United States Department of Agriculture

Office of Inspector General

USDA StrikeForce Initiative

91099-0002-21

September 2014

USDA StrikeForce Initiative

Audit Report 91099-0002-21

What Were OIG's Objectives

The objectives of the audit were to verify that USDA agencies properly transferred funds to OAO for use in the StrikeForce Initiative pilot program and that CBOs used the funds in accordance with Federal requirements and rules.

What OIG Reviewed

We reviewed the almost $2.7 million in funding transferred for the StrikeForce Initiative pilot program, including evaluating the reimbursable agreement process used to collect the funding, reviewing all of the reimbursable agreements issued, and evaluating the award process.

What OIG Recommends

OIG recommended that OAO review the CBOs to determine if they carried out the program's goals, improve how the office monitors CBOs, strengthen controls over how the Department transfers funds between programs, and correct the deficiencies we noted in grant funds distributed to CBOs.

OIG reviewed how OAO implemented the StrikeForce Initiative pilot program, which was intended to help farmers in poverty-stricken and predominantly minority areas gain access to USDA programs.

What OIG Found

Based on our review, the Office of Inspector General (OIG) found that the Office of Advocacy and Outreach (OAO) did not effectively implement the StrikeForce Initiative pilot program to ensure that the program's goals were met. Instead, OAO bypassed Federal regulations and hand-picked four community-based organizations (CBO). The CBOs generally had questionable qualifications to adequately achieve the goals of the initiative.

OIG also found problems with how the Office of Small Disadvantaged Business Utilization and other USDA agencies transferred almost $2.7 million to OAO to fund the StrikeForce Initiative pilot program—$300,000 of these funds were not properly approved for the program. Ultimately, OAO did not fully ensure that the transferred funds met the specific purpose for which they were originally appropriated, or that they were used in the best interest of the Federal Government.

Additionally, OIG found that OAO did not properly authorize the additional disbursement of $784,152 in StrikeForce funding to two CBOs. OAO originally approved cooperative agreements totaling $600,000 for these two CBOs, but did not issue new agreements for the additional $784,152.

Finally, two CBOs had approximately $303,000 in funds from the StrikeForce Initiative pilot program that were unused after the expiration date listed on the cooperative agreements. OAO officials were unaware that these funds were unspent and needed to be returned to USDA. OAO generally agreed with our 13 recommendations.

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

DATE: September 25, 2014

AUDIT NUMBER: 91099-0002-21

TO: Gregory L. Parham
Assistant Secretary for Administration

Carolyn Parker
Director
Office of Advocacy and Outreach

ATTN: Lennetta Elias
Audit Liaison Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: USDA StrikeForce Initiative

Attached is a copy of the final report on the subject audit. Your written response to the official draft, dated September 5, 2014, is attached, with excerpts from your response and the Office of Inspector General's position incorporated into the relevant Finding and Recommendation sections of the report.

Based on the agency's written response to the official draft report, we are able to accept management decisions on Recommendations 3, 5, 6, 7, 8, 9, 10, 11, and 12. We are unable to accept management decisions on Recommendations 1, 2, 4, and 13. The documentation or action needed to reach management decision for these recommendations are described under the relevant OIG Position sections.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

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.

Attachment

cc: (w/attachment)
Director, Fiscal Policy Division, OCFO

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Background and Objectives

Background

The Office of Advocacy and Outreach (OAO), an office within Departmental Management (DM) of the United States Department of Agriculture (USDA), was established by the *Food, Conservation, and Energy Act of 2008* to improve access to USDA programs and to improve the viability and profitability of small farms and ranches, beginning farmers and ranchers, and socially disadvantaged farmers and ranchers.[1]

In September 2010, the Secretary of Agriculture established an initiative through OAO entitled "StrikeForce" (StrikeForce Initiative). The StrikeForce Initiative was established to assist agricultural producers and communities in poverty-stricken and predominantly minority areas to gain access to USDA programs.[2] USDA used community-based organizations (CBO)[3] to pilot the StrikeForce Initiative (referred to as the StrikeForce Initiative pilot program) and perform outreach activities in Arkansas, Georgia, and Mississippi. USDA DM officials stated that the CBOs had more credibility in those States than local USDA agency officials.[4]

A total of 13 USDA agencies, as well as the People's Garden Initiative,[5] transferred almost $2.7 million through reimbursable agreements to fund the StrikeForce Initiative pilot program. The interagency transfers were made using USDA's financial management system—Financial Management Modernization Initiative (FMMI). OAO provided the reimbursable agreements to DM's Financial Management Division (FMD), which obligated and transferred the funds within FMMI.[6]

Federal regulations require that awarding agencies (e.g., OAO) enter into grants and cooperative agreements with outside entities only after competition.[7,8] The regulations further state that the awarding/approving official may make a determination in writing that competition is not deemed appropriate; however, this is limited to situations where it can be adequately justified that a non-competitive award is necessary and is in the best interest of the Federal Government.

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[1] The term "socially disadvantaged" is defined in Section 2501 of the *Food, Agriculture, Conservation, and Trade Act of 1990* as a group whose members have been subjected to racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities.
[2] For purposes of this initiative, high-poverty counties are those identified by the U.S. Census Bureau with poverty rates of 20 percent or more.
[3] CBOs are public or private nonprofit organizations that provide educational or related services to individuals in a community.
[4] These DM officials did not provide support for this statement.
[5] The People's Garden Initiative began in 2009 in an effort to challenge USDA employees to create gardens at USDA facilities.
[6] FMD was also responsible for the budget execution of all financial documents received from OAO (e.g., procurement requests, requests for reimbursement, and reimbursable agreements).
[7] Cooperative agreements were used to establish funding agreements between OAO and the CBOs. Reimbursable agreements were used to transfer funds between USDA agencies and OAO.
[8] 7 C.F.R. §3015.158.

Federal regulations outline the process for awarding grants and cooperative agreements, including requests for proposals, evaluation of proposals, project solicitations, and approval of applications.[9]

OAO, at the direction of DM officials, noncompetitively selected four CBOs to participate in the StrikeForce Initiative pilot program. OAO awarded cooperative agreements totaling $1.7 million to the CBOs as follows: $500,000 to a CBO in Georgia,[10] $200,000 to one CBO in Mississippi,[11] $600,000 to a second CBO in Mississippi, and $400,000 to a CBO in Arkansas.[12,13]

OAO developed a strategic plan for the StrikeForce Initiative pilot program.[14] The strategic plan had two components: farming and community development. It also established three goals for underserved and minority communities: (1) to promote USDA and its programs, (2) to provide access to USDA programs and services, and (3) to build stakeholder credibility and trust. Within each goal, the strategic plan outlined specific objectives, action plans, and performance measures. It also established minimum performance and reporting requirements for the CBOs to meet. Further, it stated that OAO would monitor performance reports to ensure that the CBOs were meeting minimum performance requirements.

OAO was responsible for managing the StrikeForce Initiative pilot program. One of its key responsibilities was to maintain communication with State office StrikeForce coordinators (State coordinators)[15] and CBO officials. OAO was also responsible for monitoring the following reports submitted by the CBOs: the monthly outreach reports; the SF-269, "Financial Status Reports;" and the SF-270, which was a request to expend funds. OAO approved the requests to expend funds and forwarded them to FMD for processing. FMD executed and disbursed the payments through the FMMI system.

