



**SUBJECT: CLEARANCE AND RECORDATION OF OBLIGATIONS**

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**2-35-00 BACKGROUND AND PURPOSE**

The common link between a federal grant, contract or loan recipient, and the government's funding and payment office is a properly executed and recorded obligation document. It is mandatory that all obligations of federal funds be recorded by the awarding organization's servicing finance office on or before the government is obligated to pay for the future delivery of goods and/or services. Title X, Impoundment Control, of P.L. 93-344 makes it imperative that an obligation be recorded in the same period that the obligation is incurred. It is, therefore, of prime importance for each OPDIV/OS/Region finance office to maintain an obligation control point for assuring (1) the obligation documentation is complete; (2) the obligation is recorded in the OPDIV/OS/Region's accounting system in the same month the obligation is incurred; and (3) a timely release and distribution of obligation documents. This chapter sets the policy for the establishment of obligation control points and the procedures to be followed in recording and releasing all obligations for HHS grants, loans and significant contracts.

**2-35-10 POLICY**

Each OPDIV/OS/Region will establish and maintain Obligation Control Points (OCPs) for the purpose of clearing and assuring the prompt recording of obligations. Where data input functions are largely centralized in the finance office, there may be a single OCP; however, where obligation data are input to the accounting system via computer from decentralized offices the functions of the OCP, as described in this chapter, must be delegated to the applicable offices.

The OCP responsibilities for assuring the content and accuracy of critical data elements on the obligating documents will depend upon the degree of automation in each organization. Computer created documents can be designed to require the necessary data, and on-line

edits will assist in assuring the accuracy of the data prior to entry into the accounting system or the distribution of the document.

Likewise, in a decentralized and highly automated environment the finance office may permit the originating office to maintain the hard copy of obligating documents. All of these factors will be taken into consideration when implementing the procedures described in the following section of this chapter.

### **3-35-20      RESPONSIBILITIES OF THE OPDIV/OS/REGIONS**

A. It is the responsibility of each HHS officer having authority to obligate federal funds to properly execute and submit all obligation documents to their servicing finance office in a timely manner. Those obligations which are significant in nature and amount must be reviewed and cleared through the OCP before any segment or copy of the obligating document is distributed or released to a contractor or grantee. The specific types of obligations that must be processed and cleared through the OCP are:

- o All grants for Federal Domestic Assistance programs.
- o All loans for Federal Domestic Assistance programs.
- o All contracts of \$2500 and more.

Other obligations, including those listed below, are excluded from this OCP policy, but may be included by a specific OPDIV/OS Regions at their option:

- o Contracts in amounts less than \$2500.
- o Procurement from government agencies through cross-servicing agreements.
- o FEDSTRIP
- o Delivery orders under basic ordering agreements under \$2500.
- o Blanket purchase agreements.
- o Government personnel travel.
- o SSA's Benefits and Health Insurance Programs.

- B. In addition to clearance by the OCP, each OPDIV/Region must certify that funds are availability for the obligation. This certification of funds is not a requirement of this chapter but is a requirement of Chapter 2-30-20. The OCP functions and the certification of funds availability<sup>8</sup> are similar since each requires a specific type of examination and a recording of the obligation in accordance with 2-35-30B. If an OPDIV/OS/ Region desires, they may combine the two functions into a single operation. Regardless of this operational decision, the OCP function must be performed by each financial office, or the office delegated to perform this function.

**2-35-30 RESPONSIBILITIES OF THE OBLIGATION CONTROL POINT (OCP)**

- A. The OCP must ascertain that the obligation document is signed by an appropriate government official who has the delegation of authority to obligate federal funds as prescribed in the General Administration Manual, Chapter 8-100.
- B. The OCP has the responsibility of assuring that all obligations requiring OCP clearance are supported by proper documentation (grant award, contract, loan agreement and attachments thereto), which provide the following financial information to the recipient and the finance office:
- o Payment clause identifying the paying office, its address, and telephone number.
  - o Central Registry System/Entity Identification Number (CRS/EIN) identifying the recipient of the obligation.
  - o Document Number identifying the specific obligation document.
  - o Fiscal Year (FY) and Common Accounting Number (CAN) showing the source of funds.
  - o The amount being obligated.
  - o The amount of carryover funds.
  - o An indication if special expenditure reporting by FY and CAN is required. This applies only if the obligation is paid through the Payment Management System (PMS).

