

2012 Explanatory Notes

Departmental Management

Office of the Chief Financial Officer

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DEPARTMENTAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Purpose Statement

The Secretary established the Office of the Chief Financial Officer (OCFO) in 1995 under authority provided in Reorganization Plan Number 2 of 1953 (7 U. S. C. 2201) to comply with the CFO Act of 1990. The OCFO focuses on the Department's financial and performance management activities to improve program delivery and assure maximum contribution to the Secretary's Strategic Goals.

OCFO operations are led by the Chief Financial Officer (CFO), who is assisted by the Deputy CFO, two Associate CFOs for: Financial Systems and Financial Operations, and the Director, National Finance Center (NFC). OCFO is responsible for:

- Financial system management policy and the provision of timely, accurate, and reliable information from financial systems;
- Development of financial statements, cost accounting policy, and financial management budgets;
- Policy guidance and oversight of the Department's internal controls and management accountability programs and reporting to ensure adequate controls over Department assets;
- Oversight of the Departmental Working Capital Fund (WCF);
- Coordinating strategic planning and performance reporting for the Department; and
- Providing policy guidance and oversight of the travel system, grants management, cash and credit management operations, and other financial management functions.

NFC employs 1,115 staff in the operation and support of centralized, automated, and integrated payroll, personnel, administrative payments, and central accounting systems which serves more than 40 Federal Departments, independent agencies, and congressional entities, including USDA. Operations at NFC are financed entirely by fee-for-service contracts with customers through the USDA WCF. No direct appropriated funding for NFC is reflected in the OCFO operating budget.

The OCFO headquarters is located in Washington, D.C. As of September 30, 2010, there were 1,207 full-time permanent employees funded by appropriated, reimbursed, and Working Capital Funds.

Office of Inspector General Reports:

11401-32-FM 9/16/10 Fiscal Year 2010 National Finance Center Procedures on Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report and submitted to the Office of Personnel Management

11401-33-FM 09/24/10 Statement of Auditing Standards No. 70 Report on National Finance Center General Controls – Fiscal Year 2010

50703-1-DA 6/23/10 American Recovery and Reinvestment Act of 2009 –Review of the Effectiveness of Department/Agenda Data Quality Review Processes

50703-2-DA 6/25/10 American Recovery and Reinvestment Act of 2009 –Review of the Effectiveness of Department/Agenda Data Quality Review Processes

50401-70-FM 11/15/10 Fiscal Year 2010 USDA Consolidated Financial Statements

50601-14-At 08/16/10 Effectiveness and Enforcement of Suspension and Debarment Regulations in the U.S. Department of Agriculture

11601-01-HQ 6/29/10 Congressional Inquiry Concerning Implementation and Operation of GovTrip at USDA

Audits in Progress:

50024-2-FM EO 13520 Reducing Improper Payments – Calendar Year 2010 Assessment of Accountable Officer's Report – Discussion draft issued on 11/16/10.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Available Funds and Staff Years
2010 Actual and Estimated 2011 and 2012

Item	2010 Actual		2011 Estimated		2012 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses.....	\$6,461,823	33	\$6,566,000	36	\$6,566,000	36
Lapsing Balances.....	104,177	--	--	--	--	--
Total, Salaries and Expenses...	6,566,000	33	6,566,000	36	6,566,000	36
Obligations Under Other USDA Appropriations: Management, Oversight, and Administrative Services (provided to WCF Activities).....	3,255,294	11	3,297,613	10	3,340,482	10
Total, Appropriation.....	9,821,294	44	9,863,613	46	9,906,482	46
Working Capital Fund: <u>a/</u>						
National Finance Center.....	62,785,133	325	68,999,000	370	65,845,000	370
Controller Operations.....	33,487,680	241	35,000,000	288	35,250,000	288
Corporate Systems.....	69,287,788	81	66,667,000	92	63,498,000	92
Financial Services.....	3,052,624	5	2,943,000	13	2,943,000	13
Purchase of Equipment.....	28,983,398	--	15,585,440	--	19,000,000	--
Purchase Card Rebate	9,049,776	--	6,948,000	--	--	--
Un-obligated Bal Exp.....	--	--	10,426,000	--	--	--
NFC (Non-USDA).....	101,156,008	513	105,451,000	573	106,407,000	573
Total, WCF.....	307,802,407	1,151	312,019,440	1,336	292,943,000	1,336
Total, Office of the Chief Financial Officer.....	317,623,701	1,195	321,883,053	1,382	302,849,482	1,382

a/ This section only includes WCF activities managed by OCFO. Please refer to the WCF Explanatory Notes for more details about the WCF.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Permanent Positions by Grade and Staff Year Summary
 2010 Actual and Estimated 2011 and 2012 a/

