SMG 2310.14

FDA Staff Manual Guides, Volume III – General Administration

Financial Management - Budget

Undelivered Orders and Obligation Review (UDO and OR)

Effective Date: 07/08/2024

1. Purpose

This Staff Manual Guide (SMG) is intended to provide policies and procedures set forth by the Food and Drug Administration (FDA) for the monitoring of obligations and the review of Undelivered Orders (UDO). This guide establishes requirements for the review and certification of obligations and UDOs. The monthly review and quarterly certification of obligations assists the FDA in improving internal controls related to the validation of UDOs and the close-out of invalid obligations.

The provisions contained in this policy apply to all FDA components including Centers/Offices. Each Center/Office is responsible for monitoring and maintaining supporting evidence of all obligations within their Center/Office.

Monitoring of obligations and periodic reviews of UDOs is required to properly report obligation balances, certify the validity of the obligation, and reduce the risk of the mismanagement of funds.

This policy identifies program and procurement officials who have responsibility for maintaining accurate obligations. The Executive Officer (EO) for each Center/Office or the component's Director is responsible for providing a quarterly certification of compliance to the FDA Chief Financial Officer (CFO).

2. Background

This policy supplements the Department of Health and Human Services (HHS) Financial Management Directives & Guidance Volume II, Chapter 12: UDOs (https://intranet.hhs.gov/manual/fmdg/vol-ii-chapter-12), which sets forth the minimum requirements for FDA to monitor obligations and review UDOs.

3. Reference and Authority

FDA policy is consistent with guidance set forth by the following policies regarding the monitoring of UDOs. These include:

A. HHS Financial Management Directives & Guidance Volume II, Chapter 12: UDOs (2016) https://intranet.hhs.gov/manual/fmdg/vol-ii-chapter-12

B. Office of Management and Budget (OMB) Circular No. A-11 "Preparation, Submission, and Execution of the Budget," https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf

C. Statement of Federal Financial Accounting Standards (SFFAS) 1: Accounting for Selected Assets and Liabilities http://files.fasab.gov/pdffiles/handbook_sffas_1.pdf

D. SFFAS 5: Accounting for Liabilities of the Federal Government http://files.fasab.gov/pdffiles/handbook_sffas_5.pdf

E. "Anti-deficiency Act," (PL 97-258), codified at Title 31 U.S. Code, Sec. 1341 https://www.govinfo.gov/content/pkg/USCODE-2017-title31/pdf/USCODE-2017-title31-subtitleII-chap13-subchapIII-sec1341.pdf

F. "Federal Managers' Financial Integrity Act of 1982," (PL 97-255, 8 September 1982) https://www.congress.gov/bill/97th-congress/house-bill/1526

G. "Documentary Evidence Requirement for Government Obligations," Title 31, U.S. Code, Sec. 1501 https://www.govinfo.gov/content/pkg/USCODE-2017-title31/pdf/USCODE-2017-title31-subtitleII-chap15-subchapI-sec1501.pdf

H. "Balances Available," Title 31, U.S. Code, Sec. 1502 https://www.govinfo.gov/content/pkg/USCODE-2017-title31/pdf/USCODE-2017-title31-subtitleII-chap15-subchapI-sec1501.pdf

I. "Apportionment and Reserves," Title 31, U.S. Code, Sec. 1512 https://www.govinfo.gov/content/pkg/USCODE-2017-title31/pdf/USCODE-2017-title31-subtitleII-chap15-subchapII-sec1512.pdf

J. "Officials Controlling Apportionments," Title 31, U.S. Code, Sec. 1513 https://www.govinfo.gov/content/pkg/USCODE-2017-title31/pdf/USCODE-

2017-title31-subtitleII-chap15-subchapII-sec1513.pdf

K. "Administrative Division of Apportionments," Title 31, U.S. Code, Sec. 1514 https://www.govinfo.gov/content/pkg/USCODE-2017-title31/pdf/USCODE-2017-title31-subtitleII-chap15-subchapII-sec1514.pdf

