United States Department of Agriculture

Office of Inspector General

USDA's Controls Over Economy Act Transfers and Greenbook Program Charges

50099-0001-23

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USDA's Controls Over Economy Act Transfers and Greenbook Program Charges

Audit Report 50099-0001-23

What Were OIG's Objectives

At the request of a U.S. Senate Subcommittee on Appropriations, we audited USDA's controls over the transfers of appropriated funds under the Economy Act and 7 U.S.C. § 2263, referred to as Greenbook authority, to determine whether they were proper and used in accordance with their purposes.

What OIG Reviewed

We judgmentally selected to review 4 of 28 agencies' Economy Act agreements, totaling $74 of $112 million transferred to USDA management, during FYs 2011 and 2012. We also reviewed 6 of about 30 Greenbook programs that USDA administered during FYs 2010 - 2012.

What OIG Recommends

We recommend that USDA strengthen its system for approving, reviewing, and tracking appropriated fund transfers, by implementing controls and providing guidance and training to agency staff. Finally, USDA needs to review previous transfers, and adjust its accounts to correct the improper ITAN funding.

USDA Improperly Transferred Appropriated Funds for a Greenbook Program and Did Not Ensure its Agencies Properly Supported their Interagency Transfers Under the Economy Act

What OIG Found

The Office of Inspector General (OIG) audited the Department of Agriculture's (USDA) use of fund transfers under the Economy Act and 7 U.S.C. § 2263, referred to as "Greenbook authority." We found that, although Congress reduced funding for USDA's Departmental Administration and Office of Tribal Relations (OTR) for fiscal years (FY) 2011 and 2012, USDA used these authorities, as well as its Working Capital Fund, to fund staff that likely would have been affected by the reductions. As a result, USDA spent at least $3.7 million for salaries and benefits to fund staff that was not directly appropriated to those accounts.

We also found that USDA exceeded its Greenbook authority to pay for the Intertribal Technical Assistance Network (ITAN), since it improperly transferred $2.1 million from agencies that did not have the authority to fund ITAN activities. Finally, for controls over Economy Act transfers, we found that USDA had not provided sufficient direction and oversight to agencies to ensure they properly supported the approximately $100 million in transfers made during FYs 2011 - 2012. Due to lack of support, we question $43 million in transfers, since we were unable to conclude (1) whether the transfers were in the best interest of the Government and (2) how those funds were used.

USDA's Office of the Chief Financial Officer (OFCO) agreed with our findings and we accepted management decision on all 12 recommendations.

United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250

DATE: September 18, 2014

AUDIT NUMBER: 50099-0001-23

TO: Dr. Gregory Parham
Assistant Secretary for Administration

Jon Holladay
Deputy Chief Financial Officer

ATTN: Lenetta Elias
Departmental Management

Kathy Donaldson
Office of the Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: USDA's Controls Over Economy Act Transfers and Greenbook Program Charges

This report presents the results of the subject review. Your written response to the official draft report, dated August 22, 2014, is included in its entirety at the end of the report. Excerpts from your response and the Office of Inspector General's position are incorporated into the relevant sections of the report.

Based on your written response, we accept management decision for all 12 audit recommendations in the report and no further response to us is necessary. In accordance with Departmental Regulation 1720-1, final action on the management decision should be completed within 1 year of the date of the management decisions to preclude being listed in the Department's annual Performance and Accountability Report.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publically available information and will be posted in its entirety to our website (http://www.usda.gov/oig) in the near future.

cc:
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Table of Contents

Background and Objectives 2
Section 1: USDA's Use of Appropriated Funds Transfers 5
Finding 1: USDA Countered Appropriations Shortfalls With Transfers to Maintain Staffing 5
Recommendation 1 8
Recommendation 2 8
Recommendation 3 8
Section 2: USDA Greenbook Programs 10
Finding 2: USDA Improperly Collected Funds From 21 Agencies for a Greenbook Program 10
Recommendation 4 12
Recommendation 5 12
Finding 3: USDA Did Not Have Sufficient Controls Over Greenbook Programs 13
Recommendation 6 15
Recommendation 7 15
Recommendation 8 16
Section 3: USDA's Transfer of Appropriated Funds Under the Economy Act 17
Finding 4: OCFO Needs to Improve Its Oversight and Guidance for Economy Act Agreements 17
Recommendation 9 20
Recommendation 10 20
Recommendation 11 21
Recommendation 12 21
Scope and Methodology 22
Abbreviations 25
Exhibit A: Summary of Monetary Results 26
Exhibit B: List of Departmental Management Agencies 27
Exhibit C: Amounts to be Refunded to Agencies Charged for ITAN in Error 28
Exhibit D: List of Greenbook Programs FYs 2010 through 2012 29
Exhibit E: Economy Act Judgmental Sample Results 30
Agency's Response 31

Background and Objectives

Background

On June 14, 2012, the Chairman and Ranking Member of the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies of the Committee on Appropriations of the U.S. Senate (Senate Subcommittee) requested that the Office of Inspector General (OIG) conduct an audit of the Department of Agriculture's (USDA) use of Economy Act transfers. The Subcommittee was concerned because USDA management had proposed to use its Economy Act authority to transfer approximately $4.6 million from other USDA agencies and offices in order to supplement Departmental Management's fiscal year (FY) 2012 appropriation.[1] As part of this review, the Subcommittee also requested that we evaluate USDA's use of Departmental reimbursable agreements, commonly referred to as Greenbook charges (hereafter referred to as Greenbook programs), that provide for the transfer of funds. Because transfers between appropriations accounts are prohibited generally in the absence of specific legal authority, the Subcommittee was concerned that the transfers were not legally supported or documented.[2]

Congress provides the Department and its agencies funding through appropriation acts. In FY 2011, Congress specifically reduced the appropriation amounts for USDA's Departmental Administration and the Office of Tribal Relations (OTR).[3] Congress made additional reductions in FY 2012 to the appropriations of those two offices. Departmental Administration's appropriation was reduced from $41 million in FY 2010 to $30 million in FY 2011, and then to $24 million in FY 2012. Similarly, OTR's appropriation was reduced by over half, from $1 million in FY 2010 to $499,000 in FY 2011, and then to $448,000 in FY 2012.

USDA has a variety of legal authorities that authorize the transfer of appropriated funds. One such authority is the Economy Act.[4] The Economy Act authorizes Federal agencies and their components to enter into agreements with each other to purchase goods or services, provided that both the requesting and servicing agency adhere to specific criteria. The requesting agency must determine the agreement to be in the best interest of the Government, that the goods or services cannot be obtained as conveniently or economically from a commercial enterprise, and that it has funds available. In addition, the servicing agency or unit responsible for filling the order must be able to provide, or obtain by contract, the ordered goods or services. The legal requirement to document these determinations only applies if the goods or services will be provided by contract with an entity outside the Federal Government.[5] Although documentation is not required for

[1] For the purposes of this report, agencies and offices will hereinafter be referred to as "agency" or "agencies."
[2] 31 United States Code (U.S.C.) § 1532 (prohibiting withdrawing funds from one appropriation account and crediting to another unless authorized by law); Government Accountability Office (GAO), Glossary of Terms, GAO-05-734 (9/05), page 95 (defining transfer as the shifting of budget authority from one appropriations account to another).
[3] Departmental Administration is one of several agencies, including the Office of Advocacy and Outreach (OAO) and the Office of the Chief Information Officer (OCIO), that are collectively called Departmental Management.
[4] 31 U.S.C. § 1535.
[5] 48 Code of Federal Regulations (C.F.R.) 17.503(a).

intergovernmental agreements, the GAO considered it a sound practice and a desirable internal control.[6]

Another transfer authority is USDA's Greenbook (or Shared Cost) authority. USDA uses its Greenbook authority to pool funds by charging the appropriations accounts of its agencies to pay for programs that benefit multiple agencies, provided the agencies charged have the authority to purchase that service on their own.[7] USDA uses this authority to fund programs and to authorize certain Departmental reimbursable agreements. Greenbook programs include Presidential and Secretarial initiatives, as well as other activities and services, such as the Emergency Operations Center and the Intertribal Technical Assistance Network (ITAN).[8]

USDA's Office of the Chief Financial Officer (OCFO) is primarily responsible for the approval and oversight of funding for Greenbook programs. However, in October 2009, USDA reorganized its management structure by moving several agencies, such as OCFO and Departmental Administration, under Departmental Management (see Exhibit B). Within Departmental Management, the Secretary established Management Services under the direction of the Assistant Secretary for Administration (ASA). Management Services took over some budget and fiscal responsibilities from OCFO, which included approval and oversight of Greenbook programs. However, Departmental Management was not separately funded through Congressional appropriations. Effective September 1, 2012, the Secretary dissolved Management Services and moved approval and oversight for Greenbook programs back to OCFO.

USDA has other legal authorities to transfer appropriated funds, including the authority to transfer funds to its Working Capital Fund. The Working Capital Fund may be credited with advances or reimbursements to recover the costs of services provided under centralized management to USDA agencies (subject to the approval of the Director, Office of Management and Budget (OMB)). Those services include, but are not limited to: central supply services (including forms and publications warehousing and distribution), financial and accounting services, and telephone and information technology services.[9] USDA also uses the Working Capital Fund to deposit and retain—without fiscal year limitation—purchase card rebates it receives for purchases made by its agencies. Congress authorized the Secretary to use those purchase card rebates to fund management initiatives of general benefit to USDA, as determined by the Secretary or the Secretary's designee.[10] Improper use of any transfer authority (e.g., Economy Act, Greenbook, Working Capital) could lead to an Antideficiency Act violation.

