U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

EPA Should Strengthen Internal Controls over Interagency Agreement Unliquidated Obligations

Report No. 09-P-0086

January 26, 2009

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Abbreviations

CFC	Cincinnati Finance Center
EMS	Extramural Management Specialist
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
IA	Interagency Agreement
IFMS	Integrated Financial Management System
IGMS	Integrated Grants Management System
GIAMD	Grants and Interagency Agreements Management Division
GICS	Grants Information and Control System
GMO	Grants Management Office
HHS	U.S. Department of Health and Human Services
OCFO	Office of the Chief Financial Officer
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
PO	Project Officer
RMDS	Resource Management Directive System

U.S. Environmental Protection Agency
Office of Inspector General

09-P-0086
January 26, 2009

At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The purpose of this audit was to evaluate the U.S. Environmental Protection Agency's (EPA's) process for reviewing unliquidated interagency agreement (IA) obligations, deobligating funds, and closing IAs. The objectives of our review were to determine: (1) whether EPA has adequate controls in place to identify and deobligate unneeded IA funds, and (2) the amount of obligations under IAs that could potentially be deobligated.

Background

An IA is a written agreement between federal agencies in which one agency provides goods or services to another agency on a reimbursable basis. It is EPA's policy to close all IAs within 270 days after the project period expires. As part of close-out, unliquidated obligations should be deobligated so that the funds can be used for other purposes.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

To view the full report, click on the following link:
www.epa.gov/oig/reports/2009/20090126-09-P-0086.pdf

EPA Should Strengthen Internal Controls over Interagency Agreement Unliquidated Obligations

What We Found

EPA has not closed out IAs that have at least $4.2 million of unneeded funds that should be deobligated. Further, EPA had deobligated an additional $2.3 million between January 7, 2008, and April 25, 2008, as a result of our audit. These funds could be used for other environmental projects.

Controls for identifying funds for deobligations were not always effective. We found that EPA Project Officers, the Grants and Interagency Agreements Management Division, and Grants Management Offices did not effectively monitor IAs to ensure they were closed out timely and unneeded funds were deobligated. The annual unliquidated obligation review was not effective and did not identify funds that should have been deobligated and used for other environmental purposes. Project Officers cited various reasons for untimely close-out of IAs, including unfamiliarity with close-out procedures and difficulties working with other agencies.

What We Recommend

We are making various recommendations to the Office of Administration and Resources Management. They include:

- Deobligating the remaining $4.2 million in IA unliquidated obligations, and ensuring these IAs and those with $2.3 million already deobligated are closed out.
- Ensuring EPA Order 1610 is consistently followed.
- Ensuring program offices develop performance measures involving IA management for Project Officer performance standards.
- Ensure the IA data in the Grants Information and Control System and Integrated Grants Management System are reconciled.

We also recommend that the Chief Financial Officer reformat the unliquidated obligation report and require forwarding of the report to Project Officers.

In general, the Agency agreed with the report's findings and recommendations and is in the process of establishing procedures that, when implemented, should adequately address the findings.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

January 26, 2009

MEMORANDUM

SUBJECT: EPA Should Strengthen Internal Controls over Interagency Agreement Unliquidated Obligations
Report No. 09-P-0086

FROM: Melissa M. Heist
Assistant Inspector General for Audit

TO: Susan B. Hazen
Acting Assistant Administrator for Administration and Resources Management

Maryann Froehlich
Acting Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time – is $374,414.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days. You should include a corrective actions plan for agreed upon actions, including milestone dates. We have no objections to the further release of this report to the public. This report will be available at http://www.epa.gov/oig.

If you or your staff have any questions regarding this report, please contact Paul Curtis at (202) 566-2523 or curtis.paul@epa.gov, or Meg Hiatt at (513) 487-2366 or hiatt.margaret@epa.gov.

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Chapter 1
Introduction

Purpose

The purpose of this audit was to evaluate the U.S. Environmental Protection Agency's (EPA's) process for reviewing unliquidated interagency agreement (IA) obligations, deobligating funds, and closing IAs. The objectives of our review were to determine:

1. Whether EPA has adequate controls in place to identify and deobligate unneeded IA funds.
2. The amount of obligations under IAs that could potentially be deobligated.

Background

An IA is a written agreement between federal agencies in which one agency provides goods or services to another agency on a reimbursable basis. EPA has entered into many such agreements that obligate EPA to pay other agencies. Several EPA offices are involved in the administration and financial management of IAs:

- The National Policy Training and Compliance Division, under the Office of Grants and Debarment (OGD) within the Office of Administration and Resources Management, is responsible for developing and implementing Agency-wide administrative policy and procedures for IAs. This includes training for IA Project Officers (POs). In coordination with the Office of the Chief Financial Officer (OCFO), this division is responsible for establishing and maintaining systems for financial management, internal control, and reporting for all IAs. Interagency Agreement Specialists within Regional Grants Management Offices (GMOs) and the Headquarters Grants and Interagency Agreements Management Division (GIAMD) serve as EPA's administrative contacts with other federal agencies. They review and approve the administrative portion of the IA funding and prepare the EPA IA agreement on Form 1610 and any formal amendments. Regional GMOs and GIAMD also monitor the IA for compliance with administrative conditions, help the PO resolve performance problems, and close out the agreement after all the terms and conditions are fulfilled.

- Cincinnati Finance Center (CFC), a component of OCFO, is the central servicing finance office for all EPA IAs. CFC disburses funds to other agencies and records the disbursements in accounting records. CFC is also responsible for recording amendments to deobligate funds and

verifying that the IA balance is correct. Further, CFC assists POs in reconciling billing differences with other agencies.

- EPA POs, within EPA's programs, provide technical and managerial oversight of IAs. They are responsible for assuring that EPA quality assurance requirements are met by other agencies for the goods and services provided to EPA. For disbursement agreements, the PO ensures that EPA receives goods and services from the other agency in accordance with the agreements. The PO approves invoices received from the other agency. POs are responsible for notifying OCFO/CFC at least quarterly in writing or electronically on the project status. The PO is also responsible for notifying OCFO/CFC of the final project cost in writing when the project expires. POs should also maintain all supporting documentation for costs claimed, and ensure compliance with the IA's terms and conditions.

It is EPA's policy to close out IAs within 270 days after the project period ends. EPA considers an IA administratively closed when, after the period of performance expires, the PO verifies the completion of all work and payment of all invoices. After all work is completed and all the bills are paid, CFC deobligates the remaining funds.

