

2015 Explanatory Notes  
Office of the Chief Financial Officer

Contents

Purpose Statement .....	10-1
Statement of Available Funds and Staff Years .....	10-2
Permanent Positions by Grade and Staff Year Summary .....	10-3
Salaries and Expenses	
Appropriations Language .....	10-4
Lead-off Tabular Statement.....	10-4
Project Statement.....	10-5
Justifications .....	10-6
Geographic Breakdown of Obligations and Staff Years.....	10-6
Classification by Objects .....	10-7
Shared Funding Project .....	10-8
Status of Programs.....	10-10
Summary of Budget and Performance	
Statement of Goals and Objectives.....	10-18
Key Performance Outcomes and Measures .....	10-18
Full Cost by Strategic Objective.....	10-20

## 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 Chief Financial Officer 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, three Associate CFOs for: Financial Systems, Financial Operations, Financial Policy and Planning, 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 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, 2013, there were 1,329 full-time permanent employees funded by appropriated, reimbursed, and working capital Funds.

### OIG Reports – Open

#50401-3-11 11/16/12 Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2012 and 2011.

#50401-5-11 12/16/13 Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2013 and 2012.

#50024-0001-11 03/14/12 FY 2011 Improper Payments Elimination and Recovery Act of 2010 Compliance.

#50024-0002-11 09/28/12 Executive Order 13520, Reducing Improper Payments – FY 2011 High Dollar Report Review.

#50024-3-11 6/10/13 Executive Order 13520, FY 2012 High Dollar Overpayment Review

#50024-4-11 3/14/13 FY 2012 Improper Payment Elimination and Recovery Act of 2010 Compliance Review.

### OIG Reports - In Progress

#50099-0001-23 USDA's Controls over Economy Act and Greenbook Program Charges (DM/OCFO).

### GAO Reports - In Progress

Grants Internal Controls (197232) in progress.

Reliability of data for USAspending.gov (311601) in progress.

OFFICE OF THE CHIEF FINANCIAL OFFICER

Available Funds and Staff Years (SYs)

(Dollars in thousands)

Item	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
<b>Salaries and Expenses:</b>								
Discretionary Appropriations.....	\$5,650	26	\$6,247	43	\$6,050	a/ 40	\$6,080	a/ 40
Rescission.....	-	-	-169	-	-	-	-	-
Sequester.....	-	-	-311	-	-	-	-	-
Adjusted Appropriations.....	5,650	26	5,767	43	6,050	40	6,080	40
Lapsing Balances.....	-124	-	-91	-	-	-	-	-
Transfer Out.....	-100	-	-100	-	-	-	-	-
Obligations.....	5,426	26	5,576	43	6,050	40	6,080	40
<b>Obligations under other USDA appropriations:</b>								
Greenbook Funding.....	3,511	-	3,226	-	3,700	-	3,700	-
<b>Working Capital Fund: b/</b>								
National Finance Center.....	56,552	233	66,679	243	64,922	287	67,790	297
Controller Operations.....	33,208	243	32,057	243	33,320	254	33,320	255
Corporate Systems.....	71,330	86	70,370	101	73,962	130	78,737	138
Financial Services.....	2,313	7	2,768	12	2,665	11	2,500	11
Capital Equipment.....	16,351	-	26,286	-	21,390	-	14,373	-
Purchase Card Rebate.....	9,584	-	6,024	-	5,083	-	8,500	-
<b>Management, Oversight, and</b>								
Administrative Services (provided to WCF Activities).....	8,728	19	3,502	19	3,394	19	3,413	19
NFC (Non-USDA).....	113,275	617	121,365	642	127,910	775	117,889	727
Subtotal, WCF.....	311,341	1,205	329,051	1,260	332,646	1,476	326,522	1,447
Unobligated Bal Exp.....	780	-	5,211	-	6,723	-	-	-
Total, WCF.....	312,121	1,205	334,262	1,260	339,369	1,476	326,522	1,447
Total, OCFO.....	321,058	1,231	343,064	1,303	349,119	1,516	336,302	1,487

a/ The Strategic Planning Position was transferred out of OCFO to OBPA.

b/ This section only includes WCF activities managed by OCFO. ASC funding levels are included in the various WCF activities shown above. Please refer to the WCF Explanatory Notes for more details about the WCF.

OFFICE OF THE CHIEF FINANCIAL OFFICER

Permanent Positions by Grade and Staff Year Summary

Item	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Estimate</u>	<u>2015 Estimate</u>
	Wash. D.C.	Wash. D.C.	Wash. D.C.	Wash. D.C.
ES.....	3	2	2	2
GS-15.....	5	5	5	5
GS-14.....	7	8	7	8
GS-13.....	10	17	15	14
GS-12.....	4	4	4	4
GS-11.....	2	2	2	3
GS-10.....	2	3	3	2
GS-9.....	1	1	1	1
GS-7.....	6	0	0	0
GS-5.....	1	1	1	1
Total Permanent Positions a/.....	41	43	40	40
Unfilled, EOY.....	15	0	0	0
Total, Perm. Full-Time Employment, EOY.....	26	43	40	40
Staff Year Est.....	26	43	40	40

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

OFFICE OF THE CHIEF FINANCIAL OFFICER

The estimates include appropriations language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses of the Office of the Chief Financial Officer, [\$6,213,000: *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] \$6,080,000.