Grade	<u>2010</u>	<u>2011</u>	<u>2012</u>
	Washington, DC	Washington, DC	Washington, DC
SES.....	1	2	2
GS-15.....	8	8	8
GS-14.....	12	12	12
GS-13.....	19	19	20
GS-12.....	4	5	4
GS-11.....	2	2	2
GS-9.....	3	2	2
GS-8.....	2	1	2
GS-7.....	2	2	1
GS-4.....	1	1	1
GS-3.....	1	1	1
Total, Permanent Positions.....	55	55	55
Unfilled Positions end-of-year.....	-11	-9	-9
Total, Permanent Full-Time Employment, end-of-year.....	44	46	46
Staff Year Estimate.....	44	46	46

a/ Positions shown are appropriated and reimbursed only. For WCF financed positions, refer to the WCF Explanatory Notes.

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Appropriation Language

For necessary expenses of the Office of the Chief Financial Officer, \$6,566,000; Provided, That no funds made available by this appropriation may be obligated for FAIR Act or Circular A-76 activities until the Secretary has submitted to the Committees on Appropriations of both Houses of Congress and the Committee on Oversight and Government Reform of the House of Representatives a report on the Department's contracting out policies, including agency budgets for contracting out.

Lead-off Tabular Statement

Annualized Continuing Resolution, 2011	\$6,566,000
Budget Estimate, 2012	<u>6,566,000</u>
Change in Appropriation	<u>0</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2011 <u>Estimated</u>	<u>Program Change</u>	2012 <u>Estimated</u>
Office of the Chief Financial Officer.....	\$6,566,000	0	\$6,566,000

PROJECT STATEMENT
(On basis of appropriation)

	2010 Actual		2011 Estimated		Increase or Decrease	2012 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Office of the Chief Financial Officer.....	\$6,461,823	33	\$6,566,000	36	0	\$6,566,000	36
Unobligated Balance.....	104,177	--	--	--	--	--	--
Total Appropriation..	<u>6,566,000</u>	<u>33</u>	<u>6,566,000</u>	<u>36</u>	<u>0</u>	<u>6,566,000</u>	<u>36</u>

DEPARTMENTAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Geographic Breakdown of Obligations and Staff Years
2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia....	\$6,461,823	33	\$6,566,000	36	\$6,566,000	36
Unobligated Balance....	104,177	--	--	--	--	--
Total, Available or Estimate.....	6,566,000	33	6,566,000	36	6,566,000	36

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Classification by Objects
2010 Actual and Estimated 2011 and 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Personnel Compensation:			
Washington, D.C.....	\$3,470,048	\$3,759,000	\$3,805,000
11 Total personnel compensation.....	3,470,048	3,759,000	3,805,000
12 Personnel benefits.....	889,548	971,000	985,000
Total personnel compensation & benefits.....	4,359,596	4,730,000	4,790,000
Other Objects:			
21 Travel.....	39,282	50,000	50,000
22 Transportation of things.....	1,279	1,000	1,000
23.3 Communications, utilities, and misc. charges.....	99,689	100,000	100,000
24 Printing and reproduction.....	78,706	65,000	65,000
25.2 Other services.....	1,773,336	1,497,000	1,437,000
25.3 Purchase of goods and services from Government Accounts.....	32,141	32,000	32,000
25.7 Operation and maintenance of equipment.	5,036	5,000	5,000
26 Supplies and materials.....	62,347	75,000	75,000
31 Equipment.....	10,411	11,000	11,000
43 Interest and Dividends.....	--	--	--
Total other objects.....	2,102,227	1,836,000	1,776,000
Total direct obligations.....	6,461,823	6,566,000	6,566,000
Position Data:			
Average Salary, EX/ES positions.....	\$179,700	\$167,500	\$167,500
Average Salary, GS positions.....	\$109,678	\$102,266	\$103,580
Average Grade, GS positions.....	13.7	13.5	13.6

