Imagine, Create, and Secure a Stronger Peace...

Budget Execution and Performance Integration

ASMC PDI

“Prepare to Launch”

Presented by:
Adrienne Ferguson
Professors of Practice
NDU/iCollege/CFO Academy
June 2016
Budget Execution and Performance Integration

Course Topics

1. Federal Budget Process
2. Budget Execution Process
3. Budget and Performance Integration
4. Emerging Issue: The Data Act
5. Leadership Challenges & Responsibilities
Course Objectives

1. Evaluate the key interrelationships between budget formulation, budget enactment, and budget execution.

2. Assess the factors and tools in leading successful execution of an organization’s budget.

3. Examine the role of Congress in budget execution and the Constitutional and legal requirements set forth for this important financial management function.

4. Determine how to protect an agency’s integrity by providing advice and counsel on compliance with Congressional legislation including appropriations and authorization acts, proper use of funds, as well as the Anti-Deficiency Act.

5. Distinguish various uses of performance data and how it can be effectively used to report and monitor budget execution information used to make budget decisions.
Topic 1: Federal Budget Process
Federal Mandates (Laws, Rules, Directions, Regulations, ...)

- Budget and Accounting Act of 1921
- Congressional Budget and Impoundment Act of 1974
- Anti-Deficiency Act
- Office of Management and Budget (OMB) Circular A-11
- DoD Financial Management Regulation
The Budget and Accounting Act of 1921

- Established a government-wide budgeting system
- Required the President to submit an annual proposed budget to Congress
- Created the Bureau of the Budget (BoB), which is now the Office of Management and Budget (OMB)
- Created the General Accounting Office, which is now the Government Accountability Office (GAO)
Congressional Budget and Impoundment Act of 1974

- Established a new budget process
- Shifted some power back to the Congress
- Created standing budget committees in both the House and in the Senate
- Created the Congressional Budget Office (CBO)
- Reduced the President’s impoundment authority
Budget Execution and Performance Integration

The **Anti-Deficiency Act** (amended)

- Prohibits the obligation or expenditure of government funds *in excess* of the amounts appropriated by Congress or in excess of amounts permitted by regulations

- Forbids the obligation of any funds *before the appropriation* is passed

- Requires a **funds control system** for making obligations
Federal Managers
Financial Integrity Act (FMFIA) of 1982

1982

- Requires systems of accounting and administrative controls over financial management practices
- Requires obligations and costs to comply with applicable laws
- Requires the President to report in the budget submission whether the accounting system conforms to principles, standards, and requirements prescribed by Comptroller General
Office of Management and Budget (OMB) Circular A-11

- Provides guidance for budget formulation and instructions for budget execution
- Includes 7 Parts; Part 4 details budget execution requirements
- Revised annually
Budget Execution and Performance Integration

DoD Financial Management Regulation (FMR) Volume 3

- Provides availability and use of budgetary resources
- Contains 19 Chapters; Chapters 8 and 10 relate to budget execution rules
- Re-enforces and supplements OMB Circular A-11
Budget Process Overview

President submits budget to Congress

Federal Agencies submit program and budget estimates

Budget Legislation provides funding
Budget “POP” Quiz:

Prior to 1921, Federal agencies first submitted their budget requests to _______.

a. The President  
b. The Speaker of the House  
c. The Congressional Budget Office  
d. The Treasury Department

ANSWER: d
Budget “POP” Question:

Prior to 1921, the President ______ the budget process.

a. played a significant role in
b. played a minor role in
c. played no direct role in
d. determined the nature of

ANSWER: c
Budget “POP” Question:

The primary reason the budget process changed in 1921 was because ______.

a. the level of government expenditures were increasing
b. the President wanted more power
c. Federal agencies wanted less responsibility
d. World War II forced the military to get involved

ANSWER: a
Topic 2: Budget Execution Process
Imagine, Create, and Secure a Stronger Peace...

Budget Execution and Performance Integration

OMB A-11

- “This phase lasts for at least five fiscal years and includes two parts. The *apportionment* part … the *reporting* and *outlay* part …”

Mutty & McCaffery, 1999

- “While the act of budgeting is a planning process, budget execution is a *management process*. Budget preparation is planning for policy accomplishment and budget execution is managing the budget plan for *policy implementation*.”

- “… managing federal expenditures by *spending available* funds to carry out *authorized activities* and by *accounting* for their actions.”

Schick, 2007

- “Managers commit public money and must follow rules that guarantee funds are *spent on intended purpose* and fraud, waste, and misuse is avoided.”

