



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

The purpose of this audit was to evaluate the U.S. Environmental Protection Agency's (EPA's) process for reviewing unliquidated interagency agreement (IA) obligations, deobligating funds, and closing IAs. The objectives of our review were to determine: (1) whether EPA has adequate controls in place to identify and deobligate unneeded IA funds, and (2) the amount of obligations under IAs that could potentially be deobligated.

## Background

An IA is a written agreement between federal agencies in which one agency provides goods or services to another agency on a reimbursable basis. It is EPA's policy to close all IAs within 270 days after the project period expires. As part of close-out, unliquidated obligations should be deobligated so that the funds can be used for other purposes.

**For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.**

**To view the full report, click on the following link:**  
[www.epa.gov/oig/reports/2009/20090126-09-P-0086.pdf](http://www.epa.gov/oig/reports/2009/20090126-09-P-0086.pdf)

## ***EPA Should Strengthen Internal Controls over Interagency Agreement Unliquidated Obligations***

### **What We Found**

EPA has not closed out IAs that have at least \$4.2 million of unneeded funds that should be deobligated. Further, EPA had deobligated an additional \$2.3 million between January 7, 2008, and April 25, 2008, as a result of our audit. These funds could be used for other environmental projects.

Controls for identifying funds for deobligations were not always effective. We found that EPA Project Officers, the Grants and Interagency Agreements Management Division, and Grants Management Offices did not effectively monitor IAs to ensure they were closed out timely and unneeded funds were deobligated. The annual unliquidated obligation review was not effective and did not identify funds that should have been deobligated and used for other environmental purposes. Project Officers cited various reasons for untimely close-out of IAs, including unfamiliarity with close-out procedures and difficulties working with other agencies.

### **What We Recommend**

We are making various recommendations to the Office of Administration and Resources Management. They include:

- Deobligating the remaining \$4.2 million in IA unliquidated obligations, and ensuring these IAs and those with \$2.3 million already deobligated are closed out.
- Ensuring EPA Order 1610 is consistently followed.
- Ensuring program offices develop performance measures involving IA management for Project Officer performance standards.
- Ensure the IA data in the Grants Information and Control System and Integrated Grants Management System are reconciled.

We also recommend that the Chief Financial Officer reformat the unliquidated obligation report and require forwarding of the report to Project Officers.

In general, the Agency agreed with the report's findings and recommendations and is in the process of establishing procedures that, when implemented, should adequately address the findings.