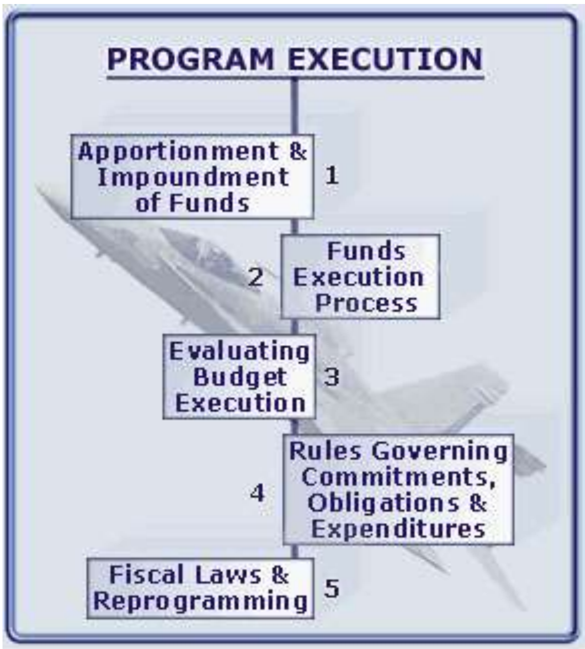
# Program Execution

# Module Overview

## Module Overview

## Introduction to Program Execution






Approximate Length: 2 hours, 5 minutes

Welcome to the Program Execution Module of the Acquisition Business Management Pre-Course. This module consists of 3 lessons:

1. Evaluating Budget Execution (35 minutes)
2. Rules Governing Commitments, Obligations and Expenditures (40 minutes)
3. Fiscal Laws and Reprogramming (50 minutes)

Located throughout and at the end of these lessons are Knowledge Reviews, which are not graded but enable you to measure your comprehension of the lesson material.

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## Learning Objectives (1 of 2)



At the end of this module, you should be able to explain the budget execution process, including legal concerns and the potential impact of poor budget execution.

By completing the lessons in this module, you should be able to:

- Identify the purposes and contents of obligation plans and expenditure plans.

- Recognize when and how an acquisition program may be impacted by unfavorable execution of its obligation and expenditure plans.
- Identify the purpose and contents of the Contract Funds Status Report (CFSR).
- Describe the DoD rules governing commitments.
- Describe the DoD rules governing obligations.

**Learning Objectives (2 of 2)**



You should also be able to:

- Identify when an appropriation is current, expired, or cancelled.
- Identify violations of the Misappropriation Act, the Antideficiency Act, and the Bona Fide Need Rule.
- Recognize the various categories of reprogrammings, including the approval authorities and the types of reprogramming actions covered by each category.
- Describe the rules governing the use of funds during each of the three phases of an appropriation's life-cycle.
- Identify the threshold amounts and level of control for each appropriation category for below-threshold reprogramming.

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

# Evaluating Budget Execution

**Evaluating Budget Execution**

**Introduction to Evaluating Budget Execution**




Approximate Length: 35 minutes

Welcome to the Evaluating Budget Execution Lesson. This lesson will familiarize you with the purpose and contents of spending plans and the consequences that unfavorable execution of these plans may have. This lesson will also provide information about the purpose and content of the Contract Funds Status Report (CFSR).

Located throughout and at the end of these lessons are Knowledge Reviews, which are not graded but enable you to measure your comprehension of the lesson material.

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**Learning Objectives**



By completing this lesson, you should be able to:

- Identify the purposes and contents of obligation plans and expenditure plans.
- Recognize when and how an acquisition program may be impacted by unfavorable execution of its obligation and expenditure plans.
- Identify the purpose and contents of the Contract Funds Status Report (CFSR).

**Spending Plans Overview (1 of 2)**




**Obligation plans and expenditure plans** (also called "Spending Plans") are written forecasts of the planned execution of program funds. They describe when during the fiscal year funds are expected to be obligated (for example, by signing a contract) or expended (when a contractor is paid either by check or an electronic funds transfer (EFT)). The Program Management Office's Business Financial Manager (BFM) is usually responsible for building these plans and submitting them to the Service Headquarters.

Spending plans are required for each line item in Procurement appropriations, for each program element for RDT&E appropriations and for each sub-activity group for Operations and Maintenance appropriations.

