

# **Open Obligations Review Policy**



**Office of the Chief Financial Officer**

**September 2019**

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**I. Background:**

This policy sets forth the policies and procedures for the review of open obligations by the Department of Housing and Urban Development (HUD). The Office of the Chief Financial Officer (OCFO) will coordinate an annual review and confirmation of unliquidated obligations for both Program and Administrative funds. HUD's departmentwide annual Open Obligation Review (OOR) and certification process is an essential part of HUD's internal control over its funding and financial reporting.

The Review of Open Obligations is also referred to as a Section 1311 Review (Section 1311, Public Law 83-663, 31 USC 1501) of the Federal Managers Financial Integrity Act. This review must be conducted annually to determine whether all the unexpended obligations are valid, meet funding guidelines. Open obligations must be monitored to ensure that the level of funding is consistent with Agency guidelines and that balances are not overstated. A careful review of open obligations strengthens the Agency's internal controls by removing balances from the accounting system that are no longer required for future payments. This helps to identify funds that may be used for current requirements. In addition, the review supports the Agency's formal year-end certification to the Department of Treasury.

The General Accountability Office (GAO) regulations provide that "(1) agencies are not restricted, for liquidation purposes, to the amounts certified and reported as September 30 obligations, but that such amounts should be as firm as possible, and (2) in determining amounts to be reported, agencies may establish a reasonable cutoff date subsequent to September 30 for completing a final review of obligations for Section 1311 certification purposes". The regulations also provide "that payments made, and reports of costs received during the period between September 30 and the cutoff date should be considered in determining valid obligations as of September 30. Therefore, no later than the close of business October 3, annually, each accounting office shall complete a final review and inventory of its September 30 obligations for the certification process. An obligation that is indefinite as to the amount shall be adjusted in the course of such final review to the nearest available estimate of the amount obligated as of September 30."

The Office of Inspector General (OIG) audits HUD's annual OOR process as part of their annual Financial Statement Audit. The review process contributes to the Department's audit opinion on its consolidated financial statements. The annual OOR process ensures Open Obligations are accurately reported on the consolidated financial statement.

**II. Related Legislation, Regulations and Guidance:**

Section 1311, Public Law 83-663, 31 USC 1501 of the Federal Managers Financial Integrity Act provides criteria for valid obligations.

31 U.S.C. 1108(c) requires the certification of agency obligations and requires obligations to be properly supported.

General Accounting Office (GAO) *Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Procedures, sub-section 16.3* specifies responsibility for assuring that all recorded obligations are valid.

OMB No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control defines management's responsibility for obligation internal controls.

Statement of Federal Financial Accounting Standards (SFFAS) No. 1 "Accounting for Selected Assets and Liabilities" recommends accounting standards for assets and liabilities.

SFFAS No 5 "Accounting for Liabilities of the Federal Government" establishes accounting standards for liabilities of the Federal government.

HUD OCFO Accounting, Monitoring & Analysis Division (AMAD) Standard Operating Procedures for Open Obligation Review provides guidance and strengthens the internal controls for the HUD Open Obligation Review process.

### III. **Scope and Responsibilities:**

Program Offices, Accounting, Contracting, and ARC are responsible for the annual review of open obligations, including the Federal Housing Administration (FHA) in the CFO's system and the Government National Mortgage Association (GNMA) offices. Each office's responsibilities are listed below.

#### **A. Office of Chief Financial Officer will:**

- Establish procedures to ensure HUD maintains sound financial management practices and operations.
- Maintain the OOR Standard Operating Procedures (SOP) and policy by reviewing annually and will update when necessary.
- Provide oversight for the review and monitoring of Open Obligations.
- Select and determine the focus of the review of open obligations from the Financial DataMart (FDM).
- Provide specific instructions to the Program Offices on the focus and type of Open Obligations to be reviewed.
- Provide technical support for the OOR web-based application and the de-obligation process.
- OCFO Systems will ensure "De-Ob-Automatic" records are provided to the appropriate application for action.
- Ensure that the HUD Fort Worth Accounting Center (FWAC) processes Program de-obligations close-outs in the appropriate Accounting Systems.

**B. Program Offices will:**

- Review and validate Open Obligations for accuracy to ensure unliquidated obligations are still valid and are needed (expected to be expended).
- Take action to review, investigate, and provide documentation on old obligations that are no longer valid.
- Certify that the Open Obligation review has been completed.