L. Federal Acquisitions Regulations (FAR) 4.804 Closeout of Contract Files https://acquisition.gov/far/part-4#FAR_4_804

M. HHS Grants Policy Statement https://www.hhs.gov/sites/default/files/grants/grants/policies-regulations/hhsgps107.pdf?language=es

N. FDA Staff Manual Guides, Volume III - General Administration Agreements with Other Government Agencies – Interagency Agreements https://www.fda.gov/media/80630/download

O. HHS Acquisition Regulations (HHSAR) Closeout Guide https://intranet.hhs.gov/manual/contract-closeout-guide

P. FDA Policy and Procedures Memorandum on Contract Closeout Procedures https://fda.sharepoint.com/sites/OC-Intranet-OC-OO-OFBA-FMM/file/Contract%20Closeout.pdf

4. Definitions

A. **De-obligation** – An action in the financial system of record which reduces the amount of funding available for expenditure because the funding is no longer needed or could not be liquidated in accordance with federal appropriations law. Such adjustments may be attributable to cancellation of a project or contract before completion, project, or contract price reductions during the period of performance (POP), or actual project or contract costs being below the obligated amount after all required goods and services have been delivered at the end of the POP.

B. **Financial Activity** – Activity consisting of invoice payment, receiving, or a modification to funding on an obligation.

C. **Obligation** – In general, an action that creates a legal liability to disburse funds, immediately or in the future. Except for rare exceptions that require the Office of General Counsel (OGC) concurrence, budgetary resources must be available before obligating actions can be legally made.

D. **Undelivered Orders (UDO)** – Goods or services ordered that have not been

received. This includes any orders for which advance payment has been made, but for which delivery or performance has not yet occurred.

1. **Valid UDOs** – Obligations that must remain open because legal liability to disburse funds, immediately or in the future, still exists due to required goods or services not having been delivered and accepted.

2. **Invalid UDOs** – Outstanding balances on open obligations for which goods and services have been received or are no longer required. These balances should be de-obligated.

E. **UDO Coordinator(s)** – The named individual(s) responsible for coordinating responses of all UDOs delegated to their Center/Office or FDA component.

F. **UDO Examiner(s)** – Any named individual responsible for reviewing a UDO line and providing comments based on this review. This can be any individual within a Center/Office or FDA component that has the knowledge regarding the validity of the UDO line. This term is used in this policy to avoid confusion by using specific terms defined in the UDO Automation Tool.

G. **Unliquidated Obligations** – For reports prepared on an accrued expenditure basis, they represent obligations incurred by the recipient for which an outlay has not been recorded.

5. Policy

The Office of Financial Management (OFM) manages the process for monitoring and reporting on UDOs. Centers/Offices must continuously monitor obligations throughout the fiscal year by taking actions outlined below:

1. Review, investigate, close-out, and de-obligate obligations that are no longer needed.

2. Review all lines requiring review in the UDO Automation Tool which include:

    a. Any obligation identified as having a negative balance.

    b. Non-contract and non-grant UDOs identified as having no financial activity for 90-days or longer.

    c. Contract UDOs with an expired POP that have no financial activity for 90-days or longer.

3. Review Grant UDOs via the Federal Financial Report (FFR) review process.

4. Review obligations flagged for potential de-obligation and provide approval for de-obligation or provide justification to retain the obligation as still valid.

Additionally, it is the responsibility of the Center/Office who funded the UDO to maintain all supporting documentation related to direct obligations and Interagency Agreements (IAA), that were not Procurement Information System for Management (PRISM)-awarded obligations. Similarly, it is the responsibility of the Office of Acquisition and Grants Services (OAGS) to maintain all supporting documentation related to Contracts, Grants, PRISM-awarded IAAs, and all other PRISM-awarded obligations.

Centers/Offices and FDA components are required to use the UDO Automation Tool to complete their monthly reviews and quarterly certification.

