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Hilton



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Appropriations Accounting for Imprest Fund
Advances Issued to Cashiers

File: B-240238

Date: May 8, 1991

DIGEST

1. The Department of Veterans Affairs was not required to record Imprest Fund advances made in 1985 as obligations against its appropriations. Advances to cashiers made to finance unspecified future cash payments do not meet the statutory requirements for recording obligations. The obligations occur only as cashiers use the funds and obtain reimbursements from available appropriations.

2. Imprest Fund advances to cashiers represent potential obligations which agencies may be compelled to record against their appropriations. To prevent over-obligation of the appropriations, agencies should administratively record commitments or reservations of funds against their current appropriations which will have to be obligated to reimburse the Imprest Fund expenditures.

DECISION

The Office of the Inspector General (IG) of the Department of Veterans Affairs (VA) asked for our opinion on two questions dealing with VA's accounting for advances made to VA cashiers. First, the IG asked whether VA incurred obligations in fiscal year 1985 when it first advanced funds to establish cashiers' balances for VA's Imprest Funds. The IG asserts that VA failed to record the required obligations, and that recording the obligations for 1985 will show that VA over-obligated its 1985 Medical Care appropriation in violation of the Anti-Deficiency Act.

Second, the IG asks whether VA complied with applicable statutory requirements when it restored expired budget authority from a merged surplus account to an M account in 1989. The authority was restored so that VA could permanently record its cashier advances as charges against its Medical Care appropriation M account.

For the reasons stated below, we conclude that the advances to VA cashiers should be recorded as commitments or reservations, but not obligations, against a current appropriation. The obligations occur as cashiers use the funds and obtain reimbursements from available appropriations. Thus, VA was not required to record the Imprest Fund advances made in 1985 as obligations. With respect to the restoration action in 1989, we conclude that VA should not have recorded its cashier advances as a "charge" against the M account in 1989. Accordingly, we do not address whether VA followed the proper procedures in charging the amounts to its M account. Rather, we recommend that VA return to its prior practice of charging advances to current appropriations.

BACKGROUND

In order to facilitate making certain forms of cash payments, federal agency cashiers are given cash advances to establish Imprest Funds. Treas. Financial Manual, vol. 1, § 4-3020 (T.L. No. 496) (hereafter cited as 1 T.F.M.). Imprest Funds are used by cashiers to pay for authorized small purchases, to pay reimbursements for federal employee travel expenses, and to make cash advances for federal employee travel costs. "Manual of Procedures and Instructions For Cashiers Operating Under 31 U.S.C. 3321" at 23 (Supplement to 1 T.F.M. Chap. 4-3000). Cashiers may make these cash payments only when the payments are properly authorized, and when applicable documentation requirements are met. Id. at 23-27 and 1 T.F.M. § 4-4030.

Once payments have been made out of Imprest Funds, cashiers submit vouchers for replenishment of the Fund. Cashiers detail the payments they have made, and note which of their agency's appropriations should be used to reimburse the Fund for the payments. Id. at 29-30. The cashiers are then issued checks to replenish the amount of the Fund. Id.

Prior to fiscal year 1985, advances to create or increase Imprest Funds were made directly from Treasury or other Disbursing Officers to the cashiers without charging the amounts against any specific appropriation or fund account. Treas. Fiscal Requirements Manual Bulletin No. 84-11, March 29, 1984. The advances were "accounted for" on the Disbursing Officer's statement of personal accountability. Beginning with fiscal year 1985, Treasury issued new instructions to agencies on how to account for advances to cashiers.

Under the new procedures, advances were to be recorded within each agency's appropriations accounting rather than on Disbursing Officer statements of personal accountability. Treas. Fiscal Requirements Manual Bulletin No. 84-21,

Sept. 10, 1984 (hereafter cited as TFRM Bull No. 84-21). Advances already issued to cashiers were removed from the Disbursing Officers reports by "no-check" vouchers. Id.