This Change in language was required due to the function being transferred to Departmental Administration.

Lead-Off Tabular Statement  
(Dollars in thousands)

Budget Estimate, 2015.....		\$6,080,000
2014 Enacted.....	6,213,000	
Transfer Strategic Planning FTE to OBPA a/.....	<u>-163,000</u>	
Adjusted base for 2014.....		<u>6,050,000</u>
Change in Appropriation.....		<u>+ 30,000</u>

a/ The Strategic Planning Position was transferred to OBPA

Summary of Increases and Decreases  
(Dollars in thousands)

Discretionary Appropriations	2012 <u>Actual</u>	2013 <u>Change</u>	2014 <u>Change</u>	2015 <u>Change</u>	2015 <u>Estimated</u>
Office of the Chief Financial Officer.....	\$5,650	+\$117	+\$283	+\$30	\$6,080

OFFICE OF THE CHIEF FINANCIAL OFFICER

Project Statement  
 Appropriations Detail and Staff Years (SYs)  
 (Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Office of the Chief Financial Officer.....	\$5,650	26	\$5,667	43	\$6,050	40	+\$30 (1)	-	\$6,080	40
Rescission, Transfer, and Seq. (Net).....	-	-	580	-	-	-	-	-	-	-
Total Appropriation.....	5,650	26	6,247	43	6,050	40	+30	-	6,080	40
Transfer Out: WCF.....	-100	-	-100	-	-	-	-	-	-	-
Rescission.....	-	-	-169	-	-	-	-	-	-	-
Sequester.....	-	-	-311	-	-	-	-	-	-	-
Total Available.....	5,550	26	5,667	43	6,050	40	+30	-	6,080	40
Lapsing Balances.....	-124	-	-91	-	-	-	-	-	-	-
Total Obligations.....	5,426	26	5,576	43	6,050	40	+30	-	6,080	40

Project Statement  
 Obligations Detail and Staff Years (SYs)  
 (Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Office of the Chief Financial Officer.....	\$5,426	26	\$5,576	43	\$6,050	40	+\$30 (1)	-	\$6,080	40
Total Obligations.....	5,426	26	5,576	43	6,050	40	+30	-	6,080	40
Lapsing Balances.....	124	-	91	-	-	-	-	-	-	-
Total Available.....	5,550	26	5,667	43	6,050	40	+30	-	6,080	40
Transfer Out: WCF.....	100	-	100	-	-	-	-	-	-	-
Rescission.....	-	-	169	-	-	-	-	-	-	-
Sequester.....	-	-	311	-	-	-	-	-	-	-
Total Appropriation.....	5,650	26	6,247	43	6,050	40	+30	-	6,080	40

OFFICE OF THE CHIEF FINANCIAL OFFICER

Justification of Increases and Decreases

Base funds will continue to allow OCFO to carry out its statutory responsibilities. Continuing the base funding is crucial to focusing on the Department's financial and performance management activities to improve program delivery and assure maximum contribution to the Secretary's Strategic Goals.

(1) A net increase of \$30,000 for the Office of the Chief Financial Officer (\$6,050,000 and 40 staff years available in 2014):

(a) An increase of \$52,000 for pay costs (\$11,000 for annualization of the 2014 pay increase and \$41,000 for the 2015 pay increase).

The proposed funding level is needed to cover pay and benefit cost increases for existing staff. This will ensure adequate resources are available to continue to allow the office to carry out its full range of responsibilities and support program delivery.

(b) A decrease of \$22,000, achieved through administrative savings.

OCFO plans to actively manage its costs in 2015, with a specific aim to achieve savings in non-pay object classes. This decrease will help offset the pay cost increase. Savings will also be achieved by implementing solutions identified in the Administrative Solutions Project, a USDA-wide effort to modernize administrative services, obtain better results for USDA customers, and develop greater efficiencies for American taxpayers.

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
District of Columbia.....	\$5,426	26	\$5,576	43	\$6,050	40	\$6,080	40
Lapsing Balances.....	124	-	91	-	-	-	-	-
Total, Available.....	5,550	26	5,667	43	6,050	40	6,080	40

OFFICE OF THE CHIEF FINANCIAL OFFICER

Classification by Objects

(Dollars in thousands)