A. **Monthly Review Process for Non-Grant UDOs**

Each Center/Office and FDA component must determine if an obligation line item of an UDO is valid or invalid. This involves verifying and reconciling the undelivered obligations to supporting documents. A brief comment must be provided for each unique UDO line identified as requiring review on the monthly UDO Report within the UDO Automation Tool. Obligations that do not meet the criteria are considered invalid and should be de-obligated.. During the monthly review period, each Center/Office must initiate the closeout and de-obligation process within Unified Financial Management System (UFMS) for all non-Grant and non-Contract UDOs identified as invalid.

For Contracts which are PRISM-awarded obligations, OAGS will adhere to the standards provided in the FAR 4.801 and FAR 4.804 for Contract close-out. Invalid Contract UDOs must be submitted to OAGS through Acquisition Lifecycle Platform (ALP) by the Center/Office or FDA component for de-obligation once the POP for the task order has expired. For the close-out of IAAs which are PRISM-awarded obligations, OAGS will adhere to the applicable rules and regulations set forth by HHS and FDA. Invalid PRISM-awarded IAAs must be submitted to OAGS through ALP for de-obligation or close-out by the Center/Office or FDA component.

The UDO Automation Tool will track the progress of each Center/Office in completing their monthly UDO review and identifying UDO lines where the review was not performed by the required due date.

1. **UDO Report**

The UDO Report within the UDO Automation Tool must, at a minimum, contain the following fields:

- Unique Obligation Identifiers or Document Number
- Budget fiscal year of the obligation
- Accounting segments (minimum common accounting number (CAN), Allowance, and Sub Allowance)
- Treasury Account Symbol
- Object Class Code
- Obligation amount (Dollars)
- Billed amount (Dollars)
- UDO amount (Dollars and Quantity)
- Last financial activity date
- Number of days with no financial activity
- Identifier to mark the UDO as valid or de-obligate
- Requiring review identifier

2. **Monthly UDO Report Distribution**

   No later than the end of the 3rd business day of each month, OFM Division of Accounting (DA) UDO point of contact (POC) will use the UDO Automation Tool to create and release the monthly UDO Report to Centers/Offices.

3. **Monthly UDO Report Review**

   No later than the end of the last business day of each month, all Centers/Offices and FDA components' UDO Coordinators must complete and finalize their reviews in the UDO Automation Tool.

B. **Review Process for Grant UDOs**

Each quarter, the OAGS Division of Grants, Agreements, and Acquisition (DGAAS) Grants Management Branch must review Grant UDOs via the FFR process. FFR SF-425 is a cumulative statement of expenditures associated with a grant. FFRs must be submitted to the FDA within 90-days after the end of the calendar quarter in which the budget period ends.

Each quarter, DGAAS Grants Management Branch must review each submitted FFR SF-425 for completeness to ensure that the required fields have been completed by the grantee and to determine if the remaining Grant UDO is valid.

C. **Center/Office Quarterly Review Certification**

Each quarter, FDA Centers/Offices and FDA components are required to certify compliance with this policy. Certification templates can be downloaded from the

UDO Automation Tool, and must be signed by the EO or FDA component Director.

At the end of each quarter, a quarterly UDO report will be compiled and available for the Center/Office or FDA component to download from the UDO Automation Tool. The quarterly UDO report contains the UDO lines and beginning UDO balances from the 1st month of the quarter and the most recent comment responses from all three (3) months reviewed during the quarter. The Center/Office or FDA component is responsible for maintaining the supporting evidence of all obligations within their allowances and sub-allowances.[1]

Certifications must be uploaded to the UDO Automation Tool within five (5) business days after the close of each quarter.

D. OAGS Quarterly Certification

The Grants UDO Certification along with a list of FFRs reviewed during the quarter must be provided on a quarterly basis. The certification should be performed once all FFRs requiring review for the quarter are received and reviewed for accuracy. The certification submitted by OAGS must be signed by the Director of OAGS. Grants UDO Certifications are due to the OFM DA UDO POC within eight (8) calendar days after the close of each quarter. When the 8th falls on a Saturday, Sunday, or Federal holiday, the certifications are due on the next working business day.

