

6 FAH-5 H-450 BUDGET EXECUTION

(CT:ICASS-17; 03-01-2011)
(Office of Origin: RM/ICASS)

6 FAH-5 H-451 ICASS WORKING CAPITAL FUND (WCF) OPERATING ALLOWANCE

(CT:ICASS-5; 07-21-2006)
(Applies to participating ICASS agencies)

The Working Capital Fund (WCF) is a no-year fund that affords posts the opportunity to establish multi-year planning cycles. ICASS managers can make long term decisions without the short-term constraints of the annual fiscal year cycle and have greater local autonomy in determining how resources will be allocated, including cost savings. As determined by the ICASS council, funds not obligated at the end of the fiscal year above post's depreciation/capitalization requirements, may be:

- (1) Reprogrammed to fund infrastructure or other ICASS needs; or
- (2) Retained to reduce bills in the next fiscal year.

NOTE: The disposition of unobligated funds must be determined collectively, not by each agency.

6 FAH-5 H-451.1 ICASS Operating Allowance

(CT:ICASS-5; 07-21-2006)
(Applies to participating ICASS agencies)

Annual ICASS operating allowances are issued to post at the beginning of the fiscal year upon Congressional appropriation of full-year, Department of State funding. Operating allowances are issued by the regional bureaus based on funding levels determined by the ICASS service center and consists of several separate components as identified below. During the course of the fiscal year, should the amount of one of these components change, post's operating allowance will similarly be adjusted.

6 FAH-5 H-451.1-1 Target Components: Regional Bureau, Lease/Living Quarters Allowance (LQA), Local Guard Program-Nonresidential (LGP-NR)

(CT:ICASS-5; 07-21-2006)

(Applies to participating ICASS agencies)

- a. ICASS operating allowances are funded at the target levels approved for regional bureau, lease/living quarters allowance (LQA), and local guard program-nonresidential (LGP-NR) funds.
- b. Other ICASS funds which are not part of the current year ICASS agencies' invoices, are also included and separately identified in post's ICASS operating allowance as follows.

6 FAH-5 H-451.1-2 Carryover / Recoveries

(CT:ICASS-15; 11-06-2009)

(Applies to participating ICASS agencies)

- a. Unused ICASS funds from previous fiscal years are returned to post (see also 6 FAH-5 H-432.1-3, Identification of Carry-Over Funds). These funds are not immediately available to post as funds must be returned to headquarters for verification and reallocation to post's current fiscal year operating allowance.
- b. ICASS carryover and recovery funds are those ICASS funds unobligated or deobligated as of September 30th for all prior fiscal year ICASS operating allowances. For technical reasons, State-ICASS unobligated balances are not immediately available to the post but must be withdrawn from post's operating allowance(s) and returned to post the next fiscal year, after reconciliation of the year-end obligated balances, and reapportionment by the Office of Management and Budget (OMB). Once the amounts are verified by the Bureau of Resource Management (RM) as available in the Department's accounting system, the funds will be returned to post as an increase to post's current year ICASS operating allowance. Unobligated balances are returned intact to the originating posts and are separately identified in the operating allowance allocations.
- c. Recoveries will be manually redistributed throughout the year as they are earned. As recoveries are generated they will be redistributed to post provided that the recoveries have been apportioned by OMB.
- d. Post ICASS council and the service provider should develop a plan for the use of any carryover/recovery funds which should take into consideration ICASS assets to be replaced or purchased, asset replacement cycles, country-specific conditions that affect them, and investments in innovation and improvement of ICASS business practices (which could

include information technology applications or Foreign Service national (FSN) training). If carryover/recovery funds exceed post's total capital/infrastructure requirements, the ICASS council can determine to use these funds for any authorized/approved budget purposes including the reduction of ICASS bills for all agencies. Carryover/recovery funds should not be used for ongoing, recurring expenses where the use of these funds commits post to expenses in future years.

