

2013 Explanatory Notes

Departmental Management

Office of the Chief Financial Officer

Table of Contents

	<u>Page</u>
Purpose Statement.....	8-1
Statement of Available Funds and Staff Years	8-2
Permanent Positions by Grade and Staff Year Summary	8-3
Salaries and Expenses	
Appropriations Language	8-3
Lead-off Tabular Statement.....	8-4
Project Statement.....	8-4
Justifications	8-5
Geographic Breakdown of Obligations and Staff Years.....	8-6
Classification by Objects	8-6
Status of Program	8-7
Summary of Budget and Performance	
Statement of Agency Goals and Objectives.....	8-13
Key Performance Outcomes and Measures	8-14
Full Cost by Agency Strategic Goal	8-16

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Purpose Statement

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

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

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

NFC employs 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, 2011, there were 1,265 full-time permanent employees funded by appropriated, reimbursed, and Working Capital Funds.

OIG Reports – In Progress

50401-1-11 11/15/11 Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2011 and 2010.

11401-1-11 9/23/11 Fiscal Year 2010 National Finance Center Procedures on Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report and submitted to the Office of Personnel Management.

11401-2-11 09/23/11 Statement on Standards for Attestation Engagements No. 16 Report on Controls at National Finance Center.

50024-1-FM 7/15/11 Calendar Year 2010 Executive Order 13520, Reducing Improper Payments, High Dollar Report Review.

50024-2-FM 2/23/11 Calendar Year 2010 Executive Order 13520, Reducing Improper Payments, Accountable Official Report Review.

GAO Reports - In Progress

50024-1-11 Improper Payment Elimination and Recovery Act of 2010.

50024-2-11 Fiscal Year 2011 Executive Order 13520, High Dollar Overpayment Review.

50024-2-FM EO 13520 Review of the Department's US-Bank Purchase and Travel Card Data.

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Available Funds and Staff Years
(Dollars in thousands)

Item	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>2013 Estimate</u>	
	Staff		Staff		Staff		Staff	
	Amount	Years	Amount	Years	Amount	Years	Amount	Years
Salaries and Expenses:								
Discretionary Appropriations.....	\$6,566	33	\$6,260	22	\$5,650	22	\$6,247	22
Rescission.....	-	-	-13	-	-	-	-	-
Total Available.....	6,566	33	6,247	22	5,650	22	6,247	22
Lapsing Balances.....	-104	-	-160	-	-	-	-	-
Obligations.....	6,462	33	6,087	22	5,650	22	6,247	22
 <u>Working Capital Fund: a/</u>								
National Finance Center.....	62,785	325	54,288	226	67,925	257	69,445	290
Controller Operations.....	33,488	241	33,824	250	35,487	268	35,128	276
Corporate Systems.....	69,288	81	66,106	90	73,102	76	79,276	98
Financial Services.....	3,053	5	2,224	3	2,943	10	2,674	10
Purchase of Equipment.....	28,983	-	26,309	-	3,213	-	-	-
Purchase Card Rebate.....	9,050	-	7,993	-	-	-	-	-
Management, Oversight, and								
Administrative Services (provided to WCF Activities).....	3,255	11	-	15	-	19	-	19
NFC (Non-USDA).....	101,156	499	130,319	651	130,448	741	128,909	784
Subtotal, WCF.....	311,058	1,162	321,063	1,235	313,118	1,371	315,432	1,477
Unobligated Bal Exp.....	-	-	-	-	9,220	-	-	-
Total, WCF.....	311,058	1,162	321,063	1,235	322,338	1,371	315,432	1,477
Total, OCFO.....	317,520	1,195	327,150	1,257	327,988	1,393	321,679	1,499

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

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Permanent Positions by Grade and Staff Year Summary a/

