

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE
WASHINGTON, DC

FSIS DIRECTIVE	3100.1	8/20/10
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REVIEW OF UNLIQUIDATED OBLIGATIONS

I. PURPOSE

This directive establishes:

- A. Policy for the monthly review and quarterly certification of unliquidated obligations (ULOs).
- B. That the reviews of ULOs are necessary to:
 - 1. Properly report obligation balance.
 - 2. Certify the validity of obligated balances.
 - 3. Make funds available that otherwise would not be used.
 - 4. Reduce the risk of misuse and abuse of funds.
 - 5. Improve the Treasury Department's ability to forecast outlay and borrowing needs.

II. (RESERVED)

III. (RESERVED)

DISTRIBUTION:
Electronic

OPI:
CFO – Financial Oversight and Continuous
Improvement Staff

IV. REFERENCES

Departmental Regulation 2230-001
Federal Acquisition Regulation (FAR) Subpart 4.8
7 CFR Part 3016, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
31 U.S.C, Section 1501, Documentary Evidence Requirement for Government Obligations

V. ABBREVIATIONS AND FORMS

The following appear in their shortened form in this directive:

ACFO-FO	USDA Chief Financial Officer – Financial Operations
ASD	Administrative Services Division
BD	Budget Division
CA	Cooperative Agreement
CFO	Chief Financial Officer
FMD	Financial Management Division
FOCIS	Financial Oversight and Continuous Improvement Staff
IA	Interagency Agreement
OOEET	Office of Outreach, Employee Education and Training
PMB	Procurement Management Branch, ASD
SOP	Standard Operating Procedures
ULO	Unliquidated Obligation

SF-30, Amendment of Solicitation/Modification of Contract
SF-425, Federal Financial Report

VI. POLICY

It is FSIS policy to ensure:

- A. All employees comply with all Federal laws, Federal or Department regulations, directives, and notices.
- B. Program offices develop and maintain appropriate SOPs for open obligations.
- C. Program offices responsible for initiating the recording of obligations are also responsible for promptly initiating deobligation actions when the original obligation requirements have been completed, need to be reduced or canceled, or when the requirements are no longer valid.

D. The monthly review of ULOs is a critical element in the performance standards for all employees directly involved in the initiation, review, justification, deobligation, and certification of ULOs. The element can be separate or included as part of an already existing element.

VII. DEFINITIONS

A. **Bona Fide.** Made or carried out in good faith.

B. **Deobligation.** The cancellation, downward adjustment, or deletion of a previously recorded obligation. Such adjustments may be attributable to cancellation of a project or contract, price revisions, corrections of amounts previously recorded, or differences between obligations previously recorded and payments made.

C. **Justification.** The reason or circumstance that the obligation should remain open.

D. **No-Year Funding.** The language for a specific appropriation of budget authority or the authorization of the appropriation that can make all or some portion of the amount available until expended. Obligations can be incurred against it indefinitely. However, no-year obligations can be deobligated and reobligated within the no-year period.

E. **ULO.** The balance remaining from the amount of orders placed, contracts or other binding agreements awarded, or services rendered after making any payments or processing deobligations.

F. **Valid.** Legally sound, effective, properly executed and binding under the law, having legal force.

VIII. BACKGROUND

Valid ULOs are critical to budget execution and funds management. Continuous emphasis on the accuracy of ULOs is very important to FSIS and USDA and requires participation and coordination among program, procurement, budget, finance, and oversight staffs. Amounts inappropriately recorded as ULOs represent missed opportunities to pursue further use of funds.

IX. RESPONSIBILITY

A. **CFO:**

1. Provides quarterly and annual certifications to the ACFO-FO, by January 31, April 30, July 31, and October 31 (see Attachment 1, Sample Review of Unliquidated Obligations (Memo)).

2. Provides policy for the review and certification of ULOs.

3. Ensures the quality and integrity of the FSIS financial data in the financial management system.

B. Program Offices:

1. Monitor current and prior year ULOs for validity and accuracy.

2. Monitor outstanding contracts.

3. Request deobligation of ULO balances with no requirements remaining.

4. Certify, on a quarterly basis, the validity of current and prior year ULOs with no activity in the previous 12 months.