- e. ICASS carryover/recovered funds reallocated to post are fenced into the three categories where funds are provided: Regional bureau, nonresidential local guard program, and OBO lease funding. For example: Carryover/recovered funds reallocated as a result of savings or deobligations from nonresidential local guard program funds are available only for nonresidential local guard program expenses. This funding can only be used to meet nonresidential local guard program requirements. The same applies for regional bureau expenses and OBO leases.
- f. Negative carryover and recovery amounts will be corrected by withdrawing funds from post's current year ICASS operating allowance.

6 FAH-5 H-451.1-3 Contingency Funds

(CT:ICASS-17; 03-01-2011)

(Applies to participating ICASS agencies)

- a. Posts requests for contingency funds (as per 6 FAH-5 H-435.2-9, Contingency Fund Replenishment), once approved by the ISC, will be allotted to post and separately identified in post's ICASS operating allowance. Contingency funds are funds provided above post's target levels and as such are not automatically included in next year's target levels.
- b. Every effort should be made to ensure that all anticipated, mandatory funding requirements are included in post's initial budget submission. However, it is possible that unanticipated needs will arise after the final target levels have been set for the fiscal year. If other funds cannot be reprogrammed from within post's ICASS allotment to meet the unbudgeted and unanticipated funding requirement, the only mechanism by which post may obtain additional resources is through the ICASS contingency fund. ICASS contingency funds are repaid in the next fiscal year at the headquarters level. Contingency funds should not be requested for recurring expenses other than wages.
- c. Contingency fund requests should be submitted via cable, directly to the appropriate bureau (regional bureau, Bureau of Diplomatic Security (DS), or Bureau of Overseas Buildings Operations (OBO)) for evaluation and approval. The responsible bureau will forward recommended contingency requests to the ICASS service center for processing. Contingency funding

requests must meet the following criteria:

- (1) The needs should be unbudgeted and unanticipated;
 - (2) The post should explore other avenues to meet the requirement within the available ICASS resources at post (to include proceeds of sale, carryover, and recovered funds). Carryover/recovered funding considered to meet unanticipated expenses depends on the category of the request. Carryover/recovered funding is fenced based on the following three categories: regional bureau, nonresidential local guard program, and OBO leases. (See 6 FAH-5 H-451.1-2 Carryover/Recoveries for more detail on how carryover and recovered funds can be used); and
 - (3) The post ICASS council should concur on the request.
- d. The post must cable the appropriate bureau, explaining the need, identifying the costs, and indicating ICASS council's concurrence of the request.
- e. Contingency fund requests for nonmandatory wage increases are closely reviewed as these increases impact the annual funding level for post and the use of contingency funds for these increases may be seen as a way to circumvent the target setting process. Post should therefore make every effort to budget for anticipated wage/benefit increases in the initial budget or should notify the regional bureau should an increase become known before the ICASS final target has been set. Posts submitting a contingency fund request for nonmandatory wage increases must provide the following additional information:
- (1) Percentage of the post-approved Locally Employed Staff (*LE staff*) wage increase;
 - (2) Percentage of FSN/PSC/PSA wage increase recommend by the Office of Overseas Employment (HR/OE) survey;
 - (3) Effective date of the increase;
 - (4) Amount of funds budgeted (available) for this increase (dollar amount) within post's current ICASS operating allowance;
 - (5) Additional ICASS funds required (dollar amount);
 - (6) Additional (annualized) ICASS costs for wage increase next fiscal year (dollar amount);
 - (7) Brief narrative justification for the wage increase; and
 - (8) Identify any recruitment/retention problems with existing wages.
- f. Repayment charges for posts utilizing/receiving ICASS contingency funds will appear on the initial invoices at the Washington level in the next fiscal year. Agencies present at post during the fiscal year in which the

contingency funds are billed will be responsible for repayment of those funds based upon their share of the total ICASS post budget.