	2012	2013	2014	2015	
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	
<b>Personnel Compensation:</b>					
11	Total personnel compensation.....	\$2,392	\$3,249	\$4,209	\$4,302
12	Personal benefits.....	622	909	1,162	1,186
	Total, personnel comp. and benefits.....	3,014	4,158	5,371	5,488
<b>Other Objects:</b>					
21.0	Travel and transportation of persons.....	24	97	25	25
22.0	Transportation of things.....	3	4	5	5
23.3	Communications, utilities, and misc. charges...	51	32	25	26
25.2	Other services from non-Federal sources.....	1,747	896	473	385
25.3	Other purchases of goods and services				
	from Federal sources.....	559	372	125	125
26.0	Supplies and materials.....	22	17	19	19
31.0	Equipment.....	6	-	7	7
	Total, Other Objects.....	2,412	1,418	679	592
99.9	Total, new obligations.....	5,426	5,576	6,050	6,080
<b>Position Data:</b>					
	Average Salary (dollars), ES Position.....	\$168,350	\$166,445	\$167,277	\$168,114
	Average Salary (dollars), GS Position.....	\$111,633	\$92,731	\$91,282	\$91,819
	Average Grade, GS Position.....	13.8	13.3	13.2	13.2

OFFICE OF THE CHIEF FINANCIAL OFFICER

Shared Funding Projects  
(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<b>Working Capital Fund:</b>				
Administration:				
Beltsville Service Center.....	\$48	\$38	\$64	\$62
Mail and Reproduction Management.....	128	239	221	142
Integrated Procurement System.....	266	254	255	262
Procurement Operations.....	-	1,105	1,105	1,105
Subtotal.....	442	1,636	1,645	1,571
Communications:				
Creative Media & Broadcast Center.....	327	427	401	410
Finance and Management:				
NFC/USDA.....	32,574	33,310	30,408	32,580
Controller Operations.....	544	519	287	289
Financial Systems.....	473	479	2,296	452
Internal Control Support Services.....	383	369	332	285
Subtotal.....	33,974	34,677	33,323	33,606
Information Technology:				
NITC/USDA.....	3,364	3,936	3,577	3,580
International Technology Services.....	174	157	157	160
Telecommunications Services.....	1,040	1,150	961	934
Subtotal.....	4,578	5,243	4,695	4,674
Correspondence Management.....	22	26	23	27
Total, Working Capital Fund.....	39,343	42,009	40,087	40,288
<b>Department-Wide Reimbursable Programs:</b>				
1890's USDA Initiatives.....	40	38	35	35
Continuity of Operations Planning.....	23	27	25	25
E-GOV Initiatives HSPD-12.....	82	86	79	79
Emergency Operations Center.....	31	30	27	27
Facility and Infrastructure Review and Assessment.....	-	5	5	5
Faith-Based Initiatives and Neighborhood Partnerships.....	5	5	5	5
Federal Biobased Products Preferred Procurement Program.....	5	5	4	4
Hispanic-Serving Institutions National Program.....	26	26	23	23
Honor Awards.....	1	1	1	1
Human Resources Transformation (inc. Diversity Council).....	22	21	19	19
Intertribal Technical Assistance Network.....	26	-	-	-
Medical Services.....	2	1	2	2
Personnel and Document Security.....	86	81	83	83
Pre-authorizing Funding.....	45	44	44	44
Retirement Processor/Web Application.....	7	7	7	7
Sign Language Interpreter Services.....	9	7	9	9
TARGET Center.....	12	12	11	11
USDA 1994 Program.....	10	10	9	9
Virtual University.....	28	27	24	24
Visitor Information Center.....	10	11	11	11
Total, Department-Wide Reimbursable Programs.....	470	444	423	423

OFFICE OF THE CHIEF FINANCIAL OFFICER

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<b>E-Gov:</b>				
Budget Formulation and Execution Line of Business.....	1	1	1	1
Enterprise Human Resources Intigration.....	38	33	27	27
E-Rulemaking.....	-	-	12	12
E-Training.....	39	33	33	33
Financial Management Line of Business.....	1	2	2	2
Grants.gov.....	8	9	-	-
Human Resources Line of Business.....	3	4	3	3
Integrated Acquisition Environment - Loans and Grants.....	16	18	22	22
Integrated Acquisition Environment.....	8	9	8	8
Total, E-Gov.....	<u>114</u>	<u>109</u>	<u>108</u>	<u>108</u>
Agency Total.....	<u>39,927</u>	<u>42,562</u>	<u>40,618</u>	<u>40,819</u>

## 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 the chief financial management advisor to the Secretary and the mission area heads. Additionally, 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 effective day-to-day financial management. Also, OCFO directly manages four WCF-funded activities: the National Finance Center (NFC), Controller Operations, Financial Systems, and Internal Control Support Services.

Specific areas being addressed include:

Departmental Financial Statements: For 2013, USDA received an unmodified opinion on its annual financial statements.

USDA plans to maintain its unmodified opinion on its 2014 financial statements. Improvements are still needed in overall financial management and information technology security. USDA will continue to make improvements in USDA's internal controls over financial reporting and financial systems including:

- Reducing the number and severity of material weaknesses and significant deficiencies for financial reporting and financial systems, including compliance with Federal Information Security Management Act (FISMA);
- Improving the closure rate of Corrective Action Plans (CAPs) and Plans of Action and Milestones (POA&Ms);
- Effectively monitoring, reviewing, and certifying un-liquidated obligations;
- Fully researching and correcting abnormal balances;
- Timely processing Intergovernmental Payments and Collections (IPAC) transactions; and
- Strengthening controls related to certain access controls and change management practices.

