

# **Program Execution Module Summary**

**Program Execution Module Summary**

## Module Summary (1 of 10)

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**Congratulations!** You have completed the Program Execution Module. The following topics were presented in the Evaluating Budget Execution Lesson of this module:

- **Obligation plans and expenditure plans** (also called "Spending Plans") are written forecasts of the planned execution of program funds. The PMO's Business Financial Manager (BFM) builds these plans and submits them to the Service Headquarters.
  - Spending plans are required for each:
    - Line item in Procurement appropriations - prepared for the current fiscal year and the two prior fiscal years.
    - Program element in RDT&E appropriations - developed for the current fiscal year and the year prior.
    - Sub-activity group for O&M appropriations.
  - The acquisition community uses spending plans and actuals as a "report card" for PMs.
  - Spending plans depict all funds as they are expected to be obligated and expended in the current year.
  - Commands and Service Headquarters consolidate the plans by appropriation. They consolidate, review, and create a composite plan to submit to the service headquarters comptroller and OSD Comptroller.

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Other topics presented include:

- Continuation of Developing Spending Plans:
  - OSD and Service/Components provide "benchmarks" based on historical information in the official accounting records as a guide for program offices in developing their spending plans.
  - PMOs should not be optimistic regarding obligations because of the time required for apportionment and the likelihood of operation under Continuing Resolution Authority (CRA).

- The PMO should watch projected fourth-quarter obligations to prevent slippage into the next fiscal year. Significant ramp-up obligations at the end of the FY may indicate that the PM office has problems or is unexecutable due to contracting office workloads.
- Obligation plans are updated at various intervals. An initial plan is developed usually in early summer and it is revised at the end of the first quarter to reflect any congressional changes, CRAs or adjustments during apportionment.
- Finally, the obligation plan is then locked for the duration of the fiscal year and becomes the baseline used for budget execution analysis in the next FY.
- Programs that fall significantly behind their spend plans (obligation and expenditure plans) can lose funds both during the year of execution as well as in future budget years. The focus for evaluating spend plans differs depending on the appropriation type:
  - For procurement appropriations, budget analysts focus on obligation performance (consistent with the full funding policy)
  - For RDT&E appropriations the focus is expenditure performance (consistent with the incremental funding policy)

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Other topics presented include:

- OSD analysts expect to see by the end of the first year of execution:
  - At least 80% of Procurement funds obligated.
  - For RDT&E appropriations, expenditures of at least 55% of the amount appropriated.
  - Exceptions may be allowed if the program can present credible evidence that unusual delays or errors have occurred.
  - Programs with recurring problems and that fail to execute at rates at or above benchmarks will find it very difficult to defend themselves against funding adjustments.
- The Contract Funds Status Report (CFSR) is a data deliverable specified in a contract that provides information about the use of funds on that contract. This data can assist the PM in:

- Updating and forecasting contract funds requirements.
  - Developing the funding requirements, budget estimates, and spending plans.
  - Identifying funds in excess of contract needs and available for deobligation.
  - The Program Manager should tailor the CFSR to ensure that only essential parts are submitted.
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## **Module Summary (4 of 10)**

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The following topics were presented in the Rules Governing Commitments, Obligations and Expenditures Lesson of this module:

- Appropriation Life-Cycle.
  - Current Phase. An appropriation is current if new obligations and obligation adjustments can be made against it.
  - Expired Phase. An appropriation expires when it reaches the end of the legal time limit for new obligations and remains in this status for five years.
  - Cancelled Phase. At the end of an appropriation's expired phase, all remaining unexpended balances are "cancelled" and cannot be restored. Up to 1% of a current appropriation of the same type may be used to pay bills related to a cancelled appropriation.

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## **Module Summary (5 of 10)**

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Other topics presented include:

- Commitment Policies.
  - DoD 7000.14-R, Financial Management Regulation (FMR), Volume 3, Chapter 8, Section 0802 addresses policy regarding commitments.
  - Funds must be committed before they can be obligated in Procurement, Military Construction, and RDT&E appropriation accounts. Commitment accounting is not required for O&M, Military Personnel, or revolving fund accounts.

- Commitments must be adjusted upward if the procurement action will require the obligation of more funds than originally committed. If the actual obligated amount is less than the original commitment, the excess amount is returned to the uncommitted/unobligated balance.
- Only current appropriations may be committed. When an appropriation expires, all of the commitments existing at that time also expire.
- Fund holders must review commitments for timeliness, accuracy, and completeness for the periods ending on January 31, May 31, and September 30 of each fiscal year.

