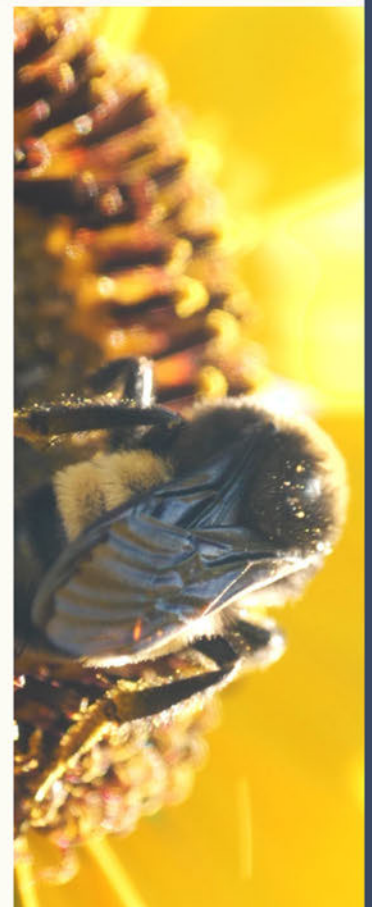
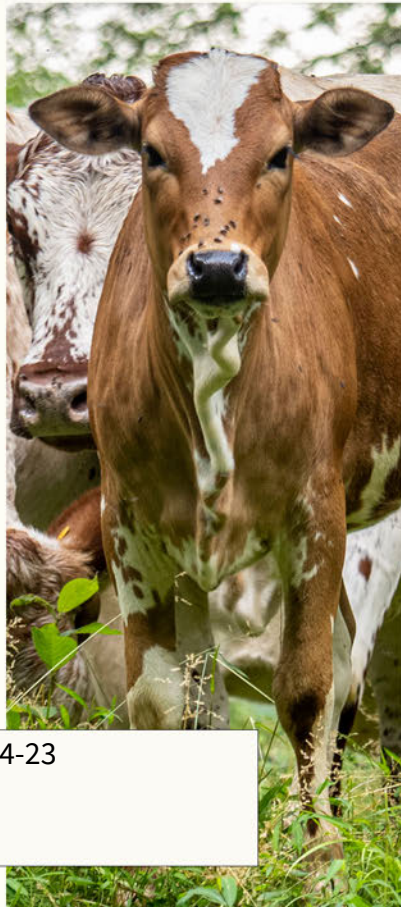




# U.S. Department of Agriculture Office of Inspector General

## USDA's Controls Over Departmental Shared Cost Programs and Working Capital Fund



Audit Report 50601-0004-23

March 2024

## **IMPORTANT NOTICE**

This audit report contains sensitive information that has been redacted for public release because it contains content that has been deemed privileged.



# USDA's Controls Over Departmental Shared Cost Programs and Working Capital Fund

## Audit Report 50601-0004-23

OIG evaluated USDA's transfers of funds into and out of the Shared Cost Programs and Working Capital Fund to determine if funds were used in accordance with their purpose.

### OBJECTIVE

Our objectives were to evaluate USDA's transfers of funds in and out of the SCPs (Greenbook authority) and WCF to ensure funds were used in accordance with their purpose. Specifically, we identified and evaluated the process used to transfer funds to existing programs and establish new program areas and centralized services.

### REVIEWED

We reviewed laws, regulations, and procedures to identify SCP and WCF requirements, and OCFO's policies and procedures. We also examined reports, budgets, IAAs, and expenditures. We interviewed agencies' chief financial officers, OCFO personnel, and staff in the WCF and SCPs activity centers.

### RECOMMENDS

OCFO, [REDACTED] should determine whether IAAs are required, and the appropriate authorities needed to properly implement the IAA process for SCPs. OCFO should then implement policies to ensure that SCPs and involved agencies are properly executing IAAs and timely obligating funds. WCF officials should amend their current Departmental Regulation regarding the IAA process and explain the necessity and timing of having a binding agreement in place before the transfer of funds and provision of services. Finally, OCFO should work with the SCPs and WCF activity centers' officials to implement a process so that records are maintained in such a manner that information and documents are complete and readily retrievable.

### WHAT OIG FOUND

We determined that the United States Department of Agriculture's (USDA) Office of the Chief Financial Officer (OCFO) properly transferred funds into and out of the Shared Cost Programs (SCPs) and Working Capital Fund (WCF). However, to better ensure funds were used according to their purpose, OCFO needs to improve its processes for documenting those transfers and maintaining sufficient documentation for program areas' and centralized services' expenditures.

OCFO allowed USDA agencies to make funds available to the SCPs and WCF before a signed, binding agreement was in place. The SCPs and WCF process to transfer funds between USDA agencies was sufficient, but the process for documenting the obligation of funds through interagency agreements (IAAs) needs to be improved. Although we found no violations of the Antideficiency Act, properly obligating and recording obligations as required by the U.S. Code is essential to determining the status of appropriations and assuring compliance with the Antideficiency Act.

OCFO was not able to provide or readily retrieve adequate support for 12 of the 72 program expenditures reviewed. OCFO officials stated that program staff should be following National Archives and Records Administration (NARA) requirements for record retention, but our review disclosed that program and activity center managers did not always do so. In addition, we found that OCFO did not implement its own records management program. Overall, we identified more than \$7 million in questioned costs.

OCFO agreed with our recommendations, and we accepted management decision on all four recommendations.





## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** March 14, 2024

**AUDIT  
NUMBER:** 50601-0004-23

**TO:** Lynn Moaney  
Deputy Chief Financial Officer  
Office of the Chief Financial Officer

**ATTN:** Stacey Thompson  
Administrative Management Director  
Agency Audit Liaison Official

**FROM:** Janet Sorensen  
Assistant Inspector General for Audit

**SUBJECT:** USDA's Controls Over Departmental Shared Cost Programs and Working Capital Fund

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for all four audit recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs 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.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and only publicly available information will be posted to our website (<https://usdaoig.oversight.gov>) in the near future.



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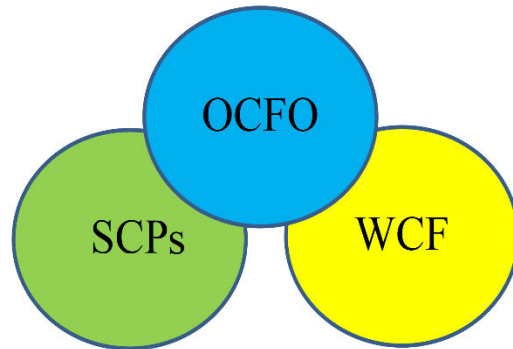


# Background and Objectives

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## Background

USDA’s OCFO provides policy guidance and oversight to the Department’s internal controls and management accountability programs and reporting to ensure adequate controls over Departmental assets. OCFO is also responsible for implementing and maintaining the infrastructure necessary to provide management with online, real-time financial management information necessary for sound decision-making. OCFO, in addition to its responsibilities in financial policy and operations, is responsible for the administration of USDA’s SCPs and WCF.



**Figure 1: The three overlapping circles above depict that OCFO oversees SCPs and WCF.**

## Shared Cost Programs

Congress gave USDA transfer of funds authority (also known as Greenbook authority) in 1965.<sup>1</sup> This authority allows USDA to pool funds by charging the appropriations accounts of its agencies and offices (hereafter referred to as *agency* or *agencies*) to pay for programs that benefit multiple agencies, provided the agencies charged have the authority to purchase those goods and services on their own. These SCPs (e.g., Medical Services, Office of Customer Experience, Security Operations) are performed on behalf of the Department or its agencies, costs for which are recovered from USDA agencies through reimbursements. The SCP approves and documents reimbursement through IAAs.

