

**U.S. Department of Agriculture
Office of the Chief Financial Officer**

**Managerial Cost Accounting
Survey Results**



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1. Executive Summary

The USDA Office of the Chief Financial Officer (OCFO) in coordination with the designated representatives commissioned a survey of all mission areas and agencies to determine the current status of their MCA systems. This survey was prompted in part by the issuance of Government Accountability Office (GAO) audit number [GAO-06-1002R](#) “Managerial Cost Accounting Practices: ...” that stated the Department of Agriculture (USDA) “. . . has not shown strong leadership to promote, guide and monitor Managerial Cost Accounting (MCA) implementation”. In addition, the Office of Inspector General found USDA to be non-compliant with the Chief Financial Officers (CFO) Act of 1990 as it relates to MCA in the consolidated financial statement audit report for FY 2006.

Although USDA has been utilizing MCA to a great extent; the Department needed to demonstrate how MCA is currently being used and understand what more can be done to increase and enhance its use. GAO's report recommended that the Office of the Chief Financial Officer (OCFO) take a more active role in encouraging USDA agencies to implement the requirements of the CFO Act and Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government.

In response to these findings, OCFO has taken a number of actions to increase their oversight and leadership in managerial cost accounting. Key personnel within each mission area, agency, and staff office, were identified to work with the OCFO to ensure that the Department is in full compliance with federal regulations and accounting standards and managers have the cost information they need to make sound program decisions.

OCFO in coordination with the designated representatives commissioned a survey of all mission areas and agencies to determine the current status of their MCA systems. Preliminary analyses of the results of that survey demonstrate that with few exceptions the participating agencies continue to be actively engaged in cost accounting much as they reported in 2002. While there continues to be varying degrees of sophistication, the capabilities do exist that are in substantial compliance with the SFFAS Statement No. 4.

The survey also indicated that, in general, managers are held accountable and are using cost information in decision making, however, the mechanism varies by organization, and there is considerable focus on budget and fund management using obligation and expenditure data from the FFIS and the data warehouses. However, it is not clear how managers should be held accountable for using cost information in decision making nor is it clear if performance plans are specific to particular cost accounting related measures. This area provides an opportunity for the Department to provide standard guidelines. The inconsistencies and challenges noted by USDA agencies are not unique to USDA. The benchmark analysis revealed similar challenges facing other Federal Departments.

The use of performance information has increased within the Department as indicated by the ability of agencies to link cost and performance information for the areas of financial cost, operation cost, and program cost. However, there is inconsistency and in some cases a lack of understanding of how managerial cost accounting is used to determine full costs. In addition,

survey participants identified a number of challenges to compiling the data used to report performance.

The survey identified numerous cost management tools in use throughout the Department. Although some agencies are leveraging the experiences of others using the same tools an opportunity remains for improvement in the deployment and use of specific cost management tools across the USDA.

The Department has selected a new financial management system that will have an impact on all of USDA. This presents an opportunity and a challenge to ensure that implementation of the financial management modernization initiative (FMMI) meets the cost management needs of decision makers and their other cost management tools.

The Department has an opportunity to develop consistent and coordinated approaches to managerial cost accounting with the responsibility lying with the OCFO to facilitate a working group with the agencies and offices to develop a set of common guidelines and parameters. It will be the designated key personnel's responsibility to ensure their specific needs are represented to the working group so that proposed guidelines meet each agency's requirements that the agencies must execute for themselves.

To further enhance the use of cost methodologies within the Department, OCFO should identify best practices/best practitioners in this area and make Department standard methodologies and technical assistance available.

Conclusion

The participants are adequately supporting their programs and the Department is in substantial compliance with managerial cost accounting regulations and standards currently in effect. The appropriate role for the OCFO is providing further leadership in the development of management information, providing common guidelines and technical assistance, and monitoring the implementation of FMMI to ensure that the cost management needs of decision makers are satisfied.

2. Background

The Government Accountability Office (GAO) issued audit number [GAO-06-1002R](#) "Managerial Cost Accounting Practices: ..." that stated the Department of Agriculture (USDA) "... has not shown strong leadership to promote, guide and monitor Managerial Cost Accounting (MCA) implementation". In addition, the Office of Inspector General found USDA to be non-compliant with the Chief Financial Officers (CFO) Act of 1990 as it relates to MCA in the consolidated financial statement audit report for FY 2006. Further, there is an increasing need to link costs to performance and performance measures so that the Department can demonstrate how much it costs to achieve its objectives.

In 2002, USDA agencies responded to a cost accounting survey which was used to address OIG findings regarding cost accounting. A number of recommendations were detailed in the report. Follow-up on the progress toward accomplishing the recommendations in that report had been

very limited. In November 2006, the Office of the Chief Financial Officer (OCFO) requested that agencies provide answers to a survey about financial and mixed systems costs. The purpose was to collect and fully understand the specific costs for each system to better support the future needs of the Department.

Although USDA has been utilizing MCA to a great extent; the Department needs to demonstrate how MCA is currently being used and understand what more can be done to increase and enhance its use. GAO's report recommended that the Office of the Chief Financial Officer (OCFO) take a more active role in encouraging USDA agencies to implement the requirements of the CFO Act and Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government. One of the first steps in responding to this recommendation was to request that each mission area and staff office identify key personnel to work with the OCFO to ensure that the Department is in full compliance with federal regulations and accounting standards and managers have the cost information they need to make sound program decisions.

OCFO, in coordination with the designated representatives, commissioned a survey of all mission areas and agencies to determine the current status of their MCA systems. A preliminary analysis of the results of that survey is contained in the sections of this report that follow.

Why Is Managerial Cost Accounting Important?

A number of laws, accounting standards, information systems requirements, and related guidance have emphasized the need for cost information and cost management in the federal government. MCA offers a way for agencies to help maximize efficiency and effectiveness in using existing resources by identifying the true costs of programs and providing better information for making decisions and enhancing accountability.

Specifically, Agency managers will gain benefits from an effective managerial cost accounting and reporting system. Program managers gain the ability to determine the full costs associated with delivering products and services to their customers. This information provides them with comparable results as to the effectiveness of their efforts over time. This information also provides useful data to upper management in judging or justifying funding and the effectiveness of the agency programs. MCA involves the accumulation and analysis of both financial and non-financial data, resulting in the allocation of costs to organizational pursuits such as performance goals, programs, activities, and outputs. The data analyzed depend on the operations and needs of the organization. Non-financial data measures the occurrences of activities and can include, for example, the number of hours worked, units produced, claims paid, grants managed, or time needed to perform individual activities.

What has OCFO done to promote the use of managerial cost accounting information?

The OCFO has previously issued a chapter on Managerial Cost Accounting in the Agriculture Financial Standards Manual, which can be found on the OCFO Web site (www.ocfo.usda.gov/acctpol/pdf/fasm.pdf). Chapter 3 describes the purposes of using cost information; explains managerial cost accounting concepts, standards, and requirements, including cost accumulation and distribution; and defines cost accounting terms and methodologies, including project cost accounting and cost allocation mechanisms. In addition, there is a Departmental Regulation (DR 2100-3), "OCFO Biennial Review of Charges for Things of Value," that provides guidance about cost information required for fee setting activities. Use and expansion of MCA are part of the Department's planned actions to implement the President's Management Agenda Financial Performance initiative, and progress is reported quarterly. New MCA initiatives will be included in the Department's Financial Data Integration Improvement Plan. Ultimately, we expect to be able to link performance measures, both output and outcome measures, with the costs to achieve those results and to roll up those costs to the Department's strategic goals and report on the results in the Department's Annual Performance and Accountability Report (PAR).

The following survey, issued in June 2007, was designed to address the GAO and OIG findings and concerns. This survey is being used to gather up-to-date MCA information to demonstrate how USDA has made improvements in the managerial cost accounting arena and that agencies are moving in the right direction to implement new MCA cost capturing initiatives and systems. The answers were coordinated by agency CFOs and/or designated agency or mission area representative to include input from budget, planning, program and accounting officials with a single submission to OCFO. OCFO recognizes that use of, managerial cost accounting information, and the need for it may vary among agency officials.

3. Objectives, Scope and Survey Methodology

The objectives of the OCFO Managerial Cost Accounting Project are to demonstrate how managerial cost accounting is currently being used within the Department and to identify what can be done to increase and enhance its use. The specific goals of the MCA Project are to:

- ◆ Develop an understanding of existing agency efforts in managerial cost accounting and the setting and management of user fees, including actions that have occurred since the cost accounting survey completed in 2002,
- ◆ Develop an understanding of existing agency efforts in linking performance information and cost,
- ◆ Develop an inventory of existing managerial cost systems and costing methodologies for all USDA agencies, staff offices, and departmental working capital fund activities,
- ◆ Identify gaps between the capabilities of the existing mission area, agency, and staff office systems and the needs of an enterprise-wide management cost information system,
- ◆ Establish a foundation and strategy for coordinating agency managerial cost accounting and user fee efforts and the department-wide managerial cost information needs,
- ◆ Identify improvement opportunities and develop a plan for realizing those benefits, and
- ◆ Establish a forum for identifying and sharing MCA methods, tools and techniques across the Department

Table 1 identifies the fifteen USDA agencies representing all seven mission areas

Table 1 – Participating USDA Agencies

MCA Survey USDA Agencies	
Food and Nutrition Service (FNS)	Agricultural Research Service (ARS)
Food Safety and Inspection Service (FSIS)	Economic Research Service (ERS)
Farm Service Agency (FSA)	National Agricultural Statistics Service (NAS)
Foreign Agricultural Service (FAS)	Forest Service (FS)
Risk Management Agency (RMA)	Natural Resources Conservation Service (NRCS)
Agricultural Marketing Service (AMS)	Rural Development (RD)
Cooperative State Research, Education and Extension Service (CSREES)	Grain Inspection, Packers, and Stockyard Administration (GIPSA)
Animal and Plant Health Inspection Service (APHIS)	

Also included are nine staff offices including their working capital fund activities that are identified in Table 2.

Table 2 – Participating USDA Staff Offices

MCA Survey USDA Staff Offices	
Office of Communications (OC)	Office of the General Counsel (OGC)
Office of the Chief Information Officer (OCIO)	Office of the Assistant Secretary for Civil Rights (ASCR)
Departmental Administration (DA)	Office of Budget and Program Analysis (OBPA)
Office of Inspector General (OIG)	Office of the Chief Financial Officer (OCFO)
Office of the Chief Economist (OCE)	

The federal departments that generously provided information and insight to the USDA as benchmarks included the Department of Interior (DOI) and the Federal Student Aid (FSA) component of the Department of Education. During the next phase, the project team is planning to collect additional benchmarking of MCA in support of working capital funds at Health and Human Services.

Approach

The analysis was conducted by first developing an in-depth survey template. Under Secretaries at each mission area and Directors at each staff office were asked to identify key personnel to

work with OCFO to ensure that the Department is utilizing MCA in accordance with federal cost accounting principles and the Chief Financial Officers Act of 1990. On June 7, 2007, a meeting was convened with the designated MCA representatives to explain the Department's plan of action for demonstrating how MCA is currently being used and steps that need to be taken to increase and enhance its use.

The survey document was finalized and sent to all mission areas, agencies and staff offices to determine the current status of their MCA systems. The information gathered from the surveys was analyzed for trends, themes and significant findings and a draft Managerial Cost Accounting Survey Report was developed. In phase II of the project, draft recommendations for improving how MCA supports program operations and fee management will be expanded jointly with the agencies and staff offices. These recommendations will be reviewed with the agencies and appropriate department-wide and agency-specific initiatives for expanding the use of MCA will be developed.

4. GAO/OIG Issues

In its September 2006 report to the Subcommittee on Government Management, GAO reported that USDA:

- ◆ Had not shown strong leadership to promote, guide, and monitor MCA implementation
- ◆ Did not have a department-wide MCA system in place
- ◆ Did not have procedures in place to monitor component agency MCA initiatives
- ◆ FFIS was not designed to provide in-depth MCA information, and did not support integration of non-financial data with financial data.

In addition, GAO reported that:

- ◆ FMFI is scheduled to replace FFIS by the end of fiscal year 2012, and is expected to include a cost accounting module incorporating required MCA functionality
- ◆ WCF did not have documented procedures to help ensure appropriate cost accounting methodologies are used and could not confirm that all activity centers were charging full cost of services rendered
- ◆ APHIS is developing the APHIS Cost Management System (ACMS), a system to track spending to cost centers, to be implemented by fiscal year 2007.
- ◆ FSA plans to implement its Budget and Performance Management System (BPMS) by October 2008 to link and integrate FSA's budget, cost, and performance management information
- ◆ FNS had integrated detailed cost and program performance information in its National Data Bank system and state grantee program data reporting system, enhancing the usefulness of cost data for FNS program managers.
- ◆ FS did not have a system in place with which it could routinely analyze cost information, but was utilizing cost-finding techniques and FFIS data to prepare ad hoc cost information reports

The USDA responded to the GAO report by taking action in its leadership role. Specifically, the CFO has:

- ◆ Issued a memorandum to the Under Secretaries stressing the benefits and importance of developing MCA systems
- ◆ Directed WCF to identify, document and implement cost accounting methods for estimating operating costs by business line
- ◆ Assigned key personnel from each mission area and staff office to serve as cost accounting representatives on the Department's cost accounting improvement efforts
- ◆ Commissioned survey and analysis on the state of MCA at USDA including benchmarking at selected other Federal Departments
- ◆ Identified and included specific MCA related cost accounting initiatives on the Financial Data Integration Improvement Plan (FDIIP)

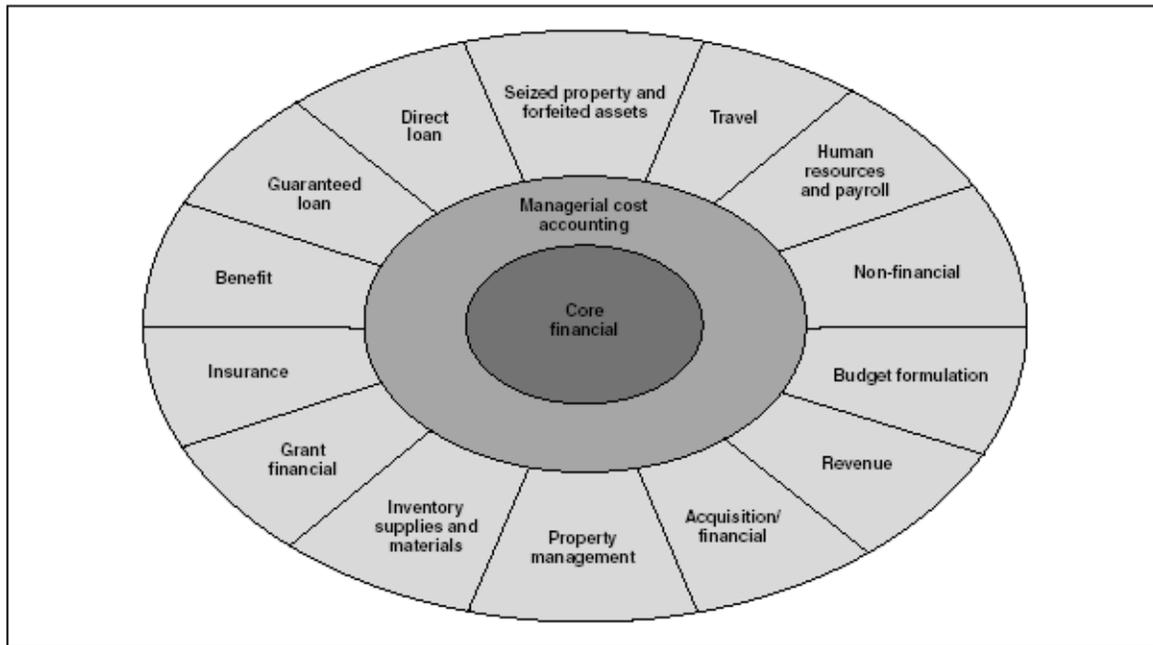
5. Federal Standards and Regulations

The Statement of Federal Financial Accounting Standards No. 4 (SFFAS 4), Managerial Cost Accounting Concepts and Standards for the Federal Government, which became effective in fiscal year 1998, sets forth the fundamental elements for MCA in government agencies. The five standards in SFFAS 4 require government agencies to:

- (1) accumulate and report the costs of activities on a regular basis for management information purposes;
- (2) establish responsibility segments, and measure and report the costs of each segment's outputs, and calculate the unit cost of each output;
- (3) determine and report the full costs of government goods and services, including direct and indirect costs;
- (4) recognize the costs of goods and services provided by other federal entities; and
- (5) use and consistently follow costing methodologies or cost finding techniques most appropriate to the segment's operating environment to accumulate and assign costs to outputs.

SFFAS 4 states that MCA should be a fundamental part of the financial management system and, to the extent practical, should be integrated with other parts of the system. Cost information can be used for budgeting and cost control, performance measurement, determining reimbursements and setting fees and prices, program evaluations, and decisions that involve economic choices. Figure 1 illustrates the relationship of Managerial Cost Accounting to financial accounting and program and administrative activities and functions.

Figure 1 – Managerial Cost Accounting Integration



Source: OMB, *Core Financial Systems Requirements*, OCFM-NO-0106 (Washington, D.C.: January 2008).

Managerial cost accounting involves accumulating and analyzing both financial and non-financial data to determine the costs of achieving performance goals, delivering programs, and pursuing other activities. The principal purpose is to assess how much it costs to do whatever is being measured, thus allowing management to analyze whether that cost seems reasonable, or to establish a baseline for comparison. The factors analyzed, and the level of detail depend on the operations and needs of the organization. Reliable financial and non-financial data are cornerstones of the assessment because if the data are wrong, the resulting analysis can give a distorted view of how well the organization is doing, thereby affecting decision making. MCA differs from financial accounting in that it is primarily intended to provide information for internal decision making rather than external reporting.

Effective for reporting periods beginning after September 30, 2008, SFFAS 30 requires full implementation of the inter-entity cost provision in the statement of Federal Financial Standards (SFFAS 4). As such, each reporting entity’s full cost should incorporate the full cost of goods and services that it receives from other entities. Furthermore, entities providing the goods and services have the responsibility to provide the receiving entity with information on the full cost of such goods and services either through billing or other advice.

For a complete reference to Managerial Cost Accounting Regulations refer to the SFFAS 4 and 30, and Agriculture Financial Standards Manual, Chapter 3 – Managerial Cost Accounting.

6. Survey Findings

6.1. Departmental Perspective

This section presents the 2007 Managerial Cost Accounting Survey results from a Departmental perspective. It analyzes each question and topic across all responses and provides a sense of the participation and commitment at the department level.

In general, the survey indicated that Managerial Cost Accounting was in widespread use within the USDA Agencies, with somewhat less participation within the staff offices. With some exceptions, we noticed a lack of consistency and common understanding of cost accounting principles. We also noted that there was considerable emphasis on establishing and improving cost accounting capabilities within the agencies and offices surveyed.

6.1.1. 2002 Cost Accounting Survey Update

In 2002, the USDA conducted a Cost Accounting Survey of ten USDA Agencies and the National Finance Center in response to OIG findings that the Department was not in compliance with cost accounting regulations. The 2007 MCA survey updated the 2002 results for the original participants. Results of the updated Cost Accounting Survey are consistent with the 2002 results and indicate that, with few exceptions, the participating agencies continue to be actively engaged in cost accounting, much as they reported in 2002. The reported number of FTEs involved in cost accounting has increased by more than 10% for a gain of 27 FTEs. The major exception being that the Forest Service has temporarily suspended its cost accounting development activities to focus resources on more pressing priorities.

For nearly every topic covered in the updated 2002 survey, the majority of participants surveyed provided positive responses that affirmed their adoption and use of cost accounting and demonstrated enhanced use of cost management in their program areas.

The 2002 Cost Accounting Survey participants represent the majority of the USDA resources and include:

- ◆ Agricultural Marketing Service
- ◆ Animal and Plant Health Inspection Service
- ◆ Grain Inspection Packers and Stockyards Administration
- ◆ Rural Development
- ◆ Food and Nutrition Service
- ◆ Agricultural Research Service
- ◆ Food Safety and Inspection Service
- ◆ Farm Service Agency
- ◆ Risk Management Agency
- ◆ Forest Service
- ◆ Office of the Chief Financial Office's National Finance Center

In part 1 of the updated 2002 Survey, agencies reported on the general use of MCA. Excluding Forest Service, in 8 of 14 questions agencies reported 100 % affirmative responses related to the use of cost accounting within their agencies. Overall the percentage of affirmative responses across all questions was 88%. For the lowest scoring topic in part 1, 4 of 10 agencies (40%) reported that they did not link cost accounting to performance measures or goals.

Part 2 of the updated 2002 survey focused on the use of MCA for user fee agencies. Again there were a high percentage of affirmative responses indicating widespread use of MCA for managing user fees. Agencies reported 100% affirmative for 7 of 11 questions and 93% affirmative responses across all questions.

6.1.2. 2007 MCA Survey Results Summary

The 2007 MCA Survey builds on the 2002 survey, adding 5 additional agencies and 9 staff offices including their working capital fund activities. It also includes additional topics:

- ◆ SFFAS No. 4 & Federally Mandated Requirements
- ◆ Management Accountability
- ◆ Linking Cost & Performance Information
- ◆ Systems Identification

The following sections summarize the agency and office responses. They include responses from the 2002 survey participants, and additional agencies and staff offices. Agencies that participated in the 2007 survey that were not represented in the 2002 survey include:

- ◆ Economic Research Service
- ◆ National Agricultural Statistics Service
- ◆ Cooperative State Research Education and Extension Service
- ◆ Foreign Agricultural Service
- ◆ Natural Resources Conservation Service

Additional Staff Offices represented include:

- ◆ Office of Communications including WCF activities
- ◆ Office of the Chief Information Officer WCF activities
- ◆ Departmental Administration including WCF activities
- ◆ Office of Inspector General
- ◆ Office of the General Counsel
- ◆ Office of the Assistant Secretary for Civil Rights
- ◆ Office of Budget and Program Analysis
- ◆ Office of the Chief Economist

A brief summary of the results in each area is provided below.

B. SFFAS No. 4 & Federally Mandated Requirements

Financial Cost & Performance Management

The survey indicated that the total dollar amount of resources that are subject to cost accumulation using either cost accounting systems or cost finding techniques is more than \$120 billion. This number would be higher if it included amounts for the Forest Service and the Office of the Assistant Secretary for Civil Rights. They did not provide total dollar amount of resources although they did indicate their use of either cost accounting systems or cost finding techniques.

Dollar amounts to support cost accounting activities are generally accumulated in the Department's financial system. Of the 15 agencies surveyed, 14 of 15 indicated that amounts are accumulated in support of the Department's Statement of Net Cost using FFIS or the FDW/FSDW. For the exception (FSA) the amounts were accumulated from three sources, FFIS, FSA CORE accounting system, and the Farm Loan Program System (FLP). . Of the 9 staff offices, 6 indicated FDW/FSDW/FFIS. Two offices indicated OCFO was responsible, and did not specify how amounts were accumulated (assume FFIS/FSDW). One office indicated they reported cost as total appropriated funds.

USDA agencies identified the responsibility centers/program areas from their budget full cost exhibits and list by each of the USDA defined responsibility segments. Of the 15 agencies surveyed 14 reported that they were capturing the full cost and inter-entity costs for producing their outputs for the responsibility centers and program areas. However, three of them indicated that they were capturing full cost for financial statement purposes only. One agency reported that it was not capturing the full cost and inter-entity costs for producing their outputs. Only 2 staff offices and NITC (part of OCIO) reported capturing full cost.

Based on the responses, the survey has identified the need to follow-up with agencies and staff offices to ensure consistent understanding of full cost requirements in light of pending SFFAS 30 requirements.

Summary of Costing Methodologies used by USDA Agencies and Offices

Use of cost methodologies is widespread within the Department. All of the agencies and 8 of 9 staff offices surveyed reported using a cost methodology. Furthermore, all agencies and 6 of 9 staff offices reported using direct tracing of costs for a portion of their cost accounting. Methodologies in use for administrative salaries and expenses include standard costing, activity based costing, process costing, and job order costing, in addition to direct tracing, cause and effect and cost allocation methods.

The Department should consider identifying best practices/best practitioners in this area and making Department standard methodologies and technical assistance available.

Management Accountability

The survey indicated that, in general, managers are held accountable and are using cost information in decision making, however, the mechanism varies by organization, and there is considerable focus on budget and fund management using obligation and expenditure data from the FFIS and the data warehouses. Fourteen of 15 agencies and 7 of 9 staff offices reported at least some level of accountability for using cost information in decision making. In addition, 14 of 15 agencies and 6 staff offices reported that performance plans reflect responsibility and accountability for use of cost management techniques.

However, it is not clear how managers should be held accountable for using cost information in decision making nor is it clear if individual manager performance elements are specific to particular cost accounting related measures. This area provides an opportunity for the Department to provide standard guidelines. If the Department chooses to pursue this, it should consider whether managers should be held accountable for controlling specific costs, and if so, which costs, by which managers and to what standard. Similarly, with performance plans, specific measures of cost accounting utilization should be incorporated into the plans.

Linking Cost & Performance Information

Fourteen of 15 agencies and 5 of 9 offices indicated that they use MCA in the budget process. To some extent the agencies and offices are using budget execution/expenditure data for certain budget preparation and execution purposes. Fourteen agencies and eight offices reported that they were using performance data in the budget formulation process.

For the Full Cost by Strategic Objective Budget exhibit, the predominant source of data is the Department's accounting system (2/3). Other sources include Managerial Cost Accounting systems and program systems. Nearly half of the respondents use a combination of sources, and a quarter use accounting and program system combinations.