Jones & McCaffery, 2008

Imagine, Create, and Secure a Stronger Peace...
Budget Execution

• Agencies must have appropriated funds by the start of the fiscal year (October 1) to operate

• To keep the government from shutting down without an appropriations act, Congress passes a “Continuing Resolution” (CR) until the final appropriations are passed

• OMB provides a formula for calculating amounts available for obligation under a CR
Budget Execution and Performance Integration

Show Me the Money!

U.S. National Debt Clock: Real Time
http://www.usdebtclock.org/ (1 of 2) 4/15/2011 12:58:12 PM

Imagine, Create, and Secure a Stronger Peace...
Budget Execution and Performance Integration

51% Major entitlements
- Medicare, Medicaid, other health care: 26.3%
- Social Security: 24.3%

19% Income security, other benefits

17% National defense

7% Net interest

Transportation 3%
K-12 education 1%
All other 3%

Source: Heritage Foundation
Fiscal Year 2016 President’s Budget (Revenue)

TOTAL $3,525B

- Indiv Income Tax: 47%
- Social Security: 23%
- Corp Tax: 13%
- Medicare: 7%
- Other Social Insurance: 2%
- Excise, Estate, Customs: 4%
- Other Receipts: 4%

Source: OMB
Fiscal Year 2016 President’s Budget (Outlays)

- Mandatory $2,826B (71% of total)
- Discretionary $1,173B (29% of total)

**TOTAL $3,999B**

Source: OMB
Budget Execution and Performance Integration

Budget Execution Timeline

1. Continuing Resolution
2. Authorization
3. Appropriation
4. Treasury Warrant
5. Apportionment
6. Allotment
7. Operating Plan
8. Commitments
9. Sales Orders
10. Obligations & Adjustments

11. Sales
12. Expenditures/Deliveries
13. Outlays/Collections
14. Mid-Year Review
15. Reprogramming
16. Transfers
17. Supplemental
18. Rescission
19. Deferrals
20. Reporting
21. Year-End

Imagine, Create, and Secure a Stronger Peace...
Imagine, Create, and Secure a Stronger Peace...

The Budget Calendar and the PPBE Process

FY 2014 – 2016 Budget Status

<table>
<thead>
<tr>
<th>FY 2014 Budget</th>
<th>Planning</th>
<th>Prog/Budget</th>
<th>Congressional Action</th>
<th>Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015 Budget</td>
<td>Planning</td>
<td>Prog/Budget</td>
<td>Congressional Action??</td>
<td>Execution</td>
</tr>
<tr>
<td>FY 2016 Budget</td>
<td>Planning</td>
<td>Prog/Budget</td>
<td>Congressional Action</td>
<td>Execution</td>
</tr>
</tbody>
</table>

FY11 Q2 Q3 Q4 FY12 Q2 Q3 Q4 FY13 Q2 Q3 Q4 FY14 Q2 Q3 Q4 FY15 Q2 Q3 Q4 FY16 Q2 Q3

Today

Imagine, Create, and Secure a Stronger Peace...
Budget Execution and Performance Integration

Three Dimensions of Appropriation Law

• **Purpose**
  – Obligating/expending funds for goods/services not permitted by law

• **Time**
  – Obligating/committing to make payments for goods/services not available or within the time limits applicable to the appropriation

• **Amount**
  – Obligating/expending funds that exceed the amount available in an appropriation
### Budget Execution Reporting: SF 133

<table>
<thead>
<tr>
<th>Section</th>
<th>shows whether....</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary Resources</td>
<td>Budgetary resources are available for obligation or not</td>
</tr>
<tr>
<td>Status of Budgetary Resources</td>
<td>Budgetary resources have been obligated or not</td>
</tr>
<tr>
<td>Change in Obligated Balances</td>
<td>Obligated balances changed</td>
</tr>
<tr>
<td>Net Outlays</td>
<td>Obligated amounts have been outlaid or not</td>
</tr>
</tbody>
</table>
Imagine, Create, and Secure a Stronger Peace...