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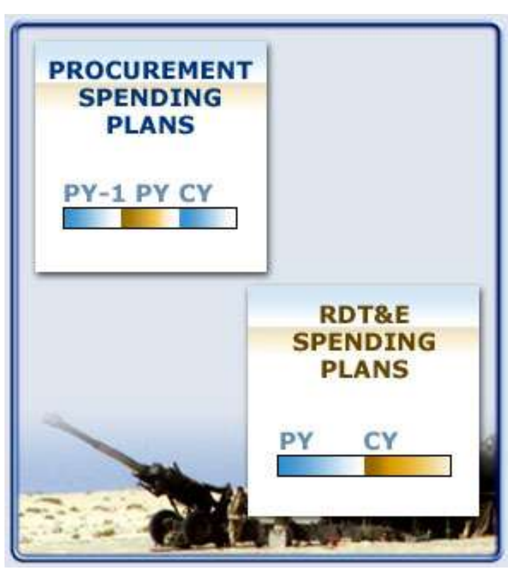
**Spending Plans Overview (2 of 2)**





Obligation and expenditure plans are prepared for each appropriation that is available for obligation.

Procurement appropriation spending plans would be prepared for the current fiscal year and the two prior fiscal years assuming that some funds from those years remained unobligated. Similarly, spending plans for RDT&E appropriations are developed for the current fiscal year and the year prior.

In addition, expenditure plans are required for each fiscal year of an appropriation that is not yet liquidated (that is, fully expended), even if its period of availability has expired.

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**Uses for Spending Plans**




The acquisition and comptroller communities use the obligation and expenditure plans and actuals as a "report card" for Program Management Office funds. Spending plans and actuals are often part of the quarterly reviews or briefings to the PEO (or other acquisition commander). Using this information, the PEO can make decisions regarding sources of funding for emergent requirements and work with local comptrollers to reprogram funds as appropriate among acquisition programs under the PEO's cognizance.

Service Headquarters and USD (Comptroller) personnel use obligation and expenditure plans and actuals during the Budgeting portion of PPBE to determine if those programs' budget requests are likely to be executed efficiently.

Finally, preliminary spending plans may be aggregated at the DoD level to support the President's Budget request and Congressional enactment of that budget by identifying the timing and use of the budget authority requested. This data also provides the U.S. Treasury with information regarding projected outlays.

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**Developing Spending Plans (1 of 4)**



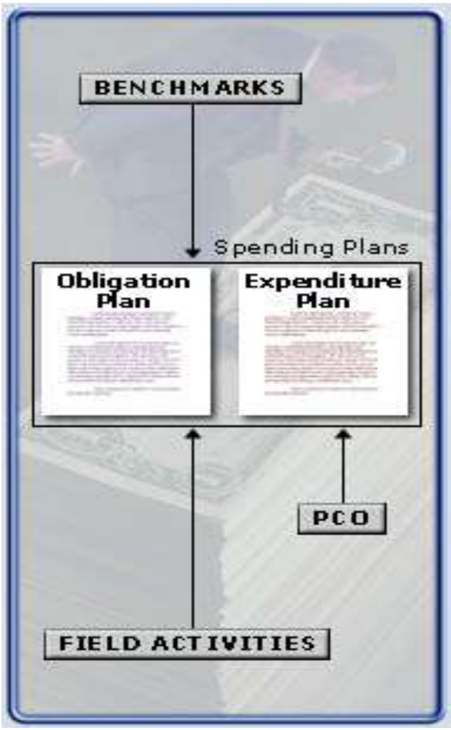

Program offices base their forecasts on the President's Budget submission, taking into account any known congressional actions on that budget request (such as cuts or plus-ups).

Spending plans assume that program direction and funding will be available at a particular point in time enabling the program to meet advertised obligation and expenditure dates. Further, 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. After consolidation and review, the composite plan is submitted to the service headquarters comptroller and OSD Comptroller.

**Developing Spending Plans (2 of 4)**






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.

In addition, the PMO should coordinate with other parties who may have an impact on the program's execution. The PMO spending plans should take into consideration the Procuring Contracting Officer's (PCO) workload and relevant contract characteristics (such as competitive award or sole source) that may affect the timing of contract awards.

Field activities should be consulted regarding the type of work to be performed. For example, if the field activity is to perform the majority of work in-house, then a reimbursable document is used, and the obligation plan will project the obligation upon acceptance of that document by the field activity. However, if the majority of the work is to be contracted out by the field activity, then a direct citation document is used, and the obligation plan must project the occurrence of the obligation based on when the contract is to be awarded by the field activity.