When asked if the data was easy to collect more than half of the responses indicated that it was, while 10% indicated that it was not. Similarly, 33% of the respondents indicated the data was meaningful, while 16.7% said it was not.

Regarding the use of information from the Full Cost budget exhibits for reporting on the PAR objectives and performance measures, approximately two thirds of the agencies surveyed reported using the information for PAR reporting, while only two staff offices indicated that they were using the information. When asked what prevented them from using the data, responses included:

- ◆ Disparity in performance indicators makes it impossible to develop a meaningful common measure
- ◆ No system
- ◆ No cost/performance relationship
- ◆ Unfavorable cost benefit

- ◆ Some expenditure data unavailable
- ◆ Timely data not available
- ◆ PAR measures not associated with cost information
- ◆ Full cost not captured.

Agencies that have reimbursements or that set fees were somewhat vague on how managerial cost accounting was used to assure that full costs are recouped. Three agencies reported that they identify all costs in accordance with OMB Circular A-25 and Departmental guidance. Several agencies indicated that they track cost using accounting, program, category and job codes. Other agencies said they use FTE, but none really explained how they were using managerial cost accounting to assure that full costs are recouped. There may be a lack of understanding of how managerial cost accounting is used to determine full costs.

Operational Cost & Performance Management

Approximately half of the Agencies and Offices surveyed indicated that they collect operational performance information in the Financial Data Warehouse, supplemented by local databases/spreadsheets. “Other” responses included program and cost accounting systems.

About 2/3 of the agencies and offices surveyed indicated that they collect some combination of financial and non-financial data in their agency’s data warehouses. Only 25% said they collected performance data. In most instances the non-financial information collected relates to FTE/Labor Hours.

When asked if the agency uses operational performance information for certain activities, a high percentage of the responses were affirmative. Details are provided in Table 3. *(Note that OCIO had 2 responses for this section and both are included below)*

Table 3 – Use of Operational Performance Information

Operational Performance Information used to:	Agencies				Staff Offices					
	Yes	Yes %	No	No %	Yes	Yes%	No	No %	NA	NA %
Prepare fiscal year budgets	12	80%	3	20%	7	70%	2	20%	1	10%
Prepare special project or supplemental budget requests	11	73%	4	27%	5	50%	4	40%	1	10%
Report financial performance to management	13	87%	2	13%	4	40%	5	50%	1	10%
Demonstrate alignment with strategic plans	12	80%	3	20%	3	30%	6	60%	1	10%
Justify headcount	10	67%	5	33%	3	30%	6	60%	1	10%
Manage employee workload	9	60%	6	40%	2	20%	7	70%	1	10%
Manage work activities	8	53%	7	47%	3	30%	6	60%	2	20%

Program Cost and Performance Management

Agencies and offices responding to the survey generally report that they are able to provide timely cost information to show the cost of programs; the primary source of the data is FFIS and the data warehouses. Some of the challenges they encounter in compiling the data include:

- ◆ Validating resource information
- ◆ Understanding field definitions in reports
- ◆ Distributing overhead costs across programs
- ◆ Transfers after cost allocation
- ◆ Management assumptions such as alignment of programs to specific strategic goals
- ◆ Using multiple data sources
- ◆ Detailed cost data not available
- ◆ Getting specifics from Working Capital Fund and Greenbook entities
- ◆ Lack of resources to analyze data
- ◆ Distributing costs when billings are behind
- ◆ Reporting quarterly milestones
- ◆ Compiling data and relating differing cost items to specific activities.

E. Systems Identification

The survey responses indicated that 7 of 15 agencies and 3 offices have an MCA system. For agencies reporting that they did not have an MCA system, 6 were developing systems (3 cited FMMI and 3 cited BPMS). One office reported it was developing a system. Similarly, fewer than half of the agencies and only two offices reported having a Managerial Cost Accounting data mart or data source. The survey indicated that 9 agencies and 4 offices were using or planning to use activity based T&A systems. Only 3 agencies reported that they were using or planning to use Star T&A (the departmental standard).

Survey results indicate that 60% of the agencies and 33% of the offices have a documented MCA methodology and have defined MCA components. Asked about cost accounting tools to help implement costing methodologies, 10 agencies indicated that they had tools, and five of them identified FFIS/FDW as one of their tools to assist with implementing costing methodologies. Other tools such as Brio, and EPO were mentioned. Only one office indicated that it was using a tool.

These results lead to a conclusion that a departmental toolset and support capability are potentially beneficial to encourage more widespread use of MCA.

Cost Accounting Reports

Most of the agencies surveyed report generating managerial cost accounting reports, and indicate that the data is available and retrievable from existing systems that support the management

decision making. They also indicate that management reviews the reports regularly and uses them to help manage costs. Suggestions for improvements included more frequent updates and more reliable data. Most reporting comes from FFIS or the data warehouse, primarily standard FFIS accounting reports, daily, monthly and on request. Exceptions include:

- ◆ RD produces cash flow and collections reports
- ◆ FNCS produces cost and performance reports from NDB
- ◆ FS produces Planning, Tracking and Activity cost reports from Workplan,
- ◆ NRCS produces Technical Assistance Cost of Program and Staff Year Cost reports,
- ◆ FSA MCA reports are in development

As one of the next steps in this area, the Department should consider reviewing the MCA reporting capability at the agency level and within FFIS and the Data Warehouses and determine if a standard set of MCA reports is feasible for meeting additional MCA reporting needs.

7. Survey Participant Summaries

7.1. USDA Agency Summaries

7.1.1. Agricultural Marketing Service

Section I. Executive Summary

The Agricultural Marketing Service (AMS) administers programs that facilitate the efficient fair marketing of U.S. agricultural products, including food, fibers, and specialty crops. These programs employ specialists who provide standardization, grading and market news services for those commodities. AMS programs also oversee marketing agreements and orders, administer research and promotion programs, and purchase commodities for Federal food programs. AMS accounts for just over \$1.6 billion in gross costs in FY 2006.

Section II. Update to 2002 Cost Accounting Survey

AMS reported two changes to the tabular data since the 2002 report:

Cost Accounting 1.c. FTEs involved in cost accounting increased from 18 to 24.

User Fees 1.g FTEs involved in setting & managing fees increased from 60 to 76.

Cost Accounting and User Fees

The Agency has developed a Statement of Operations analysis which is a profit and loss statement derived from the ledger within FFIS. This analysis shows managers their activity by month to support informed manager analysis and decision making.

Since AMS has been successful in managing fee programs they have begun a process that allows them to consider fee setting for more than one year at a time, where applicable. All costs are being captured at the agency level, however since imputed costs are funded by appropriations to the appropriate office, they are not being allocated down to the program level, and are not being included in the user fees.

AMS is currently happy with the cost information that they are collecting and providing. However, they do acknowledge that the information would be more useful in the field if program managers were trained on the current process and fully aware of the accounting codes available as well as the reporting flexibilities available through BRIO to track costs.

Section III. SFFAS No. 4 and Federally Mandated Requirements

AMS uses FFIS as the cost accounting system and cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Accounting Systems	\$4.7	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Reimbursable Fees and Services	Cost Accounting Systems	\$209.0	Direct Tracing Cause & Effect Allocation			
Department Imputed Costs	Cost Finding Techniques	\$15.6	Cause & Effect	Cause & Effect	Cause & Effect	Cause & Effect
IT Investment Costs	Cost Finding Techniques	\$33.3	Direct Tracing Cause & Effect			

AMS is capturing the full costs and inter-entity costs for producing their outputs and outcomes for financial statement reporting purposes only. All costs are being captured at the agency, treasury symbol and fund levels, however, since imputed costs are funded by appropriations to the appropriate office, they are not being allocated down to the program level and are not included in user fees. AMS does not have an S&E account in their budget.

Section IV. Management Accountability

Managers are held accountable as part of their performance evaluation on their ability to stay within their allocated budgets. All Agency performance plans are tied to the USDA and AMS Strategic Plan and Goals as well as their Financial Management Plan, and various Human Capital Plans. Cost information is available to AMS managers for decision-making purposes through quarterly and monthly fund reviews. Annual fee analysis is also conducted to monitor reserve levels for each of their programs.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

AMS' budget formulation process uses a combination of techniques to handle the collection and analysis of cost accounting information. The tracking of indirect costs is managed through the administration of a cost allocation methodology using several relevant cost drivers. This is an automated process which runs through FFIS' cost allocation module. AMS uses FFIS for accounting information and program systems for activity level data. AMS uses the information from the Full Cost Budget for reporting on the PAR objectives and performance measures.

Because AMS configured its FFIS account code structure to accommodate full costing down to the specific activity, cost information is readily available and they are able to provide the full accounting cost of supporting the Department's strategic goals, objectives under the goals, and performance measures for their responsibility centers. However, much of the program activity information is time intensive to collect and analyze. In some instances where AMS has oversight responsibilities for various programs, specific operational indicators are obtained outside of the Department. Once collected, this information is accessible through a number of methods including ad hoc and specialized reports.

Operational Cost and Performance Management

AMS collects and links the number of outputs to the unit cost of those outputs for all of their program areas, i.e., Pesticide Data Commodity Purchase Services, Marketing Services, Research and Promotion, Commodity Grading and Certification, and Perishable Agricultural Commodities. All program accounting and performance data for programs is collected in the FFIS. AMS links cost and program data utilizing external EXCEL spreadsheets. Linkage is verified through internal control procedures.

AMS currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify staff years, manage employee workload, and manage work activities. Operational performance information is collected using the FDW and spreadsheets. Operational Data collected in their data warehouses include financial data, hours worked, FFIS Security Access and Geographic data. AMS makes economic decisions on a case-by-case basis utilizing FFIS financial information extracted from the FDW to assist in developing cost estimates.

Program Cost and Performance Management

AMS uses FFIS data pulled from both the FDW and FSDW to show the cost of their programs. Challenges encountered in compiling the data include validating resource information in reports; and understanding field definitions in the reports

Examples of program effectiveness measures that can be linked to cost include:

- ◆ Pesticide Data Program (PDP)-Percentage of children's food commodities on which comprehensive pesticide residue data is available and used for dietary risks assessments
- ◆ Commodity Purchase Services Program (CPS)-Percentage of commodities purchased under surplus removal authority for 3 of 5 successive years
- ◆ Marketing Services Program (MSP)-Percentage of target audience that use AMS information to influence their marketing/transportation decisions. (Survey)
- ◆ Research and Promotion Programs (RPP)-Number of peer reviewed commodity board evaluations that show quantitative financial benefits.
- ◆ Commodity Grading and Certification Programs (CGCP)-Unit cost of providing the grading and certification service per hundredweight of product/commodity graded through 2009 (after inflation)
- ◆ Perishable Agricultural Commodities Act (PACA) Program-Average processing time for enforcement actions (in months).

Section VI. Systems Identification

AMS uses the Department's FFIS accounting system and the Cost Allocation Module within FFIS to collect cost accounting information through accounting and transaction codes that roll up to the GL. These codes correspond to AMS programs. In addition, they use off-line spreadsheets to input financial report data and other projected data in order to figure full costs of a service (or thing of value). AMS uses FFIS' pool/base functionality which enables the Agency to capture activity both before and after cost allocation. This is utilized across all funds unless legislation does not allow for administrative expenses.

AMS utilizes the Department's STAR Time and Attendance system. The program codes that are used in this system are designed to capture activity/project-based time. This information interfaces into FFIS and can be pulled into reports that are run from the FDW and the FSDW.

AMS uses its cost information to provide management reports on a monthly basis. Use of the FFIS cost allocation module only allows for monthly distribution of costs. The Agency has developed a Statement of Operations analysis which is a profit and loss statement derived from the ledger within FFIS. This analysis shows managers their activity by month to support informed manager analysis and decision making. AMS managers regularly review these reports and use them to manage cost. This review is a part of the Agency's internal control procedures as specified in OMB's circular A-123. Additional reports can be requested as needed from the accounting and budget staff.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost information needs of AMS decision makers and their other cost management tools.

General information about the respondent and the organization represented:

Melissa Tharp	AMS, Budget Officer	202-690-3247
Laura MacKenzie	MRP, Chief Financial Officer	202-720-9721
Connie Barnes	WFSB, Chief	202-720-1733

7.1.2. Animal Plant and Health Inspection Service

Section I. Executive Summary

The Animal and Plant Health Inspection Service (APHIS) acts to protect America’s animal and plant resources by safeguarding resources from invasive pests and diseases, monitoring and managing pest and disease threats, resolving trade issues related to animal or plant health, and ensuring the humane care and treatment of animals. About \$846 million of their total budget is funded through appropriated funds. APHIS has several substantial user fee programs. Its programs represent a significant portion of the Department’s user fee revenues.

Cost accounting is characterized as being pervasive throughout the organization, and APHIS management is generally satisfied with their existing cost accounting efforts. APHIS incorporates performance data into all budget requests, and they describe themselves as being very aggressive in their efforts to comply with SFFAS No. 4 and GPRA. There is currently a great deal of focus on FFIS, and APHIS management plans more information initiatives using FFIS data warehouses. APHIS builds budgets off the previous year’s budget to identify current costs and incorporates anticipated and necessary changes including emergency and contingency funding requirements. APHIS also correlates budgets to agency goals.

Section II. Update to 2002 Cost Accounting Survey

Cost Accounting and User Fees

APHIS reported no changes in the tabular data since the 2002 report.

APHIS has made considerable progress in their cost management efforts. They have completed action on the three recommendations in the 2002 report. The agency plans to follow USDA Departmental lead on cost accounting initiatives and is committed to implementing any such plans to expand the use of MCA in their Agency.

Section III. SFFAS No. 4 and Federally Mandated Requirements

APHIS uses the FFIS accounting system and cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Financial Accounting System Cost Finding Techniques	\$15	Direct Tracing	Direct Tracing	N/A	Direct Tracing
Reimbursable Fees and Services	Financial Accounting System Cost Finding Techniques	\$196	Direct Tracing Cause & Effect Allocation	Direct Tracing	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation
Administrative Salaries and Expenses	Financial Accounting System Cost Finding Techniques	\$1,275	Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation
Department Imputed Costs	Cost Finding Techniques	\$194	Allocation	Allocation	Allocation	Allocation
IT Investment Costs	Financial Accounting System Cost Finding Techniques	\$35	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing

APHIS addresses its cost accounting needs through the use of FFIS for cost accounting and project costing and uses OROS (Organizational Reporting Online System) for ABC needs. APHIS tracks data to the reporting category level in FFIS, usually program level through accounting codes on the general ledger. They correspond to APHIS programs and allow program cost and revenue reporting to flow from the general ledger to financial reports. APHIS has documentation for Costing manuals, ABC Project descriptions and documentation, fee-setting information, Budget and Accounting Manuals excerpts, Performance management Guidance, APHIS Performance Plans and Reports, Explanatory Notes, and the APHIS Program Planning and Budgeting Reports in place in support of its cost accounting efforts. Direct costs are appropriately charged to program accounts, and overhead costs are allocated.

Section IV. Management Accountability

All Agency performance plans are tied to the APHIS Strategic Plan and Goals which includes such initiatives. Cost information is available for APHIS managers for decision-making purposes and is used on an as-needed basis. The responsibility lies with those managers to determine the best data to make decisions and the appropriate level of data use.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The APHIS includes performance data in all budget requests. APHIS uses the FFIS and program systems to obtain data for the Full Costs by Strategic Objective Budget Exhibit. APHIS builds budgets off the previous year's budget to identify current costs and incorporates anticipated and necessary changes including emergency and contingency funding requirements. APHIS also correlates budgets to agency goals.

APHIS is able to use the information from the Full Cost budget exhibits for reporting on the PAR objectives and performance measures for their responsibility centers. However, the agency is unable to provide the full accounting cost of supporting the goal, objectives or performance measures because they do not have a system designed for this function. They are capturing the full cost and inter-entity costs for producing their outputs and outcomes for financial statement purposes only. No data is tracked manually for cost accounting.

Operational Cost and Performance Management

APHIS collects and links the number of outputs to the unit cost of those outputs for all of their program areas, i.e., Pest and Disease Exclusion-value of expanded markets, Animal and Plant Health Monitoring, Pest and Disease Management and Animal Care. APHIS' Budget group uses various sources of data to link to the financial information in their FDW. APHIS currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, and demonstrate alignment with strategic plans. APHIS makes economic decisions on a case-by-case basis using the best cost or financial data available.

Program Cost and Performance Management

The APHIS is able to provide cost information to show the cost of programs using cost information derived from budget authority, collections, FDW, and program systems up to the program level. The cost information used is timely and they encounter no challenges in compiling the data. For decisions on administrative costs, they extract information from FFIS for cost comparisons and decision making processes.

Examples of operational and program effectiveness measures that can be linked to cost include:

- ◆ Number of Sanitary Phytosanitary issues resolved per year
- ◆ Number of new pests or disease outbreaks traced to insufficient monitoring of pre-departures

- ◆ Number of foreign animal diseases introduced into the U.S.
- ◆ % of medfly host shipments from TX that don't require treatment
- ◆ Millions of medfly pupae (sterile) produced weekly
- ◆ Number of diseases or pests that spread
- ◆ Number of airports with reduced wildlife hazards
- ◆ % facilities in compliance with Animal Care regs.

Section VI. Systems Identification

The APHIS does not have a MCA system or data mart. They have used limited activity based costing tools in the past (e.g., OROS). Program costs are direct charged and overhead costs are distributed. APHIS does not generate managerial cost accounting reports. Fee information is collected at the Agency, Program, Area/Port Office, Regional, and Headquarters levels. U.S. Customs manually reports collections on APHIS's behalf. The APHIS manually enters that information into FFIS. The FFIS records obligations, revenue and accounts receivable. The APHIS User Fee System records volumes. APHIS recently included the planning and budgeting process conducted for all line items into the Agricultural Quarantine Inspection (AQI) user fee program. These aggregate systems provide an MCA process that contains all of the agency's aggregate and average unit cost information related to program delivery. Data is accessible through a number of methods including the ability to design and run ad hoc specialized reports, as needed.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost information needs of APHIS decision makers.

Work to develop additional automation and file download capabilities and/or interfaces with FFIS to enhance data access and use.

Work to ensure that better cost accounting information is made available to program managers and linked to performance measures or strategic goals.

General information about the respondent and the organization represented:

Kris Caraher	Supervisory Accountant, User Fees Section	301-734-5743
Donna Ford	Branch Chief, Financial Services Branch	301-734-5752
Laura MacKenzie	Director, Financial Management Division	301-734-6604

7.1.3. Grain Inspection Packers and Stockyards Administration

Section I. Executive Summary

The Grain Inspection, Packers and Stockyards Administration (GIPSA) facilitates the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and promotes fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA spent \$ 76 million in FY 2006 carrying out its programs.

Overall, GIPSA management has been pro-active in trying to provide meaningful cost accounting information to financial and program managers. They have made some progress, but acknowledge that the program managers need better managerial cost information in order to manage their program services.

Section II. Update to 2002 Cost Accounting Survey

GIPSA reported no changes in the tabular data reported in the 2002 report

Cost Accounting and User Fees

GIPSA accounts for its direct and indirect costs organizationally. Most of their field-level costs are defined as direct program costs, while non-field program costs – program direction and support- and Agency level support are considered indirect costs. For the grain and weighing program, cost analysis focuses on recovering full costs (direct and indirect) with specific user fee charges.

Direct costs are appropriately charged to program accounts, and indirect and overhead costs are allocated through the FFIS GL allocation module. This module allows for the creation and administration of an allocation methodology that uses different, relevant cost drivers on an account line basis. GIPSA uses various distribution algorithms depending on the type of cost but distribution based on staff years is the predominate method. GIPSA allocates indirect and overhead agency and division costs to individual programs through the use of this module, thereby collecting full costs at the program level. The only exception is imputed costs. GIPSA does not allocate imputed costs, and carries those charges at the Agency level only.

In order to properly allow for full-cost recovery of costs for their services and to avoid problems caused by their lengthy regulatory process, they are establishing multi-year user fee rates. They are also putting as much information as feasible on the Internet.

Section III. SFFAS No. 4 and Federally Mandated Requirements

GIPSA uses the Financial Accounting System (FFIS) and cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services	Financial Accounting system Cost Finding Techniques	\$38	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause &Effect Allocation
Administrative Salaries and Expenses	Financial Accounting Systems Cost Finding Techniques	\$38	Direct Tracing Cause & Effect Allocation			
IT Investment Costs	Financial Accounting System Cost Finding Techniques	\$2.2	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Departmental Imputed Costs	Cost Finding Techniques	\$6	Allocation	Allocation	Allocation	Allocation

GIPSA addresses its cost accounting needs through the use of the FFIS general ledger and off-line management reporting spreadsheets and tools. GIPSA collects cost accounting information through accounting codes on the general ledger. These codes usually correspond to GIPSA programs and allow program cost and revenue reporting to flow from the general ledger financial reports.

Section IV. Management Accountability

Cost information is available to GIPSA managers for decision-making purposes. Managers are held accountable as part of their performance evaluation on their ability to stay within their allocated budgets. All Agency performance plans are tied to the GIPSA Strategic Plan and Goals which includes such initiatives.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

GIPSA includes performance data in all budget requests. The GIPSA budget formulation process is reliant on cost information contained in the FFIS, FDW and off-line management reporting spreadsheets and tools. Historically, budget requests have been developed from previous budgets. This method is still used but with projections on service volume, revenue, and personnel added to the analysis. The budget development process relies on program cost accounting data in developing and/or supporting the budget formulation and execution process for developing accurate estimates of funding requirements and reporting.

Data for the Full Cost budget exhibit is obtained from the accounting system and program systems. Data is accessible through a number of methods including the ability to design and run ad hoc, specialized reports, as needed. GIPSA uses the information from the Full Cost Exhibit for reporting on the PAR objectives and performance measures and is able to provide the full accounting cost of supporting the goal, objectives, and performance measure.

Operational Cost and Performance Management

GIPSA collects and links the number of outputs to the unit cost of those outputs for their program areas, i.e., Packers and Stockyards program and Grain Regulatory Program. Operational performance information is collected in the FDW and spreadsheets and databases maintained locally. GIPSA's Budget and Planning staff link financial data from the FSW and program activity data from various program databases.

GIPSA currently uses operational performance information to report financial performance to management and demonstrate alignment with strategic plans. GIPSA makes economic decisions on a case-by-case basis using the best cost or financial data available.

Program Cost and Performance Management

GIPSA is able to provide cost information to show the cost of the programs. Timely program data and costs are contained in FDW and spreadsheets and databases that are maintained locally.

Examples of measures used by the components to reflect operational costs and performance as well as program effectiveness measures include:

- ◆ Efficiency measure: Decrease average cost of livestock, poultry and meat market
- ◆ Regulatory activities and investigations; and
- ◆ Efficiency measure: Decrease average cost of GIPSA oversight of official agencies for grain inspection services.

Section VI. Systems Identification

GIPSA does not have a cost accounting system. The Agency uses FFIS, FDW and off-line management reporting spreadsheets and utilizes the cost allocation module for allocation of indirect costs. These data sources provide an MCA process. They contain program performance and cost information at the program level and all of the agency's aggregate and average number and unit cost of outputs information related to program delivery.

Cost drivers that are not "in the accounting system" have to be handled outside of the system in a manual way. Long term, implementing a system that would interface GL financial information as well as workload data and create management cost information would be ideal.

Recommendations:

Monitor the implementation of FMFI to ensure that it meets the cost management needs of GIPSA.

General information about the respondent and the organization represented:

Pat Donohue-Galvin	Director, Budget and Planning Staff	202-630-1649
Laura MacKenzie	Chief Financial Officer	202-720-9721

7.1.4. Rural Development

Section I. Executive Summary

Rural Development (RD) helps rural communities meet basic needs by financing waste and wastewater systems, decent housing, electric power and rural businesses, and supporting community development with information and technical assistance. RD work is focused in three agencies, the Rural Business-Cooperative Service, the Rural Utilities Service, and the Rural Housing Service. The Operations and Management Division provides administrative services to all three RD agencies. RD spent \$4.5 billion on its programs in FY 2006.

Section II. Update to 2002 Cost Accounting Survey

The following updates were provided for the analysis of current cost accounting capabilities presented in the 2002 Report:

Cost Accounting

RD reported two changes to the Section II tabular data since the 2002 report:

- 1.c. The number of FTE's involved in cost accounting increased from 2 to 5.
- 1.h. Cost accounting is now used in developing/supporting the budget.

RD uses more than one type of costing accounting technique (credit reform subsidy estimation and expenditure allocation) and is currently working on a model to prorate their costs at program originating, servicing, and liquidating levels in support of program strategic goals and objectives. RD will participate in the Department's Financial Management Modernization Initiative (FMMI) which will include a cost accounting subsystem complying with SFFAS 4.

RD's major challenges are the wide variety of programs and diversity of state office organization staffing structures and varied program emphasis among state offices. FMMI will address these issues through an accounting coding structure including budget object code to capture costs at the lowest program organization codes.

User Fees

To reduce program costs, RD Program staff establishes and monitors its credit program fees and modifies fee structures, taking into consideration program market and financial cost factors. Their greatest challenge in this area is managing the relationship between setting a fee that maximizes program delivery and effectiveness at the least cost to the government yet being competitive in the marketplace.

