



Budget Execution



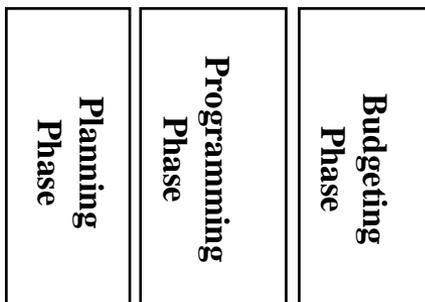
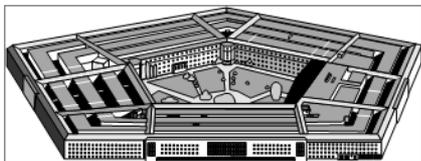
OVERVIEW

- Defense Budget Process
- Execution
- Fiscal Strategies
- Fund Manager Duties
- Budget/Execution Reviews
- FY Closeout

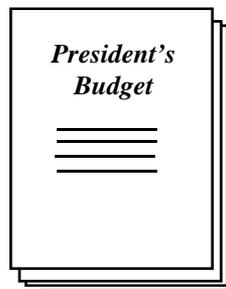
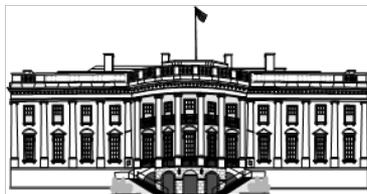


Defense Budget Process Overview

Defense Department prepares a budget



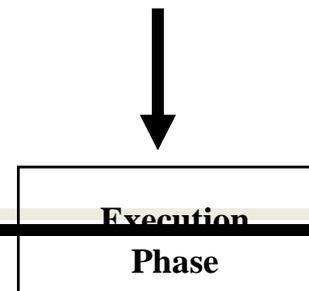
Secretary of Defense submits budget to President's Office of Management and Budget