- C. The OCP must also assure that the financial office is provided the information required to record and pay the obligation. The following are elements required by the finance office:
- o Effective date of the obligation
  - o Obligation document reference code.
  - o CAN.
  - o Object class.
  - o Federal/non-federal code.
  - o CRS/EIN.
  - o Budget period dates (begin/end dates).
  - o Indication whether the obligation is an initial obligation or an adjustment to an existing obligation.
  - o Identification of the applicable commitment document when formal commitment accounting is employed.
- D. The OCP must also assure that the obligation documents contain any other information that management deems necessary, such as:
- o Project period dates
  - o Amount obligation amount under this document number.
  - o Catalog of Federal Domestic Assistance program identification.
  - o Funding appropriation.
- All of the above data elements are further defined in Exhibit 2-35-A.
- E. The OCP is responsible for clearing (or rejecting) the document and having the obligation recorded within 24 hours. Upon recordation in the accounting system, the finance office must quickly transmit obligation data to the PMS so that aware authority will be established in advance of the recipient's request for funds. It is also essential that the obligation be

recorded into the accounting system in the same month the obligation is dated or issued. If obligations are recorded in a later period the delay might be viewed as an agency deferral, when, in fact, no decision was made to withhold the obligation or expenditure of budget authority. When information is missing or incorrect, the obligation must not be cleared or recorded; the OCP must cite the deficiencies and return it to the originating office. In turn, the obligating office must correct the deficiencies and resubmit the obligation to the OCP for clearance.

- F. OCP clearance and recording procedures must be flexible at the end of a fiscal year. (or any other period after which fund availability lapses). Application of control procedures should not result in a lapse of needed funds. See also 2-30-30B of this manual.
- G. When obligations are made to recipients with multiple accounts, but a single point of contact, the OCP is responsible for insuring that a recipient's single point of contact receives a copy of the obligation document. (See the Grants Administration Manual or the PMS Users Guide for a listing of such recipients and the names and addresses of their single point of contact.)

**2-35-40      RESPONSIBILITIES OF THE DEPUTY ASSISTANT SECRETARY,  
FINANCE**

The Office of Financial Policy (OFP) which reports to the Deputy Assistant Secretary, Finance sets the policy for the establishment and implementation of the OCP. The OFP will provide assistance to a OPDIV/OS/Region in establishing, implementing the OCP activity, and reviewing its operation and effectiveness.

**FINANCIAL INFORMATION REQUIREMENTS**

All of the specific financial information requirements discussed below must be met by all HHS awards made under Federal Domestic Assistance programs and for all other awards paid through the Payment Management System (PMS).

1. Payment Clause

The payment clause in an award document must identify the HHS payment office giving its name, mailing address and telephone number. This is the office to which the recipient must turn for all payment activity.

- a. For awards paid through the PMS the following statement should be used:

"Payments under this award will be made available through the HHS Payment Management System (PMS). PMS is administered by the Division of Federal Assistance Financing, Office of the Deputy Assistant Secretary, finance which will forward instructions for obtaining payments. Inquiries regarding payments should be directed to:

Director, Division of Federal Assistance Financing  
Rockwell Building, 8<sup>th</sup> Floor  
P. O. Box 6021  
11400 Rockville Pike  
Rockville, MD 20852  
(301) 443-1660.

- b. For awards paid by the letter of credit system operated by OPDIV/OS finance offices, the following statement should be used:

"Payments under this award will be made available through a letter of credit administered \_\_\_\_\_  
\_\_\_\_\_. Inquiries regarding payments should be directed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_"

- c. For awards paid by Treasury check or wire transfer, or by OPDIV/OS/Region Third Party Draft, (but not through the PMS) the following statement should be used.

"Payments under this award will be made available by (list the method of payment) issued through the \_\_\_\_\_ finance office. Inquiries regarding payments should be directed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_ "

2. Central Registry System/Entity Identification Number (CRS/EIN)

The CRS/EIN is used to identify the recipient organization (i.e., the grantee). It also allows the recipient's business office to identify the specific performing component (grantee) to which the award was made. This is particularly important for those recipients for which multiple CRS/EINs are assigned to reflect branch campuses, separate divisions, etc. Chapter 10-51 of the Departmental Accounting Manual describes the CRS/EIN in detail and indicates how it is obtained, registered and used.