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER
STATUS OF PROGRAM

Current Activities:

The Office of the Chief Financial Officer (OCFO) has Department-wide leadership responsibility for financial operations, activities, systems, and personnel. The Chief Financial Officer (CFO) is the USDA's chief financial management policy officer and is the chief financial management advisor to the Secretary and the mission area heads. In addition to responsibilities in financial policy and operations, the OCFO is responsible for the administration of the Working Capital Fund (WCF). The CFO is the Departmental official charged with the responsibility for the financial health of the WCF, and a staff is attached to the Office of the CFO to ensure effective day-to-day financial management. Also, OCFO directly manages four of the WCF-funded activities: the National Finance Center (NFC), Controller Operations, Corporate Financial Management Systems, and Internal Control Division.

Specific areas being addressed include:

Departmental Financial Statements. For the fiscal year (FY) 2010, USDA received an unqualified opinion on its annual financial statements.

While USDA made improvements in its financial management systems and internal controls in recent years, there is still room for improvement. USDA plans to sustain its unqualified opinion on its 2011 financial statements and to make additional improvements including:

- Reducing the number and severity of material weaknesses and significant deficiencies;
- Reviewing, researching, and timely implementing action to correct abnormal balances; and
- Reducing inactive unliquidated obligations.

Financial Systems. USDA has two financial systems in critical need of replacement, the Core Financial Management System and the Farm Service Agency's (FSA) Program Delivery System. The OCFO is executing its responsibility for financial and mixed systems and is leading and coordinating the effort to replace these systems and to modernize business practices.

USDA's legacy core accounting system, the Foundation Financial Information System, is no longer being supported by the vendor. OCFO has begun the transition of core financial operations to the new Financial Management Modernization Initiative (FMMI) system. In fiscal year 2011, Rural Development, Risk Management Agency, Food and Nutrition Service, Farm Service Agency, Agricultural Marketing Service, Animal and Plant Health Inspection Service, and Grain Inspection, Packers and Stockyards Administration will be transitioned over to FMMI. This will account for over half the USDA agencies into FMMI.

The FSA Program Delivery System is starting to show advanced signs of failure. The Department has formed a Committee comprised of the CFO, Chief Information Officer (CIO), Under Secretary of Farm and Foreign Agricultural Services, and the Administrator of FSA, to oversee the project. Reporting to this Committee is the Design and Implementation Team made up of two Associate CFOs, two Associate CIOs, the FSA CIO, FSA CFO, and FSA Program Manager. OCFO is working with consultants and groups in the Department on currently available solutions. USDA has expanded the license for SAP ERP 2005 to provide a platform for solution development, and is in the process of selecting a software integrator.

Audit Follow-up. As required by the Inspector General Act Amendments of 1988, the OCFO: (1) codifies into regulations and interprets revisions to the Office of Management and Budget (OMB) Circular A-50, *Audit Follow-up*; and (2) researches and analyzes audits, making determinations on final actions, monitoring management's actions on audits, tracking individual audit recommendations, and reporting results annually to the Congress. The

OCFO also provides policy guidance and assistance to agencies on technical matters related to audits. Specific efforts are focused on:

- Increasing management's awareness of open audit issues that are not completed in a timely manner;
- Increasing the rate of resolving audits which are categorized as behind schedule and without final action one year or more past management decision date;
- Working with USDA agencies' management and the Office of Inspector General (OIG) to ensure that management actions in response to audits are appropriate and achievable, will correct the identified deficiencies, are cost effective, and provide an action plan with milestones for completion;
- Providing useful and timely information on the status of audits to management and the Congress for decision-making and resource allocation purposes;
- Reviewing, analyzing, and reporting quarterly on progress in achieving corrective actions for audits one year or more past management decision but without final action; and
- Reviewing status of audits without management decision at USDA agencies, if needed.

Management Accountability and Control and Compliance with Laws and Regulations. The OCFO is responsible for management accountability and control under the CFO Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Federal Financial Management Improvement Act (FFMIA). OCFO establishes policy and guidance to ensure that USDA agencies comply with the requirements of FMFIA and FFMIA, and reports on material weaknesses, financial system non-conformances in the Performance and Accountability Report to the Congress and the President.