In October 2011, USDA received a hotline complaint alleging that OAO was being mismanaged by [redacted]. As a result of this complaint, the Secretary of Agriculture asked the Office of Inspector General (OIG) to conduct an audit of OAO's grant management process prior to the final selection of awardees designated to receive fiscal year (FY) 2012 grants. OIG performed an audit and reported to the Secretary that the applicants initially selected by OAO officials to receive FY 2012 grants through the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program (Section 2501 Program)

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[9] 7 C.F.R. §3015.158.
[10] The CBO in Georgia was instructed to transfer $100,000 of its funding to a sub-recipient in Mississippi.
[11] Although the cooperative agreement with this Mississippi CBO was for $200,000, the CBO actually received $380,000 in funding. The additional funding was for the People's Garden Initiative; however, there was no amendment or new agreement established for this excess amount.
[12] Although the cooperative agreement with the CBO in Arkansas was for $400,000, this CBO actually received slightly more than $1,000,000 in funding for special projects assigned by OAO. However, there was no amendment or new agreement established for the additional funding.
[13] These funds were spent on such projects as collecting assessments of flood and wind damage to crops, as well as conducting cooking classes.
[14] *StrikeForce Strategic Plan*, dated December 2010.
[15] USDA officials with Rural Development, the Farm Service Agency, and the Natural Resources Conservation Service, which coordinated meetings between the Federal agencies involved with the StrikeForce Initiative pilot program and the selected CBOs.

were, likely, not the most meritorious and deserving candidates.[16] OAO officials had disregarded regulatory requirements and guidelines in making those selections. Also, they had no documentation to support their decisions and could not explain why some applicants that appeared more deserving than others were not selected to receive grant funds. Based on our audit work in the Section 2501 Program, OIG management determined it necessary to conduct more in-depth audits focusing on OAO's activities related to grants awarded in FYs 2010 and 2011, and the StrikeForce Initiative pilot program.

Objectives

The objectives of the audit were to verify that: (1) USDA agencies properly transferred funds to OAO for use in the StrikeForce Initiative pilot program, (2) OAO properly approved and FMD properly disbursed funds to the CBOs, and (3) the CBOs used the funds in accordance with Federal requirements and rules established as part of the StrikeForce Initiative pilot program.

[16] Audit 91099-0001-21, *Controls Over the Grant Management Process of the Office of Advocacy and Outreach,* February 2013.

Finding 1: OAO Ineffectively Implemented the StrikeForce Initiative Pilot Program

In 2010, the Department launched the StrikeForce Initiative pilot program primarily to help agricultural producers and communities in poverty-stricken, predominantly minority rural areas have equal access to USDA programs. We determined that OAO did not effectively execute the StrikeForce Initiative pilot program to ensure that the primary goals of the program were met. This occurred because OAO bypassed Federal regulations when selecting the CBOs. The four CBOs that participated in the program were selected without regard to qualifications and without using a competitive process, as required. We found that three of the four hand-picked CBOs had questionable qualifications to adequately achieve the goals of the initiative. In addition, OAO did not put a sufficient process in place to adequately measure the accomplishments and results of the CBOs. As a result, although the goals of the StrikeForce Initiative pilot program were worthwhile, we found insufficient evidence to support that positive results were achieved for the program's goals and question the almost $2.7 million in funds that were not provided on a competitive basis to the CBOs.

Federal regulations require competition by agencies when awarding discretionary grants and cooperative agreements.[17] The regulations allow an approving official to make a determination in writing that competition is not deemed appropriate. However, an approving official must be able to justify that a noncompetitive award was in the best interest of the Federal Government and necessary to accomplish the goals of the program.[18]

According to the StrikeForce strategic plan, the three goals of the pilot program were to: (1) promote USDA within underserved and minority communities, (2) provide access to USDA programs and services, and (3) build stakeholder credibility and trust. The Department piloted the StrikeForce Initiative in three States: Arkansas, Georgia, and Mississippi. USDA assigned OAO the responsibility for selecting the CBOs and for entering into cooperative agreements with these organizations. [redacted] the cooperative agreements with four CBOs: one in Georgia, two in Mississippi, and one in Arkansas.

OAO Bypassed Regulations in Selecting CBOs with Questionable Qualifications

OAO bypassed Federal regulations and did not use a competitive process to select CBOs, as required. The use of a competitive process would have included requests for proposals and application forms.[19] We interviewed several current and former USDA officials to determine why they did not use a competitive process to select the four CBOs, and to obtain information about the process used to select them. The officials included [redacted], as well as [redacted] that were involved in the implementation of the

[17] 7 C.F.R. §3015.158.
[18] 7 C.F.R. §3015.158(d).
[19] 7 C.F.R. §3015.158(a)(1) and (2), and 7 C.F.R. §3015.157.

StrikeForce Initiative pilot program.[20] In general, with the exception of [redacted], these officials all stated that they were not aware of the process used to select the four CBOs. We also reviewed any documentation that OAO maintained related to the CBO selection process.[21]

[redacted] at the time of the CBO selections could not explain why the CBOs were selected without competition. The official stated that the names of the four CBOs were provided to [redacted] by the [redacted].[22] [redacted] stated that [redacted] was not directly involved in the StrikeForce Initiative pilot program and did not know how the CBOs were selected. [redacted][23] acknowledged that [redacted] hand-picked the four CBOs without competition, generally based on recommendations from people [redacted] knew in the local communities located in the three States. For example, [redacted] explained that [redacted] selected one CBO because USDA had failed in its past outreach efforts to socially disadvantaged communities in the area near the CBO and [redacted] believed that the communities would better relate to the owner of that CBO.

OIG questions whether these CBOs would have been selected for the StrikeForce Initiative pilot program if they had been part of an open and competitive application process to award the StrikeForce funds. We determined that the CBOs, in general, had questionable qualifications, which we describe in the paragraphs below. [redacted] and [redacted] both bypassed the Federal regulations in the non-competitive selection of the four CBOs.[24] Both shared responsibility to ensure that OAO adhered to Federal regulations to award discretionary grants and cooperative agreements only after competition. [redacted]; however, [redacted] is still employed by OAO. [redacted] all four cooperative agreements with the selected CBOs, but did not maintain any documentation to justify the selection of the CBOs without competition, as required by regulations.[25] According to [redacted], [redacted] did not participate in any meetings for selecting the CBOs, but just ensured that the cooperative agreements were completed. In doing so, this official did not comply with Federal regulations. Although [redacted] was following the instructions of [redacted], in our opinion, this does not alleviate [redacted] responsibility to follow Federal regulations and, as such, [redacted]

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[20] We interviewed the [redacted], [redacted], [redacted] and [redacted].

The documentation maintained by OAO consisted of the cooperative agreements and a general one-page summary describing background information of the four selected CBOs.

[22] [redacted] was [redacted] of the [redacted].

[23] This official [redacted].

[24] 7 C.F.R. §3015.158.

[25] [redacted] stated that [redacted] all four agreements. However, we were only able to locate two agreements with [redacted] within the files maintained by OAO. The other two agreements were later [redacted] a different [redacted] that was appointed to the position. This official [redacted] these two agreements in [redacted] because [redacted] identified that they were missing from OAO's records. [redacted] stated that [redacted] wanted to make sure that [redacted] replaced the two missing agreements.

[redacted] actions. DM should [redacted] for bypassing Federal regulations.

We also concluded that three of the four hand-picked CBOs had questionable qualifications to meet the goals of the StrikeForce Initiative pilot program. There were several reasons why we questioned the qualifications of these three CBOs. First, some of the CBOs were not prepared to perform outreach efforts and other activities outlined by the StrikeForce Initiative when they were selected to participate in the pilot program. For instance, one CBO had been in operation for only four months prior to receiving funds through the program.[26] Another CBO was in existence, but it did not have sufficient staff and had no management to oversee its StrikeForce activities. The CBO delayed starting any projects for several months because of these deficiencies, and had to apply for a no-cost extension[27] because it could not use the funds within the 2-year agreement period.