Financial Systems: Activities under this heading are managed by the OCFO and include the following (all activities in Washington, D.C., unless otherwise noted):

- National Finance Center (New Orleans, LA; Denver, CO)
- Controller Operations Division (Washington and New Orleans)
- Financial Systems (Washington and New Orleans)
- Internal Control Support Services (ICSS)

The Associate Chief Financial Officer for Financial System (ACFO-FS) manages the administrative and financial management systems for USDA under the WCF activity center, Financial Systems. ACFO-FS retired the legacy financial system, Foundation Financial Information System for program accounting, while supporting the Department's new accounting system known as the FMMI. FMMI represents the USDA OCFO's modernization of the outdated technology underlying the agency's present financial system environment and migration from the current distributed, multi-instance mainframe system to a federally compliant, consolidated, single-instance. Through technology consolidation and modernization, FMMI has eliminated the need to operate and maintain certain USDA legacy feeder systems and data warehouse. FMMI provides on-demand search and reporting capabilities to the 5,600 USDA system users and a system that aligns with business processes, resulting in improved user efficiency. FMMI has enabled USDA OCFO to continue to provide sound and efficient financial management in support of the USDA mission to enhance the quality of life for the American people.

Additionally, ACFO-FS administers a number of other financial management systems to support USDA agencies and organizations, including: relocation travel, personal property, telephones, utilities, miscellaneous income (1099 reporting), Automated Cash Reconciliation Spreadsheet Tool, Corporate Property Automated Information System (Real Property), and the Online Tracking and Reconciliation System for intergovernmental financial transactions.

## OFFICE OF THE CHIEF FINANCIAL OFFICER

Financial Systems also supports the processing of USDA data through other organization-owned systems, which include domestic travel, purchase card transactions, and procurement activity using the Integrated Acquisition System (IAS).

Internal Control Support Services (ICSS) promotes and supports the USDA's internal control program by assisting USDA agencies in their internal control compliance efforts. As part of its services, ICSS plans and manages the Department's annual assessment of internal control over financial reporting, promotes best practices across the Department to gain consistencies and efficiencies related to internal control for financial processes, administrative processes and information technology. ICSS also provides training programs, group presentations and other support services in order to improve the Department's internal control program and to increase the Department's awareness of emerging events and current trends related to internal control.

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; OCFO distributes a monthly report to USDA agencies and the Office of Inspector General (OIG) that shows open and closed audits by agency and highlights audits that are one-year past the management decision date;
- Working with USDA agencies' management and 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. As of November 15, 2013, there were 8 audits without management decision more than 6 months after audit issuance. The Department will continue to work with agencies to ensure audits reach management decision on a timely basis.

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 report 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 controls 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 agencies to establish an ongoing process for the annual assessment in order to improve financial reporting and to maintain compliance with the laws and regulations. Current efforts include:

- Continuing the Department-wide Assessment Implementation Team to conduct the assessment of internal control over financial reporting;
- Continuing to expand the process-level risk-based approach to conduct the internal controls over financial reporting assessment;
- 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 30<sup>th</sup> each year for the FMFIA Annual Assurance Statement to OMB and Congress;

## OFFICE OF THE CHIEF FINANCIAL OFFICER

- Increasing USDA'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;
- Improving the closure rate of CAP and POA&Ms;
- Developing standardized control objectives and test plans to maximize efficiencies and eliminate redundancies; and
- Responding to changing demands in the internal control environment to aid in Departmental and Government-wide compliance with laws and regulations.

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 is one of the largest credit agencies within the Federal Government with total receivables of \$117 billion. 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, and 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 to ensure 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 recent 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 Memoranda "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 payment recapture/recovery 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 payments and payment recapture/recovery auditing accomplishments in the USDA Agency Financial 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 \$200 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. Under OCFO leadership USDA reduced travel spending by 36 percent in 2013, as compared to the 2010 travel spending. OCFO also participates on inter-agency travel policy committees in cooperation with the General Services Administration and OMB. Current activities include:

## OFFICE OF THE CHIEF FINANCIAL OFFICER

- Minimizing inappropriate use of the travel card while maximizing the quarterly bank issued rebates;
- Tracking travel cards and their usage to improve the management;
- Supporting the implementation of the new electronic travel system;
- Automating the conference approval and tracking system; 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, and regularly convenes the Federal Financial Assistance Committee (FFAC). The FFAC consists of agency representatives that aid in the implementation of government-wide Federal financial assistance initiatives and USDA guidance. Through this Committee, USDA decides on policy matters that affect the Department's programs and serves as a crucial communication channel to conduct outreach and provide input on new and emerging issues for grants government-wide. The Committee provided input for a revised OMB circular, suspension and debarment regulations, human trafficking regulations and many others. The Committee is central to providing innovative solutions to grants reporting improvements.