Noteworthy Achievements

During the audit period, we identified the following noteworthy achievements related to the management of IA extramural agreements[1]:

- GIAMD has made a concerted effort to close out the backlog of expired IAs so that unneeded funds can be deobligated. GIAMD stated that it closed 596 IAs during Fiscal Year (FY) 2007, and 590 in FY 2008, and 69 in FY 2009, as of January 13, 2009.

- OGD issued IA Policy Issuance 08-02 on February 29, 2008, which limits the project period duration for new IA awards. This guidance establishes: (1) a limit on the total length of all of the project periods of an IA; and (2) criteria for determining when new awards, rather than amendments, must be used to fund additional work. The policy limits the total length of the project period of IAs to 7 years unless there is a specific regulatory or statutory authorization for a longer project period or a signed waiver from the Director, OGD, or a designee. The policy further states that no-cost amendments, incremental funding amendments, and supplemental funding amendments may not be used to add additional activities to an IA if the additional activities are unrelated to the original scope of work. In such cases, EPA must fund the additional activities through a new IA.

[1] Extramural agreements include contracts, grants and cooperative agreements, and IAs.

- EPA has increased its effort to deobligate unused Superfund funds. The Office of Solid Waste and Emergency Response's Office of Superfund Remediation and Technology Innovation has scrutinized open Superfund obligations on IAs over 2 years old as part of its annual work planning. During the planning meeting, Headquarters and regional Office of Superfund Remediation and Technology Innovation officials review the Superfund unliquidated obligations to determine the amount that should be deobligated during the year.

- The Office of Research and Development employs Extramural Management Specialists (EMSs). These specialists are an integral part of the post-award monitoring process for IAs (as well as for contracts, grants, and cooperative agreements). The EMS coordinates efforts among POs, GMOs, and CFC, and facilitates the IA administrative process, including deobligating funds and closing out IAs. An EMS in the Office of Research and Development stated that employing the specialists ensures that IAs are closed out and funds are deobligated timely because the EMS continually monitors IAs. The Office of Air and Radiation employs Grant Coordinators who serve similar functions as the EMSs. The Grant Coordinators are responsible for monitoring the close-out of IAs and following their standard operating procedures that are derived from EPA Order 1610. Other offices should consider employing specialists to improve their post-award management duties, including timely IA close-out and deobligating unneeded funds.

- In FY 2006, OGD separated the IA class from its 4-day basic grants class. OGD now provides a full day of IA training that addresses specific topics such as cost review, determining a bona fide need, severability of funds, and assisted acquisition. This class is now being further enhanced to cover Office of Federal Procurement Policy guidance requirements for grants and IAs issued by the Office of Management and Budget on June 6, 2008.

- In the third quarter of FY 2008, EPA added measures on unliquidated obligations and close-out for IAs to the "Grants Management Performance Measures Reports." These quarterly reports are provided to the Junior Resource Official, Senior Resource Official, and GMO community for management review.

- The Las Vegas Finance Center, which is responsible for processing all EPA grants, sends a reminder notice (notification letter) requesting a final financial status report from the grant recipient after the project period of a grant expires. We believe sending out such a reminder notice to the EPA POs prior to the period of performance expiring would be useful in closing out IAs timely.

- OGD issued EPA Order 1610 in October 2006, which established the Agency's first comprehensive policy for closing out IAs.

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

After excluding certain items from the universe as discussed in Appendix A, we selected a statistical sample of 62 IAs using monetary unit sampling from the population. The sample included IAs with $23 million in unliquidated obligations, which represented 69 percent of our target universe. We also interviewed POs, grants specialists, Budget and Finance Officers, and other EPA officials to determine their roles in closing out IAs, deobligating funds, and reviewing unliquidated obligations; and to identify funds that should be deobligated. We conducted the audit from January 4 through April 25, 2008. Appendix A contains a more extensive discussion on our scope and methodology.

Chapter 2
Funds No Longer Needed Remain Obligated

EPA has not closed out IAs that have at least $4.2 million of unneeded funds that should have been deobligated. Further, EPA had deobligated an additional $2.3 million between January 7 and April 25, 2008, as a result of our audit. These funds could be used for other environmental projects. EPA Order 1610 requires that IAs be closed within 270 days after the project period ends and any remaining funds be deobligated. We found that POs, GIAMD, and GMOs did not effectively monitor IAs to ensure they were timely closed out and unneeded funds were deobligated. Also, the annual unliquidated obligation review was not effective and did not identify funds that should have been deobligated and used for other environmental purposes. POs cited various reasons for untimely close-out of IAs, including unfamiliarity with close-out procedures and difficulties working with other agencies.

Monitoring of IAs Needs Improvement

POs, GIAMD, and GMOs did not effectively monitor IAs to ensure timely close-out so that unneeded funds were deobligated and used for other environmental projects. EPA Order 1610 requires that IAs be closed within 270 days after the project period ends and any remaining funds be deobligated. See Appendix B for further details on the close-out process as defined by EPA Order 1610.

As of January 7, 2008, EPA had 318 agreements, with obligations totaling $33,276,951, where there was no reported activity in the last year, or the period of performance end date was greater than 270 days old. We selected a statistical sample of 62 IAs totaling $23 million, using monetary unit sampling from the population. As of April 25, 2008, we identified $4.2 million of unneeded funds that should have been deobligated. An additional $2.3 million was deobligated by EPA between January 7 and April 25, 2008, as a result of our audit.

For 18 of the 62 IAs reviewed, the POs did not initiate close-out and the GMOs did not notify the POs that the project period ending dates had elapsed. Consequently, the IAs remained open beyond the project period ending dates.

Several POs said they did not effectively monitor IAs because they were unfamiliar with the IA close-out procedures, and often waited for GIAMD to initiate close-out. Other factors included difficulties with other agencies, lack of performance standards, inconsistent data, and conflicting guidance. Details follow.

Untimely Close-out

POs did not effectively monitor funds obligated under IAs. We found that funds remained obligated on 26 IAs after the period of performance had expired. For example, we found one Superfund IA, with the U.S. Coast Guard under the Department of Homeland Security, where the project period ended on September 30, 2001, with a remaining unliquidated obligation amount of $1.6 million. On October 26, 2005, more than 4 years after the project period ended, the Coast Guard told CFC that $1.5 million could be deobligated and the remaining $100,000 would be billed. On October 27, 2005, CFC sent an e-mail to the PO and GIAMD to initiate deobligating the $1.5 million. However, as of April 25, 2008, the entire $1.6 million unliquidated obligation balance remained recorded, and no amounts had been deobligated. As a result, the Superfund funds remained obligated more than 6 years after the project period ended and were unavailable for other uses.

