**The COR’s Role in Funds Management**

**Audit and Undeliverables**

For years, the GAO cited the Internal Revenue Service (IRS) for weakness in its budgetary controls. The GAO would conduct an audit (or, as they call it, a “test”) titled “Undeliverables” - essentially a sampling of obligations with remaining balances. Most of the sampled obligations were on outstanding contracts. The auditor contacted each COR and asked (i) why the contract obligation was still outstanding and (ii) when that amount would be expended?

Sounds like such questions could be answered simply since the COR was overseeing the contract and thus the COR was well aware of expenditures. But many COR responses were not simple. They were confusing, ambiguous, non-responsive, and specious. After many memos, conferences and meetings, the IRS was able to develop meaningful controls over obligations.

How did the IRS do it?

**A Simple Solution**

One method employed was a quarterly report, titled “Aged Unliquidated Obligation Report,” that was disseminated to funds officials including CORs. It listed the status of all obligations. CORs were asked to update this report by validating the obligation amount and providing an action plan including a timeline for liquidation of the obligation. CORs had to explain what services or goods had been and/or would be requested and when these would be received. When IRS CORs started working at validating obligations on their contracts and reporting their findings, the

IRS gained control over these accounts.

Until IRS CORs moved into action, the IRS CFO would “scrub” or de-obligate obligations that revealed no activity within a certain period of time in order to avoid the embarrassment of carrying unliquidated obligations on the financial statement which the CFO could not support.

This resulted in complex machinations to put the obligation back on the books if an invoice was later received.

Some agencies are still inclined to perform a systemic cleansing of their obligations. This reflects inadequacy of their funds management controls. Others have taken the same road as the IRS.

**Squaring Corners**

Supreme Court Justice Oliver Wendell Holmes wrote that “Men must turn square corners when they deal with the Government.” And in the following way that concept applies to the COR in managing an obligation.

Think of a square with the COR in the middle. The top horizontal line could represent the Contracting Officer, whom the COR assists in determining remedies and modifications or resolving disputes. The vertical line on the right could signify the Budget or Finance Office. The

bottom horizontal line could symbolize the Project Office or the end user. And, lastly, the vertical line on the left could be where the Contractor resides. It is a square representing the points of communications, points of coordination, and points of criticality for the COR.

The COR is in the middle trying to balance the priorities of each side of the square. And, in the topic of funds management, this balancing requires the COR to turn each corner to ascertain if and when the obligation will be used on a contract. The COR will need to contact the vendor to

ascertain if the final invoice has been submitted. In determining if future goods or deliverables will be ordered, the COR needs to contact the Project Office or end user. And pushing for the information will be the Finance or Budget Office (and the CFO). In funds management, the COR

needs to keep the Contracting Officer informed since the CO was issued a warrant covering the obligated amount and to de-obligate any funds from the contract will require the CO’s involvement. It is a square that needs to be kept in balance and the COR must square each corner for that balance to be maintained.

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