AFM – Accounting Policy Memo: 2003-5.

Internal Guidance Memo

Washington Accounting Operations Division, AFM-200.

From: AFM-1

Date: 8/29/2003

Policy pertaining to the deobligation of Inactive Obligation Balances that are less than $1,000.

DATE Distributed: August 22, 2003

Background:

The Office of Inspector General has focused for a number of years on the verification of obligation balances that are considered inactive. A document is considered inactive if it has not had any payment activity or modifications for 18 months from the last transaction. The accounting system tracks the last transaction as well as the date that the original obligation document was recorded. There may be contract disputes or contract delays that have legitimately led to the inactive status. In these cases, the auditors ask for current documentation verifying the delay. More likely, the work has been completed and the total billings were less than the original estimate and a final modification was never issued to close the obligation document. In order to research these inactive obligations, the accounting office must review the payment file, contact the contracting officer of record, and determine who is the current Contracting Officer's Technical Representative (COTR) in the program office. The COTR should work with the Contracting Officer to initiate a modification to the contract document or produce evidence to justify keeping the document on file. Retention of funds is not a valid reason to retain an inactive obligation in our financial system. When this modification is accepted by the vendor and signed by both parties, a deobligation is recorded in the Accounting System and funds become either available for current year obligation or should to be returned to the US Treasury.

The Data Integrity statistics, as of July 31,2003, revealed that Washington Inactive obligation documents totaled 1,428 documents for a cumulative total of $45,268,446 that have been identified as meeting the criteria of 18 months of inactive status. Of these documents, 158 records (11.1% of total documents) with balances less than $1,000 have been identified. These records total $96,839 or 0.2% of total inactive dollars. Some of these balances range from balance of $999 from an original contract that was awarded for $399,000 and has not had a payment since 1999, to a balance of $6.38 on a FY 2000 obligation document that has not had a payment since May 2001.

New Policy:

In order to focus our attention on the higher dollar and more recent inactive documents, AFM has established a policy that any inactive obligation document that has not had activity in the last 18 months and the balance unpaid is less than $1,000, the remaining amount shall be deobligated without further research.

The Information Systems and Technology Services Staff, ABA 20 issues the inactive obligations report monthly. An extract of Washington balances less than $1,000 will be generated each month. The Accounts Payable Branch manager, AFM-220, will review the listing each month and after adjustments

will prepare a cover memo for AFM-2 signature and approval to de-obligate the balances prior to the end of the next monthly cycle. AFM-2 will return the approved copy to AFM-220 and will send a send a copy to the Contracts Division, ASU–300 in order for the contracting officers to update their files.

This policy will assist in DELPHI conversion and will also provide the availability of funding for other needs. In the event that a subsequent invoice may be received that is within the amount deobligated, the invoice shall be paid " direct "without re-obligation of the original document. The same fund citation shall be used as appeared on the original document.

Effective Date: This policy is effective for all Inactive Obligations of record on and after July 31,2003.

This policy will be in effect until revoked. It will be revisited when FAA has gained at least one year's experience with the new DELPHI accounting system. This policy only applies to Washington headquarters fund documents and documents that cite Washington appropriations.

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