer, accepted in writing by the contractor, and approved administratively, if required.
- (b) The terms of the offer and acceptance must be sufficiently specified and reasonably definitive to show the purpose and scope of the contract.
- (c) Obligations should be recorded in the amount stated as the maximum liability under the letter contract and amendments thereto. Obligations should be adjusted to the amount stated in the definitive contract.

- (6) Contract Authorizing Variations in Quantities to be Delivered
Obligations under these contracts should be recorded for the value of the minimum quantity specified for delivery excluding variations. Obligations should be adjusted to the value of minimum quantities delivered and accepted.

- (7) Contingency Items
Obligations for these items are based on the following criteria:

- (a) Contingency Items
A contract may provide for additional performance on the part of the contractor. These provisions are called contingency items

and usually cover engineering changes, facilities, maintenance, repairs, and parts.

(b) Retention of Copy

When obligations are supported by a contingency order obligating documents, a copy of the order or contract must be maintained by the accounting office in a manner to provide an audit trail.

3. Supplies or Services Ordered from Government Agencies Outside HHS

Orders for specific supplies, materials, equipment, work, or services placed with Government agencies outside HHS are evidence of obligations as follows:

a. Orders Placed Pursuant to Law

Orders required by law to be placed with Government agencies such as Federal Prison Industries, Government Printing Office, and General Services Administration (GSA) are obligations at the time the orders are issued. This includes orders placed with the General Services Administration by agencies with limited exemption from procurement under the Federal Property and Administrative Services Act of 1949, as amended.

b. Other Orders on Government Agencies

Other orders on other Government agencies should be obligations in the amount stated in the order when accepted in writing by the performing, procuring, or supplying agency. Obligations so recorded against annual appropriations pursuant to Section 601 of the Economy Act (31 US Code 686) should be decreased at the end of the fiscal year in which the order was issued to the extent that the agency ordered upon has not incurred obligations under such orders. Evidence of delivery may be used as evidence of acceptance of the order by the agency ordered upon, but only to the dollar amount of deliveries made in the event of partial deliveries.

c. General Services Administration (GSA) Job Orders

The GSA Job Order is prepared by HHS operating agencies - for the purpose of obtaining services from GSA, such as erecting and removing partitions; installing electric outlets; conversion of space from general office use to special purpose use (such as computer rooms, etc.). The above are classified as tenant alterations in GSA controlled buildings and require reimbursement in accordance with FPMR Subpart 101-19.4, Standard Practices for Financing.

Job orders must be approved by GSA, include the GSA cost of performing the work, and be certified as to fund

availability and obligated by HHS by not later than September 30 to be considered a valid obligation of the fiscal year. Job orders must be complete and definitive as to specifications.

- (1) All job orders, particularly those near the end of a fiscal year should contain a "Time is of the essence" clause to strengthen the notion that such renovations are a bona fide need of the fiscal year funds being obligated.
- (2) Any unreasonable delay in performing the job order requirements must be attributed to the performing agency. If such delay is caused by HHS, then the job order(s) should be deobligated from prior year funds and reobligated against the then current year funds. If HHS is the delaying factor, then it is prima facie not a bona fide need of the prior fiscal year.
- (3) The availability of funds and the desire not to lapse such funds are not in themselves valid bases to obligate funds. There also must be a bona fide need for such services.

Major projects such as extensive alterations are established as obligations on a GSA Job Order Form 1354 with supporting documentation. GSA will use the following information for preparing cost estimates:

- (1) Detailed layout plans indicating erection or removal of partitions, installation of outlets and light fixtures, etc.
- (2) Narrative description of work to be performed.
- (3) Detailed specifications of such items as equipment to be installed and materials to be used.

Where routine type services such as installing electric outlets and hanging pictures are handled on an open (or blanket) job order basis, a commitment or a tentative obligation may be established based on estimated costs to be incurred. Open (or blanket) job orders should be closed out by September 30 each fiscal year.

4. Advance Payments on Orders

An advance payment made by the operating agency as required by another Government agency under authority of Section 601 of the Economy Act (31 USC 686) should be evidenced by an obligation. Unless already recorded, an obligation should be recorded in the amount of such advance payment. However, if such obligations are

charged against an annual appropriation, they will be reduced at the end of the fiscal year to the extent that the agency ordered upon has not actually incurred obligations under orders to which the advances pertain. The unused portion of the advance either should be returned or bought up out of the subsequent years appropriation if a new agreement is executed to complete the order.

