

# Directive

9070.2

3-5-99

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## MANAGEMENT CONTROL PROGRAM

### 1. PURPOSE

This directive:

- a. Sets forth the Grain Inspection, Packers and Stockyards Administration, Federal Grain Inspection Service (FGIS) policy for establishing and maintaining a management control program that will safeguard FGIS resources against theft, fraud, waste, and misuse; assure the reliability of information; assure compliance with applicable laws, regulations, and policies; and promote operational economy and efficiency.
- b. Describes the components of this program and explains how they are essential in determining that the necessary controls exist to achieve maximum efficiency and to accomplish FGIS' mission.
- c. Assigns responsibilities for evaluating programs (see attachment) and for maintaining adequate controls in programs.

### 2. REPLACEMENT HIGHLIGHTS

This directive replaces FGIS Program Directive 9070.2, Management Control Program, dated January 27, 1994. This directive is updated to reflect changes to the review program. It eliminates program reviews and management reviews; clarifies field office oversight of official agencies, and includes QA/QC site visits; and more clearly describes the management control system.

### 3. AUTHORITIES

The Federal Managers' Financial Integrity Act of 1982 (FMFIA), was enacted by Congress to improve management controls in Federal agencies and to assist in the elimination of fraud, waste, abuse, and misappropriation of Federal funds and assets.

The FMFIA holds managers accountable for implementing and maintaining effective management controls in their assigned programs, for providing reasonable assurance that Government resources are protected and efficiently managed, and for correcting identified weaknesses and requires annual agency reports on the status of management controls and accounting systems.

#### 4. BACKGROUND

The United States Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA) require that FGIS:

- a. Establish and maintain official U.S. standards for grain, rice, pulses, and hops;
- b. Promote the uniform application of such standards by official personnel;
- c. Provide for an official inspection system; and
- d. Regulate the weighing and the certification of the weight of grain shipped in interstate and foreign commerce.

FGIS administers this official system for the USGSA through field offices and States that are delegated, and States and private agencies that are designated to provide official grain inspection and weighing services and for the AMA through field offices and States.

#### 5. POLICY

FGIS shall maintain, at all levels of the organization, an effective checks-and-balances system of program, accounting, and administrative control. The management control program consists of:

- a. Structured internal review processes;
- b. External reviews conducted by groups outside of FGIS; and
- c. Requirements for reporting program activities to the Department.

This program assists management in ensuring that policies and procedures are implemented accurately and uniformly, in evaluating operational efficiency and the adequacy of control measures, and in determining the existence of vulnerabilities that might affect the integrity of the official grain inspection and weighing system.

6. INTERNAL REVIEWS

- a. **Official Agency Internal Reviews.** One of the criteria necessary for delegation or designation, is the requirement that official agency managers (OAM) must train and supervise their personnel continually to ensure that they perform their official duties properly. OAM's must also maintain documentation of their supervision activities, which shall consist of records or logs identifying the names(s) of the person(s) supervised, the date and place of supervision, the functions supervised, any problems found, and the corrective action taken.
- b. **Field Office Oversight.** Field offices are responsible for providing oversight of official agencies (State and private agencies) by providing supportive leadership and measuring inspection performance. Field offices are responsible for:
- (1) Overseeing official agency activities to protect against corruption, fraud, and other illegal activities;
  - (2) Providing official agency managers with the guidance and tools needed for success; and
  - (3) Measuring the performance of official agency managers.

Field offices should perform supervision of official agencies and site visits to them in accordance with the Quality Assurance/Quality Control (QA/QC) Handbook, issued October 1, 1996. Field office managers (FOM) always have the latitude to review identified problem situations onsite.

- c. **Compliance Reviews.** The Compliance Division (CP) is responsible for conducting reviews of field offices and their assigned official agencies to ensure compliance with FGIS policies and procedures and with GAO's standards for management controls and to evaluate official agencies' performance for designation renewal. These reviews shall also ensure that:
- (1) Services are provided effectively, efficiently, and uniformly;
  - (2) Adequate controls and security measures exist;
  - (3) Applicants are satisfied with services provided;
  - (4) Policies and procedures are implemented accurately and uniformly; and

- (5) monetary and resource programs are cost effective.
- d. **Follow-up Reviews.** CP, FM, or F/O's, at their discretion, may conduct follow-up reviews to evaluate corrective action.
- e. **Management Evaluations.** The Administrator may request at any time, that a program or a significant portion of a program be evaluated from a management standpoint. The Administrator will designate, on an ad-hoc basis, the division(s) that will be responsible for conducting each management evaluation.

