



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether Region 5 is timely liquidating grant, interagency agreement, and contract obligations.

Prior OIG reports have identified concerns with obligations not being liquidated when no longer needed. EPA developed procedures to strengthen internal controls over unliquidated obligations. In fiscal year 2011, the Office of the Chief Financial Officer instituted a database to improve the consistency in reviewing and managing ULOs. Our review focused on whether the corrective actions taken were effective.

This report addresses the following EPA Goal or Cross-Cutting Strategy:

- *Strengthening EPA's workforce and capabilities*

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

The full report is at:
www.epa.gov/oig/reports/2013/20130213-13-P-0145.pdf

New Procedures Aided Region 5 in Reducing Unliquidated Obligations

What We Found

At the beginning of FY 2011, EPA's system for reviewing ULOs indicated that Region 5 had over \$1.7 billion in grant, contract, and interagency agreement ULOs. During FY 2011, Region 5 liquidated over \$1 billion in ULOs, leaving about \$645 million in ULOs remaining at the end of FY 2011. Our review found an additional \$402,445 that, in our opinion, could have been deobligated during FY 2011. Region 5 deobligated the funds in FY 2012.

Several factors impacted Region 5's ability to liquidate funds, including obtaining the documentation necessary to close out funding agreements. For three funding agreements, valued at \$616,976, delays in obtaining closeout documentation delayed deobligation of funds by as many as 10 years. While two contracts were deobligated, Region 5 is still working to obtain documentation from the other recipient. Obligations can also remain unliquidated for many years because of funding recipient delays in starting or completing projects. Some funding agreements in our sample had been inactive for more than 4 years. However, in each case, Region 5 provided evidence that the funds were still needed.

Recommendations and Planned Agency Corrective Actions

We recommend that the EPA Region 5 Administrator take action to deobligate the funds for the remaining closed grant (Town of Scott). We also recommend that the Chief Financial Officer and the Assistant Administrator for Administration and Resources Management address issues related to funding agreements where the obligation is inactive or open with no activity for more than 180 days. Region 5 took action to close the Town of Scott grant in November 2012. EPA agreed with the other recommendations.

Noteworthy Achievements

Region 5 deobligated over \$1 billion in grants, contracts, and interagency agreements in FY 2011. The region took action in FY 2012 to deobligate the funds from agreements where the grant period had expired, with the exception of one agreement where EPA is still working with the recipient to obtain documentation to close the grant. During the course of our audit, Region 5 also took action to remind staff of the procedures for elevating issues preventing deobligation of funding agreements to managers' attention.

The Office of the Chief Financial Officer implemented the ULO database in FY 2011 to improve consistency in reviewing and managing ULOs. The database provides the capability to proactively monitor ULOs and eliminates the use of manual spreadsheet reports. During interviews, users of the database stated that it was an excellent replacement for the previous review process.