5. Orders for Supplies or Services Placed with Working Capital Funds

Firm and complete orders for supplies or services placed with a working capital fund will be evidence of obligations as follows:

a. Orders Placed with Working Capital Funds

Except as provided below, orders will be accepted in writing by the performing working capital fund component.

b. Orders Placed with Stock Funds

Orders should be recorded as obligations when the orders are issued; i.e., when the order is placed. Material eligible for financing under stock funds is considered to be "common-use standard-stock." In the absence of information that justifies contrary action, such obligations should be retained in the records on the basis that the supplying agency will comply with the delivery provisions. Where the order involves stock items other than referred to above, the obligation is incurred by the requisitioning activity at the time of issuance of a formal notification from the supplying activity that such items are on hand or on order and will be released for prompt delivery, and where the order involves execution of a specific contract, the obligation is incurred by the requisitioning activity at the time the contract is entered into by the supplying activity. Pending notification of delivery or execution of a contract such order shall be recorded as a commitment.

c. Requirement for Valid Obligations

Unless the orders for the particular services supplied by a revolving or management fund are required by law to be placed with the fund, acceptance of a requisition by the fund does not establish an obligation on the part of the ordering appropriation.

Furthermore, the Comptroller General has made it clear that the word "law" as used in subsection

1311(a)(3) of the Supplemental Appropriation Act, 1955, Public Law 663, approved August 26, 1954, does not include administrative regulations (34 CG 705, 707). Therefore, it would not meet the requirements of subsection 1311 (a)(3) if orders placed with the fund are required to be so placed only by Department directives.

d. Orders Chargeable to Appropriations

Current when Orders are Placed

The printing plants of HHS which are listed below are financed either by working capital funds or management funds and have been specifically authorized by the Joint Committee on Printing.

Departmental Printing Plant, DGS, OA, OS
Washington, D.C.

Printing Plant (SSA)
Baltimore, Maryland

Printing Plant, DRG, NIH, PHS,
Bethesda, Maryland

Printing Plant, Parklawn Building
Rockville, Maryland

Printing Plant, (HSMHA)
Communicable Disease Center
Atlanta, Georgia

Printing Plant, USPHS Hospital
Lexington, Kentucky

Orders placed on these plants for printing and related services are "authorized by law to be placed with a Government agency." Such orders, therefore, constitute obligations upon the appropriated funds of the ordering agency when the order is placed provided the following prerequisites are met:

1. The material is ready for processing.
2. (a) The order is intended to serve a bona fide need of the fiscal year in which the need arises, or
(b) The order is required to replace stock used in fiscal year.

Requisitions for printing services by their very nature may include request for visual aids services. If all of the material is ready for processing, and reproduction or printing is delayed only pending receipt of the visual aids service, the requisition or order may include the visual aids service and the complete job may be billed in its entirety to the ordering office for charge to the appropriation current when the order was placed.

If, however, a reproduction order which includes visual aids services is not otherwise ready for processing, a separate order should be submitted for the visual aids services and the submission of the requisition for reproduction or printing delayed until the remaining material is ready for processing.

Each of the plants should prepare a list for each agency fiscal office with the following information on all orders in process (unbilled) as of September 30 for the purpose of adjusting fiscal records to reflect valid obligations for section 1311 purposes. The lists should be routed through the normal billing channels and should be attached to the statement for services rendered during the month of September.

UNBILLED ORDERS FOR PRINTING AND RELATED SERVICES
AS OF Sept 30, 19

Name of Agency _____ Date _____

Name of Ordering Office	Req. No.	Date of Req.	Est Cost of Approp. No.	Completed Job	Job Status as of
		CAN			<u>1/</u> Sept 30

"To be filled
 in only if
 provided on
 requisition"

1/ Use symbol (D) if job was delivered as of September 30 or (UD) if undelivered as of September 30.

e. Orders Chargeable to Appropriations Current when Work is Performed

Requisitions for services, other than those "authorized by law to be placed with a Government agency," should be charged to the appropriation current when the work is performed. Consequently,

the cost of work performed through September 30 will be determined on requisitions issued in one fiscal year but requiring performance of work beyond September 30. Such requisitions shall be closed out as of September 30 and the charges incurred through that date billed to the agencies for charge against the appropriations shown on the requisitions. In addition, each service organization will contact the ordering offices and identify the particular requisitions which are incomplete and for which a new requisition must be submitted.

The new requisitions should indicate that they have been issued to cover completion of work begun on earlier requisitions (such earlier requisitions to be cited by number and date) and should show the new fiscal year appropriation as the one to be charged with the cost of completing the job.

6. Purchase Orders

The following criteria will apply to purchase orders:

a. Unilateral Orders

Purchase orders issued pursuant to law authorizing purchases without advertising, and specifically requesting the delivery of goods or performance of work or services, constitute obligations when issued. Purchases which may be made without formal advertising are limited to supplies or services which in any one case do not exceed \$2,500 (Sec. 3709, Revised Statute, as amended, 41 U.S.C. 5). For other limitations, see Part 4, Voucher Examination Manual and Chapter 5-20, HHS Procurement Manual.

b. Acceptance of Offers

When a purchase order issued pursuant to law is used to accept a specific, binding, written offer made by a contractor or vendor to sell specific goods or to furnish specific services at specific prices, an obligation should be recorded upon issuance of the purchase order provided the purchase order contains the final approval required for such purchase and has been mailed or otherwise delivered to the contractor or vendor.

c. Acceptance by Vendor

Purchase orders issued under other circumstances require acceptance by the vendor. Acceptance by vendor may be required where a definite number of a special item is ordered for delivery at a specific place or additional specific and unique requirements are levied on the vendor. The acceptance by the vendor may be needed for continuing type service requirements such as for garage rentals and office machines.

