



Improving Resource Effectiveness

Budgetary Resource Risk Management

Unliquidated Obligations (ULOs) - Recovery and Prevention

September 2014

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Senior Manager in the Federal Advisory practice Deloitte & Touche LLP

- 13 years of experience specializing in the design and execution of data management and analysis techniques in support of system implementations, financial remediation procedures, risk identification, inventory valuations, and audit support services.
- Leads the planning and design of data analysis, data profiling, and statistical sampling and estimation techniques at Federal agencies.
- Holds a Bachelor of Science in Management Information Systems and Decision Sciences from Miami University; Certified Information Systems Auditor, Project Management Professional, and Certified Defense Financial Manager



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Senior Manager in the Federal Advisory practice Deloitte & Touche LLP

- Retired from the United States Coast Guard after 20 years and has extensive experience in appropriation level budget management, reimbursable funding, supplemental appropriation development/defense and financial audit remediation planning and execution as a Financial Officer.
- Served as Chief of the Coast Guard's Budget Execution Division, responsible for the execution of \$8B in appropriated and reimbursable funding. Also served as the Chief of the Coast Guard's Audit Remediation Division, leading more than 75 active duty, civilian, reserve and contractor staff to meet the Commandant's goal of being the first military service to receive an audit opinion on their financial statements
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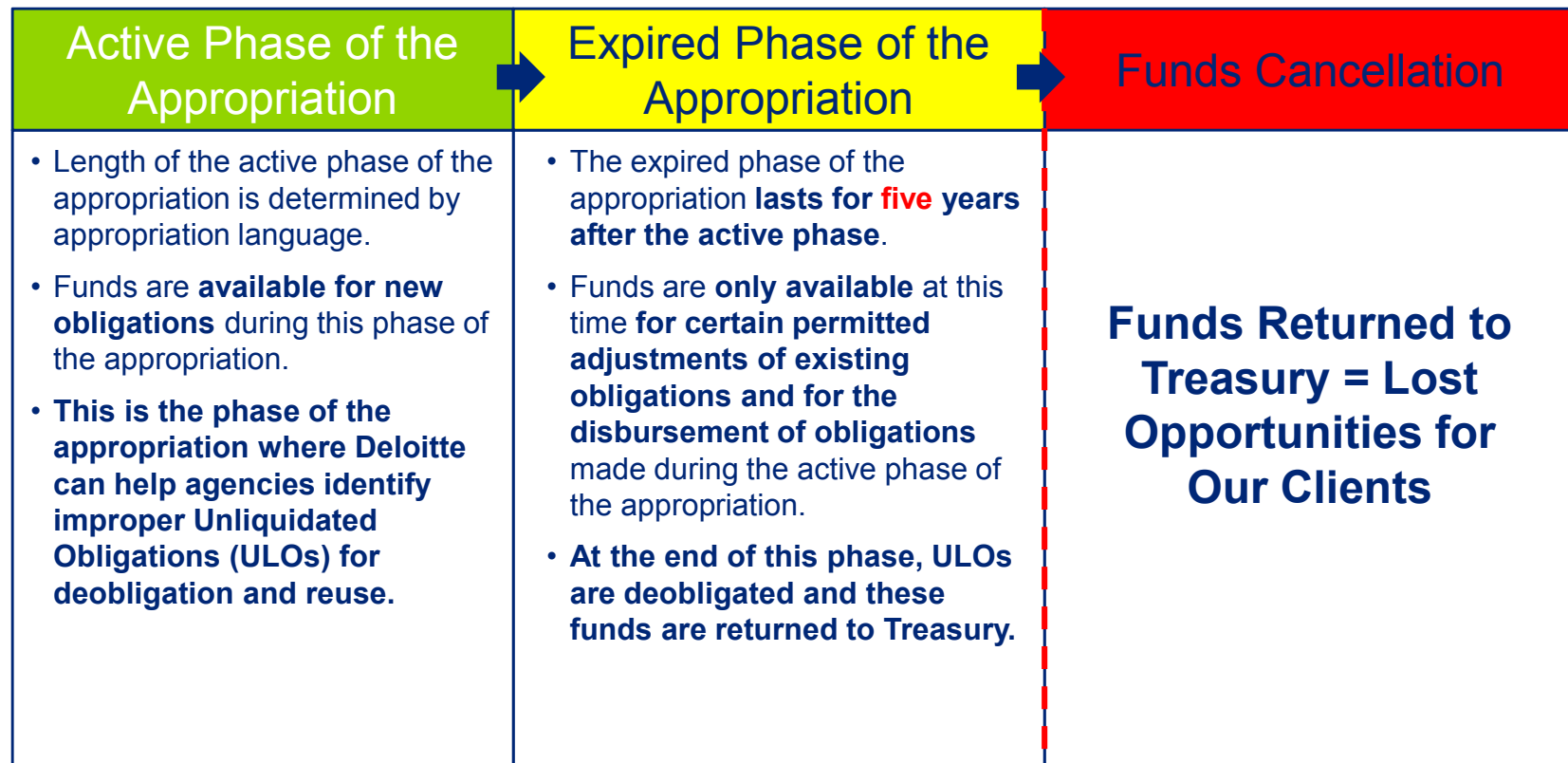
- ULO Tableau Visualization Tool