6 FAH-5 H-451.1-4 Partial-Year Invoices

(CT:ICASS-15; 11-06-2009)

(Applies to participating ICASS agencies)

See 6 FAH-5 H-392 Partial Year Invoice Module for updated guidance.

6 FAH-5 H-451.1-5 Temporary-Duty (TDY) Module Invoice

(CT:ICASS-15; 11-06-2009)

(Applies to participating ICASS agencies)

See 6 FAH-5 H-360 Temporary Duty Personnel and ICASS for updated guidance.

6 FAH-5 H-451.1-6 ICASS Exchange Rate Gains and Losses

(CT:ICASS-5; 07-21-2006)

(Applies to participating ICASS agencies)

Local economic conditions including exchange rates, affect the buying power of ICASS funds. In budget formulation and execution, the goal of the exchange rate gain and loss policy is to maintain for the post the same buying power as originally budgeted. Gains and losses of the local currency's buying power are calculated in the Bureau of Resource Management's Office of State Programs, Operations and Budget (RM/BP) through the Department of State's Exchange Rate Impactor System. That system computes monthly local currency exchange rate gains and losses based on actual local currency liquidations processed through the Department's accounting system. The system calculates the percentage of post's target budget paid in local currency; the monthly gain or loss in local currency; and also uses the most recent month-end local currency rate to project the funding effect of the current rate on the remaining unliquidated balance of funds within post's target. Gains and losses are calculated on an annual basis; however, to facilitate the budget process, the system separately identifies annual gains and losses into two columns:

- (1) The current fiscal year gains and losses; and
- (2) The annualized amount of those gains and losses into the next fiscal year.

Detailed information on the calculation of exchange rate gains/losses can be received by contacting the ICASS service center.

6 FAH-5 H-451.1-7 Operating Allowance Adjustments for Local Currency Gains/Losses

(CT:ICASS-5; 07-21-2006)

(Applies to participating ICASS agencies)

Targets are not adjusted during the fiscal year; however, the buying power is maintained by increasing a post's operating allowance to make up for exchange rate losses and withdrawing funds generated by exchange rate gains. Twice each year, current year exchange rate gains and losses are calculated by the Bureau of Resource Management's Office of State Programs, Operations and Budget's (RM/BP) exchange rate system and those calculations are the basis for the exchange rate adjustment to a post's current year ICASS operating allowance. The first annual exchange rate adjustment is based on local currency exchange rates and post liquidations through March 31. A second adjustment occurs based on June 30th local currency exchange rate and liquidation information. The June 30th adjustment is the net funding adjustment for exchange rate gains and losses that occurred between March 31 and June 30.

6 FAH-5 H-451.1-8 Target Adjustments for Exchange Rates

(CT:ICASS-5; 07-21-2006)

(Applies to participating ICASS agencies)

- a. For uniformity, the exchange rate ("budget rate") used by posts in preparing the ICASS budget and for monitoring exchange rate gains and losses is as of October 1st of each fiscal year. This budget rate remains unchanged throughout the fiscal year despite fluctuations in the local currency. Initial and final ICASS invoices for all agencies are thus prepared using the exchange rate as of October 1. Since the budget exchange rate remains as of the rate of exchange on October 1st, **targets** are not adjusted during the fiscal year for exchange rate changes. Targets are only adjusted in the initial target setting process to compensate posts for changes that occurred in the rate of exchange since the previous "budget rate" (the previous October 1).
- b. Initial target levels for the coming fiscal year must be finalized prior to September 30th. These targets are developed using data from the Bureau of Resource Management's Office of State Programs, Operations and Budget's (RM/BP) exchange rate system as of June 30th. Initial targets must therefore be adjusted after the end of the fiscal year for changes in the local currency rates that occurred from June 30th to September 30th. When year-end exchange rate data becomes available, the ICASS service center (ISC) revises posts' targets for net prior-year and annualized changes that have occurred in the local currency buying

power. Revised initial targets are issued by the ISC to posts for use in the initial budget submission.