**Developing Spending Plans (3 of 4)**

**Page 8 of 27**


Another consideration in developing spending plans involves projections for the beginning and end of the fiscal year.

PMOs should be careful not to be too optimistic regarding obligations in the beginning of the year because of the time required for apportionment and the likelihood of operation under Continuing Resolution Authority (CRA). Also, a few weeks should be allowed for the distribution of budget authority through the comptroller chain and PEO office.

The PMO should also pay close attention to projected fourth-quarter obligations, which are vulnerable to slippage into the following fiscal year. Significant ramp-ups of obligations at the end of the year will receive close scrutiny from comptrollers, as these may indicate that the program office does not have firm requirements as well as possibly being unexecutable due to contracting office workloads.

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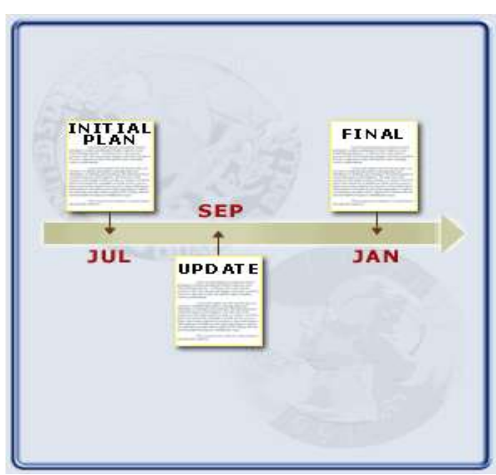
**Developing Spending Plans (4 of 4)**

**Page 9 of 27**



Obligation plans are updated at various intervals. An initial plan is developed as part of the internal service headquarters budget review (summer). It is updated in advance of the change of the fiscal year (fall).

Finally, it is revised at the end of the first quarter to reflect any congressional changes, CRA results or adjustments during apportionment (taxes). The obligation plan is then locked for the duration of the fiscal year. It is this January profile that becomes the baseline used for budget execution analysis.

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**Spending Plans Example**

**Page 10 of 27**

**CUTTLEFISH Program, FY 12 RDT&E, Navy**

| **Cumulative Obligations** | Oct-11 | Nov-11 | Dec-11 | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan | 50 | 100 | 150 | 500 | 550 | 600 | 850 | 900 | 1650 | 1750 | 1850 | 1900 |
| Actuals | 30 | 50 | 100 | 120 | 400 | 420 | 750 | 770 | | | | |
| Notes | | | | A | | | B | | C | | | |
| **Cumulative Expenditures** | Oct-11 | Nov-11 | Dec-11 | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 |
| Plan | 0 | 20 | 70 | 120 | 170 | 280 | 390 | 500 | 650 | 800 | 960 | 1120 |
| Actuals | 0 | 18 | 48 | 80 | 153 | 227 | 375 | 429 | | | | |
| Note A: Research Project A contract award | | | | | | | | | | | | |
| Note B: MIPR for test effort at Government Lab | | | | | | | | | | | | |
| Note C: Prototype contract award | | | | | | | | | | | | |

Spending plans for the Cuttlefish program's FY 12 RDT&E, Navy funds are shown along with actual obligations and expenditures through May 12. The steep ramp-ups in planned cumulative obligations in Jan 12, Apr 12 and Jun 12 coincide with planned contract awards.

The Cuttlefish PMO's expenditure plan accounts for lag time between obligations, invoicing, invoice certification, and disbursements.

**Long Description**

Table titled SQUID Program, FY 12 RDT&E, Navy. Top section of table shows Cumulative Obligations Plan and Actuals. For October 11, plan is 50, actuals are 30. For November 11, plan is 100, actuals are 50. For December 11, plan is 150, actuals are 100. For January 12, plan is 500, actuals are 120 and a note explains that contract award for research project A is scheduled to occur this month. For February 12, plan is 550, actuals are 400. For March 12, plan is 600, actuals are 420. For April 12, plan is 850, actuals are 750, and a note explains that a MIPR is planned for test effort at a government lab this month. For May 12, plan is 900, actuals are 770. For June 12, plan is 1650, no actuals reported yet, and a note explains that a contract award for a prototype is planned this month. Cumulative planned obligations for July, August and September 12 are 1750, 1850, and 1900, respectively, with no actuals reported yet for those months. The lower portion of the table shows Cumulative Expenditures Plan and Actuals. For October 11, plan is 0, actuals are 0. For November 11, plan is 20, actuals are 18. For December 11, plan is 70, actuals are 48. For January 12, plan is 120, actuals are 80. For February 12, plan is 170, actuals are 80. For March 12, plan is 280, actuals are 227. For April 12, plan is 390, actuals are 375, For May 12, plan is 500, actuals are 429. Cumulative planned expenditures for June, July, August and September 12 are 650, 800, 960, and 1120, respectively, with no actuals reported yet for those months.

