

ORDER

**DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION**

2500.38A

11/29/77

SUBJ: YEAR-END OBLIGATING POLICY

1. PURPOSE. This order reemphasizes the need to accomplish approved fiscal programs in an orderly manner, to phase procurement schedules to meet program requirements, and to constrain unwarranted year-end buying. *

2. DISTRIBUTION. This order is distributed to the branch level and above in FAA headquarters, regions and centers.

3. CANCELLATION. Order 2500.38 is cancelled.

4. BACKGROUND.

a. In the past, some agencies have been criticized by budget and program review authorities because they incurred large obligations during the last few weeks of the fiscal year. This criticism appears to be based on:

(1) Efforts of agencies to fully obligate all the funds in a one-year or last year of a multi-year appropriation that would otherwise lapse. *

(2) Attempts by agencies to meet obligation goals. *

b. It is recognized that there are circumstances that justify year-end buying at a higher level than originally funded, programmed or anticipated. These circumstances may result from any one or combination of the following:

(1) Long-term economies that result by letting additional purchase orders and contracts that provide for delivery of goods or services extending into the next fiscal year. *

(2) Contingency requirements that do not materialize to the extent anticipated and the release late in the fiscal year of funds that had been reserved for these contingencies.

(3) Disruption to procurement plans due to late appropriation enactment and the necessity to operate under a continuing resolution. *

Distribution: WRNC-3, WMA-3, FOF-0 (Minimum)

Initiated By: ABU-10

* (4) Changes in FAA workload and funding priorities, including emergencies, during the fiscal year.

(5) Technical changes in contractual hardware requirements.

5. OBJECTIVES. Establish a year-end obligating policy that will:

a. Promote good management practices and procedures in scheduling resource requirements to meaningful time frames that provide the lead time needed for procurement action. *

b. Provide an even distribution of procurement office workload.

c. Assure the timely accomplishment of program objectives and plans, consistent with approved resource availability in fiscal programs.

* d. Make certain that the scheduling of procurement acquisition action is consistent with approved program requirements, is coordinated properly with the Logistics office, and dovetails with the quarterly obligation plans contained in approved fiscal programs and planned project accomplishment. *

* e. Establish safeguards against unwarranted year-end buying. *

6. RESPONSIBILITIES. Directors of regions, centers, Washington offices and services, and the Metropolitan Washington Airports shall take action within the scope of their responsibilities to insure that:

* a. Obligations for supplies, services and equipment for the fourth quarter of the fiscal year do not exceed obligations for the third quarter, except where a higher level is fully justified to carry out a seasonal requirement or an essential program objective or to restore to approved levels in an orderly way a program which has slipped behind schedule. *

b. Budget programs are carefully screened to assure that procurement plans for supplies, services or equipment are consistent with program requirements for each quarter of the fiscal year; and that the actual procurement schedules are time phased to the approved quarterly fiscal program.

c. No procurements are made throughout the year or in the last few weeks of the year merely to utilize existing funds.

d. Requirements for supplies, services, and equipment are kept to the minimum needed to carry on essential, approved programs.

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) * e. Stock levels for expendable items are determined and maintained through application of the economic order quantity principle to forecasted or predicted annual usage. The procurement quantity shall be adjusted, if necessary, to be consistent with the quantity that is economical to procure. *

f. Acquisitions of future services through contracts are made only in accordance with established plans.


Langhorne Bond.
Administrator