USDA is a member on the Council on Federal Assistance Reform (COFAR) and on the COFAR principals' workgroup. The council is in charge of updating OMB Circulars, setting priorities in grants management policy across the government and ensuring greater accuracy and transparency in grants reporting. USDA also participates in government-wide Federal financial assistance initiatives such as Grants.gov and the Grants and Loan Committee for government (GLCE). 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 (D&S) actions and regulations including making USDA entries to the Excluded Parties List System (EPLS). OCFO maintains USDA's portion of the Catalog of Federal Domestic Assistance (CFDA) and ensures the consistency and completeness of its program data. OCFO serves on the Interagency Suspension and Debarment Committee. OCFO also maintains the Federal Financial Assistance Intranet website, and provides agency oversight for audit responses and legislative reports.

In 2013, OCFO developed and published a Department Regulation on the Department's Prize policy. Awarding prizes as described in the America Competes Act of 2010 allows USDA to use a prize instrument to encourage innovators to address issues outlined in the prize competition and receive financial or other types of awards.

Transparency and Accountability Reporting: OCFO leads the Department's efforts to provide greater information sharing and transparency of data at USDA, focusing on Transparency Act and Recovery Act compliance. OCFO continues to support and improve these requirements.

OCFO leads the initiative to consolidate Foreign Assistance reporting required by OMB Bulletin 12-01. In 2013, OCFO developed a process that leverages Transparency reporting to USAspending.gov to report to the Foreign Assistance Dashboard. This effort ensures that data is more consistent across reporting platforms. OCFO is also working on consolidating multiple foreign assistance reporting requirements so data is reported more consistently and achieves efficiencies by reducing multiple unique reports and deadlines and standardizing the data required to be reported.

In 2013, OCFO lead and implemented procedures to implement and report on the Sandy Disaster Relief Appropriations Act. OCFO built a centralized website for reporting financial and performance data on a weekly and monthly basis. OCFO support the Secretary's office on Sandy related matters and offered financial and performance insights based on the data collected.

OCFO is implementing the June 13, 2013 OMB memo on Data quality at USAspending.gov. OCFO developed a reconciliation process which reconciles obligations incurred, with total Federal financial assistance and contracts data. OCFO provides monthly reports on data from the Financial Statements Data Warehouse and data downloaded

## OFFICE OF THE CHIEF FINANCIAL OFFICER

from the SUAspending.gov website and allocates the data, by agency. Agencies take this reconciliation schedule and report back to the OCFO with a certification and any planned actions to address shortcomings in the agency data. OCFO works with the agencies to implement the reconciliation report.

OCFO further developed continuous process improvement initiatives. Examples of this include analysis of Recovery Act and USAspending.gov data. Data anomalies and errors were identified and OCFO worked with Agencies to resolve errors. Special projects are underway to assist agencies in complying with their reporting requirements.

OCFO continued to work closely with the Foreign Agricultural Service in the implementation of their Grants module called Grantor. OCFO ensured that the grants system aligns with OCFO's and the Department's vision for a Department-Wide Grants Business Process. OCFO provides monthly data tables to the Grantor system so the system can comply with Transparency Act Reporting.

Recovery Act Implementation: OCFO continues to oversee the implementation of the American Recovery and Reinvestment Act of 2009 (ARRA). The Department was initially appropriated over \$28 billion under ARRA. An increased demand for the Supplemental Nutrition Assistance Program resulted in over \$49 billion ARRA dollars obligated at the end of 2013. In addition to extensive weekly and quarterly financial reporting, OCFO has worked closely with ARRA funds recipients to report timely and accurately. OCFO continued to hold outreach calls with agency stakeholders, provided training and met with agencies to help resolve ARRA related issues ranging from reporting accuracy to audit investigations. The Office of Inspector General audited the ARRA implementation extensively and in 2013 issued two ARRA audits to OCFO indicating that oversight and internal controls were generally solid. Findings indicated that Agencies needed to provide greater oversight. OCFO promulgated updated guidance and provided additional training in these areas to agencies. OCFO implemented additional quarterly reconciliations of financial reporting and has served as subject matter experts for a Recovery Board data pilot.

### Selected Examples of Recent Progress:

Financial Statements: Accomplishments of the OCFO and financial managers in 2013 included:

- Completed implementation of the Financial Management Modernization Initiative (FMMI), a Web-based system to replace the mainframe-based legacy Foundation Financial Information System (FFIS); and
- Initiated a series of corrective actions, including training visits to customer agencies, system changes, and improved monthly suspense reconciliations that significantly improved the timeliness of processing Intergovernmental Payments and Collections (IPAC) bills.

Financial Systems: COD performed research and analysis for agencies converted to the new FMMI accounting system that affect the accuracy and integrity of the financial statements. Over 23,000 transactions totaling \$863 million were corrected.

COD exceeded a cost savings goal by managing a pilot program with Food Safety and Inspection Service to provide relocation services, including home sales assistance and counseling. COD's Travel section processed 102 home sales and 393 relocation authorizations resulting in a \$212,500 savings.

COD implemented an initiative that resulted in clearing 461 unprocessed IPAC bills over 59 days old totaling \$147 million.

