



FY 2021 YEAR-END MEMO

DATE: September 1, 2021
TO: DO, DAs & DMs
FROM: Karen McLaine
SUBJECT: **Managing Two-year Federal S&E and One-year Trust Overhead PO Balances**

SI and SAO are concerned about the Federal S&E funds that are returned to the Treasury as a result of commitments not being fulfilled and funds being de-obligated after the funding period has lapsed. As part of the year-end closing process, we have compiled lists of **unliquidated Purchase Orders and Requisitions for funds that are subject to expiration/cancellation as of September 30, 2021**. FM will be sending your department-specific list for review.

A. Funds subject to expiration (including Travel):

- **FY 2020 – Funds 000 and 120** two-year Federal S&E appropriation
 - **FY 2021 – Funds 401 and 411** one-year Central Trust allocation
- Please ensure that the encumbrances (or obligations) are still required and will definitely be vouchered.
- If you identify goods or services that are no longer required, please submit a liquidation form as early as possible (see page 2 for links to the forms)

B. Funds subject to cancellation:

- **FY 2015 – Funds 000 and 120** two-year Federal S&E appropriation
 - **FY 2018 – Funds 401 and 411** one-year Central Trust allocation
- Please liquidate any open orders by paying vendor invoices or cancelling the orders (submit liquidation forms) to de-obligate the funds by Monday, Sep 13th, 2021.
- **Invoices to be paid in FY 2021 using FY 2015 funds, must be submitted to the FMD by Sep 13th** to ensure payments are made before the FY 2015 unspent funds cancel at midnight on Sep 30th. The last Treasury pay cycle for FY 2021 will be processed on Sep 27th.

C. Remaining balance on past year expired funds (clean-up required):

- **FY 2019 & 2020 – Funds 401 and 411** one-year Central Trust allocation
- Please liquidate any open orders by paying vendor invoices or canceling the orders (submit liquidation forms) to de-obligate the funds by Monday, Sep 13th, 2021.
- **Invoices must be submitted to the FM by Sep 13th** to ensure payments are made by the FY 2021 last Treasury pay cycle on Sep 27th.



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NOTES

- The lists of unliquidated Purchase Orders and Requisitions are generated from these PeopleSoft ERP queries: **SAO_PO_UNLIQ** and **SAO_REQ_UNLIQ**.
 - Back in April, FM has distributed the list of unliquidated Federal FY20 POs for preliminary review. *Thank you for responding promptly.*
 - On Sep 1st, FM will run the queries and distribute the lists for a second review.
 - On Sep 13th, FM will run the queries and distribute the lists for a final review.

- Link to Liquidation forms
 - **Request to Decrease PO via Change Order:**
https://lweb.cfa.harvard.edu/ais/erphelp/PO_decrease_form_102220.pdf
 - **Request to Liquidate (Finalize) PO Encumbrance:**
https://lweb.cfa.harvard.edu/fm/forms/po_liquidate_fm-form.pdf

Important Reminder:

FM & SPP will process change order well into September. If by chance in September you encounter any Federal FY 2020 POs that need to be liquidated - please immediately forward the *Request to Decrease PO via Change Order* to SPP and cc. FM. We will liquidate and re-distribute the funds to ensure all SAO FY 2020 Federal funds are fully obligated prior to COB Thursday, September 30, 2021.

- **Federal S&E appropriations (funds 000 and 120)** are considered two-year funds. The funds that are de-obligated in the second year of the funding period are re-directed to the Director's Office and re-allocated based on funding needs.

- **Central Trust allocations (funds 401 and 411)** are provided for one year and are available for obligation only during the fiscal year in which they were allocated. Goods and services paid with Trust Overhead funds (including IRD and B&P) **must be received by September 30th** of the current year (deadline for FY 2021 is Thursday, September 30th).

The annual cancellation and return of Federal funds to the U.S. Treasury is a topic of critical importance to the Institution and one that needs your attention. Five years after authority to obligate Federal S&E funds expires, all remaining unspent funds must be returned to the U.S. Treasury (please see attached memo from SI concerning this matter).



Secretary for Administration
Office of Planning, Management and Budget

Date May 11, 2021

To CFO Contacts and SI Administrative Officers

cc CFO Leadership and SI Directors

From Ken Johnson, Director of Federal Resources

Subject Managing Federal Salaries & Expenses and Central Trust Funds that are Subject to Cancellation on September 30, 2021

The reconciliation and closing out of open obligations for prior fiscal years is part of the year-end closing process. This memo addresses the following:

- FY 2015 two-year Federal S&E appropriation (funds 000 and 120); and
- FY 2018 one-year Central Trust allocation (funds 401 and 411).

Federal Salaries and Expenses (S&E)

The annual cancellation and return of Federal funds to the U.S. Treasury is a topic of critical importance to the Institution and one that needs your attention.

Five years after the authority to obligate Federal S&E funds expires, all remaining unspent funds must be returned to the U.S. Treasury. While every well-run Federal agency has some funds that properly revert to the Treasury when they cancel, and the Smithsonian canceled amounts are historically in line with government-wide experience, the Smithsonian can and should do better.