Additionally, the Internal Control Division oversees the annual assessment of internal control over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control, Appendix A - Internal Control Over Financial Reporting*. The OCFO continues to work with component agencies to establish an ongoing process for the annual assessment in order to improve financial reporting and to sustain compliance with the law and guidance. Current efforts include:

- Continuing the Department-wide Assessment Implementation Team to conduct the assessment of internal control over financial reporting;
- Establishing a risk-based approach to conducting the assessment internal controls over financial reporting;
- Providing a recommendation to the Secretary of Agriculture on the type of assurance to be provided regarding the effectiveness of USDA's internal control over financial reporting as of June 30th each year and for the FMFIA Annual Assurance Statement to OMB and Congress;
- Revising Departmental guidance on internal controls for consistency with Government-wide guidance;
- Increasing Departmental management's awareness of internal control through Department-wide training;
- Establishing accountability for and continuously monitoring the status of open material deficiencies and encouraging timely correction;
- Reviewing, analyzing, and reporting monthly progress in achieving major corrective action milestones during the reporting period;
- Working with Departmental management, and the OIG to verify the continued materiality of deficiencies; and
- Assisting agencies in focusing resources on the elimination of material weaknesses and financial system non-conformances and non-compliances.

Performance Management. The OCFO coordinates the development of the USDA Performance and Accountability Report. USDA uses requirements from the Government Performance and Results Act (GPRA) of 1993 and OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, and OMB Circular A-136, *Financial Reporting Requirements*, to establish the content and timeframes for USDA's Strategic Plan and Annual Performance Report. The OCFO works with the Department's leadership, the USDA Performance Improvement Officer, and mission area Performance Improvement Initiative Coordinators in the following performance management activities:

- Coordinating with the Office of Budget and Program Analysis on integrating budget and performance

- management and on enhancing and refining USDA performance goals and metric indicators;
- Developing a Performance and Accountability Report for the Department that clearly demonstrates linkages to the USDA Strategic Plan and Performance Budget; and
- Enhancing coordination within USDA and with other Federal agencies to develop common goals and performance measures for cross-cutting functions and programs.

Debt Policy. OCFO is responsible for developing Departmental policy, and coordinating and guiding USDA agencies in implementing the requirements of the Debt Collection Improvement Act (DCIA). USDA's total receivables are \$112 billion, which represents about one-fifth of the non-tax debt owed to the Federal Government. OCFO has additional policy and oversight responsibilities for USDA agency debt, credit and cash management activities required by numerous statutes (e.g., Credit Reform Act), regulations, circulars, manuals and directives. Current activities include:

- Leading agencies by providing policy expertise and consultation services to increase collection of debt, reduce delinquent debt, estimate the value of outstanding loans and improve management of receivables;
- Documenting and improving debt collection activities in USDA's loan programs;
- Working directly with the Department of the Treasury, OMB and other Federal departments ensuring consistency and standardization of requirements and efficient implementation; and
- Developing and/or coordinating numerous Departmental, government-wide and commercial reporting requirements.

Improper Payments. OCFO leads the Department by issuing implementation policy and guidance to USDA agencies on carrying out the Improper Payments Information Act (IPIA) and several new requirements to intensify efforts to eliminate payment errors, waste, fraud and abuse in Federal programs. These include Executive Order 13520 "Reducing Improper Payments and Eliminating Waste in Federal Programs," Presidential Memorandums "Enhancing Payment Accuracy Through a Do Not Pay List" and "Finding and Recapturing Improper Payments", and the Improper Payments Elimination and Recovery Act (IPERA) of 2010. Current activities include:

- Providing expertise and consultation services, assisting agencies with and conducting oversight of risk assessments, statistical sampling, error-rate reporting, remediation planning, and recovery/recapture auditing;
- Conducting analyses of agency plans for implementing IPIA/IPERA, as well as providing objective evaluation and standardization to improve IPIA/IPERA compliance;
- Monitoring the USDA agencies' plans for development of internal controls, systems enhancements and recovery/recapture of identified improper payments, providing assurance of program integrity, and the prevention of future improper payments; and
- Coordinating Departmental preparation and reporting of required improper payment and recovery/recapture auditing accomplishments in the USDA Performance and Accountability Report, providing objectivity and standardization in report content.

