
Financial Management Division
Review & Analysis Branch

Presented by:

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Auditor

MRPBS-FMD-RAB

Who we are...

Riverdale, MD	Title
Christine Tourville	Branch Chief
Joan Conway	Management Analyst
Serina Eckwood	Auditor
Maria Ford	Auditor
Barbara Giddo	Auditor
Marelis Sanchez	Auditor
Earnest Smith	Auditor
Kimberly Williams	Auditor

What we do...

Ensure quality management of Grants, Cooperative Agreements, Trust Funds, Horse Protection Act, and OMB Circular A-123-Management's Responsibility for Internal Control.



Our Mission:

- The Financial Management Division's (FMD) Review & Analysis Branch (RAB) provides financial oversight and management improvements through program, financial, and compliance reviews of internal controls, cooperative agreements, grants and international trust funds.
 - RAB's mission is to enhance APHIS partnerships and working relationships to facilitate financial, operational, and administrative improvements, support, and cooperation.
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OMB Circular A-123

- This Circular provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls.
 - Management accountability is the expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable law.
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OMB Circular A-123 continued

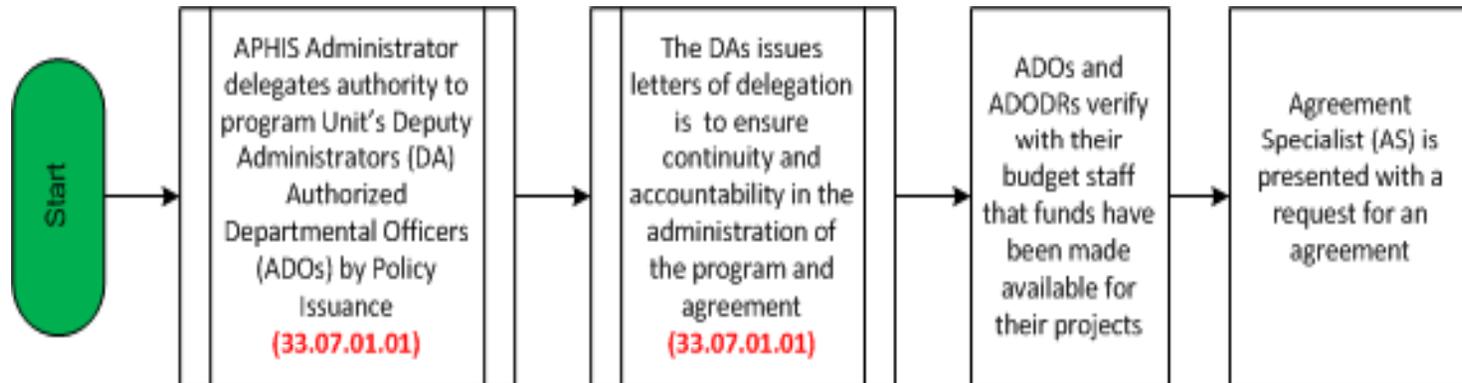
- Management controls are the organization, policies, and procedures used to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported and used for decision making.
 - Agencies and individual Federal managers must take systematic and proactive measures to (i) develop and implement appropriate, cost-effective management controls for results-oriented management; (ii) assess the adequacy of management controls in Federal programs and operations.
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OMB Circular A-123 continued

- The Grants/Cooperative Agreements Management cycle is a new assessment for APHIS in FY2012. The Financial Services Branch, Agreement Services Center (ASC) is the cycle owner for this assessment.
 - ASC will be contacting the programs for information regarding program management controls of the grants/cooperative agreement process.
 - **Narratives:** These are written discussions describing each step of the Agreement process, starting with pre-award and ending with close-out and evaluation reports.
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OMB Circular A-123 continued

- **Flowcharts:** These are visual demonstrations of the flow of each process. They capture individual responsibility and required documentation, illustrate verification points and the level of authority required, and provide clear tracking of the movement of each document within each process.



