

INDIAN AFFAIRS MANUAL

Part 27
Chapter 6

Financial Management
Undelivered Orders

Page 1

- 1.1 Purpose.** This chapter establishes the Indian Affairs (IA) policy for proper management of Undelivered Orders (UDOs), including the process for submitting quarterly reviews and certifications.
- 1.2 Scope.** This policy applies to all IA headquarters and field programs under the authority of the Assistant Secretary–Indian Affairs (AS-IA), including the Bureau of Indian Affairs (BIA) and the Bureau of Indian Education (BIE).
- 1.3 Policy.** It is the policy of IA to comply with Federal regulations and policy direction, including those from the Department of the Interior (DOI) and the Office of Management and Budget (OMB). This includes establishing and implementing adequate internal control measures, such as quarterly reviews/reconciliations of UDO balances to ensure that the balances are valid and accurate.
- 1.4 Authority.**
 - A. Statutes and Regulations.**
 - 1) Section 1311 of Public Law 83-663 (68 Stat. 830), Documentary evidence of obligation
 - 2) 31 U.S.C. 1341, Antideficiency Act
 - 3) 31 U.S.C. 1501, Documentary evidence requirement for Government obligations
 - 4) Federal Acquisition Regulation (FAR) 4.804-1, Closeout by the office administering the contract
 - B. Guidance.**
 - 1) DOI Undelivered Orders Certification Policy, June 3, 2016
 - 2) Government Accountability Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Chapter 3, Obligations
 - 3) OMB Circular A-11, Preparation, Submission, and Execution of the Budget
 - 4) OMB Circular A-123, Management’s Responsibility for Internal Budget
 - 5) Treasury Financial Manual, Volume I, Part 2, Chapter 4200, Section 4225.60b, Undelivered Orders and Contracts (FMS 2108, Column 9)

INDIAN AFFAIRS MANUAL

1.5 Responsibilities.

- A. **Deputy Assistant Secretary - Indian Affairs (Management) (DAS-M)** is responsible for establishing overall financial management policies and related internal controls for IA programs and offices.
- B. **Chief Financial Officer (CFO)** is responsible for implementing proper procedures to ensure timely and adequate review of outstanding UDOs, and providing certification on behalf of IA to DOI. The CFO provides the Regions and Program Directors with the Quarterly Outstanding UDO Templates to certify the UDO balances.
- C. **Division of Financial Reporting and Analysis (FRA)** reports to the OCFO and is responsible for consolidating quarterly reviews and responses, and conducting risk assessments for determining the validity of UDO outstanding balances.
- D. **Regional Directors and Directors of Programs within DAS-M, BIA, and the BIE** are responsible for implementing the procedures outlined in this policy, specifically sections 1.7 UDO Review Objectives, 1.8 UDO Review Requirements, and 1.9 Responses and Certifications.

1.6 Definitions.

- A. **Undelivered Orders (UDO)**s are the balance of contracts or awards, issued by the ordering activity, for goods and services. The funding has been obligated and the purchaser is awaiting the receipt of goods and services. No expense or accounts payable is incurred for UDOs.
- B. **Obligations** are a definite commitment that creates legal liability of behalf of the government for the payment of 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.
- C. **Valid Obligations** exist when supported by authorized signature, as determined by the program, and documentary evidence as defined under 31 U.S.C. 1501(a).
- D. **De-obligations** are a downward adjustment or deletion of previously recorded obligations. 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.
- E. **Unliquidated Obligations** are the obligated balance remaining for the amount of orders placed, contracts awarded, services rendered, or other binding agreements made

INDIAN AFFAIRS MANUAL

by government agencies after making any payments or de-obligations. Reports sent to the U.S. Treasury for an appropriations or fund account balance consider unliquidated obligations as the sum of UDOs plus accounts payable, less reimbursements earned, and less any refunds.

F. Period of Performance (PoP) is the contractually specified timeframe for delivery or performance of a contract awarded for goods and services.

G. Period of Service is a timeframe when the vendor performs or provides the service(s), within the contractually specified in the PoP.

H. Delivery Date is the contractually specified timeframe or the actual date for delivery of the specified goods or services.

1.7 UDO Review Objectives.

IA programs must complete a review of **all** outstanding UDOs, regardless of whether DOI's targeted review criteria are met. DOI's minimum target review criteria are:

- UDOs with no PoP or delivery date **and** no activity for three months;
- UDOs with a PoP or delivery date that expired over three months ago;
- Financial Assistance (e.g., grant, self-determination contract) UDOs with a PoP that expired over six months ago; and
- Permanent Change of Station (PCS) UDOs with no activity for twelve months.

