

2010 Explanatory Notes

Office of the Chief Financial Officer

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## OFFICE OF THE CHIEF FINANCIAL OFFICER

Purpose Statement

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

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

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

NFC employs approximately 1,150 staff in the operation and support of centralized, automated, and integrated payroll, personnel, administrative payments, and central accounting systems which serves more than 40 Federal Departments, independent agencies, and congressional entities, including USDA. Operations at NFC are financed entirely by fee-for-service contracts with customers through the USDA WCF. No direct appropriated funding for NFC is reflected in the OCFO operating budget.

The OCFO headquarters is located in Washington, D.C. As of September 30, 2008, there were 1,198 full-time permanent employees funded by appropriated, reimbursed, and Working Capital Funds.

<u>Location</u>	<u>Full-time Permanent</u>
OCFO Direct:	
Washington, D.C.	56
OCFO WCF:	
Washington, D.C.	15
NFC, New Orleans, LA	<u>1,127</u>
Total	<u>1,198</u>

Office of Inspector General Reports:

50601-04-HY 09/18/08 Travel Card Expenditures Follow-Up Audit

11401-27-FM 09/18/08 Fiscal Year 2008 National Finance Center Procedures on Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report and submitted to the Office of Personnel Management

11401-28-FM 09/19/08 Statement of Auditing Standards No. 70, Report on National Finance Center General Controls

11501-4-FM 10/29/08 National Finance Center's Controls Over Time and Attendance Data

50401-65-FM 11/15/08 Fiscal Year 2008 USDA Consolidated Financial Statements

Audits in Progress:

50601-14-At Suspension and Debarment – OIG began review at DA and OCFO in June 2007

Government Accountability Office Reports:

GAO Code 361020 Greenbook Charges at USDA

GAO Code 194749 Improving Federal Oversight and Accountability for Federal Grant Funds

## OFFICE OF THE CHIEF FINANCIAL OFFICER

Available Funds and Staff Years  
2008 Actual and Estimated 2009 and 2010

Item	2008 Actual		2009 Estimated		2010 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation.....	\$5,850,000	38	\$5,954,000	42	\$6,566,000	45
Rescission.....	-40,950	--	--	--	--	--
Total Available.....	5,809,050	38	5,954,000	42	6,566,000	45
Obligations Under Other USDA Appropriations: Management, Oversight, and Administrative Services (provided to WCF Activities).....	2,735,094	15	3,215,000	19	3,309,000	19
Total, USDA Appropriations.....	8,544,144	53	9,169,000	61	9,875,000	64
Working Capital Fund: <u>a/</u>						
National Finance Center.....	69,626,185	410	62,140,000	470	67,046,000	470
Controller Operations.....	31,095,494	232	31,348,000	288	32,174,000	288
Corporate Systems.....	54,302,781	74	59,507,000	71	63,563,000	71
Competitive Sourcing.....	339,620	1	446,000	1	459,000	1
Financial Services.....	4,288,381	3	4,442,000	13	4,583,000	13
Purchase of Equipment.....	4,939,630	--	4,500,000	--	4,500,000	--
Purchase Card Rebate .....	4,003,000	--	5,000,000	--	--	--
Un-obligated Bal Exp.....	4,152,242	--	8,592,000	--	--	--
NFC (Non-USDA).....	90,882,888	422	98,669,000	485	106,459,000	485
Total, WCF.....	263,630,221	1,142	274,644,000	1,328	278,784,000	1,328
Total, Office of the Chief Financial Officer.....	272,174,365	1,195	283,813,000	1,389	288,659,000	1,392

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

## OFFICE OF THE CHIEF FINANCIAL OFFICER

Permanent Positions by Grade and Staff Year Summary  
2008 Actual and Estimated 2009 and 2010 a/

Grade	<u>2008</u>	<u>2009</u>	<u>2010</u>
	Washington, DC	Washington, DC	Washington, DC
SES.....	3	3	3
GS-15.....	7	6	6
GS-14.....	13	12	12
GS-13.....	29	29	31
GS-12.....	1	2	3
GS-11.....	1	1	1
GS-10.....	1	1	1
GS-9.....	5	3	3
GS-8.....	1	1	1
GS-7.....	2	2	2
GS-4.....	1	1	1
Total, Permanent Positions.....	64	61	64
Unfilled Positions end-of-year.....	-8	--	--
Total, Permanent Full-Time Employment, end-of-year.....	56	61	64
Staff Year Estimate.....	53	61	64