Item	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Estimate</u>	<u>2013 Estimate</u>
	Washington, D.C.	Washington, D.C.	Washington, D.C.	Washington, D.C.
SES.....	1	2	2	2
GS-15.....	8	6	6	6
GS-14.....	12	9	9	9
GS-13.....	19	12	12	12
GS-12.....	4	4	4	4
GS-11.....	2	11	11	11
GS-10.....	-	1	1	1
GS-9.....	3	2	2	2
GS-8.....	2	-	-	-
GS-7.....	2	8	8	8
GS-4.....	1	-	-	-
GS-3.....	1	-	-	-
Total Perm. Positions.....	55	55	55	55
Unfilled, Positions EOY.....	11	18	14	14
Total, Perm. Full-Time Employment, EOY.....	44	37	41	41
Staff Year Estimate.....	44	37	41	41

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

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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

Salaries and Expenses:

For necessary expenses of the Office of the Chief Financial Officer, [\$5,650,000] \$6,247,000: *Provided*, That no funds made available by this appropriation may be obligated for FAIR Act or Circular A-76 activities until the Secretary has submitted to the Committees on Appropriations of both Houses of Congress and the Committee on Oversight and Government Reform of the House of Representatives a report on the Department's contracting out policies, including agency budgets for contracting out.

Lead-off Tabular Statement

Appropriations Act, 2012.....	\$5,560,000
Budget Estimate, 2013	<u>6,247,000</u>
Change from 2012 Appropriation	<u>+597,000</u>

Summary of Increases and Decreases
(Dollars in thousands)

	2010 <u>Actual</u>	2011 <u>Change</u>	2012 <u>Change</u>	2013 <u>Change</u>	2013 <u>Estimated</u>
Discretionary Appropriations					
Office of the Chief Financial Officer.....	\$6,566	-\$319	-\$597	+\$597	\$6,247

Project Statement
(On basis of appropriations)
(Dollars in thousands)

Program	2010 Actual		2011 Actual		2012 Estimate		Change	2013 Estimate		
	Staff	Amount	Staff	Amount	Staff	Amount		Staff	Amount	
Discretionary Appropriations:										
Office of the Chief Financial										
Officer.....	\$6,566	33	\$6,247	22	\$5,650	22	+\$597	-	\$6,247	22
Rescission and Transfer (Net)....	-	-	13	-	-	-	-	-	-	-
Total Appropriation.....	6,566	33	6,260	22	5,650	22	+597	-	6,247	22
Rescission.....	-	-	-13	-	-	-	-	-	-	-
Total Available.....	6,566	33	6,247	22	5,650	22	+597	-	6,247	22
Lapsing Balances.....	-104	-	-160	-	-	-	-	-	-	-
Total Obligations.....	6,462	33	6,087	22	5,650	22	+597	-	6,247	22

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Project Statement
(On basis of obligations)
(Dollars in thousands)

Program	2010 Actual		2011 Actual		2012 Estimate		Change	2013 Estimate		
	Amount	Staff	Amount	Staff	Amount	Staff		Amount	Staff	
Discretionary Obligations:										
Office of the Chief Financial Officer.....										
Officer.....	\$6,462	33	\$6,087	22	\$5,650	22	+\$597 (1)	-	\$6,247	22
Total Obligations.....	6,462	33	6,087	22	5,650	22	+597	-	6,247	22
Lapsing Balances.....										
Total Available.....	6,566	33	6,247	22	5,650	22	+597	-	6,247	22
Rescission.....										
Total Appropriation.....	6,566	33	6,260	22	5,650	22	+597	-	6,247	22

Justification of Increases and Decreases

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

(1) An increase of \$597,000 for the Office of the Chief Financial Officer (\$5,650,000 and 22 staff years available in 2012) consisting of:

(a) An increase of \$13,000 to fund increased pay costs.

The proposed funding level is needed to cover pay and benefit cost increases for existing staff. This will ensure that OCFO can carry out its statutory responsibilities in a timely manner.

(b) An increase of \$584,000 to perform the Audit Follow-up Function.

This increase is necessary to perform the Audit Follow-up Function that is required by the Inspector General Act Amendments of 1988. OCFO has been financially constrained and was unable to perform the Audit Follow-up Function. By reinstating this function, OCFO will be able to verify audit recommendations are followed through and report these actions to Congress.