President submits budget to Congress

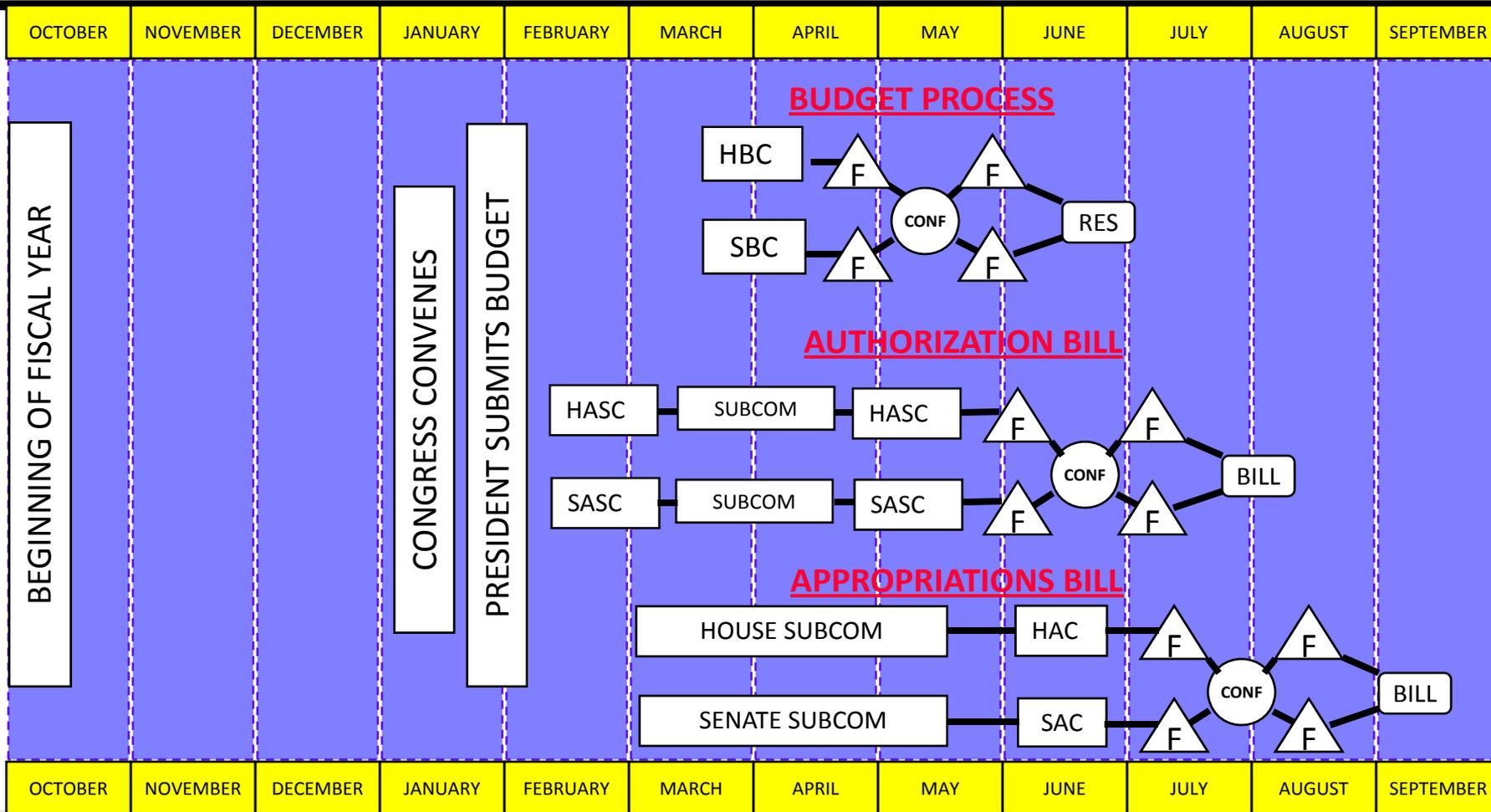


Budget Legislation
(Authorization & Appropriation)