We also determined that three of the four CBOs had little to no experience with either USDA programs or with performing outreach activities. As stated above, one CBO had not been in operation prior to the StrikeForce Initiative pilot program. The staff and management of the CBO, from the available records we reviewed, had no experience with agriculture, USDA, or the type of outreach activities needed for the StrikeForce Initiative pilot program. Thus, in our view, the CBO was not qualified to accomplish the goals of the StrikeForce Initiative. With respect to another CBO, [redacted] for the area informed us that the CBO had limited agricultural experience and that there were other organizations in the State, including colleges and universities, with agricultural backgrounds that would have been more qualified to meet the goals of the StrikeForce Initiative pilot program. Finally, while the third CBO was established in 2004, our review disclosed that its operation was focused only on the overall health, nutrition, and physical fitness of local residents. While this activity was worthwhile, it was not in line with all three goals of the StrikeForce Initiative, as articulated in the strategic plan. Thus, we concluded that it was probably not the most qualified CBO to participate in the pilot program.

CBO Activities Were Not Effectively Monitored and Measured

We found that OAO did not adequately monitor and measure the accomplishments and results of the CBOs. OAO did not require financial and accomplishment reports from the CBOs[28] and did not provide guidance to the CBOs on how to use StrikeForce funding to achieve the goals in the strategic plan. Therefore, OAO officials did not ensure that the CBOs met the performance goals of the strategic plan. Because OAO had not adequately monitored financial reports, it was unaware that approximately $303,000 of funds had expired and were not returned to USDA, as required (see Finding 4).

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[26] According to the Chairman of the Board of Directors for the CBO, this CBO was established in October 2010 after the StrikeForce Initiative started. We made several requests to obtain the articles of incorporation from the Chairman of the Board to support his statements; however, he was not able to provide this document to us.
[27] No-cost extensions provide additional time to complete work without requesting additional Federal funds.
[28] *StrikeForce Strategic Plan*, dated December 2010.

All three of the goals within the strategic plan contained an objective, action plan, and performance measures. For the first goal, the objectives were to increase awareness of USDA programs by taking information to targeted groups, and to promote trust in USDA by developing relationships with key figures in underserved minority communities. The performance measures of this goal were to increase the number of farmers in the selected counties by 10 percent, initiate measures that foster a sustainable food system, and increase community development and infrastructure in these targeted rural counties. The second goal's objectives were to recruit new farmers, retain existing farmers, increase interest in USDA programs/visibility of CBOs in target counties, and educate county government staff about USDA programs. The performance measures for this goal were to increase the number of farmers in socially disadvantaged counties, increase the retention of existing farmers in selected socially disadvantaged counties, and create revitalized communities. Finally, for the third goal, the objectives were to formulate a communications strategy, provide one-on-one technical assistance, formulate a marketing strategy, and create a replicable model. The performance measures included increasing the credibility of USDA and establishing trust with the CBOs.

The strategic plan established a requirement for the CBOs to submit monthly financial and accomplishment reports.[29] These reports were to enable OAO to ensure that the CBOs were meeting the goals, objectives, and performance measures of the strategic plan. We requested that OAO provide us with all documentation it received from the CBOs to determine whether the CBOs met the goals and achieved the required performance measures, as well as to determine if OAO provided adequate oversight of the StrikeForce Initiative pilot program. OAO was unable to provide any accomplishment or financial reports, or specific details related to the CBOs' use of funds. Rather, we found that it was the StrikeForce [redacted] that were completing the review of the financial and accomplishment reports.

We contacted the [redacted] and found that the review of these reports was limited to a cursory review and did not evaluate the CBOs' performance. Instead, the review was used for extracting success stories from the accomplishment reports to brief the Secretary's office. The [redacted] did not review the financial reports for accuracy, the types of activities completed, or to determine whether the strategic plan's goals and measures were being fulfilled. We also found that the [redacted] did not enforce the submission of reports on a monthly basis, as required. Additionally, we determined that OAO officials were not ensuring that the [redacted] were collecting the monthly reports. Therefore, we concluded that OAO officials and the [redacted] did not have an adequate process in place to determine whether the CBOs were accomplishing the goals of the pilot program and meeting the performance measures of the strategic plan. OAO's standard operating procedures, which included instructions for monitoring program areas, only applied to its Section 2501 Program and did not apply to all of its other activities, including the StrikeForce Initiative pilot program. Therefore, OAO needs to revise its standard operating procedures to be applicable to all program areas (this is further discussed below).

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[29] This requirement was not listed in the CBOs' cooperative agreements. In addition, the strategic plan used the term outreach reports, rather than accomplishment reports. However, during our meetings with OAO officials, they used the term accomplishment reports; thus, we are using that term for the purposes of this audit report.

[30] These were USDA officials that coordinated meetings between the Federal agencies involved with the StrikeForce Initiative and the selected CBOs.

We visited all four CBOs to determine if they achieved the goals, objectives, and performance measures of the strategic plan. Prior to our field visits, we developed questions directly related to the performance measures listed in the strategic plan, in order to determine if they were met. During our site visits, we identified that one of the four CBOs never received the strategic plan. Furthermore, we determined that all four of the CBOs did not receive any specific, official guidance as to how to use the StrikeForce Initiative pilot program funding to achieve the goals in the strategic plan. Additionally, the cooperative agreements used to award the CBOs for the StrikeForce Initiative pilot program were very vague because they did not contain a detailed budget, a statement of work, or any guidance to the CBOs pertaining to how to spend the funds.[31] As a result, CBO officials had to determine how to use the funds, based on their own interpretation of the StrikeForce Initiative's mission, which resulted in funds not being used in the most effective manner.

The following are examples of the CBOs not using StrikeForce funding in an effective manner:

- Two of four CBOs did not utilize all StrikeForce Initiative funds within the 2-year cooperative agreement period and were required to return unused funds to USDA.[32] Federal regulations require all unobligated funds after the expiration of an agreement be immediately returned to USDA (see Finding 4).

- One CBO used large portions of its funding for salaries and contracts that produced very little measurable outputs. For example, we found that this CBO had 3 contracts with an entity for 3 special projects, totaling $225,000. These projects included activities such as collecting assessments of flood and wind damage to crops and identifying other CBOs engaged in economic development. In addition, we found a lack of evidence that the staff's salaries were attributable to conducting outreach activities. Therefore, most of the funding that this CBO received went to the overhead of the organization and to research-based projects, rather than being utilized to better promote USDA within underserved communities, improve accessibility to USDA programs, or build stakeholder trust.

- One CBO did not use StrikeForce funding to conduct any outreach activities to promote USDA programs. Instead, it used the funding to maintain school gardens, build a greenhouse, and conduct cooking classes—all unrelated to the three goals of the strategic plan.[33]

Finally, both the cooperative agreements and strategic plan required the CBOs to submit a close-out, final report 90 days after the expiration of the agreement. Only one of the CBOs submitted a

[31] We found that the budget pages simply stated the entire amounts of the cooperative agreements. Additionally, two of the cooperative agreements contained no budget sheet at all.
[32] Officials at one CBO stated that they did not receive information describing how these funds could be utilized; therefore, they were apprehensive to spend the funds.
[33] The cooperative agreement for this CBO was vague and did not specifically prohibit these activities. However, these activities did not meet the core purpose of the StrikeForce Initiative to help agricultural producers in minority areas gain equal access to USDA programs.

close-out report.[34] These reports were to be used by OAO to conduct a final review of the CBOs' activities. It is our opinion that these reports, coupled with effective oversight, would have enabled OAO to determine whether the CBOs were effective in conducting outreach and to make an overall assessment of the StrikeForce Initiative pilot program to determine if its efforts were effective. OAO officials stated that they were without standard operating procedures to complete these actions and that they were finalizing such procedures to improve their oversight and monitoring of CBOs in the future.