6 FAH-5 H-451.1-9 The Exchange Rate Set-Aside Fund

(CT:ICASS-5; 07-21-2006)

(Applies to participating ICASS agencies)

- a. The Exchange Rate Set-Aside Fund was established within the ICASS Working Capital Fund (WCF) as a depository for net overall gains experienced at posts abroad during the initial years of ICASS. Current-year exchange rate operating allowance adjustments either accrue to, or are funded from, the Exchange Rate Set-Aside Fund. When the total exchange rate gains deposited into the Exchange Rate Set-Aside Fund exceed the anticipated potential needs of the fund, as determined by the ICASS budget committee, the committee will dispose of those funds in one of the following ways:
 - (1) Funds will be returned to posts for infrastructure or other ICASS needs;
 - (2) Funds will be used for Washington ICASS funding needs;
 - (3) Funds will be returned to paying agencies in the form of reduced ICASS billings.
- b. If losses against the U.S. dollar are such that the set-aside fund falls below the level established by the budget committee for covering anticipated losses, the committee will make a recommendation to the working group regarding replenishment of the set-aside fund by customer agencies. Such replenishment may take the form of special billings to bring the set-aside fund up to the required level. In a period of protracted weakness of the dollar, set-aside fund replenishment may be planned at the start of the year.

6 FAH-5 H-451.1-10 Hyperinflation Designation for Posts

(CT:ICASS-5; 07-21-2006)

(Applies to participating ICASS agencies)

Posts where inflation exceeds ten percent of the local currency base in a fiscal year may be designated as a hyperinflation post for the purpose of exchange rate adjustments. Hyperinflation designations are reviewed annually by the Bureau of Resource Management's Office of State Programs, Operations and Budget (RM/BP) using worldwide economic forecasts. Hyperinflation-designated posts may retain exchange rate gains that occur during the fiscal year to offset anticipated wage and price increases (gains in excess of inflation will be withdrawn). At the same time, operating allowances are increased for exchange-rate losses that occur during the

year. Posts that are not designated as hyperinflationary but that are experiencing inflation in excess of ten percent should contact their regional bureau to request a review of their status.

6 FAH-5 H-451.1-11 Disposal and Proceeds of Sale

(CT:ICASS-5; 07-21-2006)

(Applies to participating ICASS agencies)

- a. Each year the Department sells personal property abroad because the property items are at the end of their useful life, damaged beyond economical repair, or are no longer needed. ICASS property must be disposed of at the post.
- b. The proceeds of sale are the resources of ICASS and will be deposited in the Working Capital Fund (WCF). It is ICASS policy to return the proceeds of sale to the post that disposed of the property (see 6 FAH-5 Exhibit H-451.1, Collection of Proceeds of Sale).

6 FAH-5 H-451.1-12 Diplomatic Telecommunications Service-Program Office (DTS-PO) Operating Allowance Reduction

(CT:ICASS-15; 11-06-2009)

(Applies to participating ICASS agencies)

This guidance is obsolete.

6 FAH-5 H-451.1-13 Obligation of Funds

(CT:ICASS-17; 03-01-2011)

(Applies to participating ICASS agencies)

- a. To ensure the transparency of the ICASS system, budgeted funds must be used according to its intended purpose. When funds are obligated and liquidated under ICASS, it is therefore important that a post obligate funds to each cost center or cost pool (in the function code field of the obligation) as costs were budgeted in the ICASS software. Cost pools represent an obligating tool and were developed to assist post in obligating funds in specific areas where costs are normally budgeted to more than one cost center (i.e., American direct-hire (DH) position costs, locally employed staff (*LE staff*) funds, etc.). The ICASS software has the capability to load actual post quarterly financial services center (FSC) obligations and distribute this information in the ICASS budget to ensure that funds are obligated in accordance with the ICASS council approved budget plan. The Budget vs. Actuals by Cost Center report should be provided to the ICASS council quarterly.

