PURPOSE

This MAPP clarifies the Center for Drug Evaluation and Research’s (CDER) policy for the monitoring and de-obligating of undelivered orders (UDOs). It establishes requirements for the periodic review and de-obligation of those UDOs. Quarterly review of UDOs assists CDER in improving internal controls related to the review of open obligations and the close-out of invalid documents.

POLICY

CDER is required to submit quarterly certifications signed by the Executive Officer as evidence that the reviews have been conducted in accordance with FDA’s Monitoring of Undelivered Orders Policy. CDER’s Executive Officer requires program offices to review and validate current year obligations and to take timely action in the review, investigation, and close out of older obligations that no longer are required. This includes the de-obligation of funds so those funds can be returned to the U.S. Department of Treasury.

It is the responsibility of each program office to determine if an obligation line item of any undelivered order is valid. This involves verifying and reconciling the open balances to support documents and ensuring the obligations satisfy criteria for validity. During the quarterly review, all invalid undelivered orders must be de-
obligated within thirty days. Each office within CDER is responsible for taking action on their specific office’s UDO transactions. A report of the unliquidated obligations reviewed with comments and a list of items to be de-obligated during the quarter will be generated by the Office of Management’s Division of Budget Execution and Resource Management (OM/DBERM).

RESPONSIBILITIES

This section contains a summary of responsibilities.

A. Director, Office of Financial Operations (OFO) will:
   • Establish policies and procedures to ensure FDA maintains sound financial management practices and operations.
   • Direct, supervise, and provide oversight for the review and monitoring of undelivered orders.
   • Generate the end of quarter UDO report from Unified Financial Management System (UFMS).
   • Select and determine the focus of undelivered orders from the population.
   • Provide specific instructions to the Center/Offices on the focus and type of undelivered orders to be reviewed.

B. Office of Financial Management (OFM)/Division of Budget Execution and Control (DBEC) will:
   • Assist Centers/Offices with the continuous review of undelivered orders and follow up with Centers on corrective action associated with the quarterly review of open obligations.
   • Communicate with Centers/Offices to ensure transactions are properly closed out.
   • Monitor and review centrally funded accounts to ensure that invalid obligations are de-obligated in a timely manner.
   • For de-obligations of prior year direct obligations greater than $5,000, review, validate and approve for Center de-obligation upon receipt of Prior Year Request Forms prepared and signed by the Centers.
   • Initial, date and return the Prior Year Request Form to the Center to signify approval for de-obligation.
   • Monitor the availability of funds in order to guard against violation of the Anti-deficiency Act.

C. Office of Acquisitions and Grants Services (OAGS) will:
   • For contracts, Interagency Agreements (IAAs), and PRISM awards with an open balance, review contracts upon receipt of “Y-type” zero dollar requisition, validate, and de-obligate per OAGS process.
   • Perform final review of contract close-out for compliance and completeness to ensure that FDA has no further liability to the contractor/vendor.
• Create and approve a final modification to the contract in PRISM to de-obligate the remaining funds in UFMS.
• Close out and de-obligate contracts/PRISM awards.
• Maintain supporting documentation of contract close out in contract file.

D. OM/DBERM will:
• Examine CDER UDOs on the master spreadsheet provided by OFM and upload into SharePoint.
• Identify program-specific spreadsheets with all relevant UDOs to allow each program office to concentrate on their specific UDOS and take required action to meet the FDA policy.
• Provide guidance and support with the continuous review of undelivered orders, including facilitating monthly UDO calls to address programs’ questions and to solve related concerns or issues.
• Follow up with Offices on corrective action associated with the quarterly review of open obligations.
• Communicate with Offices to ensure transactions are properly closed out.
• Monitor and review centrally funded accounts in the SharePoint site to ensure that invalid obligations are de-obligated in a timely manner.
• For de-obligations of prior year direct obligations greater than $5,000, send to DBEC for approval and validate and approve for Center de-obligation upon receipt of Prior Year Request Forms prepared and signed by CDER.
• Monitor the availability of funds in order to guard against violation of the Anti-deficiency Act.
• Extract spreadsheet from SharePoint.
• Submit the master spreadsheet to OFM with the certification from the Executive Officer.

E. CDER Program Offices will:
• Receive notification from OM/DBERM that the new quarter spreadsheet is now on SharePoint and follow the specific instructions on which obligations will be the primary focus for the quarter.
• Review and validate all current year obligations for accuracy to ensure obligations are not under- or overstated. This may include taking corrective action to ensure the obligation/de-obligation of funds occurs.
• Take timely action to review, investigate, and close out all older obligations that are no longer valid.
• Documentation of actions taken should be kept on file until the transaction is no longer on the UDO list.
• Complete the UDO exercise.

PROCEDURES

The following procedures are to be followed by offices to de-obligate known invalid obligations. The office’s actions will vary depending on the type of obligation. If a
vendor has submitted a final invoice and the remaining obligation is known to be invalid (for example: the result of an over-estimate) a vendor form is not required, but the office should document the reason for the de-obligation, actions taken, and maintain all supporting evidence of the cleanup efforts for as long as the funds are available for disbursement. A description will be included on each corresponding line of the data list explaining why a modification or cancellation is required.

A. Direct Obligations—Current Year
   • De-obligate immediately to make those funds available for other commitments. Follow the steps to de-obligate the remaining balance if all invoices have been submitted and paid.
   • Document by providing detailed comments in SharePoint and on the UDO report.