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

OFFICE OF THE CHIEF FINANCIAL OFFICER

Appropriation Language

1 For necessary expenses of the Office of the Chief Financial Officer, [\$5,954,000: *Provided*, That no funds made available by this appropriation may be obligated for FAIR Act or Circular A-76 activities until the Secretary has submitted to the Committees on Appropriations of both Houses of Congress and the Committee on Oversight and Government Reform of the House of Representatives a report on the Department’s contracting out policies, including agency budgets for contracting out] \$6,566,000.

This change deletes language that required the Secretary to submit a report to Congress on the Department’s contracting out policies and funding. The language prevented OCFO appropriations from being obligated for outsourcing activities until this report was submitted.

Lead-off Tabular Statement

Appropriations Act, 2009 .....	\$5,954,000
Budget Estimate, 2010 .....	<u>6,566,000</u>
Increase in Appropriation .....	<u>+612,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

Item of Change	2009 <u>Estimated</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2010 <u>Estimated</u>
Office of the Chief Financial Officer.....	\$5,954,000	+\$112,000	+\$500,000	\$6,566,000

## OFFICE OF THE CHIEF FINANCIAL OFFICER

PROJECT STATEMENT  
(On basis of appropriation)

	2008 Actual		2009 Estimated		Increase or Decrease	2010 Estimated	
	Staff		Staff			Staff	
	<u>Amount</u>	<u>Years</u>	<u>Amount</u>	<u>Years</u>		<u>Amount</u>	<u>Years</u>
Office of the Chief Financial Officer....	\$5,715,429	38	\$5,954,000	42	+\$612,000	\$6,566,000	45
Unobligated Balance.....	+93,621	--	--	--	--	--	--
	5,809,050	38	5,954,000	--	+612,000	6,566,000	45
Rescission.....	+40,950	--	--	--			
<b>Total Appropriation</b>	<b>5,850,000</b>	<b>38</b>	<b>5,954,000</b>	<b>42</b>			

Justification for Increases and Decreases

(1) An increase of \$612,000 for the Office of the Chief Financial Officer (OCFO) consisting of:

(a) An increase of \$112,000 to fund pay costs.

OCFO is a labor intensive staff office with very little ability to absorb pay cost increases without holding a large number of positions vacant for the entire fiscal year. These vacancies adversely affect OCFO's ability to lead the Department in the areas of financial management, oversight, and guidance necessary to: prevent fraud, waste and abuse; reduce risk of improper payments, and institute proper internal financial controls. The request is needed to fund pay and benefit cost increases for current staff.

(b) An increase of \$500,000 and 3 staff years to support compliance efforts associated with the regulations and requirements for the Federal Funding Accountability and Transparency Act; the Improper Payments Information Act; and travel policy oversight and management efforts.

This increase of funding would be used for developing and maintaining Departmental guidance and policy, and conducting agency oversight in Federal financial assistance. The staff would perform the Federal Funding Accountability and Transparency Act reporting and the Federal Assistance Award Data System reporting and integrate these processes into one reporting stream for the agencies. The staff would ensure the accuracy and completeness of USDA program data that is required to be displayed at the Census Bureau and on [www.usaspending.gov](http://www.usaspending.gov).

Funding would also be used to support Departmental assistance to agencies in carrying out responsibilities for compliance with the requirements of the Improper Payments Information Act and related regulations. The increase will allow OCFO to serve as a change agent and provide improved policy guidance, oversight and training to agencies. The results will enhance and improve agency planned corrective actions and internal controls. These actions will lead to a reduction of USDA's annual improper payments, which were estimated to be over \$4 billion in FY 2008, and to maximize improper payment recoveries.

In regards to travel policy oversight and management efforts by the Office of the Chief Financial Officer, funding would be used to support essential staff with salaries, expenses, and contractor staff that would enforce new regulations to control spending and address recent congressional inquiries and audit reports. Activities would include developing and conducting training for Departmental staff on the new regulations; monitoring Departmental travel activity; and facilitating resolution of compliance issues.

