

Management Assistance Report: The Broadcasting Board of Governors Did Not Fully Address Invalid Unliquidated Obligations Identified During the FY 2016 Financial Statements Audit (AUD-FM-IB-18-28, February 2018)

Summary of Review

An unliquidated obligation (ULO) represents the amount of goods or services ordered that have not been actually or constructively received or the amount of goods and services that have been received but for which payment has not yet been made. When ULO amounts are no longer needed because goods and services have been received and paid for, any remaining ULO amount should be reviewed for validity and may be deobligated¹ so that funding can be made available for other authorized purposes.

The Broadcasting Board of Governors (BBG) reported more than \$178 million in ULOs as of September 30, 2016. During the annual audit of BBG's financial statements, the independent auditor tested ULOs for validity by reviewing supporting documentation. On the basis of expired periods of performance, inactivity, lack of supporting documentation, or BBG's inability to support a bona fide need, the independent auditor in FY 2016 identified 27 invalid ULOs, totaling \$612,164.

The Office of Inspector General (OIG) conducted this audit to determine whether invalid ULOs identified during the audit of BBG's FY 2016 financial statements were properly addressed. OIG found that BBG did not fully do so. Specifically, OIG found that BBG reviewed and deobligated 24 of 27 ULOs (89 percent), totaling \$577,962. Of these 24 ULOs, BBG deobligated 14 (52 percent), totaling \$311,963, only after OIG began its audit, which was 10 months after the concerns were identified. BBG did not review and provide sufficient supporting documentation for the remaining three ULOs (11 percent), totaling \$34,202. BBG did not fully address the ULOs because some BBG personnel were not responsive to the Office of the Chief Financial Officer (OCFO) when it provided monthly reports to the allotment holders, requesting that they research and review the invalid ULOs and, if appropriate, deobligate them. In addition, although BBG has drafted standard operating procedures for monitoring ULOs, the procedures have not been approved and issued by BBG management.

OIG determined that approximately \$566,973 worth of ULOs that BBG deobligated were in expired appropriation accounts, meaning the funds could only be used for adjustments to existing obligations, and approximately \$10,989 were in closed appropriation accounts, meaning the funds were returned to the general fund of the Department of the Treasury. As a result of deobligating the invalid ULOs, OIG observed improvements in the accuracy of BBG's reporting of budgetary resources in its FY 2017 financial statements.

¹ According to the Government Accountability Office's "Principles of Federal Appropriations Law," Vol. II, Chapter 7, Section E (GAO-06-382SP), a deobligation is an agency's cancellation or downward adjustment of previously incurred obligations.

OIG made three recommendations to BBG to improve its ULO deobligation process and to make invalid ULOs available for other authorized purposes to the benefit of U.S taxpayers. In response to a draft of this report, BBG concurred with the three recommendations and stated that it has taken action to implement each recommendation. On the basis of BBG's actions taken and planned, OIG considers each recommendation resolved pending further action. A synopsis of BBG's response to the recommendations offered and OIG's reply follow each recommendation in the Results section of this report. BBG's response to a draft of this report is reprinted in its entirety in Appendix B.