Travel Policy. OCFO is responsible for travel management policy for the Department and has oversight responsibility for USDA's over \$450 million per year civilian travel program. OCFO develops, coordinates, and implements Department-wide policy and procedures on travel management services and the travel card program. OCFO also participates on inter-agency travel policy committees in cooperation with the General Services Administration and OMB. Current activities include:

- Minimizing inappropriate use of the travel card program while maximizing the quarterly rebates from the bank;
- Adjusting both travel policies and the system to increase use of the electronic travel system;
- Providing class room and on-line training to over 4,400 USDA Travel system users; and
- Increasing the use of electronic approvals for all travel-related activities to improve accuracy and processing time.

Grants Policy. OCFO leads the Department in Federal financial assistance policy and oversight. USDA participates in government-wide Federal financial assistance initiatives such as Grants.gov and the Grants Management Line of Business (GMLOB).

OCFO's leadership in these initiatives is helping to ensure simplification and streamlining of Federal financial assistance activities. OCFO maintains Departmental policy by ensuring improved efficiency in grants management and consistency of regulations across government for the public. OCFO coordinates USDA debarment and suspension actions and regulations including making USDA entries to the Excluded Parties List System. OCFO maintains USDA's portion of the Catalog of Federal Domestic Assistance and ensures the consistency and completeness of its program data. OCFO serves on the Grants Policy Committee, the GMLOB Communications Committee, Interagency Suspension and Debarment Committee, and Grants Executive Board. OCFO also maintains the Federal Financial Assistance Intranet Web site, and provides cognizant agency oversight for audit responses and legislative reports. This leads to greater information sharing and transparency of data at USDA. OCFO's committee participation is critical because many government-wide initiatives have compliance and implementation implications.

Transparency and Accountability Reporting. OCFO leads the Department's efforts to have greater information sharing and transparency of data at USDA. The focus of this effort has been on Transparency Act and Recovery Act Implementation and Reporting. As of October 1, 2010, subaward reporting was mandated Government-wide for recipients of grants and cooperative agreements. OCFO coordinated the Department's compliance with this new requirement along with improving and supporting the current Federal financial assistance reporting requirements.

Recovery Act Implementation. In February 2009, the American Recovery and Reinvestment Act (ARRA) was passed into law and USDA was appropriated over \$28 billion. OCFO helped coordinate the implementation of ARRA for the Department. This included extensive weekly reporting on the Department's progress in obligating and outlaying the funds. It also ensures that strong internal controls are in place to mitigate risks of waste, fraud, and abuse. OCFO issued and coordinated implementation of policies governing the implementation of ARRA including guidance on reporting requirements for recipients of USDA Recovery Act funded financial assistance and contracts.

Selected Examples of Recent Progress:

Financial Statements. Accomplishments of the OCFO and financial managers in FY 2010 included:

- Implemented Financial Management Modernization Initiative to improve financial performance;
- Continued to monitor obligations via ULO working group meetings as well as through monthly corrective action status reports and quarterly CFO certifications. In addition, balances over 2 years old were fast tracked for deobligation;
- Reclassified the Statement of Net Cost to align with the strategic goals presented in the USDA Strategic Plan for 2010 - 2015; and

Financial Systems. In Fiscal Year 2010, all USDA Departmental staff offices, the Foreign Agricultural Service, the National Institute of Food and Agriculture, Agriculture Research Service, Economic Research Service, and Food Safety and Inspection Service became operational in FMFI.

Audit Follow-up. USDA agencies closed 59 audits in FY 2010. USDA's current inventory of audits that have reached management decision and require final action to close the audits includes 29 new audits in FY 2010 for a total of 127 audits. The Department reduced its inventory of open audits by 22 percent in FY 2010, which reflects management's commitment to aggressively address deficiencies identified in agency programs.