Defense Budget Process Congressional Review





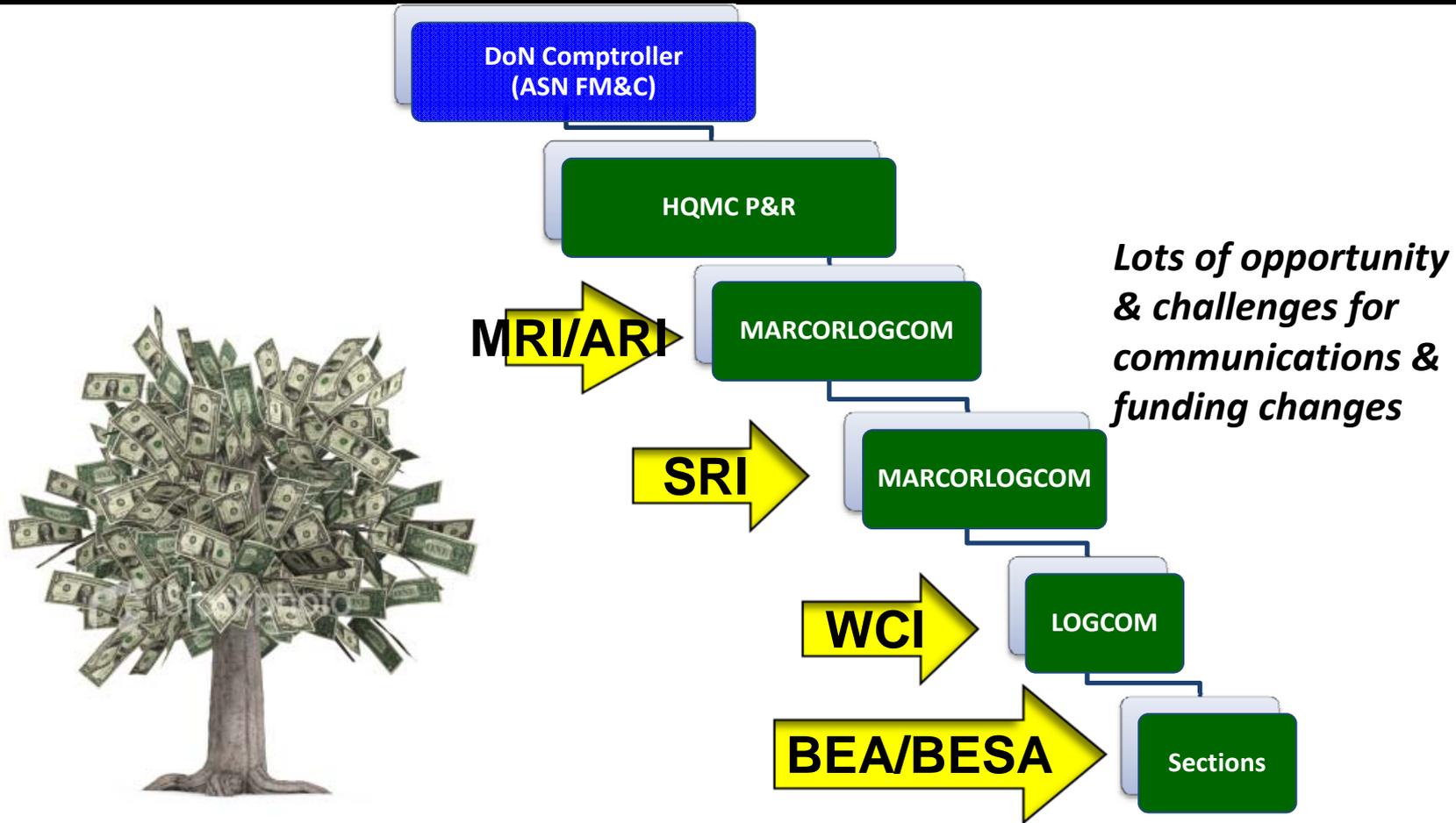
Defense Budget Process

Budget Execution Starts

- President signs
 - Authorization Act
 - Appropriations Act
 - Budget Authority – Ability to spend
- Types of Appropriations
 - Annual – O&M, Personnel
 - Multi-year – Procurement, RDT&E, MILCON
 - No year – Revolving, NWCF
 - Combination – BRAC
 - Continuing Resolutions (CR)
 - Supplemental Appropriations



Defense Budget Process Funds Flow





CRA

- **Continuing Resolution Authority (CRA):**
 - Passed for short-term funding while awaiting approval of actual Appropriations Act
 - Holds Agencies to same or restricted level of funding compared to prior fiscal year
 - No new starts – primarily impacts procurement and R&D
- **Major issue is how long the CRA goes before an appropriation is enacted**
 - You don't recover "Time" or "Lost Opportunities"
 - Additional pressure on execution once the CRA ends



Funding Ceilings

- Appropriations Acts can have an impact on our financial plans:
 - Organizations may receive a specified or directed “mark” providing funding for a needed project or mission support
 - Organizations may receive a portion of any funding “rescission” reducing the amount that our financial plan was built upon



Funding Authorizations

- Funding Authorization Letters
 - Provide annual/quarterly funding ceilings
 - Additional letters done for any changes
 - One-time changes
 - MYR changes
 - Funding realignments
- SABRS Funding Authorizations
 - Should always equal funding authorization letters



Obligation Rates

- Obligation Rates becoming critical
 - 98-100% MONTHLY: OSD requirement vs your obligation phasing plan submitted in budget submission
 - ALL funds, including OCO & Exercises
 - Key to getting more \$
 - Be prepared to explain under-obligations
 - ALL organizations must execute for total goals to be met and increase potential for additional \$