OAO needs to obtain and review the final reports for all of the CBOs and make a determination on the effectiveness of each CBO in carrying out the StrikeForce Initiative pilot program. The agency also should issue a report that addresses the overall effectiveness of the pilot program.

OAO Did Not Have Procedures for All Program Activities

OIG reported in February 2013[35] that OAO's draft standard operating procedures did not cite all regulatory requirements.[36] OIG also found that OAO officials had not adhered to the competition guidelines required by the Funding Opportunity Announcement (FOA) for making determinations on which applicants would receive funding under the Section 2501 Program.[37] OAO agreed to revise its standard operating procedures to include all regulatory citations that govern the Section 2501 Program, and include criteria provided in the FOA in the newly revised procedures. In this audit, we determined that these revised procedures did not apply to all program activities, including the StrikeForce Initiative pilot program. OAO officials agreed that the procedures revised in response to our audit report in February 2013 should be further revised to apply to all program activities that the office administers.

OAO officials did not effectively execute the StrikeForce Initiative pilot program. The CBOs were hand-picked, without a competitive process or evidence of written justification for proceeding noncompetively, as required, and generally had questionable qualifications to achieve the program's goals. Furthermore, they did not implement a sufficient process to monitor and measure the CBOs' activities. Therefore, we found minimal evidence to support that the program's goals were achieved and question the almost $2.7 million in funds that were not provided on a competitive basis to the CBOs.

Recommendation 1

[redacted] for [redacted] actions in bypassing Federal regulations in the selection process of the four CBOs.

[34] This CBO submitted a close-out report in February 2013, after the deadline of December 29, 2012. Of the three remaining CBOs, two have yet to provide close-out reports, and one filed a no-cost extension that expired May 31, 2013.
[35] Audit Report 91099-0001-21, *Controls Over the Grant Management Process of the Office of Advocacy and Outreach*, February 28, 2013.
[36] 7 C.F.R. §2500.
[37] 7 U.S.C. §2279.

Agency Response

OAO's response, dated September 5, 2014, stated that [redacted].

OIG Position

We do not accept management decision. In order to reach management decision, DM needs to agree to [redacted].

Recommendation 2

Obtain and review the final reports for all of the CBOs and make a determination on each CBO's effectiveness in carrying out the StrikeForce Initiative pilot program.

Agency Response

OAO officials stated that they reviewed the year-end performance and financial reports for each of the CBOs, and held telephone interviews with the executive principals of each to resolve reporting discrepancies or financial concerns. They also stated that they will review the final reports for each of the CBOs and make a determination on each CBOs overall effectiveness in carrying out the StrikeForce Initiative.

OIG Position

We do not accept management decision. Although we agree with OAO's corrective actions, in order to reach management decision, OAO needs to provide a date for completing determinations on each CBOs overall effectiveness in carrying out the StrikeForce Initiative pilot program.

Recommendation 3

Issue a report assessing the overall effectiveness of the StrikeForce Initiative pilot program in meeting the goals of the strategic plan. The report should include an assessment of the use of the almost $2.7 million in funds provided to the CBOs.

Agency Response

OAO officials stated they will issue a report that assesses the overall effectiveness of the StrikeForce Initiative pilot program in meeting the goals of the strategic plan, which will include an assessment of the use of the almost $2.7 million in funds provided to the CBOs. OAO will complete this corrective action by September 30, 2015.

OIG Position

We accept OAO's management decision.

Recommendation 4

Revise the standard operating procedures developed by OAO in response to the OIG audit of the Section 2501 Program to apply to all program activities. These procedures should include instructions for competitively selecting CBOs and appropriately monitoring their activities.

Agency Response

OAO's response, dated September 5, 2014, stated that the Section 2501 Program procedures are being revised to contain instructions for competitively selecting CBOs and appropriately monitoring their activities.

OIG Position

We do not accept management decision. In order to reach management decision, OAO needs to revise the standard operating procedures it developed in response to the OIG audit of the Section 2501 Program so that they apply to all program activities and specify the date when they expect to complete this action.

Finding 2: USDA Did Not Properly Transfer Funds to Pay for the StrikeForce Initiative Pilot Program

The Office of Small Disadvantaged Business Utilization (OSDBU) and other USDA agencies[38] did not properly transfer almost $2.7 million to OAO to fund the StrikeForce Initiative pilot program. Furthermore, $300,000 of these funds were not properly approved for the pilot program. DM used reimbursable agreements as the tools to transfer these funds.[39] This occurred because the agencies improperly used the Economy Act, rather than the specific statute providing authority,[40] to transfer the funds.[41] In addition, the reimbursable agreement for the $300,000 was for a different purpose than the pilot program, and was not cancelled and replaced with a new, approved agreement for the purpose of the pilot program. As a result, OAO did not fully ensure that the transferred funds still met the specific purpose for which they were originally appropriated.

The transfer of funds between Federal appropriation accounts is prohibited without specific legal authority.[42] One such authority specifically allows USDA agencies to contribute funds to OAO if providing such funds furthers the authorized programs of the contributing agency.[43] Another authority, the Economy Act, authorizes Federal agencies and their components to enter into agreements with each other to purchase goods or services, and requires Federal agencies to, among other things, determine if the transfer is in the best interest of the Federal Government.[44]

OAO requested numerous USDA agencies, as well as the People's Garden, to transfer funds from the agencies' FY 2010 and 2011 appropriation accounts to fund the StrikeForce Initiative pilot program.[45] In total, the agencies contributed almost $2.7 million to pay for the pilot program, using a total of 19 reimbursable agreements.

USDA Agencies Used the Wrong Authority to Transfer Funds to OAO

For each of FYs 2010 through 2011, OAO was appropriated $20 million to support outreach and technical assistance to encourage and assist socially disadvantaged farmers and ranchers.[46] In addition, USDA agencies had the authority to contribute additional funding to OAO, as long as OAO's outreach to disadvantaged farmers and ranchers furthered the authorized programs of the

[38]The USDA agencies that contributed funds were Rural Development; Agricultural Research Service; Animal and Plant Health Inspection Service; Food and Nutrition Service; Natural Resources Conservation Service; Risk Management Agency; Forest Service; Foreign Agricultural Service; Farm Service Agency; Agricultural Marketing Service; Grain Inspection, Packers, and Stockyards Administration; Food Safety and Inspection Service; and OSDBU. In addition, the People's Garden Initiative contributed funding to the pilot program.
[39]Reimbursable agreements are between two or more parties wherein one party agrees to provide another with services, supplies, or equipment on a cost-reimbursable basis.
[40] 7 U.S.C. §2279(a)(4)(B).
[41] A total of 19 reimbursable agreements were used to pay for the StrikeForce Initiative pilot program.
[42] 31 U.S.C. §1532.
[43] 7 U.S.C. §2279(a)(4)(B).
[44] The Economy Act of 1932, as amended, 31 USC §1535.
[45] These requests were sent various ways, including memoranda and emails.
[46] 7 U.S.C. §2279(a)(4)(A)(ii).

contributing agency.[47] Furthermore, according to Federal appropriations law, the Economy Act should not be utilized as the authority to complete interagency fund transfers when a more specific statute exists.[48]

We found that none of the contributing agencies used the proper authority to transfer funds to OAO to pay for the StrikeForce Initiative pilot program. Instead of using the specific OAO statute that already existed, the agencies used the Economy Act as the authority for the fund transfers for 14 agreements and did not list any specific legal authority for the other 5 agreements.[49] In addition, we question whether OAO's outreach to disadvantaged farmers and ranchers could have furthered the authorized programs for some of the contributing agencies that transferred funds. For instance, according to an official from USDA's Office of the Chief Financial Officer, the Food and Nutrition Service, as well as the People's Garden, likely would not have been able to provide funding to OAO. Specifically, the official questioned whether the funding they provided to OAO furthered the programs of these agencies by assisting socially disadvantaged farmers and ranchers.