The CRS/EIN is a 12 character code and must be clearly identified and titled "CRS/EIN." It must reflect the CRS/EIN assigned to the performing component (i.e., the grantee) and not the CRS/EIN of the business office component (i.e., the payee) when the two are different. The CRS/EIN must be expressed as follows:

- o The first position identifies the recipient as an organization (code 1) or individual (code 2).
- o The second through tenth positions are the HHS recipients identification number (the Internal Revenue Service Income Tax Identification Number: the Employer's Identification Number (EIN) for organizations or the Social Security Number (SSN) for individuals).
- o The eleventh and twelfth positions are the HHS assigned CRS/EIN suffix for organizations to identify component organizations (blank for individuals).

A CRS/EIN should be expressed as 1-580719874-A5 using hyphens to offset the three segments of the CRS/EIN.

3. Document Number

The document number is a common denominator through which HHS and the recipient communicate for expenditure reporting. It is extremely important that this data item be prominently displayed. It should be highly visible and should be titled "Document Number."

Normally, the document number recorded in the OPDIV accounting system is the grant/contract number or a shortened version of that number. The HHS document number is composed of a 10 character "core", but may be expanded to 20 characters.

For grants paid through the PMS the document number is specifically structured as follows:

<u># of characters</u>	<u>Purposes</u>	<u>Requirement</u>
1	Prefix	Optional
10	Core Number	Required
4	Budget Period *	Optional
4	Suffix **	Optional
3		Blank

\* Creates a separate document record in PMS

\*\* Identifies amendments or modifications

4. Fiscal Year (FY) and Common Accounting Number (CAN)

All HHS awards provide obligational authority from appropriations through citation of a FY and CAN. The FY is expressed as a four character code to correlate with the FY (e.g. 1997). The CAN is a seven character code consisting of three segments:

- o OPDIV code 1 digit
- o Accounting Point code 2 digits
- o Program identification code 4 digits

The FY and CAN are the mechanism through which the automated accounting system relates awards to appropriations, allotments, allowances, federal domestic assistance catalog programs, the budget activity structure, etc.

The award document should reflect the FY and CAN through which the award action is funded. If more than one FY and CAN provides funding for the award action, each should be cited along with the amounts attributable to each year. The FY year and CAN should be titled "FY-CAN."

5. Amounts

a. Amount of this Award/Action

The award document package should clearly indicate the amount of federal obligation it represents. This will measure the amount of change if an obligation existed prior to this award. This is the amount which will be entered into the automated accounting systems as an obligation. This requirement is waived for NIH awards for which the indirect cost portion of the award is issued separately; these awards must show the amount of direct support obligated with a notation that indirect cost support will be provided on a summary HHS notice.

b. Carry-over Balance

On some project period awards funds obligated, but unexpended in one budget period, may be carried forward to the next budget period for expenditure. This amount is known as the carry-over balance or as the unobligated balance from prior budget periods. All awards which provide authority to the recipient to use this balance should clearly identify the amount. This amount is not obligated in the accounting system since it was previously obligated (in prior budget periods).

6. Special Expenditure Reporting Requirement

Some awards paid through the PMS are funded from different appropriations and by law or regulation require that recipient expenditures be separately reported. Such awards are referred to as multi-funded awards. When this occurs, the recipient must be notified of the requirement so that he/she can report expenditures by FY and CAN back to the PMS in lieu of a total only at the document number level (without regard to FY and CAN).

For all such multi-funded awards, data are input to the PMS with a special report indicator of "Y" to uniquely identify them. PMS staff uses this indicator to notify the recipient (on the PMS Report 272) of the requirement for expenditure reporting at the document, FY, CAN level on the multi-funded award (note, the normal expenditure reporting level is by document number only). As the recipient reports expenditures through PMS Report 272, he/she will specially identify the amounts expended on multi-funded awards by FY and CAN.

Whenever an award is determined to be multi-funded, as defined above, the award document package must so state and the amounts obligated by FY and CAN must be specifically identified.