AFM – Accounting Policy Memo : 2003-3.

Internal Guidance Memo

To: Regional, Center Accounting Offices and Washington Accounting Operations Division, AFM-200.

From: Director, Office of Financial Management, AFM-1

Date: 4/29/2003

Re: Policy pertaining to the use of miscellaneous obligation documents (MODs).

DATE originally distributed: December 10, 2002

Background: Office of Management and Budget Circular A-11, *Preparation, Submission, and Execution of the Budget*, section 20.5 states that,

Obligation means a legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service, or take other actions that require the Government to make payments to the public or from one Government account to another, you incur an obligation.

Miscellaneous Obligation Documents (MOD) are intended to record estimated obligations at the end of a financial reporting period (e.g., month-end or year-end) for situations in which an obligation has been incurred, but final documentation has not yet been provided to support the obligation. We have developed a list of the most common types of activities for which establishing an MOD is consistent with the intent of the circular.

1. Travel expenses that were incurred prior to the end of the financial reporting period for which a voucher had not yet been received.
2. Credit Card purchases that were made for goods or services ordered or received but not expended by the end of the reporting period.
3. Anticipated legal settlements that have not been paid prior to the end of the reporting period but will be subsequently exercised (e.g. discrimination complaint for which FAA will be obligated to pay).
4. Working Capital Fund items that have not been billed but the services have accrued before the end of the reporting period (e.g. GSA rent).
5. Cash awards approved prior to September 30 but not paid until the following fiscal year.
6. Overtime that has been accrued prior to September 30 and will not be paid until the following fiscal year.
7. Annual leave lump sum payments and/or separation pay that has been accrued but will not be paid until the following fiscal year.
8. New employees who have been hired and the cost has not been accrued yet from the payroll system.
9. Known liabilities resulting from an unauthorized procurement pending ratification.
10. Other known liabilities for which funds will be required but will not be paid until the following year and have not been obligated through some other means. These items must be specifically documented with respect to description, purpose and have a supportable basis for the accrual amount.

Effective date: This policy is effective immediately for all MODs.

When should I use a Miscellaneous Obligation Document (MOD)?

MOD's should be utilized to obligate funds where it is known that the official obligation transaction/document will not be posted before the end of the reporting period.

What can I not use a MOD to accomplish?

MODs cannot be utilized to set aside funds in anticipation of a formal contract, purchase order, etc. either during the fiscal reporting period or at the end of the fiscal period.

What must I do if I use a MOD?

MOD's should be supported with available supporting documentation (i.e., credit card receipts, signed settlement agreements, etc). MOD's must be deobligated within the same month that the actual obligations/expenses are posted to the accounting system. For any MOD that is or will be outstanding for more than two months, justification to the accounting office must be provided. If there is a recurring need to have MOD's open more than two months, the reason must be documented.

If you have any questions relating to the application of this policy, please contact Marty Finkelstein on 202-267-8993.

David M. Zavada