**C. Administrative Resource Center (ARC) will:**

- Process Administrative de-obligations in the ORACLE system.

**D. Office of the Chief Procurement Officer (OCPO) will:**

- Process and close out internal contracts in the Procurement Request Information System Management (PRISM).

**IV. Policy:**

**A. Review and Mark-up:**

It is the responsibility of the OCFO to establish procedures to ensure HUD maintains sound financial management practices and operations for the OOR process. OCFO provides oversight to the Program Offices for the review and monitoring of the OOR (provide training, email status, etc.). OCFO selects and determines the focus (setting threshold amounts, etc.) of the review of the open obligations from the FDM population and provide specific instructions to Program Offices on the focus and type of open obligation to be reviewed. OCFO provides technical support for the OOR web-based application and the de-obligation process.

It is the responsibility of each Program Office to determine if an open obligation or an undelivered order is valid. The Program Office must verify and reconcile the open balances with supporting documentation and ensure the obligation satisfy the criteria for validity. The Program Office must select in the OOR web-based application whether the obligation should be de-obligated or retained. This process is called the “markup”. The obligations that have been marked “de-obligation” must be de-obligated and closed out. Each Program Office is responsible for acting on their specific office’s undelivered order transactions by the end of the fiscal year.

**B. Retain Justifications:**

During the OOR, the Program Office must review inactive obligations (no expenditure activity in the previous 24 months or longer) to determine if the obligation should be retained. If the obligation should be retained the obligation requires a detailed justification in the OOR web base application.

**C. De-Obligation:**

**OCPO**

During the OOR review, contract obligations identified as needing to be de-obligated, where the value is \$500 or less the contract can be marked “DeOb-Automatic” for subsequent removal in PRISM. The program office will complete a form (see Appendix A) and submit to the Contracting Officer’s Representative (COR) and Contracting Officer (CO) for signature. The COR and CO will verify the funds are indeed available for de-obligation and will sign the form. The CO will upload a copy of the executed form into the contract file for audit and contract reconciliation purposes. The original will be used as the source document to mark the de-obligation in the OOR system as a “de minimis de-obligation”. ARC will de-obligate the marked funds from the financial system.

**OCPO, ARC, FWAC**

It is OCPO, and FWAC’s responsibility to de-obligate excess funds marked for de-obligation in a timely manner upon receipt of the corresponding close-out packages.

It is ARC’s responsibility to de-obligate excess funds requested on the “Miscellaneous Obligation Form” (see Appendix B) or through a Bulk De-obligation Request in the format of an ORACLE Business Intelligence (OBI) Open Obligation Report. These requests must come from an authorized approver on the Delegation of Authority (DOA) Form.

**D. Certification:**

An E-Signature Memo certification must be completed in the OOR web-based application after all obligations have been reviewed and marked on or before the review deadline by Program Office reviewers.

A hard copy certification memorandum (see Appendix C) must be signed and submitted to OCFO by the designated deadline. The Assistant Secretary or equivalent must submit the Annual Open Obligation Review Certification with the accompanying Headquarters Program Office or Field Office memorandum and Web Application Certification affirming their de-obligation submissions to OCFO.

**V. Policy Review Period:**

The unliquidated obligation review will be conducted and completed by the third quarter of each fiscal year. Additional deadlines, if needed, will be provided by the Office of the Chief Financial Officer.

**VI. Definitions:**

**Accounting, Monitoring & Analysis Division (AMAD)** – HUD’s OCFO Accounting Division located in Washington DC.

**Administrative Resource Center (ARC)** – Treasury’s Bureau of Fiscal Services - a Federal Shared Service Provider providing HUD with financial management, procurement, travel, and human resources services and system hosting. ARC’s Oracle Federal Financials is HUD’s official system of record for General Ledger activity.

**Contracting Officer (CO)** – An individual who can bind the Federal Government to a contract that is greater than the Micro-Purchase threshold and limited to the scope of the authority delegated to the CO.

**Contracting Officer’s Representative (COR)** – An individual who is appointed and delegated authority in writing by the Contracting Officer to perform specific contract administration or technical functions on contracts or task/delivery orders.

**Delegation of Authority Form (DOA)** – This form is used by ARC customers to identify those individuals authorized to approve various types of transactions. This is a key component of ARC’s internal controls to ensure transactions are approved/requested by authorized individuals.