Budgetary Resource Risk Management

Budgetary Resource Risk Management

Obligation Life Cycle

Funds are provided to agencies via **Appropriation Legislation**. Appropriations provide **budget authority** which **allows organizations to enter into obligations** to purchase items such as goods or services (within the constraints of the appropriation language).



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Budgetary Resource Risk Management

Agency Pain Points

Many federal agencies are **experiencing significant stress and increased oversight** as a result of improper management of ULO balances. The **management of improper ULO balances and contracts have been a consistent topic** in IG reports, reports to Congress, GAO reports, and Management's Discussions in agency financial reports.

“the Department [DOC] needs stronger internal controls, policies, and procedures to ensure that bureau obligations are adequately monitored and deobligated when appropriate. Weaknesses include obligation balances that could not verify, accounting records not accurately reflecting Department obligations, bureaus unaware of the status of the obligation balances, and bureaus improperly liquidating contract obligations.”

– Dept. of Commerce (DoC), OIG Report No. OIG-13-026-A, June 2013

“DOT had potential misstatements in undelivered orders as of September 30, 2013 of approximately \$407 million and \$111 million for grant and non-grant related undelivered orders, respectively.”

–Dept. of Transportation (DoT), OIG Report No. QC-2014-015, December 2013

“Even the relatively small sample the audit reviewed had unliquidated balances totaling nearly \$4.5 million that needed to be deobligated”

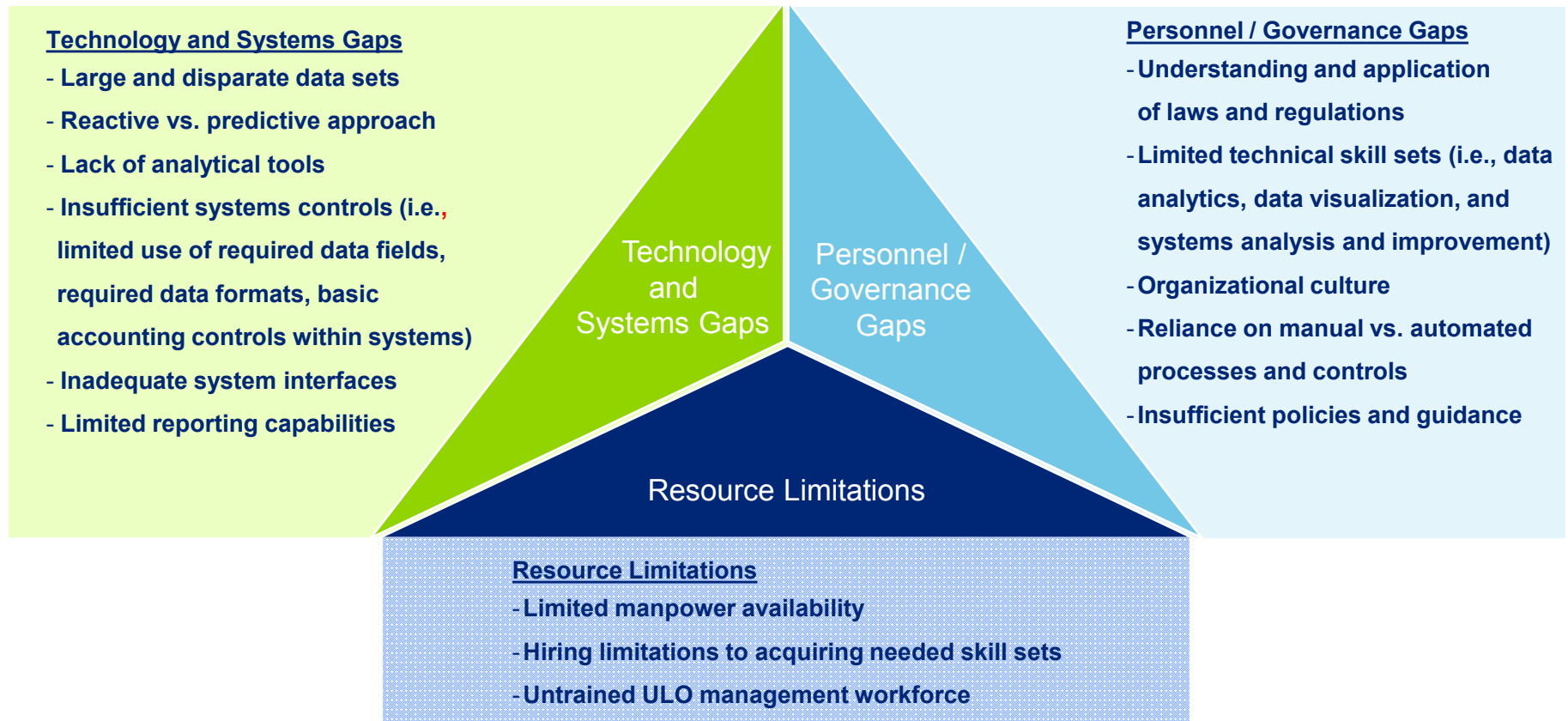
–OIG, U.S. Agency for International Development (USAID), Audit Report No. 9-000-12-001-P, January 2012