OMB Circular A-123 continued

- **Business Process Controls:** Provide explanations of the objectives and techniques necessary to verify the effectiveness of each control and creates parameters for identifying risk. Examples of control objectives and techniques are shown below.
 - Control Objective: All awards are for eligible amounts to eligible grantees, and for a specific purpose.
 - Control Technique: A completed grant package must be received, reviewed, and approved by a Funds Control analyst before an obligation is created for a grant award is generated.
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Cooperative Agreements (CAs)

- In June 2011, GAO issued a report GAO-11-773T, “Improvements Needed in Oversight and Accountability Processes of Federal Grants and Cooperative Agreements.”
 - In response to this and the APHIS Modernization initiative, RAB developed a Desk Review process for administrative and financial review of APHIS cooperative agreements to be performed electronically.
 - Historically, RAB has performed most of these reviews on-site and will continue to perform some on-site reviews.
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CAs Review Selection Process



- RAB obtained the universe of Cooperative Agreements from the Agreement Services Center.
 - RAB based the selection criteria on population, dollar amounts and date of last review for agreements that were in effect during the period of January 1, 2011 through March 31, 2012.
 - Using the population, RAB randomly selected 18 agreements.
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CAs Review Selection Process



- RAB requested VS, WS, and PPQ to provide agreements of their choice (3 each) for review.
- VS and WS provided a total of 6 agreements for review.
- The final three were judgmentally selected with an emphasis on the dollar amount at risk.

Program	Number of Review	Total Dollar Amount
Veterinary Services	13	\$5,284,475
Wildlife Services	3	\$426,255
Plant Protection and Quarantine	11	\$34,615,834
Totals	27	\$40,326,564

CA's Review Timeline

Action	Business Days
Notification Letter to Cooperator	1
Entrance Conference	1
Document and Process Review	5
Audit Fieldwork - Request additional information from Cooperator or Program	20-30

CAs Review Timeline continued

Action	Business Days
Update/Informational Conferences	1
Draft Audit Report	15
Exit Conference	1
Department's Responses	15
Final Audit Report	5
Total Business Days	64-79

Summary of Findings

To date, RAB issued the final reports on 17 Cooperative Agreement reviews for Fiscal Year 2012. These reports help to provide a sound basis for administration of the Cooperative Agreements and APHIS' management of Federal Assistance Programs.

- **Budget Execution:** In many instances, the budget did not reflect an analysis of expected cost based on prior performance, productivity data, or planning.
 - **Work Plan:** Work plans and accomplishment reports reviewed did not contain enough detail or any measurable data that can be tied to the objective.
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Summary of Findings continued

- **SF424A:** Inaccurate Estimates – Most SF-424A's did not reflect an accurate estimation of quarterly cash needs based on the nature of the work to be accomplished.
- **SF-425's and Accomplishment reports:** Usually, these reports were not submitted timely as required by the terms of the agreement.



Budget Execution

Recommendation: APHIS should take appropriate action to de-obligate funds, as prescribed by USDA Departmental Regulation 2230-001, “Reviews of Unliquidated Obligations,” dated April 21, 2009.

- In many instances, other factors, such as weather, delivery of supplies, and personnel issues were identified in the quarterly and/or semi-annual accomplishment reports. If at that time a documented review of the budget had been performed, these factors would have been revealed.
 - A review would have indicated that funds needed to be deobligated. Absent a review, deobligation will not happen until after the final accomplishment report and the final Federal Financial Report (SF-425) are reviewed to determine that the funds were unexpended.
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Budget Execution continued



Recommendation: RAB recommends that all agreements require accomplishment reports and SF-425s be submitted quarterly.

- The added frequency of quarterly accomplishment and SF-425 reports would allow APHIS the opportunity to review the open obligation timelier and take appropriate action.
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Work Plan



Recommendation: Require all work plans to include the following characteristics:

- An appropriate level of detail
- Implementation of the project.

Work Plan continued



- Every major function.
 - Every employee associated with each function.
 - Link the work plan to daily operations
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Work Plan continued



- A format that reports on progress.
- Clearly document the information that must be included in the accomplishment reports.
- Including a list of expenses incurred to date.
- Include a structure that coincides with the strategic plan
- **Must be measurable**, either qualitatively or quantitatively.

Without these characteristics, it will be difficult to determine if the Agreement has met the required objectives.

SF424A – Inaccurate Estimates



Recommendation: Cooperators should perform a conscientious estimation of quarterly cash needs based on the nature of the work to be accomplished, and to properly reflect those estimates on the SF-424A.