OCFO’s Budget Division oversees the SCPs. For fiscal years (FY) 2020 and 2021, 13 SCPs operated by collecting funds from USDA agencies. USDA Staff Office SCP managers administer SCP activities. Each SCP has a specific purpose, manager, and fund allowance that is reviewed by an advisory committee and approved by the Secretary. The SCPs’ total fund allowance is distributed among the contributing agencies, also known as *requesting agencies*. The requesting agency obligates funds for an SCP, then the program manager expends funds for goods and services. USDA’s Departmental Manual (DM) 2236-001 establishes the financial procedures, including the roles and responsibilities for OCFO and requesting agencies (the

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<sup>1</sup> 7 U.S.C. § 2263.

agency providing the funds for program services) and servicing agencies (the agency using the funds to provide program services).<sup>2</sup>

## **Working Capital Fund**

The WCF was established for USDA in 1943<sup>3</sup> and is defined as a fund without FY limitation for payment of salaries and other costs for centrally managed services. The WCF is the Department's financing mechanism to provide centrally managed activities of a business-like nature (e.g., Mail and Reproduction Services, National Finance Center). The WCF finances 15 centrally managed activity centers that provide support services, on a fee-for-service basis, to USDA and non-USDA organizations and allows the Department to achieve efficiencies by engaging in economies of scale.

The WCF does not receive funds as an individual discretionary account; rather, it serves as a financing mechanism for which costs are 100-percent reimbursable. Services include core services, which are non-discretionary and in which all agencies participate, and agency-specific services which are provided on-demand and by agreement. Participating agencies reimburse the WCF for the full cost of services they order. WCF Departmental Regulation (DR) 1043-040, identifies the individuals and organizations responsible for the financial health and efficient operation of activities supported by the departmental WCF.<sup>4</sup> OCFO's WCF Division manages all WCF operations. The activity center manager oversees and administers activity center operations.

## **The IAA Process**

To document the agreement between the requesting agency and the servicing agency, the SCPs and WCF use IAA forms.<sup>5</sup>

For SCPs, the process includes the SCP manager, the OCFO Budget Division, and the SCP Advisory Committee.<sup>6</sup> The SCP Advisory Committee prepares a decision memorandum (hereinafter referred to as memo), containing a list of SCPs and funding levels by agency, which is approved by the Secretary. Figure 2 depicts the steps in the SCP funding process.

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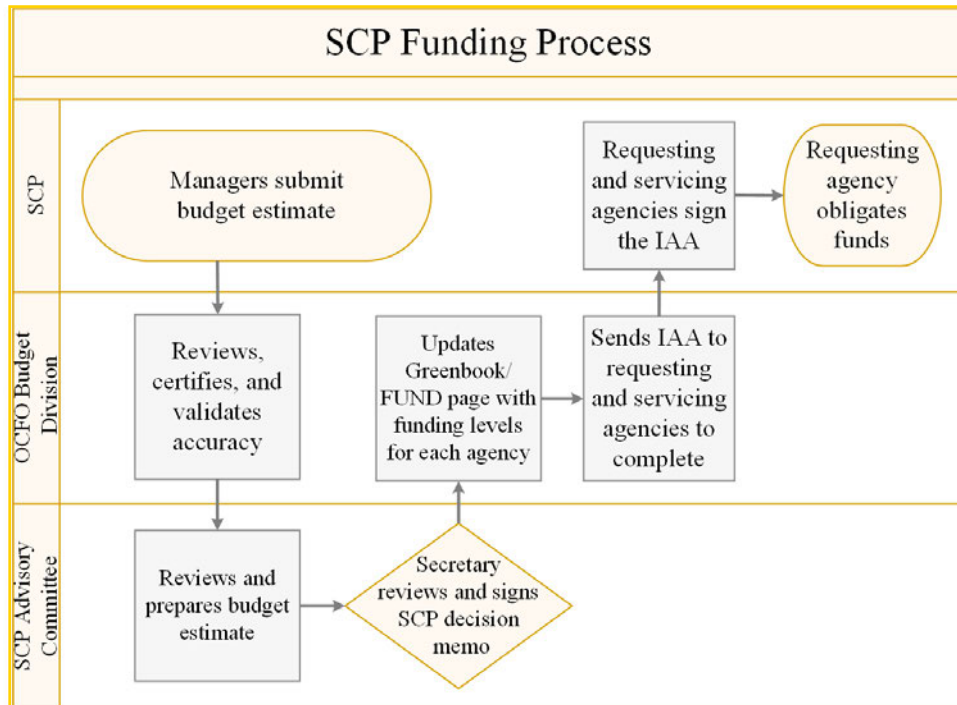
<sup>2</sup> USDA DM 2236-001, *Shared Cost Programs* (Mar. 14, 2014). This version was superseded by an updated version on April 16, 2021.

<sup>3</sup> 7 U.S.C. § 2235.

<sup>4</sup> USDA DR 1043-040, *Assignment of Responsibilities of Review and Oversight of Working Capital Fund Activities* (July 1, 1996). This version was superseded by updated versions on March 5, 2021, and November 22, 2021.

<sup>5</sup> Department of the Treasury, Bureau of the Fiscal Service (FS), United States Government Interagency Agreement (IAA) Agreement Between Federal Agencies, FS Form 7600A, General Terms & Conditions Section (GT&C), and FS Form 7600B, Order Requirements and Funding Information (Order) Section.

<sup>6</sup> The Shared Cost Program (SCP) Advisory Committee serves as the primary recommending body to the Secretary on matters pertaining to SCP resource estimates, cost recovery methodologies, and reimbursements.



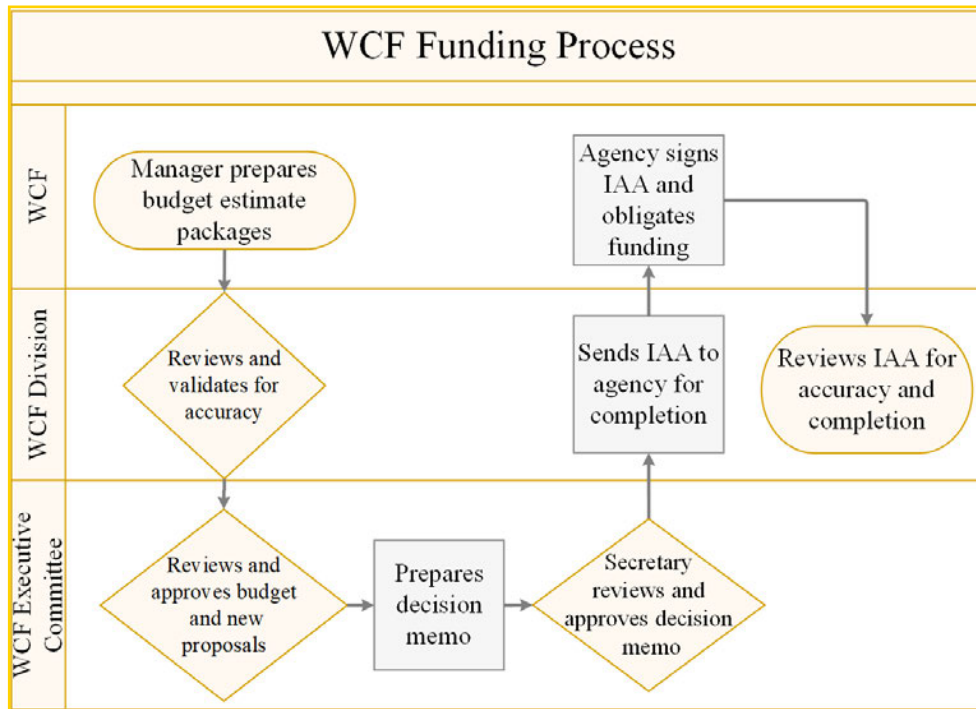
**Figure 2: The diagram above depicts the SCP Funding Process which starts with a budget estimate and ends with a signed IAA and obligated funds.**

