

NOAA Policy for Undelivered Orders (UDO)

I. **Purpose**

This document prescribes NOAA's policy and procedures for the review, validation, and certification of all undelivered orders (UDO). A stronger policies and procedures are necessary to ensure NOAA's obligations are adequately monitored and deobligated when appropriate. Effective monitoring will reduce risks associated with inaccurate unliquidated obligations, support accurate financial reporting, and ensure proper use of the NOAA's budgetary resources. The policy is intended to create a framework that fosters the ongoing, recurring review of undelivered orders. The policy is in conjunction with Department of Commerce Policy for Undelivered Orders.

II. **Scope**

This policy applies to all NOAA funds.

III. **Policy**

NOAA finance has advised all staff and line offices that obligations must be continuously monitored. Open obligations must be reviewed and validated regularly. Any open obligations without transactions for one year must be reviewed; obligations that are no longer valid should be deobligated. All open obligations have to be reviewed and certified annually. The certification validates that all open obligations have been reviewed and that all applicable open obligations have been deobligated. Reviews will be performed semi-annually by each line and staff offices and submitted to the Accounting Operations Division upon request. All travel obligations will reviewed by AOD on a quarterly basis. Any travel not taken and remains idle on the books for one year will be deobligated. All valid obligations must have supporting documentation that will be retained by the line or staff offices for audit purposes if requested.

IV. **Effective Date: The policy is effective upon issuance.**

V. **Review Selection Criteria**

Identify unliquidated obligations that are **past their period of performance** or have had **no activity for over a year**

VI. **Review Frequency**

- A. Quarterly for travel balances and
- B. Semi-annually, as of January 31 and July 31, for non-travel balances.

VII. Primary Roles

A. The Accounting Operations Division (AOD) will issue a data calls twice a year. In January and July AOD will provide the line office a list of the obligations that require review. All data must be returned to AOD within 45 days of receiving the document. The January submission from line and staff offices will be reviewed by AOD and validated against previous submissions. July submissions will be certified by both the Chief Financial Officer and Procurement Official. The certification will be verifying that all open obligations have been reviewed and applicable documents deobligated. The certification will be submitted to the Department of Commerce OFM. Any items identified as candidates for deobligation and are a non-interfaced document will be completed within 60 days of receipt.

B. NOAA's Line and Staff Offices are required to review all selected UDOs. They will review the undelivered orders to determine whether performance or delivery of goods or services has occurred and make a determination about which undelivered order should be deobligated. Only obligations that are expected to have no additional activity should be recommended for deobligation. Contracts and task orders must be available for closeout and a final invoice received from the contractor before proceeding with deobligations. If the item is considered ineligible for deobligation a justification must be included on your submission. If the contract or purchase order is determined eligible a C.Request must be submitted to AGO to proceed with the deobligation process. AGO has identified a team that will process deobligations expediently if notified. Any non-interfaced document (for example travel, interagency agreement, and training) should be marked as eligible for deobligation and included with your submission to AOD.

VIII Definitions

- A. **Deobligation**—The cancellation, downward adjustment, or deletion of a previously recorded obligation; may be attributable to cancellation or closeout of a project or contract, price revisions, corrections of amounts previously recorded, or differences between recorded obligations and payments made.
- B. **Expenditure** (also called outlays)—The incurrence of an actual liability in accordance with governmental authority (i.e., Antideficiency Act [31 U.S.C. 1513-1514] and the Congressional Budget and Impoundment Control Act of 1974 [2 U.S.C. 622(i)]).
- C. **Obligation**—A definite commitment that creates legal liability of the government to pay for goods and services ordered or received or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States.
- D. **Supporting Documentation**—Any documents that impacts or results in financial activity; not limited to documentation within the OCFO and includes any source material causing or resulting in a financial transaction.

- E. **Undelivered Order**—Obligation for which the goods or services, already ordered and obligated, have not been received. No expense or accounts payable liability is incurred until an order is delivered.
- F. **Undelivered Obligation**—Obligation with a balance remaining from the amount of orders placed, contracts or other binding agreements awarded, or services rendered after making any payments or processing deobligations; also referred to as open obligations.
- G. **Valid Obligation**—Under 31 U.S.C. 1501 (a), a valid obligation exists only when supported by documentary evidence of:
 - 1. A binding agreement between an agency and another person (including an agency) that is (A) in writing, in a way and form, and for a purpose authorized by law; and (B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided;
 - 2. A loan agreement showing the amount and terms of repayment;
 - 3. An order required by law to be placed with an agency;
 - 4. An order issued under a law authorizing purchases without advertising (A) when necessary because of a public exigency; (B) for perishable subsistence supplies; or (C) within specific monetary limits;
 - 5. A grant or subsidy payable (A) from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law; (B) under an agreement authorized by law; or (C) under plans approved consistent with and authorized by law;
 - 6. A liability that may result from pending litigation;
 - 7. Employment or services of persons or expenses of travel under law;
 - 8. Services provided by public utilities; or
 - 9. Other legal liability of the Government against an available appropriation or fund.
- H. **Validation**—The process of ensuring that transactions recorded in the accounting system are accurate. The goals of the validation process are to ensure the accuracy of posted transactions; to confirm whether the requirements for the product, service, or grant/loan payment still exist; and to initiate follow-through efforts to locate missing liquidations.

IX Authorities

- A. Section 1311 of Public Law 83-663 (68 Stat. 830), Documentary Evidence of Obligation
- B. 31 U.S.C. 1501, Documentary evidence requirement for Government obligations
- C. Treasury Financial Manual, Volume I, Part 2, Chapter 4200, Section 4225.60d, Undelivered Orders and Contracts (FMS 2108, Column 9)
- D. Federal Acquisition Regulation (FAR), 4.804-1, Closeout by the office administering the contract
- E. OMB Circular A-11, Preparation, Submission, and Execution of the Budget
- F. OMB Circular A-123, Management's Responsibility for Internal Control
- G. 31 U.S.C. 1341, The Antideficiency Act
- H. GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Chapter 3, Obligations
- I. GAO: Principles of Federal Appropriations Law

J. Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government