The Antideficiency Act prohibits Federal entities from making expenditures or obligations in excess of the amounts available in an appropriation.[11] Once it is determined that there has been a violation of the Antideficiency Act, the agency head shall report immediately to the President, Congress, and the Comptroller General all relevant facts and a statement of all actions taken to

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[6] GAO, *Interagency Agreements: Fiscal Year 1988 Agreements of Selected Agencies were Proper*, (GAO/AFMD-88-72, September 1988).
[7] 7 U.S.C. § 2263.
[8] ITAN provides funding for outreach and technical assistance to Native American farmers and ranchers.
[9] 7 U.S.C. § 2235.
[10] 7 U.S.C. § 2235a.
[11] 31 U.S.C. § 1341.

address and correct the Antideficiency Act violation.[12] An agency also should include a request for a supplemental or deficiency appropriation when needed.[13],[14]

In October 2009, GAO reported that USDA needed to improve its accountability over Greenbook programs and related charges.[15] GAO recommended that USDA establish and document control activities for managing the charges for Greenbook programs, and track the benefits of those programs to its agencies. In USDA's response, the Department agreed to implement all recommendations made in the report, and specifically agreed to document its decision-making process for the approval of Greenbook programs.

Objectives

Our audit objectives were to evaluate the adequacy of management controls over the Department's Economy Act transfers, whether such transfers of funds were properly executed, and whether funds were used in accordance with their specified purposes. Secondly, we evaluated the Department's collection and use of funds under Departmentwide reimbursables, commonly referred to as Greenbook charges.

[12] 31 U.S.C, § 1351.
[13] OMB Circular A-11, Preparation, Submission, and Execution of the Budget, § 145.
[14] Federal employees who violate the Antideficiency Act are subject to two types of sanctions: administrative and penal. Employees may be subject to suspension from duty without pay, removal from office, and subject to fines, imprisonment, or both.
[15] GAO, *Internal Control Would Improve Accountability for Certain Centrally Provided (Greenbook) Programs*, (GAO-10-82, October 2009).

Section 1: USDA's Use of Appropriated Funds Transfers

Finding 1: USDA Countered Appropriations Shortfalls With Transfers to Maintain Staffing

Although Congress reduced USDA's appropriations for Departmental Administration and the OTR in FYs 2011 and 2012, USDA used various transfer authorities, including the Economy Act and its Greenbook authority, to fund Departmental Administration and OTR staff that likely would have been affected by the cuts. While most of these transfers were proper, we identified two transfers of $75,000 each, where the Forest Service (FS) inappropriately transferred funds to OTR under the Economy Act. Since FS did not directly receive goods or services from OTR, the transfer did not meet Economy Act requirements. This occurred because the Department had not issued sufficient guidance to agency Chief Financial Officers (CFO) on the specific requirements of the many available transfer authorities. Consequently, we found CFOs were generally unaware of the risks in transferring appropriated funds without first determining the legal requirements for those transfers. USDA used various transfer authorities to pay approximately $3.7 million in salaries and benefits for Departmental Administration and OTR staff. While two of the transfers to pay for OTR staff were improper, under the Economy Act, USDA was able to avoid a violation of the Antideficiency Act because it had other legal authority (Greenbook authority) available to properly support the transfer of $150,000 of FS funds.

The Antideficiency Act prohibits Federal entities from making expenditures or obligations in excess of the amounts available in an appropriation.[16] A transfer of appropriated funds is prohibited unless "authorized by law,"[17] and Congress has enacted several authorities to allow for transfers of appropriated funds between appropriation accounts, some of which include the Economy Act,[18] Working Capital Fund,[19] and the Greenbook authority.[20]

As stated earlier, the Senate Subcommittee requested that we determine whether USDA used its Economy Act transfer authority to supplement its funding. Specifically, the Subcommittee stated that it was aware that Departmental Administration proposed to transfer approximately $4.6 million from other USDA agencies to supplement its FY 2012 appropriations. After performing our review, we determined that USDA planned to use or transfer about $4.9 million to pay for Departmental Administration staff that was no longer funded through direct Congressional appropriation. However, for FY 2012, USDA actually used or transferred over $3.5 million, which was less than it had originally planned. USDA also transferred over $200,000 in FY 2011 to cover shortfalls within OTR. Overall, approximately $3.7 million was transferred during FYs 2011 and 2012.

[16] 31 U.S.C. § 1341. Once it is determined that there has been a violation of the Antideficiency Act, the agency head shall report immediately to the President and Congress all relevant facts and a statement of actions taken to address and correct the violation.
[17] 31 U.S.C. § 1532.
[18] 31 U.S.C. § 1535.
[19] 7 U.S.C. § 2235.
[20] 7 CFR 2263.

Economy Act Agreements

For approximately $900,000 of the $3.7 million, Departmental Administration used the Economy Act authority to allow 16 agencies to transfer funds that paid the salaries and benefits of 9 staff. This included two Economy Act agreements between FS and OTR, by which FS transferred a total of $150,000 in FYs 2011 and 2012 to help pay for the salary of one OTR employee. Under an Economy Act agreement, a requesting agency pays for a good or service from a servicing agency, which provides the good or service. We found that the two agreements with FS did not appear to be valid, as OTR did not provide FS with a good or service.

In order to determine the validity of those two Economy Act agreements, we requested the views of USDA's Office of the General Counsel (OGC). The agreements required FS to fund a portion of the salary and benefits of an OTR employee performing work on a report to the Secretary of Agriculture (Secretary) on Native American sacred sites. OGC viewed the agreement as lacking an acquisition-type arrangement, whereby FS was acquiring the services of OTR, and was therefore inappropriate. Since the OTR employee had already been working for the Secretary on the same report prior to the Economy Act agreement, and nothing changed with regard to the employee's work once FS began paying the employee's salary—FS did not receive an actual good or service.

However, OGC further stated that the arrangement could have been properly structured using USDA's Greenbook authority, instead of the Economy Act.[21] Therefore, according to OGC, the inappropriate use of the Economy Act agreement did not give rise to an inappropriate use of appropriations that could result in an Antideficiency Act violation.

If USDA converts its use of the Economy Act authority to using the Greenbook authority for the FY 2012 agreement, the Department may be required to notify both the Senate and House Appropriations Committees. In USDA's FY 2012 Appropriations Act, Congress stipulated that whenever USDA used its Greenbook authority to increase funds or personnel for any project or activity where funds were denied or restricted, it must notify Congress at least 30 days in advance and receive confirmation of receipt of notice.[22] USDA should seek OGC's opinion on whether it needs to timely notify Congress regarding its use of the Greenbook authority to transfer FY 2012 funds. After interviewing four agency CFOs within the Department, we found they were unaware of the complex nature of transfer authorities because USDA had not issued specific directives or policies regarding the requirements. For example, the FS CFO and staff stated they did not distinguish between fund transfers to the Department under the Economy Act or Working Capital Fund authorities. The FS CFO stated the Department's OCFO never informed the agency it was using the Economy Act incorrectly, so FS continued to handle fund transfers the way it had always done. The CFOs from three other agencies made similar statements regarding OCFO's oversight.[23] While the

[21] In its August 7, 2013, letter to OIG, OGC opined that the Greenbook authority was appropriate for the transfer since it "has no actual cost requirement like the Economy Act."
[22] Consolidated And Further Continuing Appropriations Act, 2012, Public Law 112-55, Section 730 (a), (November 18, 2011).
[23] The Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Animal and Plant Health Inspection Service (APHIS).

ultimate responsibility for the transfers lies with individual agencies, the Department's OCFO is responsible for providing policy guidance and oversight of USDA's agency financial management personnel, activities, and operations.

Both OGC and OCFO officials agreed that transferring funds is a complicated issue and agencies need to be aware of the various requirements associated with different authorities and the risks of failing to use the proper authority to transfer funds. In September 2013, OCFO took prompt action to address our concerns through issuance of a new directive establishing USDA policy for interagency transactions entered into pursuant to the Economy Act.[24] OGC also agreed agency CFOs and procurement staff need to be better trained in the various transfer authorities, and has developed a two-part training program to be completed by appropriate agency staff. We believe the new directive and training will provide USDA agencies with the information needed to reduce the risk of inappropriately transferring funds.

Working Capital Fund and Greenbook Programs

For approximately $2.8 million of the $3.7 million used or transferred between USDA agencies in FYs 2011 and 2012, USDA used its authority under the Working Capital Fund and its Shared Cost (i.e., Greenbook) authority to fund Departmental Administration and OTR staff. The statute establishing a Working Capital Fund in USDA provides the Department the means to finance certain services provided on a centralized basis, the costs of service to USDA agencies to be recovered either by reimbursement or through advances.[25] The Secretary or the Secretary's designee has additional statutory authority to deposit proceeds from purchase card rebate programs to the Working Capital Fund for use, without fiscal year limitation, for "management initiatives of general benefit to USDA bureaus and offices."[26] We determined that USDA had authority to use $2.7 million of its rebate and Working Capital Funds to pay for the salaries and benefits of 24 employees in Departmental Administration and OTR.