5. Ensure inclusion of a statement in CAs to comply with 7 CFR 3016 Section 3016.50.

6. Ensure that contracts with no-year funding can remain open for longer than 1 year and be obligated or deobligated in an effective and efficient manner.

7. Provide a written monthly status report to BD within 10 calendar days after receipt of a ULO status report (see Attachment 2, Sample ULO Status Report) from BD, the report must include:

a. A reason for the lack of activity (transactions with no activity in the previous 12 months).

b. A bona fide written justification for remaining open (see Attachment 3, Obligation Justifications). The justification must clearly explain the situation.

c. Any amendments, modifications, reprogramming, or provisions that prevent deobligation.

d. Any recommended action.

e. Further explanation of justifications within 5 days of request from BD, as necessary.

8. Provide, quarterly by close of business on the 20th day after the end of the business quarter (October, January, April, and July), a signed certification from the Assistant Administrator or their designee, that their program office has complied with the requirements of this policy, to FOCIS (see Attachment 4, Sample Certification of Quarterly Review of Unliquidated Obligations).

9. Include, as appropriate, the monthly review of ULOs as a critical element in the performance standards for employees assigned the responsibility of reviewing and responding to BD open obligation reports and requests for certification.

10. Retain reports, records, and other documentation to support quarterly review and certification, for audit purposes.

11. Develop and maintain appropriate ULO SOPs.

C. PMB/ASD:

1. Ensures inclusion of a statement in all CAs to comply with 7 CFR 3016 Section 3016.50.

2. Ensures that contracting officer technical representatives monitor their outstanding contracts.

3. Provides a status report on ULOs and CAs to the program offices, BD, and FMD.

4. Deobligates purchase orders and contracts that are no longer valid within 45 days of receipt of final documentation based on ASD closeout procedures.

5. Processes deobligations as part of the PMB contract and agreement closeout process.

6. Maintains and updates the PMB closeout SOP.

7. Includes, as appropriate, the monthly review of ULOs as a critical element in the performance standards for employees assigned the responsibility of reviewing and responding to BD open obligation reports and requests for certification.

8. Responds to BD or FOCIS within 15 days if the justification requires further explanation.

D. BD:

1. Briefs the CFO monthly on the status of open obligations.

2. Provides monthly ULO reports and ad hoc queries from the financial management system or financial data warehouse to the program offices by the 15th of every month, to facilitate the review of the ULOs.

3. Monitors the budgets of outstanding contracts.

4. Deobligates completed and closed out relocations within 30 days of notification from the National Finance Center.

5. Monitors Green Book and Working Capital Fund ULOs for accuracy and validity.
6. Reviews program office ULO annotated reports evidencing justification.
7. Returns annotated reports to the appropriate program office for further information within 5 days of receipt, if the justifications are incomplete or inappropriate.
8. Provides written notification to FMD to cancel or adjust Green Book and Working Capital Fund ULOs within 7 days of notice from USDA (see Attachment 5, Sample Request to Deobligate Green Book/Working Capital Funds).
9. Consolidates the monthly ULO status reports and forwards them to the CFO with appropriate comments.
10. Submits open obligation reports to ASD and FMD monthly.
11. Includes, as appropriate, the monthly review of ULOs as a critical element in the performance standards for employees assigned the responsibility of submitting and reviewing open obligation reports.
12. Develops and maintains appropriate ULO SOPs.
13. Monitors monthly ULOs to ensure current and prior year activities are valid and balances are accurately reported.

E. FMD:

1. Processes, as appropriate, cancellations or adjustments of ULOs in the financial management system within 15 days after receipt of the consolidated ULO summary reports from BD, the program office, PMB/ASD, or USDA.
2. Deobligates Working Capital Fund and Green Book obligations 7 days after notification from BD to deobligate.
3. Deobligates state CAs, (state) balances, 9 months after the performance period ends. (**NOTE:** States have 90 days after the performance period to submit their final SF-425, Federal Financial Report (formerly SF-269)), which will be used as the basis for the deobligation.
4. Reviews and deobligates non-state CAs through PMB/ASD.
5. Deobligates IAs upon notification from PMB/ASD within 7 business days.