GMOs do not always send a reminder letter to the recipient and PO on the close-out requirement and to begin close-out procedures. EPA Order 1610 states:

> *If the EPA Project Officer has not initiated close out procedures, within 60 calendar days after the project period has expired, the GMO [GIAMD] will begin close out procedures. The GMO [GIAMD] will contact the OCFO/CFC to determine the balance of funds on an IA and to find out if there are any outstanding bills waiting to be processed. Within 90 calendar days after the project period has expired, the GMO [GIAMD] will send an electronic close out notification to the EPA Project Officer requesting the final report or product(s), whether the OCFO/CFC balance is correct, and whether the EPA Project Officer concurs in the close out of the IA. The EPA Project Officer must respond to the GMO [GIAMD] within 120 calendar days after the project period has expired.*

We found that POs often wait to hear from GMOs to initiate close-out, and that GMOs do not always contact the PO.

GMOs do not always notify the other agency that it is going to initiate close-out of the IA and deobligate the remaining funds. According to EPA Order 1610, when the performance end date is greater than 180 days and the obligated amount is greater than $500, the IA specialist should send a decrease amendment to the other agency. The decrease amendment notifies the other Agency that EPA considers the project complete and intends to close out the IA. By serving notice to other agencies, EPA can stimulate them to take action to complete the IA projects and submit final bills. For example, funds are obligated annually under one IA for access to a U.S. Department of Health and Human Services (HHS) Information Collection Request Review and Approval System. As of April 25, 2008, a total of $250,000 was obligated on the IA for 2 years' access to the

system. We found that even though HHS had not billed for this access, EPA continued to obligate additional funds. The PO was not aware HHS had not billed EPA. As a result of our audit, the PO contacted HHS and the $250,000 will be billed by and paid to HHS.

Difficulties with Other Agencies

EPA has not been able to reduce IA unliquidated obligations because of difficulties with billings from other agencies. We found that other agencies were inconsistent and untimely in billing EPA, or experienced significant delays in receiving invoices from grantees and contractors. These delays kept EPA from timely closing out some IAs. We found that other agencies use IA funds to award sub-agreements (e.g., grants, contracts, IAs, cooperative agreements, etc.). In some of these cases, the EPA IA project period did not coincide with the other agency's sub-agreement. For example, for an IA with HHS, the project period expired October 1, 2006, with an unliquidated obligation amount of $224,689. As of April 25, 2008, the unliquidated obligation amount had not changed. According to the PO, HHS used the IA funds to award contracts to States with project periods that exceeded the IA, allowing States up to 4 years after the award to bill HHS. The PO said this caused billing and close-out delays.

EPA does not enforce the specific billing instructions indicated on IAs. On the IA form, requests for payments must be submitted monthly, quarterly, or upon completion of work if they are not marked as advances. We found an instance where another agency did not bill in accordance with the IA terms. An IA with the Department of Homeland Security stipulated that the Department should bill EPA quarterly. Also, the Funding Authorization document stated: "Upon completion of scope of work, the recipient other Federal agency will submit a bill with detailed records of expenditures. The Agency must submit a bill within 60 days following the disaster response completion date." The period of performance was from August 30, 2005, to September 30, 2006. The Department of Homeland Security billed EPA just three times over the period of performance (August 2006, March 2007, and May 2007). The remaining unliquidated obligation of $793,792 was not closed out until April 2008.

Other Agencies do not bill timely. According to a PO for a Department of Energy IA, that Department does not bill timely. The Department of Energy sporadically submitted four bills during the 2½-year project period. It took more than 2 years after the IA expired to close out the IA. The PO said he tried to get the Department of Energy to submit the final bill after the project period expired without any success. It was not until the PO asked the grant specialist to close out the IA that the Department of Energy submitted its final bill, in December 2007. The IA and related unliquidated obligation of $125,597 were closed out on February 27, 2008.

Lack of Performance Standards

Program managers are not consistent in establishing and measuring PO performance standards in accordance with OGD instructions. The OGD has instructed program management to add performance measures concerning IAs to the POs' performance evaluations. In a January 17, 2008, memo regarding the management of IAs under the Performance Appraisal and Recognition System, the OGD stated: "…Senior Resource Officials should ensure that IA responsibilities are referenced, as appropriate, in 2008 PO Performance Agreements."

Also, the Superfund *120-Day Study* report recommended: "For IAs, grants, and contracts, OARM (Office of Administration and Resources Management) should establish appropriate close-out performance measures and send quarterly reports to Senior Resource Officials with outstanding closeouts, including the amount of outstanding dollars."

For 13 of our 62 sampled agreements, the POs stated they did not have any performance standards concerning IAs. Other POs provided specific standards relating to IAs, such as:

- Initiate, negotiate, and manage grants and/or IAs to achieve Agency strategic goals and to ensure compliance with Agency grant management requirements, policies, federal rules, and all applicable regulations.

- Ensure that the other agency receives the goods or services specified in the agreement, prepare and forward a copy of the final property/equipment inventory and disposition recommendation to the property management office; and initiate appropriate close-out by preparing a written IA close-out request for submission to the Grants Information and Analysis Branch.

While the January 17, 2008, memo provided guidance to Senior Resource Officials, IA responsibilities have yet to be incorporated into all POs' performance standards. GIAMD has incorporated the following performance standards for grant personnel:

> *By 9/30/08, reduces GIAMD grants and/or interagency agreements close-out backlog as follows:*
>
> - *90% of grants ending in FY 07 are closed; and*
> - *99% of grants ending prior to FY 07 are closed*

Inconsistent Data

There is inaccurate information in the Integrated Grants Management System (IGMS) that is a result of problems in migrating data from the older Grants Information and Control System (GICS). This causes problems with the

Integrated Financial Management System (IFMS) as well because data in IFMS does not coincide with data in IGMS. After the migration to IGMS, some IAs retained an open status in IGMS even though they had been closed in GICS. Therefore, POs were unaware that some IAs remained open. Other POs do not use IGMS at all.

A Senior Management Analyst in GIAMD stated:

> *IGMS data for IAs is not so accurate. IGMS data for IAs is preceded by GICS IA data. Some of the IAs closed out in GICS were not properly transferred to IGMS. There were dual GICS and IA systems operating in FY 2007. During the period when the dual systems were operating any IAs closed should have been done in IGMS and GICS to properly close the IA. IGMS was to be the new grants system and GICS would be discontinued. Therefore, if an IA was closed in GICS when the dual systems were operating it should have been closed-out to both systems, which was not done.*

Data in IGMS does not always coincide with data in IFMS. The Grants Management Council agreed that the Agency should explore integrating IA data between the IFMS and IGMS, which will help expedite making decisions on "who owns" an IA.