Budget Execution and Performance Integration

Budget Execution

Combining Statements of Budgetary Resources for Major Budget Accounts
For the Years Ended September 30, 2003 and 2002
(All amounts are in thousands)

<table>
<thead>
<tr>
<th>FY2002 (continued)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary resources:</td>
</tr>
<tr>
<td>Appropriation received</td>
</tr>
<tr>
<td>Appropriation in effect</td>
</tr>
<tr>
<td>Budgetary resources available:</td>
</tr>
<tr>
<td>Appropriation available</td>
</tr>
<tr>
<td>Less: Expenditures</td>
</tr>
<tr>
<td>Budgetary resources outstanding</td>
</tr>
</tbody>
</table>

- Fulfills a legal requirement for **reviewing** appropriations 4 times/year
- Allows **monitoring** of apportioned funds
- Provides **consistent budgetary reporting**
- Provides **historical data** for better planning, execution and tracking
- Forms the basis of **obligation patterns** used to calculate continuing resolution amounts
Budget “POP” Question:

When Congress does not pass the necessary budget resolutions by the time the new fiscal year starts, they need to pass a ______ in order to keep agencies operating.

a. budgetary extension  
b. continuing resolution  
c. continuing extension  
d. emergency budgetary declaration

ANSWER: b
Budget Execution and Performance Integration

Budget “POP” Question:

Agencies budgetary requests will be excessively large because ______.

a. demand for government services is always increasing
b. they want to make the President happy
c. they know that their final budget will be smaller than their requests
d. of “logrolling”

ANSWER: c
Budget “POP” Question:

Responsibility for developing the President’s Budget lies with ______.

a. the Congressional Budget Office
b. the Treasury Department
c. the Council of Economic Advisors
d. the Office of Management and Budget

ANSWER: d
Topic 3: Budget and Performance Integration
Budget Execution and Performance Integration

Government Performance and Results Act (GPRA) of 1993

AND

Government Management Reform Act of 1994

AND

GPRA Modernization Act of 2010

• Requires Strategic Plans, Performance Plans and Performance Reports

• Requires all Executive agencies to produce annual audited financial statements

• Adopts a more coordinated and cross-cutting approach to common goals

• Addresses weaknesses in major management areas

• Focuses on sustained leadership commitment and accountability
Performance Budgeting
– WHAT???

SUCCESS

100% Obligated

Mission Met

Effective Reactions

“Clean” Audit

Planning Links

Transparency

Accountability

Planned vs Actual Targets

WHAT???
Imagine, Create, and Secure a Stronger Peace…

Performance Budgeting – HOW???

Source: Cozzetto, 2001
Budget and Program Execution are linked, however...

Examples:

- Standard budgetary execution reports do not include performance data
- Program management depends on metrics and other management reports
  - There is more budget data in program execution than there is performance data in budget reporting
- Program management considers budget as another variable to be managed
Budget “POP” Question:

_____ helps Congress evaluate the President’s budget.

a. The Treasury Department
b. The Office of Management and Budget
c. The Congressional Budget Office
d. The Joint Economic Committee

ANSWER: c
Budget Execution and Performance Integration

Budget “POP” Question:

______ has the primary responsibility for developing the early stages of the government’s budget.

a. The Executive Branch
b. The Treasury Department
c. The House of Representatives
d. The Senate

ANSWER: a
Budget “POP” Quiz:

Prior to the Congressional Budget and Impoundment Act of 1974, the fiscal year started on _______.

a. 1 January
b. 1 June
c. 1 July
d. 1 October

ANSWER: c
Topic 4: Emerging Issues
“Whenever the people are well-informed, they can be trusted with their own government.”

-- Thomas Jefferson

Source: Steinhoff, Jeff CFF 16-04 Presentation dated May 2016
“Transparency is critical to our democracy. ... Policymakers and taxpayers should be able to quickly answer some basic questions about federal spending, like how much did we spend, and who received the money? Determining this very basic information can take countless hours of work, if it is to be determined at all.

.... The Digital Accountability and Transparency Act, or the DATA Act, will shed additional light on the federal government’s finances and leverage modern technology to give the taxpayers the transparency over federal spending they deserve.

The DATA Act will ensure that the information collected by the budget analysts, accountants, and grant and contract officers is combined, reconciled, and presented in an easy-to-use way.


Source: Steinhoff, Jeff CFF 16-04 Presentation dated May 2016
Imagine, Create, and Secure a Stronger Peace

Budget Execution and Performance Integration

Can You Say “Yes” to These Questions?

**DATA**
- Does your data contain the common data elements that enable unique identifiers for federal awards, entities, grantees, and contractors? Are they consistent with Office of Management and Budget (OMB) and Treasury requirements?

**TECHNOLOGY**
- Are you able to obtain data in an efficient and effective manner? Is the data accurate and complete for all funds, object classes, or other required reporting elements?
- Do systems for obtaining, accumulating, processing, and reporting data have the appropriate level of information security?