On September 26, 1984, VA completed the voucher required under the new Treasury procedures. On October 1, 1984, the accountability for about \$9.2 million in Imprest Fund advances made to VA cashiers was transferred from a Treasury Disbursing Officer to the cashiers within VA. VA recorded the \$9.2 million as a charge against its 1985 Medical Care appropriation, but did not record an obligation against the appropriation.

In October of each year from 1985 to 1988, VA "rolled over" the charges for the outstanding Imprest Funds by removing the charges from the past year's appropriation and recording new charges against the current year's appropriation. In August 1989, VA reversed the charge to its 1989 appropriation and recorded the outstanding Imprest Funds as a charge to the M account for VA's Medical Care appropriation.

LEGAL ANALYSIS

The IG's first question asks whether VA officials violated 31 U.S.C. § 1341, which prohibits "making or authorizing an expenditure or obligation exceeding an amount available" in an appropriation. The IG asserts that the Imprest Funds should have been recorded as obligations against VA's Medical Care appropriation when the accountability change was made in 1985. The IG further believes that VA's records show that recording the additional obligations in 1985 would have over-obligated VA's 1985 Medical Care appropriation.

Recording Imprest Fund advances to cashiers as obligations does not meet the statutory requirements for recording obligations contained in 31 U.S.C. § 1501. Paragraphs (a)(1) through (a)(9) of section 1501 list the sort of liabilities and commitments which agencies may use to properly support obligations of appropriations. Advances which allow cashiers to finance indefinite future cash payments are not encompassed by section 1501, since they do not reflect existing liabilities or commitments of the government. In contrast, when cashiers make properly authorized and documented cash payments, the cashiers are using advance funds to pay liabilities of the government. B-135798, Apr. 30, 1958; B-196109, Oct. 23, 1979. The requirements of section 1501 are satisfied when the cashiers pay these liabilities, not when the cashiers receive advances. Therefore, it would be premature to record obligations at the time that Imprest Funds are advanced to cashiers.

The guidance issued by Treasury when agencies were required to record accountability for Imprest Fund advances reinforces the conclusion that the advances should not be recorded as obligations. The instructions Treasury issued included answers to a number of questions raised by agencies. One of those questions was "When we charge our appropriation [for the amount of an advance], will this result in an obligation?" The answer to this question clearly reflected that advancing funds to cashiers would not result in an obligation of an agency's appropriation. An example given by Treasury showed that appropriations would not be obligated until the advance was expended and the cashier sought reimbursement from the applicable appropriation. TFRM Bull. No. 84-21 at 4. In our view, this example is consistent with the statutory provisions which govern recording obligations.

Moreover, the Treasury guidance went on to state that, if turnover of cashier advances is very rapid, agencies have the discretion to record obligations at the time that advances are made. Giving agencies discretion to record obligations when advances are made is inconsistent with the IG's view that obligations must be recorded when funds are advanced.

The IG refers to a letter from GAO to Treasury^{1/} as support for his position that the advances should have be recorded as obligations. The letter stated,

"[o]ur Office of General Counsel has reviewed your proposed changes [to the accounting for advances] and has no legal objection to the changes as you have explained them to us. They concluded that cash advances to agency disbursing officials may be charged against an agency's appropriation at the time they are made, with adjustments being made at fiscal year-end to ensure allocation of expenditures to the proper appropriation account."

The IG asserts that the "charge" made to an agency's appropriation must be an obligation. The IG has misapprehended the language in the GAO letter. The charge referred to in the letter is not a legally required obligation. Rather, the charge is an administrative accounting entry made to ensure that Imprest Funds advanced to

^{1/} Letter from John J. Conlin, Jr., Senior Group Director, Accounting and Financial Division, U.S. General Accounting Office to Michael T. Smokovich, Director, Division of Government Accounts and Records, Bureau of Government Financial Operations, U.S. Department of the Treasury, June 13, 1984.

cashiers will not cause federal agencies to over-obligate their appropriations.

