

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

DEPARTMENTAL REGULATION		NUMBER: 2230-001
SUBJECT: Reviews of Unliquidated Obligations	DATE: April 21, 2009	
	OPI: Office of the Chief Financial Officer	

1. PURPOSE

This regulation prescribes policies and procedures for the review and certification of unliquidated obligations.

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. CANCELLATION

This regulation cancels and replaces Departmental Regulation 2230-001, dated August 22, 2006.

3. POLICY

- a. The optimum utilization of funds requires that all current and prior year obligations be continuously reviewed to ensure that obligated balances are not over or under stated and that the obligations are properly documented and reported.
- b. Reviews and certification of unliquidated obligations shall be made by each agency. Unliquidated Obligations found to be unnecessary will be promptly adjusted. All adjusting transactions shall be properly documented and all documentation shall be retained for audit purposes.
- c. Agencies are required to certify quarterly that reviews and corrective actions related to unliquidated obligations inactive for at least 12 months were performed. Certifications are due 30 days after the end of the quarter.

PERIOD	CERTIFICATION DUE
October 1 – December 31	January 31
January 1 – March 31	April 30
April 1 – June 30	July 31
July 1 – September 30	October 31

- d. Obligations with no activity for the most recent 12 months should be deobligated unless there is a documented bona-fide purpose for the obligation to remain and a justification for the period of inactivity.

4. RESPONSIBILITIES

- a. The Chief Financial Officer, or equivalent, for each agency must 1) coordinate reviews and corrective actions related to unliquidated obligations between program, procurement, and financial personnel; and 2) provide the Associate Chief Financial Officer for Financial Operations a certification that the reviews were performed and unliquidated obligations are valid based on the reviews.
- b. Program and/or procurement personnel will determine if unliquidated obligations should be deobligated and provide a written notification to financial personnel.
- c. Financial and/or procurement 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 procurement personnel.
- d. The Associate Chief Financial Officer for Financial Operations and the Associate Chief Financial Officer for Financial Policy and Planning will monitor agency compliance with this regulation.

5. DEFINITIONS

- a. Unliquidated Obligation. 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.
- 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.

6. PROCEDURES

- a. Identification. Financial personnel will identify unliquidated obligations, inactive for at least 12 months, from reports generated from the financial management system. All unliquidated obligations inactive for 12 or more months must be selected for review.
- b. Notification. Financial personnel will notify program and procurement 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. (The APPENDIX provides an example.)

- c. Determination. Program and procurement personnel will review unliquidated obligations selected to determine whether delivery of goods or services or performance is expected to occur:
 - (1) Program and procurement 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.
 - (3) Once a determination is made that an unliquidated obligation can be deobligated, program and/or procurement personnel will notify financial personnel, in writing, within 5 days after the determination is made to process a deobligation.
- d. Deobligation. Financial and/or procurement personnel will cancel or adjust unliquidated obligations in the financial management system, based on the written

- notification from program and/or procurement personnel, within 15 days after receipt of the written notification. In situations where procurement personnel are canceling or adjusting the unliquidated obligations, a written notification stating that the deobligation was processed must be provided to the agency Chief Financial Officer. Copies of the supporting documentation received from program personnel or other procurement personnel should be included with the notification.
- e. Certification. The Chief Financial Officer, or equivalent, for each agency must submit a certification to the Associate Chief Financial Officer for Financial Operations by the dates outlined in Section 3, Policy. Agency certifications must include a report of unliquidated obligations reviewed during the quarter and a list of the items deobligated to support the certification. The certification form can be found in the APPENDIX.

7. RECORDS RETENTION

Records, reports, certifications and all other supporting documents relating to reviews of unliquidated obligations should be maintained, by the agency and the Office of the Chief Financial Officer, for a period of 6 years and 3 months from the date the review was completed. However, records should not be destroyed if they are subject to litigation or other moratorium. Information related to records retention should be directed to the agency Records Officer.

APPENDIX A

TO: Agency Program and Contracting Personnel
FROM: Agency Chief Financial Officer
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 that have been inactive for at least 12 months as of _____ . Please review and determine the validity of these ULOs.

When performing this review, please consider the following, 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.

Please notify us 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 the Associate Chief Financial Officer for Financial Operations by

_____.

We appreciate your assistance in performing this review.

Attachment

APPENDIX B

TO: Associate Chief Financial Officer for Financial Operations
Office of the Chief Financial Officer

FROM: Agency Chief Financial Officer

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 (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 deobligated by the appropriate personnel (copy attached); and
4. All other obligations are valid and should remain "open". Supporting documentation for these "open" obligations has been obtained from the appropriate program and/or procurement personnel.

Chief Financial Officer

Date

Attachments