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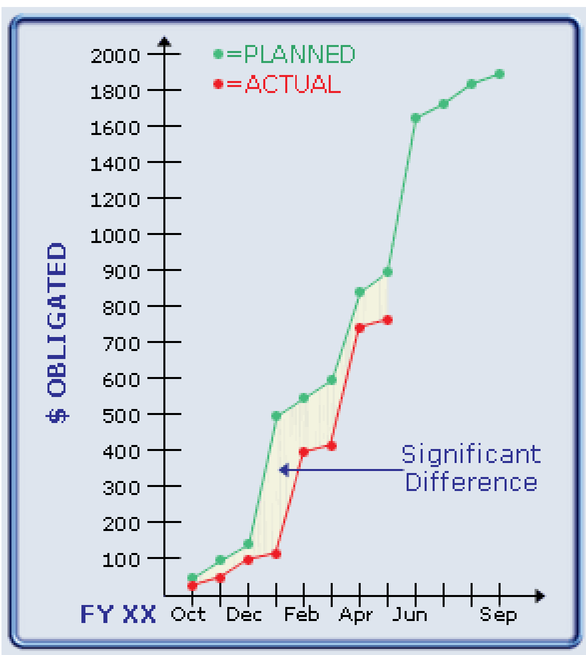
**Evaluating Spending Plan Performance Overview**






Programs that fall significantly behind their obligation and expenditure plans can lose funds both during the year of execution as well as in future budget years.

During the year of execution, planned and actual obligations and expenditures are reviewed monthly. Significant "variances" or deviations (usually 10% or greater) trigger a requirement for the program office to provide written explanations to the next level of the reporting chain. The higher headquarters analyzes these variance reports and makes recommendations to decision-making officials. Recommendations can vary from doing nothing to reprogramming significant amounts of budget authority away from the program to meet other needs.

**Long Description**

A graph with vertical axis labeled "$ Obligated" and horizontal axis labeled "FY XX" with tick marks for months. The first month is labeled "Oct" and last month labeled "Sep." The data from the SQUID example is used to build two lines, one labeled "Plan" and the other labeled "Actuals." The Plan line runs through the end of the FY, while the Actuals line ends in June. The large gap between the two lines that occurs in January (when plan is 500 and actuals are 120) is highlighted as a significant difference that would trigger variance reporting.

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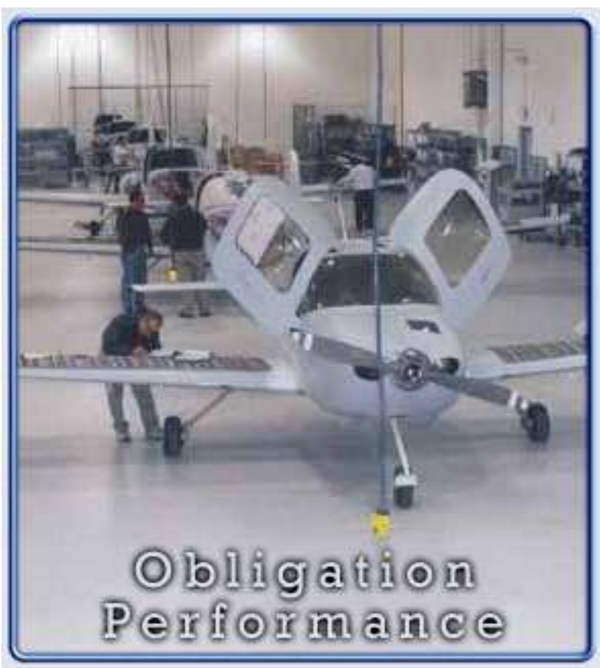
**Criteria for Evaluating Procurement Appropriations Execution**