Management Accountability and Control. USDA's FY 2010 and FY 2009 Consolidated Financial Statements received an unqualified audit opinion from the OIG. The auditor's Report on Compliance with Laws and Regulations also disclosed that the Department was not substantially compliant with FFMIA requirements. While progress has been made, USDA has two material weaknesses: Information Technology and Financial Reporting-

Unliquidated Obligations; and one financial system non-conformance in Funds Control Management. The Financial Reporting- Credit Reform material weakness was reassessed in FY 2010 and downgraded to a significant deficiency by OIG. USDA will continue monitoring progress on plans to improve financial systems to comply fully with FFMIA and FISMA requirements.

Performance Management. OCFO executed USDA performance management activities, such as conducting Department-wide Planning Team meetings to draft the performance management documents for the Department and the Performance and Accountability Report for FY 2010; met with other Federal agencies, external groups, and representatives from foreign countries to discuss USDA performance management efforts and results; and participated in USDA and Federal inter-agency forums related to GPRA and performance management.

OCFO coordinated the Departmental Strategic Planning effort by soliciting input and coordinating responses from stakeholders at all levels of management. Stakeholders included program directors, agency leaders, mission area management, and personnel from the Office of the Deputy Secretary and the Office of the Secretary. Frequent strategy sessions, based on the Secretary's direction, produced a Strategic Plan that will guide the Department through 2015.

Debt Policy. USDA's gross receivables are \$112 billion. Through effective OCFO debt management policy and coordination efforts, USDA's achievements for FY 2010 include:

- Delinquency rate of 3.3 percent as compared to the Government-wide rate of 17 percent;
- Sustained "Green" status for the 2.8 percent rate of delinquent debt over 180 days old reported to the OMB Metric Tracking System;
- Collected \$25 billion from receivables including \$957 million in delinquent debt, wrote-off \$910 million of uncollectible delinquent debt; and closed-out reporting of \$153 million to Internal Revenue Service as possible debtor taxable income;
- Referred 99.8 percent to the Treasury Offset Program of the \$1.3 billion eligible debt compared to the government-wide rate of 89.4 percent;
- Referred 99.5 percent to the Treasury Cross-Servicing Program of the \$527 million eligible debt compared to the government-wide rate of 96.3 percent; and
- Expanded administrative wage garnishment (AWG) resulting in 5,392 garnishment orders, \$3.3 million in collections and 458 AWG hearings.

Departmental policies have led to the high referral rates providing greater potential for increased collections of delinquent debt through voluntary remittance, offset or commercial collection practices. The number of Rural Development AWG orders expanded to 5,320 in FY 2010 compared to 688 in FY 2009. OCFO coordinated the preparation and submission of the DCIA Annual Report to OMB, which provides an assessment of compliance with compromising, writing-down, forgiving and discharging indebtedness and write-off status/plans for delinquent debt over 2 years old.

Improper Payments. USDA met the statutory requirements of the IPIA through the annual review of 125 programs for FY 2010. This included completion of risk assessments on 39 low risk programs and the statistical sampling of 16 high risk programs. In addition, USDA performed 70 management certifications on the remaining low risk programs. The Department reported an improper payments error rate of 5.37 percent with an estimated \$5.0 billion in improper payments for FY 2010, a reduction from the 5.92 percent improper payment error rate reported in FY 2009. Seven USDA high risk programs reported improper payments error rates below their FY 2009 error rate. FNS' Supplemental Nutrition Assistance Program (SNAP) achieved a 4.36 percent error rate for FY 2010, down from 5.01 percent in FY 2009. The SNAP error rate is a new historic low for the program and is the sixth consecutive year below 6 percent. FSA reported estimated improper payments of \$128 million (error rate of 1.08 percent) for their high risk programs in FY 2010, which is below the FY 2009 estimated improper payments of \$144 million (error rate of 1.02 percent). To achieve these reductions, USDA agencies implemented aggressive corrective action plans; increased senior management involvement; provided internal and external training; increased accountability; enhanced program eligibility verification; and improved internal controls and documentation controls.

Travel Policy. As part of the Food, Conservation, and Energy Act of 2008 (Public Law 110-246), USDA successfully prepared a report on conferences and published it on USDA's Web site. OCFO continues to improve both the quality and efficiency in preparing this USDA report. OCFO revised USDA travel policy to expand the use of lower cost non-refundable tickets.