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands)

State/Territory	2010 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	\$6,462	33	\$6,087	22	\$5,650	22	\$6,247	22
Lapsing Balances.....	104	-	160	-	-	-	-	-
Total, Available.....	6,566	33	6,247	22	5,650	22	6,247	22

Classification by Objects
(Dollars in thousands)

	2010 Actual	2011 Actual	2012 Estimate	2013 Estimate
Personnel Compensation:				
Washington D.C.....	\$3,470	\$2,681	\$2,586	\$2,680
11 Total personnel compensation.....	3,470	2,681	2,586	2,680
12 Personal benefits.....	890	724	757	772
Total, personnel comp. and benefits.....	4,360	3,405	3,343	3,452
Other Objects:				
21.0 Travel and transportation of persons.....	39	7	6	6
22.0 Transportation of things.....	1	1	1	1
23.3 Communications, utilities, and misc. charges...	100	43	34	34
24.0 Printing and reproduction.....	79	4	5	5
25.2 Other services from non-Federal sources.....	1,774	1,466	1,500	1,491
25.3 Other purchases of goods and services from Federal sources.....	32	499	245	602
25.4 Operation and maintenance of facilities.....	-	608	450	600
25.7 Operation and maintenance of equipment.....	5	-	-	-
26.0 Supplies and materials.....	62	53	60	50
31.0 Equipment.....	10	1	6	6
Total, Other Objects.....	2,102	2,682	2,307	2,795
99.9 Total, new obligations.....	6,462	6,087	5,650	6,247

Position Data:

Average Salary (dollars), ES Position.....	\$179,700	\$168,350	\$170,700	\$170,700
Average Salary (dollars), GS Position.....	\$109,678	\$111,633	\$106,885	\$110,885
Average Grade, GS Position.....	13.8	13.8	13.7	13.8

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER
STATUS OF PROGRAM

Current Activities:

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

Specific areas being addressed include:

Departmental Financial Statements. For 2011, 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 2012 financial statements and to make additional improvements including:

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

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

USDA's legacy core accounting system, the Foundation Financial Information System, is no longer being supported by the vendor. OCFO has begun the transition of core financial operations to the new Financial Management Modernization Initiative (FMMI) system. In October 2012, the Agricultural Marketing Service, the Animal and Plant Health Inspection Service, and the Grain Inspection, Packers and Stockyards Administration were transitioned to FMMI. Later in 2012, the Natural Resources Conservation Service will be transitioned over to FMMI. The Forest Service will be the final USDA agency to be transitioned, and in 2012 the Forest Service will be in the final stages of preparation for conversion.

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 conversion. 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, groups in the Department and FSA on developing a solution for implementation. USDA has expanded the license for SAP ERP 2005 to provide a platform for solution development, has selected a software integrator, and is in the process of constructing a solution.

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

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

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

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

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

- Continuing the Department-wide Assessment Implementation Team to conduct the assessment of internal control over financial reporting;
- Expanding the process-level risk-based approach to conducting the assessment internal controls over financial reporting;
- Providing a recommendation to the Secretary of Agriculture on the type of assurance to be provided regarding the effectiveness of USDA's internal control over financial reporting as of June 30th each year and for the FMFIA Annual Assurance Statement to OMB and Congress;
- 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; and
- Reviewing, analyzing, and reporting monthly progress in achieving major corrective action milestones during the reporting period.

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

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

- Debt Policy. OCFO is responsible for developing Departmental policy, and coordinating and guiding USDA agencies in implementing the requirements of the Debt Collection Improvement Act (DCIA). USDA's total receivables are \$116 billion, which represents about one-fifth of the non-tax debt owed to the Federal Government. OCFO has additional policy and oversight responsibilities for USDA agency debt, credit and cash management activities required by numerous statutes (e.g., Credit Reform Act), regulations, circulars, manuals and directives. Current activities include:
 - Leading agencies by providing policy expertise and consultation services to increase collection of debt, reduce delinquent debt, estimate the value of outstanding loans and improve management of receivables;
 - Documenting and improving debt collection activities in USDA's loan programs;
 - Working directly with the Department of the Treasury, OMB and other Federal departments ensuring consistency and standardization of requirements and efficient implementation; and
 - Developing and/or coordinating numerous Departmental, government-wide and commercial reporting requirements.