- b. While service providers have flexibility to spend ICASS resources as required, significant discrepancies in the budget versus the actual obligation of funds should be explained to a post's ICASS council.

6 FAH-5 H-451.1-14 Cost Pools

(CT: ICASS-15; 11-06-2009)

(Applies to participating ICASS agencies)

See 6 FAH-5 H-314 Budgeting ICASS Costs for updated guidance.

6 FAH-5 H-452 THROUGH H-459 UNASSIGNED

6 FAH-5 EXHIBIT H-451.1

PROCEEDS OF SALE FOR THE DEPARTMENT OF STATE

(CT:ICASS-15; 11-06-2009)
(Applies to participating ICASS agencies)

- a. This exhibit sets forth the procedures for recording and depositing proceeds of sales of ICASS personal property at post. Only personal property items that were transferred to ICASS (e.g., former FAAS property) or purchased with ICASS funds are covered by this section. All ICASS personal property including furniture, equipment, supplies, appliances, machinery, and vehicles not centrally funded and controlled, is covered.
- b. Since ICASS is a component of the Working Capital Fund (WCF), which has no-year status, this exhibit has been prepared independently of the guidance for the proceeds of sale for other types of property, under either single or multi-year appropriations. Guidance dealing with the proceeds of sale of other non-ICASS personal property will be issued separately.
- c. The procedures in this exhibit must be implemented by the post and the Bureau of Resource Management (RM) to ensure accurate, timely recording, and allocation of proceeds.

Legislative Background

- a. ICASS, as part of the Department of State's WCF, is subject to the Department's WCF legislation. Public Law 88-205, dated December 16, 1963, established the Department's WCF and states that the fund "shall be available without fiscal year limitations." It further states that "The fund shall also be credited with other receipts from sales or exchange of property..." The legislative language contains no limitations or restrictions constraining the use of the collected receipts from the proceeds of the sale or exchange of property.
- b. Since the WCF operates as a no-year business-like entity, the proceeds can be used as management deems appropriate. Posts are not to follow the standard proceeds of sale calendar (July 1—June 30) used for program or ICASS property. Since ICASS is a no-year fund operating within the Basic Authorities for the working capital fund, the proceeds are available indefinitely. It is ICASS policy to return the proceeds of sale to the post that disposed of the property.

Post Operations

- a. Collection and deposit of ICASS proceeds of sale will be handled in

accordance with current procedures with the exception of coding changes which are described below. These coding changes affect all posts serviced by Global Financial Services Center and Bangkok. Posts should consult with their servicing financial services center/financial management center (FSC/FMC) with any questions regarding these instructions.

- b. The cashier will require the following information to complete the strip code for Form OF-158, General Receipt. This example represents the first ICASS proceeds of sale from Caracas (Post 140) in FY2005:

19X45190001 – 9906 – ICAS514001 – 9671 – AAAC
A B C D E

A The fund symbol to be used by ICASS is 19X45190001. The last four digits (0001), with or without a period, are critical to identifying the proceeds of sale as belonging to ICASS.

B All ICASS personal property proceeds of sale will use 9906 in the Expenditure Authority/Allotment Field. This is a domestically controlled revenue reporting code. This code identifies the transaction as an "ICASS Overseas Revenue Collection."

C The obligation number is reported in a ten-digit field. In order to ensure that the proceeds of sale information is recorded correctly, the post will create the obligation number. All ICASS obligations will conform to the following format:

I C A S Y P P P N N

ICAS - ICAS will be used in the first four positions.

Y - The fifth digit is the last digit of the current fiscal year.

PPP - The sixth, seventh, and eighth digit of the obligation number represents the post code.

NN - The ninth and tenth digits will be serially numbered and will identify the number of sales of property to date for that post for that fiscal year.

D All ICASS personal property proceeds of sale will use function code 9671. This code, titled "ICASS Collections," is used for ICASS proceeds of sale only. For non-ICASS proceeds of sale, posts will continue to use the existing procedures for recording the sale.