- In most instances, to measure quarterly expenses, the total amount of the award was divided by 4, rather than being determined by actual performance, productivity data, or units cost.
 - This can also give the appearance that programs may be obligating Agreements according to program spending plans and not according to the bona fide needs rule.
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Accomplishment Reports

Recommendation: The APHIS ADODR should submit a written request to the appropriate Agreements Specialist to have the agreement revised and to have accomplishment reports submitted quarterly.

- ❑ More frequent submissions of the accomplishment reports would alert APHIS if the work is being performed in accordance with the approved budget and detailed financial plan. It would also allow APHIS to resolve any deficiencies in performance, revise the budget, work plan or agreement.
 - ❑ These steps will allow APHIS to de-obligate funds as necessary prior to the agreement ending.
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Accomplishment Reports continued



Recommendation: APHIS should monitor the adequate preparation and timely submission of the SF-425s and accomplishment reports, and issue an overdue letter if these reports are late or missing.

It is important to note that RAB's evaluation of program activities are performed based on the sole assumption that the information provided in the agreement, financial and work plans will be adhered to and can be verified by documentation provided by the Cooperator and APHIS.

Site Visits –



Recommendation: The ADODR, or designee, should conduct site visits and should include the following activities and be clearly documented to include items below, as appropriate, to the agreement and project:

- A visual inspection of work.
 - A review of source documentation in the recipient's records.
 - A discussion of scheduled benchmarks, reporting, and any changes.
 - A request of A-133 Single Audit information and an update of prior audit findings.
 - A physical inspection of inventories.
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Recommendation Summary

The Recommendation Summary is an Excel spreadsheet which shows the review title, agreement number, amount of the agreement, RAB report number, and review date. It will also identify the following:

- Findings – These are taken directly from the report and will be numerically listed, describing the actual items for the corrective actions to be taken.
 - Recommendations – Actions to be taken to eliminate the findings.
 - Responsible Program- Name of the program and region
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Recommendation Summary continued

- Responsible Party – Individual assigned to complete the corrective action.
 - Due date for Actions to be completed – This should be established by the responsible party.
 - Actions Taken – Provide a brief description of the corrective actions taken.
 - Implemented Y/N – Actions taken and/or recommendation is properly implemented and completed.
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APHIS' Cooperative Agreement Monitoring Management Control Review (MCR)

- RAB Auditors conducted the MCR from October 2011 through March 2012
 - Programs under review were AC, IS, PPQ, VS, and WS
 - Focused on the cooperative agreement process from start date of agreement through the closeout of the agreement
 - Objective was to determine APHIS' adequacy of monitoring cooperating agreements.
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APHIS' Cooperative Agreement Monitoring Management Control Review (MCR) continued

MCR consisted of :

- Questionnaires distributed to cooperative agreement personnel to assess APHIS' culture regarding monitoring of cooperative agreements.
 - Detailed review of 12 agreements from 2010, randomly selected from the Programs with the highest associated risk and dollar values (PPQ, VS, WS).
 - Detailed review of three IS agreements: two from 2009, and one from 2010.
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APHIS' Cooperative Agreement Monitoring MCR - Findings

- Abnormally high error rate observed within our sample.
 - Multiple findings existed for each of the 15 cooperative agreements sampled.
 - Findings were identified in each step of the cooperative agreement process.
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APHIS' Cooperative Agreement Monitoring MCR – Findings continued

- Lack of oversight and accountability
 - Overall monitoring of APHIS cooperative agreements is inadequate
 - Significant deviations from standard cooperative agreement administrative practices
 - Ineffective budget versus actual monitoring
 - Work plan, financial plan, and accomplishment report inadequacies
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APHIS' Cooperative Agreement Monitoring MCR – Findings continued

- Infrequency of financial and accomplishment reporting
 - Unliquidated obligations (ULO) monitoring shortfalls
 - Closeout process deficiencies
 - Workload disparity for cooperative agreement personnel.
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APHIS' Cooperative Agreement Monitoring MCR - Recommendations

- RAB developed 90 recommendations as a result of this review.
 - All personnel involved in the cooperative agreement process must comply with all Federal Regulations, guidelines, and APHIS policy to ensure proper monitoring of cooperative agreements.
 - We must all work to ensure that we are good stewards of the public's money, and that is achieved by effective and proper cooperative agreement monitoring!
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Questions---Thank you



Send comments,
questions, and
concerns to:

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