Conflicting Guidance

EPA has conflicting policies/guidance for closing out IAs. As a result, POs are unclear of their responsibilities. For example, EPA Order 1610 states that IAs must be closed out within 270 days, while the IA Reference Library states IAs should be closed out within 180 days. The Resource Management Directive System (RMDS) states the GMO will contact the PO before the project expires or when the IA has had no activity for 6 months or more, while the IA Reference Library states the PO will contact the GMO if all bills are paid and the project is complete. Ten PO interviewees said they either were unclear as to who was to initiate close-out or were unfamiliar with the close-out procedures. Table 2-1 shows examples of discrepancies:

Table 2-1: Discrepancies in IA Close-out Guidance

Event	EPA Order 1610	IA Library	RMDS 2550C	Project Officer Manual V6
Notification to begin close-out	IAs should be closed out within 270 calendar days	IAs should be closed out within 180 calendar days		
Prior to Project Period Expiration, or when there has been no activity for 6 months		PO should contact the GMO to close out if all bills are paid and project is complete	GMO sends memoranda of notification that close-out procedures will begin to POs	90 days prior to the project expiration date, the GMO will send a "Reminder Letter" to the recipient and the Project Officer reminding them of the closeout requirements

Sources: EPA Order 1610, IA Reference Library, RMDS 2550c, Project Officer Manual

Review Process for Unliquidated Obligations Needs Improvement

EPA has not effectively reviewed unliquidated obligations on inactive IAs to identify unneeded funds. Those funds could be deobligated and used for other environmental projects. OCFO Policy Announcement 96-04 requires GIAMD and Senior Resource Officials to review the inactive IA unliquidated obligation report, and certify the review was completed and appropriate deobligations were made. We found that many of the POs were not involved in the review process, and that only IAs with expired periods of performance were reviewed, regardless of inactivity. As a result, the IA unliquidated obligation review process was not effective because it did not result in identifying unneeded funds.

OCFO Policy Announcement 96-04, *Review of Unliquidated Obligations*, instructs OCFO's Financial Management Division to distribute Headquarters IA reports to the Grants Administration Division (now GIAMD) and regional IA reports to Senior Resource Officials. The reports identify inactive IAs (no payment or obligation activity in 6 months or more) with remaining unliquidated obligation amounts.

EPA did not identify and deobligate all unneeded IA funds because EPA did not effectively use the unliquidated obligation review. We found a number of reasons why the IA unliquidated obligation review process was not completely effective:

- Not all POs receive the annual OCFO IA unliquidated obligation report and subsequently participate in the unliquidated obligation review for inactive IAs. Thirty-nine POs said they do not receive the IA unliquidated obligation reports and are not involved in the unliquidated obligation review for inactive IAs. For example, an Office of Water IA with HHS had a project period of October 1, 2005, through September 30, 2007, and an unliquidated obligation balance of $208,167. We found that no work was ever performed or bills submitted during the project period.

Subsequently, on March 3, 2008, the entire amount of $208,167 was deobligated and the IA was closed out. The PO was not contacted during the unliquidated obligation review to determine the validity and necessity of the unliquidated obligation amount. The PO said if he were contacted during the project period as part of the review, he would have said the funds could have been deobligated sooner and used for other environmental projects.

- IAs with current periods of performance that have had no activity in 180 days or more are not being reviewed. GMO staff in Regions 5 and 9 said IAs listed on the unliquidated obligation report with a current period of performance are coded as active and are not reviewed to determine the validity and necessity of the unliquidated obligation amount.

- The unliquidated obligation report is not formatted properly because it lists obligations by line of accounting, not by IA number. This method may require multiple programs to review different unliquidated obligation amounts for the same multi-funded IA. Therefore, results of each review may not be coordinated and provided to the reviewing official to arrive at one consolidated deobligation amount for the IA.

Recommendations

We recommend that the Assistant Administrator for the Office of Administration and Resources Management:

2-1 Direct GIAMD and GMOs to:

(a) Work with the POs to prepare decrease amendments to deobligate the remaining $4.2 million in IA unliquidated obligations identified during our audit and initiate close-out action.
(b) Ensure the IAs with $2.3 million deobligated during the audit are closed out.

2-2 Direct OGD to ensure EPA Order 1610 is consistently followed, which includes:

(a) GMOs notifying the PO that the IA is expiring before the project period ends.
(b) POs initiating close-out of the project once a project is complete and all applicable costs have been billed or paid.
(c) GMOs initiating close-out of the IA if the PO has not done so after the end of the IA project period.
(d) GMOs sending close-out notices to the other agencies, the PO, and CFC for IAs where the project period end date is greater than 270 days old.

2-3 Direct OGD to work with other agencies on developing standard billing practices.

2-4 Direct OGD to work with the GMOs and POs to ensure compliance with the existing deobligation and close-out procedures under EPA Order 1610. When other agencies do not respond within 90 days to the decrease amendments, have GIAMD/GMOs send the decrease amendment to CFC and instruct it to deobligate the remaining funds and administratively and financially close out the IAs.

2-5 Follow through with program offices to ensure they develop performance measures that are incorporated into PO performance standards which hold the PO accountable for their performance in monitoring and timely closing out IAs.

2-6 Ensure the IA data in GICS and IGMS are reconciled.

We recommend that the Chief Financial Officer:

2-7 Develop procedures that ensure compliance with OCFO Policy Announcement 96-04 and require all POs responsible for managing and closing out IAs to participate in the unliquidated obligation review and determine the validity and necessity of all inactive IAs for current and expired project periods.

2-8 Reformat the unliquidated obligation report in order of IA number and require that GIAMD and GMOs forward the report to the PO of record and his/her supervisor, so a single review of the entire unliquidated obligation amount can be performed.