Based on our conclusion that OAO and the contributing agencies used the wrong authority for completing the fund transfers, we recommend that OAO seek guidance from the Office of the General Counsel (OGC) regarding the validity of the transfers, including whether all of the contributing agencies were eligible to transfer funds, and the appropriate measures to follow in resolving this matter. If OGC concludes that the transfers were invalid, OGC should provide an opinion regarding the impact, including whether an Anti-Deficiency Act violation occurred, and the appropriate action(s) to resolve the matter.

We questioned current OAO officials about the matter. However, they were unable to provide a reason why previous officials elected to use the Economy Act, rather than its more specific statute to obtain funding from the contributing agencies. The current OAO officials stated that they would ensure that the appropriate authority is used in the future. They did not state the measures to be taken in the future. Thus, in our view, OAO needs to establish a process to ensure that the appropriate authority is selected when it conducts interagency fund transfers.

OAO Used Funds Not Properly Approved for the StrikeForce Initiative Pilot Program

OAO used $300,000 to fund the StrikeForce Initiative pilot program that was not properly transferred from the contributing agency. Rural Development, the contributing agency, transferred the funds to OSDBU using an approved reimbursable agreement, but OSDBU then transferred these funds to OAO without a new agreement. Therefore, these funds were not properly approved to be used for the pilot program. The original purpose of the funds was to develop and implement a framework for cooperative activities between OSDBU and a specific corporation necessary to establish venture capital funds in North Carolina and Virginia

[47] 7 U.S.C. §2279(a)(4)(B).
[48] *Principles of Federal Appropriations Law*, Third edition, Volume III, GAO-08-978SP, dated September 1, 2008, page 12-79.
[49] Because a majority of the agreements listed the Economy Act as the authority for transferring the funding, we concluded that the five agreements without an authority listed were also handled as Economy Act transfers.

counties.[50] However, according to an OSDBU official involved with the transfer, the grantee initially selected to perform the services for this agreement had to withdraw. OSDBU and Rural Development officials then informally agreed to utilize these funds for the StrikeForce Initiative pilot program, without approving a new agreement.[51] Rural Development should have cancelled its agreement with OSDBU and entered into a new agreement with OAO for the StrikeForce Initiative pilot program.

We also found that FMD should have recognized that the approved agreement was not signed by the proper agency official before it processed the release of these funds in FMMI. The agreement to transfer the funds from OSDBU to OAO was improperly signed by an OAO official, as opposed to an OSDBU official. FMD should not have processed the transfer of the $300,000 to OAO without the signature of the responsible OSDBU official (see Finding 3).

OAO officials involved with the reimbursable agreement process agreed with our conclusions and stated that they followed an informal process learned on the job for completing reimbursable agreements and that they did not have written procedures for completing them. They also stated that they used a generic form for an agreement that is used throughout USDA. However, OAO officials were unable to provide any instructions that they followed to complete these agreements.

We concluded that Rural Development should have documented its cancellation of the Economy Act agreement with OSDBU and entered into a new agreement with OAO. Rural Development should cancel its Economy Act agreement with OSDBU. Finally, OAO needs to sign a new agreement with Rural Development to properly document the transfer of the $300,000 used for the StrikeForce Initiative pilot program and ensure that all related financial transactions are adjusted in FMMI.

Recommendation 5

Request that OGC review the legal authority used by the contributing agencies to transfer funds in FYs 2010-2011 for the StrikeForce Initiative pilot program and provide a legal opinion regarding the validity of the transfers, including whether all of the contributing agencies were eligible to transfer funds. If invalid, request that OGC provide an opinion regarding its impact, including whether an Anti-Deficiency Act violation occurred, and the appropriate action(s) to resolve the matter.

Agency Response

OAO officials stated that they met with OGC and the Office of the Chief Financial Officer regarding the validity of the transfers. OAO will request a written legal opinion to be completed by September 30, 2015.

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[50] North Carolina and Virginia were not States selected for the StrikeForce Initiative pilot program.
[51] These funds were utilized for StrikeForce-related activities, such as collecting assessments of flood and wind damage to crops and identifying other CBOs engaged in economic development. See Finding 1.

OIG Position

We accept OAO's management decision.

Recommendation 6

Establish a process to ensure that the appropriate authority is selected when conducting interagency fund transfers.

Agency Response

OAO officials stated that the Office of the Chief Financial Officer is developing guidance, which will illustrate the agency/authority available for use by program managers under various scenarios, and that this tool will be used throughout USDA. This corrective action will be completed by September 30, 2015.

OIG Position

We accept OAO's management decision.

Recommendation 7

Require Rural Development to cancel its Economy Act agreement with OSDBU. In addition, OAO needs to enter into a new agreement with Rural Development to properly document the transfer of the $300,000 used to fund the StrikeForce Initiative pilot program and ensure that all related financial transactions are adjusted in FMMI.

Agency Response

OAO officials stated they will work with OGC and the Office of the Chief Financial Officer in requesting Rural Development to cancel its Economy Act agreement with OSDBU. If authorized, OAO will enter into a new agreement with Rural Development to properly document the transfer of funds for the StrikeForce Initiative pilot program. In addition, OAO officials stated that all related financial transactions in the FMMI system will be adjusted to the extent possible. These corrective actions will be completed by September 30, 2015.

OIG Position

We accept OAO's management decision.

Recommendation 8

Establish and implement policies and procedures for the reimbursable agreement process.

Agency Response

OAO officials stated that the Office of the Chief Financial Officer is revising the standard operating procedures to cover all funding procedural activities across USDA, and that the procedures will include instructions to implement reimbursable agreements. The procedures will be completed by September 30, 2015.

OIG Position

We accept OAO's management decision.

Finding 3: USDA Overpaid CBOs and Excess Funds Were Not Returned to Contributing Agencies

OAO did not properly authorize the additional disbursement of $784,152 in StrikeForce funding to two CBOs. OAO originally approved cooperative agreements, totaling $600,000, for these two CBOs and did not issue new agreements for the additional $784,152. In addition, FMD processed the transactions for the additional funding without sufficient documentation, and also charged USDA agencies approximately $206,000 in excess of the funds provided to the CBOs. This occurred because OAO did not develop guidance for the completion of the cooperative agreements or establish a procedure to identify when a CBO reached the funding limit of its cooperative agreement (e.g., by comparing the requests to expend funds to funds available to be expended prior to authorization). Furthermore, FMD did not develop guidance to manage the transfer of funds to the CBOs in FMMI. In this instance, the additional disbursements did not result in a loss to the Federal Government because agencies transferred to OAO more than the amounts on the cooperative agreements for the StrikeForce Initiative pilot program. However, if the contributing agencies had not provided more funding through reimbursable agreements, OAO may not have had sufficient funds to cover the additional disbursements by the CBOs. Overall, OAO and FMD need to implement stronger management controls to provide a greater level of assurance that they can properly manage future fund transfers approved using reimbursable and cooperative agreements.