We also determined USDA used its Greenbook authority to transfer funds from various USDA agencies to OTR for a Greenbook program called ITAN. USDA used $158,616 of ITAN funds to pay the salaries and benefits of two OTR officials. Various USDA agencies contributed funds to pay for ITAN expenses (for more information on the nature of ITAN charges and transfers, see Finding 2).

Without clear directives and training on the legal authorities under which USDA may transfer funds, there is an increased risk of USDA making additional improper transfers and violating the Antideficiency Act. Therefore, USDA should provide training, guidance, and other measures necessary to ensure the proper use of appropriated funds.

[24] Departmental Regulation 2235-001, Economy Act Agreements, dated September 27, 2013.
[25] 7 U.S.C. § 2235.
[26] 7 U.S.C. § 2235a.

Recommendation 1

Provide guidance and training to all USDA CFOs and appropriate agency staff on the requirements for using the various transfer authorities available to the Department, including the Economy Act, USDA's Greenbook authority, and USDA's Working Capital Fund authority.

Agency Response

In OCFO's response, dated August 22, 2014, officials stated that Departmental Regulation No. 2235-001, *Economy Act Agreements,* was issued on September 27, 2013, establishing Departmental policy for interagency transactions entered into pursuant to the Economy Act, 31 U.S.C. 1535. Departmental Regulation No. 2236-001, *Shared Cost Programs* (SCP), was issued on March 14, 2014, identifying and establishing, where necessary, individuals and organizations responsible for the financial health of and efficient operation of activities supported by SCPs. OCFO will be providing additional training, by December 30, 2014, to USDA CFOs and appropriate agency staff on the various transfer authorities.

OIG Position

We accept management decision for this recommendation.

Recommendation 2

Contact all agency CFOs to determine if they understand the proper use of the Economy Act to transfer funds and implement additional training and guidance as necessary.

Agency Response

In their August 22, 2014 response, OCFO officials stated that on September 27, 2013, they issued Departmental Regulation No. 2235-001, *Economy Act Agreements,* establishing Departmental policy for interagency transactions entered into pursuant to the Economy Act, 31 U.S.C. 1535. OCFO will be providing additional training, by December 30, 2014, to USDA CFOs and appropriate agency staff on the proper use of the Economy Act to transfer funds.

OIG Position

We accept management decision for this recommendation.

Recommendation 3

Obtain OGC's opinion on whether USDA needs to timely notify Congress of its use of the Greenbook authority, rather than the Economy Act, to transfer FY 2012 funds from FS to the OTR to pay $75,000 in salaries and benefits for OTR staff.[27]

[27] The requirement to notify Congress only applied to FY 2012 transfers.

Agency Response

In their August 22, 2014 response, OCFO officials stated that they are working with OGC to address OIG's recommendation about the transfer of FY 2012 funds from FS to the OTR. OCFO will notify OIG, by November 30, 2014, when a determination has been made.

OIG Position

We accept management decision for this recommendation.

Section 2: USDA Greenbook Programs

Finding 2: USDA Improperly Collected Funds From 21 Agencies for a Greenbook Program

USDA's ASA office, through the now-disbanded Management Services (MS) division, exceeded its authority by charging USDA agencies for a Greenbook program called ITAN. For 21 of the 27 agencies that contributed, the transfers were improper, as the agencies did not have the authority to fund ITAN-related activities with their appropriations.[28] This occurred in spite of the fact that OGC provided prior advice to ASA and MS officials that charging the 21 agencies for ITAN may not be permissible. In addition, the ASA's office did not document the decision-making process for funding ITAN. At OIG's request, OGC later issued a legal opinion in FY 2013, finding that only certain agencies had authority to make the transfers to fund ITAN-related activities.[29] As a result, 21 agencies improperly transferred $2.1 million from FY 2010 through FY 2012, and the 6 USDA agencies with authority to fund ITAN-related activities had their appropriations accounts improperly augmented (i.e., increased). This could have resulted in an Antideficiency Act violation; however, USDA avoided a violation because the six agencies in question had sufficient unobligated funds (over $1 billion) for the 3 fiscal years to cover any adjustments needed to properly fund ITAN.[30]

Federal agencies are prohibited from transferring or sharing resources between appropriations accounts, unless otherwise authorized by law. USDA's Greenbook authority authorizes the Department to charge the appropriations accounts of its agencies in order to provide certain central programs that benefit those agencies. However, USDA's Greenbook authority authorizes transfers only if each contributing agency has the authority to purchase those same services on its own. For example, if a Greenbook program would spend funds on grants to entities outside USDA, then each agency contributing to that program must have appropriations available for such grants.

In 2010, USDA created ITAN within OTR as part of the settlement of *Keepseagle v. Vilsack,*[31] a class action civil rights lawsuit alleging USDA discrimination against Native Americans. Through ITAN, USDA provided funding to the Intertribal Agriculture Council, a Congressionally chartered, non-profit organization that provides outreach and technical assistance to Native American farmers and ranchers. The settlement states that "USDA, through efforts of FSA and [OTR], will enhance the service for Native American farmers and ranchers…" in areas such as business skills, leasing requirements, and the development of tribal

[28] During FY 2013, there were a total of 29 USDA agencies, but the Office of the Secretary (OSEC) and the Office of the Executive Secretariat were not charged for Greenbook programs (see Finding 3 for more information). For FYs 2010 and 2011, the Office of Advocacy and Outreach (OAO) and the Office of Homeland Security and Emergency Coordination (OHSEC) did not contribute towards ITAN, as those offices were newly formed in those years and had very few staff for OCFO to bill in a cost-effective manner. Those offices did contribute in FY 2012.
[29] Based on the OGC opinion, OCFO determined that only FS, FSA, National Institute of Food and Agriculture (NIFA), NRCS, OAO, and Rural Development (RD) had the authority to fund ITAN.
[30] While agency officials provided explanations as to why they kept the unobligated balances we did not perform any additional field work to verify the accuracy of the agencies' statements.
[31] *Keepseagle et al. v. Vilsack*, Cal: 99CV03119 (D.D.C.).

agricultural advocates.[32] Our review found that ITAN was an appropriate Greenbook-type program. However, as described below, the method USDA used to fund that program was not appropriate.

In February 2010, an MS budget official contacted OGC, indicating the Department wanted to fund ITAN through a Greenbook assessment on all USDA agencies. In its reply the following day, OGC advised both senior MS and OTR officials that, while OGC was unsure of what specific activities would be carried out under ITAN, OGC doubted that ITAN could be funded by all USDA agencies. OGC stated in an email to MS officials that such an assessment would likely not be permissible. Based on our review of OGC's emails and its written opinion, we determined that, during the summer of 2010, OGC continued to discuss the issue with senior OTR and MS officials. OGC maintained the position that, while the use of the Greenbook authority could be appropriate for certain USDA agencies to fund ITAN's activities, it would not be appropriate to obtain funds from all USDA agencies for that purpose. However, in September 2010, contrary to OGC's advice, USDA approved ITAN as a Greenbook program and funded it by charging 27 USDA agencies.[33]

Senior USDA officials stated that they relied on certain appointed and career-level budget officials to ensure programs such as ITAN were properly funded. Officials from the Office of the Secretary confirmed that this was the previous policy. Thus, we attempted to identify how the ITAN funding decision was made. However, MS did not document the decision process, and most of the senior officials directly involved in the decision have since left the Department. When we spoke with the OCFO and Administration officials who did remain, they stated they did not remember who made the decision.

In light of this situation, we requested OGC provide us with a legal opinion about whether funding ITAN through a Greenbook assessment on USDA agencies was appropriate. OGC's April 4, 2013, response stated that, while the Greenbook authority itself was appropriate for ITAN, only those six agencies that received appropriated funds available for outreach to socially disadvantaged farmers and ranchers could fund the ITAN-related activities. Based on this opinion, we concluded that the agencies that were specifically mentioned in OGC's opinion—FSA, NRCS, and other agencies (as stated in the following paragraph) that engage in such outreach—had their appropriation accounts improperly augmented by the 21 other USDA agencies whose funds were improperly transferred to ITAN.

Since MS was dissolved, OCFO officials are now responsible for administering Greenbook assessments. OCFO officials agreed with OGC's opinion, and determined that six agencies (FS, FSA, NIFA, NRCS, OAO, and RD) had available appropriations to fund ITAN-related activities. In order to correct these errors, USDA will need to adjust these appropriations accounts. This will include returning amounts to the 21 agencies that did not have available appropriations for ITAN and charging additional amounts to those 6 agencies that had available appropriations for ITAN (see Exhibit C). OCFO reported that the 6 agencies in question maintained over $1 billion in unobligated funds for FYs 2010 through 2012 and would be able to make the required adjustments. OCFO decided that the agencies should use their unobligated funds to pay for the $2.1 million in improper ITAN funding, and has initiated the process to return the funds. If

[32] Settlement agreement at 36, dated November 1, 2010, Keepseagle v. Vilsack, Civil Action No. 1:99CV03119 (EGS) (D.D.C.).
[33] Between FY 2010 and FY 2012, USDA collected almost $6 million from 27 different agencies to fund ITAN.

adequate unobligated funds had not been available in the 6 accounts to make the adjustments required, an Antideficiency Act violation would have occurred, as the agencies would have had to obligate appropriations accounts that did not have sufficient funds.