Geographic Breakdown of Obligations and Staff Years  
2008 Actual and Estimated 2009 and 2010

	2008		2009		2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia....	\$5,715,429	38	\$5,954,000	42	\$6,566,000	45
Unobligated Balance....	+93,621	--	--	--	--	--
Total, Available or Estimate.....	5,809,050	38	5,954,000	42	6,566,000	45

## OFFICE OF THE CHIEF FINANCIAL OFFICER

Classification by Objects  
2008 Actual and Estimated 2009 and 2010

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Personnel Compensation:			
Washington, D.C.....	\$3,404,582	\$4,077,000	\$4,528,000
11 Total personnel compensation.....	3,404,582	4,077,000	4,528,000
12 Personnel benefits.....	792,331	1,001,000	1,131,000
	<hr/>		
Total personnel compensation & benefits.	4,196,913	5,078,000	5,659,000
Other Objects:			
21 Travel.....	88,229	96,000	99,000
22 Transportation of things.....	4,154	1,000	1,000
23.3 Communications, utilities, and misc. charges.....	115,837	50,000	54,000
24 Printing and reproduction.....	72,524	13,000	16,000
25.2 Other services.....	1,090,244	629,000	643,000
25.3 Purchase of goods and services from Government Accounts.....	4,528	6,000	6,000
25.7 Operation and maintenance of equipment.	1,237	5,000	5,000
26 Supplies and materials.....	73,199	75,000	78,000
31 Equipment.....	68,517	1,000	5,000
43 Interest and Dividends.....	47	--	--
	<hr/>		
Total other objects.....	1,518,516	876,000	907,000
	<hr/>		
Total direct obligations.....	5,715,429	5,954,000	6,566,000
Position Data:			
Average Salary, EX/ES positions.....	\$159,322	\$163,942	\$168,696
Average Salary, GS positions.....	\$81,061	\$83,412	\$85,664
Average Grade, GS positions.....	12.6	12.6	12.6

## OFFICE OF THE CHIEF FINANCIAL OFFICER

## STATUS OF PROGRAM

Current Activities:

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

Specific areas being addressed include:

Departmental Financial Statements. For the fiscal year (FY) 2008, USDA received an unqualified opinion on its annual financial statements.

While USDA made improvements in its financial management systems and internal controls in recent years, there is still room for improvement. USDA plans to sustain its unqualified opinion on its 2009 financial statements and to make additional improvements including:

- Reducing material weaknesses and significant deficiencies; and
- Improving credit reform processes and reducing inactive unliquidated obligations.

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

USDA's legacy core accounting system, the Foundation Financial Information System, is no longer being supported by the vendor. On September 10, 2007, OCFO awarded the contract for the commercial off the shelf core financial system replacement solution to Accenture for software integration services and licensing of SAP ERP 2005. USDA plans to complete all implementation of the new core financial management system before the beginning of FY 2012; funding interruptions or reductions will increase the risk of schedule slippage.

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

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

- Increasing management's awareness of open audit issues that are not completed in a timely manner;
- Increasing the rate of resolving audits which are categorized as behind schedule and without final action

one year or more past management decision date;

- Working with USDA agencies' management and the Office of Inspector General (OIG) to ensure that management actions in response to audits are appropriate and achievable, will correct the identified deficiencies, are cost effective, and provide an action plan with milestones for completion;
- Providing useful and timely information on the status of audits to management and the Congress for decision-making and resource allocation purposes;
- Reviewing, analyzing, and reporting quarterly on progress in achieving corrective actions for audits one year or more past management decision but without final action; and
- Reviewing monthly status reports from USDA agencies on the status of audits without management decision.