Grants Policy. OCFO published the updated debarment and suspension rule, moving it from 7 CFR 3017 to 2 CFR 417. The updated rule provides guidance on USDA's debarment and suspension policy. OCFO regularly convenes the Federal Financial Assistance Committee. The committee provides agency representatives to aid in the implementation of government-wide Federal financial assistance initiatives and USDA guidance.

Transparency and Accountability Reporting. OCFO updated guidance on Transparency Act reporting and has reduced the number of outstanding errors. Outreach and training was conducted for all agencies whose recipients make sub-awards. OCFO staff worked with a small team at OMB to develop the guidance and conduct user testing of sub-award reporting.

Recovery Act Implementation. OCFO has been a leader in the Federal Government in implementing the Recovery Act. In addition to complying with the Act and OMB guidance, OCFO has:

- Assisted the Office of the Secretary (OSEC) meet its reporting needs;
- Provided comments to OMB as they developed guidance, especially around loans and assisted in the development of new guidance
- Met all OMB and Recovery and Transparency Board reporting requirements and ad hoc requests timely.
- Chaired the OMB systems technical subcommittee, which successfully advocated for system enhancements in recipient reporting.
- Coordinated responses to audits by the Government Accountability Office and OIG;
- Provided and implemented OMB's supplemental jobs guidance; and
- Provided and implemented OMB's recipient reporting data quality review guidelines.
- Conducted Department-wide training on guidance as it was issued.
- Developed significant internal control testing and review procedures to ensure higher data quality.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Summary of Budget and Performance
Statement of Goals and Objectives

OCFO has one strategic goal and two objectives that contribute to all of the strategic goals of the Department.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
OCFO supports all USDA strategic goals.	Goal 1: USDA becomes a leader in financial management through strong leadership, policy and oversight.	<p><u>Objective 1.1:</u> The Department and USDA agencies receive clean audits.</p> <p><u>Objective 1.2:</u> Strengthen compliance with financial management laws, regulations, and best practices.</p>	<p>OCFO gathers financial statements for the annual audits of the USDA consolidated financial statements.</p> <p>OCFO participates in the Department's assessment of internal control structure and compliance with laws and regulations.</p> <p>OCFO monitors agency obligations and expenditures throughout the fiscal year and works with fund holders to help them avoid ADA violations.</p> <p>OCFO issues implementation policy and guidance on the carrying out of the Improper Payments Information Act.</p> <p>OCFO provides technical assistance as the OIG conducts various audits of USDA's Financial Systems.</p>	<p><u>Key Outcome 1:</u> USDA-wide unqualified financial audits.</p> <p><u>Key Outcome 2:</u> Down-grade existing material weaknesses to reportable status.</p> <p><u>Key Outcome 3:</u> No Anti-Deficiency Act violations.</p> <p><u>Key Outcome 4:</u> 100 percent of programs meet the improper payments reporting requirements.</p> <p><u>Key Outcome 5:</u> Compliance with A-123, Appendix A testing.</p>

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

- Achieve clean audits for all agencies of USDA on a consolidated basis.
- Zero material internal control weaknesses.
- Zero Anti-Deficiency Act violations.
- All programs meet improper payments reporting requirements.
- Full compliance with A-123, Appendix A testing.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Summary of Budget and Performance
Full Cost by Objective

Objective 1.1: The Department and USDA agencies receive clean audits.

Objective 1.2: Strengthen compliance with financial management laws, regulations, and best practices.

PROGRAM	PROGRAM ITEMS	Dollars in thousands		
		<u>FY 2010</u>	<u>FY 2011</u>	<u>FY2012</u>
Performance Measure:	Percentage of clean audits for all agencies and USDA on a consolidated basis.	100%	100%	100%
Performance Measure:	Number of new auditor-identified material internal control weaknesses.	0	0	0
Performance Measure:	Number of existing internal control weaknesses.	2	1	1
Performance Measure:	Decrease the number of Anti-Deficiency Act violations to zero.	0	0	0
Performance Measure:	Reduction in Departmental improper payments percent.	0.55%	0.02%	0.01%
Performance Measure:	Compliance with A-123, Appendix A testing.	100%	100%	100%
Grand Total for Agency Goals		\$6,462	\$6,566	\$6,566
FTEs		33	36	36