E Generally AAAC (see description below) will be the Revenue Source Code (RSC) used in this field. RSCs are entered in the same field as the budget object code and there are currently five RSCs that could be used by ICASS.

AAAA—Proceeds of Sale, passenger vehicles
AAAB—Proceeds of Sale, nonpassenger vehicles
AAAC—Proceeds of Sale, all other personal property
AAAZ—Proceeds of Sale, capital assets, not vehicles
ABBA—Other ICASS Collections

- c. Any assets with an original cost of \$25,000 or more must use the AAAZ RSC. Vehicles (irrespective of original cost) are the exception to this rule and will be coded as appropriate to either the AAAA or AAAB RSC.
- d. For sales of ICASS vehicles and other ICASS capitalized assets, the post must ensure the ICASS budget software is updated to identify the asset and to include the proceeds of sale amount in the appropriate column of the ICASS depreciation schedule in the software. The post must also ensure that the proceeds of sale collection/deposit number for that property is identified in the Comments section of the depreciation schedule of the software. The information provided on the depreciation schedule will be used by RM to reconcile capitalized asset information.

Cashier Receipt and Deposit of Proceeds

The post cashier receives the proceeds of sale for personal property along with information identifying the accounts to be credited. The cashier promptly prepares a Form OF-158 for the amount of the proceeds received. To facilitate locating frequently requested information from posts, the OF-158 for vehicle disposals should include a vehicle description, vehicle identification number (VIN) and the purchase request number. Accurate preparation of Form OF-158 is key to the funds being properly credited to the post and to ICASS. Form OF-158 will be prepared as follows:

- (1) Blocks 1 through 9 are prepared in accordance with the post's Cashier User Guide;
- (2) In Block 10, enter the fiscal strip as described above; and
- (3) In Block 11, enter information in narrative form to indicate the source of the proceeds and a description of the item(s) as provided by the general services officer (GSO) or financial management officer (FMO). For example, "Sale of ICASS property in Caracas—FF&E (Furniture, Furnishings and Equipment)."

Updating Post Financial Systems

- a. Entry of collection data into the post Financial Management System will be handled in accordance with the procedures located in the post's Service Post Cashier Procedures.
- b. Upon deposit of the proceeds of sale with the cashier, the property will be removed from the post's Non-Expendable Property Application system (NEPA).

- c. RM will make these proceeds available for post use only after the collection transaction has been verified. Only those amounts that have been verified are made available for allotment to post.

Allotting Proceeds of Sale Back to Posts

- a. When a sale occurs at post, the proceeds are deposited with the post cashier who prepares a Form OF-158, General Receipt, for the amount received. Post personnel enter collection transactions in the post financial system and transmit them to the Global Financial Service Center (GFS). These transactions are then transmitted twice weekly to the Department. Each sale transaction is summarized by post on a monthly report of proceeds transactions for the fiscal year. RM/GFS Charleston confirms that proceeds deposits successfully updating the accounting records and enters each post's confirmed proceeds total into the ICASS Allotment System (IAS). Utilizing the IAS detail, the ICASS Service Center prepares and submits allotment recommendations to the Bureau of Resource Management's Office of State Programs, Operations and Budget (RM/BP). Only when these steps are complete can RM/BP issue an operating allowance to the regional bureau for reissuance to post.
- b. The purpose of the steps in paragraph a, above, is to align the Department's status of post proceeds with that of the post. These procedures are only used for ICASS. They are in place to quickly and accurately reallocate ICASS funds to posts.
- c. Due to the time necessary to record and process the information, proceeds of sale will take approximately three months from date of deposit to reallocation of funds to post. If post has not received ICASS proceeds of sale within four months from date of deposit, post should notify its regional bureau and provide the following information:
 - (1) Date of deposit;
 - (2) Accounting strip; and
 - (3) Voucher reference number and date.

The bureau will provide this information to the ICASS service center, which will investigate the missing transaction.