Management Accountability and Control and Compliance with Laws and Regulations. The OCFO is responsible for management accountability and control under the CFO Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Federal Financial Management Improvement Act (FFMIA). OCFO establishes policy and guidance to ensure that USDA agencies comply with the requirements of FMFIA and FFMIA, and reports on material weaknesses, financial system non-conformances in the Performance and Accountability Report to the Congress and the President. USDA conducts the annual assessment of internal control over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control, Appendix A - Internal Control Over Financial Reporting*. The OCFO continues to work with component agencies to establish an ongoing process for the annual assessment in order to improve financial reporting and to sustain compliance with the law and guidance. Current efforts include:

- Continuing the Department-wide Assessment Implementation Team to conduct the assessment of internal control over financial reporting;
- Established the Internal Control Division (ICD) within OCFO. ICD promotes and supports the USDA's internal control program by assisting USDA agencies in their internal control compliance efforts.
- Providing a recommendation to the Secretary of Agriculture on the type of assurance to be provided regarding the effectiveness of USDA's internal control over financial reporting as of June 30th each year and for the FMFIA Annual Assurance Statement to OMB and Congress;
- Revising Departmental guidance on internal controls for consistency with government-wide guidance;
- Increasing Departmental management's awareness of internal control through Department-wide training;
- Establishing accountability for and continuously monitoring the status of open material deficiencies and encouraging timely correction;
- Reviewing, analyzing, and reporting monthly progress in achieving major corrective action milestones during the reporting period;
- Working with Departmental management, and the OIG to verify the continued materiality of deficiencies; and
- Assisting agencies in focusing resources on the elimination of material weaknesses and financial system non-conformances and non-compliances; thereby, accomplishing these specific elements of the criteria for achieving "Green" in the President's Management Agenda (PMA) scorecard for Financial Performance.

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

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

Debt Policy. OCFO is responsible for developing Departmental policy, and coordinating and guiding USDA agencies in implementing the requirements of the Debt Collection Improvement Act (DCIA). USDA's total receivables are \$107 billion, which represents about one-third of the non-tax debt owed to the Federal Government. OCFO has additional policy and oversight responsibilities for USDA agency debt, credit and cash management activities required by numerous statutes (e.g., Credit Reform Act), regulations, circulars, manuals and directives. Current activities include:

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

Improper Payments. OCFO leads the Department by issuing implementation policy and guidance to USDA agencies on carrying out the Improper Payments Information Act (IPIA) and the Defense Authorization Act for recovery auditing. OMB elevated the IPIA to one of the PMA items in FY 2005, highlighting IPIA as an area of government-wide weakness in need of special attention and concentrated effort. In FY 2008, the OIG removed implementing the IPIA as one of the most serious management challenges facing the Department based on the strategies implemented and progress made by the Department and the agencies with high risk programs. Current activities include:

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

Travel Policy. OCFO is responsible for travel management policy for the Department and has oversight responsibility for USDA's approximately \$441 million per year civilian travel program. OCFO develops, coordinates and implements Department-wide policy and procedures on travel management services and the travel card program. OCFO also participates on inter-agency travel policy committees in cooperation with the General Services Administration and OMB.

Current activities include:

- Fully implementing additional enhancements planned in the contract with the new bank including the ability to disburse travel voucher reimbursements directly to the bank, an automated interface with the human resources system to cancel cards when employees leave the Department, and an automated review process of travel cards using a neural networking tool developed by VISA;
- Evaluate USDA relocation policies to find ways to reduce costs and minimize the impact the troubled housing market has on USDA's ability to recruit highly qualified individuals; and
- Automation of the preparation of the new Conference Transparency Report.

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

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

Selected Examples of Recent Progress:

Financial Statements. USDA financial managers have focused significant attention on enhancing internal controls and have implemented the new requirements of OMB Circular A-123, *Management's Responsibility for Internal Control, Appendix A - Internal Control Over Financial Reporting*. Other accomplishments of the OCFO and financial managers include:

- OCFO established an Improved Credit Program Management Council comprised of the CFO's of each respective agency and senior credit program officials to share best practices, review portfolio trends, recommend portfolio management changes, and address actions needed to correct material weaknesses;
- Rural Development made significant improvements in its credit reform processes leading to an unqualified opinion on its financial statements. Considerable efforts were made to ensure adequate quality control was maintained. Those efforts resulted in deliverables that underwent quality control prior to auditor review and generally provided timely and adequate support for the credit reform reestimates; and
- During FY 2008, the Department completed several corrective actions relating to Managerial Cost Accounting (MCA) practices and indicated substantial compliance had been achieved with applicable laws and regulations. OCFO leads the Department's MCA workgroup efforts to implement enhanced cost management tools and share best practices. In support of agency efforts, OCFO is monitoring the implementation of the Financial Management Modernization Initiative (FMMI) to ensure that FMMI meets the cost management needs of decision makers and their other cost management tools.
- OIG reported significant progress was made in implementing an effective information technology (IT) security program. IT was downgraded to a significant deficiency at the Forest Service, Commodity Credit Corporation, Rural Development and Information Technology Services. The National Information Technology Center (NITC) sustained its unqualified opinion on the general control environment. The National Finance Center (NFC) sustained its unqualified opinion on the design of its general control structure and improved to an unqualified opinion on the operating effectiveness of its controls.