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

- Providing expertise and consultation services, assisting agencies with and conducting oversight of risk assessments, statistical sampling, error-rate reporting, remediation planning, and recovery/recapture auditing;
- Conducting analyses of agency plans for implementing IPIA/IPERA, as well as providing objective evaluation and standardization to improve IPIA/IPERA compliance;
- Monitoring the USDA agencies' plans for development of internal controls, systems enhancements and payment recapture/recovery of identified improper payments, providing assurance of program integrity, and the prevention of future improper payments; and
- Coordinating Departmental preparation and reporting of required improper payment and payment recapture/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 over \$400 million per year civilian travel program. OCFO develops, coordinates and implements Department-wide policy and procedures on travel management services and the travel card program. Under OCFO leadership USDA reduced travel spending by 20 percent in 2011. OCFO also participates on inter-agency travel policy committees in cooperation with the General Services Administration and OMB. Current activities include:

- Minimizing inappropriate use of the travel card program while maximizing the quarterly rebates from the bank;
- Adjusting both travel policies and the system to increase use of the electronic travel system;
- Providing training to USDA travel system users and travel cardholders; and
- Increasing the use of electronic approvals for all travel-related activities to improve accuracy and processing time.

Grants Policy. OCFO leads the Department in Federal financial assistance policy and oversight, and regularly convenes the Federal Financial Assistance Committee (FFAC). The FFAC consists of agency representatives that aid in the implementation of government-wide Federal financial assistance initiatives and USDA guidance.

USDA participates in government-wide Federal financial assistance initiatives such as Grants.gov and the Grants Management Line of Business (GMLOB). OCFO's leadership in these initiatives is helping to ensure simplification and streamlining of Federal financial assistance activities. OCFO maintains Departmental policy by ensuring improved efficiency in grants management and consistency of regulations across government for the public. OCFO

coordinates USDA debarment and suspension (D&S) actions and regulations including making USDA entries to the Excluded Parties List System (EPLS). OCFO maintains USDA's portion of the Catalog of Federal Domestic Assistance (CFDA) and ensures the consistency and completeness of its program data. OCFO serves on the GMLOB Communications Committee and the Interagency Suspension and Debarment Committee. OCFO also maintains the Federal Financial Assistance Intranet web site, and provide cognizant agency oversight for audit responses and legislative reports. This leads to greater information sharing and transparency of data at USDA. OCFO's committee participation is critical because many government-wide initiatives have compliance and implementation implications.

Transparency and Accountability Reporting. OCFO leads the Department's efforts to provide greater information sharing and transparency of data at USDA. The focus of this effort has been on Transparency Act and Recovery Act Implementation and Reporting, from prime award and sub-award reporting. OCFO coordinated the Department's compliance with these requirements along with improving and supporting the current Federal financial assistance reporting requirements.

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

Selected Examples of Recent Progress:

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

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

Financial Systems. In 2011, Rural Development, Risk Management Agency, Food and Nutrition Service, and FSA became operational in FMMI.

Audit Follow-up. USDA agencies closed 55 audits in 2011. USDA's current inventory of audits that have reached management decision and require final action to close the audits includes 32 new audits in 2011 for a total of 91 audits. The Department reduced its inventory of open audits by 20 percent in 2011, which reflects management's commitment to aggressively address deficiencies identified in agency programs.

Management Accountability and Control. USDA's 2011 and 2010 Consolidated Financial Statements received an unqualified audit opinion from the OIG. The auditor's Report on Compliance with Laws and Regulations also disclosed that the Department was not substantially compliant with FFMIA requirements. While progress has been made, USDA has two material weaknesses: Information Technology and Financial Reporting Un-liquidated Obligations; and one financial system non-conformance in Funds Control Management. USDA will continue monitoring progress on plans to improve financial systems to comply fully with FFMIA and FISMA requirements.