At the end of each evaluation, a report will be prepared to document the findings, recommendations, and any actions that were taken onsite to resolve problems. FGIS divisions are responsible for developing the plans to correct the problem areas not resolved onsite, and for ensuring that action has been taken to resolve the problems. CP will monitor the corrective action plans to ensure appropriate and timely resolution.

## 7. EXTERNAL REVIEWS

The General Accounting Office (GAO) has the overall responsibility to review Federal Government accounting systems and also to assess actions taken in implementing the FMFIA. USDA's Office of Inspector General (OIG) is responsible for auditing USDA's operations and programs to evaluate and assess their efficiency and effectiveness. GAO and OIG audits and surveys place specific emphasis on ensuring that effective management controls are in place in all program, accounting, and administrative activities and on ensuring that appropriate corrective action is taken to resolve material weaknesses or deficient areas.

## 8. REPORTING REQUIREMENTS

The FMFIA requires Federal agencies to submit an annual report to the President, Congress, and the General Services Administration that

- a. Identify any material weaknesses that have been found and the actions that have been taken to address the weaknesses; and
- b. Certify the adequacy of their internal controls, which is based on the material weaknesses that were identified and their impact on agency operations.

FGIS' annual FMFIA report consists of the management control program review plan; a memorandum to the Secretary of Agriculture certifying that FGIS programs and activities were reviewed according to management control guidelines and meet the reasonable assurance criteria established by the Department; significant review activities; and a status report of weaknesses, if any. If FGIS cannot certify its programs or activities, the annual report must include a detailed explanation of the circumstances surrounding the determination and plans to resolve the problem(s) or weakness(es).

9. RESPONSIBILITIES

- a. The **Administrator** has the overall responsibility for ensuring that management control systems are established, maintained, evaluated, improved when necessary, and reported in accordance with Departmental and FGIS guidelines. Further, the Administrator shall:
  - (1) Ensure that the responsibility for establishing and maintaining adequate management controls is incorporated into each FGIS manager's performance standards; and
  - (2) Require reports on all significant problems in the management control program.
- b. The **Deputy Administrator** is responsible for directing the development and implementation of the management control program and will:
  - (1) Represent the interest and support of the Administrator in the management and administration of the management control program;
  - (2) Establish policies and procedures to ensure that effective management controls are in place and are operating efficiently and effectively; and
  - (3) Provide for an ongoing internal review program to be conducted of FGIS programs and administrative areas to determine compliance with policies and procedures.
- c. The **Director, CP**, is the FGIS Management Control Officer (MCO) and represents the Administrator in all areas of the management control program. CP is responsible for developing and administering the program, conducting compliance reviews of Agency programs, and preparing correspondence and reports on management control activities. CP will ensure that:

- (1) All policies and procedures regarding the management control program are implemented properly; and
- (2) Controls are in place and are operating effectively so that the integrity of the official system is maintained.

All significant problems in the management control program are reported to the Administrator.

d. **FGIS Division Directors, Branch/Staff Chiefs, FOMs, and OAMs** are responsible for:

- (1) Reviewing and evaluating their programs and activities to determine their effectiveness;
- (2) Initiating changes whenever program deficiencies are found;
- (3) Maintaining adequate controls of their assigned programs to ensure the accuracy and reliability of information;
- (4) Ensuring compliance with statutory requirements and FGIS policies and procedures through internal reviews; and
- (5) Safeguarding resources and promoting operational efficiency and economy.

/s/David R. Shipman

David R. Shipman  
Deputy Administrator

Attachment

Responsibilities for Conducting Internal Reviews

<b>Internal Reviews</b>	<b>Compliance Division</b>	<b>Field Management Division</b>	<b>Technical Services Division</b>	<b>Field Office Manager</b>	<b>Official Agency Manager</b>
Official Agency Internal Reviews	NO	NO	NO	NO	YES
Field Office Oversight	NO	NO	NO	YES	NO
Compliance Reviews	YES	NO	NO	NO	NO
Follow-up Reviews	YES	YES	NO	YES	NO
Management Evaluations	1/	1/	1/	1/	NO

1/ The Administrator shall designate, on an ad-hoc basis, the division(s) that shall be responsible for conducting each management evaluation.