

Authority: Obligation or Empowerment?

Reinventing Government

One of the main recommendations of the National Performance Review was to move the federal government from a bureaucratic orientation based on hierarchy and process to an entrepreneurial orientation based on partnerships and employee empowerment that promotes risk-taking and innovation. One aspect of accounting and financial management that is unique to government is the obligation. Obligations have to be carefully controlled in order to prevent an agency from disbursing more than was authorized. Total obligations are limited by legislation (usually an appropriation), and this limit is distributed by OMB's cost objects, and by the agency's own allotment process.

Procedural Limitations

On top of these legal and structural limitations, agencies tended to add more restrictions through procedures, sometimes required by their accounting system. Often an obligation is legally tied to a vendor (if a contract is awarded to one vendor, you can't send task orders to a different vendor), but there are exceptions, such as obligations for bank card purchases or travel orders that include third-party transportation. An accounting system needs to be able to allow a payee to be different from the vendor on the order, but only when it is appropriate.

An order document must have an accounting strip that specifies the funding source, allottee, and cost object. Often the strip will include program activity, project, and other data. The accounting strip serves to classify the potential outlay, and ensure that it complies with the authorizer's intent; it also restricts the form the outlay takes. While that restriction is often appropriate, it can also be too limiting.

An Example

Suppose an agency issues a travel order authorizing an employee to fly to a nearby city. However, a snow storm closes the airports. The old bureaucratic approach would require the employee to get new authorization to either change the travel dates or switch to a train. The new empowerment approach allows the employee, on their own initiative, to trade their air fare for train tickets. So the new financial management approach increases the efficiency and effectiveness of the employee.

What about the accounting system? Let us suppose air fare and train fare use different agency-defined sub-object codes, so the agency can easily track travel patterns. The order had the air fare code, but the voucher comes in with the train fare code. There are a number of possibilities:

1. Force the travel office to amend the original order, taking out the air fare line and adding a train fare line. This option consumes significant time and effort, can

delay the processing of the voucher, and may not be practical if the travel and accounting systems aren't integrated.

2. Process the voucher with the air fare codes even though the traveler used a train. This option solves the processing issues, but makes the codes less meaningful, since now air fare dollars could include train fare and vice versa.
3. Allow the voucher to process without referencing the order. A zero-dollar line could be entered on the voucher to close out the air fare order line and a new line added with the train fare codes that does not reference the order. This option weakens the spending chain by having no direct precedent for the new voucher line.
4. Allow the voucher to be different than the order. This could potentially cause havoc with spending controls, so the system might only allow certain changes, such as allowing codes to change so long as they refer to the same allotment or allowing different sub-objects to be used so long as they both have the same OMB object code.

Empowering employees is a good thing, but you have to make certain your accounting procedures and system don't get in the way. Accounting codes and program logic should support new decision-making processes.

Comments, suggestions, and critiques are welcome. Send them to Simcha.Kuritzky@cgi-ams.com, and not to the AGA.