Performance Management. OCFO executed USDA performance management activities, such as conducting Department-wide planning team meetings to draft the performance management documents for the Department and the Performance and Accountability Report for 2011; 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 \$116 billion. Through effective OCFO debt management policy and coordination efforts, USDA's achievements for 2011 include:

- Achieving/Maintaining a delinquency rate of 3.7 percent as compared to the government-wide rate of 16 percent;
- Sustaining "Green" status for the 3.1 percent rate of delinquent debt over 180 days old;
- Collecting \$24 billion from receivables including over \$1 billion from delinquent debt, wrote-off \$740 million of uncollectible delinquent debt; and reported \$335 million of closed-out debt to Internal Revenue Service as possible debtor taxable income;
- Referring 99.8 percent to the Treasury Offset Program of the \$1.5 billion eligible debt compared to the government-wide rate of 88.6 percent;
- Referring 99.6 percent to the Treasury Cross-Servicing Program of the \$702 million eligible debt compared to the government-wide rate of 94.8 percent; and
- Issuing 3,187 administrative wage garnishment (AWG) orders resulting in \$6 million in collections of delinquent debt and performed 223 AWG hearings.

Departmental policies have led to the high referral rates providing greater potential for increased collections of delinquent debt through voluntary remittance, offset or commercial collection practices. The amount of USDA AWG net collections increased to \$6 million in 2011 compared to \$3.3 million in 2010. 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 accomplished the annual IPIA review of 128 programs for 2011. This included completion of risk assessments on 46 low risk programs and the measurement of 15 high risk programs. In addition, USDA performed 67 management certifications on the remaining low risk programs. The Department reported an improper payments error rate of 5.37 percent for 2011, which is the same error rate reported in 2010. Due to a \$7.1 billion increase (8 percent) in high risk program outlays for 2011, the estimated amount of improper payments for 2011 was \$5.4 billion, an increase from \$5 billion reported in 2010. The increase in outlays was attributable to the increase in demand for food and nutrition assistance due to the economic downturn. Seven USDA high risk programs reported 2011 improper payments error rates below their 2010 error rate. However, the Department's 2011 error rate remained the same as 2010, mainly due to the first time reporting of an error rate for the certification component of the FNS' Women, Infants and Children program. FNS' Supplemental Nutrition Assistance Program (SNAP) achieved a 3.81 percent error rate for 2011, down from 4.36 percent in 2010. The SNAP error rate is a new historic low for the program and is the seventh consecutive year below 6 percent. FSA reported estimated improper payments of \$64 million (error rate of 0.71 percent) for their high risk programs in 2011, which is below the 2010 estimated improper payments of \$128 million (error rate of 1.08 percent). To achieve these reductions, USDA agencies implemented aggressive corrective action plans; increased senior management involvement; provided internal and external training; increased accountability; enhanced program eligibility verification; and improved internal controls and documentation controls.

Travel Policy. As part of the Food, Conservation, and Energy Act of 2008 (Public Law 110-246), USDA successfully prepared a report on conferences and published it on USDA's web site. OCFO revised the reporting process and used additional raw data to improve both the quality and efficiency in preparing this USDA report. OCFO revised USDA travel policy to encourage more cost savings in travel spending.

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

- Established the D&S Council that will coordinate USDA efforts for ensuring effective implementation of D&S procedures. The Council had its first meeting on August 1, 2011, and is set to meet each quarter thereafter;
- Finalized the D&S Guidance that will be issued as a Department Regulation and/or Manual in 2012;
- Worked with OIG to revise its monthly report of USDA indictments and convictions; the report's current version will provide actionable D&S data to the agencies;
- Obtained the necessary justifications for agencies' not covered transactions, consolidated into one template, and provided to OIG for review and approval;
- Established the cause and treatment code in the EPLS for permanent debarment from all USDA programs;

- Issued the final guidance to the agencies on timely CFDA program additions and updates to ensure agencies updated their programs per OMB's requirements for 2011; and
- Issued draft guidance to the FFAC on Grants.gov, Indirect Cost, and Single Audit.

Transparency and Accountability Reporting. OCFO updated guidance in September 2011 on Transparency Act reporting and has reduced the number of outstanding data errors to less than 1 percent. Outreach and training was conducted for all agencies whose recipients make sub-awards. OCFO staff worked with a small team at OMB to develop the data quality guidance for Federal agencies. They have also developed and are implementing reconciliations to further improve on data quality. OCFO staff developed un-liquidated obligations reports.