Evidence of this acceptance must be contained in the accounting files. If written acceptance is not received, delivery on purchase orders should constitute evidence of acceptance. Acceptance should be only to the extent of such delivery and providing such delivery is accomplished during the period of availability for obligation of funds being cited. If written acceptance is not received, and deliveries are accepted subsequent to the period of availability of the funds cited in the purchase order, a new and current funding citation must be provided for the processing of an amended purchase order. If payment to the vendor should inadvertently be made from the expired funds, charges should be transferred to the proper fiscal year.

d. Time Limitations

All actions involved in the obligation of funds must be completed within the period of availability of the funds being cited.

G. Entertainment - Official Receptions and Representation Expenses

The annual appropriation act of the Departments of Labor and Health and Human Services normally contains a section under the General Provisions which provides authority for payment of expenses incurred for official receptions (Ref. Chapter 4-80, Voucher Adult Manual). Costs for approved functions should be obligated and charged to the appropriation (Salaries and Expenses) current at the time the costs are incurred.

H. Land, Buildings, Construction In Process, Structures, and Facilities

1. Policies for Direct Federal Construction

For policies governing planning, acquisition, and construction relating to real property see HHS Facilities Planning and Construction Manual and HHS Real Property Management Manual. It is the general policy of HHS to utilize the services of the General Services Administration (GSA) and the Department of Interior for design, or administration of design contracts with

architect-engineers, and for administration of construction contracts. Generally, funds are transferred to GSA by HHS for the project and GSA does the obligating and accounting for the funds and provides HHS with an SF 133, "Report on Budget Status (Obligation Basis)."

Transfers made by one agency to another for major procurement or construction are generally accomplished by SF 1151, "Nonexpenditure Transfer Authorization." There are situations, however, where organizational units within HHS administer construction projects. For types of contracts that may be encountered, see paragraph F.2. of this section.

2. Basis for Obligation

When HHS obligates and performs the accounting, obligations should include contracts and agreements for acquisition of land and interest in land, buildings, construction in process, structures, and facilities. Where condemnation proceedings are involved include an estimated amount for the price of the land at the time the Attorney General is requested to start proceedings, adjusted to the amount of the payment to be held in escrow where there is a declaration of taking. In the case of liabilities for real property acquired under lease-purchase contracts, including liabilities for costs applicable to properties which are incurred prior to or during construction, include only the portion of the liability financed from available appropriations, excluding the remaining amount of liability applicable to future periods. The cost of real property acquired under lease-purchase contracts is a type of installment purchasing and should include the purchase price under the contracts and other costs incurred by HHS.

The dollar cost should be obligated in accordance with the contract or agreement. For projects extending over a year the costs should be separately identified as to the funds available for the project in the current year and the funds to be obtained in future years. The General Services Administration (GSA) will bill the HHS operating agency for the costs of project work performed by GSA personnel including design and supervision and the costs of contracts awarded and administered by GSA to accomplish authorized projects.

3. Land
Included in the obligation costs for the acquisition of land are: (Ref. HHS Real Property Management Manual and Chapter 1-30, HHS Accounting Manual)

- Cost of land
- Appraisal
- Clearing of Land
- Damage to Property of Others
- Drainage
- Grading
- Landscaping
- Legal Fees and Expenses
- Plats and Surveys
- Removal and Relocation of the Property of Others
as Part of Purchase Contract
- Removal of Structures or Facilities Purchased but
Not Used

The costs will be obligated and chargeable to the fiscal year appropriation at the time land is acquired by HHS. Information on land acquisitions is maintained on the Real Property Record - Land, Form HHS-83. The purchase order or contract documents and the real property voucher should be used as the obligating documents. (See Chapter 17-10, HHS Real Property Management Manual.)

4. Building and Construction In Process
Costs for buildings and improvements are obligated and chargeable to the appropriation at the time the buildings is acquired by HHS. A separate Real Property Record - Buildings, Form HHS-84 is maintained for each building for which the Department has management and accountability responsibilities. The purchase order or contract documents and the real property voucher should be used as the obligating documents.
5. Structures and Facilities
Included under structures and facilities are utility systems (heating, sewage, water, electrical, roads, parking areas, storage tanks, etc.). The HHS Real Property Manual provides a list of items classified as structures and facilities. Costs for structures and facilities are obligated and chargeable to the fiscal year appropriation at the time the structures and facilities are acquired. The purchase order or contract documents and the real property voucher should be used as the obligating documents.