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## Module Summary (6 of 10)

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Other topics presented include:

- Obligation Policies.
  - DoD 7000.14-R, Financial Management Regulation (FMR), Volume 3, Chapter 8, Section 0803 addresses policy regarding obligations.
  - Obligations must be recorded in the official accounting records at the time a legal obligation is incurred, or as close to that time as feasible, but in no case more than ten (10) calendars after an obligation is incurred.
  - Obligations of \$100,000 or more chargeable to a single fund citation or accounting line on the obligation document must be recorded in the same month in which they are incurred, regardless of the ten-day rule.
  - FMR Volume 3, Chapter 8, Section 0805 provides specific guidance for recording obligations for various commercial procurements.
  - Reimbursable orders placed with DoD activities or non-DoD federal agencies are recorded as obligations by the ordering activity upon acceptance by the providing activity.
  - Direct citation orders placed with DoD activities or non-DoD federal agencies are recorded as obligations by the ordering activity when the procuring activity provides written notification to the ordering activity that its funds have been used for a contract award, project order, etc.
  - Fund holders must review obligation transactions for timeliness, accuracy, and completeness for the periods ending on January 31, May 31, and September 30 of each fiscal year.

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The following topics were presented in the Fiscal Laws and Reprogramming Lesson of this module:

- The Misappropriation Act (Section 1301, Title 31, U.S. Code). Also known as the Purpose Statute, this law requires that funds be used only for the programs and purposes for which they were appropriated.
  - The Antideficiency Act (Sections 1341 and 1517, Title 31, U.S. Code). This law basically states that executive agencies and their subordinates cannot spend more budget authority than they get and they cannot spend budget authority before it is distributed to them.
    - Responsibility for Antideficiency Act violations is usually fixed at the highest level that knew about or should have known about the violation.
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Other topics presented include:

- The Bona Fide Need Rule (Section 1502(a), Title 31, U.S. Code).
  - This law requires appropriated funds be used only to obtain:
    - Goods for which a bona fide need arises during the period of the appropriation's availability for obligation.
    - Services which are performed during the period of the appropriation's availability for obligation.
  - A number of exceptions to the Bona Fide Need Rule exist, including lead-time and stock level exceptions for supplies, exception for non-severable services, and statutory exceptions granted by Congress.
  - DoD Component policies may be more restrictive than the law, only allowing multi-year appropriations to be used to finance those needs that arise during the first year of the appropriation's availability.

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Other topics presented include:

- Reprogramming. Reprogramming is the use of funds for purposes other than originally appropriated.
  - DoD Financial Management Regulation (DoD 7000.14-R), Volume 3, Chapter 6 provides reprogramming guidance.
  - Funds can only be reprogrammed within the same fiscal year, not between fiscal years.
- Congressional Prior Approval Reprogramming.
  - DoD must receive written approval from the Armed Services, Appropriations, and (if applicable) Intelligence committees prior to executing these actions:
    - Increasing procurement quantities for major end items.
    - Moving funds between appropriation accounts.
    - Exceeding the amounts specified for below-threshold reprogrammings within an appropriation account.
    - Initiating new starts meeting certain dollar thresholds.
    - Terminating programs or projects meeting certain dollar thresholds.
  - Prior approval reprogramming requests are normally aggregated and submitted as part of a single "Omnibus" package to Congress in May.

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Finally, the following topics were presented in this module:

- Internal Reprogramming. USD(C) may approve reprogramming actions that do not change the purposes and amounts of funds appropriated. Common internal reprogramming actions include:
  - Reclassification of funds due to inadvertent errors, such as funding a program in the wrong appropriation.
  - Moving funds to and from "transfer" accounts.

- Below-Threshold Reprogramming. This type of reprogramming only applies to the movement of funds within an appropriation between elements at the appropriation's level of control.
  - Levels of control for the major DoD appropriation types are: RDT&E - Program Element; Procurement - Line Item; O&M and MILPERS - Budget Activity; MILCON - Project.
  - The limitations on below-threshold reprogramming into or out of a level of control are based on the amount appropriated by Congress (baseline amount).
  - Reprogramming actions that would cause these limitations to be exceeded must be submitted for prior congressional approval.

This page completes the Module Summary. Select a lesson from the Table of Contents to continue.