COD assumed a leadership role in converting the Marketing and Regulatory Programs (MRP) mission area and Natural Resources Conservation Service (NRCS) into FMMI.

COD implemented the Department's mandate to accelerate vendor payments to small businesses.

## OFFICE OF THE CHIEF FINANCIAL OFFICER

In order to provide superior financial management support, COD established a customer advocate team tailored to each agency. The customer advocate is a staff person assigned to a specific agency to assure timely, responsive support to resolve systems and operations problems as prioritized by the agencies.

COD provided customer assistance to resolve obligations that were missing for a 2009 annual fund totaling \$16.8 million dollars. Subsequent letters of credit payments that were being held up were processed. COD successfully reestablished operations at an alternate worksite during Hurricane Isaac with no disruption to support provided to our agency customers.

Financial Systems processed over 4.9 billion general ledger postings with disbursements totaling in excess of \$39 billion. Financial Systems developed, with agencies, over 100,000 master data fields to track budget and expenses and developed over 51 financial reports. The core financial system currently has 5,600 users.

Financial Systems successfully implemented the Forest Service into FMFI. This included core FMFI functionality and eight Forest Service specific candidate system interfaces.

Financial Systems continues to enhance the Business Objects (BOBJ) reporting tool. This technologically advanced reporting system delivers an ad-hoc financial reporting tool and a comprehensive dashboard delivery tool. This implementation continues to provide a foundation for future plans to support real-time reporting. BOBJ has approximately 4,000 users and growing. Financial Systems completed a system upgrade of the BOBJ system that significantly improved the look of the agency reports.

Financial Systems initiated and or completed custom development efforts for Rule Based Account Assignment, Interagency Agreements and Direct Cite functionality.

Financial Systems supported deployments of FSA's MIDAS program and FAS' Grantor Management system. Financial Systems is working in partnership with FNS to design the replacement system for legacy IPAS.

Financial Systems represented the Department during SAP's design and testing of the Government wide Treasury Accounting Symbol (GTAS). Financial Systems initiated and implemented reporting capabilities to comply with GTAS reporting mandates for first quarter 2014 reporting. GTAS reporting will replace the functionality of FACTS I, FACTS II, IFCS, and IRAS reporting systems as the primary means of reporting agency trial balance data.

Financial Systems initiated efforts to establish an SAP Center of Excellence for the Department. This effort includes the strengthening of service delivery, process controls, governance and customer advocacy. Financial Systems also initiated the establishment of a business process repository to establish a single point of access for all system monitoring and enhancements and business process modifications.

**Management Accountability and Control:** USDA's 2013 and 2012 Consolidated Financial Statements received an unmodified and unqualified audit opinion, respectively 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, grants management regulations, IPERA, and the Anti-Deficiency Act.

The Department currently has two material weaknesses. The first is related to two information technology areas, which include logistical access controls /personnel security and configuration management. This material weakness is a result of pervasive deficiencies in internal control design and operating effectiveness. The second is related to a material error in the calculation of estimated losses on insurance claims by the Risk Management Agency.

The Commodity Credit Corporation has one outstanding deficiency related to financial system non-conformance in Funds Control Management; and the NRCS has various outstanding financial system non-conformance deficiencies for failing to support certain transactions and account balances in their 2013 financial statements. USDA will continue monitoring progress on plans to improve internal controls and financial systems to comply fully with FFMIA, FFMIA and FISMA requirements.

## OFFICE OF THE CHIEF FINANCIAL OFFICER

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 2012; 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.

Debt Policy: USDA's gross receivables are \$117 billion. Through effective OCFO debt management policy and coordination efforts, USDA's accomplishments as of 3<sup>rd</sup> Qtr 2013 include:

- Reporting a delinquency rate of 4 percent as compared to the government-wide delinquency rate of 20 percent;
- Collecting \$20 billion from receivables including over \$1 billion of delinquent debt, wrote-off \$706 million uncollectible debt and reported \$143 million of closed-out debt to Internal Revenue Service as possible debtor taxable income;
- Referring 99.7 percent to the Treasury Offset Program of the \$1.8 billion eligible debt compared to the government-wide referral rate of 66.9 percent;
- Referring 99.4 percent to the Treasury Cross-Servicing Program of the \$911 million eligible debt compared to the government-wide referral rate of 93.9 percent; and
- Issuing 1,061 administrative wage garnishment (AWG) orders to delinquent debtors resulting in \$5.4 million in collections of delinquent debt and performing 81 AWG hearings requested by delinquent debtors.

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 \$1 billion of delinquent debt collections as of 3<sup>rd</sup> Qtr 2013 is a 9.4 percent increase over the \$0.924 billion as of 3<sup>rd</sup> Qtr 2012. The \$5.4 million of AWG net collections as of 3<sup>rd</sup> Qtr 2013 is a 4 percent increase over the \$5.2 million in 2012. 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. USDA participated in an initiative by the Chief Financial Officers Council and the Department of the Treasury to develop a Treasury Report on Receivables Dashboard Tool to improve delinquent debt analytics and debt collection. Also, USDA worked with OMB toward setting goals to improve compliance with debt collection requirements and set aggressive performance goals.