Fund Manager Duties



Fund Manager Duties

- Daily obtain, review, work and make appropriate corrections and adjustments in SABRS from:
 - Daily Transaction Update Report
 - Error Report
 - BEA Fund Balance Report
- Daily – Update source document files as appropriate from working your daily BEA/BESA reports
- Provide a periodic Status of Funds to your hierarchy IOT identify potential shortfalls / funding shortfalls



Monitoring Execution

- Status of Funds and execution:
 - Funds received and distributed
 - Obligation rates
 - Liquidation rates
 - Comparing execution with obligation phasing/financial plan
- Standard Accounting Budgeting Reporting Systems (SABRS) data: (pulled via SABRS Management Analysis Retrieval System (SMARTS))
 - Cumulative or inception to date
 - Need to get reports at a point in time to compare to the same point in time in prior periods (quarter/FY)



Daily/Weekly Budget Reports

- Level of SABRS budget reports that need to be reviewed/worked at least weekly are:
 - Fund status by BEA (**Daily**)
 - Execution status by BEA and Object Class (OC)
 - Executions status by BEA and Special Interest Code (SIC)





Key Reports

- PRTDTR1 SABRS Daily Transaction Report by WCI and BEA
 - Listing of every individual transaction that posted to a WCI and BEA for that cycle.
- PRTEROR SABRS Daily Error Report by WCI and BEA
 - Listing for every individual transaction that did not post to a WCI and BEA for that cycle. The PRTEROR is a cumulative report.



Key Reports

- PRTDTR5 - Travel Daily Transaction Report, provides same basic information as PRTDTR1
- PRTFLBEA – Field level Report by WCI/BSYM/FY/SBHD/BEA/BESA. A daily report that provide cumulative amounts for authorizations, commitments, obligations, expense, and liquidations.



What Are You Looking for on Reports

- Funds Authorized:
 - Received and distributed monthly/quarterly funding
 - Received and distributed other funding
 - Made necessary internal funding realignments
- Funds Committed and Obligated
 - Commitments and obligations do not exceed funding w/o prior approval from Comptroller
 - % obligated (98-100% of monthly plan)
 - Obligations compared with phased plan
 - Reasons why funds are not obligated or over-obligated



What Are You Looking for on Reports

- Expenses and Liquidations:
 - Are they occurring timely?
 - Are they posting correctly?
- Compare current execution with prior year for the same period – Are there major variances and why





UMDs

- Unmatched Disbursement (UMD) – is a payment (expenditure) that cannot be matched against an existing obligation.
- UMDs most often occur when contractors forward consolidated bills or invoices without indicating the specific line item on a contract against which the charges should be liquidated.
- UMDs may also occur when a contractor forwards a bill or invoice with the wrong account information or identifiers, causing a different account to incur inaccurate liabilities.



NULOs

- Negative Unliquidated Obligations (NULOs) – occur when valid disbursements are incorrectly matched with obligations and cause the disbursements to exceed the obligations.
- Occurs with travel documents when unused plane tickets are not returned to CTO
- Can occur when valid disbursements for one document number are posted to another document number exceeding the obligation
- While reviews for UMDs and NULOs are required as part of the Triannual Review, they should also be part of ongoing execution review processes.



Expired Accounts

Expired Accounts – an appropriation or funds account in which the balances are no longer available for incurring new obligations because the legal time limit has expired.

Regardless of the original length of an appropriation's availability, for five years after the time an appropriation is no longer available for new obligations, both the obligated and nonobligated balances of that appropriation are available for appropriate adjustment

Adjustments to expired accounts usually fit into one of three types:

Posting issues – Where increases and decreases to obligations and expenditures may have already been made or incurred but are not recorded during the period prior to the expiration or cancellation.