Agency Response and OIG Evaluation

EPA agreed with the majority of our recommendations and its proposed corrective actions should address our recommendations. The Agency reported that, as of November 24, 2008, the Agency had deobligated more than $320,000 of the $4.2 million and closed out 6 of 14 combined agreements. The Agency is in the process of issuing interim procedures to implement the Office of Federal Procurement Policy guidance on interagency acquisitions. These procedures will help ensure that IAs involving the use of other agencies contracts are in the best interest of the government. The Agency also decided to move to IA Shared Service Centers to enhance the efficiency and effectiveness of the IA process. In its response to the draft report, EPA provided further clarification on the following issues noted:

- EPA stated that EPA Order 1610 provides a cradle-to-grave framework for IA close-out. The OIG concurs that EPA Order 1610 does provide an adequate framework if followed, and if there is no other conflicting guidance.

- The Office of Administration and Resources Management requested that the OIG revise this recommendation to require OGD to work with GMOs and POs to ensure compliance with the existing deobligation and close-out procedures under EPA Order 1610. We concur and revised the language in the final report.

- OGD is currently developing the Grants Data Mart and will ensure that IGMS is updated with information that is currently in GICS but not in IGMS. We concur with this action plan.

- OCFO developed a standard IA report that enables offices to pull real-time inactive unliquidated obligation information. The document transaction number in these reports provides the IA number. We concur with this action.

The full text of the Agency response is in Appendix D.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in $000s)	
Rec. No.	Page No.	Subject	Status[1]	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
2-1	11	Direct GIAMD and GMOs to:		Assistant Administrator, Office of Administration and Resources Management			
		(a) Work with the POs to prepare decrease amendments to deobligate the remaining $4.2 million in IA unliquidated obligations identified during our audit and initiate close-out action.	O		Ongoing	$4,200	$4,200
		(b) Ensure the IAs with $2.3 million deobligated during the audit are closed out.	C		11/24/08	$2,300	$2,300
2-2	11	Direct OGD to ensure EPA Order 1610 is consistently followed, which includes:		Assistant Administrator, Office of Administration and Resources Management			
		(a) GMOs notify the PO that the IA is expiring before the project period ends.	O		Ongoing		
		(b) POs initiating close-out of the project once a project is complete and all applicable costs have been billed or paid.	O		Ongoing		
		(c) GMOs initiating close-out of the IA if the PO has not done so after the end of the IA project period.	O		Ongoing		
		(d) GMOs sending close-out notices to the other agencies, the PO, and CFC for IAs where the project period end date is greater than 270 days old.	O		3/31/09		
2-3	12	Direct OGD to consult with other agencies on developing standard billing practices.	O	Assistant Administrator, Office of Administration and Resources Management	6/30/09		
2-4	12	Direct OGD to work with the GMOs and POs to ensure compliance with the existing deobligation and close-out procedures under EPA Order 1610. When other agencies do not respond within 90 days to the decrease amendments, have GIAMD/GMOs send the decrease amendment to CFC and instruct it to deobligate the remaining funds and administratively and financially close out the IAs.	O	Assistant Administrator, Office of Administration and Resources Management	Ongoing		
2-5	12	Follow through with program offices to ensure they develop performance measures that are incorporated into PO performance standards which hold the PO accountable for their performance in monitoring and timely closing out IAs.	O	Assistant Administrator, Office of Administration and Resources Management	9/09		
2-6	12	Ensure the IA data in GICS and IGMS are reconciled.	O	Assistant Administrator, Office of Administration and Resources Management	6/30/09		

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in $000s)	
Rec. No.	Page No.	Subject	Status[1]	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
2-7	12	Develop procedures that ensure compliance with OCFO Policy Announcement 96-04 and require all POs responsible for managing and closing out IAs to participate in the unliquidated obligation review and determine the validity and necessity of all inactive IAs for current and expired project periods.	O	Chief Financial Officer	6/30/09		
2-8	12	Reformat the unliquidated obligation report in order of IA number and require that GIAMD and GMOs forward the report to the PO of record and his/her supervisor, so a single review of the entire unliquidated obligation amount can be performed.	O	Chief Financial Officer	4/4/09		

[1] O = recommendation is open with agreed-to corrective actions pending
C = recommendation is closed with all agreed-to actions completed
U = recommendation is undecided with resolution efforts in progress

Appendix A

Details on Scope and Methodology

We reviewed laws and regulations pertaining to IAs, such as the Economy Act. We reviewed EPA policies and guidance, such as EPA Order 1610, *No Cost Amendments, Processing Invoices and Close out of Interagency Agreements*. We reviewed Policy Announcement 96-04, *Review of Unliquidated Obligations*, issued by OCFO. We also reviewed IA guidance posted on the "Grants" intranet Website and the IA Reference Library Website.

We conducted interviews with officials from GIAMD and OCFO. We also interviewed program officials from the Office of Research and Development in Las Vegas, and the Region 8 Superfund office, to obtain an understanding of their policies and practices for monitoring and deobligating unneeded IA funds. We did not review the internal controls over EPA's IFMS or the Interagency Document On-Line Tracking System from which we obtained information, but relied on the internal control evaluation conducted during the audit of EPA's FY 2007 financial statements.

We obtained the universe of open obligations for IAs, which CFC extracted from the Interagency Document On-Line Tracking System, as of January 7, 2008. The report obtained from CFC identified 1,388 open obligations totaling $496,998,575. We determined the population by removing: (1) IAs with current periods of performance and activity within the past 180 days; (2) IAs with periods of performance ending less than 270 days prior to January 7, 2008; and (3) IAs with the periods of performance start date less than a year. This population resulted in 318 IAs totaling $33.3 million in open obligations.

We pulled a statistical sample of 62 IAs, totaling $23 million, using monetary unit sampling from the $33.3 million of open obligations. The list of sampled IAs is in Appendix C. We obtained the financial copies of the IAs from CFC to determine periods of performance, amounts obligated, names of project officers, names of grants specialists, and names of the other agencies. In addition, we reviewed the descriptions of the goods and services provided to EPA. We also reviewed any available correspondence and work plans provided in the IA files. We developed a questionnaire to use in contacting project officers, and other grants, finance, and program officials. The objectives of our questionnaire were to determine whether EPA has adequate controls in place to identify and deobligate unneeded IA funds and the amount of obligations under IAs that could potentially be deobligated. We interviewed POs, grant specialists, budget and finance officers, and other EPA officials to determine their roles in closing out IAs, deobligating funds, and reviewing unliquidated obligations; and to identify funds that should be deobligated.

Internal Control Structure

In planning and performing our audit, we reviewed management controls related to our audit objectives. This included EPA's polices and procedures for administering and managing the deobligation and close-out of IAs, and for reviewing IA unliquidated obligations. We examined EPA's FY 2007 Federal Managers' Financial Integrity Act Annual Assurance Letters issued by

the Regional Administrators and the Assistant Administrators for the various EPA program offices. For 2007, the Agency did not report any material weaknesses related to IAs. In addition, we examined EPA's A-123 Review to identify any weaknesses related to unliquidated obligations under IAs. EPA identified no material weaknesses in its A-123 review of internal controls. The Agency identified six significant deficiencies, but none related to unliquidated obligations for IAs.