I. Loans

1. General
Loans are made to non-Federal agencies such as individuals, institutions or private concerns. The obligating document may take the form of a loan contract or agreement, an obligating

letter, or a special document form established by an operating agency. The terms of the specific contract and agreement and when funds are made available may influence the amount and fiscal year recording the obligation.

2. Student Loans

- a. National Defense Education and Higher Education Programs
Student loans are available under National Defense Education Act (Title II, Section 203, Title II, Section 207, Title III, Section 305); Higher Education Act, (Title IV-B, Section 422). Where the loan funds are awarded to the institution and the student loan records are maintained by the educational institution, the obligation should be established by HHS organizations at the time of the issuance of the obligating letter (official allocation letter) notification to the institution. Each institution participating in the National Defense Student Loan Program executes a binding agreement as a precondition to participating in the program. Periodically and definitely at the end of the fiscal year adjustments to the obligations should be made when reports from institutions are received indicating loans that have been granted which are supported by loan agreements.
- b. U. S. Loan Program for Cuban Students
This program is administered through participating institutions under the Public Law 87-510, Migration and Refugee Assistance Act of 1962. The Cuban student signs a promissory note for each loan and a copy of the note is forwarded to the Cuban Loan Section, Loans Branch, Division of Student Financial Aid, Office of Education. The obligation will be established upon receipt of a copy of the signed promissory note in the Office of Education. A notification should be furnished the fiscal and accounting office when the signed promissory note is received.
- c. Cancellation of Student Loans
To encourage borrowers to enter the teaching profession cancellation of Student Loans is provided. The OE Form 1028, Request for Partial Cancellation of Loan, should be used to adjust or remove the obligation previously established for the loan.
- d. Defaulted Loan
Defaulted loans include student loan nonpayment and where the death or disability of the student occurs. The occurrence of any of these events will cause the lending agency to sustain a loss and subsequently to file a claim against the Student Loan Insurance Fund. Claims must be fully documented to include an assignment of the note to

the Commissioner of Education. Upon receipt of the claim the obligation will be established for defaulted loan.

e. Interest

While loan holders are still students, the Office of Education may pay the interest. To further encourage lending institutions to make low interest student loans, the Office of Education may make incentive interest payments. Interest should be obligated when accrued and payable.

3. Medical Facilities Construction

A program for the construction and modernization of hospitals and medical facilities provides for direct loans and guaranteed loans to public institutions. Under this program construction projects are inspected and payments made as construction progresses. The loan contract or agreement executed and signed by the parties involved should support the obligation.

J. Investments in Securities

Investments, as used in this category, refers to stocks, bonds, debentures, other securities, etc. Excluded are par value U.S. Government securities. Investments will be obligated at the purchase price in the accounting period in which the investments are purchased. The purchase order or contract should support the obligation.

K. Grants

1. General

- a. Generally, the criteria outlined for contracts in paragraph 2-30-30 F. are applicable to grants especially where contracts and agreements are involved. Grants should be obligated upon execution of an agreement or grant award or similar document in which the amount and purposes of the grant, performance period, obligations of the parties to the grant, and any other applicable conditions are set out. The Office of Management and Budget instructions in Section 22.5 of Circular A-34 should be used as the guidelines for determining grant--in-aid obligations. Pertinent parts of these instructions are as follows:

"Unless otherwise required by law, the amount of obligations to be included for Federal grant-in-aid programs, shared revenues, and taxes payable to States and political subdivisions will be determined as follows:

- (1) For grants which involve no administrative determination, and which are automatically fixed by a statutory formula or specified by law, the obligation to be reported will be the amount

determined by the application of the formula or the amount appropriated, whichever is smaller at the time the amount so determined becomes available to the grantee.

- (2) For grants based upon approved financial programs obligations to be reported will cover only the period of time for which the financial requirements have been established and approved, and for which it has been administratively determined that funds will be paid to grantees. For example, if requirements have been established and approved for one month, and it has been determined that payment will be made on the basis of such approval, obligations will be based on the requirements for that month.
- (3) For grants based upon approved construction and related projects, the Federal share of the project will be considered to be obligated at the time the project is approved by the appropriate Federal authority.
- (4) For any other grants involving administrative determination, obligations will cover the amount approved for payment at the time the determination is made.
- (5) Payments in lieu of taxes will be reported as obligations at the time the taxes would be due.
- (6) Taxes and assessments based on property valuation will be reported as an obligation at the time payment is due, unless further action by Congress is necessary to authorize payment. For revolving funds and other cases specifically authorized by law, taxes will be recorded as they accrue.

Under either the automatic grants or those based on administrative determinations, the fact that recipient agencies are required to match federal contributions does not affect the Government's obligation. However, in any case where an agency determines that future payments on an approved program should be modified or discontinued, the obligation previously reported will be adjusted accordingly."

- b. Subsection 16.8(c) Title 2 of the General Accounting Office Manual provides additional general guidance on the accounting and reporting of grants as follows:

"(c) GRANTS

Definition

Except as otherwise expressly authorized by law, Federal grants are payments in cash or in kind made to provide assistance for specified purposes.