Federal agencies must establish controls that reasonably ensure that expenditures applicable to agency operations are properly recorded and accounted for to maintain accountability over agency assets.[52] Furthermore, Federal regulations require recipients to report the need for any additional Federal funding above the original agreement amount.[53]

OAO and FMD both had responsibilities in the cooperative agreement process to ensure that only authorized funds were disbursed to the CBOs. The process began with OAO entering into a cooperative agreement with each CBO to perform specific activities. OAO was responsible for reviewing and approving the CBOs' requests for disbursement, while FMD was responsible for accurately processing and disbursing the funds in FMMI. Both OAO and FMD contributed to the CBOs receiving more funding than authorized.

Disbursement of Additional Funds to the CBOs

OAO used cooperative agreements to award funding to the four CBOs.[54] These documents authorized each of the four CBOs to receive a specified amount, totaling $1.7 million, to conduct outreach activities. Once the amounts were awarded, CBOs formally requested the funding from OAO.[55] After OAO received these requests, agency officials would review and approve them, then authorize FMD to process the disbursement of funds to the CBOs.[56]

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[52] OMB Circular A-123, *Management Accountability and Control*, December 2004.
[53] 2 C.F.R. §215.25(c) (1) and (4).
[54] Form REE-451.
[55] CBOs filed requests for advances for these funds.
[56] OAO completed procurement requests to authorize FMD to disburse the funds to the CBOs.

We found that OAO provided $784,152 in additional funding to two of the four CBOs for StrikeForce-related projects. However, OAO did not formally document the approval of this additional funding with new or amended cooperative agreements with the CBOs. Rather, OAO relied on verbal agreements to award the additional funds. [redacted] was unable to provide an explanation for why new or amended agreements were not issued for the additional funding.

As a result, these requests exceeded the original award amounts on the cooperative agreements for the two CBOs. We determined that OAO did not establish standard operating procedures that required the approving officials to compare the total amounts requested and disbursed to the CBOs with the award amount on the cooperative agreements. Had these procedures existed, the official would have determined that the amounts disbursed to the CBOs exceeded the award amounts on the cooperative agreements.

Furthermore, we found FMD processed these requests without ensuring there was an amended or new agreement that authorized the additional disbursements. FMD had not established standard operating procedures that would require officials to compare fund disbursements to approved cooperative agreements to prevent funding levels from being exceeded. Additionally, FMMI did not contain a feature to prevent disbursements in excess of the approved agreements. As a result, OAO and FMD provided the CBOs with $784,152 in excess of the authorized cooperative agreements. Fortunately, in this case the agencies contributing to the StrikeForce Initiative pilot program provided OAO with more funds than the amounts listed on the cooperative agreements and, therefore, covered the excess payments and prevented a loss to the Federal Government.

We discussed these issues with OAO and FMD officials, and they agreed that they lacked procedures for the cooperative agreement process. An OIG audit of OAO's Section 2501 Program also identified the lack of policies and procedures as an issue.[57] As a corrective action, OAO developed standard operating procedures for the grant process. OAO officials stated that they planned to use these same instructions for cooperative agreements. We concluded that OAO needs to update these procedures to include the completion and management of cooperative agreements.

Excess Funds Were Not Returned to Contributing Agencies

FMD also had the responsibility to process the funds provided to the CBOs by the contributing agencies in the FMMI system.[58] Funding for the StrikeForce Initiative pilot program was obligated in FMMI once the reimbursable agreements were authorized. OAO provided funding to each of the CBOs as they requested it, and then OAO was reimbursed by FMD from the funding provided by the contributing agencies. According to FMD officials, the FMMI system was to automatically reimburse OAO from the contributing agencies, based on the percentage

[57] Audit Report 91099-0001-21, *Controls Over the Grant Management Process of the Office of Advocacy and Outreach*, February 28, 2013.
[58] Reimbursable agreements are discussed in greater detail in Finding 2.

that each agency contributed overall to the pilot program.[59] Agency officials referred to this automatic reimbursement as the settlement process.

We found FMD collected $2,385,000[60] from the agencies, even though only approximately $2,185,000 was disbursed to the CBOs. We met with FMD to determine where the excess funds were, but FMD could not immediately identify where the excess funding was located. After additional research, FMD officials determined that the agencies had not been charged proportionately because they had used incorrect manual journal entries, instead of the automatic settlement process. FMD officials stated that they were unaware why manual journal entries were used, as opposed to the settlement process, and that the officials that completed these entries were no longer with FMD. FMD agreed with our findings and agreed to issue approximately $200,000 in credit memoranda to the contributing agencies to adjust for the excess charges.[61] FMD officials also stated that this occurred because they did not establish a formal policy that would enforce the use of the settlement process each month, instead of manual journal entries. In our opinion, if the settlement process is fully employed, it will provide a greater level of assurance in the future that agencies are properly charged for the contributions that they provide.

CBOs received more funding than approved on cooperative agreements. In addition, USDA agencies that contributed to the StrikeForce Initiative pilot program were not reimbursed for excess funds not used. OAO and FMD need to implement stronger management controls to provide a greater level of assurance that they can properly manage future fund transfers approved using reimbursable and cooperative agreements.

Recommendation 9

Revise OAO's grant procedures developed for the Section 2501 Program to include the completion and management of cooperative agreements.

Agency Response

OAO officials stated that the Office of the Chief Financial Officer is revising the present standard operating procedures to cover all funding activities across the USDA, and that these procedures will include instructions for completing and managing cooperative agreements. These procedures will be completed by September 30, 2015.

OIG Position

We accept OAO's management decision.

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[59] Funds were to be collected proportionately to the percentage of each agency's contribution. For example, if the Forest Service contributed 10 percent to the overall total of the StrikeForce-related funds that were collected, each time OAO was reimbursed, 10 percent of that withdrawal would come from the Forest Service's contribution.
[60] This amount does not include the $300,000 to fund the StrikeForce Initiative pilot program that was not properly transferred from OSDBU.
[61] We also found approximately $6,000 in addition to this amount that was not properly charged to OAO appropriations.

Recommendation 10

Implement procedures that would require FMD officials to compare fund disbursements to approved cooperative agreements to prevent funding levels from being exceeded.

Agency Response

OAO officials stated that cooperative agreements are entered into FMMI and that the automated control within the FMMI application does not allow disbursements to exceed the obligated funds. This corrective action was completed June 1, 2014.

OIG Position

We accept OAO's management decision.

Recommendation 11

Implement a system control within FMMI to prevent disbursements in excess of funding amounts approved on cooperative agreements.

Agency Response

OAO officials stated that the Office of the Chief Financial Officer has implemented a procedure of entering cooperative agreements in the FMMI application and the agreements are designated a purchase order obligation, and disbursements are made against the obligated amount. The automated control within the FMMI application does not allow disbursements to exceed the obligated funds. This corrective action was completed June 1, 2014.

OIG Position

We accept OAO's management decision.

Recommendation 12

Implement and enforce FMD's automated settlement process to timely and proportionately collect funds from contributing agencies when using reimbursable agreements.

Agency Response

OAO's response, dated September 5, 2014, stated that the Office of the Chief Financial Officer is using an automated settlement process for all cooperative agreements and that all staff offices were transitioned to the automated process in the fourth quarter of FY 2014. In addition, officials stated that staff will be retrained on settlement and billing to be completed by September 30, 2015.

OIG Position

We accept OAO's management decision.

Finding 4: OAO Was Unaware that CBOs Had Expired StrikeForce Funds

Two CBOs had approximately $303,000 in funds from the StrikeForce Initiative pilot program that were unused after the expiration date listed on the cooperative agreements. In addition, OAO officials were unaware that these funds were unspent and needed to be returned to the Federal Government. This occurred because agency officials did not perform sufficient oversight and monitoring of the CBOs' activities. As a result, USDA did not receive the full benefit from the funding provided to these CBOs to conduct effective outreach efforts, which was the intent of the pilot program.