Section III. SFFAS No. 4 and Federally Mandated Requirements

RD uses cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Loan Subsidies	Cost Finding Techniques	\$ 822	-Direct Tracing		-Direct Tracing	-Direct Tracing
Program Payments or Grants to External Customers	Cost Finding Techniques	\$ 1,800	-Direct Tracing	N/A	-Direct Tracing	-Direct Tracing
Reimbursable Fees and Services	Cost Finding Techniques	\$ 523	-Direct Tracing	-Direct Tracing	-Direct Tracing	-Direct Tracing
Administrative Salaries and Expenses	Cost Finding Techniques	\$ 498	-Direct Tracing	N/A	-Allocation	-Direct Tracing
Department Imputed Costs	Cost Finding Techniques	\$ 86	-Direct Tracing	N/A	-Allocation	-Direct Tracing

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
IT Investment Costs	Cost Finding Techniques	\$ 110	-Direct Tracing	-Direct Tracing	-Allocation	-Direct Tracing
Other Costs: Interest amortization, bad debt exp, re-estimates, offset, & int. income	Cost Finding Techniques	\$ 621	-Direct Tracing	N/A	-Allocation	-Direct Tracing

RD is capturing the full cost and inter-entity costs for their program outputs and assigns all costs to programs. RD uses the Credit Reform cash flow models to determine the costs of loan programs under Credit Reform. In salaries and expenses, RD uses the FFIS general ledger accounting system to determine the costs that will be allocated. These costs are then distributed manually to the major program activities.

The Statement of Net Cost is run directly from the accounting system (Financial Statement Data Warehouse); therefore, documentation consists of general ledger data and transaction details. In addition, desk procedures and workpapers are developed to document the cost allocation process.

Section IV. Management Accountability

Rural Development instructions on performance plans requires a mandatory critical element on Management Control Activities for all SES employees, Management Control Officers, State Directors, Program Directors, Administrative Officers and all GS professional series employees. This element requires that management controls are in place and operating, and meet OMB, GAO, OPM, and USDA guidelines; that reports are submitted on time and contain all information; and that corrective actions are taken to reduce or eliminate deficiencies leading to potential or actual loss of resources.

Responsibility and accountability for use of cost management techniques is generally reflected throughout the SES performance plans through performance measures provided under the element of leadership/management.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

A full cost exhibit is produced and included in the annual Rural Development budget submission. This exhibit directly links costs with program performance. MCA assists management in program cost discovery to supplement managerial planning efforts.

The full cost exhibit is manually prepared by the Administrative Programs Branch (APB). S&E and FTE amounts are calculated based on analysis of available data. S&E and FTE allocations

per program and Strategic Objective are determined by APB staff using data initially developed by state directors. Program level and Budget Authority amounts are gathered from the funded program budget summary (PROSUM) report prepared by the Program Budget Branch, Budget Division. Program amounts are entered in the full cost exhibit by program items under each Strategic Objective, sometimes consolidating different program items together. With some exceptions (requested by OBPA), mandatory programs are excluded from the exhibit. Supplementals are listed at the bottom of the full cost exhibit. Once the exhibit has been drafted by APB, it is sent to the program contacts for each agency to verify the data and performance targets.

Budget data is easily collected as it is developed early in the budget process. However, preparing the exhibit is labor-intensive as it involves all RD programs for three fiscal years. Each program gets listed separately under each Strategic Objective and by each fiscal year. RD utilizes a variety of programs to support several objectives. The unique programs use disparate but meaningful performance indicators for each individual program based on the individual purpose of the program. The disparity in performance indicators makes it impossible to develop a meaningful common measure for all the programs supporting the objective.

Data is meaningful as it provides a cross-reference of dollars, FTE's, and performance measures to the USDA Strategic Plan. Therefore it links the program costs to each strategic objective. Selected performance indicators are used both in the full cost exhibit and in the PAR.

Operational Cost and Performance Management

RD currently uses operational performance information to prepare fiscal year budgets, report financial performance to management, demonstrate alignment with strategic plan and justify headcount. RD is legislatively prohibited from outsourcing at this time.

RD collects and links the number of outputs and timeliness of outputs to the unit cost of those outputs for their program areas, i.e., RBS, RHS, and RUS. Selected programs have cost efficiency measures, i.e. Cost per application processed (Value Added Grant Program), and Cost per job created (Intermediary Relending Program).

RD collects operational performance data from spreadsheets or databases maintained locally and from RD's and the Department's financial systems (e.g., FFIS and the Guaranteed Loan System, etc.). Credit Reform Subsidy and Salary and Expenditures cost allocation data are reconciled to the Department's Financial Statement Data Warehouse general ledger data.

Program Cost and Performance Management

Rural Development has not attempted to include costs in its internal program evaluations. Such evaluations are directed towards program compliance.

Section VI. Systems Identification

RD does not have an agency-wide MCA system. They are supporting the Financial Management Modernization Initiative (FMMI) which includes cost accounting requirements in compliance with SFFAS 4.

RD uses the Credit Reform cash flow models to determine the costs of loan programs under Credit Reform. For salaries and expenses, RD uses the FFIS general ledger accounting system to determine the costs that will be allocated. These costs are then distributed manually to the major program activities. RD's program general ledger account is merged into the Department's Financial Statement Data Warehouse.

RD generates the following managerial cost accounting reports from existing systems to support management decision making needs:

- ◆ Credit Reform Subsidy reports
- ◆ Salary and Expenditures reports, and
- ◆ User Fees/Charges Reports
- ◆ Quarterly National Program Financial Performance Reports.
- ◆ Monthly and Quarterly State Program Financial Performance Reports

Management reviews the above reports regularly and tracks program funds flow and related costs based on information in the reports. Additional reports may be generated as needed by submitting a written request.

RD would need to report non-financial program transactions to a department-wide MCA system.

Recommendations:

Establish cost accounting requirements for FMMI or other cost accounting tools.

Monitor the implementation of FMMI to insure that it satisfies the cost management needs of decision makers.

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: Rural Development

Names & titles of person(s) responding:

Lorenzo Rasetti, Director, Budget Division, 202 692 0145, lorenzo.rasetti@wdc.usda.gov

William French, Director, Policy and Analysis Division, (Retired January 3, 2008)

Michael D. Kane, Acting Director, Policy and Analysis Division, 202-690-2362, michael.kane@wdc.usda.gov

Mark Huntley, Deputy Chief Financial Officer, Office of the Deputy Chief Financial Officer, 314-457-4154, mark.huntley@stl.usda.gov

7.1.5. Food and Nutrition Service

Section I. Executive Summary

The Food and Nutrition Service (FNS) administers the nutrition assistance programs of USDA. Their mission is to provide children and needy families better access to food and a more healthful diet through food assistance programs and comprehensive nutrition education efforts. FNS spent over \$53 billion in FY 2006 on its programs making up 49% of USDA gross costs.

The Food and Nutrition Service was portrayed in a very positive light by the 2006 GAO report on USDA managerial cost accounting practices. FNS accumulates cost information in the Integrated Program Accounting System (IPAS), FFIS accounting systems, and the National Data Bank (NDB) program system which collects program performance and cost information at a detailed level (by month and by state). The information in the NDB is integrated with the accounting systems to produce full cost information for all FNS programs.

Section II. Update to 2002 Cost Accounting Survey

Cost Accounting

The budget formulation process is reliant on the cost information contained in their National DataBank (NDB) system for 99.75% of FNS' budget.

The FNS budget development process relies on program cost accounting data to form the basis of its reporting on the execution of the prior year and for developing accurate estimates of the current year and the budget year funding requirements. Accounting data from IPAS is integrated with program performance data reported through the NDB system so that FNS' budget submission accurately reflects program costs in current year as reported to Treasury and OMB through FACT II. Allocation methodologies for federal administrative costs are used to develop full cost budget exhibits.

User Fees

FNS has phased out user fees since the 2002 survey.

Section III. SFFAS No. 4 and Federally Mandated Requirements

FNS uses cost accounting systems and cost finding techniques and costing methodologies to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	-Cost Accounting Systems -Cost Finding Techniques	\$53,178.5	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Administrative Salaries and Expenses	-Cost Accounting Systems -Cost Finding Techniques	\$135	Direct Tracing and Cause & Effect	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect
Department Imputed Costs	Provided by OCFO Qtrly	\$82.8	Allocation	Allocation	Allocation	Allocation
IT Investment Costs	-Cost Accounting Systems -Cost Finding Techniques	\$54.7	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing

FNS addresses its cost accounting needs through the use of the IPAS general ledger as well as the extremely limited dollars (1/4 of 1% of budget) in the FFIS system in the same manner. FNS collects cost accounting information through accounting codes on the general ledger. They correspond to FNS programs and allow program cost and revenue reporting to flow from the general ledger to financial reports. FNS has procedures in place for cost accounting.

Direct costs are appropriately charged to program accounts, and indirect and overhead costs are allocated. FNS makes no distinction between indirect and overhead, all are considered indirect for the purposes of this write-up. FNS allocates indirect costs (including imputed costs) to programs based on the percent of program appropriation to the agency total. Indirect costs only make up roughly .25% of the total FNS budget.

Section IV. Management Accountability

FNS managers are held accountable for using cost information in decision making. The Administrator's Annual Performance Plan has an element for Budget and Performance Integration, which cascades down to senior management. Additionally, the annual corporate planning process calls for senior management to allocate staff years (resources) to the FNS corporate priorities.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The FNS budget formulation process is reliant on cost information contained in their National DataBank (NDB) system for 99.75% of FNS' budget.

The FNS budget development process relies on program cost accounting data to form the basis of its reporting on the execution of the prior year and for developing accurate estimates of the current year and the budget year funding requirements. Accounting data from IPAS is integrated with program performance data reported through the NDB system so that FNS' budget submission accurately reflects program costs in current year as reported to Treasury and OMB through FACTS II. Allocation methodologies for federal administrative costs are used to develop full cost budget exhibits.

FNS is able to provide full accounting cost of supporting the Department's strategic goals, all objectives under the goal and many performance measures under those objectives through their managerial cost accounting processes.

Operational Cost and Performance Management

FNS collects and links the number of outputs to the unit cost of those outputs for all of their program areas, i.e., Food Stamp program, WIC program, School Lunch, School Breakfast. All program accounting and performance data for every program is collected in the NDB system. This data is used to justify the amounts paid to the states and other grantees. For example, program participation levels, obligation levels, disbursements (drawdowns), monthly benefits, food costs, state administration costs, etc.

FNS currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, manage employee workload, and manage work activities

Program Cost and Performance Management

Program cost information is used by FNS to make projections for various policy alternatives and associated costs. These would typically require legislative changes impacting program design, so the impact of the information and decisions is substantial. Program data and costs are contained in NDB and IPAS. For decisions on administrative costs, we extract information from FFIS for cost comparisons and decision making processes.

Examples of program effectiveness measures that can be linked to cost include:

- ◆ Food Stamp Participation Levels
- ◆ Food Stamp Payment Accuracy Rate
- ◆ School Lunch meals served by type
- ◆ School Breakfast meals served by type

- ◆ WIC Participation Levels
- ◆ Child Care Program Meals served
- ◆ TEFAP (emergency feeding program) – Pounds of food distributed

Section VI. Systems Identification

FNS has an MCA process using the IPAS and FFIS accounting systems, integrated with the NDB program system which contains program performance and cost information at a very detailed level (searchable by program, by state, by month). These systems are integrated to provide an MCA process. It contains all of the agency’s aggregate and average unit cost information related to program delivery. Overhead costs represent less than a quarter of a percent of agency funds, and are allocated on a consistent basis across the programs.

From the NDB system, FNS produces monthly program performance and cost reports on the costs of all programs by month and average unit cost. These reports are provided to the agency management, the Department, OMB, the Congress and the public. Additional reports are available from the FNS CFO’s Office, which has responsibility for the report and the NDB system which supports it. Additionally, NDB systems users can create ad hoc reports to meet their information needs using the query tools available. Again, these are used by program managers.

The FFIS system cost information is integrated into the IPAS accounting system using cost allocation methodologies, since FFIS records the indirect costs (1/4 of 1% of costs); direct program costs (99.75% of total costs) are recorded in IPAS. IPAS provides the cost information to link to performance measures and the President’s budget.

Recommendations:

The NDB system should be left as-is, and could supplement any Department-wide MCA system developed. NDB could supply all of the information contained in the reports on a monthly basis. This system is relied upon by all FNS program managers and used to produce informational reports relied upon by the Congress, OMB and the public.

Monitor the implementation of FMFI to ensure that it meets the cost information needs of FNS’ cost accounting requirements and systems.

General information about the respondent and the organization represented:

Rose McClyde	Director, Accounting Division	703-305-2447
Robin Moffatt	Chief, Policy and Systems Branch	703-305-2143
Regina Fields	Chief, Data Integrity	703-305-2488

7.1.6. Food Safety and Inspection Service

Section I. Executive Summary

The Food Safety and Inspection Service (FSIS) is responsible for ensuring the safety, wholesomeness, and correct labeling and packaging of meat, poultry, and egg products. FSIS inspects several billion pounds of food each year and sets standards for sanitation, process controls, and contamination. FSIS' programs gross cost was \$1,017 million in FY 2007, less than 1% of USDA's gross cost.

FSIS routinely uses cost information in managing their programs and holds managers accountable for effectively managing Agency resources toward the attainment of program initiative goals. FSIS does not have an agency-wide MCA system that would routinely analyze cost information. However, they do utilize the cost allocation module within FFIS to allocate indirect costs and departmental charges to the program mission areas. FSIS also uses cost finding techniques and FFIS data to prepare ad hoc cost reports. Efforts are underway to implement a cost accounting tool (Budget and Performance Management System – BPMS) that is expected to improve their cost management practices.

Section II. Update to 2002 Cost Accounting Survey

FSIS reported no changes to the tabular data since the 2002 report.

Cost Accounting

FSIS currently addresses its cost accounting needs through the use of the FFIS cost allocation module. FSIS collects cost accounting information through accounting codes on the general ledger. These codes usually correspond to FSIS divisions and activity but through program codes, they do allow program cost and revenue reporting to flow from the general ledger financial reports. FSIS currently tracks reimbursable agreements through the use of FFIS. Each agreement has a unique accounting distribution (program code). After posting reimbursable agreements obligation/expenditure activity (electronically) a receivable is initiated using IBIL. Collections are received through IPAC. Each transaction posted will reference the initial program code.

Direct costs are appropriately charged to program codes, and indirect and overhead costs are allocated through the use of the FFIS cost allocation module. This module allows for the creation and administration of an allocation methodology that uses different, relevant cost drivers on an account line basis. FSIS allocates indirect and overhead costs to individual programs through the use of this module, thereby collecting full costs at the program level. The only exception is imputed costs. FSIS does not allocate imputed costs, and carries those charges at the agency level only.

FSIS uses its cost information to provide management reports and has integrated cost data into its planning and budget decision making processes. FSIS budgets are based on historical data, new initiatives, mandated requirements, salary increases and inflation. FSIS recognizes the need

to enhance their cost accounting systems and procedures and is addressing the availability of dedicated resources continues to meet the challenge.

User Fees

FSIS charges fees for voluntary inspections, overtime and holiday inspections, laboratory accreditation programs, export fees and laboratory services. Each of these services or “things of value” are reported in the biennial review to the USDA OCFO.

Internally, FSIS reviews its fees twice a year and issues updated fees based on those reviews once annually. The procedures use actual FFIS cost information as well as some estimates in order to calculate the fee amount.

Section III. SFFAS No. 4 and Federally Mandated Requirements

FSIS uses cost finding techniques and various costing methodologies to accumulate costs as shown in the following table: Note: This table has FY 2007 data only

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2007	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Finding Techniques	\$47	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation
Reimbursable Fees and Services	Cost Finding Techniques	\$135	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation
Administrative Salaries and Expenses	Cost Finding Techniques Process costing	\$796	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation
Department Imputed Costs	Cost Finding Techniques	\$96	Allocation	Allocation	Allocation	Allocation
IT Investment Costs	Cost Finding Techniques	\$39	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation

FSIS accumulates amounts in the Foundation Financial Information System (FFIS) by organizational division, budget fiscal year, fund, reporting category, and budget object class code. Program codes assigned to specific programs and projects allow them to accumulate and monitor costs below the budget allocation level. FSIS uses cost finding techniques within the

Foundation Financial Information System (FFIS) reporting function and the Financial Data Warehouse (FDW) to perform queries and prepare ad hoc cost reports.

FSIS is capturing the full cost, both direct and indirect costs. Direct costs are captured as transactions are posted to FFIS. Indirect costs are pooled and then are allocated to programs and activities on a prorated/consumption basis.

The Agency does not capture inter-entity imputed costs such as pension and other retirement benefit costs funded through OPM and court judgments and settlement claims paid by the Treasury Judgment Fund.

Section IV. Management Accountability

FSIS managers are held accountable for their resource allocations by way of the following reporting mechanisms and processes: status reports of direct spending; updates and meetings scheduled weekly and monthly with program areas to address senior management questions and comments relating to program expenditures; meetings with the Under Secretary, Agency Administrator and Senior Management Council. Management's funding request/transfer of fund goes through the approval process chain to the Agency CFO.

FSIS' executive performance plans do not specifically tie to the use of cost management techniques. However, Agency executives are held accountable through a critical element of the performance plan dealing with "leadership and management." Specifically, executives are tasked with effectively managing Agency resources toward the attainment of program initiative goals.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management.

FSIS is required to submit a full cost budget by strategic objective exhibit with the agency and department estimates. The exhibit presents full cost by activity: Federal, state, international, PHDCIS State Project (formerly FAIM) and Codex. FSIS uses MCA to estimate future costs of initiatives during the budget preparation process. They also use MCA for computing and adjusting rates for user fees and estimating reimbursable agreements. The accounting system is the source of data for the exhibit.

In addition, various analyses and projections are performed on the overtime and voluntary inspection activities, and laboratory accreditation. These analyses and projections are used to estimate future spending obligations and expenditures, collections and billing activity and other trends for the two programs.

FSIS is able to provide the full accounting cost of supporting the Department's strategic goals, all objectives under the goal and the performance measures under those objectives through their managerial cost accounting processes.

FSIS uses MCA to accumulate and track costs related to reimbursable activities. They assign a unique program code to each reimbursable agreement for accumulating the full costs of providing services. The Agency strives to capture the full cost of a reimbursable program when it develops rates for their overtime inspection activities, laboratory accreditation, and voluntary inspection services. Administrative support, agency overhead, departmental charges and other indirect costs are assigned to a specific reporting category. In addition, FSIS has calculated a standard indirect cost rate that is applied to their reimbursable agreements.

Operational Cost and Performance Management

FSIS collects and links the number of outputs and timeliness of outputs to the unit cost and activity based costs of those outputs for their program areas, i.e., Field Operations, Public Health and Science, and Center for Learning. FSIS collects operational performance data from the following databases and program systems:

- ◆ Performance Based Inspection System (PBIS)
- ◆ Laboratory Information Management System (LIMS)
- ◆ Consumer Complaint Monitoring System
- ◆ Automated Export/Import Information System

FSIS's mission support, scientific, and inspection agency data is maintained in a data warehouse which is collected, monitored, and managed by the agency's OCIO. FSIS collects FTE's and accounting information from the Financial Data Warehouse. FFIS is not integrated or linked with non-financial data systems. Some non-financial data comes from the IAS procurement system and personnel systems. Department financial administrative/feeder systems are the only systems that link to FFIS.

FSIS currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, justify headcount, manage employee workload, and manage work activities.

FSIS managers use a combination of direct tracing of costs (cost of resources that are used directly in the production of an output) as well as the assignment of costs on a cause and effect basis when making economic decisions. These cost methodologies are not prescribed for any particular decision and the managers will most likely use these methodologies interchangeably during decision making.

Program Cost and Performance Management

When providing quarterly cost data performance measures, BRIO queries are developed using the appropriate data fields to retrieve information from the financial data warehouse. In addition, sample data for each pathogen is retrieved from an Agency program system to determine if performance is at or below the targeted level.

FSIS is able to provide cost information for all programs. However, additional work will be required to accurately track cost data for specific projects or activities within programs. FSIS has found that the initial system setup of a few newer initiatives deviated from prior year's system setup. They are in the process of redefining their reporting business process and implementing stronger guidelines for all new initiatives.

FSIS' greatest challenge is in compiling data as it relates to the cost allocation practices. After processing cost allocation for the full year, obligations and expenditures are transferred from several divisions and posted to others. This practice gives the appearance that additional funding may be available for several divisions and that additional spending is occurring in several divisions as well. This is a business process that is under evaluation and is a candidate for change. FSIS wants the capability to handle this situation in their future corporate system.

Examples of program effectiveness measures that can be linked to cost include:

- ◆ Percent of products sampled with tests showing positive results for the presence of foodborne pathogens
- ◆ Volume/pounds of meat, poultry, and egg products inspected
- ◆ Number of labs accredited
- ◆ Number of hits to educational components of Agency website
- ◆ Number of Cooperative State Inspection Programs

Note: this list is not all inclusive.

Section VI. Systems Identification

FSIS does not have an agency-wide MCA system that would routinely analyze cost information. However, they do utilize the cost allocation module within FFIS to allocate indirect costs and departmental charges to the program mission areas. FSIS also uses cost finding techniques and FFIS data to prepare ad hoc cost reports.

FSIS plans to begin the implementation of the Budget and Performance Management System (BPMS) during FY 2008. This application will eventually link budget, cost and performance data and is expected to improve cost management practices. FSIS is planning to use an activity or project based time and attendance system. The Agency charges some of its Time & Attendance (T&A) by activity or project based time at this time by way of the program code, but FSIS would quickly move in that direction on a wider scale providing the Department's future corporate system has the capability.

FSIS will continue using cost finding techniques and database query software until a formal MCA is implemented. FSIS uses Brio Intelligence which is an all-in-one query, data analysis and reporting tool. Brio allows users to combine information from different table or databases. FSIS also utilizes the FFIS cost allocation module.

FSIS generates the following managerial cost accounting reports to support management decision making needs:

- ◆ RCAACT-Cost Allocation Activity Report (run upon request)
- ◆ RGLOBEX-Budget Object Code/Program Expenditure Report (run upon request)
- ◆ FDO-Current Year Fund Report (updated after a nightly cycle)
- ◆ Cost Allocation Activity Report (updated upon request)
- ◆ Budget Object Code/Program Expenditure Report (updated upon request)
- ◆ FDO-Current Year Fund Report (updated after a nightly cycle)

FSIS currently uses reports available in the FDW. FFIS also has report writing capability using BRIO Explorer. FFIS utilizes mirror funds during the cost allocation process. Decisions are made on the mirror funds prior to updating the regular funds with cost allocation data.

FSIS would report the following non-financial data to department-wide MCA system:

- ◆ Responsibility Segment
- ◆ Division
- ◆ Fund
- ◆ Account Symbol
- ◆ Budget Object Class Code
- ◆ Reporting Category
- ◆ Program/Project
- ◆ Product/service type
- ◆ Full-time equivalent (FTE)
- ◆ Efficiency measure type –employees trained, volume of meat inspected, number of establishments
- ◆ Output units
- ◆ Security – Profiles, User IDs, Security Groups, and Security Logs,
- ◆ Pay Hours, Series, Grade,
- ◆ Period Processed/Covered Dates
- ◆ Vendor Code, Comments/Descriptions, Vendor Type and Vendor Category

Recommendations:

Monitor the implementation of BPMS to insure that it satisfies the cost management needs of decision makers.

Monitor the implementation of FMMI to ensure that it meets the cost management needs of BPMS.

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: Food Safety & Inspection Service

Names & titles of person(s) responding: Tom O'Brien, Deputy CFO

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7.1.7. Farm Service Agency

Section I. Executive Summary

The Farm Service Agency (FSA) administers and manages farm commodity, credit, conservation, and disaster and loan programs as laid out by Congress through a network of federal, state and county offices. These programs are designed to improve the economic stability of the agricultural industry and to help farmers adjust production to meet demand. Economically, the desired result of these programs is a steady price range for agricultural commodities for both farmers and consumers. FSA's operations accounted for roughly \$3 billion in gross program costs in fiscal year (FY) 2006.

The Farm Service Agency (FSA) is implementing a Budget and Performance Management System (BPMS) and the project is well underway. BPMS is a management tool designed to link performance, budget, and corporate cost information to enable FSA's decision makers to better allocate budget, personnel, and other resources and become a more efficient, performance-based, and results-oriented organization. BPMS implementation activities are slated to be completed by Quarter 4 2010 including implementation of Predictive Budgeting and Planning Pilot at HQ, State and County offices, Performance Measures Data Collection Module and Managerial Cost Accounting.

Section II. Update to 2002 Cost Accounting Survey

Cost Accounting

FSA has had a change in their cost accounting methodology since the 2002 survey. Changes are noted in Section III below.

FSA prepares their budget request based on previous budgets. Since the 2002 survey, FSA has developed an activity-based costing system which is currently being piloted in five States plus Headquarters and Kansas City offices.

User Fees

FSA currently does not use a managerial cost accounting process for reimbursements. In the past, they used data from their legacy Activity-Based Costing (ABC) System to determine cost for dedicated employees who actually performed services solely for the purpose of the customer agency vs. non-dedicated employees to recoup cost. However, this system was shut down in FY

2006 due to questions about data accuracy and the length of time it took to collect the data. FSA had planned to have its replacement Activity Reporting System (ARS) in place but has faced delays in implementing due to the decision on a new Departmental T&A system.

Section III. SFFAS No. 4 and Federally Mandated Requirements

FSA uses cost finding techniques and various costing methodologies to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Loan Subsidies	Cost Finding Techniques	221	-Direct Tracing	N/A	N/A	-Direct Tracing
Program Payments or Grants to External Customers	Cost Finding Techniques	25,620	-Direct Tracing	N/A	N/A	-Direct Tracing -Allocation
Reimbursable Fees and Services	Cost Finding Techniques	13,795	-Allocation	N/A	N/A	-Direct Tracing
Administrative Salaries and Expenses	Cost Finding Techniques	1,003	-Direct Tracing	-Allocation	N/A	-Allocation
Department Imputed Costs	Cost Finding Techniques	143	-Allocation	-Allocation	N/A	-Allocation
IT Investment Costs	Cost Finding Techniques	206.9	-Direct Tracing	-Direct Tracing	-Direct Tracing	-Direct Tracing

FSA is capturing full cost and inter-entity costs for producing their program outputs. Direct, indirect, and imputed costs in total are captured at the agency level. They use Allocation methods (External to General Ledger) for their Administrative Salaries and Expenses.