Audit Follow-up. USDA agencies closed 58 audits in FY 2008. USDA's current inventory of audits that have reached management decision and require final action to close the audits includes 41 new audits in FY 2008 for a total of 150 audits. One audit is in appeal status. The Department continued its reduction in inventory of open audits in FY 2008. This is a 27 percent reduction over the past 5 years and it reflects management's commitment to aggressively address deficiencies identified in agency programs.

Management Accountability and Control. The PMA requires, among other criteria, that there be no material weaknesses in internal control to get to "Green" for status in financial performance. USDA's FY 2008 and FY 2007 Consolidated Financial Statements received an unqualified audit opinion from the OIG. The auditor's Report on Compliance with Laws and Regulations also disclosed that the Department was not substantially compliant with FFMIA requirements. While progress has been made, USDA continues to have four material weaknesses: Information Technology; Funds Control Management; Financial Reporting-Unliquidated Obligations; and Financial Reporting-Credit Reform. USDA will continue monitoring progress on plans to improve financial systems to

comply fully with FFMIA and FISMA requirements.

Though the activities of the newly established ICD, OCFO increased Departmental management's awareness of internal control through Department-wide training, group presentations and other support type services. OCFO also improved the coordination and communication throughout the Department in order to focus agency resources on the elimination of material internal control weaknesses and financial system non-conformances. Finally, OCFO provided extensive internal control support during the Department's implementation of the Cyber Security Assessment and Management (CSAM) system. CSAM is the Department's automated tool (developed and supported by the Department of Justice) that provides a comprehensive system for compliance, management and reporting of the Department's information system security controls.

Performance Management. OCFO executed USDA performance management activities, such as conducting Department-wide Planning Team meetings to draft the performance management documents for the Department and the Performance and Accountability Report for FY 2008; met with other Federal agencies, external groups, and representatives from foreign countries to discuss USDA performance management efforts and results; and participated in USDA and Federal inter-agency forums related to GPRA and performance management.

Debt Policy. USDA's gross receivables are \$107 billion. Through aggressive OCFO debt management policy and coordination efforts, USDA's achievements for FY 2008 include:

- Delinquent debt of \$3.3 billion remain unchanged for FY 2008 despite a \$2.4 billion increase in receivables;
- Delinquency rate of 3.1 percent as compared to the government-wide rate of 20 percent;
- Achieved "Green" status for the 2.7 percent rate of delinquent debt over 180 days old reported to the OMB Metric Tracking System;
- Collected \$1.1 billion in delinquent debt from internal and DCIA tools; wrote-off \$983 million of uncollectible delinquent debt; closed-out reporting of \$157 million to Internal Revenue Service as possible debtor taxable income;
- Referred 99.7 percent to the Treasury Offset Program of the \$1.2 billion eligible debt compared to the government-wide rate of 92.3 percent; and
- Referred 99.4 percent to the Treasury Cross-Servicing Program of the \$479 million eligible debt compared to the government-wide rate of 90.8 percent.

Departmental policies have led to the high referral rates providing greater potential for increased collections of delinquent debt through voluntary remittance, offset or commercial collection practices. USDA published Administrative Wage Garnishment (AWG) hearing procedures during FY 2008 and began phased implementation of AWG with Rural Development. OCFO coordinated the preparation and submission of the DCIA Annual Report to OMB which provides an assessment of compliance with compromising, writing-down, forgiving and discharging indebtedness and write-off status/plans for delinquent debt over 2 years old.