Budgetary Resource Risk Management

Challenges in Execution

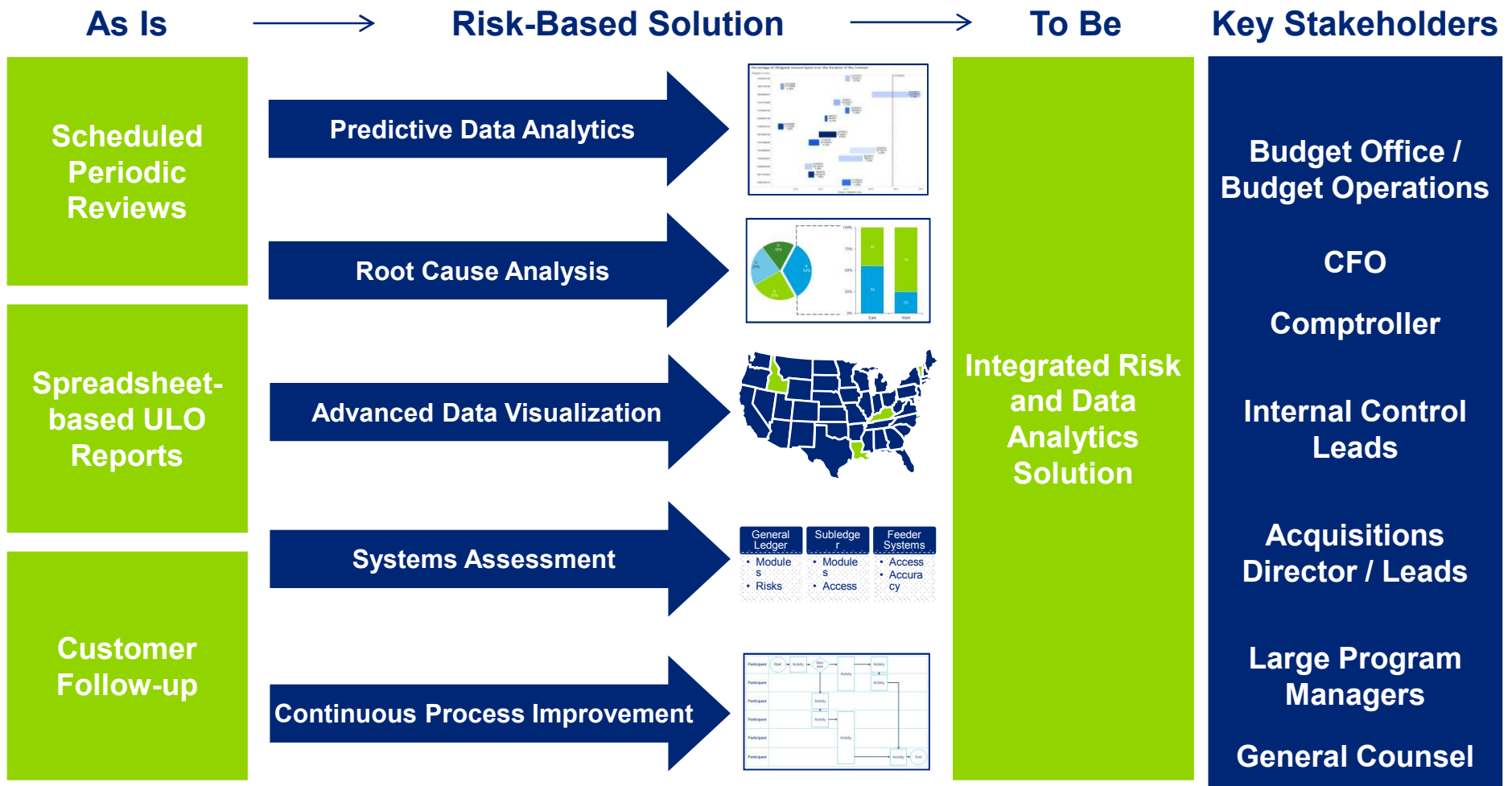
Federal agencies struggle with a number of factors that contribute to improper ULO balances. Most organizations have the capability to address some aspects of the management of improper ULOs, but require assistance to bridge remaining capability gaps.