Prior Audit Coverage

We researched prior EPA OIG, Government Accountability Office, and other reports related to IAs. We reviewed an EPA report, *Superfund: Building on the Past, Looking to the Fut*ure (commonly known as the *120-Day Study*), issued April 22, 2004. We noted five pertinent EPA OIG reports, as listed in Table A-1:

Table A-1: Prior EPA OIG Reports Related to IAs

Report No.	Title	Date
2000-P-000004-R5-000329	Timely Deobligation of Interagency Agreement Funds	December 10, 1999
2000-P-0029	Follow-up on Headquarters Interagency Agreements	September 29, 2000
2001-P-00011	Superfund Interagency Agreements	June 22, 2001
2007-P-00011	Interagency Agreements to Use Other Agencies' Contracts Need Additional Oversight	March 27, 2007
2007-P-00021	EPA Can Improve Its Managing of Superfund Interagency Agreements with U.S. Army Corps of Engineers	April 30, 2007

Source: OIG analysis

Appendix B

EPA Order 1610 Timeline of Close-out Activities for IAs

Event	Procedure
IA Project Period Expires	EPA POs must contact the GMO to initiate close-out of an IA if they know that a project is complete and that all costs have been billed and paid.
60 Days After Project Period Expires	The GMO begins close-out procedures if the EPA PO has not initiated. The GMO contacts OCFO/CFC to determine the balance of funds on an IA and to find out if there are any outstanding bills waiting to be processed.
90 Days After Project Period Expires	The GMO sends an electronic close-out notification to the PO requesting the final report or product(s), whether the CFC balance is correct, and whether the PO concurs in the close-out of the IA.
Within 120 Days After the Project Period Expires	PO responds to the GMO's request.
Within 180 Days After the Project Period Expires	Remaining balance of $500 or less: GMO issues a close-out letter to the other Agency and a copy to the CFC and the PO. The CFC automatically deobligates any remaining funds. Remaining balance over $500: GMO prepares a decrease amendment to close out the IA, obtains Award Official's signature, and sends the decrease amendment to the other Agency for acceptance.
90 Days After Notifying the Other Agency	Upon receipt of the signed decrease amendment, the GMO sends a copy to the CFC and EPA PO. The CFC deobligates remaining funds. If the GMO does not receive a response to the decrease amendment, it contacts the CFC electronically to obtain the current balance of the IA. If the balance has not changed and there are not any outstanding financial issues, it sends the CFC the decrease amendment, with a memorandum explaining that the other agency failed to sign the decrease amendment. The CFC deobligates the remaining funds. The GMO considers IA administratively and financially closed out. If the other agency notifies the GMO in writing of any discrepancies in the balance of the decrease amendment, the GMO notifies the CFC and PO for resolution. The CFC and PO must work with the other agency to reconcile the differences. The reconciliation might require the GMO to reissue the decrease amendment with the reconciled balance. The GMO sends the revised decrease amendment and a copy to the CFC and PO. The CFC deobligates the reconciled balance.
Within 270 Days After the Project Period Expires	The IA is administratively and financially closed out.

Source: EPA Order 1610

Appendix C

Obligations on Sampled IAs

IA No.	Location	Period of Performance End Date	Obligation Amount	Unliquidated Obligation Amount as of 01/07/08	Deobligated from 01/07/08 to 04/25/08	Amount That Should Be Deobligated (as of 04/25/08)	Cause(s)
DW69922101	HQ OSWER	09/30/01	$2,000,000	$1,594,850	$0	$1,481,925[2]	1
DW19955248	R9 OW	02/28/02	21,219,244	953,676	0	953,676	5
DW96933601	HQ OARM	08/30/06	2,200,000	846,547	0	0	5
DW70946000	R4 OW	09/30/06	1,000,000	793,793	793,793	0	2, 4
DW96942093	R2 OSWER	01/15/09	6,207,156	6,207,156	0	0	5
DW13849601	HQ OSWER	09/30/03	754,000	26,507	0	26,507	1 ,4, 5
DW69922041	HQ OSWER	09/30/06	115,000	115,000	0	0	2, 4
DW75957552	R10 OW	09/30/07	208,167	208,167	208,167	0	5
DW70945996	R4 OW	06/30/06	16,000,000	327,900	0	0	4
DW75955615	R9 OW	12/31/08	635,600	444,000	0	0	5
DW75832901	HQ OIG	09/30/04	129,000	93,405[3]	69,731	0	1
DW49995201	HQ OA	05/31/05	68,973	66,066	66,066	0	1, 5
DW89983801	HQ OAR	09/30/06	270,000	45,798	0	45,798	1, 2, 4, 5
DW13789901	HQ OSWER	09/30/07	1,010,000	100,946	0	100,946	1, 5
DW14897801	HQ OSWER	09/30/05	5,174,999	158,279	0	158,279	1, 4, 5
DW70946056	R4 OW	09/30/05	3,000	821	821	0	1, 4
DW70945995	R4OW	03/31/06	700,000	253,681	253,681	0	1, 4
DW89946010	R4 OW	10/31/10	51,061	17,864	0	17,864	
DW03954801	R8 OECA	09/30/08	684,718	98,001	0	0	3, 5
DW12922405	HQ OPPTS	09/30/08	100,000	100,000	0	0	1, 2, 3, 4, 5
DW13921975	HQ OSWER	09/30/10	1,050,003	1,050,003	0	0	5
DW13948136	R5 GLNPO	09/30/10	642,937	642,937	0	0	2, 5
DW14922068	HQ OSWER	06/30/09	400,000	400,000	0	0	
DW14953939	R8 OSWER	09/30/08	400,000	400,000	0	0	3, 5
DW14921598	HQ ORD	03/31/09	360,000	311,067	0	0	5
DW14950447	R6 OSWER	12/31/10	53,864	53,864	0	0	
DW14944226	R3 OSWER	01/01/11	100,000	100,000	0	0	5
DW14922304	HQ OW	12/20/09	50,000	50,000	0	0	3, 5
DW15945958	R4 OEA	09/30/08	100,000	26,460	0	0	5
DW16922030	HQ OSWER	09/30/07	140,000	67,500	0	67,500	1, 4, 5
DW21912901	HQ OAR	12/31/06	2,433,979	46,290	0	46,290	5
DW47948022	R5 GLNPO	12/31/06	1,250,000	247,955	0	247,955	1, 2, 5
DW47945853	R4 OPM	12/31/06	3,073,338	49,212	0	0	
DW47948051	R5 OSWER	03/29/08	707,000	43,118	0	43,118	1, 3, 5
DW64922217	RTP OPPTS	01/31/08	200,000	200,000	0	0	5
DW69989901	HQ OSWER	09/30/06	1,900,000	395,936	0	395,936	2, 5
DW69922463	HQ OAR	09/30/07	29,000	29,000	0	0	2, 3

[2] This amount was recommended as a partial deobligation in 2005, pending final close-out.
[3] This IA unliquidated obligation amount as of 01/07/08 includes the amount of $23,675 deobligated on 10/03/07.