While USDA's Greenbook authority authorizes transfers, USDA should follow OGC's advice and specifically examine whether individual agencies' funds are available for the particular activities ITAN will engage in. We note that OCFO formed a committee to review all FY 2014 Greenbook programs, and it met as recently as March 2014. OCFO also issued a new Departmental regulation in March 2014. The new regulation documented the responsibilities and procedures for administration of Greenbook programs which would include ITAN.[34] OCFO should continue this process and fully document its decision making on ITAN, so that the Department can have assurance that any transfer of funds is proper.

Recommendation 4

For FYs 2010 through 2012, obligate sufficient funds from the 6 agencies that had available appropriations to fund the ITAN-related activities, and return the $2.1 million improperly paid by the 21 agencies that funded ITAN activities.

Agency Response

In OCFO's response, dated August 22, 2014, agency officials stated that they concluded based on OGC's counsel, that only the OAO, FSA, FS, NIFA, NRCS, and RD had the appropriate authority to pay for the ITAN-related activities. OCFO officials also stated that prior to the close of FY 2013 (September 30, 2013), the necessary accounting adjustments were made for FYs 2010 through 2012 to fully charge the 6 permissible agencies and offices, and refunds were processed for the 21 agencies and offices that improperly funded ITAN activities (September 30, 2013).

OIG Position

We accept management decision for this recommendation.

Recommendation 5

Prior to funding future ITAN-related activities, establish a documented process that includes a committee review, with participation from OGC, to determine which agencies have appropriations available to pay for those specific activities or programs and, thus, ensure that transfers of funds are proper and that USDA does not violate the Antideficiency Act.

Agency Response

In their August 22, 2014 response, OCFO officials stated that it has established a process to ensure the transfers from agencies and staff offices are proper and that the Antideficiency Act is not violated. The officials further stated that Departmental Regulation No. 2236-001, *Shared Cost Programs* (SCP), dated March 14, 2014, establishes the SCP Advisory Committee as a high-level, senior management group that provides the ASA and the CFO with advice and

[34] Departmental Regulation 2236-001, *Shared Cost Programs*, dated March 14, 2014.

counsel with regard to management of the SCPs. In addition, one representative from OGC is on the Advisory Committee to review legal issues that may arise.

OIG Position

We accept management decision for this recommendation.

Finding 3: USDA Did Not Have Sufficient Controls Over Greenbook Programs

USDA did not have a documented process to properly establish, fund, or review its approximately 30 Greenbook programs.[35] Instead, senior USDA officials relied upon career-level budget officials to allocate Greenbook charges, based on an unwritten policy. This occurred because USDA did not complete the process of creating and documenting control activities to manage Greenbook programs, as recommended by GAO in 2009.[36] OCFO started this process in FY 2010 when a newly formed committee met to oversee the approval of Greenbook programs and charges. However, neither the process nor the committee was carried forward when USDA reorganized OCFO budget functions and other offices into the newly formed MS.[37] Ultimately, no Greenbook controls were documented or finalized and the committee never met again. As a result, USDA did not determine whether the approximately $98 million in Greenbook program charges made from FY 2010 to FY 2012 were proper (see Finding 2 for an example of improper charges). In addition, we found that, while USDA viewed Greenbook programs as benefiting the Department as a whole and charged all other agencies for these programs, OSEC was not charged for many of the Greenbook programs from FY 2010 through FY 2012.[38]

Under Federal internal control standards, agencies must accurately and timely record transactions and events, and maintain appropriate documentation of their transactions and internal controls.[39] Prior to October 2009, OCFO was responsible for Greenbook programs,[40] and GAO reviewed OCFO's controls over Greenbook programs during this timeframe. In October 2009, GAO issued a report recommending the Department establish and document control activities to manage Greenbook programs. In response, USDA agreed to document the decision-making process, and OCFO issued a memorandum explaining specific expectations on how program managers were to run the various Greenbook programs.[41] However, while OCFO was beginning to implement policies to address GAO's recommendations, a Secretary's memorandum

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[35] In FY 2010 there were 31 Greenbook programs, including Pre-authorized Funding. In FY 2011 there were 28 programs, and in FY 2012 there were 29 programs. Pre-authorized Funding is an umbrella program that funds 8 through 12 Secretarial initiatives. In effect, each initiative has its own activities and is considered a separate program (see Exhibit D).

[36] GAO, *Internal Control Would Improve Accountability for Certain Centrally Provided (Greenbook) Programs*, (GAO-10-82, October 2009).

[37] OCFO officials stated that officials within MS decided not to carry the process forward unless new Greenbook programs were created. However, we could not confirm this information as the decision makers within MS had since retired.

[38] OAO and OHSEC were also not charged for Greenbook programs at certain times during FYs 2010 through 2012, but these agencies ultimately contributed some Greenbook funding based on their Full-time Equivalenty (FTEs).

[39] GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, page 12, November 1999.

[40] 7 U.S.C. § 2263, as amended.

[41] Fiscal Year 2010/2011 Operating Budget, March 16, 2010.

established MS under the ASA's office in FY 2010.[42] This shifted authority over Greenbook programs from OCFO to MS. In September 2012, another Secretary's memorandum dissolved MS and shifted the authority for Greenbook programs back to OCFO. The Department's overall responsibility to ensure the proper use of appropriated funds for Greenbook programs did not change during these shifts.

The Senate Subcommittee subsequently requested that OIG evaluate whether Greenbook program fund transfers were appropriate and conducted in accordance with established regulation and guidance. Our review found that the Department did not use this funding tool appropriately, since it did not properly allocate charges or ensure agencies had legal authority to transfer funds. Senior USDA officials relied on the judgment of an appointed official and other staff to establish, fund, and allocate the approximately $32 million in annual transfers to Greenbook programs.

When MS took authority over Greenbook programs, it did not continue the control activities OCFO had been developing. In addition, MS did not maintain the one control that OCFO had developed—a committee to review and advise on Greenbook funding (hereinafter referred to as the Greenbook committee).[43] In August 2010, the Greenbook committee released recommendations on funding levels and new programs, such as funding ITAN through existing appropriations. However, the recommendations were not binding, and MS chose not to follow several of them.[44] According to OCFO officials, the Greenbook committee did not meet in subsequent years, due to flat funding levels and a lack of new programs. After hearing about our general concerns on Greenbook programs, OCFO agreed to re-implement the Greenbook committee for FY 2014 with input from both the ASA's office and OGC.

We also found that USDA did not document its decisions on allocating Greenbook program charges. USDA budget officials relied on an undocumented policy of charging almost all agencies for Greenbook programs, based on an agency's FTE staff count.[45] Budget officials said they established this method because the majority of Greenbook programs provided an intangible benefit to the Department as a whole and, therefore, they believed that every agency should be charged. However, the Department followed this policy without determining whether each agency had authority to contribute to each program pursuant to USDA's Greenbook authority. This is a critical determination because, as we discussed in Finding 2, OGC determined that 21 agencies were improperly charged to fund the ITAN Greenbook program.[46] We are concerned that the same issue could affect other Greenbook programs in the Department (see Exhibit D for a list of Greenbook programs).[47]

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[42] Management Functions Within Office of the Secretary, June 6, 2009, effective October 1, 2009.
[43] The first Greenbook committee did not include a representative from OGC, which is critical in determining which agencies can properly pay for particular Greenbook programs.
[44] The committee recommended that Virtual University be funded at $500,000 and ITAN at $1 million; however, MS funded those programs at approximately $1.4 million and $2 million, respectively. In addition, the committee recommended that the goals of ITAN would likely be better met by using existing USDA resources currently funded through mission area appropriations; nevertheless, the program continued to be funded through Greenbook.
[45] Although USDA used a handful of other methods to calculate charges to agencies, such as per usage, the vast majority of program funding mechanisms followed the FTE model.
[46] OGC's determination was based on the agencies' appropriation language.
[47] In FY 2012 there were 29 Greenbook programs.

In addition we found that OSEC's FTEs were not included in the total FTE numbers that were used for determining Greenbook funding allocations. OSEC was therefore exempt from Greenbook charges.[48] Since the allocation practice was undocumented, USDA was not able to provide an explanation or justification for exempting OSEC. When we pointed this out to an official in OCFO, he stated that OSEC should have contributed to these Greenbook programs. OCFO took immediate action related to this finding and issued a new Departmental regulation in March 2014.[49] In addition to documenting the responsibilities and procedures for administration of these programs, the new regulation also reestablished the Greenbook committee. The committee met in March 2014 and included Departmental Management, OCFO, and OGC staff to determine whether there is legal support to maintain and fund the Greenbook programs.

These are positive developments, and OCFO can continue this trend by ensuring that it documents the entire funding process and fairly allocates Greenbook program charges. The Department should also review Greenbook funding for FYs 2010 through 2012 to determine if any agency was improperly charged. Implementing sufficient controls over the Greenbook process will decrease the risk of improper charges and of a possible Antideficiency Act violation in the future.

Recommendation 6

Work with OGC to determine whether there is legal support to maintain the remaining Greenbook programs, and to ensure participating agencies and offices have authority to fund those programs.

