



At a Glance

Why We Did This Review

We performed this audit to determine whether the U.S. Environmental Protection Agency (EPA) has adequate controls in place to identify and deobligate unneeded contract, purchase and miscellaneous obligations (such as training, settlement agreements, transit subsidies, and noncompetitive sources – utilities); and to determine the potential dollar amount of obligations that could be deobligated.

An unliquidated obligation can be described as an obligation or liability that has not been outlaid, expended or liquidated. If the final payment request has been received and the obligation is fully satisfied, the obligating official should request a deobligation of any remaining funds in the agency's financial system.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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EPA Should Timely Deobligate Unneeded Contract, Purchase and Miscellaneous Funds

What We Found

The EPA did not deobligate \$583,875 from contract, purchase and miscellaneous obligations that had no activity in the last 18 months. Further, we estimated there could be an additional \$2,962,058 that could be deobligated.

When the EPA does not deobligate unliquidated obligations timely, the funds cannot be used for other EPA environmental activities that would benefit human health and the environment.

EPA guidance requires deobligating inactive obligations without any activity for 6 months or more. Further, federal and agency guidance requires unliquidated obligations to be reviewed at least annually. However, EPA personnel did not adequately review or monitor outstanding obligations to ensure amounts remaining were valid. Consequently, the EPA was unable to reprogram unneeded funds to other environmental activities that could result in benefits for human health and the environment.

Recommendations and Planned Agency Corrective Actions

During the course of our audit, the agency deobligated \$259,065 of the \$583,875 in unliquidated obligations that we cited. We recommend that the agency deobligate the remaining \$324,810, and review any obligations that have not had activity in the last 18 months to see if any of the additional \$2,962,058 noted can be deobligated. We also recommend that the agency instruct personnel to annually use the unliquidated obligations desktop tool to timely identify and deobligate unneeded funds.

The agency concurred with and provided acceptable corrective milestone completion dates for all recommendations. The agency deobligated \$67,190 of the \$324,810 in unliquidated obligations that were identified for deobligations. The agency plans on deobligating the remaining \$257,620 in April 2016. Also, the agency implemented a new on-line unliquidated obligations database system to streamline and improve the agency's unliquidated obligations review process, and the Office of the Chief Financial Officer will provide training to Project Officers, Contracting Officers and Funds Control Officers on the unliquidated obligations desktop tool.