The table below provides the five-year history of funds returned to Treasury. At the end of FY 2020, the Institution returned \$768,326 of FY 2014 two-year S&E appropriation (funds 000 & 120). Note: Effective FY 2010, the S&E appropriation changed from a one-year appropriation to a two-year appropriation.

FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
\$1,086K	\$1,150K	\$814K	\$858K	\$768K

The FY 2015 two-year S&E appropriation (funds 000 and 120) will cancel on September 30, 2021 and unspent funds will be returned to the U.S. Treasury. Note: No-year Federal funds are not subject to cancellation. The table on the next page identifies unobligated FY 2015 unit balances in excess of \$10,000 and all other (combined) unit balances that will be cancelled at the end of this fiscal year.

Current Balances that will Return to Treasury this Year-End

Units	Amount
National Zoological Park	\$14,317
Office of the Chief Information Officer	\$83,201
All other units	\$14,906
Total	\$112,424

In addition, there are \$300,108 of open obligations against the FY 2015 two-year S&E appropriation. **Units should liquidate these open orders by paying vendor invoices or canceling open orders to de-obligate funds by September 30, 2021. Invoices to be paid in FY 2021 using FY 2015 S&E funds must be submitted to the Office of Finance & Accounting ([Finance home page - Finance Portal \(servicenowservices.com\)](http://servicenowservices.com)) no later than September 16th to ensure payments are made before the FY 2015 unspent funds cancel at midnight on September 30th. The last Treasury pay cycle for FY 2021 will be processed on September 27th at 10 a.m.**

Additionally, units should carefully evaluate current and future obligations to ensure the cost truly reflects the best estimates of the work that will be performed. **In particular, units should examine FY 2020 obligations to free up Federal funds for other purposes before the authority to obligate them expires on September 30, 2021.**

Central Trust Fund Allocations

Fund 401 and 411 trust allocations are provided for one year and are available for obligation only during the fiscal year in which they were allocated. Obligations remain on the books as open orders until they are liquidated (paid) unless action is taken by the Unit or OCon&PPM to cancel or close out the order. The value of all open orders against Fund 401 and 411 represents a liability against the current year Central Trust Fund.

The Institution closes out all open orders three years after the funds expire. **In late July, the OCon&PPM will begin checking for unliquidated purchase orders to ensure that the Units have completed closing out Fund 401 and 411 open orders citing budget reference 2018. It is the Unit's responsibility to close these orders; however, if they are not subsequently closed, OCon&PPM will work with the units to ensure no obligation balances will remain in Funds 401 and 411 with budget reference 2018 at the end of the fiscal year on 9/30/2021.** For open contracts that need to be closed, please work directly with your OCon liaison as only OCon&PPM is authorized to close contracts.

To assist your staff with the process of evaluating and preparing to close out the FY 2018 Fund 401 and 411 open orders, OPMB has prepared Attachment 1: "Guide for Closing Fund 401 and 411 Open Orders." If you have any questions, please contact your OPMB Analyst for budgetary questions, the OCIO Help Desk for help in closing purchase orders, or your OCon&PPM liaison for assistance in closing contracts.

GUIDE FOR CLOSING FUND 401 and 411 OPEN ORDERS

Conduct a thorough review of each order to determine its actual status.

- Confirm that all goods and services have been received, especially for the aging Fund 401 and 411 line items that will be closed out by the end of FY 2021.
- Confirm that the vendor has submitted all final invoices and that all final payments have been made, especially for the Fund 401 and 411 line items that will be closed by the end of FY 2021. For orders with multiple chartfields, identify other lines that can be closed in addition to the Fund 401 and 411 lines that will be automatically closed.
- Validate the status of each open order with the vendor(s).

In addition to reviewing the open orders, you should take the following additional actions as soon as possible:

- Submit all invoices for payment in FY 2021 to the Office of Finance and Accounting ([Finance home page - Finance Portal \(servicenowservices.com\)](#)) by COB on September 16th.
- Close out all open orders for which *all line items* included on the order have been fully received, invoiced and paid as follows:
 - For purchase orders, Unit procurement delegates should take appropriate action to close out orders in the ERP; and
 - For contracts, Unit procurement delegates should work with OCon&PPM to close out contracts.

In instances where a Fund 401 or 411 line item will be closed before all work, invoicing or payment will be completed, you will need to:

- Replace 2018 funds that will be canceled with other available funds by modifying the purchase order and/or contract in FY 2021 to add new chartfield(s).

If you do not intend to replace funding on an order that is still active, and the closing out of the Fund 401 and 411 line will result in a permanent decrease on the order, the modification will require bilateral agreement (the contractor must sign a formal modification).

To conduct further research, please use the following ERP reports and/or queries:

- Query: ERP_PO_UNLIQ
- Reports (accessible from the ERP Purchasing Module):
 - SIPO003R (PO Lines by PO ID Report); and
 - SIPO007R (PO Distribution Lines Report).