6. Responsibilities

The primary roles and responsibilities for the policy directives within this SMG are as follows:

A. Responsibilities of Office of Finance, Budget, Acquisitions, and Planning (OFBAP) Chief Financial Officer (CFO) and Deputy CFO (DCFO)

1. Review and sign Certification of Quarterly Review of UDO Report to be submitted to the HHS DCFO through the Assistant Secretary for Financial Resources, Office of Finance (ASFR OF).

2. Review and sign Certification of Quarterly Review of Grant and Contract UDOs to be submitted to the HHS DCFO through ASFR OF.

B. Responsibilities of the Office of Budget (OB), Division of Budget Execution and Control (DBEC)

[1] A separate document will be created that includes Key Performance Indicators (KPIs) for Center/Office Quarterly Review Certification.

1. Review and approve adjustments to prior year obligations.

2. Monitor the availability of funds to guard against violation of the Anti-Deficiency Act.

C. **Responsibilities of the OFM, Division of Accounting (DA)**

1. Direct, supervise, and provide oversight for the review and monitoring of UDOs.

2. Provide system access and maintenance to the UDO Automation Tool.

3. Generate monthly UDO reports and weekly updates in the UDO Automation Tool. Distribute to Centers/Offices according to the distribution schedule.

4. Assist Centers/Offices with the continuous review of UDOs and follow-up with Centers/Offices on corrective action associated with the monthly review of unliquidated obligations.

5. Consolidate, review, and submit the Center/Office and Grant Certifications to the FDA DCFO and CFO for approval.

6. Submit Quarterly UDO Certifications to HHS DCFO through the ASFR OF.

7. Monitor the FDAUDOCert@fda.hhs.gov inbox and respond within 24 hours to inquiries from FDA Centers/Offices.

D. **Responsibilities of the Office of Acquisitions and Grants Services (OAGS) Director**

1. Direct, supervise, and provide oversight for the review and monitoring of Contract and PRISM-awarded IAA UDOs close-out and de-obligations.

2. Direct, supervise, and provide oversight for the review and monitoring of Grant UDOs as part of the FFR review process.

3. Review and approve the de-obligation of invalid Contract, PRISM-awarded IAAs, and Grant UDOs.

4. Review and sign the quarterly Grant UDO Certification form for submission to OFM DA UDO POC.

E. **Responsibilities of OAGS**

1. Review, validate, close-out, and de-obligate PRISM-awarded IAAs, Grants, and Contracts that are no longer within the active POP.

2. Send OFM DA UDO POC on the 1st of the month, the Active/Expired Contract Awards report for integration with the monthly UDO report. If the 1st of the month falls on a non-business day (Saturday Sunday, or Federal holiday), OAGS will send the report the prior business day.

3. Respond to Center/Office inquiries on the status of Contract de-obligations/close-outs.

F. **Responsibilities of the OAGS Division of Grants, Agreements, and Acquisitions (DGAAS) Grants Management Branch**

1. Review and confirm accuracy and completeness of Grant UDO balances in FFRs.

2. For Grant UDOs that have a remaining balance that will not be used by the grantees, complete the de-obligation of the UDO.

3. Provide grantees' requests to roll-over remaining funds to next budget year to DA, upon request.

4. Provide the population of the Grant FFRs reviewed in the applicable quarter to DA, along with the quarterly certification.

G. **Responsibilities of the Center/Office and FDA Component UDO Coordinator**

1. Maintain Center/Office users in the UDO Automation Tool.

2. Assign new UDO lines requiring review to POCs to assist in the process of gathering and providing comment responses for UDO lines within the monthly UDO report.

3. Perform a Completeness Review of all comment responses provided for UDO lines requiring review for a certain month.

H. **Responsibilities of All Centers/Offices UDO Examiners**

1. Submit requests to add or modify user access to the UDO Automation Tool to the UDO Coordinator.

2. Assign or re-assign the UDO lines requiring review to POCs to assist in

the process of gathering and providing comment responses for UDO lines within the monthly UDO report.

3. Review all assigned UDO lines identified in the UDO Automation Tool as requiring review monthly. Provide a status within the Brief Comments Section in the UDO Automation Tool for each line item requiring review. Complete monthly UDO Report review by the last calendar day of each month.