Federal regulations require agencies to monitor a monetary award during the entire period of an agreement.[62] The agreement period for the funding from the StrikeForce Initiative pilot program ended on September 29, 2012, the expiration date listed on all of the cooperative agreements. Federal managers must also develop controls to monitor activities; these should be aimed at validating the adequacy and integrity of program activities.[63]

OAO utilized cooperative agreements to fund the four CBOs participating in the pilot program. The cooperative agreements outlined the purpose and amount of funding to be provided to the CBOs, as well as the deadline by which these funds should be obligated.[64] We reviewed the CBOs' financial documents to determine if the amount of funds utilized by the CBOs reconciled with the amounts stated on the cooperative agreements, and if they were used before the expiration dates of the agreements. Specifically, we reviewed requests for advance or reimbursement, procurement requests, bank records, CBO accounting systems, transaction logs, and receipts.

Based on our analysis, we found that two CBOs had approximately $303,000 of unobligated funds after the expiration date of the two cooperative agreements (one CBO had approximately $19,000 remaining, while the other CBO had $284,000 remaining).[65] We discussed this with OAO officials and they were unaware that these CBOs had expired unobligated funds. According to regulations, agencies are to monitor the activities of the awards they issue and confirm that these activities are adequate. We found that OAO officials did not establish sufficient guidance to use during their oversight activities of the four CBOs. Without sufficient instructions for its staff, OAO was unable to adequately monitor the activities of the CBOs. We address the lack of procedures for monitoring the CBOs' activities in Finding 1.

According to Federal regulations, all unobligated funds after the expiration of an agreement must be immediately remitted to USDA.[66,67] OAO needs to ensure that the two CBOs have returned the approximately $303,000 in expired funds to the agency ($19,000 from one CBO and

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[62] 7 C.F.R. §2500.047.
[63] GAO's "*Standards for Internal Control in the Federal Government*," November 1999.
[64] Obligated refers to funds that have been committed to a specific purpose prior to the expiration of a cooperative agreement.
[65] One CBO stated that it did not receive information describing how these funds could be utilized; therefore, it was apprehensive about spending them.
[66] OAO is responsible for collecting the remaining funds from the CBOs.
[67] 7 C.F.R. §3015.120(b)(2).

$284,000 from the other) and that the CBOs have also provided OAO with documentation to support these amounts.[68,69] OAO should also consider any necessary enforcement actions against the CBOs if the funds or documentation are not remitted in a timely fashion. Because OAO officials did not perform sufficient oversight and monitoring of the CBOs' activities to ensure they appropriately used all funding they received from the pilot program, USDA did not receive the full benefit from the CBOs to conduct outreach efforts, which was the intent of the pilot program.

Recommendation 13

Ensure that the two CBOs have returned the expired funds, totaling approximately $303,000, to USDA, and that the CBOs have provided the appropriate support for these transactions. If these actions are not completed in a timely manner, pursue any necessary enforcement actions.

Agency Response

OAO officials stated that $168,390 of the expired funds had been recovered, and that they are taking the necessary actions to recover the balance in a timely manner. In addition, officials stated that they will pursue enforcement actions if necessary.

OIG Position

We do not accept management decision. In order to accept management decision, OAO officials need to agree to recover the total amount reported in Exhibit A. OAO also needs to provide OIG with a bill for collections for the agreed upon amount and evidence that an accounts receivable has been established in OAO's accounting records.

[68] Proper supporting documents include items such as expense reports and close-out reports.
[69] According to OAO officials, these CBOs have begun to return the funding to USDA.

Scope and Methodology

We performed audit work at the OAO office located in Washington, D.C.; and at four CBOs located in Arkansas, Georgia, and Mississippi. We performed audit fieldwork from July 2012 through July 2014.

Our audit reviewed the almost $2.7 million in funding transferred in fiscal years 2010 and 2011 for the StrikeForce Initiative pilot program. To determine OAO's level of management and oversight, we evaluated the reimbursable agreement process utilized by various agencies within the Department and OAO to collect the funding for the pilot program. This included reviewing all 19 of the reimbursable agreements issued and how these documents were completed. We also evaluated the award process utilized by OAO to select and fund the four CBOs for the pilot program by interviewing key OAO officials and examining the agreements issued to transfer the funding to the CBOs. We also reviewed OAO policies and procedures and applicable Federal policies, and evaluated how OAO monitored the CBOs activities in Arkansas, Georgia, and Mississippi.

To accomplish our objectives we:

- Interviewed OAO officials responsible for the selection, oversight, and management of the StrikeForce Initiative pilot program.

- Reviewed applicable laws and regulations such as 7 C.F.R. §3015.158, *Uniform Assistance Regulations*; 7 C.F.R. §2500, *OAO Federal Financial Assistance Programs, General Award Administrative Procedures*; 7 U.S.C. §2279, *Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers;* 31 U.S.C. §1535 *Economy Act*; and 7 C.F.R. §215.22, *Uniform Administrative Requirements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.*

- Reviewed OAO policies and procedures, including the StrikeForce Initiative pilot program strategic plan.

- Interviewed FMD officials responsible for the execution of financial transactions for the pilot program.

- Reviewed applicable documents, such as OAO's procurement requests, requests for advance or reimbursement that were submitted by the CBOs, and FMD's FMMI financial reports used to execute and manage disbursement of funds to the CBOs.

- Interviewed officials from various agencies within the Department (e.g., Rural Development, Farm Service Agency, Natural Resources Conservation Service, OSDBU) and reviewed documentation provided by those officials. These officials included the [redacted]

[redacted], and [redacted].

- Reviewed and analyzed the reimbursable agreements used to collect funds from the contributing agencies and the cooperative agreements used to award funds to the CBOs.

- Interviewed officials from the CBOs and reviewed documentation provided by those officials, including statements of work, supporting documentation for the use of funds (e.g., receipts, invoices, cancelled checks, bank statements), accomplishment reports, and close out reports, to determine if they had adequately conducted and properly reported StrikeForce activities.

- Conducted 17 site visits to projects funded by the pilot program and managed by the 4 CBOs. These included greenhouses, farmer's markets, and community gardens.

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

During the course of our audit, we did not verify information in any OAO electronic information system, and make no representation regarding the adequacy of any agency computer systems or the information generated from them.

Abbreviations

CBO .....Community-Based Organizations
CFR .....Code of Federal Regulations
DM .....Departmental Management
FMD .....Financial Management Division
FMMI .....Financial Management Modernization Initiative
FOA.....Funding Opportunity Announcement
FY .....Fiscal Year
GAO .....Government Accountability Office
OAO .....Office of Advocacy and Outreach
OGC .....Office of the General Counsel
OIG .....Office of Inspector General
OSDBU .....Office of Small Disadvantaged Business Utilization
State Office StrikeForce Coordinators.....State Coordinators
USDA.....Department of Agriculture

Exhibit A: Summary of Monetary Results

Finding Number	Recommendation	Description	Amount	Category
1	3	Funds Not Provided Competitively to CBOs	$2,382,203.90[70]	Questioned Costs and Loans, No Recovery
4	13	Expired Unobligated Funding From CBOs	$302,796.10	Unsupported Costs and Loans, Recovery Recommended
TOTAL			$2,685,000	

The table above summarizes monetary results by finding and includes a description, dollar amount, and the category of questioned costs. The table illustrates Finding 1, Recommendation 3 has $2,382,203.90 of questioned costs and loans with no recovery recommended and Finding 4, Recommendation 13 has $302,796.10 of unsupported costs and loans with recovery recommended.