Budgetary Resource Risk Management

Improving Management of ULOs

Currently, many federal agencies address **ULO**s by relying on **manual processes** that are **manpower intensive** and **reactive** in nature. As a result, these federal agencies returned almost **\$35B to Treasury** in FY13. Utilizing an **integrated risk and data analytics** solution, federal agencies can efficiently **target and de-obligate funds for re-use within the unexpired phase** of the appropriation.



Budgetary Resource Risk Management

Improving Management of ULOs

A **continuous**, four-step process will leverage **data analytics and visualization** techniques to **acutely identify ULO trends** for remediation and monitoring.



Budgetary Resource Risk Management

Potential Tools and Technology

Representative analytical tools are outlined below for ULO data analysis—deciding which tool is right for the situation is key. *Note: tools noted are illustrative and not inclusive of all available solutions*

Productivity / Database	Spread-sheets / Data-bases	SQL
Traditional Audit	ACL	IDEA
Statistical / Analytics	SAS	SPSS
Visualization / Self Organizing Maps	Tableau	Viscovery
Business Intelligence Platforms	Cognos	Hyperion

- Most agencies use a combination of traditional audit and statistical/analytics tools
- Visualization and other advanced tools are deployed in a targeted manner
- Many of these tools have desktop and server versions – fit and risk considerations need to be assessed
- Many of these tools may be available via existing Enterprise License Agreements (ELAs) with key vendors
- Engineer and deploy the necessary infrastructure and accelerators to focus on analytics vs. routine tasks
- Multiple ways to source the data – feeds, secure file transfer protocol (ftp), read only access to views, etc.
- Acknowledge gaps with data — but with some diligence it is possible to work through the data quality issues

Tools infrastructure that accelerates the use of analytics needs to be implemented across the agency

Analytics in Action: Case Study and Visualization

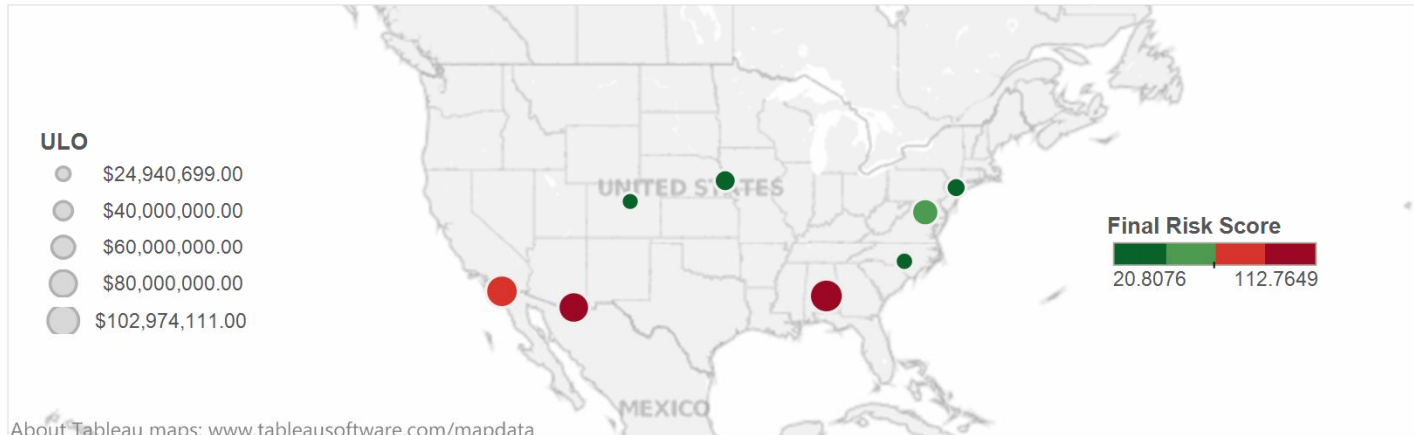
Analytics in Action

ULO Tableau Visualization Tool

Locations, Offices and Amounts are Examples Only

Unliquidated Obligations (ULO) Geographic Distribution

Hover over the desired contract office to obtain detailed information regarding their respective obligations