Section IV. Management Accountability

FSA has been working with program areas to develop total cost and cost efficiency metrics for each program. They have also begun to analyze ways in which the cost per unit metrics can be aligned with FSA's Business Framework. Up to this time, FSA has lacked the activity data and linkages to workload to effectively determine the cost of program outputs. As of December 2007, FSA has completed development of its cost management model, however, the model has not been populated with units. This model will establish a performance baseline and provide management with cost information in which to make decisions. This is a necessary first step to holding managers accountable for using cost information in their decision making.

FSA is required to include in each SES performance plan the President's Management Agenda performance standard as a mandatory critical element for Leadership/Management. This standard includes the use of financial information in decision-making, e.g., the BPMS MCA module, which supports the current and future use of various cost management techniques to improve the agency's effectiveness and efficiency in assigned program areas.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

FSA prepares their budget request based on previous budgets. Since the 2002 survey, FSA has developed an activity-based costing system which is currently being piloted in five States. There are 5 States Offices, 25 County Offices, and 4 Headquarters Divisions in both Kansas City and Washington, DC using the STAR automated time and attendance system. The data from this system will then be joined with their per unit metrics cost model to develop a cost accounting system for management review.

FSA obtains the data for their Full Cost budget exhibit from the accounting system. The data is easy to collect and meaningful, showing cost by strategic goal. FSA does not use information from the Full Cost budget exhibit for reporting on the PAR objectives and performance measures. They are able to provide full accounting cost of supporting the goals. However, they are not able to provide full accounting cost of the objectives under the goals or the performance measures under the objectives because the data is not available timely. FSA currently does not use a managerial cost accounting process for reimbursements.

Operational Cost and Performance Management

FSA does not collect and link operational performance information and measures to cost information. They do collect cost, quantity, and hours worked in the financial data warehouse and for some performance measures also conduct surveys of field activities. There is no link from agency cost information in FFIS to non-financial data in the FDW. FSA uses various attributes only (i.e., vendor information).

FSA uses some output measures for budget preparation (less and less as they move toward outcome measures), and alignment with strategic plans. Upon implementation of the BPMS project, FSA will be in a better position to utilize its performance data to a larger extent and with greater regularity. Some examples would be to manage work activity, employee workloads, and employee performance appraisals. Once the new system is implemented nationwide and FSA has the capacity to conduct trend analysis on the cost per unit information, the data could be used to conduct the analysis necessary to assist in workforce management and program policy decisions.

Program Cost and Performance Management

FSA is able to provide cost information to show the cost of their programs by strategic goal. The general ledger is the source of the cost information and it is timely. Challenges to compiling the

data include validating certain management assumptions such as alignment of programs to specific strategic goals and using multiple data sources.

An example of program effectiveness measures which can be linked to cost is: increase CRP acres of riparian and grass buffers.

Section VI. Systems Identification

FSA does not have a MCA system; however, BPMS will have a cost accounting module. FSA has acquired the Enterprise Performance Management (EPM) software tool from Business Objects and has reported the following milestones (through Quarter 3 2007):

- ◆ BPMS Activity Reporting Pilot – Underway. Have trained two of the five pilot states and some pilot HQ personnel in the use of the time and attendance system in conjunction with the Activity Reporting System (ARS).
- ◆ Design approval for Managerial Cost Accounting – Underway. Kicked off the Cost Management Model (CMM) and Reports project that will deliver a cost model that provides full-cost in total and unit costs of FSA program outputs and integrate ARS data with a number of workload metrics to establish productivity metrics.
- ◆ Cutover to Activity Reporting System – On hold awaiting selection of new Departmental T&A system. The ARS pilot will continue to run with 5 State/Counties and organizations until a decision is made on the new T&A system.
- ◆ Analyze & Refine Admin Cost to Service Unit of Measure metric – Underway with CMM project kick-off. This measure has slipped because of delays with implementing an accounting code format change in the T&A system.
- ◆ Report Progress on BPMS Implementation - BPMS implementation activities are slated to be completed by Quarter 4 2010 including implementation of Predictive Budgeting and Planning Pilot at HQ, State and County offices, Performance Measures Data Collection Module and Managerial Cost Accounting. The Budget Formulation Model in the Enterprise Performance Management (EPM) software tool was used to prepare the FY09 Agency Budget Estimates and will be put into use agency-wide Q1 2008.
- ◆ Results of measurement of Ratio of Indirect to Direct Administrative Cost – Underway. Collection of indirect/direct data collection is associated with the ARS implementation and development of data warehouse capturing payroll data to integrate with activity based information.

FSA is currently using an activity based T&A system - STAR. Five pilot states are underway leading to a phased multi agency-wide implementation upon completion of the pilot. They are currently developing an Activity Reporting System (ARS) and cost per unit data mart. These data marts will be used to provide managerial cost reports. These data marts cover their administrative funds.

FSA is working towards developing reports that will support management decision making needs. These reports are slated for development in Q4 FY2009. Cost per unit metrics from the cost management model as well as the costed activities from the Activity Reporting System pilot will provide management with cost per unit reports.

Interfaces from FSA systems to FFIS include the following: FFIS creates functional documents including budget documents for Administrative accounts. Commodity Credit Corporation (CCC) creates customized standard voucher which is then downloaded and sent to the FSDW.

FSA would need to report non-financial data, i.e., Quantities and Units of Measure, to a department-wide MCA system.

Recommendations:

Monitor the implementation of BPMS and the EPM software tool to insure that they satisfy the cost management needs of decision makers.

Monitor the implementation of FMFI to ensure that it meets the cost management needs of BPMS.

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: Farm Service Agency

Names & titles of person(s) responding:

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7.1.8. Foreign Agricultural Service

Section I. Executive Summary

FAS works to improve foreign market access for U.S. products. This USDA agency operates programs designed to build new markets and improve the competitive position of U.S. agriculture in the global marketplace.

The Foreign Agricultural Service (FAS) is responsible for collecting, analyzing, and disseminating information about global supply and demand, trade trends, and market opportunities. FAS seeks improved market access for U.S. products; administers export financing and market development programs; provides export services; carries out food aid and market-related technical assistance programs; and provides linkages to world resources and international organizations. FAS' gross cost in FY 2006 was \$266 million, or less than .003 % of total USDA cost.

Most of FAS' financial management functions are contracted out to a sister agency, the Farm Service Agency. Hence, FAS' success in meeting the financial management goals of this initiative is largely dependent on the success of FSA. FAS is one of five agencies targeted by

the Department to submit its budget and annual performance plan as an integrated budget and performance integration package for its FY 2006 budget request.

Section II. Update to 2002 Cost Accounting Survey

FAS was not included in the 2002 report.

Section III. SFFAS No. 4 and Federally Mandated Requirements

FAS uses cost finding techniques and various costing methodologies to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Finding Techniques	156.7	-Direct Tracing	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation
Reimbursable Fees and Services	Cost Finding Techniques	42.2	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation
Administrative Salaries and Expenses	Cost Finding Techniques	67.3	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation	-Direct Tracing -Allocation
Department Imputed Costs	Cost Finding Techniques	9.388	-Allocation	-Allocation	-Allocation	-Allocation
IT Investment Costs	Cost Finding Techniques	0	-Direct Tracing	-Direct Tracing	-Direct Tracing	-Direct Tracing

FAS is capturing full cost and inter-entity costs for producing their program outputs. These costs can be tracked to the branch level, business line and to the budget object class code. They use standard costing methods for their Administrative Salaries and Expenses.

Section IV. Management Accountability

FAS’ executive performance plans do not specifically tie to the use of cost management techniques. However, FAS is required to include in each SES performance plan the President’s Management Agenda performance standard as a mandatory critical element for Leadership/Management. This standard includes the use of financial information in decision-making which supports the current and future use of various cost management techniques to improve the agency’s effectiveness and efficiency in assigned program areas.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

FAS does not use managerial cost accounting in their budgeting process. The accounting system, manual cuff records, and trade data systems provide the source data for the Full Cost budget exhibit. The data for the Full Cost exhibit is not easy to collect. Answers to the data call are not uniformly reported and require interpretation. FAS is able to provide the full accounting cost of supporting the goal, the objectives under that goal and the performance measures under the objective. However, their costs are captured by budget activity which supports more than one goal.

Data from the Full Cost budget exhibit is not used for reporting in the PAR because some of their programs are disbursed from systems that budget personnel are unable to access.

FAS uses FTEs to distribute costs across reimbursable activities. For setting fees, they use prior year actual costs with current year licenses estimated to be issued to determine amount.

Operational Cost and Performance Management

In 2006, FAS did not collect and link operational performance information for all programs and measures in recognized financial systems to cost information. Some were captured and tracked using manual spreadsheets.

FAS collects FTEs, obligation and expenditure data in the financial data warehouse and in spreadsheets or database maintained locally. They use project numbers and activity codes to link data. When making economic decisions such as outsourcing they use average staff year cost to determine overhead. However, they do not use operational cost information for preparing fiscal year budgets, demonstrating alignment with strategic plans, or managing employee workload or work activities.

Program Cost and Performance Management

FAS is able to provide cost information to show the cost of their programs, however, staff needs to be trained on how to use reports from the system and the reports could be provided in a more user friendly format. There are multiple sources of cost information (FDW, individually dept records, timesheets, etc.) which are cumbersome to use. The process of manually compiling the data is labor intensive.

An example of program effectiveness measures that can be partially linked to cost is the export multiplier ratio which includes administrative costs.

Section VI. Systems Identification

FAS does not have a MCA system, however, its Budget organization and subject matter experts from overseas operations and reimbursable programs have met to identify high level requirements for jointly participating in an agency-wide BPMS project. FAS wants to use the BPMS project to improve linkage of budget to strategic goals; automate budget processes;

improve reporting efficiency, accuracy, transparency, and timeliness; measure performance against established measures; evaluate effectiveness of measures; and provide tools which facilitate informed budgetary decisions and the ability to evaluate various options.

In addition, discussion of FAS requirements for using the Labor Cost Module have begun.

FAS is planning to use the activity or project-based T&A system that is selected by the Department. Currently, FFIS is used for payroll data for domestic sources.

FAS has documented their costing methodology to determine overhead associated with reimbursable activities. Although they do not currently have a cost accounting tool, they are planning to use Enterprise Performance Optimization (EPO) software tool from Business Objects beginning FY08. This tool will contain a cost accounting module to assist with implementing costing methodologies.

FAS is currently not generating managerial cost accounting reports. Although FAS does not have an MCA system, they plan for the MCA system to interface through a data warehouse or data mart.

FAS would need to report quantities and units to measure to a department-wide MCA system.

Recommendations:

Monitor the implementation of BPMS and the EPO software tool to insure that they satisfy the cost management needs of decision makers.

Monitor the implementation of FMMI to ensure that it meets the cost management needs of BPMS.

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: Foreign Agricultural Service

Names & titles of person(s) responding:

Scott Redman,	202-690-4052,	Scott.Redman@fas.usda.gov
Anita Rose,	202-690-2675,	Anita.Rose@fas.usda.gov
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Jacquelyn Manson,	703-305-1236,	Jacquelyn.Manson@usda.gov

7.1.9. Risk Management Agency

Section I. Executive Summary

The Risk Management Agency (RMA) is charged with the administration of the Federal Crop Insurance Corporation (FCIC). RMA also provides farmers training regarding risk management skills and helps make risk management information more accessible to farmers and educators. RMA's gross cost in FY 2006 topped \$4.7 billion, or approximately 4% of total USDA cost.

The Risk Management Agency (RMA) currently addresses its cost accounting needs through the use of the FFIS general ledger and the RMA program systems. RMA collects cost accounting information through accounting codes and specific general ledger accounts on the general ledger that reflect their one program, Federal Crop Insurance Corporation (FCIC), and five responsibility segments. These segments are the FCIC program fund, Office of the Administrator, Insurance Services, Product Management, and Compliance. The collection of this cost data in FFIS allows program cost and revenue reporting to flow from the general ledger financial reports. To capture additional detail on particular projects or initiatives, RMA regional offices sometimes use different reporting categories in FFIS.

RMA collects a significant amount of data related to the administration of its crop insurance program from program systems, and reports a weekly "Summary of Business" via the internet that includes information on policies with premium, units with premium, net acres insured, and loss ratio. RMA creates cost accounting reports for management by providing a monthly status of funds report to the cost center managers. Cost centers also review their obligation status reports and prepare a monthly verification of funds report which certifies the validity of open obligations for their cost center.

RMA charges four types of fees under current law: regular insurance premiums, legislated catastrophic and additional coverage administrative fees, actuarial request fees, and freedom of information act request fees. In the course of offering crop insurance for farmers, RMA charges an insurance premium (through its contracted insurance companies) to the customer based on several pieces of information, for example geographical location, type of crop, and plan of insurance, etc. RMA uses the Actuarial Filing System in order to collect all relevant data on the insured and determine insurance premium cost. RMA updates the insurance rates charged on an annual (or crop year) basis using historical insurance information and other economic assumptions. Agency costs are not a factor in determining the fees and there is no assurance that full costs are recouped.

Section II. Update to 2002 Cost Accounting Survey

Cost Accounting

RMA reported one change to the tabular data since the 2002 report:

3.b. Compliance is now audited internally.

RMA plans to work on expanded accounting codes in FY 2008 to further define cost accounting buckets for internal use. RMA plans to extend budget execution activities to report on expanded accounting codes.

Organization and legislative changes are a challenge to RMA’s financial management group. In addition, it is a challenge to get pertinent cost accounting information from RMA’s insurance company partners. Currently, insurance companies provide RMA with significant statistical information, but no information on their costs. The new eWA will allow warehouse access to company cost information however, aligning that functionally to RMA activities will be a challenge.

Budgets for existing personnel are centrally estimated based on OMB salary rates. In addition initiatives are estimated separately using a combination of internal and external expertise. Projections based on changes to current year programs and potential legislation changes are incorporated.

User Fees

RMA reported two changes to the tabular data since the 2002 report:

- 1.d. Fees are updated every three years rather than annually.
- 1.g. The number of people involved in setting and managing fees is 12-15 rather than 15.

Section III. SFFAS No. 4 and Federally Mandated Requirements

RMA uses cost accounting systems and cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Accounting Systems	\$ 4,584	-Direct Tracing	-Direct Tracing	-Direct Tracing	-Direct Tracing
Administrative Salaries and Expenses	Cost Accounting Systems	\$ 59	-Direct Tracing	-Direct Tracing	-Direct Tracing	-Direct Tracing
Department Imputed Costs	Cost Finding Techniques	\$ 14	N/A	N/A	N/A	N/A
IT Investment Costs	Cost Finding Techniques	\$ 17	-Direct Tracing	-Direct Tracing	-Direct Tracing	-Direct Tracing

RMA's Cost Centers have accounting codes assigned for various organizations and projects to cost their Administrative Salaries and Expenses. RMA captures its total program costs in FFIS but does not allocate overhead or other administrative costs to lower levels since it has only one major program. The policy database is used to capture other program indicators such as insurance in force (Liability), loss ratio, premiums, premium subsidies, etc., which are used in RMA's performance management reporting.

Section IV. Management Accountability

RMA managers are held accountable for using cost information in decision making through their performance standards which address the USDA Management Initiatives of Improve Human Capital Management and Improve Financial Management.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

RMA uses managerial cost accounting in their budget process. For budget execution they compare actual spending (commitments, obligations and expenditures) to planned spending by organization code. For budget formulation, they use past cost as input to the RMA "Budget Model" along with actuarial program information to determine future costs.

RMA prepares the Full Cost budget exhibit using data from the accounting system and their program system. For the Prior and Current years it is easy to run reports from the financial system. However, the Budget year is based on estimates derived from the RMA "Budget Model". RMA does not use information from the Full Cost budget exhibits for reporting on the PAR objectives. They are not providing full accounting cost of supporting the goals, objectives under the goals, or performance measures under the objectives. RMA-FCIC performance measures in the PAR use value of insurance protection provided to agricultural producers and are not associated with cost information so they are not relevant to their PAR presentation.

The agency does not use MCA to assure that full costs are recouped. RMA-FCIC sets rates for premiums which have nothing to do with agency activity but are based on historic insurance experience. In addition, there are administrative fees for Catastrophic and Additional coverage that are legislatively determined.

Operational Cost and Performance Management

Among the performance information that RMA collects and tracks are: the value of insurance provided, the number of commodities under development, the number and geographic availability of risk management tools, the insurance participation rate for ten stable crops, and the number of reviews initiated from complaints. None of these measures are based on cost.

RMA collects operational performance data from spreadsheets or databases maintained locally. Quarterly obligation Administrative & Operating (A&O) Fund and A&O subsidy data from FFIS is provided to RMA Product Management staff to combine with program indicator data in reporting performance information to the RMA strategic planning staff. Quarterly obligation

and outlay data for the A&O and Program Funds are provided directly to the RMA strategic planning staff for their use in quarterly performance reporting.

RMA currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, and demonstrate alignment with strategic plans. When making economic decisions on project outsourcing, project costs used are based on previous actual amounts for similar in-house projects.

Program Cost and Performance Management

RMA is able to provide timely cost information to show the cost of its programs; however there are challenges in compiling the data. Detailed cost data is usually not available as a single source and is dependent on similarities of the program or project to current programs or projects (i.e., if the program is significantly different from the norm, detailed information would not be available to evaluate it).

Section VI. Systems Identification

RMA/FCIC does not have an agency-wide MCA system. They use their accounting system (FFIS) and the Insurance Program Data (Policy Database) to meet their cost accounting needs. RMA/FCIC is in the process of expanding its FFIS accounting codes which will enable it to utilize FFIS for more detailed cost accounting data for various projects.

RMA/FCIC generates the following managerial cost accounting reports from existing systems to support management decision making needs:

- ◆ Status of Funds reports by cost center
- ◆ Statement of Net Cost by Treasury Symbol

These reports are updated monthly. Management reviews the reports regularly and manages cost based on information in the reports. Requests for changes or additional reports are submitted and approved as appropriate by various Change Control Boards in each separate business area.

RMA's Administrative and Operating (A&O) Fund data is included in FFIS through direct entry of documents and the Department's various feeder systems such as IAS and Travel. The insurance program fund cost accounting data from the Reinsurance Accounting System and Escrow System is interfaced through the General Ledger Interface system which sends a nightly interface file of documents which process in FFIS.

RMA would need to report statistical insurance program data to a department-wide MCA system since it is a key part of FCIC reporting of cost information. For example, the number of policies, acreage insured, liability, etc., are not available in FFIS but are available in the policy database.

Recommendations:

Establish a cost accounting requirement for FMMI or other cost accounting tools.

Monitor the implementation of FMMI to insure that it satisfies the cost management needs of RMA/FCIC decision makers.

General information about the respondent and the organization represented:

Michael Drewel	Chief, Fiscal Reports and Analysis Branch	816-926-1872
Margo Erny	Chief Financial Officer	202-720-4877

7.1.10. Agricultural Research Service

Section I. Executive Summary

The Agricultural Research Service (ARS) is the principal in-house research agency of USDA. ARS conducts research to develop and transfer solutions to agricultural problems of high national priority and to provide information access and dissemination to: ensure high-quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole. The National Agricultural Library and the National Arboretum are a part of ARS. ARS accounts for \$1.1 billion in gross cost in FY 2007.

Section II. Update to 2002 Cost Accounting Survey

Cost Accounting and User Fees

ARS reported two changes to the tabular data since the 2002 report:

- ◆ Cost Accounting 3.b. and User fees 2.b. Compliance is no longer audited internally.

Cost information is tracked in FFIS and to project level through the use of automated spreadsheets. ARS uses a combination of financial planning (ARMPS) and tracking (through FFIS and automated spreadsheets as their MCA system. The Agency no longer uses LOTS, SAMS, and ARMS stand-alone, DOS-based systems for financial and cost accounting needs. ARS doesn't use a particular cost accounting technique. Basically, direct costs are charged directly to programs, and a 10% "upfront" fee is charged to each program to cover indirect and overhead costs. No data is tracked manually for cost accounting.

Section III. SFFAS No. 4 and Federally Mandated Requirements

ARS uses cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Finding Techniques	\$16.2*	Direct Tracing	Direct Tracing	Direct Tracing	Allocation
Reimbursable Fees and Services	Cost Finding Techniques	\$86.8*	Direct Tracing	Direct Tracing	Direct Tracing	Allocation
Administrative Salaries and Expenses	Cost Finding Techniques	\$76.9*	Direct Tracing	Direct Tracing	Direct Tracing	Allocation
IT Investment Costs	Cost Finding Techniques	\$34.8*	Direct Tracing	Direct Tracing	Direct Tracing	Allocation
Department Imputed Costs	Cost Finding Techniques	\$80.7	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect	Allocation

*Reflects total obligations, consistent with the presentation in the agency's Explanatory Notes.

ARS addresses its cost accounting needs through the use of the FFIS general ledger, CRIS and transaction detail. For Administrative Salaries and Expenses ARS costing methodology is based on geographic breakdown of obligations and staff years. ARS collects cost accounting information through accounting codes on the general ledger. They correspond to ARS programs and allow program cost and revenue reporting to flow from the general ledger to financial reports. ARS has procedures in place for cost accounting.

Section IV. Management Accountability

Each year, prior to the start of the fiscal year, every ARS financial manager is responsible for developing a cost allocations plan (Annual Resource Management Plan) for each project. This plan is developed using historical cost information as well as knowledge of future needs. This plan is reviewed for accuracy and appropriateness by all levels of Agency Management. Throughout the fiscal year, financial technicians provide routine reports identifying the status of the financial condition for the Management Unit and individual projects. The Financial Manager works with the financial technician to develop cost projections. This information is maintained using automated spreadsheets and verified against official FFIS information. Financial Managers are required to make sound financial decisions based on their available information. They are held accountable through their performance standards which have a financial

management element that is rated. Executive performance plans also have a critical Financial Management element (instituted by the Department) for which they are rated.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The ARS budget formulation process is reliant on cost information contained in the FFIS, CRIS and automated spreadsheets. Total obligations for the current and prior years are used in formulating a budget request. Status of funds reports are carefully monitored throughout the year to ensure expenditures and budgeted items reflect Agency and Departmental priorities and management intent.

ARS uses the information from the Full Cost budget exhibit for reporting on the PAR objectives and performance measures for the responsibility center. Their cost accounting system is the source of data for the Full Cost exhibit. ARS is able to provide full accounting cost of supporting the goals, objectives for goals and performance measures for objectives.

Prior to establishing fees or reimbursable agreements, the ARS Financial Manager establishes a budget by identifying all the costs associated with that project. This budget is reviewed by management to ensure it is accurate and complete. Once established, all costs associated with the project are charged directly to the project in FFIS. This information is used for billing, ensuring all costs are recouped

Operational Cost and Performance Management

ARS collects operational performance information from the FDW and feedback regarding success of research. The FDW tracks obligations, expenses, accruals, and FTE's. In FFIS, cost is captured at the Management Unit level in order to link with the non-financial data captured in other systems.

ARS uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, manage employee workload, and manage work activities. In making economic decision, the ARS reviews the cost/benefits of all decisions using budget reports from FFIS and other relevant reports and information.

Program Cost and Performance Management

Program cost information is used by ARS to show the cost of the CARE program. CARE ensures that administrative and financial management processes are being conducted in an efficient, economical manner while abiding by all Federal regulations and Agency policy. CARE teams also identify "best practices" which are shared as appropriate. FFIS is the official source for cost information, and it is timely.

Section VI. Systems Identification

ARS uses a combination of financial planning (ARMPS) and tracking through FFIS and automated spreadsheets as their MCA system. Internal automated spreadsheets are used to distribute time and attendance to specific projects.

ARS has a documented costing methodology and utilizes reports, spreadsheets, FFIS, FDW, FSDW, etc., to assist in implementing cost accounting methodologies. ARS generates cost accounting reports that are used to support the management decision needs of users. Standard reports provide information in such areas as detailed payroll information, details of transactions, status of funds, details relating to reimbursable agreements, etc. Management regularly reviews the reports and manages costs based on information in the reports. Additional reports are developed in house, as needed.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost management needs of ARS.

General information about the respondent and the organization represented:

Bob Magill, Asst Director, Financial Management, Agricultural Research Service, 301-504-1078

7.1.11. Economic Research Service

Section I. Executive Summary

The Economic Research Service (ERS) is a primary source of economic information and research in the U.S. Department of Agriculture. ERS conducts a research program to inform public and private decision-making on economic and policy issues involving food, farming, natural resources, and rural development. The agency's research program is aimed at the information needs of USDA, other public policy officials, and the research community. ERS information and analysis is also used by the media, trade associations, public interest groups, and the general public.

Section II. Update to 2002 Cost Accounting Survey

ERS did not participate in the 2002 Cost Accounting Survey

Section III. SFFAS No. 4 and Federally Mandated Requirements

ERS uses cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Finding Techniques	\$1.5*	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Reimbursable Fees and Services	Cost Finding Techniques	\$1.2*	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Administrative Salaries and Expenses	Cost Finding Techniques	\$18*	Direct Tracing	Allocation	Allocation	Allocation
IT Investment Costs	Cost Finding Techniques	\$1.3*	Direct Tracing	Allocation	Allocation	Allocation
Departmental Imputed Costs	Cost Finding Techniques	\$10.3	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect	Direct Tracing Cause &Effect	Direct Tracing Cause & Effect

*Reflects total obligations, consistent with the presentation in the agency Explanatory Notes.