The ability of Imprest Fund cashiers to make certain cash payments, and later request reimbursement from agency appropriations, creates a potential for over-obligation. Agencies must take steps to prevent over-obligations from occurring. For example, an agency with a \$1,000 appropriation and a \$100 Imprest Fund advanced to a cashier might fully obligate its \$1,000 appropriation while the Fund is still outstanding. If the cashier subsequently makes \$50 of authorized cash payments and seeks reimbursement, an additional \$50 obligation would have to be recorded. The total obligations of \$1,050 would then exceed the amount of the \$1,000 appropriation, and the agency would have violated the Anti-Deficiency Act.

To prevent this type of over-obligation, the agency should charge or reserve the \$100 Imprest Fund advance against its appropriation, so that the agency's records will show only \$900 of its \$1,000 appropriation available for obligation. Then, if the agency fully obligates its available appropriation (now limited to \$900), and the cashier seeks reimbursement for \$50 of Imprest Fund expenditures, the total obligations would then be only \$950, less than the \$1,000 appropriated.^{2/}

However, as stated above, the advances do not meet the statutory requirements for recording obligations. Therefore, the charges made to prevent over-obligating the appropriations cannot be obligations. Rather, agencies should record some other form of charge (such as a "commitment" or "reservation") against the appropriation. The charges needed are similar to commitments made to ensure that appropriations are available to obligate when an upcoming contract is awarded. GAO, Policy and Procedures Manual for Guidance of Federal Agencies, tit. 7, § 3.4.E (TS No. 7-42, Feb. 12, 1990). Examples of how to record these types of commitments in an agency's appropriation accounts are contained in GAO's Accounting Guide: Basic Topics Relating to Appropriations and Reimbursements (GAO/AFMD-PPM-2.1, Sept. 1990).

^{2/} If agencies want the Imprest Funds to stay at the levels advanced, the charges for advances should remain at the full amounts advanced throughout the fiscal year. Obligations for Imprest Fund reimbursements would then be recorded against available appropriation balances, as reduced by the charges for advances.

The IG's second question asks whether VA's charge of its cashier advances to an M account in 1989 satisfied certain legal requirements. The record reflects that VA's charge of its advances to its M account included recording the amount of then outstanding advances as an obligation. As discussed above, Imprest Fund advances do not satisfy the statutory requirements for recording obligations. In this regard, we view VA's action as improper. Accordingly, we need not address the question raised by the IG as to whether VA followed proper statutory procedures when it charged the cashier advances to an M account.

However, VA's actions raise a fundamental question about whether VA has the necessary assurance that Imprest Fund expenditures will not cause VA to over-obligate its appropriations. Under 31 U.S.C. § 1502, Imprest Fund expenditures must be reimbursed from an appropriation available for obligation or expenditure at the same time that the cashier paid the expenditure from the advance.^{3/} Such appropriations are not protected from over-obligation if the administrative charge for the Imprest Fund is made against some other appropriation account. Thus, VA's charge of its Imprest Fund cashier advances to its Medical Care M account provides no assurance that its current Medical Care appropriation will not be over-obligated.^{4/}

Therefore, we recommend that VA reverse the charge against its M account to reflect the Imprest Funds advanced to cashiers. VA should resume its past practice of recording reservations against its current appropriations for advances made to cashiers each year.



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^{3/} The record before us does not indicate that VA used its M account to reimburse Imprest Fund cashiers for expenses incurred since 1989. Using the M account to reimburse current expenses would, of course, violate 31 U.S.C. § 1502.

^{4/} Also, under Pub. L. No. 101-510, § 1405(b), 104 Stat. 1679 (1990), and OMB Circular No. A-34, § 111.8, the balances of VA's M account which are applicable to its 1985 appropriations will be canceled on September 30, 1992.