Current Obligation Amount
30,352,071 to 135,287,924

Expense Type
All

Activity Scoring
0.8

ULO
\$0.00 to \$102,974,111.00

Appropriation
All

Quality Weight
0.6

Disbursement Amount
0 to 33,311,125

Sta..	City	# of CLINs	Oblig. Amount	Disb. Amount	ULO
		208	\$135,287,924.00	\$32,313,813.00	\$102,974,111.00
		176	\$114,421,778.00	\$26,163,439.00	\$88,258,339.00
		166	\$128,116,408.00	\$33,311,125.00	\$94,805,283.00
		100	\$77,835,963.00	\$14,341,264.00	\$63,494,699.00
		85	\$44,465,533.00	\$12,675,395.00	\$31,790,138.00
		61	\$31,877,596.00	\$6,936,897.00	\$24,940,699.00
		53	\$40,524,299.00	\$9,316,973.00	\$31,207,326.00
		38	\$30,352,071.00	\$4,104,725.00	\$26,247,346.00
		62	\$52,750,955.00	\$13,810,508.00	\$38,940,447.00
Grand Total		949	\$655,632,527.00	\$152,974,139.00	\$502,658,388.00

Sort by
City/State

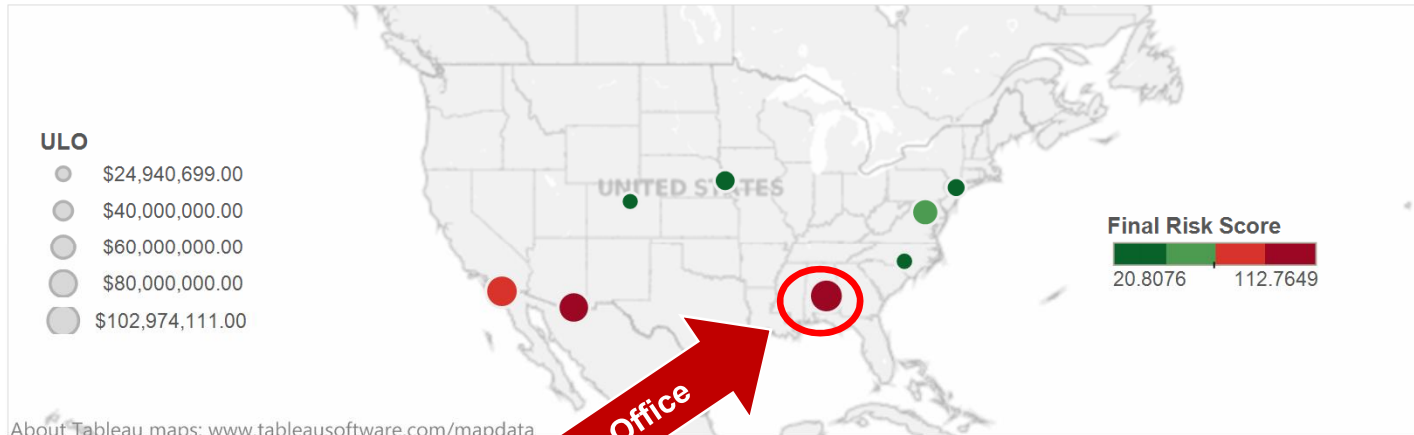
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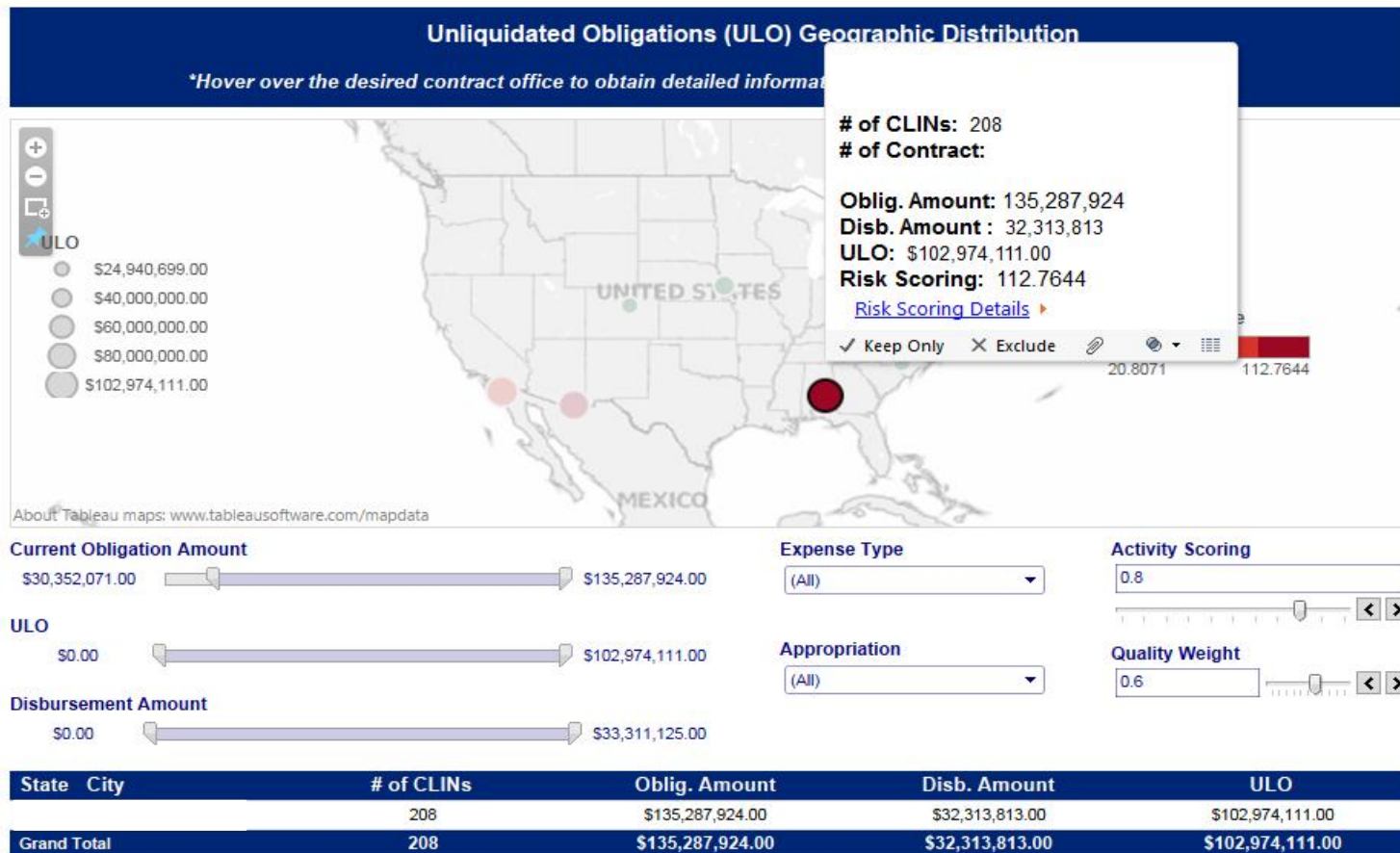
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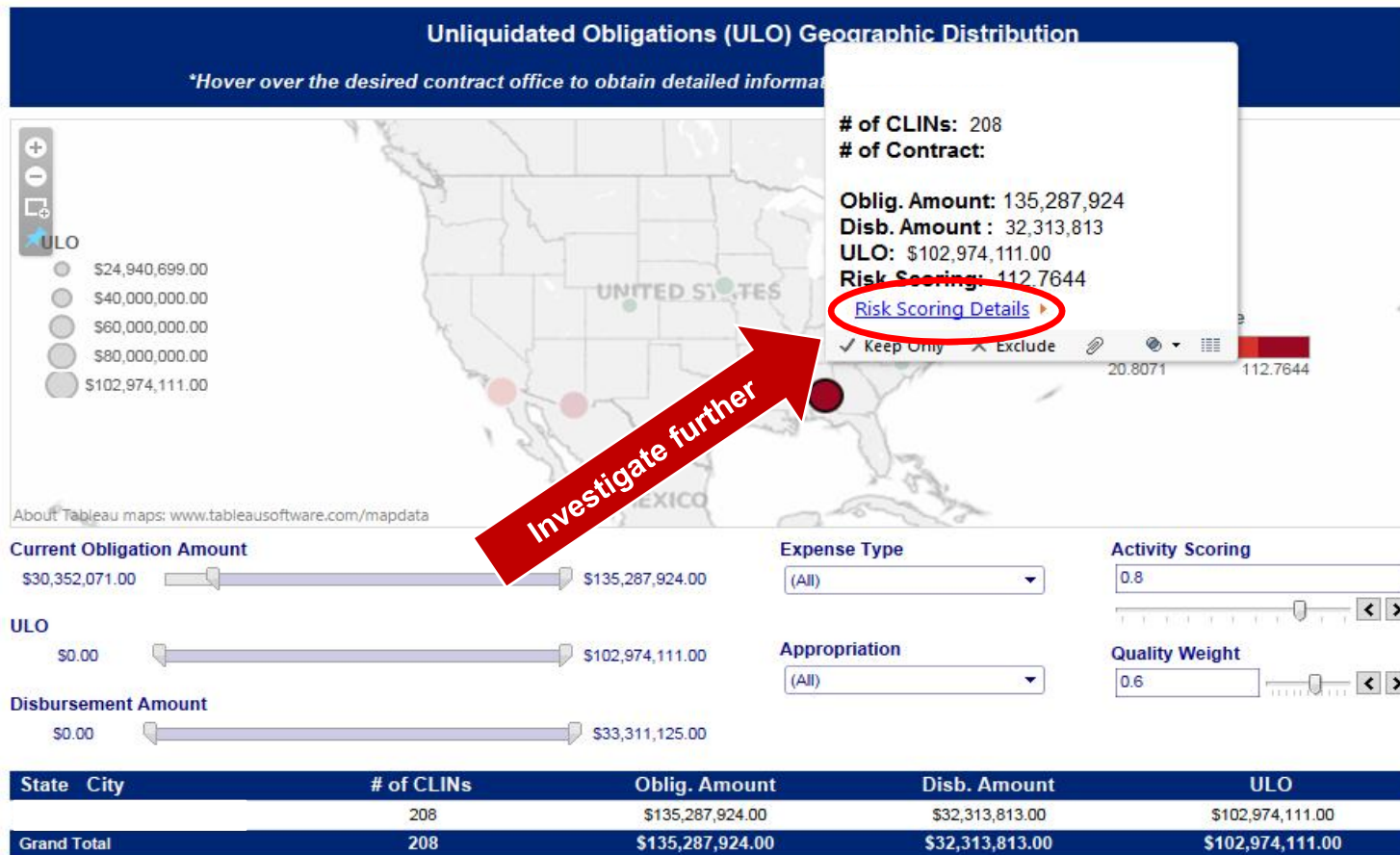