Based on the approved memo, OCFO Budget Division updates its Greenbook FUND Webpage application with the approved funding levels and sends the IAA to the requesting and servicing agencies for signature. Both the requesting and servicing agency are expected to sign the IAA before the requesting agency obligates funds<sup>7</sup> (completes purchase orders to and receives services from) to the SCPs. Each requesting agency will use that funding level to obligate funds to an SCP. According to OCFO officials, the OCFO Budget Division uses a spreadsheet to track interagency agreements status (e.g., sent or returned). The Greenbook FUND webpage application is also used as a communication and reporting tool.

For WCF, OCFO WCF activity center managers prepare reimbursement estimates and cost recovery methods, and the WCF Division reviews and approves estimates and methodologies. The WCF Division officials explained that the activity centers' estimates are placed in a decision memo which is sent to the Secretary for approval. According to OCFO, the WCF Division prepares IAAs for each centralized service and sends them for signature to the requesting agency receiving the service.<sup>8</sup> Once signed, the IAA serves as evidence that requesting agencies have agreed on the service and establishes the authority to pay. Figure 3 below depicts the steps in the WCF funding process.

<sup>7</sup> Department of the Treasury, Bureau of the Fiscal Service United States Government Interagency Agreement: Agreement Between Federal Agencies, FS Form 7600A, General Terms & Conditions Section (GT&C), and FS Form 7600B, Order Requirements and Funding Information (Order) Section.

<sup>8</sup> WCF activity center managers prepare the IAA for agency-specific services and the WCF budget staff prepare the IAA for core (i.e., all agencies participate) services.



**Figure 3: The WCF Funding Process starts with a budget estimate to recover costs and ends with the signed IAAs and obligated funds.**

The transfer of funds for both the SCPs and WCF activity centers are documented in OCFO’s Financial Management Modernization Initiative (FMMI),<sup>9</sup> which is OCFO’s official system of record. The requesting agencies complete a purchase order to obligate funds.<sup>10</sup> The servicing agencies then complete a sales order based on the amounts stated in the purchase order to begin reimbursement for services.

## Objectives

The objectives of this audit were to evaluate USDA’s transfers of funds in and out of the SCPs (Greenbook authority) and WCF to ensure funds were used in accordance with their purpose. Specifically, we identified and evaluated the process used to transfer funds to existing programs and establish new program areas and centralized services.

We determined that USDA’s OCFO properly transferred funds into and out of the SCPs and WCF. However, we did identify that OCFO needs to improve its processes for documenting those transfers (see Finding 1) and maintaining sufficient documentation for program areas’ and centralized services’ expenditures to ensure funds were used according to their purpose (see Finding 2).

<sup>9</sup> OCFO defines FMMI as a web-based accounting and ledger system that provides accurate, timely financial operating information, performance reports, and consolidated financial statements necessary to the management of Federal clients, and for annual audits.

<sup>10</sup> An obligation is generally defined, in relevant part, as a “definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received....” Government Accountability Office (GAO), *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-744SP, “Obligation” (Sept. 2005).

## Finding 1: OCFO Needs to Better Document Policies for Its Interagency Agreement Process

We found that 8 of the 42 IAAs we reviewed, were not signed (establishing a binding agreement) before OCFO allowed 5 USDA agencies to obligate funds (complete purchase orders to and receive services from)<sup>11</sup> to the SCPs and WCF. Specifically for SCPs, one agency obligated funds more than 365 days before it signed an IAA agreeing to how the funds would be used. In another instance, two different agencies accepted WCF services without a signed IAA in place, and it took more than 200 days to sign and formally obligate funds for services. These instances occurred because OCFO relied on its routine practices, which may or may not have required a signed IAA, instead of having documented policies that ensured a signed IAA was obtained before funds were obligated. In addition, for SCPs, OCFO officials stated that there was no requirement to complete an IAA beyond a decision memo from the Secretary. As a result, OCFO has reduced assurance that SCPs and WCF are properly documenting valid obligations,<sup>12</sup> which is essential for determining the status of appropriations and preventing potential violations of the Antideficiency Act. Although we did not identify a violation of the Antideficiency Act, we are questioning SCPs' and WCF's IAAs totaling more than \$6.8 million that were not signed before funds were obligated.

USDA requires internal controls over program and administrative operations, as well as compliance with applicable laws and regulations.<sup>13</sup> The relevant U.S. Code subsection requires documentary evidence of a binding agreement in writing between an agency and another agency before an obligation can be recorded (i.e., officially charged against the requesting agency's appropriations).<sup>14</sup> Under-recording (i.e., failing to record valid obligations) may result in violating the Antideficiency Act.<sup>15</sup> Over-recording (i.e., recording as obligations items that are not) is also improper.

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<sup>11</sup> For SCP, according to DM-2236, the "purchase order" document "represents a legal obligation of funds after either a contract has been signed or a service provider has agreed to provide goods or services." DM-2236, § 7.b. DM-2236 also states that "[t]he FMS Form 7600 will be used to establish sales orders and purchase orders for the service provider and purchaser respectively." *Id.*, § 6.a. For WCF, OCFO requires Form 7600A/B to obligate funds. See USDA OCFO, *FY 2021 Working Capital Fund Reimbursable Agreements* (Sept. 25, 2020), and USDA OCFO, *FY 2020 Working Capital Fund Reimbursable Agreements* (Oct. 2, 2019). For both programs, obligations are recorded in FMFI.

<sup>12</sup> According to GAO, the primary purpose of 31 U.S.C. § 1501 (commonly referred to as the "recording statute") is to ensure that agencies record only those transactions which meet specified standards for legitimate obligations. GAO, *Principles of Federal Appropriations Law*, GAO-06-382SP, 7-7 (Feb. 2006) (citations omitted). GAO has further stated, "[i]n one sense, these nine criteria [at 31 U.S.C. § 1501(a)] taken together may be said to comprise the 'definition' of an obligation." *Id.*, 7-8 (citation omitted).

<sup>13</sup> USDA DR 1110-002, *Management's Responsibility for Internal Control*, 2 § 5 (June 17, 2013). This version was superseded by an updated version on March 5, 2021.

<sup>14</sup> 31 U.S.C. § 1501 (a)(1): "An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of... a binding agreement between an agency and another person (including an agency) that is-- (A) in writing, in a way and form, and for a purpose authorized by law; and(B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided...."

<sup>15</sup> 31 U.S.C. § 1341.

Although we found that the SCPs' and WCF's process to transfer funds between USDA agencies was sufficient, we determined their process for documenting the obligation of funds through IAAs needs to be improved. The SCPs and WCF use an IAA to document the agreement between the requesting agency and the servicing agency. Although the SCPs had documented requirements in the DM,<sup>16</sup> it did not include detailed policies or instructions regarding the timing of signing IAAs before obligating funds. WCF issued an instructional memo with the IAA attached but did not explain that the IAA needed to be signed before funds are obligated. The following subsections describe the requirements and processes in place for SCP and WCF for the IAAs we reviewed.