6. Includes, as appropriate, the monthly review and deobligation of ULOs as a critical element in the performance standards for the division director or their designee, the Finance and Accounting Systems Management Branch Chief, the Financial Reviews and Analysis Branch Chief, and all analysts assigned the responsibility for review and deobligation.

7. Develops and maintains appropriate ULO SOPs.

F. FOCIS:

1. Coordinates and conducts reviews and corrective actions related to ULOs between program offices, PMB/ASD, BD, and FMD.

2. Monitors and tracks progress of monthly ULO reviews.

3. Tests compliance with this directive, on a quarterly basis, as part of its internal control program on behalf of the CFO.

4. Ensures that ULO reviews were performed, valid, and properly reported.

5. Reviews the quarterly ULO certifications from the program offices.

6. Includes, as appropriate, the monthly review and deobligation of ULOs as a critical element in the performance standards for the branch chief or their designee, and all analysts assigned the responsibility for review and deobligation.

7. Prepares the FSIS quarterly USDA certification of ULOs and provides it, along with the supporting documentation, to the CFO.

8. Develops and maintains appropriate ULO SOPs.

X. PROCEDURES FOR REVIEWING ULOs

A. Identify ULOs.

BD provides the monthly ULO report of open balances to each program office. The following applies to the program office and BD employees responsible for conducting monthly reviews of all open ULOs:

1. Determine whether delivery or performance of goods or services has occurred, is expected to occur, or has been completed.

2. Determine whether deobligations are necessary.

B. Determine Validity.

An obligation can only be recorded as a result of a written order which legally binds the Agency to pay for goods or services. The program offices and BD must review the ULO report monthly and determine validity for each ULO transaction. Obligations must meet certain criteria and should consider the following:

1. The period of performance.
2. Timeliness of delivery or performance.
3. Type of goods or services provided.
4. Reasons for lack of activity, such as contract disputes.
5. The completeness and accuracy of information on SF-425 that is provided by state agencies as part of the state CA program.
6. If the remaining funds are sufficient to complete the order in accordance with the specifications, such as time and material contracts.
7. Any other relevant factors when making a determination.

C. Document Recommended Action.

Program offices must provide written notification to BD that the monthly review is complete and document the recommended action on the report. The review should disclose ULOs requiring action such as:

1. ULOs that do not have a legal basis or are not properly authorized and supported by documentation.
2. Previously recorded estimates that should be reduced.
3. ULOs completed but without final invoice.
4. ULOs that have accounting errors because of duplicate entry or incorrect amounts.
5. ULOs under which no future expenditures are expected.
6. ULOs under which delinquent payment exists and additional research is needed to determine why the invoices have not been processed.

XI. **ADDITIONAL INFORMATION**

A. Program offices must submit deobligation requests to BD, then BD will forward the requests as follows:

1. Purchase Orders and Contracts to PMB/ASD.
2. Relocations to Fiscal Services Branch/BD.
3. CAs—first to PMB/ASD, then to FMD.
4. IAs—first to PMB/ASD, then to FMD.
5. Training to the Office of Outreach, Employee Education and Training, BD as appropriate, and FMD.
6. Working Capital Fund and Green Book—first to the Budget Execution and Control Branch, BD, then to FMD.
7. Miscellaneous obligations to FMD.

B. Contact FOCIS at 202-720-2912 for additional information on ULOs.



Assistant Administrator
Office of Management

Attachments

- 1 Sample Review of Unliquidated Obligations (Memo)
- 2 Sample ULO Status Report
- 3 Obligation Justifications
- 4 Sample Certification of Quarterly Review of Unliquidated Obligations
- 5 Sample Request To Deobligate Green Book/Central Charges and Working Capital Funds

SAMPLE REVIEW OF UNLIQUIDATED OBLIGATIONS (MEMO)

TO: Program Offices/Resource Managers/Procurement Personnel
FROM: Thomas O'Brien
Chief Financial Officer
Food Safety and Inspection Service

SUBJECT: Review of Unliquidated Obligations

Departmental Regulation 2230-001, Review of Unliquidated Obligations, prescribes policies and procedures for the review and certification of unliquidated obligations (ULOs), inactive for at least twelve (12) months.