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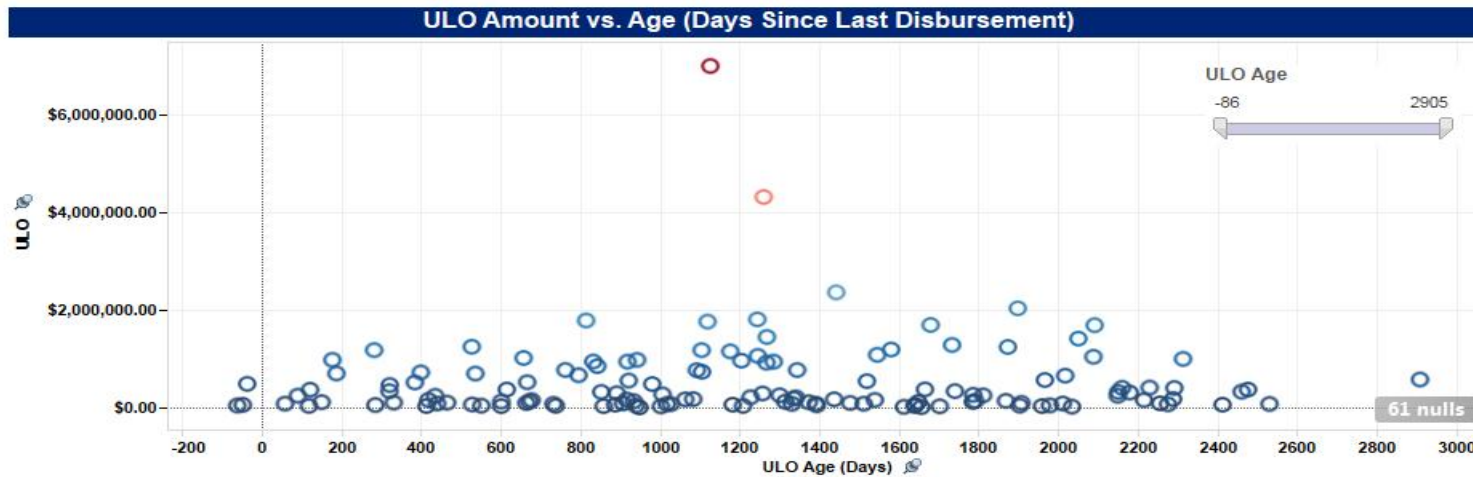
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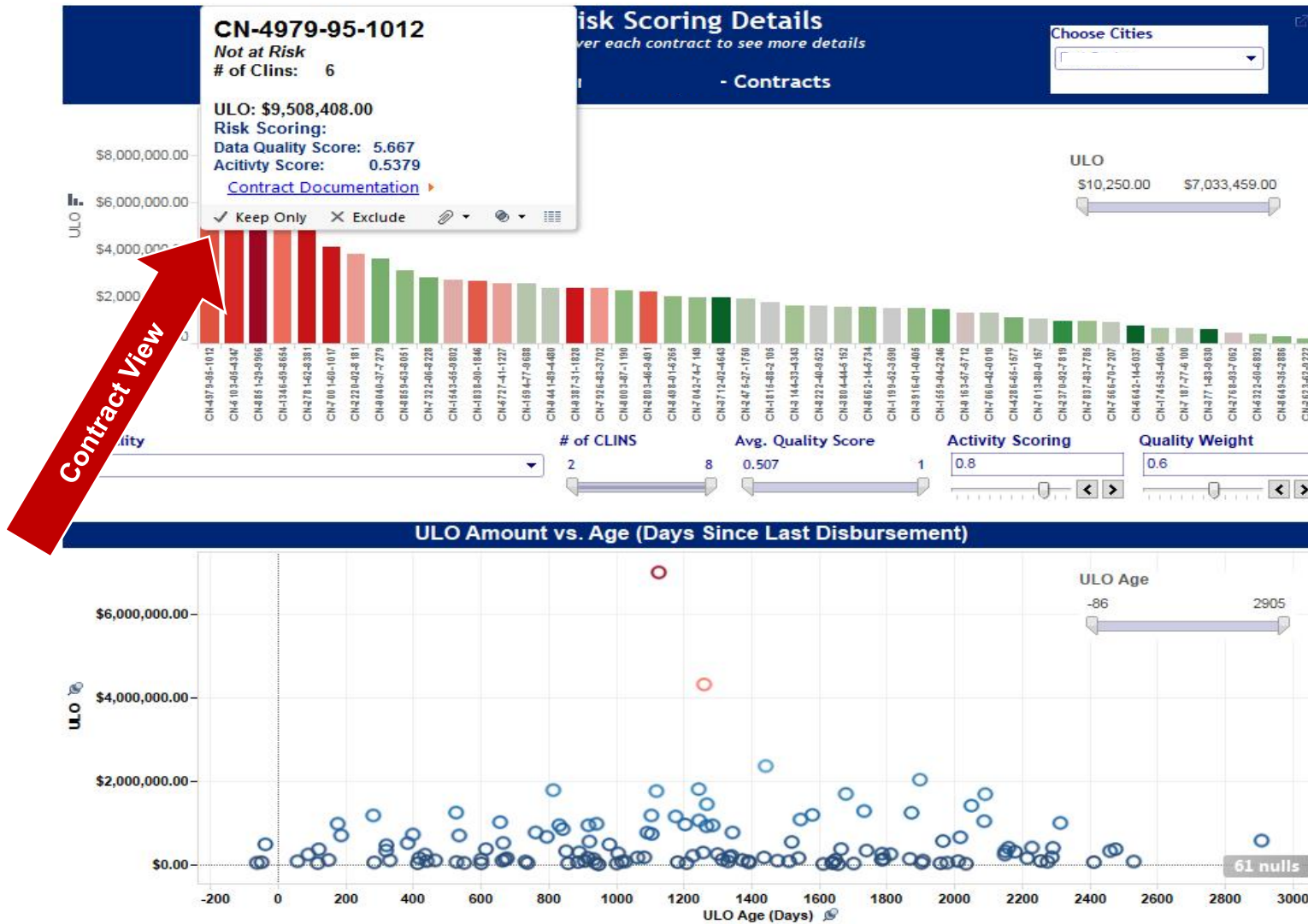
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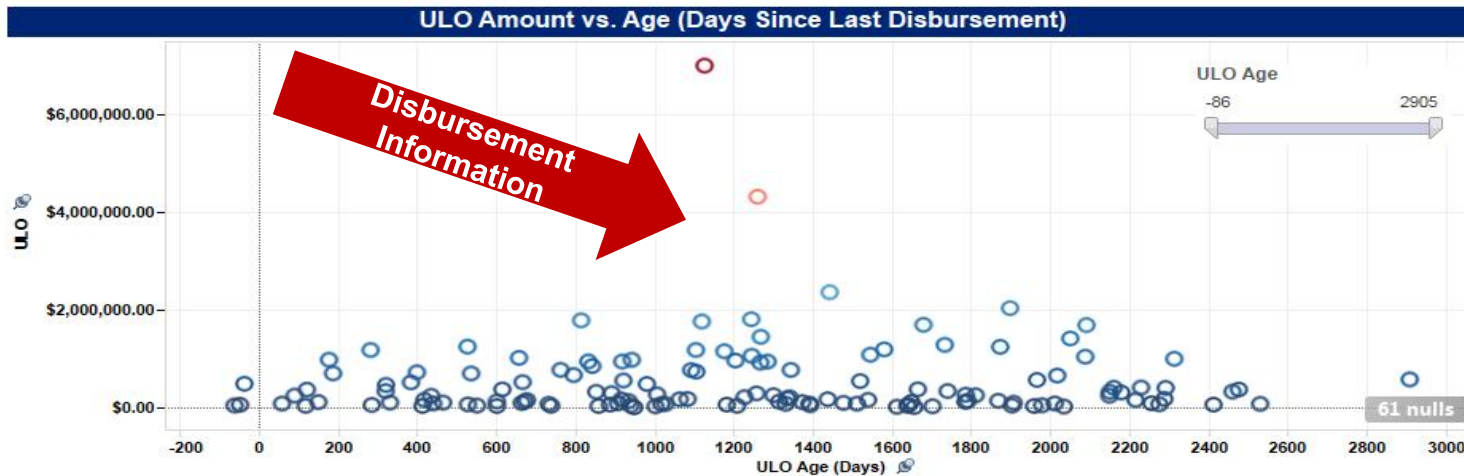
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Q & A session

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