ERS utilizes FFIS, FDW, spreadsheets and reports to assist in implementing costing methodologies. The ERS appropriation has one line item, economic research and analysis. The strategic objectives identified on the Agency’s budget full cost exhibits are linked to this appropriation line item. ERS is capturing the full costs and inter-entity costs for producing program outputs. Salaries and Expenses are tracked in FFIS. ERS allocates costs for administrative salaries and expenses on a reasonable and consistent basis. These cost allocations are tracked in a spreadsheet.

Section IV. Management Accountability

ERS manager’s performance plans reflect responsibility and accountability for use of cost management techniques and for using cost information in decision making. Managers receive an allocation of funds and must adhere to the budget allocation. Status of funds reports are reviewed on a regular basis.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management.

The ERS budget development process uses total obligations for the current and prior years in formulating a budget request. Status of funds reports are carefully monitored throughout the year to ensure expenditures and budget items reflect Agency and Departmental priorities and management intent.

ERS' managerial cost accounting system is the source of the data for the Full Cost budget exhibit. ERS is able to provide full accounting cost of supporting the Full Cost budget exhibits for reporting on the PAR objectives and performance measures for their responsibility center, the full accounting cost of supporting the goal and objectives under the goal but not for performance measures under the objectives. ERS has performance measures but they are not reported at the strategic objective level. Performance measures are reported at a higher level. ERS performance measures do not have a cost-performance relationship.

Operational Cost and Performance Management

The framework for assessing the performance of the ERS economic research and analysis program centers on adherence to the Research and Development Investment Criteria principles of relevance, quality and performance as part of the President's Management Agenda.

ERS collects operational information, however, they do not have common outputs. Each output is unique. The Agency uses FDW, spreadsheets and databases maintained locally, and surveys to collect operational performance information, e.g., financial information, FTE and staff year information, and information related to ERS performance measures. This information is linked in the strategic planning process and is used for planning current and future activities. The cost/benefits of all decisions are determined using budget reports from FFIS and other reports and information that are relevant.

ERS uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, manage employee workload, and manage work activities.

Program Cost and Performance Management

ERS is able to show the cost of their program which has one line item in the budget, economic research and analysis. Therefore, they do not encounter much difficulty in compiling the data. ERS does not have performance measures which have a cost-performance relationship.

The framework for assessing the performance of the ERS economic research and analysis program centers on adherence to the Research and Development Investment Criteria principles of relevance, quality and performance as part of the PMA.

Section VI. Systems Identification

ERS does not have a MCA system but they will look at the capabilities of the new financial system along with the current processes used. ERS has a documented costing methodology and uses the FFIS, FDW, spreadsheets and reports which contain program performance and cost information at the program level. ERS has a fund code that links to specific TS. ERS produces monthly standard reports from the FDW, including Payroll Detail listing, Detailed Transaction Register, Status of Funds report, incoming Reimbursable Agreements report and Document Referencing Reports. Agency management regularly reviews these reports and uses them to manage costs. ERS works with Administrative and Financial Management to request and develop new reports.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost information needs of ERS.

General information about the respondent and the organization represented:

Bob Magill

Assistant Director, FMD, AFM, ARS

301-504-1078

7.1.12. National Agricultural Statistics Service

Section I. Executive Summary

The National Agricultural Statistics Service (NASS) provides timely, accurate, and useful statistics in service to the U. S. agriculture. The NASS conducts hundreds of surveys every year and prepares reports covering virtually every aspect of U.S. agriculture. Production and supplies of food and fiber, prices paid and received by farmers, farm labor and wages, farm finances, chemical use, and changes in the demographics of U.S. producers are only a few examples.

Section II. Update to 2002 Cost Accounting Survey

NASS did not participate in the FY 2002 Cost Accounting Survey.

Section III. SFFAS No. 4 and Federally Mandated Requirements

NASS uses cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services	Cost Finding Techniques	\$20.9*	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation
Administrative Salaries and Expenses	Cost Finding Techniques	\$9.3*	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation
IT Investment Costs	Cost Finding Techniques	\$24.1*	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation
Department Imputed Costs	Cost Finding Techniques	\$17*	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation	Direct Tracing Allocation

* Reflects total obligations, consistent with the presentation in the agency Explanatory Notes.

NASS captures the full cost and inter-entity costs for producing their program outputs. They use ABC costing methodology for costing Administrative Salaries and Expenses.

Section IV. Management Accountability

NASS has successfully cascaded performance measures from the USDA Strategic Plan to the NASS Strategic Plan to the organizational unit goals and to the individual employee's performance appraisal. The critical and non-critical elements at the employee level include measures which hold managers accountable for significant errors in cost calculations in decision making.

Periodic reviews are held throughout the year to measure obligations against target spending levels. These reviews are conducted through agency level monthly status of fund reviews and individual program analyses.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

In budget formulation, NASS uses MCA by reviewing historical obligations from previous data collections to derive accurate cost estimates for budget initiatives. Total obligations for the most recently completed fiscal year are also used to calculate pay costs and as the basis for completing

out-year projections for the various agency budget exhibits. Their MCA system is the source of data for the Full Cost budget exhibit.

NASS uses the information from the Full Cost budget exhibits for reporting on the PAR objectives and performance measures for its centers. They are able to provide the full accounting cost of supporting the goal, objectives under the goal but not the performance measures under the objectives. This is due to the fact that the costs of the resources necessary to trace overlapping charges across performance measures far outweigh the benefit at this level.

The data is easy to collect, however, FFIS, is labor intensive and the Agency setup is cumbersome to track multiple funds, and costly to manage.

Operational Cost and Performance Management

NASS has a matrix system that measures individual units by specific task costs by program. An example of this is the Field Office cost matrix. Each project that is conducted by the contractual enumerators is estimated early in the fiscal year for budgeting purposes. Then, the project funds are allocated back to each Field Office by project. At the end of each quarter efficiency and cost analysis are conducted. Ratios of expenditures to request amount and expenditures to allocations are two of the parameters that are directly measured and utilized for performance appraisals.

The Agency ranks performance of Field Offices of cost per unit of output of data collected and within these measures such expenditures as overtime, mileage, supplies and actual hours worked. The ranking is utilized in the annual performance analysis of each Field Office and the staff performance appraisals.

To collect operational performance information NASS uses FDW, spreadsheets and databases maintained locally as well as numerous forums to obtain program content and customer service feedback. For many years NASS has sponsored data user meetings which are a primary source of customer input that keeps the NASS agricultural statistics program on track with the needs of the user community. Data user responses have played a vital role in shaping the agency's annual and long-range planning activities. The transfer of the census of agriculture program to NASS brought with it an Advisory Committee which now provides guidance on the entire agricultural statistics program. NASS collects survey and census data in support of their agricultural statistics program in their data warehouse.

NASS currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, manage employee workload, and manage work activities.

All economic decisions are made using cost/benefit analysis to arrive at the most economical way to satisfy a critical business need. For example, to decide whether to conduct an information technology project in-house or using contractors NASS uses cost accounting to determine the most economical way to successfully develop and implement the project considering factors such as development time, skill set availability, staff resource demands, and implementation support needs.

Program Cost and Performance Management

NASS is able to provide cost information to show the cost of programs. The data is readily available and timely through FFIS. The challenge encountered in compiling this data is distributing overhead across programs.

An example of program effectiveness measures linked to cost is the NASS efficiency measure. The average cost of collecting data per sampled unit provides a measure of agency efficiency in conducting its primary business activity. Annual performance measures for major probability surveys are summarized and monitored for their assessment. The annual percent change in survey costs for the current year compared to the previous year is compared to the annual percentage change in the Employment Cost Index (ECI) for private industry. The ECI measures the price of labor, defined as compensation per employee hours worked. Some fluctuation in unit cost per sample between survey years may occur when methodology or other program changes are introduced.

Section VI. Systems Identification

NASS has an MCA system and uses FFIS, FDW and an electronic project based time and attendance system to collect cost accounting information through accounting and transaction codes that roll up to the GL. NASS has a fund code that links to specific TSS. FFIS pulled obligations and manual systems are used to distribute overhead cost across programs. A monthly status of funds report is pulled from FFIS for each Branch, Division and the Agency. The status of funds report is reviewed for accuracy by management and the information is used in the management decision-making process. Intermediate reports are available by contacting the responsible NASS budget analysts.

Recommendations:

Monitor the implementation of FMMI to insure that it satisfies the cost management needs of decision makers and needs of the Agency's other cost management tools.

General information about the respondent and the organization represented:

Craig Flynn	Budget Admin. & Human Resources Office Head	202-690-3492
R.H. Magill	Assistant Director, Financial Management Div.	301-504-1078

7.1.13. Cooperative State Research, Education and Extension Service

Section I. Executive Summary

The Cooperative State Research, Education and Extension Service's (CSREES') unique mission is to advance knowledge for agriculture, the environment, human health and well-being, and communities by supporting [research](#), [education](#), and [extension](#) programs in the Land-Grant

University System and other partner organizations. CSREES doesn't perform actual research, education, and extension but rather helps funding at the state and local level and provides program leadership in these areas.

Section II. Update to 2002 Cost Accounting Survey

CSREES did not participate in the 2002 Cost Accounting Survey

Section III. SFFAS No. 4 and Federally Mandated Requirements

CSREES uses cost accounting systems and cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Accounting Systems	a \$647.4 b 435.4 c 53.4 d 5.7 *	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Reimbursable Fees and Services	Cost Accounting Systems	a \$ 12.4 b 24.9 *	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Administrative Salaries	Cost Finding Techniques	a \$ 18.7 b 9.7 c 1.2 d .1 *	Direct Tracing	Allocation	Allocation	Allocation
IT Investment Costs	Cost Finding Techniques	a \$ 4.6 *	Direct Tracing	Direct Tracing	Direct Tracing	Direct Tracing
Department Imputed Costs	Cost Finding Techniques	\$ 8.5	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect	Direct Tracing Cause & Effect

Key: a=Research & Education Activities b=Extension Activities c=Integrated Activities d=Section 2501 Activities

* Reflects total obligations, consistent with the presentation in the agency Explanatory Notes.

CSREES addresses its cost accounting needs through the use of the FFIS, C-REEMS, CRIS, REEIS, and internal spreadsheets. The Agency is capturing full cost and inter-entity costs for producing their program outputs. Salaries and expenses are tracked in FFIS. CSREES allocates cost for administrative salaries and expenses on a reasonable and consistent basis. These cost allocations are tracked in a spreadsheet.

Section IV. Management Accountability

The USDA mandatory element on leadership/management must include the following as a fully successful performance requirement: “Human, financial, and property resources are effectively managed to achieve performance goals. Managers receive an allocation of funds and must adhere to the budget allocation. Status of funds reports are used and reviewed on a regular basis.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The CSREES budget development process relies on total obligations for current and prior years to ensure expenditures and budgeted items reflect Agency and Departmental priorities and management intent.

CSREES uses an MCA, FFIS and program systems to derive source data for the Full Cost Budget Exhibit. CSREES is able to provide full accounting cost of supporting the goal objectives under the goal and performance measures under those objectives through their managerial cost accounting systems and processes.

To ensure that they are recouping full cost, CSREES captures and tracks costs associated with a particular reimbursement in a unique accounting code and job code.

Operational Cost and Performance Management

CSREES collects operational performance information and measures in FDW and in locally maintained spreadsheets and databases. Their data warehouse collects financial and performance measure information. CSREES currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, manage employee workload, and manage work activities. CSREES function is to carry out Federal financial assistance as mandated in legislation

Program Cost and Performance Management

CSREES is able to show the cost of their programs. The cost information is derived from FFIS, C-REEMS, CRIS, REEIS and internal spreadsheets and the information received is timely.

Section VI. Systems Identification

CSREES does not have a MCA system. They are using the Project Cost Accounting Module in FFIS to capture reimbursable cost and the cost allocation module to distribute administrative costs to each CSREES Treasury Symbol (TS). CSREES uses fund codes to link to a specific TS, TS to link to a specific performance measure and TS, SF-133, and FACTS II data to link to the President’s budget. Employee salaries and benefits are charged to an accounting code that represents the Unit where they work. Salaries and expenses are tracked in FFIS. However this is not drilled down to a lower level to represent specific projects or activities. CSREES allocates

cost for administrative salaries and expenses on a reasonable and consistent basis. Information from C-REEMS is manually input into FFIS.

Standard managerial cost reports are generated regularly, reviewed and used by management in the decision making process. Examples of reports generated are listed below:

- ◆ FFIS – Payroll Listing Detail Listing, Detail Listing, Transaction Detail Listing, Status of funds Report, and the Reimbursable Agreement Reports.
- ◆ C-REEMS – Managerial Reports, Status of Funds Reports, and Grant Account Statement

For additional reports requested from FFIS, CSREES works with the ARS, Administrative and Financial Management, Financial Management Division to request and develop new reports. For reports from C-REEMS, new reports requests are provided to the information Technology staff.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost information needs of CSREES and the needs of the agency's cost management tools.

General information about the respondent and the organization represented:

Bob Magill	Director, Accounting Division, ARS	301-504-1078
Wanda Edwards	CSREES	202-401-5582

7.1.14. Forest Service

Section I. Executive Summary

The Forest Service (FS) manages public lands in the national forests and grasslands. It is the largest forestry research organization in the world, and provides technical and financial assistance to state and private forestry agencies. FS spent almost \$5 billion in gross cost in FY 2001, just under 6% of the Department's gross cost.

Section II. Update to 2002 Cost Accounting Survey

The FS had planned to implement a cost accounting system. However, emphasis was diverted to improving financial statements reporting. Due to resource constraints, they abandoned their efforts to implement a formal managerial accounting system in fiscal year 2002. In addition as a result of significant changes in their organizational structure, changes in management and accounting systems FS is focusing its efforts on the current processes.

In reference to the pilots, tested in 2002, (Rocky Mountain Research Station and Region 5), the administrative sites used to conduct these pilots have been centralized into their Albuquerque Service Center.

Section III. SFFAS No. 4 and Federally Mandated Requirements

FS uses cost finding techniques and a combination of costing methodologies, to accumulate costs as shown in the following table. The primary method is cost allocation:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Finding Techniques	Not available	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation
Reimbursable Fees and Services	Cost Finding Techniques	Not available	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation
Administrative Salaries and Expenses	Cost Finding Techniques	Not available	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation
IT Investment Costs	Cost Finding Techniques	Not available	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation
Department Imputed Costs.	Cost Finding Techniques	Not available	Direct Tracing Cause & Effect Direct Tracing	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation	Direct Tracing Cause & Effect Allocation

FS indicated that no cost information is available.

Forest Service captures full Costs and inter-entity costs. This includes actual or estimated costs for all resources assigned to an incident. For example, Wildland Fire cost data is captured initially through ISuite System. This includes actual or estimated costs for all resources assigned to an incident. Along with the data is full information about the resource including, but not limited to the home unit, payment rates, and accrual category to identify how costs are accrued, etc.

Forest Service has no formal cost accounting system, however, they use a method similar to Job Order costing to track project costs. Various costing methodologies have been applied in decisions regarding their organizational structure, and in the reengineering of their business processes to operate more efficiently. Based on these studies, the Forest Service has centralized several business operational functions. Currently, the Forest Service is continuing to conduct studies on centralizing program operations to reduce costs.

Section IV. Management Accountability

Managers are held accountable through financial and performance data. Annually, the Forest Service collects data from regions and uses this data to determine high, medium and low costs units. Regions are required to provide estimated outputs within given constraints, by budget line item and by work activity. This information is then used as one of several factors applied in the fund allocation process. The Forest Service then compares actual accounting data to the plan to ensure that targets are accomplished.

Forest Service executive performance plans do not reflect responsibility and accountability for use of cost management techniques because the Forest Service does not have any formal cost management techniques, however, executive performance plans do reflect responsibility and accountability for driving management decision making.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The FS budget formulation process is reliant on cost information contained in the FFIS. Annually, the FS collects data from regions and units (including national forests and research stations) on the costs of various program activities. These costs can be matched to outputs produced and may be reported. Forest Service does not prepare the Full Cost budget exhibit. While they do have some capability of accumulating managerial cost accounting data, they are required to make allocations of actual accounting data based on assumptions. The decision was made to eliminate work activity codes (which defined work activities) in an effort to decrease the number of job codes used in the accounting system. At that time, it was decided that the information would be captured in the allocation process. Although all units are required to enter this information in WorkPlan, not all units ensure that the data entered in WorkPlan is accurate and complete. As a result, lack of consistently reliable data in the WorkPlan system impairs Forest Service's ability to conduct service-wide financial and performance analysis.

Operational Cost and Performance Management

FS is unable to obtain the level of information for what type of operational performance information and measures collected.

FS collects operational performance information using WorkPlan, FACTS, INFRA, CDW and PAS. FS collects all information related to FTE's including pay grade, step, and series, in addition to all of the accounting information in their data warehouse. Forest Service also collects accomplishment data, output and intermediate outcomes of work that is performed in various

program areas, and other performance measures. For example, Natural Resource Information System (NRIS) has detailed information about performance measures in the National Forest System.

WorkPlan is used to link the program of work by project. The expenditures are linked to the accomplishments in the WorkPlan system. The PAS system provides easy access to reported and analyzed cost information from WorkPlan as well as other systems that collect performance data.

FS currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, and manage employee workload.

Program Cost and Performance Management

FS is unable to obtain this level of information requested.

Section VI. Systems Identification

Forest Service does not have a MCA system. Forest Service is working with the Department to develop and implement a managerial cost accounting system. However, Forest Service has various components of a MCA system. The Performance and Accountability System (PAS) for example contains performance measures with expenditures associated with that performance. We are able to track actual expenditures by unit, job code, and BOC.

Forest Service uses the time and attendance system, PayCheck7. The PayCheck7 system uses job codes to document the time spent on various tasks. For instance, job codes are assigned to multiple tasks in the resource project area such as Watershed or Timber management projects, because of the numerous components that contribute to the overall completion of the task at hand. Forest Service uses the Incident Business Database (IBDB) and PAS as managerial cost accounting data source. PAS covers every expenditure job code.

FS has no formal documented costing methodology. However, they do have key managerial cost accounting components, for example, they do have responsibility segments and responsibility centers in identification of indirect activities.

WorkPlan can be used as a cost accounting tool to assist in implementing costing methodologies. The IBDB is another tool that can be used to implement costing methodologies. For example, the IBDB can be utilized to analyze trends in contracted resources including but not limited to rate, types of resources utilized, lengths of assignments, cost per day, and error rates in data submitted by incident teams.

Forest Service uses reports out of PAS, WorkPlan, ISuite, the IBDB, and the Aviation Business System (ABS) as a tool to generate managerial cost accounting reports. For example, ISuite reports are utilized at incident camps to report daily cost, make financial decisions related to incident suppression options, camp support options, and various other decisions depending on

the situation. Additional reports are available through direct access and requests. These are used by program managers in the decision-making process.

Recommendations:

As a result of significant organizational restructuring, changes in management, and accounting systems, FS should continue to focus efforts on the current processes and FS cost accounting needs.

Assess and define the proper levels of reporting for cost accounting requirements based on the current FS organizational structure and business processes.

Work with and monitor the implementation of FMMI to ensure that it meets the cost information needs of FS and their cost management tools.

General information about the respondent and the organization represented:

Rico Clarke,	Assistant Director, Financial Policy & Standards	703-605-4938
James Mobley	Accountant	703-605-4618
Osman Masahudu,	Accountant	703-605-4803

7.1.15. Natural Resources Conservation Service

Section I. Executive Summary

With the mission of “Helping People Help the Land,” the Natural Resources Conservation Service (NRCS) provides products and services that enable people to be good stewards of the Nation’s soil, water, and related natural resources on non-Federal lands. With their help, people are better able to conserve, maintain, or improve their natural resources. As a result of their technical and financial assistance, land managers and communities take a comprehensive approach to the use and protection of natural resources in rural, suburban, urban, and developing areas.

Section II. Update to 2002 Cost Accounting Survey

NRCS was not included in the 2002 survey.

Section III. SFFAS No. 4 and Federally Mandated Requirements

NRCS uses Cost Accounting Systems and Cost Finding Techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Accounting Systems	\$1,437	Direct Tracing	Direct Tracing	Direct Tracing	Cause & Effect
Reimbursable Fees and Services	Cost Finding Techniques	\$132	Direct Tracing	Direct Tracing	Direct Tracing	Cause & Effect
Administrative Salaries and Expenses	Cost Finding Techniques	\$933	Allocation	Direct Tracing	Direct Tracing	Cause & Effect
IT Investment Costs	Cost Finding Techniques	\$15	Allocation	NA	NA	NA
Department imputed Costs	Cost Finding Techniques	\$494	Allocation	NA	NA	NA

NRCS is capturing full cost and inter-entity costs for producing outputs for their programs. NRCS uses a combination of direct tracing and percent allocation as its costing methodology for Administrative salaries and expenses.

Section IV. Management Accountability

Performance plans for NRCS leadership include budget and performance integration components per the President’s Management Agenda as well as requirements for improving organizational efficiency. Performance goal targets are part of performance plan targets for state level leadership. In addition, NRCS policy requires the consideration of cost information in the evaluation of workload and efficiency gains for new policy, processes and procedures. Executive performance plans reflect responsibility and accountability for use of cost management techniques.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

A cost of programs model that incorporates performance, workload and financial inputs is used to develop realistic budget formulation request. The NRCS budget development process relies on program cost accounting data derived from the WebTCAS T&A, CIS and FFIS. Accountability data from databases including Activity Based Costing (ABC) and Workload Analysis (WLA) combined with Performance Results Systems (PRS) and ProTracts data, are all used in conjunction with FFIS data.

Data is collected via web-based systems and is based on a well-defined set of activities and performance outputs. In most cases, these activities and practices correlate directly to performance measures which support the Agency and USDA strategic objectives. Challenges remain in making the link more direct and reducing the need for manual calculations of full costs.

NRCS utilizes information collected in its accountability systems (ProTracts, WebTCAS, PRS and FFIS) to determine full technical assistance costs of the performance measures in the budget performance integration (BPI) report.

Costs based on activities are tracked in WebTCAS in conjunction with workload databases are used as a basis for reimbursement. The WebTCAS system provides broad activity-related data and workload databases provide more task-specific estimates.

Operational Cost and Performance Management

NRCS collects and links the number of outputs to the unit cost of those outputs for all of their program areas, i.e., Protect watershed health to ensure clean and abundant water, Enhance soil quality to maintain productive working cropland, Cropland with conservation applied to improve soil quality acres, Protect forests and grazing lands, Protect and enhance wildlife habitat to benefit desired, and at-risk and declining species. All program accounting and performance data for every program is collected in the systems. Activity based costs will be determined based on a recently completed NRCS survey of workload by activity for NRCS programs product. Detailed information on implementation of conservation practices will allow for better estimate of the activity based cost.

Representative measures used by the component to reflect operational cost and performance measures are listed below:

- ◆ Comprehensive nutrient management plans applied (number)
- ◆ Cropland with conservation applied to improve soil quality (acres)
- ◆ Grazing lands and forest land with conservation applied to protect and improve the resource base (acres)
- ◆ Agricultural wetlands created, restored, or enhanced (acres)

Operational performance information is collected from the Performance Results System (PRS)—Web-based system used to collect progress toward Agency performance measures. Contract data for Environmental Quality Incentives Program (EQIP), Wildlife Habitat Incentives Program (WHIP) and Conservation Security Program (CSP) are collected in another web-based contracting application (ProTracts). Performance units as outlined in the full cost exhibit are collected in PRS, Acres, feet or units of conservation practices installed by resource concern and program Conservations plans developed by land use and Hours by program and activity are collected in WebTCAS, time and attendance software. Algorithms within the CIS reports combine FFIS data with non-financial time and attendance data to derive a full cost estimate that links the agency cost information in FFIS with non-financial data.

NRCS currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, manage employee workload, and manage work activities. In making economic decisions, existing activity-related charges and workload data are compared to expected project activities.

Program Cost and Performance Management

NRCS is able to provide cost information to show the cost of programs through the use of FFIS, BRIO reports, WebTCAS and PRS. Data is timely because FFIS books close each month with BRIO reports available real time, T&A recording (WebTCAS) is updated biweekly and PRS is updated daily.

Examples of program effectiveness measures that can be linked to cost include:

- ◆ Farm and Ranchlands Protection Program: Reduction in the average time to close on an FRPP easement
- ◆ Wetlands Reserve program: Percentage increase in the number of WRP projects fully restored within three years of closing the easement
- ◆ WRP: Percentage increase of WRP easements closed within 12 months of initial project application.
- ◆ Conservation Operations: Acres of conservation applied per technical assistance staff year (FTE)
- ◆ Conservation Operations: Soil surveys mapped or updated per staff year (FTE)
- ◆ Conservation Security Program: Acres of wildlife habitat management applied per \$1 million

Section VI. Systems Identification

NRCS is currently using an activity program (responsibility center) based T&A system called WebTCAS. In addition, a Conservation Information System (CIS) compiles financial and operational data which is accessible in reports for Agency managers. They also use ProTracts which covers Environmental Quality Incentives Program (EQIP), Agricultural Management Assistance (AMA), Conservation Security Program (CSP) and Wildlife Habitat Incentives Program (WHIP) funds. WebTCAS and ProTracts systems are feeder interfaces into FFIS. Reports are generated in an interface called CIS. It combines performance, financial and T&A accounting data into succinct reports. Cost accounting reports are generated, including Technical Assistance Cost of Programs (T&A) on a bi-weekly basis, and financial reports are generated monthly. Staff Year Costs (T&A) are generated bi-weekly and financial reports monthly.