Attached is a list of ULOs for your respective program area as of _____
Please review and determine the validity of these ULOs.

When performing this review, please consider the following, if applicable:

1. The period of fund availability;
2. The timeliness of delivery or performance;
3. The completeness and accuracy of information provided by cooperative agreement recipients;
4. Whether funds have been expended consistent with the percentage of completion;
5. Whether remaining funds are sufficient to complete the order in accordance with the specifications;
6. Justifications for amendments to funding levels;
7. Reasons for lack of activity, such as litigation or delay in contract closeout;
8. Any provisions of the agreement or contract that may permit or prohibit deobligation or reprogramming; and
9. Any other relevant factors, when making a determination.

Please provide an annotated ULO report or written notification of the results of your review in writing by _____ of the results of your review so that we may take appropriate actions and provide our certification as to the validity of these ULOs to USDA's Associate Chief Financial Officer for Financial Operations.

We appreciate your assistance in performing this review.

SAMPLE ULO STATUS REPORT

<u>Document Number</u>	<u>Transaction Code</u>	<u>Program Code</u>	<u>Time Since Last Action</u>	<u>Line Amount</u>	<u>Accrued Amount</u>	<u>Expended Amount</u>	<u>Outstanding Amount</u>	<u>Comments</u>
3A94D060151	IO	1910016	2 to 3 Years	65,000.00	0.00	56,108.01	8,891.99	De-obligate
3A94D070044	IO	1910017	2 to 3 Years	30,000.00	0.00	20,694.74	9,305.26	Waiting for Billing
3A94K060073	IO	1100016	< 1 Year	99,699.67	0.00	96,309.81	3,389.86	
3A94K060073	IO	1100017	< 1 Year	5,500.00	0.00	0.00	5,500.00	Waiting for Billing
A0819000001	MO	1900018	1 to 2 Years	2,000.00	0.00	0.00	2,000.00	De-obligate
A0819000003	M1	1900018	< 1 Year	545,540.02	0.00	486,914.16	58,625.86	De-obligate
A0819000007	M1	1900018	< 1 Year	393,000.00	0.00	0.00	393,000.00	Waiting for Billing
				1,140,739.69	0.00	660,026.72	480,712.97	

SAMPLE

OBLIGATION JUSTIFICATIONS

- Awaiting final scheduled delivery of good or service.
- Awaiting submission of final relocation document.
- Awaiting final notification of completion from vendor (30 days). (Provide the date of submission to vendor.)
- Litigation or delay in final contract closeout (dispute).
- See FAR 4.804-1 for time standard requirements for contract closeout. Before final disposition of the file, all excess funds should be deobligated.
- Insufficient funding for closeout (such as time and material contracts).

**SAMPLE CERTIFICATION OF QUARTERLY REVIEW OF UNLIQUIDATED
OBLIGATIONS**

TO: Stephen Whatley
FOCIS

FROM: Program Office

SUBJECT: Certification of Quarterly Review of Unliquidated Obligations

In accordance with Departmental Regulation 2230-001, Reviews of Unliquidated Obligations, I certify:

1. My office has provided a listing of all obligations (including those with no activity for 12 months) that were open as of _____, to all appropriate program and/or procurement personnel within the agency, to determine the validity of all obligations (copy attached);
2. All appropriate program and/or procurement personnel have reviewed the underlying support for obligations to determine the validity of the obligations. These personnel have identified those obligations to be deobligated;
3. All obligations to be deobligated have been identified and will be reported to Budget Division for deobligation by the appropriate personnel, and
4. All other obligations are valid and should remain "open". Supporting documentation for these "open" obligations will be retained.

Assistant Administrator

Date

**SAMPLE REQUEST TO DEOBLIGATE GREEN BOOK/CENTRAL
CHARGES AND WORKING CAPITAL FUNDS**

From: BD
Sent: Tuesday, April, 27, 2010 11:15 AM
To: Financial Management Division
Subject: Open Obligation Report

Attached please find the open obligations for GB/CC/WCF that have been marked for deobligation. Please follow your procedures to deobligate the documents.

Thanks in advance.

SAMPLE