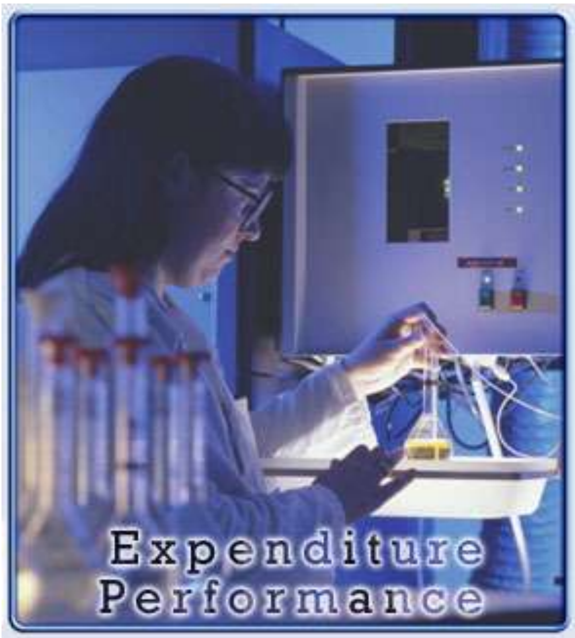



In reviewing Procurement appropriations, budget analysts focus on obligation performance, while for RDT&E appropriations, they focus on expenditures. This is consistent with the funding policies that govern each type of appropriation.

Recall that Procurement appropriations are budgeted on a full funding basis for items to be put on contract in a given fiscal year. Since obligations occur when contracts are signed, they are a good indicator as to whether the program is budgeted properly and is contracting for the number of items justified in their budget requests.

**Criteria for Evaluating RDT&E Appropriations Execution**



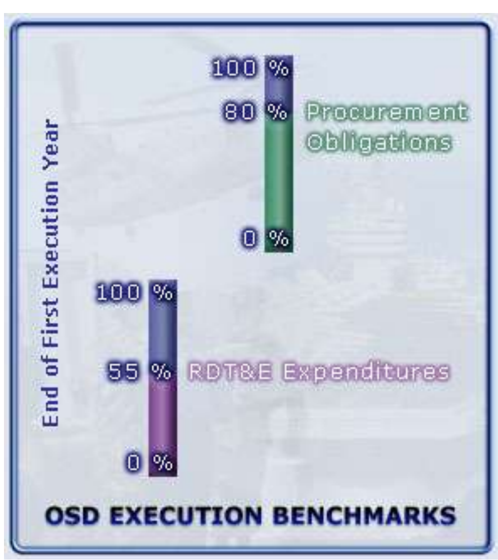



Conversely, RDT&E appropriations are budgeted incrementally, based on the cost of work expected to be performed during the fiscal year. Billing may occur on a periodic basis (monthly, for example) for level-of-effort type work or upon completion of a particular task (such as a test, report, etc).

When the bill is paid, an expenditure results; therefore, expenditures are a fairly good indicator of work being performed on RDT&E-funded contracts.

**OSD Execution Benchmarks (1 of 2)**





OSD analysts expect to see at least 80% of Procurement funds obligated by the end of the first year of execution of those funds. For RDT&E appropriations, they expect expenditures of at least 55% of the amount appropriated by the end of the first year of execution.

These benchmarks are derived from historical information in the official accounting records. Thus, common delays inherent in the accounting process are automatically accounted for in these benchmarks, and will not generally be accepted as an explanation of why the program appears to be lagging in its funds execution.

**OSD Execution Benchmarks (2 of 2)**



However, if the program can present credible evidence that unusual delays or errors have occurred in the processing of its obligations or expenditures (such as postings to the wrong fund cites), this will often be accepted and considered by the analyst in making recommendations for the program.

Programs that over several years consistently execute their funds at rates below the benchmarks will find it very difficult to defend themselves against funding adjustments.

**PPBE Impacts**

**Page 16 of 27**


During the Budgeting portion of PPBE, Component and OSD Comptroller budget analysts check to see that programs are requesting only the budget authority they actually need during a particular fiscal year.

Failure to execute funds in a timely manner as reflected by obligations and expenditures may indicate that programs are requesting funds in advance of their true need or not complying with funding policies. If this is the case, such programs' budget requests will be cut and the budget authority freed up and used to finance other programs.

