

Paul



**FINANCIAL
MANAGEMENT
AND
ACCOUNTING
OBJECTIVES**

**MARCH
1985**

**Executive Office of the President
Office of Management and Budget**



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 15 1985

M-85-10

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: DAVID A. STOCKMAN
DIRECTOR

AAS

SUBJECT: Financial Management and Accounting Objectives

This is a follow-up to Circular A-127, "Financial Management Systems." The Circular sets forth policies and procedures for developing, operating, evaluating, and reporting on financial management systems. It requires each agency to establish and maintain a single, integrated financial management system that meets a series of basic objectives.

The attached "Financial Management and Accounting Objectives" provides additional details of the objectives to be achieved in designing new systems and in operating existing ones. It includes a summary of the appropriate budget and accounting principles and standards that are to be incorporated into agency systems to meet the requirements of Circular A-127. This summary also serves as the evaluation base for the annual report on accounting systems required by the Federal Managers Financial Integrity Act, P.L. 97-255.

Evaluations of agency systems required by the Circular are to be based on the policies and procedures contained in Circular A-127 and the detailed explanation of objectives contained in the attached document. Initial submission of the five-year plan called for in the Circular is to be made with your agency's FY 1987 budget and management submission.

Attachment

proposed prior to the beginning of the fourth quarter for amounts that are determined not necessary for use or not required to carry out the purposes of the appropriation or other authority. The amount proposed for rescission shall be made available for obligation if both Houses have not completed affirmative action in the form of an enacted law within 45 days of continuous session after the President's message is received by the Congress.

- o Transfer of Funds - When specifically authorized by law, all or part of the budget authority in one account may be transferred to another account. Expenditure transfers are made when the transfer benefits the transferring account. They are treated as payments and collections. Non-expenditure transfers involve direct movements of budget authority or unobligated balances. They may be made either as appropriation adjustments (movements between appropriations) or allocations (which allow one agency to obligate or expend a portion of another agency's accounts.)
- o Obligations - Amounts of orders placed, contracts awarded, services received, or similar actions taken during a given period that will require payment during the same or a future period shall be recorded as obligations and charged to the appropriate accounts. Outlays for which obligations had not previously been recorded shall also be reported as obligations of the appropriate accounts. Obligations shall be supported by appropriate documentation, e.g., written binding agreement, loan agreement, order, grant award, etc., and retained in the agency in such form as to facilitate audit and reconciliation. The recording of an obligation shall not be delayed or understated due to a delay in securing the documentation. NOR shall recording be delayed because sufficient funds are not available.

Obligations shall be adjusted to reflect (1) differences between obligations previously recorded and actual outlays that liquidate those obligations, and (2) the periodic deobligation of obligations previously recorded that are no longer viable and will not require future payments. However, downward adjustments in unexpired accounts relating to obligations incurred in prior years shall not be netted, but rather reported separately as a recovery of the prior years' obligations. Downward adjustments in expired accounts shall be netted and the results reported as obligations incurred.

- o Outlays - Outlays are the measure of payments made through the disbursement of cash, issuance of checks, electronic transfer of funds, or other means, or by accrual of interest on the national debt. Outlays are reported net of offsetting collections. If the offsetting collection is available for spending by the account, the collection is credited to the account. Proprietary receipts and interagency transfers, not