1.8 UDO Review Requirements.

IA programs that receive an allocation or sub-allocation of funds **must** complete quarterly reviews, and certify the validity of the outstanding UDOs for their respective programs for the first three quarters of the fiscal year.

The fourth and final quarter of the fiscal year is **not required** due to the timing of the audit cycles.

A. Specific Review Requirements

- 1) The FRA Division completes a review of **all** BIA and BIE outstanding UDOs provided for each of the first three quarters of the fiscal year.
- 2) Each program or office must document the status of each of the outstanding UDOs on the Quarterly Outstanding UDO Template (distributed by the FRA Division via email) using one of the following status codes:

INDIAN AFFAIRS MANUAL

- Awaiting Defense Contract Agency or in litigation;
 - Waiting for PoP to be extended;
 - Waiting for final financial status report, or still an active self-determination contract;
 - Note: If under self-determination sanctions, note that in the comments column.
 - Permanent change of station pending final charges;
 - In closing; PoP ended and waiting for last invoice, or waiting for closeout completion, or waiting for vendor confirm of completion; and,
 - De-obligation (deob): deob needed, deob requested, deob modification in process, close-out completed; or
 - Valid not targeted.
- 3) Each program or office must prepare a quarterly UDO certification memorandum (the memorandum template is available online at: <http://www.bia.gov/WhoWeAre/AS-IA/ORM/OnlineIAForms/index.htm>).
 - 4) Submit the UDO certification memorandum and the Quarterly Outstanding UDO Template report to the FRA Division in Reston, VA via email by the final day of the month following the end of the quarter.
 - 5) The program or office completing the review must retain the supporting documentation from the review of the UDOs for reference and as support for the annual financial statement audit. The detailed results and supporting documentation for the UDOs that meet the DOI's minimum target review criteria must be readily accessible as needed or requested.
 - 6) The status of each obligation provided in the response column will be used and tracked by FRA.

B. Review Submission

- 1) **Regions/Field Offices.** Programs reporting to the Regions will submit their review results to the Regional Director. The Regional Director will consolidate and submit one certification statement for the Region.
- 2) **Central Office.** Central Office Program Directors, along with Education Program Directors, will consolidate and submit one certification statement for each of their respective organizations under their administrative auspices (regardless of location).

1.9 Responses and Certifications.

A. Responses.

Each Region and program office must complete the quarterly review and validate the OCFO's Quarterly Outstanding UDO Template, and must submit their responses, using the Quarterly Outstanding UDO Template, to their respective Region, Office, or Director for certification. Each Director for the Region, Office, or Program must sign the quarterly UDO certification memorandum certifying and attesting to the completeness of the UDO review.

The Quarterly Outstanding UDO Template annotated with responses and the UDO certification memorandum are due to the FRA Division at the end of the month following the end of each of the first three quarters of the fiscal year.

These two documents are the primary documentation used by the internal and external auditors to verify that a quarterly UDO review has been completed by all program personnel responsible for obligating funds, and that the proper management official has certified the process.

B. Annual Certifications

- 1) The annual certification memorandum, based on the June 30th UDO report (third quarter), is due to the OCFO by **July 31st** (or the next working day if the date falls on a Federal holiday or weekend).
- 2) The annual certification is the **most important** of all the quarterly reviews. The annotated list of IA Outstanding UDOs will be presented to DOI and the annual financial auditors. These UDO balances will be subject to rigorous audit testing; therefore, each reporting office must retain the annual review working papers and all the related supporting documents (e.g. contract agreements, invoices, purchase requisitions) and ensure they are readily accessible when needed or requested during the annual financial audit.

1.10 Risk Assessment and De-Obligation Materiality.

The FRA Division will perform an overall risk assessment after consolidating all review responses. The risk assessment ensures there is no material misstatements by identifying whether the annual financial statements are less than or greater than the materiality threshold. The materiality threshold, for tracking and monitoring outstanding UDOs, is one percent (1%) of IA's prior year's net outlays, which is reported in the Statement of Budgetary Resources.

INDIAN AFFAIRS MANUAL

Part 27
Chapter 6

Financial Management
Undelivered Orders

Page 6

If the total of the UDOs identified as needing de-obligations is **less than** the materiality threshold, the Region and program office should continue to work on the de-obligations.

If the total of the UDOs identified as needing de-obligations is **greater than** the materiality threshold, the FRA Division will follow up with the respective program office or Region to identify process improvements to expedite these de-obligations in a more timely manner before year-end, and to prevent material misstatement on the annual financial statements.

Approval



James N. Burckman

Acting Deputy Assistant Secretary – Indian Affairs (Management)

7/18/16
Date