Improper Payments: During 2013, USDA measured 14 high risk programs, completed risk assessments on 39 low risk programs and performed management certifications for the remaining 76 low risk programs. The Department reported an improper payment rate of 5.36 percent for 2013, an increase from the 5.11 percent reported in 2012. Four USDA high risk programs reported 2013 improper payment rates below their 2012 rate (Supplemental Nutrition Assistance Program (SNAP), Child and Adult Care Food Program (CACFP), and Noninsured Assistance Program, Rental Assistance Program (RAP). Also, six USDA high risk programs reported improper payment rates for 2013 that met or were lower than the programs' reduction targets for 2013 (Marketing Assistance Loan Program, SNAP, CACFP, Milk Income Loss Contract Program, Wildland Fire Suppression Management, and RAP). FNS' SNAP achieved a 3.42 percent improper payment rate for 2013, down from 3.80 percent in 2012.

The Department awarded a payment recapture/recovery auditing (PRRA) services contract in 2012 and a supplier credit recovery audit (SCRA) services contract in 2013 to private sector contractors to identify program overpayments. Under USDA's phased implementation of the PRRA initiative, Phase One consisted of three Department programs: FSA Conservation Reserve Program and NAP, and Rural Development's (RD) RAP. FSA and RD worked with contractor staff to help them understand how the programs operate and how improper payments occur within each program. It allowed the contractor to tailor its software to each program to reduce false positives and assist in identifying overpayments made to ineligible recipients.

During 2013, USDA enrolled its agencies into the DNP Portal through the on-boarding process for pre-award and eligibility checks at an applicable point in the program's business process to prevent improper payments. USDA also developed a process to adjudicate and report on DNP Portal prepayment matches to identify ineligible recipients and establish processes and business rules to prevent future improper payments.

Travel Policy. As part of the Food, Conservation, and Energy Act of 2008 (Public Law 110-246), USDA successfully prepared a report on the 199 conferences sponsored or attended by USDA employees in 2013, and

## OFFICE OF THE CHIEF FINANCIAL OFFICER

published it on USDA's web site. OCFO revised the reporting process and used additional raw data to improve both the quality and efficiency in preparing this USDA report. OCFO revised USDA travel policy to encourage more cost savings in travel spending. During 2013, USDA reduced travel spending by over \$112 million as compared to the 2010 baseline, a 36 percent savings.

Grants Policy: The following are OCFO's recent accomplishments:

- Worked with OMB to consolidate Circulars with the Council on Financial Assistance Reform; OCFO devoted hundreds of hours to the Circular's development to ensure that the Circular was an improvement government-wide while also advocating for agency-specific issues and concerns;
- Met quarterly with the Debarment & Suspension (D&S) Council and monthly with the D&S Coordinators committee;
- Finalized the D&S Guidance and issued a Department Regulation in January 2013;
- Developed D&S training for grants and procurement officials via USDA's AgLearn online training tool. Over 3,000 USDA employees have taken the training and the number continues to grow;
- Worked with OIG to revise its monthly report of USDA indictments and convictions; the report's current version will provide actionable D&S data to the agencies;
- Obtained the necessary justifications for agencies' not covered transactions, consolidated into one template, and provided to OIG for review and approval;
- Issued the final guidance to the agencies on timely CFDA program additions and updates to ensure agencies updated their programs per OMB's requirements for 2012;
- Coordinated revision of OMB-approved appropriation collection packages with the Office of the Chief Information Officer and USDA's Office of the General Counsel, General Law and Research Division concerning 2013 appropriations and corporate felony conviction and tax delinquency restrictions language;
- Coordinated the development of the Single Audit Compliance Supplement; and
- Issued Prize Policy Departmental Regulation in FY 2013.

Transparency and Accountability Reporting: OCFO is a government leader in grants transparency reporting and developed a reconciliation of the Status of Budgetary Resources and Federal Financial Assistance. OCFO plays a role in developing data reporting accuracy guidance for the Federal government. Outreach and training was conducted for all agencies to ensure that reporting errors were further reduced. OCFO staff worked with OMB to develop the data quality guidance for Federal agencies. OCFO staff developed un-liquidated obligations reports. OCFO implemented a new initiative required by OMB Bulletin 12-1 on foreign assistance reporting. OCFO collaborated with the Department of State and OMB to develop report standardization that will yield immediate benefits. OCFO also designed the reporting process to integrate with existing reporting needs, thus reducing the reporting burden on USDA agencies as well as other Federal agencies.

In 2013, OCFO implemented the financial and performance reporting capabilities for the Department. This included setting up a website to centralize reporting. OCFO worked with the four agencies that received funding and represented the Department at the Sandy Program Management Office.