IA No.	Location	Period of Performance End Date	Obligation Amount	Unliquidated Obligation Amount as of 01/07/08	Deobligated from 01/07/08 to 04/25/08	Amount That Should Be Deobligated (as of 04/25/08)	Cause(s)
DW70921868	HQ OSWER	09/30/05	$396,000	$68,991	$0	$0	2
DW75955725	R9 OW	12/31/09	1,154,600	1,154,600	0	0	2, 5
DW75955726	R9 OW	12/31/09	344,500	344,500	0	0	2, 5
DW75921732	HQ OSWER	09/30/05	2,200,000	23,571	0	0	2
DW75922294	HQ OSWER	09/30/06	2,000,000	323,569	0	0	2
DW75961101	HQ OARM	09/30/06	2,272,476	218,202	218,202	0	1, 3, 5
DW75905601	HQ OPPTS	10/01/06	1,150,000	224,689	0	0	2, 3, 5
DW75948098	R5 OW	12/31/07	1,121,300	100,000	0	0	5
DW75955684	R9 OW	12/31/08	1,525,000	262,000	0	0	1, 2, 5
DW75955703	R9 OW	12/31/09	120,000	120,000	0	0	5
DW75955626	R9 OW	12/31/08	266,500	266,500	0	0	2, 5
DW75922398	HQ OEI	09/30/08	185,000	185,000	0	0	1, 2, 3, 5
DW89964801	HQ OSWER	07/31/06	600,000	122,805	122,805	0	1, 5
DW89921578	HQ ORD	09/30/06	383,536	125,597	125,597	0	2
DW89922320	HQ OW	06/30/11	260,000	260,000	0	0	5
DW96954001	HQ OW	03/31/07	3,889,000	398,269	398,269	0	3, 5
DW96950473	R6 OSWER	09/30/07	3,290,000	415,077	0	415,077	
DW96940290	R1 OSWER	12/31/08	900,000	500,656	0	0	
DW96945989	R4 WMD	07/31/10	563,000	539,811	0	0	
DW96945877	R4 WMD	12/31/05	3,430,000	223,753	0	223,753	5
DW96947580	R5 OSWER	12/31/07	37,097,000	282,444	0	0	1, 5
DW96941780	R2 OSWER	12/31/08	350,000	34,832	0	TBD[4]	3
DW96941991	R2 OSWER	12/31/08	1,300,000	121,266	0	TBD	3
DW96946034	R4 WMD	09/30/10	250,000	250,000	0	0	
DW96942095	R2 OSWER	06/30/10	50,000	50,000	0	0	3
Total			**$137,192,186**	**$23,181,934**	**$2,257,132**	**$4,224,624**	

Source: OIG analysis

Cause Legend:

Reference	Description of Cause
1	Ineffective monitoring of IAs
2	Difficulties with other agencies
3	Lack of performance standards
4	Conflicting guidance
5	Ineffective unliquidated obligation review process

[4] Some portion of the amount should be deobligated in FY 2008. EPA cannot determine how much will be deobligated since it will have to discuss it with the other agency to make a final decision.

Appendix D

Agency Response to Draft Report

November 24, 2009

MEMORANDUM

SUBJECT: Response to Draft Audit Report
EPA Should Strengthen Internal Controls over
Interagency Agreement Unliquidated Obligations
Project No. 2008-18

FROM: Luis A. Luna
Assistant Administrator
Office of Administration and Resources Management

Lyons Gray
Chief Financial Officer

TO: Paul C. Curtis
Director, Financial Statement Audits

Thank you for the opportunity to respond to the subject Office of Inspector General (OIG) Draft Audit Report (Report). The Report evaluates EPA's internal controls for reviewing unliquidated interagency agreement (IA) obligations, deobligating funds and closing IAs.

We recognize the importance of having an effective process for managing IAs so that unneeded IA funds are deobligated promptly and allocated to other high priority environmental projects. We appreciate the Report's description of noteworthy Agency achievements in this area. We suggest adding to the final Report three other significant accomplishments:

- The issuance of EPA Order 1610 in October 2006, which established the Agency's first comprehensive policy for closing out IAs.

- The recent issuance of interim procedures to implement the Office of Federal Procurement Policy guidance on interagency acquisitions. These procedures will help ensure that IAs involving the use of other agencies' contracts are in the best interest of the government.

- The Agency's recent decision to move to IA Shared Service Centers. Centralizing the management of IAs will enhance the efficiency and effectiveness of the IA process.

We generally agree with the Report findings concerning the need to strengthen internal controls over IA unliquidated obligations. The Report contains seven recommendations for improving

EPA's management of IA unliquidated obligations, five of which are directed to the Office of Administration and Resources Management (OARM) and two of which are directed to the Office of the Chief Financial Officer (OCFO). The Agency's response to those recommendations is provided below.

Recommendation 2-1: Direct the Grants and Interagency Agreement Management Division (GIAMD) and Grants Management Offices (GMOs) to:

(a) Work with the Project Officers (POs) to prepare decrease amendments to deobligate the remaining $ 4.2 million in IA unliquidated obligations identified during the audit and initiate close-out action.
(b) Ensure that IAs with $2.3 million deobligated during the audit are closed out.

Response: OARM agrees with this recommendation. The Office of Grants and Debarment (OGD), in coordination with the responsible Grants Management Offices (GMOs), has deobligated to date more than $320,000 of the $4.2 million of IA unliquidated obligations, and has closed out 6 of the combined 14 agreements. OGD has also ensured that all of the IAs, totaling $2.3 million and deobligated during the audit, were closed out. OGD will continue to work with the responsible Project Officers (POs) and the other agencies to deobligate the remainder of the $4.2 million and to closeout the agreements as soon as possible.

