PROCUREMENT MEMORANDUM 2013-10

ACTION

MEMORANDUM FOR: Contracting Officers
Contracting Officer Representatives
Accounts Payable Officials

FROM: Barry E. Berkowitz Signed
Senior Procurement Executive
and Director for Acquisition Management

Lisa Casias Signed
Deputy Chief Financial Officer
and Director for Financial Management

SUBJECT: Ensuring Proper Liquidation of Contract Obligations

Background
The Office of Inspector General recently conducted a review of the Department’s unliquidated obligations to assess whether the Department has adequate controls over the management and closeout of unliquidated obligations. The audit identified several instances where contract obligations were improperly liquidated against incorrect fiscal year funding sources. In each instance, prior-year funding was used to pay for contractor services continuing under exercised option years.

Title 31 of the United States Code, section 1502(a), states that a fixed appropriation account may only be used to pay for obligations incurred during that period of availability. If the obligation is charged to no-year appropriations or an appropriation in which the period of obligational authority has not expired, the funding may be deobligated from one contract period and reobligated into a subsequent year. The charging of invoices to prior-year appropriations which are no longer available for obligation could potentially lead to an Antideficiency Act (ADA) violation.

Purpose
The purpose of this Procurement Memorandum is to remind individuals involved in the contracting and invoice payment processes of their responsibility to ensure that invoices are properly charged to the correct fiscal year funding source.
Required Actions

- All contracting officers, contracting officer representatives, and accounts payable officials shall ensure that contract invoices are properly charged against the correct fiscal year funding sources.

- In order to use prior-year unliquidated funding that is charged to a no-year appropriation, or prior-year funding in which the period of obligational authority has not expired, the contracting officer must issue a modification to deobligate the prior-year funding and reobligate the funding into the current fiscal year.

cc: Acquisition Community