Agency Response

In OCFO's response, dated August 22, 2014, officials stated that they established a process to confirm the legal support for all SCPs; and that the agencies and offices have the proper authority to fund those programs. The officials also stated that Departmental Regulation No. 2236-001, *Shared Cost Programs,* establishes the SCP Advisory Committee and one representative from OGC is on the committee to opine on the agencies and offices that have the specific authorities to fund the SCPs. The officials further stated that in the opinion of OGC, the FY 2014 SCPs met the requirements of 7 U.S.C. 2263 and the cost distribution methods were acceptable. All corrective actions were completed by May 5, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 7

Determine, in consultation with OGC, whether Greenbook program charges for FY 2010 through FY 2012 were proper, including whether OSEC should have been charged for these programs. If necessary, perform accounting adjustments for agencies and offices that were not charged properly.

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[48] OSEC did make some small payments for "pay per use" Greenbook programs such as document security.
[49] Departmental Regulation 2236-001, *Shared Cost Programs*, dated March 14, 2014.

Agency Response

In their August 22, 2014 response, OCFO officials stated that OGC opined on the FY 2014 SCPs and determined that the SCPs for the FY 2014 program cycle were proper. OCFO officials also stated that these same programs have been in place since at least 2010 and have remained unchanged during this period. Further, they stated that the OGC review included the revised income recovery plan for the ITAN program, it was determined that OSEC should have been charged for these SCPs. In addition, according to OCFO officials, accounting adjustments were performed in September 2013 that charged OSEC for their applicable shares and refunds were given to the applicable agencies and offices.

OIG Position

We accept management decision for this recommendation.

Recommendation 8

Work with Departmental Management and OGC to develop and implement a process to establish, review, and fund USDA's Greenbook programs. This process should include procedures for determining and documenting the benefits provided by each program, obtaining guidance from OGC on which agencies and offices have available appropriations for a proposed program; and fairly allocate program costs.

Agency Response

In their August 22, 2014 response, OCFO officials stated that it had a process to establish, review, and fund USDA's Greenbook programs. Departmental Regulation No. 2236-001, *Shared Cost Programs,* dated March 14, 2014, establishes the SCP Advisory Committee. The SCP Advisory Committee serves as the primary representative body for Under and Assistant Secretaries whose agencies reimburse for programs administered on behalf of the Department and its agencies. The committee provides recommendations to the Assistant Secretary for Administration and the Chief Financial Officer on: the financial management of SCP activities; the management, administration, and oversight of the SCP activities; proposals for new or expanded programs under the SCP; proposals for closing, consolidations, or transfer of existing activities; and SCP policies and procedures. The recommendations made by the SCP Advisory Committee are formally documented via memorandum to the ASA and the CFO. The Secretary, or designee shall, based on the SCP Advisory Committee or other reason thereof, have final authority to approve new or expanded programs, cost recovery methodologies, resource allowances, initial agency cost shares, termination of programs, and changes in funding mechanism for SCPs.

OIG Position

We accept management decision for this recommendation.

Section 3: USDA's Transfer of Appropriated Funds Under the Economy Act

Finding 4: OCFO Needs to Improve Its Oversight and Guidance for Economy Act Agreements

OCFO did not have sufficient oversight of Economy Act agreements, which we estimated to number nearly 600, that transferred agencies' funds to Departmental Management during FYs 2011 and 2012.[50] In addition, OCFO did not require USDA agencies to maintain adequate support for charges incurred, or for determinations that their agreements were in the Government's best interest and provided goods or services cheaper or more conveniently than the private sector. These issues occurred because OCFO did not provide sufficient guidance to USDA agencies on how to properly enter these types of agreements into the Department's financial system. OCFO relied upon each agency's CFO to comply with the requirements of the Economy Act. However, OCFO did so without issuing Departmental guidance on the proper use of those transfers, or on the best practices to follow in maintaining documented support for agreements. As a result, agencies' CFOs did not fully document the over $100 million in interagency agreements, during FYs 2011 and 2012, in the Department's financial accounting system, particularly in identifying what legal authority was used for those transfers. We also question 11 of the 26 Economy Act agreements we reviewed, valued at over $43 million, because the agencies could not support whether they complied with Economy Act requirements (i.e., best interest of the Government) or how those funds were used.

The CFO Act states that a Department's CFO is responsible for providing guidance and oversight for financial management activities and maintaining an integrated accounting system for Federal funds.[51] Federal agencies are prohibited from transferring or sharing resources between appropriations accounts, unless otherwise authorized by law.[52] The Economy Act authorizes the transfer of appropriated funds only if Federal agencies ensure, among other requirements, that (1) the purchase is in the best interest of the Government and (2) the goods or services cannot be provided by contract from a commercial enterprise (i.e., the private sector) as conveniently or cheaply as could be done by the Government.[53] Though the Economy Act does not always require an agency to document these determinations, GAO recommends documenting such information as a sound practice and a desirable internal control.[54] In addition, both OMB and the Department of the Treasury have issued separate guidance requiring requesting agencies (those that transfer funds) and servicing agencies (those that receive funds) to maintain support for all charges, such as invoices and performance documentation.[55]

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[50] This includes OCIO, OAO, Office of the Chief Economist and others.
[51] 31 U.S.C. § 902.
[52] 31 U.S.C. § 1532.
[53] 31 U.S.C. § 1535.
[54] GAO, *Interagency Agreements: Fiscal Year 1988 Agreements of Selected Agencies were Proper*, GAO/AFMD-88-72(1988). See also 48 C.F.R. Subpart 17.5 (Federal Acquisition Regulation), which requires documentation of specific determinations and findings for certain types of Economy Act agreements.
[55] OMB Interagency Acquisitions, June 6, 2008, pp 10, 12, and 16; Department of the Treasury Acquisition Bulletin No. 07-03, May 31, 2007.

To review the Department's use of the Economy Act transfer authority, we sampled 26 Economy Act agreements from 4 USDA agencies; APHIS, FSA, FS, and NRCS.[56] Our review found that 24 of the 26 transfers were proper to the extent that the agreements provided for one USDA agency to obtain goods or services from another USDA agency (see Finding 1 for a discussion of the 2 improper agreements). However, we found that OCFO did not ensure its system properly documented and accounted for the universe of Economy Act agreements that had been signed, and that USDA agencies could justify that an Economy Act transfer was needed and adequately monitored. These issues are discussed below.

Documenting and Accounting for Economy Act Agreements

In September 2012, OCFO provided us with paper copies of about 600 Economy Act agreements that transferred approximately $100 million to Departmental Management during FYs 2011 and 2012.[57] The OCFO official who gave us these documents stated that he could not provide any assurance that this comprised all applicable agreements, as OCFO did not have a central database to document and track Economy Act agreements.

We therefore attempted to confirm the accuracy of OCFO's universe of agreements by requesting that the CFOs for the four agencies in our sample provide us with their own documentation on Economy Act agreements. However, the agencies provided us with a total number of agreements that far exceeded what OCFO had provided. For example, OCFO had evidence of 32 Economy Act agreements with FS, valued at over $19 million for FYs 2011 and 2012. However, FS' CFO had evidence to support 201 Economy Act agreements for over $147 million for the same time period. We found similar discrepancies when we compared the other three agencies' total number of Economy Act agreements to what OCFO had provided.

OCFO officials stated that several of the agencies' Economy Act agreements were actually used to transfer appropriated funds to the Working Capital Fund, but the agencies cited the incorrect transfer authority. While this explanation resolved a majority of the discrepancies, it did not account for the entire difference.[58] We then worked with OCFO and agency officials to try and resolve the remaining discrepancies, but both sides could not agree on the total number of Economy Act agreements for FYs 2011 and 2012.

OCFO officials stated that the financial system was sufficient to identify the universe of Economy Act agreements. OCFO noted that, for any funds to be paid within the Department, the transaction would be recorded in its financial information system. While this is correct, the system did not have a field to show under which funding authority an internal transfer was conducted. The financial system only included a field to designate a transaction as being "reimbursable," but did not specify whether the legal authority for the agreement was the Economy Act, the Working Capital Fund, or the Greenbook authority. We believe this lack of clarity in the system contributed to the OCFO and agencies' difficulty in documenting and accounting for the total number of Economy Act agreements.

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[56] See Scope and Methodology section for sampling methodology.

[57] OIG initially received 744 agreements; however, all duplicates, amendments, and non-USDA agency transfers were removed. That brought the total number of agreements to an estimated 601.

[58] The number of misclassified Working Capital Fund transfers was unknown, as OCFO officials stated their system does not specifically identify the authority being used to make the transfer.

Justification and Monitoring of Economy Act Agreements

Because transfers between appropriation accounts are prohibited unless specifically authorized by law, proper monitoring of Economy Act agreements is critical to maintaining fiscal integrity and preventing violations of appropriations laws. The Economy Act requires that the agency providing funds ensure that the agreement is in the best interest of the Government. In addition, OMB and Treasury guidance require monitoring and maintaining documented support for charges incurred. However, we found that OCFO had neither issued Departmental policies and procedures on the proper use of Economy Act agreements, nor required agencies to adequately support how these funds were used.

The 26 agreements in our sample had an estimated value of over $57 million for FYs 2011 and 2012. When we reviewed the documentation associated with the agreements, we found that, while 3 were fully supported, 23 lacked support for either a determination that it was in the best interest of the Government or for charges incurred. Of these 23, 11 had neither element. As an example, 1 of the 11 agreements involved an $18 million transaction between two agencies for acquiring a software program, database, and consulting services. The requesting agency did not document how the agreement was in the best interest of the Government and less costly or more convenient than what was offered in the private sector. Also, the requesting agency did not have any support (either a receipt or a paid invoice) for the funds used. Because we were unable to review adequate support, we question whether these 11 Economy Act agreements involved the proper transfer of appropriated funds.

