

U.S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250

<b>DEPARTMENTAL REGULATION</b>		Number: 2230-001
<b>SUBJECT:</b> Reviews of Unliquidated Obligations	<b>DATE:</b> August 22, 2006	
	<b>OPI:</b> Office of Associate Chief Financial Officer-Policy and Planning	

1 PURPOSE

This regulation prescribes policies and procedures for annual reviews and certification of reviews of unliquidated obligations. Agencies are required to certify to an annual review of unliquidated obligation balances as of July 31, by August 31, each fiscal year.

Annual reviews of unliquidated obligations are necessary to properly report obligation balances, certify the validity of obligated balances, make funds available that otherwise would not be used, reduce the risk of misuse and theft of funds, and improve the Treasury Department's ability to forecast outlay and borrowing needs.

2 CANCELLATIONS

This directive is a revision of DR 2230-001 and cancels DR 2230-001, dated April 17, 2002.

3 POLICIES

- a The Chief Financial Officer, or equivalent, for each agency must coordinate annual reviews of unliquidated obligations between program, contracting, and financial personnel for the period ending July 31.
- b Program and/or contracting personnel will determine if unliquidated obligations may be deobligated and provide a written notification to financial personnel.
- c Financial personnel will deobligate unliquidated obligations for goods or services for which delivery or performance is not expected to occur, based on written notification from program and/or contracting personnel.
- d Obligations with no activity for the most recent twelve (12) months will be deobligated unless there is a documented bona-fide purpose for the obligation to remain and a justification for the period of inactivity.

- e The Chief Financial Officer, or equivalent, will retain documentation of reviews and the bona-fide purpose/justification for the period of inactivity for a period of five years.
- f The Chief Financial Officer, or equivalent, for each agency must provide the Associate Chief Financial Officer - Financial Operations (ACFO-FO) an annual certification that annual reviews were performed and unliquidated obligations existing as of July 31, are valid based on the reviews. The annual certification must be provided to ACFO-FO by August 31.
- g The ACFO-FO will monitor agency compliance with this regulation.

#### 4 DEFINITIONS

- a Unliquidated Obligations. The amount of a financial obligation not yet expended.
- b Deobligation. The cancellation or downward adjustment of a previously recorded obligation.

#### 5 PROCEDURES

- a Identification. Financial personnel will identify unliquidated obligations, inactive for at least twelve (12) months, from reports generated from the accounting system by fiscal year. All unliquidated obligations inactive for twelve months or more must be selected for review. A dollar majority of unliquidated obligations inactive for less than twelve months may be selected for review based on a sample.
- b Notification. Financial personnel will notify program and contracting personnel of unliquidated obligations selected for review in writing, and request a written notification of their validity. A standard form letter should be used for this purpose.
- c Determination. Program and contracting personnel will review unliquidated obligations selected to determine whether delivery of goods or services or performance is expected to occur:
  - (1) Program and contracting personnel must consider, if applicable:
    - (a) The period of fund availability;
    - (b) The timeliness of delivery or performance;
    - (c) The completeness and accuracy of information provided by grant or loan recipients;
    - (d) Whether funds have been expended consistent with the percentage of completion;

- (e) Whether remaining funds are sufficient to complete the order in accordance with the specifications;
  - (f) Justifications for amendments to funding levels;
  - (g) Supplemental loans, grants, etc.;
  - (h) Reasons for lack of activity, such as litigation or delay in contract closeout;
  - (i) Any provisions of the agreement or contract that may permit or prohibit deobligation or reprogramming; and
  - (j) Any other relevant factors, when making a determination.
- (2) The review should disclose unliquidated obligations for projects:
- (a) That do not have a legal basis, or are not properly authorized and supported by appropriate documentation;
  - (b) Which have been completed and have not been closed out; and
  - (c) Under which no future expenditures are expected.

Once a determination is made that an unliquidated obligation can be deobligated, program and/or contracting personnel will notify financial personnel in writing.

- d Deobligation. Financial personnel will cancel or adjust unliquidated obligations in the accounting system based on the written notification from program and/or contracting personnel.
- e Certification. The Chief Financial Officer, or equivalent, Chief Financial Officer for each agency must submit a certification to the ACFO-FO by August 31 each year, stating:

“I hereby certify that annual reviews of unliquidated obligations were performed in accordance with Departmental Regulation 2230-001, and that the unliquidated obligations existing at fiscal year-end are valid based on the reviews.”

For the purpose of giving qualified certifications, statistical sampling may be used for obligations inactive for less than twelve months. Obligations without activity for the past twelve months will be deobligated unless there is a bona-fide purpose for the remaining obligation and justification for the period of inactivity. If valid statistical sample reviews of obligations with activity during the past twelve months were performed and the amounts certified to are subject to an error rate the certification should so state.

- f Retention. The CFO, or equivalent must retain reports, records, and certifications of unliquidated obligations reviewed for a period of five years for audit purposes.

6 INQUIRIES

Inquiries should be directed to the Office of Associate Chief Financial Officer – Financial Policy and Planning at (202) 720-8345 or ACFO-FO at (202) 720-1888.

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