The acceptance of a grant from the United States creates a legal duty on the part of the grantee to use the funds or property made available in accordance with the conditions of the grant. Grant payments may be made in advance of work performed or as a reimbursement for work performed or costs incurred by grantees.

The United States generally has a reversionary interest in the unused balances of advance payment grants, in any funds improperly applied whether received as an advance or reimbursable payment, and in property or facilities purchased or otherwise made available under the conditions of the grants, unless title thereto is specifically vested unconditionally in the grantee by the terms of the grant under authority of law.

"Responsibility of grantor agency

The grantor department or agency is responsible for seeing that:

Grants are applied solely in accordance with the conditions of the grants.

Unused balances of grants, including funds improperly applied, are returned to the United States.

Property or facilities purchased with such funds, or otherwise made available, are utilized and disposed of in accordance with the terms of the grant or other instructions of the grantor agency.

Advance payments made to grantees under the terms of the grants do not exceed the current or revised needs of grantees.

"Accounting and reporting

Accounting for grants shall include all aspects of grant transactions from approval of the proposed grants to final action by the grantees and grantors.

"Accounting for a grant begins with the execution of an agreement or the approval of an application or similar document in which the amount and purposes of the grant, the performance periods, the obligations of the parties to the grant, and other applicable basic terms are set out. This action establishes a commitment of funds and the agreement, application or similar document is the obligating instrument, provided that the United States is bound thereunder to disburse the grant funds either unconditionally or under conditions solely within the control of the grantee.

"Payments to grantees in advance of work performed shall be accounted for as advances of the grantor agencies until evidence of performance has been received from the grantees.

"Payments to grantees as reimbursement for work performed or costs incurred shall be accounted for as reductions of liabilities to pay for such work or cost.

"Payments to grantees under grants where no performance or reporting by grantees is required or where the payments are scheduled to correspond approximately with performance shall be accounted for as liquidations of the obligations and as costs incurred.

"Reports under advance payment grants shall be required of grantees at reasonably frequent periods and to show, as a minimum, how the funds or property were applied, details of property acquired, and unused fund balances. Upon acceptance by the grantor agencies, such reports shall be used as the bases for liquidating obligations, reducing the advance accounts, and making charges to appropriate cost and property accounts.

"Reports under reimbursable grants also shall be required at reasonably frequent periods and used as support for recording the agency liability for costs incurred and for liquidating the obligation under the grant.

"Estimates may be used in lieu of reports where necessary for monthly reporting purposes.

"Where title to grantee-acquired property vests or may vest in the Government, appropriate property records shall be established.

"At termination of a grant, unused and improperly applied funds shall be collected by the grantor agency or appropriately adjusted by offset or otherwise utilized in accordance with the conditions of the grant and

arrangements shall be made for disposition of Government-owned property.

2. Grant Programs

Grant programs are classified broadly into the following areas for obligation purposes.

Formula - (Principally to States)
Construction - (Federally assisted) Research
Training and Fellowship - (Includes fellowships, traineeships, training grants)
Multi-purpose - (Such as Regional Medical Programs)
Services and demonstrations
Other

In the above grant programs the obligation should be established at the time of approval and be supported by documentation such as the notification or statement of grant award and approval list of awards.

3. Grants to State and Local Governments

a. Grants Fixed by Statutory Formula or Specified by Law

Where no administrative determination is involved the obligation to be recorded will be the amount determined by the application of the formula to the amount appropriated. Where HHS grants have fixed statutory formulas and also involve an administrative determination as to the grant amount then this amount will be recorded as an obligation when the determination is made. However, once the State has met all the requirements, the obligation will be for the amount of the State's share of HHS's appropriated funds as determined by the formula and the amount indicated on the obligating document.

b. Grants Based on Approved Financial Programs Covering an Established and Approved Time Period and Involving Administrative Determination that Funds will be Paid

The obligation to be recorded will cover only the period of time for which the financial requirements have been established and approved and for which it has been administratively determined that funds will be paid to the State or local government. For example, if requirements have been established and approved for three months, and if it has been determined that payments will be made on the basis of such approval, the obligation will be recorded at the time this determination is made and on the basis of the amount approved for the three months.

4. Construction Grants

Initial information for the construction project will ordinarily be available on the HHS 537, Application for Federal Assistance for Construction of Health and Educational Facilities. The application plus additional information furnished should provide the estimated dollar amount, the purposes of the project, the pre-construction performance requirements leading to final Departmental approval of the construction grant, and the estimated completion date for each preconstruction phase (i.e., financing arrangements for the grantee's share, site, title, and survey arrangements; architectural plans and specifications; etc.). The approved agreement or grant award statement should be used as the obligating instrument provided HHS is bound thereunder to disburse the grant funds either unconditionally or under conditions solely within the control of the grantee. (Ref. Subsection 16.8(c) Title 2, GAO Manual.) An obligation will be recorded when the Department approves without change the grantee's application, or when the grantee accepts the grant offer of the Department where the application is amended by the Department.