Improper Payments. USDA met the statutory requirements of the IPIA through an annual review of all 124 programs for FY 2008. This included updates to 108 risk assessments for low risk programs. The Department reported improper payments results for all 16 high risk programs in the 2008 Performance and Accountability Report. USDA reported improper payments of \$4.132 billion (6.13 percent error rate), a reduction from \$4.420 billion for FY 2007. OMB scored USDA "Green" for status and progress on the PMA scorecard for September 30, 2008. FNS' Supplemental Nutrition Assistance Program (SNAP) achieved an error rate of 5.64 percent for FY 2008, down from 5.99 percent in FY 2007. The SNAP error rate is a new historic low for the program and is the fourth consecutive year below 6 percent. FSA reported improper payments of \$186.6 million (1.3 percent error rate) for their seven high risk programs in FY 2008, significantly below the FY 2007 improper payments of \$563 million (2.5 percent error rate). To achieve these reductions, USDA agencies implemented aggressive corrective action plans; increased senior management involvement; provided internal and external training; increased accountability; enhanced program eligibility verification; and improved internal controls and documentation controls.

Travel Policy. As part of the PMA for eGovernment, USDA successfully completed implementation to the eTravel Solution on November 30, 2008. USDA transitioned over 80,000 travel cards to a new bank provider on November 30, 2008. Additionally, USDA rewrote the primary Departmental travel policy regulation in May 2008, which

increased oversight over conferences and premium class travel. USDA prepared and posted the Conference Transparency Report mandated by The Food, Conservation, and Energy Act of 2008 to USDA's Web site.

Grants Policy. OCFO worked with USDA grant-making agencies to help them comply with new OMB requirements for electronic grants. OCFO has trained over 600 employees from all USDA agencies on the new Dun and Bradstreet number and Grants.gov FIND and APPLY. Our efforts have made USDA the second largest contributor and participant in the Grants.gov initiative and a recognized leader in government. In addition, as part of the PMA for eGovernment, OCFO brought together all USDA grant awarding agencies to develop a needs assessment for grants management. USDA's current systems and processes were documented and a to-be process model was developed. This will allow USDA to standardize and consolidate its grants management processes by leveraging existing systems and eliminating redundancy. This will lower USDA costs and provide grant customers more efficient service. OCFO is in the process of transitioning the Federal Assistance Awards Data System from the old legacy system to be co-located with the Federal Financial Accountability and Transparency Act database. This will allow one consistent source of grants data. Agencies will transmit data once, rather than to two separate systems.

## OFFICE OF THE CHIEF FINANCIAL OFFICER

Summary of Budget and Performance  
Statement of Goals and Objectives

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

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

## OFFICE OF THE CHIEF FINANCIAL OFFICER

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>Goal 2: Management uses on-line, real time financial management information for sound decision-making.</p>	<p><u>Objective 2.1:</u> Develop, implement and maintain accounting and related administrative and financial systems.</p> <p><u>Objective 2.2:</u> Improve customer satisfaction and transaction accuracy through modernization and enhancement of USDA services to stakeholders.</p>	<p>OCFO/Corporate Financial Management Systems manages and operates financial and related systems on behalf of the Department.</p> <p>OCFO applies Lean Six Sigma processes to USDA business practices resulting in greater accuracy and quality of services as well as providing time and cost savings.</p>	<p><u>Key Outcome 6:</u> Improve usage of Department electronic approval and document management functionality for financial and administrative payments through implementation of the Lean Six Sigma Transaction Process.</p> <p><u>Key Outcome 7:</u> Improve USDA grants management and processing through consolidation of obsolete systems into a core set of systems through implementation of the Lean Six Sigma Grants Process.</p>

Selected Accomplishments Expected at the FY 2010 Proposed Resource Level:

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

## OFFICE OF THE CHIEF FINANCIAL OFFICER

Summary of Budget and Performance  
Key Performance Outcomes and Measures

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

Goal 2: Management uses on-line, real time financial management information for sound decision-making.