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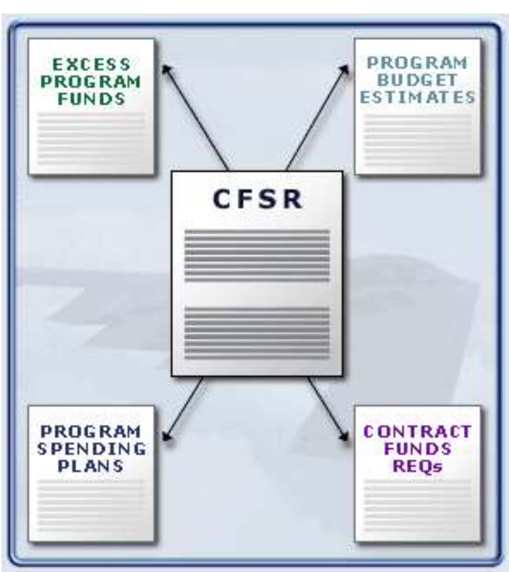
**Contract Funds Status Report (CFSR) Purpose**

**Page 17 of 27**



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 forecasting specific contract funds requirements, including identifying funds in excess of contract needs and available for deobligation; and developing program funding requirements, budget estimates and spending plans.

The CFSR may be applied to contracts over 6 months in duration. No specific contract price thresholds are established for CFSR application, but application to contracts of less than $1 million(constant FY 1990 dollars) should be evaluated carefully to ensure only the minimum information necessary for effective management control is required. The CFSR is not applied to firm fixed price contracts unless unusual circumstances require specific funding visibility.

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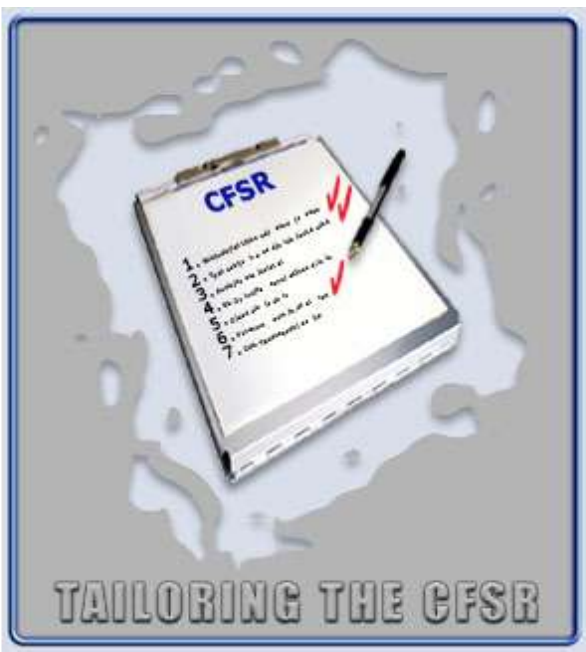
**CFSR Tailoring**






The Program Manager should tailor the CFSR reporting requirements to ensure that only those parts of the CFSR that are essential to the management of the contract are required to be submitted.

This is accomplished by providing specific instructions in Block 16 of the Contract Data Requirements List (CDRL) item for the CFSR. Tailoring is defined as deleting requirements from the Data Item Description (DID). Requiring more information than specified in the DID is prohibited by DoD regulation. All negotiated reporting provisions will be specified in the contract's CDRL.

Select the following hyperlink to access a highlighted blank CDRL , noting the blocks used for tailoring reporting requirements.