While both the requesting and servicing agencies stated that they received the goods or services described in the Economy Act agreements, neither could provide us with adequate support for the claims made against the 11 agreements valued at an estimated $43 million (see Exhibit E). OCFO needs to determine if the agencies can provide adequate support to accept the amounts as allowable or implement appropriate corrective action.

We discussed this issue with the four agencies' CFOs. The agency CFOs stated they have not received any guidance from OCFO regarding justification or monitoring of Economy Act agreements. One CFO incorrectly believed that, once the agency transfers the funds to Departmental Management (as the servicing agency), it does not have to monitor how those funds were used. A USDA OCFO official agreed that the Department had not issued any guidance regarding an agency's use of Economy Act authority, but pointed out that agency CFOs should still be aware of their responsibility to support charges, which is a fundamental element of appropriations law. The official also stated that OCFO saw Economy Act agreements as a low priority and could not provide effective oversight with its current operating budget. OCFO did not prioritize the issue, as it assumed that the agencies would know how to process the agreements properly, since CFOs have used Economy Act agreements for years.

As a proactive measure, OCFO took immediate action on this issue and issued Departmental guidance in September 2013 regarding Economy Act agreements.[59] Also, the staff that develops

[59] Departmental Regulation 2235-001, Economy Act Agreements, dated September 27, 2013.

USDA's financial system has agreed to create a field to designate the authority under which a fund transfer is conducted, in order to facilitate effective tracking. We commend these actions and believe that USDA can do more to ensure its transfer agreements are done properly.

In addition to its new guidance, OCFO also needs to ensure adequate monitoring of the agencies' Economy Act agreements, particularly those that transfer funds to Departmental Management. OCFO also needs to review the 11 agreements we questioned. Finally, as noted in Finding 1, at least two Economy Act agreements used by USDA officials were not proper. USDA agencies need to fully understand the requirements of the Economy Act to prevent an improper transfer of appropriated funds.

Recommendation 9

Work with the 4 agencies to determine whether those agencies' payments for the 11 Economy Act agreements, valued at over $43 million, were used as appropriated, and take appropriate actions to ensure agencies return any unallowable amounts to the requesting agency.

Agency Response

In OCFO's response, dated August 22, 2014, the officials stated that they would work with the four agencies, APHIS, FSA, FS, and NRCS, to review these agreements and also work with them to take necessary corrective actions by December 30, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 10

Implement a control mechanism for tracking all interagency agreements that transfer appropriated funds to USDA's Departmental Management, including identifying the legal authority for the agreement (i.e., the Economy Act, USDA's Greenbook authority, the Working Capital Fund authority).

Agency Response

In their response, dated August 22, 2014, OCFO officials stated that agencies have already been provided Departmental Regulation No. 2235-001, *Economy Act Agreements*, on the preparation of the Economy Act agreements and the use of that authority. The officials also stated that OCFO is working to build an online system to track interagency agreements, including the identification of the legal authority for the agreement. This corrective active action will be implemented by February 28, 2015.[60]

OIG Position

We accept management decision for this recommendation.

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[60] In a subsequent correspondence dated September 3, 2014, OCFO officials clarified that this system would be a function that would be added to the Department's current financial management system.

Recommendation 11

Implement policies and procedures to ensure adequate monitoring of Economy Act agreements, particularly those that transfer appropriated funds to Departmental Management.

Agency Response

In their August 22, 2014 response, OCFO officials stated that on September 27, 2013, OCFO issued Departmental Regulation No. 2235-001, *Economy Act Agreements,* establishing Departmental policy for interagency transactions entered into pursuant to the Economy Act, 31 U.S.C. 1535.

OIG Position

We accept management decision for this recommendation.

Recommendation 12

Provide training to agency CFOs to ensure they are aware of the new Department directive and the roles and responsibilities (e.g., maintaining adequate support) of requesting and servicing agencies when entering into Economy Act agreements.

Agency Response

In their August 22, 2014 response, OCFO officials stated that they issued the Departmental Regulation No. 2235-001, *Economy Act Agreements,* on September 27, 2013 and have provided this information to all agencies and offices. The officials also stated that by December 30, 2014, it will work with each agency and office to make sure they are fully knowledgeable of this Departmental regulation. The agency officials further stated that the onboarding process for new agency CFOs will include a review of the roles and responsibilities required by this regulation.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

Our audit evaluated the Department's controls over the collection and use of transferred funds made under its Greenbook authority and the interagency transfers authorized under the Economy Act. We also assessed the appropriateness of the Department's transfers utilizing the Working Capital Fund to pay for staff in FY 2012. We performed our audit work at USDA headquarters in Washington, D.C., reviewing Departmental Management, OCFO, OSEC, FSA, NRCS, and FS. We also performed audit work at APHIS' headquarters in Riverdale, Maryland; and FS headquarters in Rosslyn, Virginia.[61] We performed our fieldwork from October 2012 through January 2014. The scope of our audit was the Department's activities involving its use of the Economy Act and Greenbook authorities in FY 2011 through FY 2012. However, based on the results of our fieldwork, we expanded our review to include the Department's FY 2010 and FY 2013 activities related to its Greenbook authority.

From the approximately 30 Greenbook programs run by the Department, we selected a judgmental sample of 6 programs that included ITAN, Virtual University, and 4 initiatives listed under a program called Pre-authorized Funding.[62] These six programs represented about $13.6 million (21 percent) of the total Greenbook charges of $65.9 million transferred to the Department for FYs 2011 and 2012, combined. The Department requested transfers from almost all of its 29 agencies (consisting of 15 agencies and 14 staff offices).[63] We selected two of the Greenbook programs, ITAN and Virtual University, to review because they were approved after USDA was to implement the additional controls GAO recommended in its 2009 report. We selected four Secretarial initiatives because they comprised over 90 percent of the total program charges listed under a single Greenbook program called Pre-authorized Funding.[64]

During FYs 2011 and 2012, about 28 USDA agencies signed an estimated 601 Economy Act agreements to transfer about $112 million in appropriated funds to Departmental Management.[65] We judgmentally selected four agencies (FSA, FS, NRCS, and APHIS) to review, since those agencies' agreements—totaling $74 million—made up over half of all funds transferred during those 2 years. We selected 24 of those agencies' 122 Economy Act agreements, based on several factors such as large dollar amounts, lack of signatures on the agreements, agreements that did not specify legal authority, and agreements related to other Economy Act agreements. Based on documentation we reviewed at one agency, we selected two additional Economy Act agreements between OTR and FS, since we determined that these were likely used to counter an appropriation shortfall for OTR, and did not reimburse FS for a good or service. In total, we reviewed 26 Economy Act agreements, totaling approximately $57 million.

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[61] The FS headquarters moved during our audit and is currently located in the District of Columbia.

[62] There are technically 21 Greenbook programs including Pre-authorized Funding. However, we did not consider Pre-authorized Funding to be a Greenbook program because it did not incur any costs that needed to be reimbursed. Since Pre-authorized Funding was comprised of 8-12 different initiatives, which some agencies may or may not have the legal authority to fund, we decided it would be appropriate to count each Secretarial initiative as a separate Greenbook program. This brings the total number of Greenbook programs to 28-31, depending on the year.

[63] The newly formed OAO and OHSEC were not charged in FY 2011; however, they were charged in FY 2012.

[64] This included the USDA Cultural Transformation, USDA Administrative Solutions Project, USDA Emergency Coordinator, and USDA Protective Security Detail.

[65] This total does not include one USDA agency. USDA's National Appeals Division did not sign any agreements with Departmental Management during FYs 2011 and 2012.

We note that within the universe of Economy Act agreements, funds were transferred to the Working Capital Fund. Some of those transfers incorrectly cited the Economy Act authority. While we verified that those transfers were to the Working Capital Fund, we did not perform any test of controls over the appropriateness or validity of those transfers.

We did not rely upon an Information Technology (IT) system for the universe or the sample of Economy Act agreements, although we did rely on IT systems for the Greenbook portion of our audit. The IT systems we did rely upon—the National Finance Center (NFC) Web APPS system, NFC's payroll programs, and the Financial Management Modernization Initiative (FMMI)—were tested in prior audits.[66] We did not perform any additional testing to evaluate those IT systems and make no representation as to the adequacy of the agencies' IT systems or reports.

To accomplish our audit objectives we:

- Reviewed applicable laws (including appropriations law), Federal regulations, and OMB guidance, policies, and procedures pertaining to the internal controls and processes governing Greenbook and Economy Act transfers.

- Evaluated the Department's oversight procedures for agencies that made transfers authorized by the Economy Act to Departmental Management.

- Interviewed USDA Departmental Management and OCFO officials regarding agency transfers of appropriated funds for Greenbook program charges and Economy Act agreements.

- Interviewed FS, NRCS, FSA, and APHIS procurement and financial staff on their process for initiating and monitoring Economy Act agreements with Departmental Management for the purchase of goods or services.

- Reviewed the Department's corrective action taken on a prior GAO report related to Greenbook program charges.[67]

- Requested and reviewed OGC's legal opinions regarding the propriety of USDA's funding of ITAN pursuant to 7 U.S.C. §2263 as a Greenbook program, and the validity of FS and OTR Economy Act agreements signed in FYs 2011 and 2012.