Financial data is updated monthly for CIS reports while the BRIO application can generate on-the-spot reports from FFIS. Managers with the appropriate permission levels access the reports as needed. Managers review reports regularly and manage cost based on information in the reports. The CIS and associated reports was developed based on input from each Deputy Area. The listing of available reports is fairly comprehensive.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost information needs of NRCS and their cost management tools.

General information about the respondent and the organization represented:

Patricia Kelly	Chief Financial Officer, FMD	202-720-5904
Linda Washington	Team Leader, FMD	202-205-5415
Letitia Toomer	Team Leader, OMOD	202-720-1864

7.1.16. USDA Staff Offices Survey Summaries

7.1.17. Office of Communications

Section I. Executive Summary

The Office of Communications (OC) provides leadership, expertise, counsel, and coordination for the development of communications strategies which are vital to the overall formulation, awareness and acceptance of USDA programs and policies, and serves as the principal USDA contact point for the dissemination of consistent, timely information. Many of OC’s services are delivered by their Working Capital Fund (WCF) cost centers: Broadcast Media and Technology; and, Creative Services Center. The analysis below includes appropriated funded activities as well as the WCF activities. The cost management needs of the WCF activities are very different than for appropriated funds.

OCFO manages, coordinates and prepares financial statements for OC based on the information provided and captured in FFIS.

Section II. Update to 2002 Cost Accounting Survey

OC was not included in the 2002 report.

Section III. SFFAS No. 4 and Federally Mandated Requirements

OC uses cost accounting systems and various costing methodologies to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services	A&C- Cost Accounting Systems	A- .07 B- 2.9 C- 3.8	B&C- Direct Tracing -Cause & effect - Allocation	C- Direct Tracing -Cause & effect -Allocation		C- Direct Tracing -Cause & effect -Allocation
Administrative Salaries and Expenses	A&C-Cost Accounting Systems	A- 9.2 B- 2.9 C- .8	A&B- Direct Tracing -Cause & effect - Allocation	C- Direct Tracing -Cause & effect - Allocation		A&C -Direct Tracing -Allocation C- Cause & effect
IT Investment Costs	A- Cost Accounting Systems	A- .07	A- Direct Tracing C- Allocation	C- Allocation		

Key:
A = Appropriated Fund Activities
B = Broadcast Media & Technology Center
C = Creative Services Center

For Administrative S&E:

- ◆ BT&MC uses Activity Based Costing (ABC) – They utilize the FDW Brio Report for year to date costs. These costs are then entered on an excel spreadsheet formatted to project remainder of the year costs.
- ◆ CMC uses ABC and job order costing methodologies because they are an activity center within the WCF. CSC salaries relating to design and administrative services are assigned cost by allocation, direct tracing, and cause and effect depending on client demand of services. The direct and indirect salary costs are recorded in CSC MCA system (SORTS) and FFIS by job order/customer. Every job order has a unique project number.

OC does not capture the full cost and inter-entity costs for producing appropriation funded program outputs. In those cases where OC identifies cost the methodology used is closest to Activity Based Costing.

Section IV. Management Accountability

Appropriated Fund managers are held accountable for using cost information in their decisions as to what capabilities OC should possess to support the Secretary and the Department and the capacity of these capabilities. Capabilities and capacities are reviewed as needed to determine if costs can be reduced while maintaining the necessary capabilities at the appropriate capacities. OC executive performance plans do not reflect responsibility and accountability for using cost management techniques. As a support entity supported by the OCFO for much of their financial management, formal cost management techniques have not been necessary for OC to fulfill its mission.

BT&MC Activity Fund manager monitors expenses/income recovery via Monthly Status of Funds Reporting. Activity Fund managers provide narratives for variances reflected in the Operating Statements to the OCFO/WCF.

The Director of CSC monitors revenue and expenses monthly by utilizing the Status of Funds report prepared by CSC's Financial Specialist. CSC monitors actual expenses versus budgeted expenses, and reconciles outlays and the collection of reimbursable expenses. Expenses and income is accrued monthly. A monthly status of funds report is prepared with a projected forecast for the remainder of the fiscal year. A supplemental variance of expenses report is also prepared. CSC monitors obligations and requests authorization to increase allocation to level up or down to the customer's demand of services. Depending on workload and/or season, CSC will adjust staffing needs to meet production levels.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

In their budgeting process, **OC appropriated** uses direct tracking to determine what its salary and expenses will be for any fiscal year based on the pay raise percentage proposed by Congress and the inflation factor guidance given regarding non-salary and benefits budget object classes. OC appropriated uses excel spreadsheets to prepare the Full Cost budget exhibit taking cost data from OCFO Greenbook and WCF allocations, the actual expenses that are approved by managers within OC, and in the case of salaries, the FDW salary tables.

BM&TC Budget Formulation is based on data housed in Excel, ScheduALL and Filemaker Pro, and the Financial Data Warehouse (Brio Reports). Income Recovery Percentages consist of 1 year actual usage broken down by Agency. Historical data analysis by Budget Object Class (BOC) as well as current spending levels used to determine future spending. These costs are entered in the budget excel spreadsheets provided by OCFO. Entries are made based on pay-inflation, non-pay inflation, workload change. Budget Schedules are prepared listing Performance Metrics, new initiatives, etc. Reporting at the OCFO level is lumped data, however the day to day execution that supports it has to be tracked by individual BOC. It is a labor intensive project due to all the different systems utilized. FFIS is based on 1 year funding. We have prior year transactions that impact current year spending which have to be tracked manually. Current Fiscal Year Billing data is provided to OCFO/NFC monthly. We still have prior year income not reflected as a receivable per their Detail Transaction Report. FTS2001

reports are 4 months behind in reporting actual expenses for telecommunications. Reports we currently utilize are missing details we need for different levels of reporting creating the need for separate stand alone excel spreadsheets. Currently FFIS does not allow us to enter projections, WCF is accrual based so if the feeder systems cut off we have to perform manual accruals quarterly. We are responsible for commitments, obligations, accruals and disbursements. No one report can give us an accurate status of funds by BOC which requires manual tracking and data entry. The data submitted in the budget exhibit does not match what the agency is actually going to spend/collect in the next week yet we have to estimate out 5 years. The spreadsheets we have to complete do not have agency percentages calculated so that has to be done on another spreadsheet. The OCFO Fund website doesn't interface with FFIS so we manually have to update the Fund website with MO information once we finish entering all the info in FFIS.

CSC uses their MCA system and the accounting system as the sources of data for the full cost budget exhibit. The accounting system is accurate and the FDW (Brio) is the reporting tool for determining the full cost of outputs/costs of goods and services. The challenges that CSC faces with the collection or validation of costs is with the lack of timeliness in the collection or billing of services that CSC provides to run the organization like a business. The WCF status of funds that is prepared in excel, includes prior fiscal years which makes it a challenge and is labor intensive to analyze current fiscal year operating expenses and reimbursable expenses. The status of funds should be prepared by fiscal year. Accruals are prepared by CSC that are an estimate of operating expenses (Greenbook and WCF). The process would be less challenging if it was provided monthly. At times, duplicating entries are made when CSC accrues for expenses and a billing has come through the last day of the month. If the CSC were able to close the month 5 business days into the next month, duplication would be minimized.

OC does not provide information for the PAR. They are able to provide accounting cost of supporting goals, objectives and performance measures but these are probably not "full costs" as they now understand them.

For reimbursable activity **BM&TC** is a fee for service activity. Annual rate studies are performed to remain competitive with the private sector. Teleconference Webstreaming and Video Services are provided to USDA and non-USDA agencies. Screenshots of FFIS Obligating Document prepared by agency are provided when services are requested and tracked by project number assigned.. Expenses are tracked via FFIS and excel spreadsheets. Income recovery is captured (detailed costs provided to agencies monthly) via ScheduALL and Filemaker Pro databases. Reports are sent to OCFO/NFC monthly for actual IPAC billing.

CMC calculates its fees based on the base year's operating statement by budget object class. The data is retrieved from FFIS/Brio and CSC MCA reports. The fees are calculated in an excel spreadsheet using the method:

Total Estimated Operating Costs – Estimated (Reimbursable) Direct costs – (Estimated Direct costs * 15% administrative fee) / average # of direct labor hours = direct labor rate

The proceeds generated from administrative fee and direct labor are set to break even (covering operating expenses). CSC's job orders are supported by funding (order document) from FFIS that identifies CSC as the provider of services designated by a vendor code. Reports are

generated from CSC MCA (SORTS) system that provides detail of job order billing statement. The billable costs associated includes reimbursable costs, administrative fee, and direct labor hours. CSC, however, faces a challenge of recouping costs in cases where the order document is insufficient to cover billing, i.e., insufficient funds, invalid order # or order de-obligated. In these cases, the Controller Operations Division or CSC contacts the customer to take document action to cover the billing.

Operational Cost and Performance Management

OC Appropriated uses the FDW and spreadsheets or databases maintained locally to collect operation performance information. FFIS is only used to check grand totals against the totals maintained in their MS Excel spreadsheets. Raw FFIS data is not very useful. To the extent that performance information relates to determining whether or not OC has the capabilities at the right capacity to provide the support the Secretary and the Department require, OC uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, and to justify headcount.

Evaluating the cost is a central element in OC determining whether or not to provide a particular capability or a specific capacity for a capability in-house or to go outside. OC may have a capability, but determines that it is cost prohibitive to provide the capability at the capacity desired and so OC will contract out for that service.

BM&TC collects operational performance information manually. Income/Billing reports are provided to NFC/OCFO for processing via IPAC. Outsourcing decisions use cost of contracting out vs. resources available, equipment needs, etc.

Both BM&TC and CSC use Operational Performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, justify headcount, manage employee workload and manage work activities.

CSC's Service Order Reporting & Tracking System (SORTS) is a billing, cost and workflow system that tracks project orders throughout the process which includes its funding information. Costs are accumulated for a project under a job order number that includes costs of goods & services that have performed in house or outsourced as well as direct costs related to that job. The 15% administrative fee is calculated on the outsourced transactions. Reports are generated to show the total costs accumulated by customer (job order#) and then by funding information. CSC sets up vendor information in FFIS for work that has been outsourced to vendor. The same information is recorded in SORTS. Customers provide a copy of the order document from FFIS to ensure that vendor code, budget fiscal year, budget object class, and amount are accurate. Order document status in FFIS should reconcile with SORTS. If there is difference, job order costs have not been billed. This information is recorded in SORTS that cross-referenced to the job order #. Customer information is also recorded in SORTS for appropriate contacts (program or financial).

Program Cost and Performance Management

OC Appropriated is able to show the cost of providing capabilities at specific capacities and that is their focus for program effectiveness measures. FFIS, FDW, and manually maintained spreadsheets are the source of the cost information. Getting the specifics from WCF and Greenbook entities is a significant problem. A few such as the copy center provide detailed monthly bills, but others don't provide details or in the case of FTS 2001 bills they are 3 to 4 months behind. Some examples of program effectiveness measures which can be linked to cost include: improved operational performance; maintaining a high level of customer satisfaction; reduced costs associated with staffing and contract support; increased customer base and new services; and, elimination of excess capacity.

BM&TC program costs are tracked via ScheduALL and Filemaker Pro database. Source documents are maintained to support charges. Document Control Log contains source documents of obligations/expense tracking. FDW/BRIO reports are run monthly and log updated for Status of Funds Reporting. Brio Reports are timely however, due to the lag of FTS2001 reports they base cost on estimate provided by Verizon Federal based on actual usage for expense accruals until actual cost hits their financial reports. Challenges encountered in compiling the data include: When feeder systems do not function properly the transactions are not reflected in FFIS until manually reconciled. Prior year greenbook obligations are not billed timely and when documentation is requested regarding billing status or to provide supporting documentation for their tracking purposes, they do not receive responses from agency point of contact provided by OCFO.

CSC is able to provide cost information to show the cost of their programs. Transactions are recorded in USDA feeder systems (IAS, PCMS, and IBIL) and are imported nightly into FFIS. Reports are available in BRIO. The monthly status of funds report gives a summary of the cost of services. Challenges encountered in compiling the data include:

1. The data may not be up to date as transactions that are billable in IAS and IBIL are manual, therefore creating a timing issue. Expense and income accruals are necessary to bring the information in alignment.
2. The payment facility (APB) may not have received an invoice from CSC to pay (transmission problems) or the customer's order document is invalid or insufficiently funded.

Section VI. Systems Identification

OC appropriated funds does not have a MCA system.

BMTC has the following cost accounting tools: FDW/Brio Reports, Excel spreadsheets, ScheduALL and Filemaker-Pro databases are used to prepare monthly status of funds reporting. The following standard managerial cost accounting reports are available: Operating Statements, Detail Transaction Register, Open Obligations Report, Purchase Card Mgmt System, Payroll, etc. (all are canned reports that are processed via the Financial Data Warehouse). These reports are based on information that has processed via FFIS. Not all data required for Status of Funds reporting is contained in the current system. FFIS tables are based on one fiscal year plan but we

have prior year transactions that impact their monthly status of funds reporting. This is a manual process currently maintained in excel spreadsheets.

CSC uses the following cost accounting tools: SORTS, BRIO, PCMS, and excel spreadsheet. The data is readily available and they meet regularly to discuss cost reduction and control, budget adjustments, rate calculations, etc. There are canned reports in BRIO which are updated nightly. Reports such as operating statement, detail transaction register, open obligations report, and payroll register are used for reconciliation purposes and for preparing the status of funds report. The BRIO reports are reliable. The status of funds reports, prepared in excel are very tedious to prepare and may have formula errors and cells are sometime protected to be able to correct the formula. Reports are prepared and reviewed monthly to make decisions on planned expenditures and future job orders. The current process has caused numerous problems, e.g. duplicate billings that were subsequently adjusted, that have made it very difficult for CSC to effectively manage their business. An automatic application is needed to build the status of funds report by budget object class with the ability to add adjustments for accruals, overstatements, etc. CSC needs a costing system (similar to one used by the HHS WCF,) that would link the budget system with the financial system to track monthly the line item costs, cost recovery, revenue, green book charges, etc. to provide an accurate status of funds report.

Recommendations:

OCFO should work with OC managers to re-evaluate the cost information needs of the OC and work with them as the requirements for FMFI are determined. OC managers should develop and communicate their cost information needs.

OCFO should determine the cause of untimely billing information and duplicate billings.

OCFO should work with OC and other WCF entities to resolve any issues with getting timely cost information.

OCFO should look at applications used by other federal agency WCF activities to benchmark their efforts (e.g., HHS)

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: Office of Communications

Names & titles of person(s) responding: Ron De Munbrun, Budget Director

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Carolyn O'Connor, CSC Director, Activity Manager and Joslyn Marshall, Supervisory Financial Specialist, Phone: 202-720-6641 e-mail: carolyn.oconnor@usda.gov; joslyn.marshall@usda.gov

David Black, Director BM&TC

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7.1.18. Office of the Chief Information Officer

Section I. Executive Summary

The Office of the Chief Information Officer (OCIO) has primary responsibility to supervise and coordinate within USDA the design, acquisition, maintenance, use and disposal of Information Technology (IT) by USDA agencies, as well as monitoring the performance of USDA's IT programs and activities. Many of OCIO's services are delivered by their Working Capital Fund (WCF) cost centers National Information Technology Center (NITC), IT Services (ITS), and Washington Communications and Technology Services (WCTS) who responded to the survey.

The CIO consults with the Department's Chief Financial Officer (CFO) to ensure that USDA's IT programs and activities are carried out in a cost-effective manner, and that financial and related program information is reliable, consistent, and timely. OCFO manages, coordinates and prepares financial statements for OCIO based on the information provided and captured in FFIS.

Section II. Update to 2002 Cost Accounting Survey

OCIO was not included in the 2002 report.

Section III. SFFAS No. 4 and Federally Mandated Requirements

NITC and ITS use cost accounting systems and various costing methodologies to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services	ITS & NITC: Cost Accounting Systems	ITS - \$197 NITC - \$86	ITS: Direct Tracing & Allocation NITC: Direct Tracing	ITS: Direct Tracing & Allocation NITC: Direct Tracing	ITS: Direct Tracing & Allocation NITC: N/A	ITS: Direct Tracing & Allocation NITC: Cause & Effect
Administrative Salaries and Expenses	NITC: Cost Accounting Systems	NITC - \$.7	NITC: Direct Tracing	NITC: Direct Tracing	NITC: N/A	NITC: Cause & effect

OCIO's ITS-WCTS accumulates cost through the FFIS. They are capturing inter-entity costs but not the full cost of producing their outputs. ITS uses process costing methods to cost administrative salaries and expenses. NITC captures full costs.

Section IV. Management Accountability

ITS and WCTS managers use cost information in decision making, however, managers currently do not have any standard in their performance plans that reflects accountability for use of cost information in decision making. ITS and WCTS are currently implementing full fee-for-service cost recovery methodologies and once this is implemented ITS and WCTS intend to include this requirement in managers' performance plans.

NITC managers are held accountable for providing cost effective service for customers through the performance management plans.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

ITS and WCTS use managerial cost data in budget formulation to project costs by output and service offering using metrics such as workstations, number of employees, etc. NITC uses cost information to validate expenses associated with products and customers, development of future years budgets, cost center costs, etc.

NITC uses the accounting system as the source of data for the Full Cost budget exhibit. The data is easy to collect, however the process is labor intensive and the organization lacks resources to keep up with the daily care and feeding of the system.

ITS uses the accounting system as the source of data to track direct costs to customers as well as allocating shared infrastructure costs to customers. The system ensures that full incurred costs are recouped for the WCF. ITS has made great efforts to maximize direct costing and minimizing cost allocations. These expenses are the basis of the fees and reimbursements the customers provide to ITS. NITC's cost data is captured by product and customer. Overhead is distributed to products based on a predetermined model. Rates, by product, are accumulated and billed to customers based on usage or agreed upon cost estimates.

Operational Cost and Performance Management

ITS and WCTS collects and links the number of outputs to the cost of outputs and to activity or project based costs for the following outputs:

- a. Employees/users served
- b. Workstations
- c. Data Storage
- d. Wireless Units
- e. Servers
- f. Applications Supported
- g. IP/E-mail addresses
- h. Telephone lines/voice mail

NITC collects and links the timeliness of outputs to the activity based costs for the following: CPU minutes, number of servers, and professional hours. Representative measures used include:

CPU minutes, number of servers, and billable hours. The FDW, spreadsheets or databases maintained locally and the automated chargeback systems are used to collect operational performance information.

ITS and WCTS collect operational information from the FDW, spreadsheets/databases maintained locally, Cost Management Information System, Equipment Acquisition Tracking System (EATS), and Office Information Profile (OIP) system. Their data warehouse collects expenditure data by transaction. The accounting code string identifies organization, service offering, customer and state served.

ITS develops a unit cost which integrates financial transactional expenditure data from FFIS and the FDW with usage metrics for each consolidated service unit (function, outputs and services provided to their customers). This linkage takes place in the ITS Cost Management Information System (CMIS). NITC links cost information in FFIS manually, using spreadsheets and databases.

ITS and NITC use operational cost data to prepare fiscal year budgets. ITS also uses it to: prepare special project or supplemental budget requests; report financial performance to management; demonstrate alignment with strategic plans; justify headcount; manage employee workload; and manage work activities.

If ITS and WCTS did a competitive sourcing review, cost accounting data would be used to complete the analysis and support the decision. ITS is currently undergoing a comparison of cost information to industry standards using Gartner comparisons.

Program Cost and Performance Management

OCIO is able to provide cost information to show the cost of their programs. FFIS, FDW, CMIS, ABC reports and Excel spreadsheets are the source of the cost information. Lack of resources to analyze the data is one of the primary challenges NITC faces in compiling the program cost and performance data.

ITS and WCTS do not measure program effectiveness, however they do measure cost efficiency and savings. NITC measures uptimes, usage, system capacity, and storage.

Section VI. Systems Identification

Both ITS-WCTS and NITC have MCA systems. ITS has developed a cost management system which is currently being further expanded into a full activity based costing system. ITS can identify expenditures by service offering, customer, organization and by state served. ITS and WCTS identify unit costs with expenditures by customer usage metrics such as employees served, workstations supported, servers supported, terabytes of data, IP addresses, phone lines, and other measures.

ITS and WCTS currently use a T&A system which is capable of capturing project data in fifteen minute increments. It is also a database system which can be used for trend analyses and management control. Employees have profiles of the accounts that they normally use but can

also have a lookup capability to charge to any valid account if necessary. Certifiers are responsible for not only reviewing employees leave and time charged but also ensuring that the correct customer, project, or service is recorded. NITC employees charge to activities and customers. They utilize the SAP (Systems Applications & Processes) EPM Enterprise Performance Management) program.

ITS-WCTS and NITC have managerial cost accounting tools and they generate MCA reports from existing systems. Access to ITS users is through web-based reports which users can easily extract data into Excel spreadsheets for additional analyses. ITS reports are available monthly and the reports that are available are currently under review and additional reports identified by internal managers and customers may be developed. NITC provides monthly reports through the ABC system to internal management.

ITS, NITC, and WCTS are working to improve employee recording of time, and improving how contracts and other non salary expenses are allocated to projects and services. This is a cultural change that ITS is working to implement for their organization. ITS contracts, for example, are now charged directly to the service and the customer. NITC reports are reliable.

ITS' cost management system does not interface with FFIS at all. It draws data from the FFIS FDW. If ITS wants to research an expenditure in the cost management system, the expenditure can be identified back to a document number in the Detailed Transaction Report. This can be traced back through a BRIO query to obtain a copy of the original obligating document, if necessary. NITC reports are downloaded from FFIS through a BRIO interface.

The following non-financial data would need to be reported to a department-wide MCA system:

- ◆ ITS-Metric data defining usage to identify unit costs per output would need to be identified. They would not have to be in the financial system but could be drawn from satellite systems.
- ◆ NITC-Product measures like CPU minutes, DASD, tape, and other storage. Employees track time to specific activities, products and customers.

Recommendations:

Monitor the implementation of CMIS to ensure that it satisfies the cost management needs of decision makers.

OCFO should work with OCIO managers to re-evaluate the cost information needs of the managers and work with them as the requirements for FMMI are determined. OCIO managers should develop and communicate their cost information needs.

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: Office of the Chief Information Officer

Names & titles of person(s) responding: Diana Mack and Stacy Riggs

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7.1.19. Departmental Administration

Section I. Executive Summary

Departmental Administration (DA) provides support to policy officials of the Department, and overall direction and coordination for the administrative programs and services of USDA. These include procurement, real and personal property management, human resources, security for facilities, personnel, sensitive information, continuity of operations, and employee ethics. For USDA's Washington area headquarters, DA provides these administrative management services directly to the Secretary, the subcabinet, and all the headquarters organizations that report directly to the Office of the Secretary. Additionally, DA directly manages many owned or leased office buildings within the National Capital Region in which many thousands of USDA employees from all mission areas work. Departmental Administration also manages the Headquarters Complex and provides direct customer service to Washington, D.C. employees. Many of DA's services are delivered by Working Capital Fund (WCF) cost centers.

OCFO manages, coordinates and prepares financial statements for Departmental Administration and Staff Offices (DASO) based on the information provided and captured in FFIS.

Section II. Update to 2002 Cost Accounting Survey

DA was not included in the 2002 report.

Section III. SFFAS No. 4 and Federally Mandated Requirements

DA uses cost finding techniques and various costing methodologies to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Not Applicable	Not Applicable				
Reimbursable Fees and Services	Cost Finding Techniques	\$11.92 M	-Allocation	-Allocation	-Allocation	-Allocation
Administrative Salaries and Expenses	Cost Finding Techniques	A. \$82.6M B. \$11.92 M C. \$40.7M	-Allocation	-Allocation	-Allocation	-Allocation

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Department Imputed Costs	Cost Finding Techniques	Unknown				
IT Investment Costs	Cost Finding Techniques	C. \$7M	-Allocation	-Allocation	-Allocation	-Allocation

Key:

- A. Appropriations – DA Direct, Agricultural Buildings and Facilities (excluding rent) and Hazardous Materials Management.
- B. DA Reimbursements
- C. DA Working Capital Fund (WCF)

DA utilizes the Foundation Financial Information System (FFIS), Financial Data Warehouse (FDW) and Excel capture the costs related to executing program requirements. Funds are allocated based on approved budgets that identify operational and program requirements as they relate to the strategic plan of USDA.

Section IV. Management Accountability

Direct appropriations for Departmental Administration (DA) activities are allotted to the Assistant Secretary for Administration (ASA), the head of the agency level organization. Current direct appropriations used for administrative purposes are: Departmental Administration, Agriculture Buildings and Facilities and Rental Payments, and Hazardous Waste Management. In addition, DA administrative activities are carried out using funds made available to the ASA through reimbursements from other bureaus and agencies and through the USDA Working Capital Fund.

Allocations are then distributed by the Assistant Secretary for Administration to the Staff Office Directors. Staff Office Directors are responsible for managing the execution of funds in accordance with approved operating plans. Directors are required to submit monthly status of funds statement that compares operating plans with actual spending and projected cost distribution. Staff Office Directors are administratively responsible for maintaining funds control for the funds allocated to them and for the management of work accomplishments. The NFC Foundation Financial Information System (FFIS) is mandatory for use in all DA staff offices for all administrative funds.

The staff offices also use funds which are transferred within DA. Internal transfers do not require ASA approval, but are subject to the same requirements for funds control as the direct appropriations and outside reimbursements. Within the allowance provided by the ASA, and the amounts made available by internal transfers, the Staff Office Directors determine the necessary and appropriate expenses within Federal law and regulations to carry out their missions. Within each staff office, they also determine the organizational level authorized to make decisions about what products/services are needed in which to obligate federal funds.