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**CFSR Data Elements**



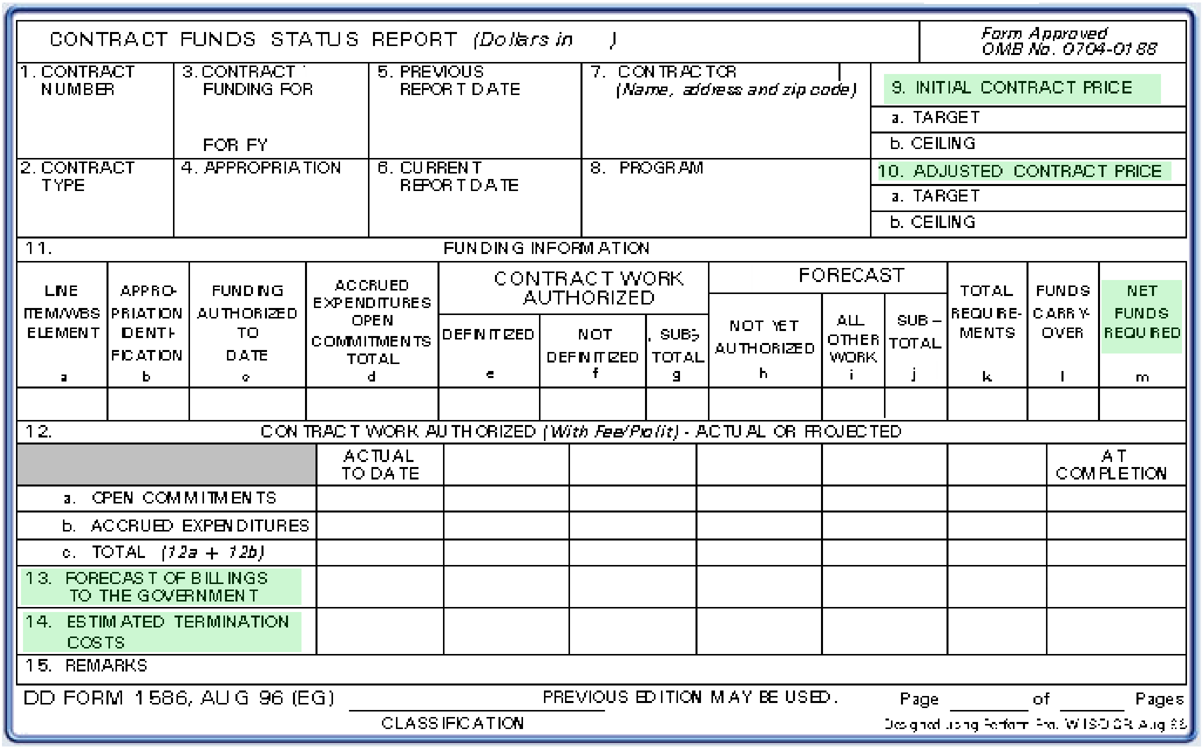

A sample CFSR form and a detailed description of the data elements are found in DID DI-MGMT-81468.

Some of the CFSR data elements that can help the PM determine the timing and amount of necessary funding adjustments include:

- Block 9, Initial Contract Price
- Block 10, Adjusted Contract Price (if the contract has been amended)
- Block 11m, Net Funds Required
- Block 13, Forecast of Billings to the Government
- Block 14, Estimated Termination Costs

Select the following hyperlink to access a blank CFSR highlighting these selected data elements.

## CFSR Data Elements Highlights



CONTRACT FUNDS STATUS REPORT *(Dollars in )* | Form Approved OMB No. 0704-0188

| | | | | |
|---|---|---|---|---|
| 1. CONTRACT NUMBER | 3. CONTRACT FUNDING FOR<br>FOR FY | 5. PREVIOUS REPORT DATE | 7. CONTRACTOR *(Name, address and zip code)* | 9. INITIAL CONTRACT PRICE<br>a. TARGET<br>b. CEILING |
| 2. CONTRACT TYPE | 4. APPROPRIATION | 6. CURRENT REPORT DATE | 8. PROGRAM | 10. ADJUSTED CONTRACT PRICE<br>a. TARGET<br>b. CEILING |

11. FUNDING INFORMATION

| LINE ITEM/WBS ELEMENT<br>a | APPROPRIATION IDENTIFICATION<br>b | FUNDING AUTHORIZED TO DATE<br>c | ACCRUED EXPENDITURES OPEN COMMITMENTS TOTAL<br>d | CONTRACT WORK AUTHORIZED: DEFINITIZED<br>e | CONTRACT WORK AUTHORIZED: NOT DEFINITIZED<br>f | CONTRACT WORK AUTHORIZED: SUBTOTAL<br>g | FORECAST: NOT YET AUTHORIZED<br>h | FORECAST: ALL OTHER WORK<br>i | FORECAST: SUB-TOTAL<br>j | TOTAL REQUIREMENTS<br>k | FUNDS CARRY-OVER<br>l | NET FUNDS REQUIRED<br>m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |

12. CONTRACT WORK AUTHORIZED *(With Fee/Profit)* - ACTUAL OR PROJECTED

| | ACTUAL TO DATE | | | | | | AT COMPLETION |
|---|---|---|---|---|---|---|---|
| a. OPEN COMMITMENTS | | | | | | | |
| b. ACCRUED EXPENDITURES | | | | | | | |
| c. TOTAL *(12a + 12b)* | | | | | | | |
| 13. FORECAST OF BILLINGS TO THE GOVERNMENT | | | | | | | |
| 14. ESTIMATED TERMINATION COSTS | | | | | | | |