- Interviewed USDA Departmental Management officials to determine how they verified that the agencies charged for Greenbook programs received some type of benefit.

- Evaluated Departmental Management's controls to ensure Greenbook program charges met requirements listed in the authority.

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[66] Audit Report 11401-0004-11, (September 2012) *Statement on Standards for Attestation Engagements, No. 16 Examination for the Department of Agriculture's National Finance Center*, and Audit Report 50401-0003-11, (November 2012) *USDA Consolidated Financial Statements for Fiscal Years 2012, and 2011*.
[67] GAO, *Internal Control Would Improve Accountability for Certain Centrally Provided (Greenbook) Programs* (GAO-10-82, October 2009).

- Analyzed the Department's calculations of agency cost shares for Greenbook programs to determine whether charges were necessary, allocated fairly, and adequately documented.

- Interviewed OCFO staff and reviewed its documentation about staff reassigned due to appropriation reductions enacted in FY 2011 and FY 2012.

- Interviewed USDA OCFO officials responsible for the Working Capital Fund to determine whether USDA properly transferred funds in and out of the Working Capital Fund in accordance with statutory requirements.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

APHIS .....Animal and Plant Health Inspection Service
ASA.....Assistant Secretary for Administration
CFO.....Chief Financial Officer
CFR.....Code of Federal Regulations
DA.....Departmental Administration
FMMI.....Financial Management Modernization Initiative
FS .....Forest Service
FSA .....Farm Service Agency
FTE .....Full-time Equivalent
FY .....Fiscal Year
GAO.....Government Accountability Office
IT.....Information Technology
ITAN.....Intertribal Technical Assistance Network
MS.....Management Services
NFC.....National Finance Center
NIFA .....National Institute of Food and Agriculture
NRCS .....Natural Resources Conservation Service
OALJ.....Office of the Administrative Law Judge
OJO .....Office of the Judicial Officer
OAO.....Office of Advocacy and Outreach
OCFO.....Office of the Chief Financial Officer
OCIO.....Office of the Chief Information Officer
OES .....Office of the Executive Secretariat
OGC .....Office of the General Counsel
OHSEC .....Office of Homeland Security and Emergency Coordination
OIG .....Office of Inspector General
OMB .....Office of Management and Budget
OO.....Office of Operations
OPPM.....Office of Procurement and Property Management
OSDBU .....Office of Small and Disadvantaged Business Utilization
OSEC .....Office of the Secretary
OTR.....Office of Tribal Relations
RD.....Rural Development
SCP .....Shared Cost Programs
U.S.C.....United States Code
USDA.....United States Department of Agriculture

Exhibit A: Summary of Monetary Results

The table below identifies the finding number, recommendation number, description of error and related dollar amount, and OIG's management tracking classification associated with the monetary results from the report's findings.

Finding	Recommendation	Description	Amount	Category
2	4	Twenty-one Agencies Improperly Funded ITAN Activities	$2,136,279	Underpayments and Over-collections
4	9	Unsupported Economy Act Agreements	$43,516,842	Unsupported Costs/Loans, Recovery Recommended
Total			$45,653,121	

Exhibit B: List of Departmental Management Agencies

The table below lists all 12 USDA offices that are included under Departmental Management.

	Agency Name	Acronym
1	Departmental Administration	DA
2	Office of the Administrative Law Judge	OALJ
3	Office of Advocacy and Outreach	OAO
4	Office of the Chief Financial Officer[68]	OCFO
5	Office of the Chief Information Officer	OCIO
6	Office of the Executive Secretariat	OES
7	Office of Homeland Security & Emergency Coordination	OHSEC
8	Office of Human Resource Management	OHRM
9	Office of the Judicial Officer	OJO
10	Office of Operations	OO
11	Office of Procurement and Property Management	OPPM
12	Office of Small and Disadvantaged Business Utilization	OSDBU

[68] As of July 11, 2013, OCFO is no longer part of Departmental Management and reports directly to the Secretary of Agriculture.

Exhibit C: Amounts to be Refunded to Agencies Charged for ITAN in Error

The table below lists the 21 USDA agencies and offices and the amounts that should be refunded because they were charged for ITAN in error.

	Agency Name	Amount to be Refunded[69]
1	Agricultural Marketing Service	$163,080
2	Agricultural Research Service	$465,651
3	Risk Management Agency	$31,372
4	Foreign Agricultural Service	$56,031
5	Office of Communications	$5,388
6	Office of the General Counsel	$17,724
7	Economic Research Service	$22,238
8	National Agricultural Statistics Service	$64,415
9	Office of Inspector General	$33,440
10	Food and Nutrition Service	$75,916
11	Animal and Plant Health Inspection Service	$438,619
12	Grain Inspection, Packers and Stockyards Administration	$38,279
13	Food Safety and Inspection Service	$539,983
14	Office of the Chief Economist	$3,248
15	Office of Budget and Program Analysis	$3,231
16	Office of the Chief Financial Officer	$76,813
17	Departmental Administration	$29,140
18	Office of Civil Rights	$7,407
19	Office of Homeland Security and Emergency Coordination	$485
20	Office of the Chief Information Officer	$58,189
21	National Appeals Division	$5,630
	Total	$2,136,279

[69] The refunds will be paid by the six agencies that had authority to fund ITAN-related activities. Those six agencies and their unobligated balances were as follows: OAO $332,957; FSA $85,502,174; FS $169,546,821; NIFA $83,124,978; NRCS $870,679,050; and RD $133,933,890.

Exhibit D: List of Greenbook Programs FYs 2010 through 2012

The table below lists USDA's active Greenbook programs for FY 2010, FY 2011, and FY 2012.

Greenbook Program	2010	2011	2012
1890s USDA Initiatives	X	X	X
Advisory Committee Liaison Services	X	X	X
Continuity of Operations Planning	X	X	X
E-GOV Initiatives HSPD-12	X	X	X
E-GOV Initiatives Content Management	X		
Emergency Operations Center	X	X	X
Facility and Infrastructure Review and Assessment		X	X
Faith-Based Initiatives and Neighborhood Partnerships	X	X	X
Federal Biobased Products Preferred Procurement Program	X	X	X
Hispanic-Serving Institutions National Program	X	X	X
Honor Awards	X	X	X
Human Resources Transformation (includes Diversity Council)	X	X	X
Intertribal Technical Assistance Network (ITAN)	X	X	X
Medical Services		X	X
Personnel and Document Security	X	X	X
Radiation Safety	X		
Retirement Processor/Web Application	X	X	X
Sign Language Interpreter Services	X	X	X
TARGET Center	X	X	X
USDA 1994 Program	X	X	X
Virtual University		X	X
Visitor Information Center	X	X	X
Pre-authorized Funding (Initiatives)			
Congressional Travel	X	X	X
Executive Coaching Initiative	X		
Executive Office of the President	X	X	X
FEMA Digital Asset Management			X
Lean Six Sigma Training	X		
Office of Civil Rights Contract Funding	X		
Office of the Secretary USDA Management Retreat		X	
Peoples Garden	X		
Radiation Coordinator	X		
USDA 150 Anniversary		X	X
USDA Administrative Solutions Project		X	X
USDA Cultural Transformation	X	X	X
USDA Emergency Coordinator	X	X	X
USDA Protective Security Detail	X	X	X
USDA Rural Summit	X		
USDA Veterans Program and Training Provost Start-up	X		
White House Details			X
Total Programs	**31**	**28**	**29**

Exhibit E: Economy Act Judgmental Sample Results

The table below lists the 26 agreements we reviewed and whether the agencies determined that the agreements were in the best interest of the Government and monitored how the funds were used. The table also shows any unsupported costs.

Agreement Number	Best Interest For Government Not Documented	Did Not Monitor How Funds Were Used	Agreement Did Not Document Best Interest and Monitor Funds	Unsupported Costs (in Thousands)[70]
1			X	$1,149
2	X			
3			X	$4
4				
5		X		
6		X		
7			X	$2,560
8			X	$2,255
9			X	$2,255
10			X	$5,743
11				
12		X		
13	X			
14	X			
15			X	$2,652
16			X	$2,652
17		X		
18		X		
19		X		
20				
21		X		
22	X			
23			X	$3,026
24	X			
25			X	$3,026
26			X	$18,197
Total Dollar amount				$43,517

[70] The unsupported costs in this column relate to the 11 agreements without adequate support to show that the agreements were in the best interest of the Government or that the agencies monitored how the funds were used. The amount shown as unsupported does not equal the total dollar amount due to rounding.

USDA'S OFFICE OF THE CHIEF FINANCIAL OFFICER'S RESPONSE TO AUDIT REPORT

United States Department of Agriculture

Office of the Chief Financial Officer

1400 Independence Avenue, SW

Washington, DC 20250

August 22, 2014

TO: Gil H. Harden
Assistant Inspector General for Audit
Office of Inspector General

FROM: Jon M. Holladay -s- John G. Brewer
Deputy Chief Financial Officer FOR

SUBJECT: Management Response to *USDA's Controls Over Economy Act Transfers and Greenbook Program Charges*, Audit No. 50099-0001-23

This responds to your request for management's response to the audit recommendations in the Draft Audit Report No. 50099-0001-23. The management response is attached.

If you have any questions or need additional information, please contact our office at (202) 720-5539 or have a member of your staff contact Kathy Donaldson at (202) 720-1893.