Key Outcomes:

1. USDA-wide unqualified financial audits.
2. Down-grade existing material weaknesses to reportable status.
3. No Anti-Deficiency Act violations.
4. 100 percent of programs meet the improper payments reporting requirements.
5. Compliance with A-123, Appendix A testing.
6. Improve usage of Department electronic approval and document management functionality for financial and administrative payments through implementation of the Lean Six Sigma Transaction Process.
7. Improve USDA grants management and processes through consolidation of obsolete systems into a core set of systems through implementation of the Lean Six Sigma Grants Process.

Key Performance Measures:

- Measure #1: Clean audits for all agencies and USDA on a consolidated basis.
- Measure #2: New auditor-identified material internal control weaknesses.
- Measure #3: Existing internal control weaknesses.
- Measure #4: Decrease the number of Anti-Deficiency Act violations to zero.
- Measure #5: Programs meet improper payments reporting requirements.
- Measure #6: Compliance with A-123, Appendix A testing.
- Measure #7: Improve usage of Department electronic approval and document management functionality for financial and administrative payments through implementation of the Lean Six Sigma Transaction Process.
- Measure #8: Improve USDA Grants management and processes through consolidation of obsolete systems into a core set of systems through implementation of the Lean Six Sigma Grants Process.

Key Performance Targets:

Performance Measure	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
Clean audits for all agencies and USDA on a consolidated basis. a. Units	100%	100%	67%	100%	100%	100%
New auditor-identified material internal control weaknesses. a. Units	3	2	2	0	0	0
Existing internal control weaknesses. a. Units	4	4	2	3	0	0

Performance Measure	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
Decrease the number of Anti-Deficiency Act violations to zero. a. Units	1	0	2	0	0	0
Programs that meet improper payments reporting requirements. a. Units	100%	100%	100%	100%	100%	100%
Compliance with A-123, Appendix A testing. a. Units	N/A	100%	100%	100%	100%	100%
Improve usage of Department electronic approval and document management functionality for financial and administrative payments through implementation of the Lean Six Sigma Transaction Process. a. Units	N/A	N/A	0% of procurement and other administrative payments use electronic approval and document management functionality	30% of procurement and other administrative payments use electronic approval and document management functionality	70% of procurement and other administrative payments use electronic approval and document management functionality	70% of procurement and other administrative payments use electronic approval and document management functionality
Improve USDA Grants management and processes through consolidation of obsolete systems into a core set of systems through implementation of the Lean Six Sigma Grants Process. a. Units	N/A	N/A	N/A	N/A	22 systems	<5 systems

OFFICE OF THE CHIEF FINANCIAL OFFICER  
Summary of Budget and Performance  
Full Cost by Strategic Goal

Agency Strategic Objective 1.1: The Department and USDA agencies receive clean audits.  
 Agency Strategic Objective 1.2: Strengthen compliance with financial management laws, regulations, and best practices.  
 Agency Strategic Objective 2.1: Develop, implement and maintain accounting and related administrative and financial systems.  
 Agency Strategic Objective 2.2: Improve customer satisfaction and transaction accuracy through modernization and enhancement of USDA services to stakeholders.

PROGRAM	PROGRAM ITEMS	Dollars in thousands		
		<u>FY 2008</u>	<u>FY 2009</u>	<u>FY2010</u>
	Performance Measure: Clean audits for all agencies and USDA on a consolidated basis.	100%	100%	100%
	Performance Measure: New auditor-identified material internal control weaknesses.	0	0	0
	Performance Measure: Existing internal control weaknesses.	3	0	0
	Performance Measure: Decrease the number of Anti-Deficiency Act violations to zero.	0	0	0
	Performance Measure: Programs meet improper payments reporting requirements.	100%	100%	100%
	Performance Measure: Compliance with A-123, Appendix A testing.	100%	100%	100%
	Performance Measure: Improve usage of Department electronic approval and document management functionality for financial and administrative payments through implementation of the Lean Six Sigma Transaction Process.	30% of procurement and other administrative payments use electronic approval and document management functionality	70% of procurement and other administrative payments use electronic approval and document management functionality	70% of procurement and other administrative payments use electronic approval and document management functionality
	Performance Measure: Improve USDA Grants management and processes through consolidation of obsolete systems into a core set of systems through implementation of the Lean Six Sigma Grants Process.	N/A	22 systems	<5 systems
	Grand Total for Agency Goals	\$5,715	\$5,954	\$6,566
	FTEs	38	42	45