B. Direct Obligations—Past Year
   • If a 3-way match, be sure nothing has been received on the amount that is to be de-obligated.
   • Make necessary returns within iProcurement.
   • For de-obligations under $5,000 de-obligate as appropriate.
   • For de-obligations $5,000 or greater, send Prior Year Request form along with signed Obligation Status Form to your Division of Budget Execution and Control (DBEC) Budget Analyst for review and approval. Upon receipt of approved Prior Year Request Form from DBEC analyst, de-obligate accordingly.
   • Document by providing detailed comments in SharePoint and on the UDO report.
   • Follow up on the status of forms submitted to DBEC to ensure the de-obligation occurs in a timely manner.

C. Contracts/IAGs/PRISM Awards
   • If 3-way match, ensure nothing has been received on the amount that is to be de-obligated.
   • Make necessary returns within iProcurement.
   • For documents with open balances, submit a $0 “Y-type” requisition to OAGS requesting the contract officer review the contract for consideration of contract close out within PRISM and attach the signed “Obligation Status” form and any other supporting documents.
   • Document by providing detailed comments on the UDO report.
   • Follow up on the status to ensure the de-obligation occurs in a timely manner.
   • If the contract amount is less than $500, no $0 requisition is required. Note in SharePoint under Brief Comments “Closed/Prism” and in additional comments write “Under $500-Sent to OAGS.”

D. Travel Obligations
   • For Prior Year Travel Obligations, check with DBEC Analyst to ensure that all expense items for Travel schedules have been posted, cleared, and reconciled for that Budget Fiscal Year.
• For Prior Year Travel Obligations, actions must be taken in GovTrip in order to close the obligation. Please refer to the instructions on the SharePoint site for Travel.
• For Current Year Travel Obligations, make necessary upward or downward adjustments within GovTrip.
• Document by providing detailed comments on the UDO report.

E. Relocation Obligations
• For relocation obligations with recent activity, make note on the UDO report that the employee is still making withdrawals.
• For relocation obligations with no activity in the past 24 months, contact the Bureau of Public Debt (BPD) to find out if they anticipate any further invoices.
• If no further invoicing is anticipated, send an email to Program Support Specialist within OFM to review for possible close out.
• Document by providing detailed comments on the UDO report.
• Follow up on the status to ensure the de-obligation occurs in a timely manner.

F. Inter-Agency Agreements (IAAs)
• For IAA obligations, compare the “Amount Billed” to the “Amount Received.” Receiving is not required on IAAAs as they are set up as 2-way matching, however some users choose to receive in iProcurement.
• If 3-way match and the “Amount Billed” are greater than the “Amount Received,” “Receiving” must occur to bring the “Amount Received” equal to that of the “Amount Billed.” If “Amount Billed” is less than the “Amount Received,” verify that the goods or services have been received to justify the receipt within UFMS. If goods or services have not been properly received, “Return Receiving” should occur within UFMS to bring the “Amount Received” equal to that of the “Amount Billed.”
• If obligation has an open balance of less than $500, send communication to DEBERM. DEBERM will contact OAGS IAA Team Lead to assign to an OAGS IAA Specialist to closeout. When the award has been officially closed, the IAA Team Lead will submit an email to OFM to manually de-obligate the open balance in UFMS. If the open balance is greater than $500 with no activity within the past 12 months, contact the Contracting Officer’s Representative (COR) of the IAA listed on the 7600B form in the Requesting Agency block 37 or the funding official listed in block 38. Submit a $0 requisition requesting the de-obligation/closeout of the award and include the IAA number. Only one requisition should be submitted.

REFERENCES

1. HHS Draft Memo, Monitoring of Undelivered Orders Policy; September 20, 2011
2. HHS Interim Open Obligation Review and Closeout Policy; 2008
5. SFFAS No. 5 “Accounting for Liabilities of the Federal Government”
6. Antideficiency Act
7. Federal Managers’ Financial Integrity Act (FMFIA)

DEFINITIONS

1. Obligation: a definite commitment by the government to spend appropriated funds for goods or services purchased. It is a legally binding, written agreement (contract) for a specific purpose.

2. De-obligation: the cancellation, downward adjustment or deletion of appropriated funds when the Government determines that funds will not be used for the purpose/commitment for which they were previously recorded as an obligation. The de-obligation of funds may result from the cancellation of a project or contract, reduction of obligated amounts previously recorded, obligation was found to be invalid, duplication of obligations, or statutory requirements to de-obligate.

3. Undelivered Order: goods or services ordered that have not been received. This includes any orders for which advance payment has been made, but for which delivery or performance has not yet occurred.

4. Valid undelivered orders: obligations that must remain open because all the related goods or services have not yet been delivered and accepted.

5. Invalid undelivered orders: outstanding balances an open obligation for which goods and services have been received or are no longer required. These balances should be de-obligated.

6. Undelivered Orders of Unliquidated Obligations (UDO): transaction’s obligation amount minus the disbursement amount. Vendors are given 10 years to bill for services rendered. However, unliquidated obligations are de-obligated at the end of the 6th fiscal year (September 30th) and returned to the U.S. Department of the Treasury. After the fund expires, any invoices submitted by vendors will be paid out of current year operating funds (up to 1%). DEBERM continually monitors and performs quarterly reviews of undelivered orders.
7. A three way match in UFMS is when the vendor invoice, the purchase order, and the receiving all match.

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**EFFECTIVE DATE**

This MAPP is effective upon date of publication.

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**CHANGE CONTROL TABLE**

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