## Review of IAAs for SCP

We found that OCFO issued a DM for SCPs that required agencies to use Treasury Fiscal Service (FS) Form 7600A<sup>17</sup> (the United States Government Interagency Agreement: Agreement between Federal Agencies, General Terms and Condition Section) for the IAA process in order to establish obligations.<sup>18</sup> However, that DM did not include instructions for agencies to ensure FS Form 7600A was signed before funds were obligated. In addition, the relevant U.S. Code subsection requires a binding agreement in writing before an obligation may be recorded. Specifically, the requirement reads "an amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of a binding agreement between agencies."<sup>19</sup> We reviewed 18 IAAs documented on FS Form 7600A and compared the signature dates to the dates when the requesting agency intended to obligate funds.<sup>20</sup>

We determined that 4 of the 18 IAAs we reviewed were not signed before the requesting agency obligated funds to a servicing agency.<sup>21</sup> The time from obligation of funds until both signatures were on the IAA ranged from 76 to 436 days.<sup>22</sup> We found one IAA, which was initiated in FY 2021, that remained unsigned by the requesting agency at the time of our audit.<sup>23</sup> Although we found that the agency did sign an amendment to that original IAA, we did not consider that original IAA to be binding because it had only one

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<sup>16</sup> USDA DM 2236-001, *Shared Cost Programs* (Mar. 14, 2014). This version was superseded by an updated version on April 16, 2021.

<sup>17</sup> The March 2014 version of the DM states that USDA will use the Treasury Form 7600, Interagency Agreement (IAA) for shared cost agreements. The April 2021 version states that USDA will use the Department of Treasury, Bureau of Fiscal Service, Form 7600A, General Terms and Conditions, Interagency Agreement, for shared cost agreements. We reviewed FS Form 7600A to determine whether signatures were present.

<sup>18</sup> USDA DM 2236-001, *Shared Cost Programs* (Mar. 2014, updated Apr. 16, 2021).

<sup>19</sup> 31 U.S.C. § 1501 (a)(1).

<sup>20</sup> We reviewed the date the agency created a purchase order, which should have been done through a Form 7600 pursuant to DM 2236-001, § 6.a.(1).

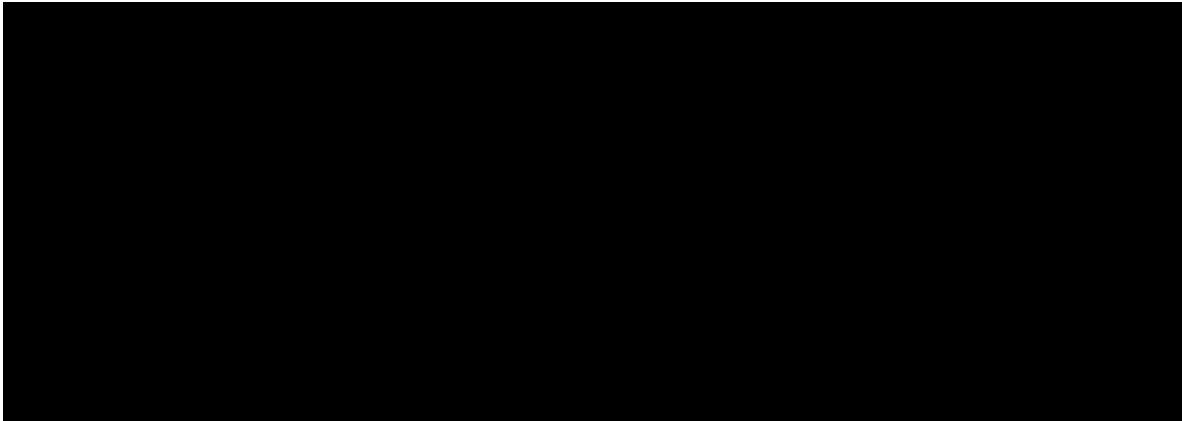
<sup>21</sup> We considered the agreement as not signed if the requesting and/or servicing agency official did not sign the IAA (Form 7600A).

<sup>22</sup> We calculated the number of elapsed days using a spreadsheet function called "networkdays," meaning that we did not count weekends or holidays in totaling the number of elapsed days.

<sup>23</sup> As of May 10, 2023, the requesting agency still had not signed the original agreement.

of the two required signatures.<sup>24, 25</sup> In addition, the amendment was not signed until 190 days after the agency first obligated funds. As a result, we questioned more than \$5.7 million in funds for those four IAAs in which funds were obligated before a binding agreement was in place.

OCFO officials who oversee the SCPs' IAA process and allocation amounts consider the use of an IAA to be a secondary function to the Secretary's decision memo. OCFO officials consider the Secretary's decision memo, approving the SCP and allocation amounts, to be a primary binding agreement to fulfill the fiscal obligation for SCPs. In addition, OCFO interpreted 31 U.S.C. § 1501(a)(3) to apply to SCPs and defined the Secretary's decision memo as an "order;" therefore, an IAA was not needed.



## Review of IAAs for WCF Activity Centers

WCF had a DR<sup>27</sup> in place establishing the staff roles and responsibilities. However, the DR did not include the requirement to use Form 7600A/B as an IAA or provide detailed instructions on the timing of signatures before obligating funds to reimburse the WCF activity centers. For FYs 2020 and 2021, the WCF sent an instructional memo<sup>28</sup> attached to IAAs explaining that each requesting agency was to use Form 7600A/B and return it signed within 14 days. However, we found that the instructions in that memo were not added to the DR and did not explain the necessity and timing of having a binding agreement in place before obligating funds.

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<sup>24</sup> According to Department of Treasury instructions for Form 7600A, signatures (for both requesting and servicing agencies) are required.

<sup>25</sup> United States Department of Treasury, <https://fiscal.treasury.gov/files/forms/GT&C-Form-7600-Instructions.pdf> (revised Mar. 2019).

<sup>26</sup> USDA DM 2236-001, *Shared Cost Programs* (Mar. 14, 2014). This version was superseded by an updated version on Apr. 16, 2021.

<sup>27</sup> USDA DR 1043-040, *Assignment of Responsibilities for Review and Oversight of Working Capital Fund Activities* (July 1, 1996). This version was superseded by updated versions on March 5, 2021, and November 22, 2021.

<sup>28</sup> USDA OCFO, *FY 2021 Working Capital Fund Reimbursable Agreements* (Sept. 25, 2020). USDA OCFO, *FY 2020 Working Capital Fund Reimbursable Agreements* (Oct. 2, 2019).



We reviewed 20 WCF IAAs and did not find any non-compliances within our sampled agreements. However, we were informed by activity center managers that other IAAs had much larger gaps between obligation and signature date. One of the activity center managers provided an additional 4 IAAs,<sup>29</sup> from FYs 2020 and 2021, where the requesting and servicing agency signed and formally obligated funds between 100 and 200 days after the beginning of the IAA agreement period. The length of time between the provision of services and formal obligation and recording caused a lack of assurance that the agencies were complying with the Antideficiency Act. Generally, the Antideficiency Act prohibits Federal agencies from obligating or expending Federal funds in advance or in excess of an appropriation.<sup>30</sup> The three agencies did eventually obligate funds and the WCF did not incur potential Antideficiency Act violations, but the IAAs were not executed according to U.S. Code requirements.<sup>31</sup> As a result, we questioned more than \$1.1 million in funds where the four IAAs were not timely executed.