Recovery Act Implementation: In addition to complying with the Act and OMB guidance, OCFO has:

- Shown quarterly improvement in non-compliant reporting. There were 63 non-complaint reports at the beginning of 2013. That number dropped to 32 by the end of the year;
- Improved error detection;
- Developed additional internal control testing and review procedures to ensure higher data quality;
- Conducted additional department-wide training on guidance as it was issued; and
- Continued outreach with a working group to address sub-award reporting issues and compliance. As a result, one third of all Federal sub award compliance in fiscal year 2013 is attributable to USDA.

OFFICE OF THE CHIEF FINANCIAL OFFICER

Summary of Budget and Performance  
Statement of Goals and Objectives

The Office of the Chief Financial Officer was established in 1995, when the Secretary of Agriculture established it under authority provided in Reorganization Plan Number 2 of 1953 (7 U.S.C. 2201) to comply with the Act of 1990. The activities of OCFO are focused on the Department’s financial and performance management to improve delivery and assurance of contributions to the Secretary’s Strategic Goals.

USDA Strategic Goal: OCFO supports all USDA strategic goals.

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcomes
USDA becomes a leader in financial management through strong leadership, policy and oversight.	<p>The Department and USDA agencies receive clean audits.</p> <p>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>Achieve USDA-wide unqualified audit opinion on financial statement audits.</p> <p>Compliance with A-123, Appendix A testing.</p> <p>No Anti-Deficiency Act (ADA) violations.</p> <p>Compliance with the improper payments reporting requirements.</p> <p>Down-grade existing material weaknesses to significant deficiency status.</p>

Key Performance Measures and Targets:

OCFO gathers financial statements for the annual audits of the USDA consolidated financial statements. OCFO participates in the Department's assessment of internal control structure and compliance with laws and regulations. OCFO monitors agency obligations and expenditures throughout the fiscal year and works with fund holders to help them avoid ADA violations. OCFO issues implementation policy and guidance on the carrying out of the Improper Payments Information Act. OCFO provides technical assistance as the OIG conducts various audits of USDA's Financial Systems.

Performance Measures:

Funds recovered through supplier credit auditing.							
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Units	N/A	N/A	N/A	Est. Baseline	\$100,000	\$500,000	\$1,300,000
Dollars (in thousands)	-	-	-	\$651	\$669	\$726	\$730

OFFICE OF THE CHIEF FINANCIAL OFFICER

Maintain the number of Anti-Deficiency Act Violations to zero.							
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Units	N/A	2	0	0	1	0	0
Dollars (in thousands)	-	\$969	\$913	\$814	\$836	\$908	\$912

Meet OBPA and OMB time frames for submission of data requirements.							
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Units	N/A	N/A	N/A	Est. Baseline	98%	100%	100%
Dollars (in thousands)	-	-	-	\$1,736	\$1,784	\$1,936	\$1,946

Timely production of required Agency Financial and Performance Reports.							
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Units	N/A	N/A	N/A	Est. Baseline	100%	100%	100%
Dollars (in thousands)	-	-	-	\$1,248	\$1,282	\$1,392	\$1,398

Reduction of open audits by making decisions within 6 months for issued audits.							
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Units	N/A	N/A	N/A	Est. Baseline	91%	97%	96%
Dollars (in thousands)	-	-	-	\$977	\$1,004	\$1,089	\$1,094

Selected Past Accomplishments toward Achievement of the Key Outcome:

- OCFO has complied with A-123, Appendix-A testing.

Selected Accomplishments Expected at the 2015 Proposed Resource Level:

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

Strategic Goal Funding Matrix

(Dollars in thousands)

Program/ Program Items	2012 Actual	2013 Actual	2014 Estimate	Inc. or Dec.	2015 Estimate
------------------------	----------------	----------------	------------------	-----------------	------------------

Agency Strategic Goal 1: USDA becomes a leader in financial management through strong leadership, policy and oversight.

Office of the Chief Financial Officer.....	\$5,650	\$5,667	\$6,050	+\$30	\$6,080
Staff Years.....	26	43	40	-	40

OFFICE OF THE CHIEF FINANCIAL OFFICER

Full Cost by Strategic Objective  
(Dollars in thousands)

Agency Strategic Goal 1: USDA becomes a leader in financial management through strong leadership, policy and oversight.

Program/ Program Items	2012 Actual	2013 Actual	2014 Estimate	2015 Estimate
Administrative costs (direct).....	\$3,014	\$4,158	\$5,371	\$5,488
Indirect costs.....	2,412	1,418	679	592
Total Costs.....	5,426	5,576	6,050	6,080
FTEs.....	26	43	40	40
Performance Measures:				
Funds recovered through supplier credit auditing.....	Est. Baseline	\$100,000	\$500,000	\$1,300,000
Maintain the number of Anti-Deficiency Act violations to zero.....	0	1	0	0
Meet OBPA and OMB time frames for submission of data requirements.....	Est. Baseline	98%	100%	100%
Timely production of required Agency Financial and Performance Reports.....	Est. Baseline	100%	100%	100%
Performance Measure:				
Reduction of open audits by making decisions within 6 months for issued audits.....	Est. Baseline	91%	97%	96%