**BUSINESS STRATEGY AND GOVERNANCE**
- Does your agency have a strategy to evaluate gaps in your data sources and a plan for managing the effort? Does your agency have an agile process for incorporating any subsequent revisions to federal data structure standards?
- Do you have a validation process to ensure your organization can withstand an independent audit in accordance with the DATA Act?

**PEOPLE**
- Do you have people available with the right skills to analyze your budgeting and spending information, and to map your data in accordance with required data structures?
- Do you have the right personnel who can lead the required implementation effort? Can you assess what data is relevant, where it needs to come from and whether the data is reliable?

**PROCESS**
- Do you have processes in place to help ensure the required data is accumulated, processed, and reported on time and accurately?
- Do you have the necessary business rules to adjust to Treasury’s and OMB’s data standards?

Source: Steinhoff, Jeff CFF 16-04 Presentation dated May 2016
### Budget Execution and Performance Integration

#### Traditional Costing View

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>11,693,664</td>
</tr>
<tr>
<td>Travel</td>
<td>793,878</td>
</tr>
<tr>
<td>Transportation of Things</td>
<td>140,291</td>
</tr>
<tr>
<td>Rents, Communication, Utilities</td>
<td>187,210</td>
</tr>
<tr>
<td>Printing and Reproduction</td>
<td>330,864</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>10,912,984</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>652,011</td>
</tr>
<tr>
<td>Equipment</td>
<td>921,824</td>
</tr>
<tr>
<td>Grant and Subsidies</td>
<td>362,491</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$25,995,217</strong></td>
</tr>
</tbody>
</table>

#### Activity Based Costing View

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation Land Use Plan (LUP)</td>
<td>1,715,684</td>
</tr>
<tr>
<td>Develop LUP Strategy</td>
<td>6,615,783</td>
</tr>
<tr>
<td>Develop Scoping Report</td>
<td>3,392,224</td>
</tr>
<tr>
<td>Develop Draft LUP/EIS</td>
<td>3,795,302</td>
</tr>
<tr>
<td>Draft LUP amendment (EIS level)</td>
<td>4,738,928</td>
</tr>
<tr>
<td>Complete Proposed LUP /EIS</td>
<td>93,583</td>
</tr>
<tr>
<td>Prepare Final Record of Decision</td>
<td>369,132</td>
</tr>
<tr>
<td>Prepare Amendment (EA level)</td>
<td>1,432,336</td>
</tr>
<tr>
<td>Prepare Amendment (EIS level)</td>
<td>842,245</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$25,995,217</strong></td>
</tr>
</tbody>
</table>

*Source: AGA CPAG Research Series: Report No. 22 September 2009*
Topic 5: Leadership Challenges and Responsibilities
Budget Execution and Performance Integration

The Budget Process (Another View)

1. STRATEGIC PLANNING
   - Define recommendations for funding and priorities
2. BUDGET FORMULATION
   - Prepare budget estimates and budget justifications
   - Reviewed and approved by DoD Comptroller & OMB
3. BUDGET PRESENTATION
   - Congressional hearing, respond to formal questions from appropriation subcommittees
4. BUDGET EXECUTION
   - Apportionment of funds, obligations incurred
5. PERFORMANCE
   - Track the progress of achieving outcomes
6. EVALUATING RESULTS
   - Cost/benefit assessment: What produces the best value?

GPRA develops measures and indicators

Imagine, Create, and Secure a Stronger Peace...
Budget Execution and Performance Integration

Leadership Challenges and Opportunities

- Budget Execution represents activities associated with the legal and managerial uses of budgetary resources to achieve results that comply with the enacted budget policies

- Leaders can:
  - Connect budget execution with Strategic Plan
  - Follow an execution timeline
  - Execute as early as possible
  - Conduct Mid-year reviews
  - Consider unfunded lists early
  - Prepare planning documents in case budget becomes available
  - Establish relationships with requirements owners and contracting officers

Source: OMB Circular No. A-11
Budget Execution and Performance Integration

Leadership Challenges and Opportunities ...

When presenting the Budget Execution “story” leaders SHOULD:

- Know the audience (staff, internal/external stakeholders)
- Identify and understand the budget and performance links (metrics tied to cost, cost fully burdened, reporting of metrics)
- Establish trust and creditability
- Let’s look at an example of how the story SHOULD NOT be told!!!
Budget Execution and Performance Integration

Contact for Questions or Information (NOW and/OR LATER)

Professor Adrienne Ferguson
Adrienne.Ferguson@ndu.edu
202-685-4835

National Defense University (NDU), Information Resources Management College (IRMC), CFO Academy

Go to www. http://icollege.ndu.edu/