WCF officials stated that getting agencies to sign the IAAs and reimburse the WCF timely can be a challenge. WCF officials also stated that they have been unable to make agencies comply with WCF requirements but did agree that amending the WCF DR to include signing an IAA and obtaining timely reimbursement may help with enforcement. Therefore, we recommend that WCF officials amend their DR to include instructions on timely signing an IAA and reimbursing the WCF, as well as how to handle agencies' non-compliance. WCF officials agreed to add those requirements to their current DR.

Based on the stated criteria for SCPs and the WCF memo, we concluded that an IAA must be signed before an obligation is recorded, creating a binding agreement. We found that agencies did not sign 8 of the 42 IAAs we reviewed; therefore, there were no binding agreements in place before obligations were made. As a result, we questioned more than \$6.8 million in funds that did not meet statutory or regulatory requirements. Although we did not identify any violations of the Antideficiency Act, properly obligating and recording obligations pursuant to U.S. Code is essential to determining the status of appropriations and assuring compliance with the Antideficiency Act. The closer in time a valid obligation is made and recorded to the start of a servicing agency's expenditure of funds, the more assurance USDA will have in preventing potential violations of the Antideficiency Act (as well as other statutes related to the purpose and period of availability of appropriations). Without documented policies to ensure that an IAA is timely executed, and then funds obligated, there is reduced assurance that funding will be available and timely reimbursed for services.

## Recommendation 1

[REDACTED]

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<sup>29</sup> These four IAAs were not in our original sample; however, they did fall within our scope of audit work. Therefore, by auditing standards, we can assess and include them in our conclusions and questioned costs.

<sup>30</sup> 31 U.S.C. § 1341(a).

<sup>31</sup> 31 U.S.C. § 1501(a)(1).

## Agency Response

In its December 15, 2023, response, agency officials stated that:

[REDACTED]

The estimated completion date is April 15, 2024.

## OIG Position

We accept management decision on this recommendation.

## Recommendation 2

[REDACTED] OCFO should then implement the applicable policies to ensure that SCPs and involved agencies are properly executing an IAA and timely obligating funds.

## Agency Response

In its December 15, 2023, response, agency officials stated that:

SCP agreements are now sent out to the agencies and staff offices before the start of the fiscal year; previous practice was to send out the IAAs at the conclusion of continuing resolutions. If [REDACTED]

[REDACTED] OCFO will update the Departmental Manual to require under Mission Area, Agency, and Staff Offices responsibilities the execution of signed agreement to be returned to the OCFO Budget Staff no later than March 31st of the fiscal year. The OCFO Budget Director will be notified of agencies who have not returned the executed agreements by the specified date.

In a subsequent email, agency officials estimated the Departmental Manual would be updated by June 30, 2024.

The estimated completion date is June 30, 2024.

## OIG Position

We accept management decision on this recommendation.

### **Recommendation 3**

WCF officials should amend the current DR to include instructions on the IAA process that explain the necessity and timing of having a binding agreement in place before the transfer of funds and provision of services. The amendment should also include instructions to elevate any non-compliance issues.

#### **Agency Response**

In its December 15, 2023, response, agency officials stated that:

The WCF will amend their DR under roles and responsibilities this fiscal year to include the necessity and timing of having a binding agreement in place before the transfer of funds and provision on service. However, the WCF does place a statement in its reimbursable agreement memo sent to agencies at the start of a new fiscal year along with the IAA which states, in part, that the WCF does not have the authority to provide services without reimbursement and must obtain signed agreements in a timely fashion.

The estimated completion date is September 30, 2024.

#### **OIG Position**

We accept management decision on this recommendation.

## **Finding 2: OCFO Needs to Document Its Records Management Program**

While we found that most of the SCPs' and WCF's expenditures were supported, we determined that OCFO needs to establish and maintain a records management program. We found that OCFO was not able to provide adequate support or readily retrieve the support for 12 of the 72 program expenditures reviewed. For example, an SCP manager was unable to provide documentation to support more than \$166,000 of expenditures. In addition, it took SCP officials more than 150 days to track down support for expenditures of more than \$2.2 million. This occurred because OCFO did not have written policies and procedures for its record retention processes. OCFO officials, for both the SCPs and WCF, expected program and activity center managers to follow the National Archives and Records Administration (NARA) record retention requirements, without also documenting an OCFO-specific records management process. As a result, there is reduced assurance that unsupported expenditures were used for their intended purpose. In all, we reviewed more than \$15 million in expenditures and questioned more than \$220,000 as inadequately supported expenses. We also identified expenditures totaling more than \$2.8 million that were not readily retrievable.

In FY 2016, USDA's Office of the Chief Information Officer (OCIO) issued DR 3080-001, which required each agency to establish and maintain a records management program that included a process for (1) accurately creating and preserving records; (2) maintaining records, in any system, that facilitate ease of use, access, and consistency with NARA requirements; and (3) ensuring that records are readily retrievable and accessible to Departmental officials and the public as appropriate.<sup>32</sup> In addition, GAO's guidance<sup>33</sup> on standards for internal control list Information and Communication, both internally and externally, as a key component to support an internal control system. A factor for internal and external communication is the availability of information that is readily available to the audience when needed.

We reviewed expenditures for both SCPs and WCF to determine whether the funds were used for their intended purpose. We reviewed a nonstatistical sample of 72 expenditures made for the SCP (33 expenditures) and WCF activity centers (39 expenditures). While we found that most of the expenditures were supported, SCP managers and WCF activity center officials were not able to provide adequate support or readily retrieve the support for 12 of the 72 expenditures. OCFO officials stated that program staff should be following NARA requirements for record retention, but our review disclosed that program and activity center managers did not always follow NARA requirements. In addition, we found that OCFO did not implement its own records management program, as required.

### **Inadequate Support for Expenditures**

We found that SCP and WCF managers did not maintain adequate support for 7 of the 72 expenditures we reviewed, totaling more than \$222,000. For example, an SCP manager was unable to provide documentation to support more than \$166,000 of expenditures for a contract

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<sup>32</sup> USDA DR 3080-001, *Records Management* (Aug. 16, 2016).

<sup>33</sup> GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, 14.05 and 15.05 (Sept. 2014).

worth more than \$2 million. Another SCP manager was unable to provide support for approval of SmartPay®<sup>34</sup> transactions for more than \$700 of expenditures. For WCF, an activity center manager was unable to provide documentation for agreements and approval for SmartPay® transactions to support more than \$54,000 of expenditures. The DR<sup>35</sup> requires each agency to establish and maintain a records management program that accurately creates and preserves records. However, we found that OCFO did not have a records retention process in place and, as a result, we were unable to confirm whether program funds were used for their intended purpose. In all, we questioned more than \$220,000 in expenditures because without documentation, we were unable to verify whether funds were used for their intended purpose.