**De-obligation** – A de-obligation is the downward adjustment or reversal of a previously recorded Federal funds obligation associated with a project when it has been determined that funds will not be used for their intended purpose. A cancellation returns funds to the Treasury General Fund and cannot be accessed by the Agency. A de-obligation releases a hold on funds within a Treasury Account Fund Symbol and is available to the agency.

**De-obligation Automatic (DeOb (Automatic))** – No documentation is required to be submitted to either OCFO or FWAC. The line items marked DeOb (Automatic) are reversed at the end of the certification process after all Programs Offices have completed their certification.

**Financial Data Mart (FDM)** – Internal system established by OCFO Systems to extract the unliquidated obligations from PAS, HUDCAPS and ORACLE for the OOR review process. The FDM is also used to research obligation status and related transactions.

**Fort Worth Accounting Center (FWAC)** – HUD’s OCFO Accounting Center located in Fort Worth, Texas that processes program de-obligations and recaptures in the Program Accounting System (PAS).

**HUD’s Central Accounting and Program System (HUDCAPS)** – The system that assigns funds to HUD and sub-assigns funds to the Program Offices.

**Markup** – The process where the Program Offices record their determination to de-obligate or retain the obligation in the OOR web-based application.

**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. Budgetary resources must be available before obligations can be legally incurred. Examples of HUD

obligations generally include purchase orders, contracts, task orders, interagency agreements and grant awards. Modifications of earlier actions can also represent obligations requiring an expenditure of funds.

**Open Obligation Review Web-Based Application** – The system OCFO uses to track the OOR process. Program Offices use obligation reports from the application for review and markup.

**ORACLE Business Intelligence (OBI)** – OBI is a web accessible reporting tool that ARC provides to customers for data analytics capability to access data processed in ORACLE.

**ORACLE Federal Financials** – Is hosted by ARC, our Federal Shared Service provider, and the official system of record for the General Ledger activity.

**Program Accounting System (PAS)** – A subsidiary to the General Ledger. The system used by FWAC to Commit/Obligate/Contract funds for Program Contracts, Grants and Subsidies.

**Procurement Request Information System Management (PRISM)** – The procurement system used by OCPO to record obligational activity related to contracts.

**Retain Justification** – Detailed reason an obligation must be retained.

**Unliquidated Obligation** - The cumulated amount of budget authority that remains available for disbursement under law in unexpired accounts.



**VII. Appendix A:**

**De Minimis De-Obligation Form**

**Instructions**

- i. *This form is only to be used in de-obligating excess fund amounts \$500.00 or less*
- ii. *All the fields must be completely filled out*
- iii. *The COR must verify that the referenced excess funds are available for de-obligation and submit this form along with the most recent copy of the purchase order summary report or contract activity report (CAR) to the CO*
- iv. *The CO must confirm the COR's verification of funds availability for de-obligation*
- v. *The Program Office will submit the fully executed form to ARC to de-obligate the identified fund from the financial system*
- vi. *The CO will load a copy of the fully executed form in their contract file for audit and contract reconciliation purposes. The COR will also file a copy in the COR file.*

**Identification of funds**

Contract/Order Number:

Period of Performance:

Line Item Number (LIN):

Oracle Funding String/Line Number:

Amount to be De-Obligated:

**Verification**

I, *(Name of COR)*, hereby verifies that the funds referenced above in the amount of *(Amount to be de-obligated)* is available for de-obligation as all associated work is complete, and all deliverables received.

**X**

Contracting Officer's Representative (COR)


**Authorization/Approval**

I, *(Name of CO)*, hereby approves the verification of the COR that the funds referenced above in the amount of *(Amount to be de-obligated)* is available for de-obligation as all associated work is complete, and all deliverables received.

**X**

Contracting Officer

VIII. Appendix B:



administrative resource center

### Miscellaneous Obligation Request

(Please see CribDirect example tab in this workbook.)

**Note on Cribank Purchase Card obligations:**

- > The vendor must be **Cribank USA NA**, with Supplier number **063256872**
- > The invoice Approver needs to be the Approving Official (AO) designated in CribDirect as the Cardholder's AO.
- > The Cardholder's name needs to be in the description field and it is helpful to add the merchant in the description field.