Attachment

Recommendation 1

Provide guidance and training to all Department of Agriculture (USDA) Chief Financial Officers (CFOs) and appropriate agency staff on the requirements for using the various transfer authorities available to the Department, including the Economy Act, USDA's Greenbook authority, and USDA's Working Capital Fund authority.

Management Response: On September 27, 2013, the Office of the Chief Financial Officer (OCFO) issued Departmental Regulation No. 2235-001, *Economy Act Agreements*, establishing Departmental policy for interagency transactions entered into pursuant to the Economy Act, 31 U.S.C. 1535. Departmental Regulation No. 2236-001, *Shared Cost Programs* (SCP), was issued on March 14, 2014, identifying and establishing, where necessary, individuals and organizations responsible for the financial health of and efficient operation of activities supported by SCPs. OCFO will be providing additional training to USDA CFOs and appropriate agency staff on the various transfer authorities.

Date Corrective Action will be Completed: December 30, 2014

Responsible Organization: Associate CFO, Financial Policy and Planning (FPP)

Recommendation 2

Contact all agency CFOs to determine if they understand the proper use of Economy Act to transfer funds and implement additional training and guidance as necessary.

Management Response: On September 27, 2013, OCFO issued Departmental Regulation No. 2235-001, *Economy Act Agreements*, establishing Departmental policy for interagency transactions entered into pursuant to the Economy Act, 31 U.S.C. 1535. OCFO will be providing additional training to USDA CFOs and appropriate agency staff on the proper use of the Economy Act to transfer funds.

Date Corrective Action will be Completed: December 30, 2014

Responsible Organization: FPP, OCFO

Recommendation 3

Obtain Office of the General Counsel's (OGC) opinion on whether USDA needs to timely notify Congress of its use of the Greenbook authority, rather than the Economy Act, to transfer FY 2012 funds from FS to OTR to pay $75,000 in salaries and benefits for OTR staff.

Management Response: We are working with the Office of the General Counsel to address OIG's recommendation about the transfer of FY 2012 funds from Forest Service to the Office of Tribal Relations. We will notify OIG when a determination has been made.

Date Corrective Action Will Be Completed: November 30, 2014.

Responsible Organization: FPP, OCFO

Recommendation 4

For fiscal years (FY) 2010 through 2012, obligate sufficient funds from the six agencies that had available appropriations to fund the ITAN related activities, and return the $2.1 million improperly paid by the 21 agencies that funded ITAN activities.

Management Response: OCFO concluded, based on OGC's counsel, that only the Office of Advocacy and Outreach, Farm Service Agency, Forest Service, National Institute of Food and Agriculture, Natural Resources Conservation Service, and Rural Development had the appropriate authority to pay for the ITAN related activities. The necessary accounting adjustments were made for FY 2010 through 2012 to fully charge the six permissible agencies and offices and refunds were processed for the 21 agencies and offices that improperly funded ITAN activities prior to the close of FY 2013.

Date Corrective Action was Completed: September 30, 2013

Responsible Organization: FPP, OCFO

Recommendation 5

Prior to funding future ITAN-related activities, establish a documented process that includes a committee review, with participation from OGC, to determine which agencies have appropriations available to pay for those specific activities or programs and, thus, ensure that transfers of funds are proper and that USDA does not violate the Antideficiency Act.

Management Response: OCFO has established a process to ensure the transfers from agencies and staff office are proper and that the Antideficiency Act is not violated. Departmental Regulation No. 2236-001, *Shared Cost Programs* (SCP), establishes the Shared Cost Program Advisory Committee as a high-level, senior management group established to provide the Assistant Secretary for Administration and the Chief Financial Officer with advice and counsel with regard to management of the SCPs. On the Advisory Committee is one representative from OGC to review legal issues that may arise.

Date Corrective Action was Completed: March 14, 2014

Responsible Organization: FPP, OCFO

Recommendation 6

Work with OGC to determine whether there is legal support to maintain the remaining Greenbook programs, and to ensure participating agencies and offices have authority to fund those programs.

Management Response: OCFO has established a process to confirm the legal support for all SCP; and the agencies and offices have the proper authority to fund those programs. Departmental Regulation No. 2236-001, *Shared Cost Programs*, establishes the Shared Cost Program Advisory Committee. On the Advisory Committee is one representative from OGC to opine on which agencies and offices having the specific authorities to fund the SCPs. OGC opined on the FY 2014 SCPs through a memorandum to the Deputy Chief Financial Officer dated May 5, 2014, determining these SCPs all met the requirements of 7 U.S.C. 2263 and that the cost distribution methods were acceptable.

Date Corrective Action was Completed: May 5, 2014

Responsible Organization: FPP, OCFO

Recommendation 7

Determine, in consultation with OGC, whether Greenbook program charges for FY 2010 through FY 2012 were proper, including whether the Office of the Secretary (OSEC) should have been charged for these programs. If necessary, perform accounting adjustments for agencies and offices that were not charged properly.

Management Response: As noted above, OGC opined on the FY 2014 Shared Cost programs and determined that the SCPs for the FY 2014 program cycle were proper. Departmental Regulation No. 2236-001, *Shared Cost Programs*, establishes the Shared Cost Program Advisory Committee. These same programs have been in place since at

least 2010 and have remained unchanged during this period. The review by OGC included the revised income recovery plan for the ITAN program. It was determined that OSEC should have been charged for these programs. Accounting adjustments were performed in September 2013 that charged OSEC for their applicable shares and refunds were given to the agencies and offices.

Date Corrective Action was Completed: September 30, 2013

Responsible Organization: FPP, OCFO

Recommendation 8

Work with Departmental Management and OGC to develop and implement a process to establish, review, and fund USDA's Greenbook programs. This process should include procedures for determining and documenting the benefits provided by each program; obtaining guidance from OGC on which agencies and offices have available appropriations for a proposed program; and to fairly allocate program costs.

Management Response: OCFO has established a process to establish, review, and fund USDA's Greenbook programs. Departmental Regulation No. 2236-001, *Shared Cost Programs*, establishes the Shared Cost Program Advisory Committee. The SCP Advisory Committee serves as the primary representative body for Departmental Under and Assistant Secretaries whose agencies reimburse for programs administered on behalf of the Department and its agencies. The SCP provides recommendations to the Assistant Secretary for Administration and the Chief Financial Officer on:

- the financial management of SCP activities, including resource estimates, cost recovery methodologies, and reimbursements;
- the management, administration, and oversight of the SCP activities;
- proposals for new or expanded programs under the SCP;
- proposals for closing, consolidations, or transfer of existing activities; and
- SCP policies and procedures.

Recommendations made by the SCP Advisory Committee are formally documented via memorandum to the Assistant Secretary for Administration and the Chief Financial Officer. The Secretary, or designee shall, based on the SCP Advisory Committee or other reason thereof, have final authority to approve new or expanded programs, cost recovery methodologies, resource allowances, initial agency cost shares, termination of programs, and changes in funding mechanism for SCPs.

Date Corrective Action was Completed: March 14, 2014

Responsible Organization: FPP, OCFO

Recommendation 9

Work with the four agencies to determine how those agencies payments for the 11 Economy Act agreements, valued at over $43 million, were used and take appropriate actions to ensure agencies return any unallowable amounts to the requesting agency.

Management Response: OCFO will work with the four agencies, Animal and Plant Health Inspection Service (APHIS), Farm Service Agency (FSA), Forest Service (FS), and Natural Resources Conservation Service (NRCS), to review these agreements and work with them to take necessary corrective actions.

Date Corrective Action will be Completed: December 30, 2014

Responsible Organization: FPP, OCFO, APHIS, FSA, FS, and NRCS

Recommendation 10

Implement a control mechanism for tracking all interagency agreements that transfer appropriated funds to USDA's Departmental Management, including identifying the legal authority for the agreement (i.e. the Economy Act, USDA's Greenbook authority, the Working Capital Fund authority).
Management Response: Agencies have already been provided the guidance on the preparation of the Economy Act agreements and the use of that authority covered in the Departmental Regulation No. 2235-001, *Economy Act Agreements*. OCFO is working to build an online system for tracking interagency agreements.

Date Corrective Action will be Completed: February 28, 2015

Responsible Organization: Associate CFO, Financial Systems, OCFO

Recommendation 11

Implement policies and procedures to ensure adequate monitoring of Economy Act agreements, particularly those that transfer appropriated funds to Departmental Management.

Management Response: On September 27, 2013, OCFO issued Departmental Regulation No. 2235-001, *Economy Act Agreements*, establishing Departmental policy for interagency transactions entered into pursuant to the Economy Act, 31 U.S.C. 1535.

Date Corrective Action was Completed: September 27, 2013

Responsible Organization: FPP, OCFO

Recommendation 12

Provide training to agency CFOs to ensure they are aware of the new Department directive and the roles and responsibilities (e.g. maintaining adequate support) of requesting and servicing agencies when entering into Economy Act agreements.

Management Response: OCFO issued the Departmental Regulation No. 2235-001, *Economy Act Agreements*, on September 27, 2013 and has provided this information to all agencies and offices. OCFO is working with each agency and office to make sure they are fully knowledgeable of this Departmental Regulation. The onboarding process for new agency CFOs will include a review of the roles and responsibilities required by this regulation.

Date Corrective Action will be Completed: December 30, 2014

Responsible Organization: FPP and USDA CFOs

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