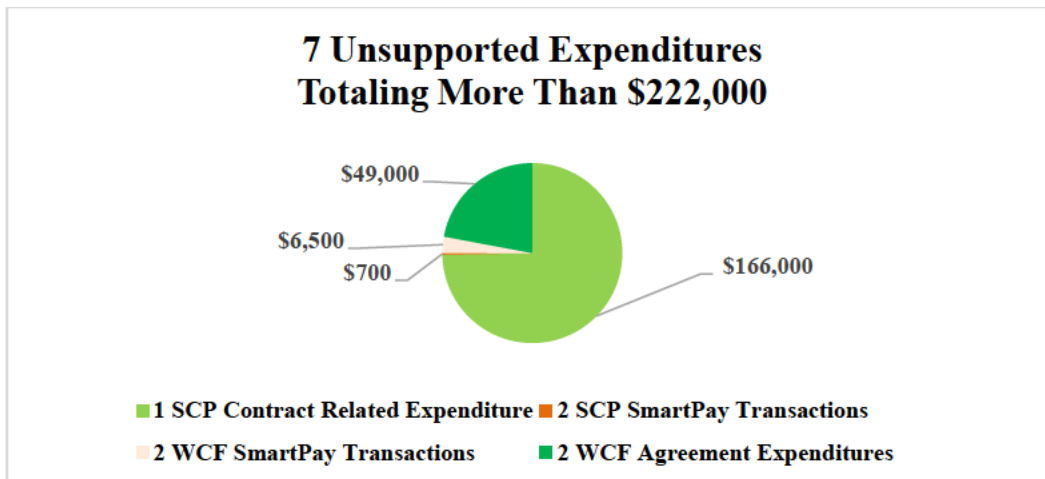


Figure 4: Inadequate support for expenditures reviewed.

### Support for Expenditures Not Readily Retrievable

We determined that 5 of the 72 expenditures reviewed, totaling more than \$2.8 million, did not have records that were readily retrievable, as required by DR 3080-001.<sup>36</sup> For those 5 expenditures, it took OCFO and program officials between 78 and 169 days to obtain sufficient documentation to adequately support the expenditures. The DR<sup>37</sup> requires that USDA documents are readily retrievable to ensure a timely response to departmental officials and public inquiries. The longer it took officials to obtain information, the less confidence we had in the reliability that SCP officials maintained their own set of documents. It took 169 days and numerous meetings with different officials (administration, contracting, and procurement) to get an explanation that we could reliably accept for the support of expenses totaling more than

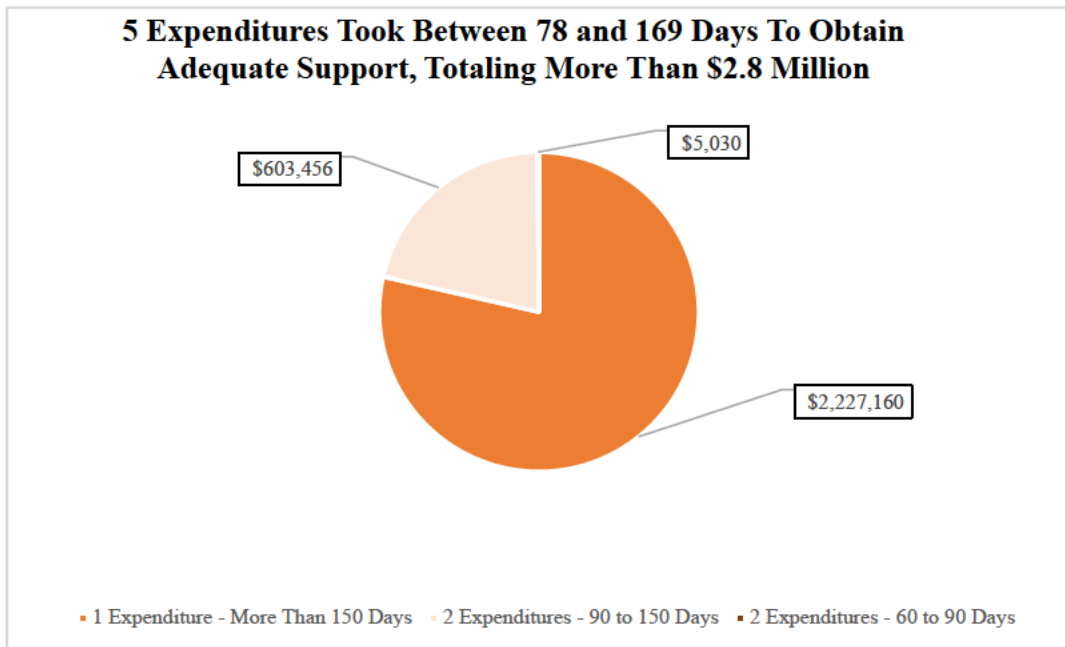
<sup>34</sup> GSA SmartPay® payment solutions enables authorized government employees to make purchases on behalf of the Federal Government in support of their agency/organization’s mission.

<sup>35</sup> USDA DR 3080-001, *Records Management* (Aug. 16, 2016).

<sup>36</sup> USDA is required to establish records management standards and procedures for maintaining USDA records and information in a manner that facilitates ease of use and access, ensuring that records are readily retrievable and accessible to Departmental officials and the public as appropriate. However, the DR does not provide a timeframe for “readily retrievable.” Therefore, for the purpose of our audit, we considered support not readily retrievable if it took more than 60 days between request date and receipt to obtain a record for an expense that occurred months or years earlier.

<sup>37</sup> USDA DR 3080-001, *Records Management* (Aug. 16, 2016).

\$2.2 million. However, we did not include this amount in questioned costs because the agency ultimately did provide sufficient documentation.



**Figure 5: Support for expenditures that were not readily retrievable.**

During discussions, SCP officials stated that the response was delayed because the SCP manager was new to the agency and did not know where to retrieve supportive documentation or who to contact to assist with retrieving supporting documentation. Our review determined that no procedures were in place instructing SCP managers on where to store or retrieve supporting documentation. Specifically, documentation procedures could have assisted the new SCP manager to understand the documentation process and where to locate the requested items. We understand that unique situations can occur, but without a documented records management process that outlines the procedures for creating, maintaining, and allowing for retrieving records, OCFO has reduced assurance that expenditures are readily retrievable. Part of our objective was to determine whether funds were used in accordance with their purpose, but without sufficient documentation we were unable to make that determination for some expenditures.

When we questioned a WCF activity center official why it took 90 days to retrieve documentation, that official stated there was no centralized repository for storing supporting records, which delayed the response for fulfilling record requests. Readily retrievable documentation is required by OCIO's DR 3080-001<sup>38</sup> but that requirement was not always being followed.

We discussed the need for OCFO to document its own records management program. OCFO officials stated that they have no control over the records management program process for agencies. Regardless of whether OCFO has control over the agencies, however, we concluded

<sup>38</sup> USDA DR 3080-001, *Records Management* (Aug. 16, 2016).

that because OCFO is the oversight body for both SCPs and WCF activity centers, it should ensure that those officials maintain records that are complete and readily available.

According to OCIO's DR and USDA's Departmental records manager, OCFO should implement its own records management program. OCFO should ensure that it documents a record management process for officials that manage both the SCPs and WCF activity centers. Until OCFO implements its records management process, we have reduced assurance that supporting records will be maintained and be readily retrievable to fully support SCPs' and WCF activity centers' expenditures.

## **Recommendation 4**

Work with SCPs' and WCF activity centers' officials to implement a records management process that will require records be maintained in such a manner that information and documents are complete and readily retrievable.

### **Agency Response**

In its December 15, 2023, response, agency officials stated that:

The SCP and WCF will place a statement in their respective DRs this fiscal year under roles and responsibilities that states it is the responsibility of the Program Manager and Activity Center to maintain records in such a manner that information and documents are complete and readily available for audit or verifying purposes. The SCP and WCF will add a statement in the allowance letters to Program Managers and Activity Centers stating that it is their responsibility to retain the proper expense support material and make sure they have a documented record retention schedule and process. Additionally, OCFO is in the process of implementing its own records management policy. Once the OCFO policy is finalized, it should be distributed to the SCP and WCF program managers requesting that they update their program record retention process and schedule to align with the new policy.