The obligation amount will be based on the best available estimate and will later be revised based on more refined estimates or on final approval of the construction grant subject to the availability of funds.

If the grant application agreement contains a provision that Federal funds will be made available only where the applicant proceeds to fulfill conditions of the application agreement, an obligation will be recorded when it is determined that the grantee has accordingly fulfilled the stated conditions. Under these circumstances and as a practical matter, final approval of the construction grant will usually be the basis for the obligation of funds.

Funds for construction programs that are included in monies allocated to states on a formula basis, and where the State agency is permitted by legislation to make final project approvals, will be obligated according to criteria in paragraph 3a. above.

5. Bona Fide Need as a Condition to Obligate

- a. A grant award or similar agreement must be a bona fide need of the fiscal year in which the grant award or similar agreement is initially obligated. In 33 CG 57, 61, the Comptroller General stated:

"... the general rule has been stated that in order to obligate a fiscal year appropriation for payments to be made in a succeeding year, the contract imposing the obligation must have been

made within the fiscal year sought to be charged and the contract must have been made to meet a bona fide need of the fiscal year to be charged."

While the Comptroller General decision refers to a contract as the obligating document, the same rule applies equally as well to grants.

- b. In 44 CG 399, 401, the Comptroller General stated that determination of "what constitutes a bona fide need of the service of a particular fiscal year depends in large measure upon the facts and circumstances of the particular case, there being no general rule for application to all situations." In general, a grant may be initially obligated in one fiscal year for a project or activity which is to commence in the next or subsequent fiscal years, provided that the grantee needs lead time in order to meet the contemplated starting time. This type of obligation action would be applicable in educational service grants whereby the institution needs the grant funds prior to the end of the current school year (probably April or May) for scheduling and planning purposes for the academic year that will begin in September of the following school year.
6. Effect of Contingencies on Recording of Obligations
Certain agreements may provide that grantee performance is to begin only upon the occurrence of a future event. If the future events is uncertain (e.g., enactment of the appropriation for a subsequent fiscal year), the obligation is contingent until the occurrence of the future event and no binding agreement or recordable obligation is created until that time. If the future event is certain (e.g., issuance of a notice to proceed which is merely a direction to a grantee to begin work on an existing grant), the grant shall be considered an obligation according to the criteria set forth in preceding paragraphs not when the notice to proceed is issued.
 7. Obligation Amount for Grants Payable In Foreign Currency
The dollar amount of an obligation to be recorded for a grant agreement which provides for payment in foreign currency will be computed on the basis of the lowest available legal exchange rate on the date the grant is executed, unless the terms of the grant provide a different exchange rate in which case that rate is used. If there is a reasonable basis for expecting a change in the legal rate of exchange, or if a change in the legal rate subsequently takes place, the obligation will be based on the rate anticipated to be in effect when payments are to be made under the grant. The obligation shall be reviewed frequently and adjusted accordingly (See paragraph 2-30-30 F.1.g.).

8. Funding Period Covered by Initial Obligation

a. Severable Grants

If a project can be divided into two or more discrete work stages or phases, a grant may be executed for each discrete phase of the project. Funding would then be provided from the fiscal year appropriation current at the time each project phase is approved or the grant is executed, as appropriate. Where the project can be divided into stages the first stage grant or contract could contain language that the contract or grant is the first stage of a proposed (number of years) project and it is the intention of the HHS operating agency to award additional contracts and grants to complete the project, subject to satisfactory performance and subject to the availability of appropriations for the project.

b. Non-severable Grants

A non-severable grant is identified with a project or activity which has a specified, tangible end product or result within a specified time period and cannot be divided into discrete phases. A grant of this type must be fully obligated and funded from the fiscal year appropriation current at the time the Federal Government becomes unconditionally committed, in accordance with criteria set forth in preceding paragraphs. A non-severable grant which covers two or three years, for example, must be fully funded at the outset.

c. Project Period Grants

Project period grants are funded in a series of successive years' appropriations. Under the Project Period Grant approach, the project is approved in its entirety; however, the funding is provided in annual increments called budget periods. The Federal share of the project costs for the coming budget period would be the basis for the annual grant. Unused funds remaining in the hands of grantees would serve as a basis for adjustments in succeeding grant increments. Policy guidelines on the use of the Project Period System for discretionary type grants are included in Chapter 1-85 of the Grants Administration Manual.