Preexisting but unfunded contingent liabilities

- Incentive fees, award fees, and target-to-ceiling cost growth on incentive fee contracts

- Price changes (escalation, economic price adjustments, foreign exchange rate adjustments)

Performance issues – within-scope contract changes and contract defaults

With a few exceptions, if an adjustment does not fall within one of these three types, such as change-in-scope contract changes (e.g., quantity changes), funding changes must be paid out of current funds.



Closed Accounts

- Closed/Canceled Accounts – after 5 years in an expired status, both the obligated and unobligated balances of an appropriation are canceled.
- No changes/adjustments can be made on closed accounts
- Any changes must be made using current year funds



Budget Execution / Reviews



Risk

- Risk = Possibility of suffering harm or loss
- Risk = A factor, course, or elements involving uncertain danger
- Financial Risk is associated with:
 - Limited funds, unlimited needs and wants
 - Timing of funding and execution
 - Over-obligation and under-obligation
 - An unexpected “brilliant idea”



Financial Risk Includes

- Over-obligation
- Not adequately funding functions with the most command impact
- Not performing execution analysis
- Being overly conservative and missing opportunities
- Being overly aggressive – Making promises that your funding cannot cover
- Building a financial plan that relies heavily on “additional funding”
- Not considering the impact if you get additional funding

Science – Understand missions, required funding support & perform financial analysis



Fiscal Year (FY) Closeout

- Goals:
 - All funds obligated (No over-obligations)
 - All obligations valid – good supply status!!!
 - Minimize funding reversions (losses) – scrutinize GCSS-MC requisitions (backorders)
 - Consider spending deadlines – RCO, GCSS-MC, TAD requests, etc.
 - All routine spending complete late August
 - September focus is VALIDATION



Smart & Aggressive Spending

- Smart Spending
 - Consider the “golden rule” – would you do this if it were your money or your company’s money (remember it’s taxpayers dollars)
 - Distinguish between needs and wants
 - How is operational capability and/or readiness improved
 - Is it a sound enhancement
 - Use TAD (or supply/other) efficiencies to fund other enhancements



Smart & Aggressive Spending

- Aggressive Spending
 - Our funding has a “shelf-life” – it’s only good through 30 September
 - Spend funds so that we actually receive 100% of the supplies/services ordered
 - Spend on NEEDS as they arise (avoid year-end bottleneck when sources of supply closed)
 - Don’t run “short funds” on necessary items
 - Buy supply system items sooner in FY – avoid backorder cancellations after the FY by an item manager (= lost \$)
 - Plan replenishment & replacement and SL-3 buys sooner in the FY
 - Spending sooner means you get supplies sooner and increase readiness faster
 - Spending sooner also prevents lost/wasted funds (reversions) – from cancelled requisitions after the FY is over



Cost Efficiencies

- Maximize/scrutinize ULO validations
 - Are supply MOVs (Material Obligation Validations) being done accurately and timely
 - Are all supplies ordered actually being received
 - Are requisitions being inappropriately cancelled/ordered, cancellations challenged as applicable
 - Are invalid obligations sitting idle tying up/wasting funds
- Research prices on items (from at least 3 sources) when using credit cards
- Is service item necessary (need) or nice to have (want)



Cost Efficiencies

- Maximize:
 - Government quarters (government installations – PLAN AHEAD!!)
 - Government messing (Proportional meal rate when at least 1 gov't procured meal)
 - Field duty as appropriate
- Minimize:
 - Number of Trips – reduce frequency of site visits (quarterly to semi-annual)
 - Combine training/site visits, and conferences as feasible to reduce travel/transportation costs
 - Number of travelers to conferences and site visits
 - Trip length
 - Number of rental cars (share as appropriate, especially to military installations)
- Other:
 - Coordinate with other organizations / staff to prevent unnecessary duplication for conference attendance
 - Ensure the right people are sent to conferences and site visits, etc. – rank, expertise, impact
 - VTC –
 - Establish TAD locations based on minimizing totals costs as feasible
 - Settle TAD claims expeditiously since some TAD obligations overestimated



Questions?