The estimated completion date is September 30, 2024.

### **OIG Position**

We accept management decision on this recommendation.

## Scope and Methodology

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We performed fieldwork from May 2021 through October 2023. We conducted the audit virtually except for one in-person meeting. We held meetings with OCFO officials located in Washington, DC, for SCPs and WCF, as well as WCF officials based in New Orleans, Louisiana. Our audit scope covered FYs 2020 and 2021.

To identify our universe, we noted that every SCP and WCF activity center is listed under one of five USDA offices:

SCP <sup>39</sup>	WCF
<ol style="list-style-type: none"> <li>1. Departmental Administration</li> <li>2. Office of the Secretary</li> <li>3. Office of the Chief Information Officer</li> <li>4. Office of Homeland Security</li> <li>5. Office of Partnerships and Public Engagement</li> </ol>	<ol style="list-style-type: none"> <li>1. Departmental Administration</li> <li>2. Office of the Secretary</li> <li>3. Office of the Chief Information Officer</li> <li>4. Office of Communications</li> <li>5. Office of the Chief Financial Officer</li> </ol>

For the SCPs, we nonstatistically selected SCPs based on the largest funding allowance and the largest number of USDA agencies that contributed to that program. OCFO provided a universe of 14<sup>40</sup> SCPs for both FYs 2020 and 2021 totaling \$84 million. We selected one SCP for each of the five USDA offices listed above, but two SCPs were the same for both FYs. Therefore, we selected 8 of the 14 programs operated in FYs 2020 and 2021, 1 of which was a new program in FY 2021.

For the WCF, we nonstatistically selected activity centers based on the largest dollar amounts for both FYs and number of USDA agencies contributing (15 of the 29). OCFO provided a universe of 20 WCF activity centers for both FYs 2020 and 2021 totaling \$1.79 billion. We attempted to select one WCF activity center for each of the five USDA offices listed above. However, two of the USDA offices had only one activity center each. Therefore, we selected 8 of the 20 activity centers.

Using our selection of the SCPs and WCF activity centers stated above, we selected a nonstatistical sample of IAAs for FYs 2020 and 2021 (see Figure 6 below).

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<sup>39</sup> One additional USDA office, the Office of Tribal Relations, had an SCP in place for FY 2021, but we did not select any programs or expenditures related to that office's programs.

<sup>40</sup> For the SCP, there were 13 programs each year, but 1 program was dropped in FY 2020 and 1 program was added in FY 2021, which resulted in 14 different programs for the two FYs.



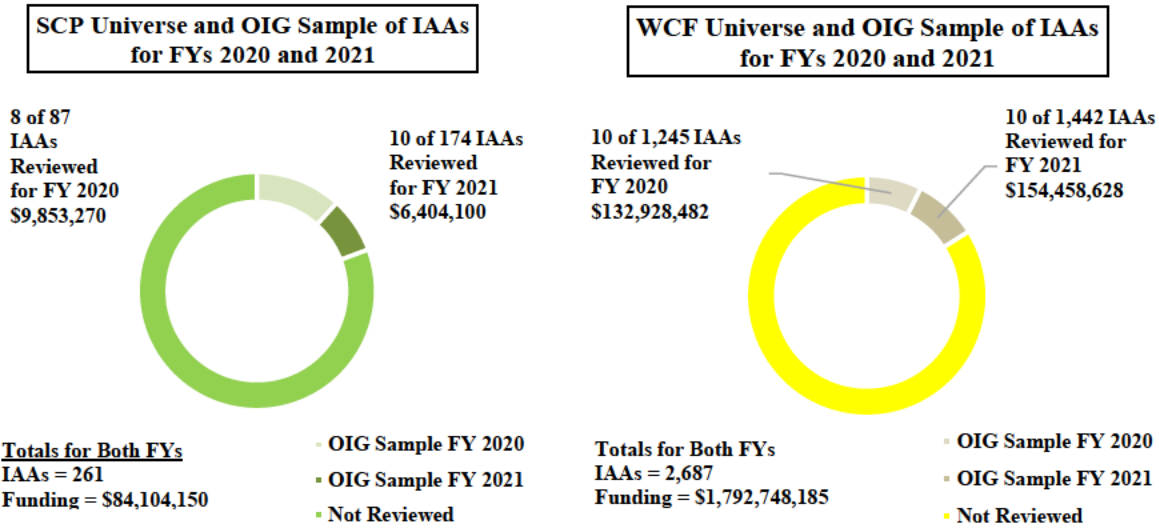


Figure 6: The diagrams above depict the Universe and OIG Samples of IAAs selected for review, including the total funding amounts, for the SCPs and WCF.<sup>41</sup>

We also selected a nonstatistical sample of program expenditures for FYs 2020 and 2021. For both SCPs and WCF, we selected line items from each program/activity center listed above based on either high dollar amounts or line-item descriptions that were not clear on how the money was spent. In total, we reviewed 72 expenditures totaling \$15,906,065. The figures below depict the breakdown of expenditures by FY for SCPs and WCF.

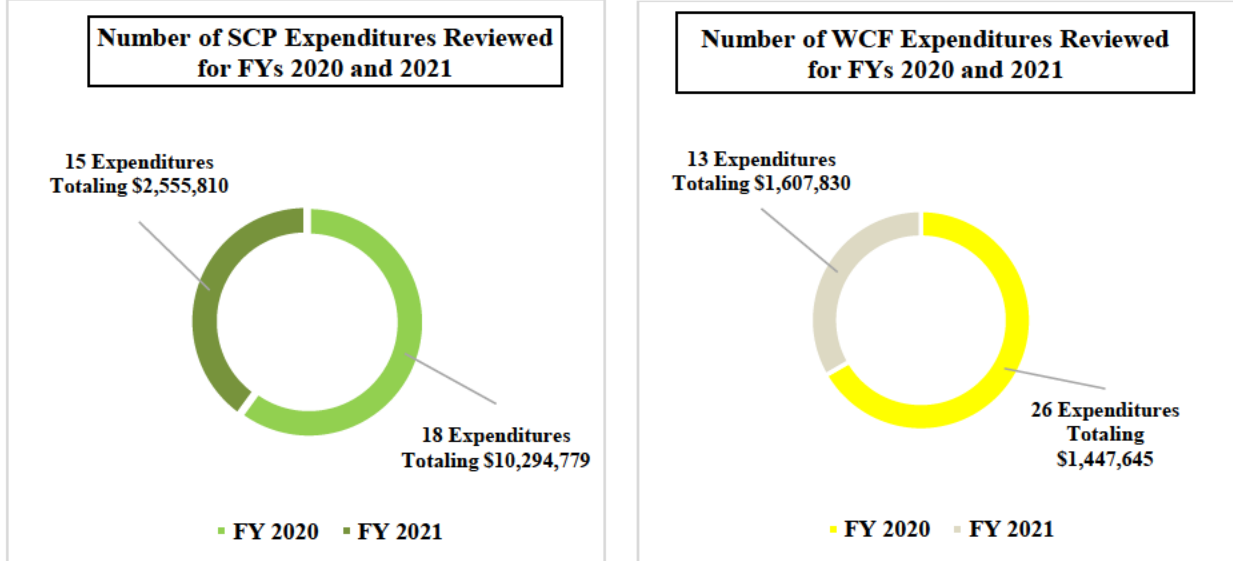


Figure 7: The diagrams above depict the number of expenditures and dollar amounts reviewed by FY for the SCPs and WCF.