An initial award and subsequent continuation grant award(s) unless limited by law made in support of discretionary grants such as research, demonstration, or other projects generally involve a general result that cannot with certainty be accomplished within an identifiable time frame. The project period may span up to several years, subject to legislative or administrative restrictions. The control aspect in administering project period grants is to award funds each fiscal year based on the needs of the budget period

(usually 12 months), as set forth in the approved project budget. If it is determined that continued funding would not be in the best interests of the government and the grant is to be terminated, the grantee would be notified in advance to permit an orderly termination. The initial grant award provides funds for conduct of the project during the first budget period of the project (usually, but not necessarily, 12 months), and the grant document states the funding support recommended for the remainder of the project period, subject to the appropriation of funds by the Congress. The period of the initial grant award is the same as the project period. The period of each continuation grant award is the same as the remainder of the project period; however, funds provided would usually be for a 12 month budget period. The grant document authorizes the use of the awarded funds throughout the project period of the grant. In the case of continuation grants, the grantee is authorized to continue to expend old year appropriations which have been committed to the program until they are exhausted and to pick up at that point with then current appropriations which are awarded to the project. Thus, the grantee is authorized the use of each year's funds obligated to the project until the funds are expended. Thereafter, the grantee is authorized the use of funds of the then current fiscal year covered by the continuation grant. Every effort should be made to make sure the approved project budget is not overstated in order to make available unexpended balances for use in succeeding years. However, adjustments in the award should be made when authorized funds exceed or are less than the approved budget for the year. Any funds excess to the grantee's needs at the end of the final budget period of a project shall be returned to the Department of Health and Human Services.

9. Criteria for Adjustments to Initial Obligations

a. Within the Same Fiscal Year

- (1) Except as specified in subparagraph b. below, appropriated amounts are available for obligation by an HHS agency only during the fiscal year(s) authorized by law.
- (2) Subject to legislative and administrative restrictions, appropriated amounts which were obligated but unexpended under one grant award may be deobligated and reobligated for use under another grant award only within the fiscal year(s) authorized by the appropriations.

- (3) When obligation amounts are linked directly to amounts paid by grantees (i.e., public assistance grants) obligations incurred must include upward adjustments for the differences between obligations previously recorded and the actual payments by grantees for the Federal share. Payments to grantees for these upward adjustments must be subject to the availability by appropriated funds.
 - (4) If conditions of a grant award provide that the grantee's authority to obligate expires at September 30, or at some other specified date (which may be several years in the future for project period grants), the amount of the grant award not obligated at the expiration date by the grantee will be used as the amount to reduce the obligation recorded on the books of the HHS agency. The final obligation adjustment for a grant award will be based on the grantee's final expenditure report. Cash draws by the grantee under letters of credit or cash advances by Treasury check to a grantee must be recorded in an advance account by the HHS agency. The advance account will be liquidated on the basis of expenditure (performance) reports received from the grantee. (Ref. Subsection 16.8(c) Title 2, GAO Manual.)
- b. In Subsequent Fiscal Years
"Unobligated balances from a prior fiscal year may be used to pay increased adjustments in obligations properly incurred in that same prior fiscal year; provided, the grant or other agreement contained a provision for adjustment -- "doctrine of relation back." As an example an award that provides for adjustment from a provisional indirect cost rate meets the doctrine of relation back and any increased cost related to this provision must be charged to the same fiscal year appropriation against which the applicable grant award was charged." In the absence of such a provision, with respect to construction loans under Title III of Higher Education Facilities Act of 1963, the Comptroller General ruled that increases in construction costs must be obligated as new loans from the current year ceiling - ref. 41 C.G. 135).
- (1) Unexpended obligations or unobligated balances from an expired appropriation may not be used to fund a change in scope of work. Appropriated funds of the current year must be used. The ending date of the grant may be extended, however, to permit the use of unexpended obligations for completing work within the original scope of the project.

- (2) Subject to legislative and administrative restrictions as to the total length of time a project may be supported, unexpended balances in the hands of grantees for project period grants at the end of an approved period of support may be used to fund continuation of the same project if the work scope remains unchanged. Unobligated balances of expired appropriations may not, however, be used to fund other projects in subsequent fiscal years.

10. Disposition of Unobligated Balances of Appropriations
Periodically, the status of unpaid grant obligations will be reviewed to determine whether the obligation is still valid. To the extent it is determined that payments will not be made, the obligation will be reduced, or written off. Any such action must be coupled with agreement of the grantee, and such action must comply, if applicable, with provisions of "termination of award."

L. Other Obligations

1. Pensions, Annuities, Insurance Claims, Refunds, Awards, and Indemnities
Include amounts determined administratively or judicially to be due and payable when no further action by Congress is required to authorize payment.
2. Interest and Dividends
Include the amount of interest accrued or dividends declared (other than dividends payable from a Government-owned fund) to the Treasury during the period.
3. Liability Under Pending Litigation
Obligations covering liability under pending litigation will be evidenced by written administrative determinations of the estimated amount of liability that will result from such litigation. Such obligations exist only in those cases where the Government has admitted its liability for the payment of money and the amount of such payment is to be determined by the litigation.
4. Other Legal Liabilities
The following types of liabilities will be recorded as obligations when supported by appropriate documentary evidence:
 - a. Evidence of claims payable pursuant to law, when finally approved and funds certified for payment, if not previously recorded as an obligation.
 - b. Any present liability of the Government where competent legal authority has determined that such liability exists. Tort claims should be obligated based on the

approved SF-1145, Voucher for Payment. See Chapter 4-80 of the Voucher Examination Manual and Part 4, Claims, of the General Administration Manual.