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

- Shown quarterly improvement in error reduction and non-compliant reporting;
- Updated guidance to ensure higher quality data;
- Developed additional internal control testing and review procedures to ensure higher data quality;
- Conducted Department-wide training on guidance as it was issued;
- Chaired the OMB systems technical subcommittee, which successfully advocated for system enhancements in recipient reporting including the Automated Data Change (ADC) tool;
- Provided and implemented use of the ADC tool Department-wide; and
- Established a working group to address sub-award reporting issues and compliance. Coordinated responses to audits by the OIG.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Summary of Budget and Performance
Statement of Agency Goals and Objectives

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

OCFO has one strategic goal and two objectives that contribute to all of the Secretary's Strategic Goals.

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

Key Outcomes:

1. Achieve USDA-wide unqualified audit opinion on financial statement audits.
2. Down-grade existing material weaknesses to significant deficiency 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.

Selected Accomplishments Expected at the 2013 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.

Strategic Goal Funding Matrix
(Dollars in thousands)

Program / Program Items	2010 Actual	2011 Actual	2012 Estimate	Change	2013 Estimate
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Agency Strategic Goal 1: USDA becomes a leader in financial management through strong leadership, policy and oversight.

Office of the Chief Financial Officer.....	\$6,462	\$6,087	\$5,650	+\$597	\$6,247
Staff Years.....	33	22	22	-	22

Summary of Budget and Performance
Key Performance Outcomes and Measures

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

Key Outcomes:

1. Achieve USDA-wide unqualified audit opinion on financial statement audits.
2. Down-grade existing material weaknesses to significant deficiency 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.

Key Performance Measures:

- Measure #1: Percentage of clean audits for all agencies and USDA on a consolidated basis.
- Measure #2: Number of new auditor-identified material internal control weaknesses.
- Measure #3: Number of existing internal control weaknesses.
- Measure #4: Number of Anti-Deficiency Act violations.
- Measure #5: Reduction in Departmental improper payments percent.
- Measure #6: Compliance with A-123, Appendix A testing.

Key Performance Targets:

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target	2013 Target
Percentage of clean audits for all agencies and USDA on a consolidated basis. a. Units	67%	100%	86%	86%	86%	100%	100%
Number of new auditor-identified material internal control weaknesses. a. Units	2	0	0	0	0	0	0
Number of existing internal control weaknesses. a. Units	2	3	3	2	2	1	1
Maintain the number of Anti-Deficiency Act violations to zero. a. Units	2	0	0	2	0	0	0
Reduction in Departmental improper payments percent. a. Units	1.18%	0.02%	0.21%	0.55%	0.02%	0.01%	0.01%
Compliance with A-123, Appendix A testing. a. Units	100%	100%	100%	100%	79.1%	100%	100%

DEPARTMENTAL MANAGEMENT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Full Cost by Agency Strategic Goal
(Dollars in thousands)

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

Program / Program Items	2010 Actual	2011 Actual	2012 Estimate	2013 Estimate
Administrative costs (direct).....	\$4,360	\$3,405	\$3,343	\$3,452
Indirect costs.....	2,102	2,682	2,307	2,795
Total Costs.....	6,462	6,087	5,650	6,247
FTEs.....	33	22	22	22
 Performance Measure:				
Percent of clean audits for all agencies and USDA on consolidated basis.				
Measure.....	86%	86%	100%	100%
 Performance Measure:				
Number of new auditor-identified material internal control weaknesses.				
Measure.....	0	0	0	0
 Performance Measure:				
Number of existing internal control weaknesses.				
Measure.....	2	2	1	1
 Performance Measure:				
Maintain the number of Anti-Deficiency Act violations at zero.				
Measure.....	2	0	0	0
 Performance Measure:				
Reduction in Departmental improper payments percent.				
Measure.....	0.55%	0.02%	0.01%	0.01%
 Performance Measure:				
Compliance with A-123, Appendix A testing.				
Measure.....	100%	79%	100%	100%