Click here to view instructions for completing this form

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**Section A - Miscellaneous Obligation Request**

Type of Request:  New Request  Mail Adjustment  Distribution (Optional)

Customer Name: \_\_\_\_\_

Obligor Document #: \_\_\_\_\_

Period of Performance: \_\_\_\_\_

Payment Term: \_\_\_\_\_

Vendor Name/Trading Part: \_\_\_\_\_

Vendor DUNS # / Supplier: \_\_\_\_\_

Primary Invoice Approver: \_\_\_\_\_

Phone # / Email Address: \_\_\_\_\_

Alternate Invoice Approver: \_\_\_\_\_

Phone # / Email Address: \_\_\_\_\_

**Description of goods/services to be provided:** (Include account # if obligation is for a utility.)

\_\_\_\_\_

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**Section B - Accounting Flexfield Information**

Line	Fund	BFY	USSGL	BDC	Internal Org	Cost Pool	CAM1	Cat B	Program	Cohor	CAM2	CAM3	Trading Partner (TP) TAS	TP BETC	Amount
Examples	FSA0920DB16162X	2016	61000001	252004	FSA3900000000	FSA4040030000	FSA4000	FSA4000	FSA387654	2016	FSA10010000	XXXXXXXXXXXX	020X460010	COUL	100,000.00
Line Description:	4th floor utilities for the month of June FY16														
1															
Line Description:															
2															
Line Description:															
3															
Line Description:															
4															
Line Description:															

Click here to create additional funding lines

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**Section C - Customer Agency Authorized Requestor**

(In accordance with GAO Title 7, proper documentation will be maintained by customer.)

Approved By: (print name) \_\_\_\_\_

Approved By: (provide signature if faxing form, otherwise print name) \_\_\_\_\_

Date Approved: \_\_\_\_\_

**Section D - ARC Accounting Office only**

Oracle Obligations # \_\_\_\_\_

**IX. Appendix C:**

MEMORANDUM FOR: Assistant Secretary or Equivalent

FROM: **(Name of Headquarters Program Office or Field Office Personnel)**

SUBJECT: Annual (FY 2019) Open Obligations Review Certification for the **(select applicable category: Headquarters Program Office or Field Office)**

This memorandum is to certify the following:

1. My office has reviewed the web-based listing of all open Administrative Obligations, Program Obligations and Tenant Based Section 8 Program Obligations if applicable as of December 31, 2018.

**Administrative Obligations - due by March 29, 2019, Program Obligations– due by May 15, 2019 and Tenant Based Section 8 Program Obligations– due by June 17, 2019.**

2. My office has reviewed the underlying support to determine the validity of the open Administrative Obligations, Program Obligations and Tenant Based Section 8 Program Obligations, if applicable. All invalid obligations were marked in the Web Based Application as one of the following:
  - DeOb (PRISM) - de-commitment/de-obligation package (containing the Contract Line Item Number (CLIN), PRISM Acct Code ID or Oracle Funding Line Obligation Number)) should be submitted to the Office of the Chief Procurement Officer to be de-obligated, attention “Priscilla X. Lewis”. Please be advised that any obligations marked for de-obligation, should be submitted to the appropriate reviewing official to ensure the funds will be removed from the system. OCPO will process the Contracts for:
    - *Procurement Request Information System Management (PRISM)– “Contract Writing System”*
  - DeOb (FWAC) – Program de-obligation documentation should be submitted to FWAC attention “Peter Engelbert” to be de-obligated along with supporting documentation referenced in the Funding Control Matrix.
  - DeOb (Automatic) - no documentation is required to be submitted to either the Office of the Procurement Officer nor Fort Worth Accounting Center. Marking the records at the various Levels (1 – 4) and the subsequent certification is used as the documentation for de-Obligating these records. **NOTE:** A DeOb (Automatic) obligation is swept at the end of the certification process when all program offices have completed their certification

reviews. In addition, as it relates to the GONE Act, additional documentation may be required to “Closeout” these records in the Accounting System.

- DeOb- ARC (Administrative Resource Center - Administrative Obligations) <https://arc.fiscal.treasury.gov> under 'Forms--Financial Management,' open Accounts Payable, and click the 'Miscellaneous Obligation Form.' Open the AFF Manual Obligation Form at the bottom of the spreadsheet to be completed and submitted to ARC for processing attention Tracy Wright or Heather Williams.
3. Based on my review, this memo certifies that the annual Open Obligations Review process relating to obligations under my purview has been completed. All valid obligations marked in the Web Based Application as “Retain” will remain on HUD’s books and records.

\_\_\_\_\_  
Signature of Admin Official or Equivalent

\_\_\_\_\_  
Date

**Attachment(s)**

**INCLUDE Open Obligations Web Based Application Certification of Markups**