



United States Department of the Interior

OFFICE OF THE SECRETARY
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National Policy Memorandum

Assistant Secretary - Indian Affairs
Deputy Assistant Secretary – Indian Affairs (Management)

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Number: NPM-FIN-11 A1

Title: Undelivered Orders Policy – Amendment 1

1. Purpose

This memorandum extends NPM-FIN-11, Undelivered Orders (UDOs) Policy, issued January 27, 2014, for one additional year. Indian Affairs' (IA) UDO policy establishes the proper management of UDOs, to include a quarterly review and certification.

The timely expenditure of obligated funds is a fundamental principle of sound financial management. Excessive UDOs serve as an indicator that a manager/program may not be effectively using allocated funds. Proper management of the funds would be to establish recurring reviews of UDOs that result in the cancellation or deobligation of excess or unnecessary obligations which could result in an increase in funds available for annual, multi-year, or no-year appropriations, *if* the funds availability has not yet expired.

2. Scope

This policy applies to all IA headquarters, field and programs (funding and staff) 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).

3. Policy

It is the policy of IA to comply with federal regulations and policy direction from the Department of the Interior (DOI) and the Office of Management and Budget (OMB). This includes establishing and implementing adequate internal control measures and quarterly reviews/reconciliations with certification statements to ensure that the IA UDO balances are valid and accurate.

4. Roles and Responsibilities

- A. **Deputy Assistant Secretary – Indian Affairs (Management)** is responsible for administering this policy.
- B. **IA Chief Financial Officer (CFO)** is responsible for providing the certification template and the spreadsheet that outlines the status of each outstanding UDO, and consolidate all certifications received in support of the overall certification by the CFO.
- C. **The Heads of Contracting and Awarding Activities (DAS-M, BIA, and BIE)** are responsible for implementing proper procedures to ensure the timely review of, and reporting on, the status of UDOs.
- D. **Bureau Director, BIA and Bureau Director, BIE** are responsible for providing the certification and UDO responses via the accompanied spreadsheet as required by the IA CFO. Bureau Directors may also issue separate guidance for programs under their auspices in addition to the instructions in this policy memorandum.

5. UDO Review Requirements

All organizations within IA Central Office, the BIA, and the BIE that receive an allocation or sub-allocation of funds must complete a quarterly review and certify as to the validity of the outstanding UDOs for their respective organizations. The organizations that report to the Regions should submit their review results through the Regional Director (RD) for consolidation into one certification for the region. Central Office Program Directors, along with Education Program Directors, should consolidate and submit one certification statements for each of their respective organizations.

REVIEW PARAMETERS (Managing the CFO's UDO Spreadsheet)

- A distinction is made on the spreadsheet to define whether the UDO is subject to the P.L. 93-638 Indian Self Determination Contracts, P.L. 100-297 Tribally Controlled Grant Schools Act (P.L. 638/297), or the Federal Acquisition Regulation (FAR). This distinction is made based on the commitment item data field. UDO's with commitment item 252I00 or 413A00 are subject to the P.L. 638/297; all others are subject to the FAR.
- Review attention should be given to UDOs with a balance of less than \$25,000 or less than 3% of the original obligation. If it is determined that no additional orders are pending and no modification is needed, then the program should move forward with the deobligation actions.
- Review and validate all UDOs for which more than 90 days have elapsed since the Period of Performance (POP) ended. If no POP is indicated, than review and validate those UDOs with no activity for greater than 90 days.
- Document the reason why an open obligation (UDO) has not been deobligated after the official POP date has expired. Possible reasons for not deobligating are (insert these reasons in the CFO's UDO Spreadsheet report):

- A POP ended, final invoice not received;
- B POP ended, final invoice received, contract close-out begun;
- C POP ended, contract close completed, awaiting contract modification for final deobligation;
- D Obligation subject to litigation, valid;
- E Final close-out of obligation subject to DCAA audit of final indirect rates;
- F Waiting for POP to be extended;
- G Erroneous obligation, working with contracting for deobligation;
- H Deobligation due from contracting within 30 days;
- I Waiting for acceptance from vendor to deobligate; and
- J Other – (code response column, per drop down options, and provide explanation in Comments column.

6. UDO Program Responses

Within the CFO's UDO spreadsheet report, document the program's response in the proper column using "Y" for YES, meaning this is a valid and proper UDO, and "N" for NO, meaning UDOs are invalid and need deobligating. Further, insert the proper responses that are listed above in the CFO's UDO Spreadsheet. These responses will be reviewed and tracked quarterly and will be subject to review and analysis by both the internal and external auditors that review the CFO financial statements.

To keep the responses uniform and consistent, if the obligation is within a valid POP, the UDO should be marked as a "Y" until a final action is executed or until a final drawdown/payment is requested and then a deobligation can be processed.