Staff Office Directors are required to report to the ASA on a regular basis on the status of funds and full time equivalent employment (FTE). The Office of the Chief Financial Officer Budget Division is responsible for compilation of these reports and ensuring that the information is consistent with official accounting records.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

DA Appropriated: Currently, DA does not use a managerial cost accounting system in the development of program requirements. Full cost is projected manually utilizing historical financial data extracted from FFIS and FDW to determine current program cost requirements as well as a slight increase for pay inflation, non-pay inflation and program changes. Staff office directors are responsible for ensuring that the commitments, obligations, expenditures and disbursements are accurate and executed in accordance with approved operating plans. Financial staff must utilize several reports to capture accurate status of funds by BOC which requires manual tracking. DA has no direct input into the Performance Accountability Report (PAR).

DA Reimbursable Activity (reimbursable cost and administrative fees): DA reimbursements are based on fee for service activities. Currently, DA does not have a formal managerial cost accounting system in relation to tracking and projecting reimbursable requirements. Full cost is projected manually utilizing historical financial data extracted from FFIS and FDW to determine current program cost requirements as well as a slight increase for pay inflation, non-pay inflation and workload/customer changes. Staff office directors are responsible for ensuring the commitments, obligations, expenditures and cost recovery are accurate and executed in accordance with approved spending plans. Financial staff must utilize several reports to capture accurate status of funds by BOC which requires manual tracking and data entry. The OCFO Fund website does not interface with FFIS, requiring manual updates to the website as adjustments are needed. Each activity manager is responsible for their budget submission(s) and justification(s).

DA Working Capital Fund: DA Activity Centers do not have a formal managerial cost accounting system that captures the full cost. However, historical financial data is extracted from FFIS and FDW (BRIO) as well as an analysis of current spending trends with a slight increase for pay inflation, non-pay inflation and workload changes to determine activity center budget estimates. Budget schedules are prepared listing performance metrics and income recovery to offset the full program cost. Reporting at the OCFO level is consolidated. However, the day to day execution that supports the financial data is labor intensive due to the various systems utilized and analysis performed. FFIS is based on one-year funding with prior year transactions impacting current year spending that have to be tracked manually. Current fiscal year Agency billing data is provided manually to the OCFO/NFC on a monthly basis. WCF activities are accrual based and use to capture accruals manually. Activity center directors are responsible for ensuring that commitments, obligations, accruals and disbursements are accurate and in accordance with approved operating plans. Financial staff must utilize several reports to capture accurate report on operations by BOC which requires manual tracking and data entry. The OCFO Fund website does not interface with FFIS, requiring manual updates to the website as adjustments are needed.

DA collects and links the number of outputs and timeliness of outputs to the unit cost in developing performance measures for DA Direct, Hazardous Material Management, and Ag Buildings and Facilities budgets. These same procedures are used in developing performance measures for the cost centers which includes: Duplicating Services, Copier Services, Mail Services, Departmental Mailing List Service, Purchase Card Management System (PCMS), Integrated Acquisition System (IAS), Central Shipping and Receiving, Central Supply Stores, Consolidated Forms and Publications Distribution Center, and Centralized Excess Property Operation.

DA uses the FDW, FFIS and spreadsheets or databases maintained locally to collect operation performance information. All spending data is captured in FFIS by budget object code and then downloaded to the Financial Data Warehouse. Payroll hours are captured and then calculated into FTEs. FFIS feeds data into the FDW and decisions are made based on the output from the system.

DA uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, and manage work activities. Economic decisions are based on A-76 guidelines. Evaluating the costs is essential in determining whether a particular program may be cost prohibitive. Internal Agency costs are obtained from the FDW.

Program Cost and Performance Management

DA is able to provide cost information for their various programs. FFIS, FDW and Excel spreadsheets are the sources for cost information. Billing information related to Greenbook and WCF costs is not always timely. The financial data that is generated is relevant and reliable for users. Specific challenges occur in distributing the costs for example: when the billings are months behind, compiling data becomes complex, and relating differing cost items to specific activities.

Some examples of program effectiveness measures which can be linked to cost include: improving operational performance; maintaining a high level of customer satisfaction; reducing costs associated with staffing and contract support; increasing customer base and new services; and eliminating excess capacity.

Section VI. Systems Identification

DA does not have a formal MCA system. OCFO is the servicing budget and accounting office and takes the lead on the systems utilized.

DA management regularly reviews monthly status of funds reports and manages cost based on information in the report. When additional reports are needed, they ask their servicing OCFO budget and accounting office (or DASOFMU) or pull the data locally from the financial data warehouse (fed by FFIS). OCFO relies on the staff offices to develop their own specific reports and generally the expertise for report programming is not in the staff offices.

Recommendations:

OCFO should work with DA managers to re-evaluate the cost information needs of the departmental offices and work with them as the requirements for FMMI are determined. DA managers should develop and communicate their cost information needs.

OCFO should determine the cause of untimely billing information and work with DA managers to resolve any issues.

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: Departmental Administration

Names & titles of person(s) responding:

Lauren Godby, DA Financial Officer; Patricia Jackson, DA Budget Officer; Octavia Moore, OO Financial Manager, and Teresa Maguire, OO Budget Manager.

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7.1.20. Office of Inspector General**Section I. Executive Summary**

The OIG promotes the effectiveness and integrity in the delivery of USDA agricultural programs. The OIG uses a combination of automated system ARGOS and manual tracking via electronic spreadsheets to accumulate cost for various audits, investigations, and special projects. The systems are designed to track direct time, overhead costs, travel, training, and other costs associated with their audits and investigations. We also use information from FFIS to report on actual costs by object class and then assign those costs via internal cost allocation methods to specific projects.

Managers receive cost information from a combination of their automated cost systems and internal tracking systems.

OIG is in the process of developing a managerial cost accounting system.

Section II. Update to 2002 Cost Accounting Survey

The USDA OIG did not participate in the survey.

Section III. SFFAS No. 4 and Federally Mandated Requirements

OIG uses cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services*	Cost Finding Techniques	\$3.2	Direct Tracing Cause & Effect Allocation			
Administrative Salaries and Expenses	Cost Finding Techniques	\$79.5	Direct Tracing Cause & Effect Allocation			
IT Investment Costs	Cost Finding Techniques	\$4.5	Direct Tracing Cause & Effect Allocation			

Note: On certain reimbursable agreements, OIG provides the source agency with information concerning their expenditures against the reimbursable funds. The information is generated from the combination of their management information system and manual tracking. For other agreements, OIG receives a lump sum from which we pay accounting firms for the work produced under the agreement.

The OIG uses a combination of an automated system (ARGOS) and manual tracking via electronic spreadsheets to accumulate costs for various audits, investigations, and special projects. The costing methodology used for Administrative Salaries and Expenses is Standard and Job Order costing

The OIG reported that capturing full costs and inter-entity costs for producing their outputs for these programs is not applicable.

Section IV. Management Accountability

Although there are no specific cost factors in their managers’ accountability, cost of operations is always a consideration in managing their various activities. OIG managers are expected to operate within an operating plan which is budget based. Managers receive cost information from a combination of their automated cost system and internal tracking systems and are expected to adjust their operations to stay within an approved operating plan. However, a significant part of their work often results from congressional requests and responses to national disasters. To meet these demands, OIG often has to shift resources between activities and alter the priority of

ongoing work. This kind of work does not lend itself easily to managing the work based on cost factors.

Executives are responsible for managing resources effectively and efficiently and reducing program costs.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The OIG budget is centrally managed, allocated and updated. All the obligations, expenses and costs are tracked at Headquarters. The OIG links the data obtained from the FFIS data warehouse with their internal Status of Funds report. OIG extracts data from NFC's data warehouse to track their obligations, expenses, and costs. This provides OIG with the most current data available for management's use.

OIG does not formally link financial cost with performance management. Their performance measures are designed to ensure the production of timely, accurate, and reliable information USDA managers can use to enhance and protect the integrity of their programs and operations. OIG does not formally link cost and performance information. OIG's overall response for Section IV is that it does not apply.

Operational Cost and Performance Management

OIG does not have its own data warehouse, they extract data from NFC's data warehouse to track their obligations, expenses, and costs. OIG uses the FDW, spreadsheets and Internal Management Information Systems to collect operational performance information. They link their agency cost information in FFIS with non financial data manually through spreadsheets. As an example, OIG links the data obtained from the FFIS data warehouse with their internal Status of Funds report. This provides OIG with the most current data available for management's use. OIG does not use operational performance information for any of the survey listed items.

The decision OIG makes on what projects to do or whether to outsource is based on cost, staff availability, workload, priorities, and the source of a request.

Program Cost and Performance Management

The OIG response is NA.

Section VI. Systems Identification

The OIG uses a combination of automated system (ARGOS) and manual tracking via electronic spreadsheets to accumulate costs for various audits, investigations, and special projects. They currently track activities of employees per pay period in a management information system (e.g. time management system). The systems are designed to track direct time, overhead costs, travel, training, and other costs associated with their audits and investigations. They also use information from FFIS to report on actual costs by object class and then assign those costs via

internal cost allocation methods to specific projects. OIG managers can retrieve data on employee activities through its MIS system. Their MIS provides a number of reports that are used by management. They are updated periodically whenever we choose to update the system. Management reviews reports regularly and manage cost based on information in the reports. A request is made to the Information Technology Division when additional reports are needed. Their time management MIS does not interface with FFIS.

The OIG is in the process of developing a managerial cost accounting system.

Recommendations:

Assist OIG as they continue to work on the development of an MCA system.

Monitor the implementation of FMMI to ensure that it meets the cost information needs of the OIG and their other cost management tools.

Ensure that OIG cost accounting needs and interface requirements not currently met are addressed in the FMMII

General information about the respondent and the organization represented:

John Lebo, Jr.	DAIG for Management	202-720-8336
Walter Kowal	Director, BMPD	202-720-7427

7.1.21. Office of the General Counsel

Section I. Executive Summary

The Office of the General Counsel (OGC) is a staff office and provides legal services (direct and indirect) in support of all programs and activities of USDA, consistent with the strategic goals of the Department.

OGC's cost information is maintained in FFIS and linked to FDW by accounting codes. OGC's accounting code structure reflects both the agency and/or programs supported by OGC. The accounting code identifies the fiscal year, appropriated/reimbursable, organizational unit, and program/project description. Each accounting code is linked to OGC's Treasury Symbol in FFIS.

Section II. Update to 2002 Cost Accounting Survey

OGC did not participate in the 2002 survey.

Section III. SFFAS No. 4 and Federally Mandated Requirements

OGC uses cost finding techniques to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services	Cost Accounting Systems	\$3.2	Direct Tracing	Direct Tracing	NA	NA
Administrative Salaries and Expenses	Cost Accounting Systems	\$31.9	Direct Tracing and	Direct Tracing	NA	NA
IT Investment Costs	Cost Accounting System	\$1.0	Direct Tracing	Direct Tracing	NA	NA
Department Imputed Costs	Cost Accounting Systems	\$6.0	Direct Tracing	Direct Tracing	NA	NA

OGC addresses its cost accounting needs through the use FFIS and FDW. Direct costs are appropriately charged to program accounts, and indirect and overhead costs are allocated. For reimbursable agreements, costs are based on projected costs for an attorney staff year.

The OGC is capturing full costs. The costing methodology for Administrative Salaries and Expenses is Standard Costing.

Section IV. Management Accountability

OGC managers are provided with a budget allocation and are responsible for managing resources within the approved budget levels. Executive performance plans do not reflect responsibility and accountability for use of cost management techniques.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The OGC's budget is formulated based on projected staff years, to include promotions, within-grades, pay costs and any other salary adjustments. Other operating expenses are based on previous year's costs to include an adjustment for inflation. The data is easy to collect from the accounting system and is meaningful. All agency cost information is maintained in FFIS and linked to FDW by accounting codes. OGC currently uses operational performance information to prepare fiscal year budgets.

OGC performance measures support all programs and activities of the Department. For reimbursable agreements, costs are based on projected cost for an attorney staff year.

Operational Cost and Performance Management

Each OGC Division and Field Office is required to submit a monthly Workload Measurement Report. The Workload Measurement Report includes information concerning the number of cases worked/closed, attorney hours worked by category and by Agency. Since OGC's systems are no longer adequate to capture this information reliably, a combination of hard numbers and best estimates are used. OGC is in the process of reviewing other applications that could be utilized to provide more accurate workload data for annual budget preparation and justification as well as resource allocations within the agency.

The type of data collected from the Workload Measurement Report include inactive/active cases, cases acted on, cases closed, and pending cases for administrative, litigation and criminal cases and nonjudicial foreclosure cases as well as number of items for regulations, correspondence/documents, oral opinions, legislation, and legislative reports/testimony. The amount of hours worked by each attorney in each office is also reported monthly.

All program accounting and performance data is collected in the FFIS/FDW database maintained by NFC.

Budget data (salaries, benefits, travel, supplies, etc.) and FTE information is collected in the data warehouse. All agency cost information is maintained in FFIS and linked to FDW by accounting codes.

Program Cost and Performance Management

OGC is able to show the cost of its programs. The FFIS is the source of the cost information and it is timely.

Examples of program effectiveness measures that can be linked to cost include:

- ◆ Adjudication, Administrative, Civil, Criminal, and Nonjudicial Foreclosure cases
- ◆ Hearing Officer Claims cases
- ◆ Draft, Review and Counsel (number of Items)

- ◆ Regulations reviewed
- ◆ Correspondence/Documents reviewed
- ◆ Oral Opinions
- ◆ Draft or Review Legislation, Legislative, Reports, and Testimony

Section VI. Systems Identification

OGC uses FFIS/FDW and spreadsheets to collect cost accounting information. Employees charge their time and attendance to an accounting code. The accounting code structure identifies agencies and/or programs that OGC supports. From the FFIS/FDW OGC produces budget reports monthly by object class and T&As are generated bi-weekly. The reports are reliable. Management reviews budget reports on a monthly basis and uses the information for planning and budget decision making purposes.

The accounting code identifies the fiscal year, appropriated/reimbursable, organizational unit, and program/project description. Each accounting code is linked to OGC's Treasury Symbols in FFIS. OGC uses FFIS as its financial database so no interface is required. Management reports are reviewed and relied upon for decision making.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost information needs of OGC and their other cost management tools.

General information about the respondent and the organization represented:

Charlene Buckner	Director, Administration and Resource Management	202-720-6324
Shirley Pate	Budget Analyst	202-720-9243

7.1.22. Office of the Assistant Secretary for Civil Rights

Section I. Executive Summary

The Office of the Assistant Secretary for Civil Rights (ASCR) is the umbrella civil rights office of USDA. ASCR has responsibility for the development, implementation, and coordination of all aspects of USDA's civil rights program. ASCR is responsible both for enforcing Federal civil rights laws prohibiting discrimination in federally assisted and conducted programs and for internal equal employment opportunity programs within the Department. In addition, in 1993, ASCR received enforcement responsibilities for Title II of the Americans with Disabilities Act of 1990, including investigating all complaints filed under the law.

Section II. Update to 2002 Cost Accounting Survey

ASCR did not participate in the 2002 survey

Section III. SFFAS No. 4 and Federally Mandated Requirements

ASCR uses the Financial Accounting System as the cost accounting system to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Program Payments or Grants to External Customers	Cost Accounting System	Not provided	Allocation	Allocation	Allocation	Allocation
Reimbursable Fees and Services	Cost Accounting System	Not provided	Allocation	Allocation	Allocation	Allocation
Administrative Salaries and Expenses	Cost Accounting System	Not provided	Allocation	Allocation	Allocation	Allocation
IT Investment Costs	Cost Accounting System	Not provided	Allocation	Allocation	Allocation	Allocation

ASCR uses FFIS, the Project Cost Accounting System (PCAS), FDW, System for Time and Attendance Reports (STAR) and manual spreadsheets to address its cost accounting needs and to assure that full costs are recouped.. ASCR is capturing the full cost and inter-entity costs for producing outputs for program areas. ASCR uses ABC for its costing methodology for Administrative Salaries and Expenses. Direct costs are appropriately charged to program accounts, and indirect and overhead costs are allocated.

Section IV. Management Accountability

ASCR managers are required to review expense reports monthly and are expected to not exceed their allotments. Executive performance plans reflect responsibility and accountability for use of cost management techniques.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

The ASCR budget formulation process is reliant on cost information contained in FFIS, PCAS, STAR and manual spreadsheets. The ASCR uses the FFIS and program system as its data

source for the Full Cost by Strategic Objective Budget exhibit. The data is meaningful. ASCR does not participate in the PAR.

Operational Cost and Performance Management

ASCR collects operational performance information in the FDW, spreadsheets and the Civil Rights Enterprise System (CRES). Vendor payments, salaries and benefits, travel authorizations and disbursements and credit card purchases are collected in the agency's data warehouse. ASCR links its cost information in FFIS with the non-financial data in the FDW through accrual and manual reconciliation of disbursements and obligations. ASCR links their agency cost information in FFIS with the non-financial data through accrual and manual reconciliation of disbursements and obligations.

ASCR currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests and report financial performance to management. ASCR performs a cost analysis that compares both the in-house and outside contracting costs (i.e. materials, man hours, overhead) in making economic decisions.

Program Cost and Performance Management

The response provided is NA.

Section VI. Systems Identification

ASCR uses FFIS, PCAS, and FDW, STAR CRES and manual spreadsheets to program performance and cost information. The systems and spreadsheets contain all of the agency's aggregate cost information related to program delivery. All manual tracking/spreadsheets are independent of the FFIS. The system is relied upon by ASCR program managers and used to produce informational reports.

Recommendations:

Monitor the implementation of FMMI to ensure that it meets the cost information needs of ASCR.

General information about the respondent and the organization represented:

Telora Dean Director, Budget and Finance 202-690-1331

7.1.23. Office of Budget and Program Analysis

Section I. Executive Summary

The Office of Budget and Program Analysis (OBPA) provides analyses and information to the Office of the Secretary and other policy officials to support informed decision-making regarding the Department's programs and policies, budget, legislative, and regulatory actions. The

Director of OBPA also serves as the Performance Improvement Officer (PIO) for the Department.

Section II. Update to 2002 Cost Accounting Survey

OBPA did not participate in the 2002 survey.

Section III. SFFAS No. 4 and Federally Mandated Requirements

Response provided was not applicable.

Section IV. Management Accountability

OBPA response was not applicable.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

OBPA collects information from each agency on the Full Cost by Strategic Objective. This exhibit shows the full budgetary costs including indirect costs for an agency to achieve program outputs. Generally unit costs are reported as the cost per measure reported. Most staff offices including OBPA support all of the Strategic Goals of the Department. In this case, costs might not be spread across the Goals, but rather are reported as a Management Activity. The Full (Budgetary) Cost Exhibit allows decision-makers to evaluate budgetary impacts of decisions on performance. By having the unit and full costs performance for each program available, decision-makers can easily see where additional funding will have the most impact for the funding invested.

Allocation methodologies for federal administrative costs are used to develop full cost budget exhibits.

OBPA does not require agencies to provide the full accounting costs of programs as part of budget documentation. OBPA requires agencies to provide budgetary costs only. OBPA uses this information to quantify the unit cost of an incremental change in performance.

The OBPA budget guidance includes a request for the Full Cost by Department Strategic Objective exhibit. Agencies provide the information to OBPA based on their own source data. Staff offices that support all Goals as a Management Activity may report their Full Cost based on their agency strategic objectives.

OBPA uses this information to quantify the unit cost of an incremental change in performance.

The Director of OBPA also serves as the Performance Improvement Officer for the Department. On November 13, 2007, President Bush signed the Executive Order (EO) 13450: Improving Government Program Performance. The purpose of the EO is to ensure that the Federal Government continues to make progress in becoming more results-oriented, with programs that

demonstrate continuous improvements in efficiency and effectiveness. Responsibilities of the PIO include:

- ◆ providing contributions to the Department's Strategic Plan, Annual Performance Plan and Annual Performance Reports;
- ◆ providing contributions to the Secretary's Quarterly Report;
- ◆ ensuring that program goals are aggressive, realistic and accurately measured; and,
- ◆ ensuring that performance measures are incorporated into performance appraisals, particularly those of program managers.

In addition, there are Mission Area and Agency PIOs.

Operational Cost and Performance Management

OBPA tracks about 30 key measures in the Annual Performance Plan/Budget Summary and in quarterly performance reports. In addition, agencies report PART performance measures in MITS and PARTweb.

Program Cost and Performance Management

Response was not applicable.

Section VI. Systems Identification

Response was not applicable.

Recommendations:

Monitor the implementation of FMFI to ensure that it meets the cost information needs of OBPA.

General information about the respondent and the organization represented:

Dennis Kaplan 202-720-6667

Paula Geiger 202-720-2385

7.1.24. Office of the Chief Economist

Section I. Executive Summary

The Office of the Chief Economist (OCE) advises the Secretary on the economic implications of policies and programs affecting the U.S. food and fiber system and rural areas as well as coordinates, reviews, and approves the Department's commodity and farm sector forecasts. OCE staff also coordinates USDA's Agricultural Outlook Forum, which has been hosted annually since 1923.

Section II. Update to 2002 Cost Accounting Survey

OCE did not participate in the 2002 survey.

Section III. SFFAS No. 4 and Federally Mandated Requirements

OCE uses FFIS as their cost accounting system to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services	Cost Accounting System	\$1.605	Direct Tracing	Direct Tracing	Allocation	Allocation
Administrative Salaries and Expenses	Cost Accounting Systems	\$6.930	Direct Tracing	Allocation	Allocation	Allocation
IT Investment Costs	Cost Accounting System	\$1.840	Direct	Allocation	Allocation	Allocation
Other Costs: Cooperative Agreements	Cost Accounting System	\$2.217	Direct Tracing	Direct Tracing	Direct Tracing	Allocation

OCE uses FFIS. Direct costs are appropriately charged to program. OCE has identified their responsibility centers. OCE is not capturing full costs and inter-entity costs for producing outputs for these programs. OCE uses Job Order Costing as its costing methodology for its administrative salaries and expenses.

Section IV. Management Accountability

All managers are required in their performance agreement to manage financial resources to achieve performance goals, to ensure current and future needs assessments are based on organizational goals and budget realities, and to continuously seek to reduce program and administrative costs. Responsibility/accountability for cost management is reflected in manager’s performance agreements, though the techniques to be used for cost management are not specified.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

OCE tracks direct costs in their budget process; indirect costs are not accounted for because we do not have that information. The data is relatively easy to collect as approximately 70-75

percent of agency appropriated funds go towards salary and benefits. The data is only moderately meaningful; however, given the nature of the type of work performed at the agency and its small size (currently just 54 FTEs), the cost of drilling further down into the data will likely exceed the potential benefit. OCE uses a simple allocation methodology to further refine the Full Cost Budget Exhibit figure in order to match the lower reporting level of the PAR measure.

OCE has two reimbursable programs and they utilize direct tracing of costs to the extent practical. They have several “directed inter-agency transfers” specified in the Farm Bill and the mandated programs are run within that budget. In the case of the two reimbursable programs, those amounts are negotiated annually with the contributing agencies and their expenditures are controlled to fit the funds contributed.

Operational Cost and Performance Management

OCE collects operational performance information and measures for the Immediate Office of the Chief Economist, WAOB-WASDE, WAOB-Weather, ORACBA, OEPNU, GCPO, and the Agricultural Outlook Forum. Operational costs are allocated only at the sub-office level based on a standardized, replicable methodology. It is not captured at the level of output, cycle per unit, etc. OCE collects FTEs, salary/benefits by sub-office, budget project by BOC by sub-office, obligations and expenditures to date by sub-office by BOC, allocations of appropriated budget by sub-office and major tasks (or responsibility segment), and IT spending by system and by investment. As a small office with nearly three quarters of their costs attributable to salary and benefits, they manually link the data from FFIS to their budget spreadsheet system.

OCE uses operational performance information to prepare fiscal year budgets, report financial performance to management, and demonstrate alignment with strategic plans. In making economic decisions, most of the decisions are not based on cost accounting as OCE does not have sufficient financial staff resources to develop, implement and managing such an effort. In addition, the cost of developing, implementing, and managing a formal cost accounting system in an organization as small as OCE (54 FTEs) will likely exceed any marginal benefits gained from the system.

Program Cost and Performance Management

OCE is able to show the cost of the program using data from the Budget spreadsheet system. To report quarterly milestones, they do not measure the cost of outputs at the level necessary to quantify spending accurately at that sub-unit of time. Instead, they use a standard methodology to allocate costs across quarters. This was done because the cost to OCE to obtain and manage the cost data necessary to make more accurate quarterly performance cost measurements would be prohibitive and likely exceed any marginal benefit gained from a more detailed cost of output approach.

Section VI. Systems Identification

OCE uses FFIS and has a costing methodology and most (though not all) MCA components are documented in their budget spreadsheet system. No specialized cost accounting tool is used.

They prepare and use status of funds spreadsheet at the BOC level of detail based on FFIS data to track sub-office spending against their individual budgets.

OCE does not generate managerial cost accounting reports although they do use status of funds spreadsheets at the BOC level of detail based on FFIS data to track sub-office spending against their individual budgets. These reports are used in formal quarterly budget briefings with the administrator and all sub-office managers. The data in them is updated and monitored on a continuous basis and additional follow-up with the administrator or sub-office managers is initiated if issues arise outside of the standing quarterly budget review schedule. The biggest complaint is the difficulty in extracting data from the BRIO system in a way that is useable without additional manipulation and manual data entry on the part of the administrative officer. Additional reports can be generated on demand. The budget spreadsheet is a manual interface with FFIS. The system is relied upon by OCE program managers and used to produce informational reports relied upon by the Congress, OMB and the public.