- c. Liabilities evidenced by disbursement documents, not preceded by a recorded obligation. This should be an exception to the common practice and indicates a breakdown in system of document flow, particularly in areas of procurement, grants, loans, etc.

2-30-40 REVIEW OF UNLIQUIDATED OBLIGATIONS

A. Current Appropriations

The revision of amounts obligated, as more precise information becomes available, is a continuing responsibility. Review of unliquidated obligations should be performed quarterly but an annual year-end review is mandatory. (See Chapter 5-70). Obligations recorded as of September 30 can be adjusted in the interval between September 30 and October 30 (final closing of the books for the fiscal year) as additional information becomes available. Unpaid obligations under \$1.00 should be removed from the accounts on the basis that a billing probably will not be received. The document evidencing the obligation should be retained in a special file to support the payment authorization in the event a bill is received. In many cases, payment vouchers establishing the actual liability will be in process and can be compared to the obligated amount. Every effort should be made to establish accurately the amounts of unliquidated obligations to be reported at year-end.

B. Prior Year Appropriations

The responsibility for continuing critical review and adjustment of unliquidated obligations extends also to prior year appropriations. Obligations which will not result in the expenditure of funds should be deobligated or canceled. Small items (\$5.00 or less) should be liquidated and the documents retained in a special file to support the payment authorization in the event a bill is received. The progress and status of incomplete contracts, grants, and loans should be reviewed with procurement, grant and other officials concerned. Adjustments required by the circumstances disclosed should be promptly processed to cancel inactive transactions, permit release of unneeded funds to the Treasury, and terminate reporting requirements. (See Chapter 3-50, Expired Appropriations.)

2-30-50 ADJUSTMENT OF OBLIGATIONS

Section 1311, Public LAW 633, 31 USC 200d requires that no new obligation may be incurred after the expiration of the definite period for which the appropriation was made available. However, many obligations are based upon estimates which must be adjusted upward or downward when the bills are paid, or even prior to the payment of the bills, if the adjustments are significant. Further, many awards contain provisions for upward or downward adjustment of the award for

the difference between a provisional indirect cost rate and the actual audited indirect cost rate, etc.

Although these adjustments usually result in upward adjustments, they are not considered to be new obligations but are adjustments of existing obligations and shall be recorded as such provided the increased costs are attributed to the adjustment from an estimated to actual or that the doctrine of relation back applies and provided there is no increase in scope of work performed.

It is incumbent upon all program managers to hold in reserve sufficient unobligated balances of their authorizations (allowances, limitations) from which to subsequently pay these contingent costs so as to be able to honor the provisions of the grant or contracts on a timely basis and further to preclude any anti-deficiency violations. (See Chapter 2-10 for provisions on anti-deficiency violations.)

OMB Circular A-34 provides the following guidance

"22.2 Adjustment of obligations incurred.

Except as provided in the following two paragraphs, obligations incurred will be net of the following: (a) cancellations of prior obligations, (b) downward adjustments for the difference between obligations previously recorded and actual payments thereof, and (c) refunds arising during the reporting period in recovery of erroneous payments or due to accounting adjustments.

"Adjustments in unexpired accounts: For material changes in unexpired accounts of the foregoing nature relating to obligations incurred in prior years, the transactions will not be netted, but reported separately as recoveries of prior obligations."

"Adjustments in expired accounts: For expired accounts (including annual limitations on the use of revolving or other no-year funds) all adjustments of obligations are netted and the result reported as obligations incurred if the net adjustment is upward and recoveries of prior obligations if the adjustment is downward."

2-30-60 RECONCILIATION OF DOCUMENTS

- A. Monthly and Quarterly
See Chapter 2-40, Reconciliation and Internal Control.

- B. Year-end Documentation of Unpaid Obligations
A detailed list of valid year-end unpaid obligations (both delivered and undelivered) must be prepared and retained as a part of the official records. Unpaid obligations listed must be identified by appropriation, allotment, operating plan, allowances, or cost center

and by object class, date of obligation, and name of vendor. These transactions must also be identified by delivery status and vendor classification (Government and other). Other reporting details are set forth in Part 5 of this Manual.

2-30-70 REPORTING AND CERTIFICATION OF OBLIGATIONS

All reports and statements of obligations incurred shall be based on valid obligations recorded in the accounts. This requirement applies to internal reports made to agency management staff, operating staff, and the Secretary, HHS, as well as to those reports required by the central control agencies. All reports of total obligations prepared at the end of any given month should reflect obligations which can be reconciled to the amounts shown on the Reports of Budget Status, Form SF-133. Other reporting requirements for obligations are set forth in Part 5 of this Manual.