If closeout action is pending, even though the obligations are marked "Y", the program should then select the appropriate "A thru J" in the drop down as discussed above to accurately reflect the situation. If a deobligation is in process or a purchase request (PR) to deobligate has been noted in the response column, then use the Comments column to input the PR number along with the date the PR was processed. Also, a request to deobligate should include the date of the e-mail request, and when it was sent to contracting or awarding officials for their action. This information will give us the ability to track how long it takes to get these requests processed and closed-out.

Use an "N" if there is no POP or the POP has expired and it has been identified that this obligation is subject to deobligation and close-out (the response that indicates a not valid result is: B,C,G, and H; see responses listed above). For the responses that are marked with an "N" but the obligation will not necessarily be deobligated, the responses are: A, D, E, F, I, and J; see above.

For all responses and UDOs that are marked as "Review needed", a further response needs to be addressed. The proper responses A thru J, noted above, should be used to describe the situation.

These additional responses are further verification that the outstanding UDOs have been reviewed. These responses will be tracked and used to verify UDOs and also assist management

to identify any potential problem areas. IA expects this action will improve processes before they become an issue that impacts the financial statements and annual audit requirements.

7. Deobligation Requests

Following the DOI Guidance Release 2014-02, *Purchase Request*, deobligations for less than \$25,000 can be done with simple program e-mail requests. For UDOs greater than \$25,000, formal, signed and approved modifications for manual obligations and PRs for Prism obligations are needed to process a deobligation.

To process a UDO deobligation:

- For travel and PCS obligations (UDOs that start with 32xxx):
E-mail a request to the Fiscal Services – Travel Group in Reston, VA (see Fiscal Service e-mail location: ia_cfo_fiscal_service_travel@bia.gov).
- For manual obligations (UDOs that start with 45xxx and 46xxx):
E-mail a request to the Fiscal Services – Manual Obligation Group in Reston, VA . These e-mail requests are for manual obligations that are under \$25,000; the e-mail request should come from the program and the email will be considered the supporting documentation to deobligate the outstanding UDO.
- For manual UDOs that are greater than \$25,000, a complete, signed modification in the Financial and Business Management System (FBMS) is needed along with the e-mail request to deobligate an outstanding UDO greater the \$25,000. The Fiscal Service e-mail is: ia_cfo_fiscal_service_payments@bia.gov
- For Prism obligations (UDOs that start with Axxx), an e-mail request should be forwarded to the contracting or awarding official that services a particular obligation (regional vs central office locations). It should be noted that for converted obligations, separate manual deobligations will also be required in FBMS as these do not interface from Prism to FBMS. The contracting officer or the awarding official should send the manual deobligation request to: ia_cfo_fiscal_service_payments@bia.gov. This ensures Prism and FBMS are in sync.
- For Prism obligations that are under \$25,000; an e-mail request from the program personnel will be considered the supporting documentation to deobligate an outstanding contract and/or award.
- For Prism UDOs that are greater than \$25,000, a PR needs to completed in FBMS and a signed modification is needed with the e-mail request to deobligate greater than \$25,000. The PR numbers should be input into your quarterly UDO spreadsheet to facilitate its tracking to completion.

8. Response and Certifications

After the quarterly review and reconciliation of the CFO's UDO spreadsheet, each Region and Office/Program within IA must submit their responses (UDO Spreadsheet with notations) to their

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respective Region/Office/Director for review and Certification. Each Region and Office/Program Director must complete a quarterly UDO Certification that attests to the completeness of the review.

These two documents (spreadsheet and certification) are due to the CFO's Financial Reporting and Analysis Division (FRA) in Reston, VA, by the fifteenth business day of the month following each of the first three quarters of the fiscal year.

These two documents will be the primary substantiation to the financial auditors that a quarterly UDO review has been completed by all program personnel responsible for obligating funds and the proper management official has certified the process.

Annual Certifications

The annual Certification Report, based on the June 15th UDO report (third quarter), is due to the CFO by July 31st. The annual Certification is the **most important** of all the quarterly reviews and certifications as the annual Certification (with spreadsheet) will be presented to the financial auditors to undergo rigorous audit testing and procedures. Therefore, it is imperative that each reporting office retain the annual review working papers and the reconciliation notes for reference and substantiation during the annual financial audit.

9. Definitions

Undelivered Orders (UDOs) – Contract or awards issued by the ordering activity for goods and services that have not been received and funding has been obligated and awaiting the receipt of goods and services. No expense or accounts payable is incurred for UDOs.

Obligations – A definite commitment that creates legal liability 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.

Valid Obligations – 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 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 authorized 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.

Deobligation – 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.

Unliquidated Obligations – The obligated balance remaining for the amount of orders placed, contracts awarded, services rendered, or other binding agreements made by Government agencies after making any payments or deobligations. 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 refunds.

Period of Performance (POP) – Contractually specified timeframe for delivery or performance of a contract awarded for goods and services.

Period of Service – Timeframe when the vendor performs or provides the service(s), within the contractually specified POP.

10. Approval



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Date