15. REMARKS

DD FORM 1586, AUG 96 (EG) PREVIOUS EDITION MAY BE USED. Page ____ of ____ Pages

CLASSIFICATION

Designed using Perform Pro, WHS/DIOR, Aug 96

### Long Description

Blank Contract Funds Status Report. Blocks that may be useful to the PM in determining the timing and amount of necessary funding adjustments are highlighted as follows: Block 9, Initial Contract Price; Block 10, Adjusted Contract Price (if the contract has been amended); Block 11m, Net Funds Required; Block 13, Forecast of Billings to the Government; and Block 14, Estimated Termination Costs.

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### Knowledge Review



The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

At the beginning of a fiscal year, obligation plans should be prepared for:

a. **All current and expired appropriations that have not yet been fully liquidated.**

b. **All appropriations from the prior fiscal year.**

c. **All appropriations that will be current during the fiscal year.**
d. **All appropriations for the current year and the upcoming budget year(s).**

*Correct!*

*Obligation Plans are created at the beginning of the fiscal year for all appropriations that will be current during the fiscal year.*

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**Knowledge Review**



The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

Obligation and expenditure plans and actuals can be used by all of the following **except**:

a. **Component and OSD budget analysts to evaluate whether a program's budget request is likely to be efficiently executed.**
b. **Program Executive Office to evaluate program performance.**
c. **Administrative Contracting Officer to determine when the contractor is to be paid.**
d. **DoD to defend the President's Budget request.**

*Correct!*

*Obligation and expenditure plans and actuals can be used in all of the situations described except by the Administrative Contracting Officer to determine when the contractor is to be paid.*

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**Knowledge Review**



The following Knowledge Review allows for multiple correct answers. Select all of the answers that are correct, then select the Submit button and feedback will appear.

During the Budgeting Phase of PPBE, OSD budget analysts use the following as benchmarks:

a. **Procurement funds at least 80% expended by the end of the first year of execution.**

b. **Procurement funds at least 80% obligated by the end of the first year of execution.**

c. **RDT&E funds at least 55% expended by the end of the first year of execution.**

d. **RDT&E funds at least 55% obligated by the end of the first year of execution.**

*Correct!*

*OSD analysts expect to see at least 80% of Procurement funds obligated by the end of the first year of execution of those funds. For RDT&E appropriations, they expect expenditures of at least 55% of the amount appropriated by the end of the first year of execution.*

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**Knowledge Review**



The following Knowledge Review allows for multiple correct answers. Select all of the answers that are correct, then select the Submit button and feedback will appear.

Acquisition programs whose actual obligations and expenditures appear to be significantly lower than planned or benchmark levels often lose funds during the Budgeting Phase of PPBE because they may be:

a. **Incurring unusual delays or errors in the posting of obligations and expenditures to the accounting system.**

b. **Violating the DoD funding policy for a particular appropriation.**

c. **Violating the Antideficiency Act.**

d. **Requesting budget authority in advance of their true need.**

*Correct!*

*Correct answers are b and d. Actual obligations and expenditures that appear to be significantly lower than planned or benchmark levels often indicate that a program may be violating the DoD funding policy for a particular appropriation and/or may be requesting budget authority in advance of the program's true need. If this is the case, the program will usually lose funds. However, programs will not usually lose funds if their apparent execution lags are due to unusual delays or errors in the posting of obligations and expenditures to the accounting system. Neither will programs lose funds due to apparent violations of the Antideficiency Act.*

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**Knowledge Review**



The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

Which of the following type of information is not provided on the Contract Funds Status Report (CFSR)?

a. **Estimated termination costs.**

b. **Earned Value to date by Work Breakdown Structure element.**

c. **Amount obligated on the contract.**

d. **Forecast of billings to the government.**

*Correct!*

*The Contract Funds Status Report (CFSR) does not contain information pertaining to Earned Value to date by Work Breakdown Structure element.*

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**Lesson Summary (1 of 3)**



Congratulations! You have completed the Evaluating Budget Execution Lesson. The following topics were presented in this lesson:

- 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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**Lesson Summary (2 of 3)**



- 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)

**Lesson Summary (3 of 3)**



The following topics were also presented in this lesson:

- 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 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.

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