[70] The total amount of funds not provided competitively to CBOs was $2.685 million (Finding 1); however, we reduced this total by $302,796.10—the amount of unobligated funding that expired from the CBOs (Finding 4). This prevents the duplication of these costs in our report.

USDA'S
OFFICE OF ADVOCACY AND OUTREACH
RESPONSE TO AUDIT REPORT

United States Department of Agriculture

Office of the Assistant Secretary for Administration

Office of Advocacy and Outreach

1400 Independence Avenue SW

Washington, DC 20250-0103

September 5, 2014

AUDIT NUMBER: 91099-0002-21

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

FROM: Carolyn C. Parker//s//
Director
Office of Advocacy and Outreach

SUBJECT: USDA StrikeForce Initiative

This letter responds to your request for management's response to the audit recommendations in the draft audit report No. 91099-0002-21. If you have any questions or need additional information, please contact our office at (202) 720-6350 or Christian Obineme at Christian.obineme@osec.usda.gov.

The Office of Advocacy and Outreach provides the following responses to the audit recommendations:

RECOMMENDATION 1: [redacted] part in bypassing Federal regulations in the selection process of the four CBOs.

AGENCY RESPONSE: The [redacted].

DATE CORRECTIVE ACTION WILL BE COMPLETED:

RECOMMENDATION 2: Obtain and review the final reports for all of the CBOs and make a determination on each CBO's effectiveness in carrying out the StrikeForce Initiative pilot program.

AGENCY RESPONSE: OAO reviewed the year-end performance and financial reports for each of the Community-Based Organizations (CBO). Telephone interviews were held with the executive principals to resolve reporting discrepancies or financial concerns. OAO will review the final reports for each of the CBO's and make a determination on each CBO's overall effectiveness in carrying out the Strike Force Initiative.

FINAL ACTION COMPLETION DATE: September 25, 2013

RECOMMENDATION 3: Issue a report assessing the overall effectiveness of the StrikeForce Initiative pilot program in meeting the goals of the strategic plan. The report should include an assessment of the use of the almost 2.7 million in funds provided to the CBOs.

AGENCY RESPONSE:

OAO will issue a report that assesses the overall effectiveness of the StrikeForce Initiative pilot program in meeting the goals of the strategic plan, which includes an assessment of the use of almost $2.7 million in funds provided to the CBO's.

DATE CORRECTIVE ACTION WILL BE COMPLETED: September 30, 2015

RECOMMENDATION 4: Revise the standard operating procedures developed by OAO in response to the OIG audit of the Section 2501 grant program to apply to all program activities. These procedures should include instructions for competitively selecting CBOs and appropriately monitoring their activities.

AGENCY RESPONSE: OAO requests closure of this recommendation. StrikeForce is managed by the National Food and Agriculture Council and does not provide financial assistance to CBOs. The Section 2501 grant policy and procedures are being revised to contain instruction for competitively selecting CBOs and appropriately monitoring their activities.

DATE FINAL CORRECTIVE ACTION IMPLEMENTED: September 30, 2015

RECOMMENDATION 5: Request OGC review the legal authority used by the contributing agencies to transfer funds in FY 2010-2011 for the StrikeForce Initiative pilot program and provide a legal opinion regarding the validity of the transfers, including whether all of the contributing agencies were eligible to transfer funds. If invalid, request that OGC provide an opinion regarding its impact including whether an Anti-Deficiency Act violation occurred, and the appropriate action(s) to resolve the matter.

AGENCY RESPONSE: OAO has met with the Office of the General Counsel (OGC) and the Office of the Chief Financial Officer (OCFO) regarding the validity of the transfers. OAO will request a written legal opinion. The transfer action was an administrative error which will be resolved through training by OCFO to all staff.

DATE CORRECTIVE ACTION WILL BE COMPLETED: September 30, 2015

RECOMMENDATION 6: Establish a process to ensure that the appropriate authority is selected when conducting interagency fund transfers.

AGENCY RESPONSE: The OCFO is developing guidance which will illustrate the agency/authority available for use by program managers under various scenarios. This tool will be used throughout USDA.

DATE CORRECTIVE ACTION WILL BE COMPLETED: September 30, 2015

RECOMMENDATION 7: Require Rural Development to cancel its Economy Act agreement with OSDBU. In addition, OAO needs to enter into a new agreement with Rural Development to properly document the transfer of the $300,000 used to fund the StrikeForce Initiative pilot program and ensure that all related financial transactions are adjusted in FMMI.

AGENCY RESPONSE: OAO will work with OGC and the OCFO in requesting Rural Development to cancel its Economy Act Agreement with OSDBU. If authorized, OAO will enter into a new agreement with Rural Development to properly document the transfer of funds for the StrikeForce Initiative pilot program. All related financial transactions in the FFMI system will be adjusted to the extent possible.

DATE CORRECTIVE ACTION WILL BE COMPLETED: September 30, 2015

RECOMMENDATION 8: Establish and implement policies and procedures for the reimbursable agreement process.

AGENCY RESPONSE: The OCFO is revising their standard operating procedures to cover all funding procedural activities across USDA. The procedures will include instructions to implement reimbursable agreements.

DATE CORRECTIVE ACTION WILL BE COMPLETED: September 30, 2015

RECOMMENDATION 9: Revise OAO's grant procedures, developed for the Section 2501 program, to include the completion and management of cooperative agreements.

AGENCY RESPONSE: The OCFO is revising the present standard operating procedures to cover all funding activities across the department.

The procedures will include instruction for completing and managing cooperative agreements.

DATE CORRECTIVE ACTION WILL BE COMPLETED: September 30, 2015

RECOMMENDATION 10: Implement procedures that would require the FMD officials to compare fund disbursements to approved cooperative agreements to prevent funding levels from being exceeded.

AGENCY RESPONSE: OAO requests closure of this recommendation. Cooperative Agreements are entered into the OCFO's Financial Management Modernization Initiative (FMMI) application. The automated control within the FMMI application does not allow disbursements to exceed the obligated funds.

DATE FINAL CORRECTIVE ACTION COMPLETED: June 1, 2014

RECOMMENDATION 11: Implement a system control within FMMI to prevent disbursements in excess of funding amounts approved on cooperative agreements.

AGENCY RESPONSE: OAO requests closure of this recommendation. The OCFO has implemented a procedure of entering cooperative agreements into the FMMI application. The cooperative agreements are designated a purchase order obligation, and disbursements are made against the obligated amount. The automated control within the FMMI application does not allow disbursements to exceed the obligated funds.

DATE FINAL CORRECTIVE ACTION COMPLETED: June 1, 2014

RECOMMENDATION 12: Implement and enforce the FMD's automated settlement process to timely and proportionately collect funds from contributing agencies when using reimbursable agreements.

AGENCY RESPONSE: OAO requests closure of this recommendation. The OCFO is using an automated settlement process for all cooperative agreements. All of the staff offices were transitioned to the automated process in the fourth quarter of fiscal year 2014. Staff retraining on settlement and billing is scheduled for September 2015.

DATE CORRECTIVE ACTION WILL BE COMPLETED: September 30, 2015

RECOMMENDATION 13: Ensure that the two CBO s have returned the expired funds totaling approximately $303,000, to USDA and the CBOs have

provided the appropriate support for these transactions. If these actions are not completed in a timely manner, pursue any necessary enforcement actions.

AGENCY RESPONSE: The $303,000 represents $168,390 of the expired funds that have been recovered. OAO is taking necessary actions to recover the balance in a timely manner and if necessary will pursue enforcement actions as recommended.

DATE FINAL CORRECTIVE ACTION COMPLETED: September 30, 2015

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