4. Initiate the closeout and de-obligation process for all non-Contract, non-Grant UDOs identified as invalid by taking appropriate actions within UFMS during the monthly review period.

5. Submit PRISM awarded Contracts and IAAs, identified as invalid, for de-obligation or closeout to OAGS through ALP.

6. Disseminate communications accordingly and ensure employees attend training to obtain the necessary skills and knowledge to perform their duties.

I. Responsibilities of the Center/Office Executive Officer (EO)

1. Download the quarterly UDO Certification form from the UDO Automation Tool.

2. Review and sign the quarterly UDO Certification form and ensure that it is uploaded to the UDO Automation Tool.

3. Establish and maintain effective internal controls by updating and communicating policies and procedures to staff.

4. Review the State of Control Dashboard and reports that shows Centers/Offices' key performance metrics. On a quarterly basis, EOs should review and certify based on their review of the following:

    a. Number of UDO lines with total UDO amount that have not submitted comments by the stated deadline.

    b. Total number and dollar amount of invalid UDOs that are pending Center/Office actions.

    c. Total number and dollar amount of invalid non-PRISM UDOs that are pending OFBAP actions.

d. Total number and dollar amount of invalid PRISM UDOs that are pending OFBAP actions via OAGS.

e. Total number and dollar amount of UDOs that have been marked for de-obligation but remain on the report in consecutive months.

f. Total number and dollar amount of UDOs that have a “Researching” or “No Response” status in the prior months.

g. Total number of Travel UDOs that are outstanding for more than six (6) months.

h. Total number of Purchase Card UDOs that are outstanding for more than one (1) year.

7. Record Retention

According to HHS Financial Management Directives & Guidance Volume II, Chapter 12: UDOs, OFBAP is required to retain copies of the monthly review reports, the Certifications of Quarterly Review, and the Centers/Offices are required to retain all other supporting documents (i.e., working documents, reports, forms, and spreadsheets) relating to the review of UDOs for the current fiscal year and for five (5) years thereafter. In addition, source documentation for all obligations should be readily available for audit purposes.

OAGS must retain all supporting documentation to verify the review of Grant and Contract UDOs for examination during the current year audit in accordance with the National Archives and Records Administration (NARA) General Records Schedule (GRS) and for six (6) years thereafter.

8. Effective Date

The guide was signed by Sahra I. Torres-Rivera, Deputy Chief Financial Officer, and is effective July 8, 2024.

9. Document History – SMG 2310.14, Undelivered Orders and Obligation Review (UDO and OR)

Status (I, R, C)	Date Approved	Location of Change History	Contact	Approving Official
Initial	12/23/2016	N/A	OC/OO/ OFBA/OFM	Peter Kelchner, Acting Director, OFM
Revision	03/31/2017	N/A	OC/OO/ OFBA/OFM	Sahra I. Torres-Rivera, Director, OFM

Status (I, R, C)	Date Approved	Location of Change History	Contact	Approving Official
Revision	09/01/2021	N/A	OC/OO/ OFBA/OFM	Sahra I. Torres-Rivera, Director, OFM
Revision	06/27/2024	N/A	OC/OO/OFBAP/OFM	Sahra I. Torres-Rivera, Deputy CFO

Appendix A – Sample Certification of Quarterly Reviews of Grants

DATE: {mm/dd/yy}
FROM: {Name}
TO: {Name}
SUBJECT: Review of Grant Federal Financial Reports (FFR) for Undelivered Orders (UDOs)

I hereby certify that we have reviewed and accepted the Federal Financial Reports (FFR) SF-425 received for the quarter ending {STATE PERIOD}.

I certify that the amounts shown on FFRs are correct except for the exceptions noted in the list attached. All appropriate personnel have reviewed the underlying support for grant obligations to determine the validity of the obligations. All grant obligations identified for deobligation have been identified and deobligated by the appropriate personnel. All other grant obligations are valid and should remain open.
Supporting documentation for these open obligations has been obtained and available upon request.

Signed: _____

Name: _____

Title: _____