<sup>41</sup> Our WCF sample included 20 IAAs. An additional 4 IAAs, 1 from FY 2020 and 3 from FY 2021, were brought to our attention by WCF officials.

To accomplish our objectives, we:

- Reviewed applicable laws, regulations, and procedures to identify SCP and WCF requirements, and the current policies and procedures OCFO established as guidance for its staff;
- Interviewed officials from OCFO Budget Division to obtain an understanding of their SCP and WCF oversight processes;
- Interviewed SCP and WCF activity center managers to obtain an understanding of their oversight, IAA execution, and expenditure processes;
- Interviewed USDA agencies' CFOs through questionnaires to obtain feedback for benefits received for SCPs and WCF activities;
- Interviewed USDA's Departmental records manager on the requirements for each agency to establish and maintain a records management program;
- Reviewed FMMI data for FYs 2020 and 2021 and analyzed select IAAs and obligations processed for SCPs and WCF;
- Reviewed advisory committees' processes establishing new programs and funding existing programs for SCPs and WCF;
- Reviewed and analyzed a nonstatistical sample of IAAs for FYs 2020 and 2021 and supporting documentation for SCPs and WCF; and
- Reviewed and analyzed a nonstatistical sample of SCP and WCF expenditures for FYs 2020 and 2021 and supporting documentation to ensure funds were used in accordance with applicable laws, regulations, policies, and procedures.

During our audit, we did not perform tests to determine the overall reliability of FMMI or Greenbook FUND webpage application because evaluating the effectiveness of these systems was not a part of our audit objectives. Although we obtained data from FMMI and Greenbook FUND webpage application related to the IAA approval for obligations, we also obtained documentation external to the information systems to confirm and validate the information. Therefore, we make no representation as to the adequacy of FMMI and Greenbook FUND webpage application. We do not believe the lack of information system testing had an impact on our audit.

We assessed internal controls to satisfy the audit objectives. Our assessment included internal control components and principles of the Standards for Internal Control in the Federal Government. We assessed the following three components and underlying principles:


<b>Component</b>	<b>Principle</b>
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives
Control Activities	Management should design control activities to achieve objectives and respond to risks
Control Activities	Management should implement control activities through policies

However, because our review was limited to the internal control components and underlying principles listed above, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Abbreviations

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COR .....	contracting officer representative
FMMI.....	Financial Management Modernization Initiative
FS .....	Fiscal Service
FY .....	fiscal year
IAA .....	interagency agreement
NARA .....	National Archives and Records Administration
OCFO.....	Office of the Chief Financial Officer
OCIO.....	Office of the Chief Information Officer
	
OIG .....	Office of Inspector General
SCP .....	Shared Cost Program
USDA.....	United States Department of Agriculture
WCF.....	Working Capital Fund

## **Exhibit A: Summary of Monetary Results**

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Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

<b>Finding</b>	<b>Recommendation</b>	<b>Description</b>	<b>Amount</b>	<b>Category</b>
<b>1</b>	<b>2</b>	SCP IAAs not signed before funds were obligated	\$5,741,316	Questioned Costs, No Recovery
<b>1</b>	<b>3</b>	WCF IAAs not signed before funds were obligated	\$1,149,574	Questioned Costs, No Recovery
<b>2</b>	<b>4</b>	Funds not supported by sufficient documentation	\$222,205	Questioned Costs, No Recovery
<b>Total</b>			<b>\$7,113,095</b>	

**Office of the Chief Financial Officer  
Response to Audit Report**



United States  
Department of  
Agriculture

Office of the Chief  
Financial Officer


1400 Independence  
Avenue, SW

Washington, DC  
20250

TO: Janet Sorensen  
Assistant Inspector General for Audit  
Office of the Chief Financial Officer

FROM: Lynn Moaney  
Deputy Chief Financial Officer  
Office of the Chief Financial Officer

THROUGH: Eric D. Still  
Associate Chief Financial Officer  
Financial Policy and Planning  
Office of the Chief Financial Officer

ERIC  
STILL  Digitally signed  
by ERIC STILL  
Date: 2023.12.15  
11:03:12 -05'00'

SUBJECT: USDA Controls Over Departmental Shared Cost Programs and Working Capital  
Fund. Audit Number: 50601-0004-23

This responds to your request for management's response to the audit recommendations in  
the Draft Audit Report No. 50601-0004-23.

**Finding 1: OCFO Needs to Better Document Policies for Its Interagency Agreement  
Process**

Instances of funds for WCF and SCP being obligated (FMMI Purchase Order) without a  
signed IAA in place.

Recommendation 1:

[REDACTED]

Response:

[REDACTED]

Recommendation 2

[REDACTED] OCFO should then implement the applicable policies to  
ensure that SCPs and involved agencies are properly executing an IAA and timely obligating  
funds.

Response:

SCP agreements are now sent out to the agencies and staff offices before the start of the  
fiscal year; previous practice was to send out the IAAs at the conclusion of continuing

resolutions. If [REDACTED] OCFO will update the Departmental Manual to require under Mission Area, Agency, and Staff Offices responsibilities the execution of signed agreement to be returned to the OCFO Budget Staff no later than March 31<sup>st</sup> of the fiscal year. The OCFO Budget Director will be notified of agencies who have not returned the executed agreements by the specified date.

Recommendation 3

WCF officials should amend the current DR to include instructions on the IAA process that explain the necessity and timing of having a binding agreement in place before the transfer of funds and provision of services. The amendment should also include instructions to elevate any non-compliance issues.

Response:

The WCF will amend their DR under roles and responsibilities this fiscal year to include the necessity and timing of having a binding agreement in place before the transfer of funds and provision on service. However, the WCF does place a statement in its reimbursable agreement memo sent to agencies at the start of a new fiscal year along with the IAA which states:

*As you are all aware, the WCF does not have the authority to provide services without reimbursement and, as a result, we must obtain signed agreements in a timely fashion or shut down critical business lines to prevent over-obligation of funds. When services are accepted from the WCF, a signed IAA must be in place.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Finding 2: OCFO Needs to Document Its Records Management Program**

Most SCP and WCF expenditures were supported, but it was determined that OCFO needs to establish and maintain a records management program.



#### Recommendation 4

Work with SCPs' and WCF activity centers' officials to implement a records management process that will require records be maintained in such a manner that information and documents are complete and readily retrievable.

Response:

The SCP and WCF will place a statement in their respective DRs this fiscal year under roles and responsibilities that states it is the responsibility of the Program Manager and Activity Center to maintain records in such a manner that information and documents are complete and readily available for audit or verifying purposes. The SCP and WCF will add a statement in the allowance letters to Program Managers and Activity Centers stating that it is their responsibility to retain the proper expense support material and make sure they have a documented record retention schedule and process. Additionally, OCFO is in the process of implementing its own records management policy. Once the OCFO policy is finalized, it should be distributed to the SCP and WCF program managers requesting that they update their program record retention process and schedule to align with the new policy.

If you have any questions of need additional information, please contact Eric Still, Associate Chief Financial Officer, Financial Policy and Planning at (202) 823-2587 or Stacey Thompson, Chief of Staff, Financial Policy and Planning at (202) 738-0417.

Attachment

cc:

Christopher Simmons, Internal Controls Division, Office of the Chief Financial Officer

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