Recommendation 2-2: Direct the Office of Grants and Debarment (OGD) to develop a comprehensive policy for closing out IAs that includes:

(a) GMOs notifying the PO that the IA is expiring before the project period ends.
(b) POs initiating close-out of the project once a project is complete and all applicable costs have been billed or paid.
(c) GMOs initiating close-out of the IA if the PO has not done so, so many days after the end of the IA project period.
(d) GMOs sending close-out notices to other agencies, the PO, and the Cincinnati Finance Center (CFC) where the project period end date is greater than 270 days old.
(e) Receiving billings of IA expenses from other agencies on a quarterly basis.

Response: OARM disagrees with the suggestion that EPA does not have in place a comprehensive policy for closing out IAs. EPA Order 1610 provides a cradle-to-grave framework for IA closeout, including the elements contained in recommendations 2-2 (b)-(d). OARM, however, agrees with the OIG that providing POs advance notice of the approaching expiration of an IA project will expedite the close out process. Accordingly, OGD will implement recommendation 2-2(a) by developing an electronic advance notification requirement. The notification will alert POs that their IAs will expire within one month and describe the required steps for closing out the agreement. OGD anticipates having the advance notification process in place by no later than March 31, 2009.

OARM agrees with the underlying intent of recommendation 2-2(e) to further timely billing by other federal agencies, but believes that the suggestion to receive billings on a quarterly basis needs further exploration. There are a number of factors that must be carefully considered. They

include EPA's lack of control over the billing practices of other agencies, potential adverse effects on the performance of critical programmatic work, and the fact that the other agency billing practices are influenced by disparate billing procedures of contractors and grantees working under IAs.

OARM and OCFO will consult with other federal agencies and EPA Headquarters and Regional Offices on this issue. Based on the results of that consultation, OGD will develop, by June 30, 2009, guidance on improving the timeliness of IA billings and include the guidance in the Agency's IA Manual.

Recommendation 2-3: Direct OGD to perform a review to determine the status [of] all existing IAs with unliquidated balances where the project period end date is greater than 180 days old. When other agencies do not respond within 90 days to the decrease amendments, have GIAMD/GMOs send the decrease amendment to CFC and instruct it to deobligate the remaining funds and administratively and financially close out the IAs.

Response: The procedures described in this recommendation basically track the deobligation/closeout process of EPA Order 1610. Accordingly, OARM requests that the OIG revise this recommendation to require OGD to work with GMOs and POs to ensure compliance with the existing deobligation and closeout procedures under EPA Order 1610. The Order explicitly requires EPA to review existing funds-out IAs with project periods that have been expired for more than 180 days for deobligation and closeout and send decrease amendments to the other agency. If the other agency does not respond within 90 days to a decrease amendment, the Order calls for EPA to pursue deobligation and closeout automatically, except where there are outstanding financial issues or changes in the agreement balance. OARM believes these limited exceptions are appropriate to reduce the risk of premature liquidation of valid obligations.

Recommendation 2-4: Follow through with program offices to ensure they develop performance measures that are incorporated into PO performance standards and hold the PO accountable for their performance monitoring and timely closing out IAs.

OARM agrees with this recommendation. By memo dated September 5, 2008, OGD requested Senior Resource Officials to ensure that IA responsibilities are referenced, as appropriate, in Fiscal Year (FY) 2009 PO performance agreements. OGD will build on that memo by convening a cross-Agency workgroup to develop by September 2009, specific IA performance measures for FY 2010 agreements.

Recommendation 2-5: Reconcile the IA data in the Grants Information Control System and the Integrated Grants Management System.

OARM believes that this recommendation is unnecessary. OGD is currently in the process of decommissioning the Grants Information and Control System (GICS). One step in that process is to ensure that Integrated Grants Management System (IGMS) is updated with information that is currently in GICS but not in IGMS. This will ensure that IGMS reflects comprehensive IA information. By June 30, 2009, the Grants Data Mart, which draws information directly from IGMS, will replace GICS as the reporting tool for IAs.

Recommendation 2-6: Develop procedures that ensure compliance with OCFO Policy Announcement 96-04 and require all Project Officers responsible for managing and closing out IAs to participate in the unliquidated obligation review and determine the validity and necessity of all inactive IAs for current and expired project periods.

Response: OCFO and OARM agree with this recommendation. OGD will implement it by revising the Agency's IA manual by June 30, 2009 to: 1) highlight the importance of achieving the objectives of Policy Announcement 96-04; 2) make clear that GMOs and POs have the primary responsibility for completing IA unliquidated obligation reviews and closing out IAs; and 3) include procedures for PO involvement in the unliquidated obligation review process.

Through the FY 2008 Management Integrity (FMFIA) process, OCFO raised the level of accountability for the unliquidated obligations to the Assistant Administrators and Regional Administrators. OCFO will continue this emphasis in the FY 2009 FMFIA process. Also, in keeping with the plan to eliminate free-standing policies, OCFO will incorporate the Policy Announcement 96-04 review requirements into the RMDS Administrative Control of Appropriated Funds (Funds Control Manual) chapter when it is updated.

Recommendation 2-7: Reformat the unliquidated obligation report in order of IA number and require that GIAMD and GMOs forward the report to the PO of record and his/her supervisor, so a single review of the entire unliquidated obligation amount can be performed.

Response: As noted in the FY 2008 Review of Unliquidated Obligations guidance memo (April 4, 2008), OCFO developed a standard IA ORBIT report that enables offices to pull real-time inactive unliquidated obligation information. The document transaction number in these reports provides the IA number. The report can be sorted by Responsible Program Implementation Office or transaction number. OCFO will assist OGD as needed to ensure they have the most useful sort. OGD will be responsible for distributing the report to POs.

Thank you again for the opportunity to comment on the draft Report. We look forward to receiving your final Report. If you have any questions concerning our comments, please contact Howard Corcoran or Lorna McAllister.

cc: Senior Resource Officials

Melissa Heist
Junior Resource Officials
Grants Management Officers
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Appendix E

Distribution

Office of the Administrator
Acting Assistant Administrator, Office of Administration and Resources Management
Acting Chief Financial Officer
Director, Office of Grants and Debarment
Director, Office of Policy and Resources Management, Office of Grants and Debarment
Deputy Director, Office of Grants and Debarment
Acting Deputy Chief Financial Officer
Acting Division Director, National Policy, Training and Compliance Division, Office of Grants and Debarment
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