Recommendations:

Follow up to determine how data extraction from BRIO can be streamlined and minimize the amount of manipulation and manual data entry required.

Monitor the implementation of FMMI to ensure that it meets the cost information needs of OCE and their other cost management tools.

General information about the respondent and the organization represented:

Hunter Colby OCE Chief Financial Officer 202-690-2477

7.1.25. National Finance Center

Section I. Executive Summary

The National Finance Center provides integrated HR/personnel services for more than 130 diverse agencies across the U.S., its territories, and in foreign countries. Customers include more than 100 types of Federal and quasi-Federal employees, encompassing a wide-variety of pay authorities and covering the Executive, Legislative, and Judicial Branches of the Federal Government.

As a working capital fund activity of USDA, NFC operates under the Economy Act (31 U.S.C. 1535) on a fee-for-service basis and receives no direct appropriations from Congress. Customer fees include shared indirect costs that are associated with running the Center, but they include no profit.

NFC operates on a total cost recovery basis under the Economy Act, requiring all operating costs to be determined within the framework of the budget for the rate-setting year, which is constructed on forecasted workload. Within that budgetary framework, costs are determined for

labor (including salary, benefits, and accrued leave), ADP (hardware, software, support services, and supplies), and common use areas (rent, utilities, and other costs not directly attributable to an operating system). Using this as the basis, there are primarily two cost scenarios utilized to determine pricing for customer services.

The first cost scenario gathers costs and develops standard unit costs for operational services for the ongoing use of NFC's payroll and personnel systems (i.e., PPS and EmpowHR). The second cost scenario is related to agency-specific requests and activities. For these activities, NFC estimates are provided on a time and materials basis and are based on estimates of the work effort and any special system requirements needed for each agency-specific request. Each of the cost scenarios has unique cost drivers. Each customer's total volume of employees serviced is a universal cost driver, however, there are several other operational cost drivers discussed in more detail below. Using the activity cost drivers, the price for services is calculated based upon customers' individual historical utilization of resources. A standard baseline service level is provided to all customers. Unique customer-controlled services and additional optional services are factored in as additional costs.

In addition to costing its services, NFC utilizes the cost information to provide management status updates on specific lines of business and individual project performance, to plan staffing and other resource requirements, and to assist in the budget decision making processes.

Section II. Update to 2002 Cost Accounting Survey

NFC provided a complete update to indicate the current experience and functionality of their cost accounting system. The executive summary reflects the updated information. Additional updates are included in the sections that follow.

NFC reported the following changes to the tabular data since the 2002 report:

Cost Accounting 1.c. and User Fees 1.d. The number of FTE's involved in cost accounting and setting and managing fees increased from 13 to 15.

User Fees

1.c. The Thrift Saving Plan is no longer a customer of the NFC.

1.d. Rates are set annually, however, they are reviewed semi-annually to ensure compliance with the Economy Act.

Over the next 5 years, NFC will be performing an in-depth review of its major cost pools to refine the definition of the organizational cost pools, to establish processing thresholds, to create and accumulate metrics, and to update the budget process related to each cost pool. In addition, efforts to enhance the compilation and consolidation of estimates and actual results are in process, as well as, development of trend analyses for significant lines of business. A significant initiative for obtaining and implementing a "data repository/reporting tool" is underway. Goals for the tool include being able to link estimates, actual results, and metric data in an automated

fashion to assist in budget formulation, reporting of operating results, and development of specific project estimates.

Section III. SFFAS No. 4 and Federally Mandated Requirements

NFC uses cost accounting systems and costing methodologies to accumulate costs as shown in the following table:

Type of Cost	Cost Accumulation Method	Cost (\$M) in FY2006	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Reimbursable Fees and Services	-Cost Accounting Systems	\$151	Direct Tracing Cause & Effect Allocation			
Administrative Salaries and Expenses		Included in Reimb. fees				
Department Imputed Costs		Included in Reimb. fees				
IT Investment Costs		Included in Reimb. fees				

NFC operates under the Economy Act as a component of USDA’s Working Capital Fund. As such, no direct appropriations are received by NFC and 100% of all costs (both full cost and inter-entity costs) must be recovered through reimbursable agreements and user fees for services. Therefore, NFC’s costing methodology identifies costs associated with major cost pools (i.e., direct costs) and then allocates overhead (i.e., indirect costs) through the use of metrics. The allocation of overhead costs are based on the metric that is most applicable to the type of overhead cost. For example:

- rent and general facility costs are allocated based on the square footage utilized by the major cost pools,
- general costs for management supervision are allocated based on the FTE’s assigned to the major cost pools, and
- mail and postage costs are allocated based on the pieces of mail processed for the major cost pools.

Within the major cost pools, there are components of “general costs” that are not specifically identifiable to a specific cost line and where there is no readily available metric for allocation.

These types of costs are treated as an indirect cost of the major pool and typically allocated based on the proportion of direct charges for all items within the pool. Costs for disaster recovery operations is an example of this kind of indirect pool cost that is allocated proportionally to the various items within the data center cost pool. NFC allocates Administrative Salaries and Expenses in the same manner as other costs using ABC and job order costing.

Section IV. Management Accountability

NFC's senior managers are accountable for the budget execution of their organizations. This includes periodic cost recovery reviews of major lines of business. Additionally, senior managers regularly participate in reviews of business cases, requests for proposals regarding service offerings, and major investment initiatives. All SES performance plans reflect responsibility and accountability for cost management.

Section V. Linking Cost and Performance Information

Financial Cost and Performance Management

100% of all costs are identified in the budget process using cost accounting methodologies. NFC uses the ABC accounting code, BOC, and line of business designation to define major cost pools and perform allocations to establish rates for the upcoming year. NFC develops its budget requests by estimating its costs to provide services to its customers including non-labor cost requirements for the next 2 years, new initiatives, justification for major variances from the prior year, and labor costs based on the current staffing levels incorporating the WCF provided inflation rates. Once the information is consolidated, the costs are allocated to the various lines of business and rates are established. NFC management reviews these results, making changes to ensure that rates remain competitive while accomplishing operational goals.

NFC is not required to submit a "Full Cost by Strategic Objective Budget exhibit;" however, the FFIS accounting system and its related data warehouse provides 100% of the historical financial data that is used for reporting. Other program systems (e.g., PACS, IT Service Vision, etc.) and manual spreadsheets and databases compile and consolidate metric data used in the budget formulation process.

The financial data obtained from FFIS and its data warehouse is relatively easy to collect and accurately presents historical accounting information. Challenges encountered with the detail data concern the "linking" of related transactions in an automated fashion. Metric data is currently generated and/or housed in many disparate systems. Therefore, the compilation and consolidation of data into useful formats for cost reporting is a manual process. Particular challenges are:

- ◆ Ensuring that metric accumulation is periodically updated for changes in processes or newly created transactions.
- ◆ Ensuring accuracy of manual manipulations (e.g., summarizing, weighting factors, etc.).
- ◆ Ensuring that relevant metrics are generated and captured (e.g., obtaining and maintaining data files and/or hard copies of reports) on a periodic basis.

Operational Cost and Performance Management

NFC collects and links the number of outputs and timeliness of outputs to the unit cost of those outputs and to the activity or project based costs for all of their responsible areas, i.e., Payroll, EmpowHR, and Agency-Specific. All operational performance data is collected in the FDW, spreadsheets or databases maintained locally, and by ad hoc queries against production systems. Only historical financial data is captured in the FFIS data warehouse. Within IT Service Vision, computer resource utilization for CPU, DASD, Tape, and Print are captured and summarized. Within STAT, transaction processing counts from production systems are summarized and maintained. Cost information in FFIS is linked with the non-financial data manually through use of Excel spreadsheets and Access databases.

NFC currently uses operational performance information to prepare fiscal year budgets, prepare special project or supplemental budget requests, report financial performance to management, demonstrate alignment with strategic plans, justify headcount, manage employee workload, and manage work activities.

Since NFC must recover 100% of its costs through user fees and reimbursements for services, all economic decisions are made, in part, utilizing the cost accounting models to determine the feasibility of projects, potential impact on rates, and the potential effects on workload and staffing.

Program Cost and Performance Management

NFC is not responsible for preparing an individual PAR.

Section VI. Systems Identification

NFC has a MCA system as described above. Their existing T&A system allows for the entry of ABC accounting codes which is used to post cost data to the general ledger. NFC currently has IT Service Vision and STAT that act as data repositories for operational metric data and they function completely under USDA's Working Capital Fund. Historical financial information is retrievable from the FFIS data warehouse; however, operational metric data must be retrieved manually.

NFC has a number of managerial cost accounting reports that are updated frequently. A Status of Funds report is generated monthly. In addition to the external report, a suite of internal reports are generated that breakdown results to both organizational entities and lines of business, calculate and identify variances between plans and actual results, list current agreements with an income projection, and provide spending projections for the remainder of the year. Major projects, e.g., the development of a new system, also have a monthly update of status that includes a review of projections, comparisons to actual results, and a variance analysis.

All of NFC's operational metric data would need to be loaded to a Department-wide system. Their concern is that the metric data is disparate across agencies and units and that it would be exceedingly voluminous. Additionally, it is doubtful that all organizations would utilize the

metric data similarly so that a standard metric could be defined. For instance, an hour of labor may require the identification as regular time versus overtime by one entity where another entity is only interested in the FTE those hours represent.

Recommendations:

Monitor the implementation of FMFI to ensure that it meets the cost information needs of decision makers and of NFC’s other cost accounting tools.

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: OCFO, National Finance Center

Names & titles of person(s) responding: Karen Morrison, Chief Financial Management Office

Phone: (504) 426-0277 e-mail: karen.morrison@usda.gov

8. Inventory of USDA Managerial Cost Accounting Systems

USDA 2007 MCA Survey – Systems Inventory – Derived from Agency Submissions

Agency	Systems Referenced
	Key: S=system T=Tool
Food and Nutrition Service (FNS)	1. FFIS-S 2. Integrated Program Accounting System (IPAS)-S 3. National DataBank Program System (NDB)-S
Agricultural Research Service (ARS)	1. FFIS-S -FDW -FSDW 2. Current Research Information System (CRIS) -S 3. Internal automated spreadsheets -T 4. Annual Resource Mgt. Plan (ARMPS financial planning)
Food Safety and Inspection Service (FSIS)	1. FFIS -S -FDW -Cost Allocation Module 2. Program Information Systems -Performance Based Inspection System (PBIS) -Laboratory Information Mgt. Sys. (LIMS) -Consumer Complaint Monitoring System (CCMS) -Automated Export/Import Information System 3. BRIO (is a query tool) T
Farm Service Agency (FSA)	1. FFIS 2. STAR (5 pilot states underway) -S 3. FSA has developed an ARS system being piloted in 5 states, 25 county office, and 4 headquarters divisions in both Kansas City and Washington, DC 4. *In development: Budget Performance Measurement System (BPMS)

Agency	Systems Referenced
Foreign Agricultural Service (FAS)	Key: S=system T-Tool 1. FFIS-S -FDW 2. Trade Data Systems (manual system) 3. Spreadsheets
Risk Management Agency (RMA)	1. FFIS (GL)-S 2. Reinsurance Accounting System -S 3. Escrow System (items 2 and 3 interface with FFIS GL) 4. Actuarial Filing System (for user fee data coll) -S
Agricultural Marketing Service (AMS)	1. Foundation Financial Information System (FFIS)-S Financial Data Warehouse (FDW) Cost Allocation Module (in FFIS) 2. BRIO 3. EXCEL spreadsheets-T 5. System Time and Attendance Report (STAR T&A System -S 6. Program system (referenced - not specifically identified by name)
Cooperative State Research, Education and Extension Service (CSREES)	1. FFIS-S FSDW Project Cost Accounting Module Cost Allocation Module 2. C-REEMS 3. CRIS -S 4. REEIS 5. Internal spreadsheets T
Animal and Plant Health Inspection Service (APHIS)	1. FFIS -S FDW FSDW 2. Program system (referenced by not specifically identified by name) 3. OROS for ABC -T 4. Project costing techniques (no name provided) 5. APHIS User Fee System (records volumes) -S
Economic Research Service (ERS)	1. FFIS FDW FSDW 2. Spreadsheets T
National Agricultural Statistics Service (NASS)	1. FFIS-S FSDW 2. ABC (costing methodology) -T 3. Matrix system 4. WebTCAS - Electronic based time and attendance system -S
Forest Service (FS)	1. ISuite system (captures WildlandFire cost data) -S 2. Forest Action Tracking System (FACTS)-S 3. INFRA 4. CDW 5. Performance and Accountability System (PAS)-S 6. Natural Resource Information System (NRIS) -S 7. Incident Business Database (IBDB)-S 8. WorkPlan (cot acctg tool for implementing costing methodologies)-T 9. Aviation Business System (report tool)-T

Agency	Systems Referenced
Natural Resources Conservation Service (NRCS)	Key: S=system T-Tool 1. FFIS-S 2. WebTCAS Time and Attendance System 3. Conservation Information System (CIS) -T 4. Performance Results System (PRS)-S 5. ProTracts (web based application that collects contract data for EQIP, AMA, WHIP and CPS-T 5. Performance Results System (PRS)-S
Rural Development (RD)	1. FFIS-S FDW FSDW 2. Credit Reform Financial Mgt. System-S 3. Guaranteed Loan System-S 4. Automated Multihousing Accounting System 5. Rural Utilities Loan Servicing System-S 6. Dedicated Loan Origination system-S 7. Program Loan Accounting System-S 8. St. Louis Collection System-S
Grain Inspection, Packers, and Stockyard Administration (GIPSA)	1. FFIS-S FDW 2. Spreadsheets and offline tools- T 3. Other systems containing workload data - system names not provided
Office of Communications (OC)	1. FFIS-S -FDW 2. Service Order Reporting and Tracking system -S(SORTS)(CSC MCA system) 3. Cost Management Information System (CMIS)-S 4. Equipment Acquisition Tracking System (EATS)-S 5. Office information Profile System (OIP)-S 6. BRIO -T 7. ScheduALL -T 8. Filemaker-Pro -T 9. PCMS (Purchase Card Mgt. System)-S 10. Spreadsheets-T
Office of the Chief Information Officer (OCIO)	1. FFIS-S -FDW 2. Spreadsheets 3. BRIO (query/report tool)-T 4. IAS, PCMS (Purchase Card Mgt. system) and IBIL (feeder systems)-S 5. CMIS-Cost mgt. Info. Sys-S 6. Equip. Acquisition Track Sys. (EATS)-S 7. Office Info. Profile sys (OIP)-S
Departmental Administration (DA)	1. FFIS-S -FDW 2. Spreadsheets
Office of Inspector General (OIG)	1. FFIS 2. ARGOS 3. Spreadsheets-T
Office of the Chief Economists (OCE)	1. FFIS-S 2. Budget Spreadsheet system-s 3. BRIO tool-T

Agency	Systems Referenced
Office of the General Counsel (OGC)	Key: S=system T-Tool 1. FFIS -FDW
Office of Assistant Secretary for Civil Rights (ASCR)	1. FFIS-S -FDW 2. PCAS (project cost accounting system) 3. STAR-S
Office of Budget & Program Analysis (OBPA)	1. FFIS-S
Office of the Chief Financial Officer (OCFO) NFC	1. FFIS-S -FSDW -FDW 2. Integrated Acquisition System (IAS) 3. PACS 4. ITSERVICE VISION 5. Spreadsheets

This table shows the systems that were reported by the responding agencies and staff offices. Additional discussions with agencies could assist the Department to identify a toolset and support capability for sharing applications and best practices among the agencies and offices.

9. Summary of Federal Department Benchmarking Interviews

As a part of the analysis, several agencies external to USDA were identified to interview as a means to gaining different perspectives on the topics of cost accounting and user fees. The agencies included in this report were generous enough to spend time with the project team and add their experiences to this report. Their participation is greatly appreciated.

The benchmark agencies were selected based on our research of agency materials available on the Internet and reports issued by the General Accounting Office (GAO). The intent was to identify best practice agencies in the areas of cost accounting and user fees and use the interviews to gain insight into the methods each agency uses with success. The agencies selected were the Department of the Interior (DOI) and the Student Financial Aid (SFA) component of the Department of Education. DOI is a cabinet level multi-component agency with missions similar to USDA and SFA is a large credit reform organization.

A. Department of the Interior (DOI)

Interior's mission is to protect and manage the nation's natural resources and cultural heritage; provide scientific and other information about those resources; and honor its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities. For fiscal year 2006 Interior reported gross and net outlays of approximately \$20.7 billion and \$8.6 billion, respectively. Interior had approximately 73,000 employees, including 69,000 full-

time equivalents (FTEs) and 200,000 volunteers (4,600 FTEs). Interior has eight bureaus organized in distinct mission areas, in addition to departmental offices that support key Interior operations and help carry out Interior's mission. It also has four working capital funds and a franchise fund.

Interior and its bureau-level components each have systems for generating MCA information. DOI's department wide MCA system known as Activity-based Cost/ Management (ABC/M) provides information about the budgetary cost of work activities, not the full accounting cost. Depreciation and WCF costs are ignored in the ABC/M system. However, there is no single or integrated information system from which MCA data are generated. There are multiple, independent systems at the department and bureaus from which financial and nonfinancial data are obtained for MCA. Controls over nonfinancial data quality for these systems are generally limited to bureau-level reviews for reasonableness. Further, Interior does not allocate cost elements consistently between bureaus.

ABC/M provides information about the cost of approximately 300 work activities, which align to DOI's four strategic mission objectives. DOI's Chief Financial Officer, in consultation with the bureaus maintains control over the defined work activities that are used for cost accounting and performance measurement. Nonfinancial data such as hours, miles, or acres are obtained from various source systems maintained by each of the bureaus and may be entered either manually or extracted from these systems.

DOI is in the process of implementing a new integrated financial management system, Financial Business Management System (FBMS) based on SAP software. The current FBMS implementation plan for the general ledger module calls for a phased implementation with seven deployments beginning in April 2006 and ending in fiscal year 2011. DOI is facing a number of challenges with FBMS implementation that will impact their ability to obtain timely managerial cost accounting information. As a result, DOI is exploring options for software tools that can be used in conjunction with FBMS that will be more flexible than the cost module in FBMS and can be implemented more quickly.

Conclusion:

The similarities between what DOI is doing and what USDA will be doing in these areas should be noted. DOI's progress should be closely watched so that USDA can benefit from the lessons learned with the DOI implementation.

DOI Contacts:

Daniel Fletcher, Deputy Chief Financial Officer (202) 208-4701

David Horn, Office of Financial Systems (202) 208-5542

B. Department of Education - Student Financial Aid (SFA)

Federal Student Aid (FSA), 1 of 10 program offices at the Department of Education, has a MCA system (FSA Activity Based Costing Model) that ties to the Statement of Net Cost and controls administrative costs. However, the FSA ABC Model is not currently used for controlling program costs. FSA uses COTS software to assign full costs, both direct and indirect, and non-FSA overhead, to business processes. OROS ABC software was used for developing the ABC models but FSA is now implementing new ABC software, Smart Perform. OROS was a desktop only application and had weak reporting capabilities. Smart Perform is a server installation with improved reporting capabilities. Costs of implementing Smart Perform were low and the conversion of models was relatively easy.

FSA's Activity-based Management system was initiated in response to the 1998 amendments to the Higher Education Act of 1965 that designated FSA a performance-based organization and required it to reduce administrative costs. In addition, GAO reviewed FY 2001 FSA models and expressed concerns that the models used budget obligations, were not fully loaded, and used inconsistent calculation methodology.

FSA ABC Models are updated quarterly with a download of financial management/accounting data to the models. Reports are issued quarterly to management. FSA officials rely mainly on controls within the offices that are the sources of nonfinancial data. In addition, they review the nonfinancial performance data periodically for anomalies by comparing data to standard system reports, and performing trend analyses and comparing data for consistency.

Challenges identified by FSA in the development and use of managerial cost accounting information include:

- ◆ differing levels of skill of personnel using or generating MCA information
- ◆ gaining the trust of program managers – some fear the loss of power
- ◆ resource constraints - time, people, and money
- ◆ level of detail – too much
- ◆ there are two seasonal peaks
- ◆ FSA programs are administered by contract

Currently, FSA has one full time person devoted to managerial cost accounting at the HQ level with plans to increase to a staff of 3.5 FTEs.

Conclusion:

Although Federal Student Aid is a very large credit reform agency with both direct and guaranteed loans, they may not be a good fit for USDA credit programs. Because of the contractual aspects of their business and the seasonal peaks, they do not have the same managerial cost accounting needs as USDA. However, they do have a good methodology for capturing and presenting cost information for decision making and administering their loan programs. It would be useful to evaluate the software tools used by FSA because of their flexibility, ease of use, reporting capabilities and low cost.

Federal Student Aid Contacts:

Jay Hurt, Chief Financial Officer (202) 377-3453

Joe Tracey, Cost Management Div. (202) 377-3667

C. Department of Health & Human Services Program Support Center

HHS' Program Support Center (PCS) manages a very large working capital fund operation within the Service and Supply Fund. They have implemented a software application – PRICES to support all PSC's financial management activities, e.g.:

- ◆ budget formulation: cost estimation, customer usage prediction, rate setting;
- ◆ billing and cost tracking: revenue, tracking of actual costs; and
- ◆ cost management: spending plans and budget execution.

PRICES is an application suite of PSC's central accounting system (FFS). It is a web-based system that supports customer information needs for cost information. PRICES provides management reporting on cost recovery, user billing activity, and customer usage. PSC users manually enter invoice data into PRICES. Feeder systems provide invoice and funding information; budgets, billing rates, cost center information; and actual expenses. PRICES interfaces monthly with Treasury for IPAC information and the financial system for SF 1080 information. Credit card information is available anytime. Customer reporting includes automated feedback or they are able to pull cost information, e.g., monthly billings or funding status, when needed. Customer feedback is at the invoice level. The software application is tab based and has extensive drill down capability which makes it robust and user friendly.

Conclusion:

PCS and USDA both manage very large working capital funds and have similar needs for managerial cost accounting information. It would be useful to evaluate PSC's software tools and processes for their:

- ◆ applicability to USDA working capital fund operations;
- ◆ comprehensiveness of cost management information,;
- ◆ ease of use, and;
- ◆ lessons learned from implementation of their cost management system.

HHS Program Support Center Contacts:

Tim Brown, Executive Officer, Tim.brown@psc.hhs.gov 301-443-2516

D. Summary

Each of these external benchmark agencies used a different focus and methodology for their cost accounting implementation. Each has achieved some recognized success, and, therefore, has some useful perspectives to offer.

10. Next Steps

The next steps in the analysis of Managerial Cost Accounting at USDA focus on completing an analysis of the survey results and preparing a set of consolidated recommendations and conclusions for proceeding with enhancement to the current capability and meeting cost accounting requirements. This will include the following:

- ◆ Review survey gaps, omissions and items requiring clarification and prepare follow-up questions for participants
- ◆ Conduct follow-up interviews with survey participants
- ◆ Factor in additional information from follow-up and complete analysis of survey results
- ◆ Prepare consolidated conclusions and recommendations
- ◆ Develop plan of action with particular focus on addressing the gaps between USDA MCA versus Federal requirements, and oversight findings (GAO/OIG)
- ◆ OCFO facilitate work group of key MCA personnel to share best practices and develop strategies to enhance the Department's MCA efforts
- ◆ OCFO provide technical assistance and guidance as needed to facilitate implementation of SFFAS 30 implementation of inter-entity full cost provisions of SFFAS 4.
- ◆ OCFO monitor implementation of FMMI and provide technical assistance on cost management functionality of system, as needed.

Appendix A - Managerial Cost Accounting Survey Questionnaire

Managerial Cost Accounting Survey

June 2007

I. Background:

The Government Accountability Office (GAO) issued audit number [GAO-06-1002R](#) “Managerial Cost Accounting Practices: ...” that stated the Department of Agriculture (USDA) “. . . has not shown strong leadership to promote, guide and monitor Managerial Cost Accounting (MCA) implementation”. In addition, the Office of Inspector General found USDA to be non-compliant with the Chief Financial Officers (CFO) Act of 1990 as it relates to MCA in the consolidated financial statement audit report for FY 2006. There is also an increasing need to link costs to performance and performance measures so that the Department can demonstrate how much it costs to achieve its objectives.

In 2002, USDA agencies responded to a cost accounting survey which was used to address OIG findings regarding cost accounting. A number of recommendations were detailed in the report. Follow-up on the progress toward accomplishing the recommendations in that report has been very limited. In November 2006, the Office of the Chief Financial Officer (OCFO) requested that agencies provide answers to a survey about financial and mixed systems costs. The purpose was to collect and fully understand the specific costs for each system to better support the future needs of the Department.

We believe USDA is utilizing MCA to a great extent; however, the Department needs to demonstrate how MCA is currently being used and understand what more can be done to increase and enhance its use. One of the first steps in responding to this recommendation is to survey all mission areas and agencies to determine the current status of their MCA systems. We will evaluate what progress has been made since we conducted the previous survey in July of 2002. We will then use this data as well as the data requested about financial and mixed systems costs to develop a plan of action to expand the Department’s efforts in MCA.

The following survey is designed to address the GAO and OIG findings and concerns. This new survey will be used to gather up-to-date MCA information to demonstrate how USDA has made improvements in the managerial cost accounting arena and that agencies are moving in the right direction to implement new MCA cost capturing initiatives and systems. The answers should be coordinated by your agency CFO or designated agency or mission area representative to include input from budget, planning, program and accounting officials and provide a single submission to OCFO. Certain questions may require a consolidated agency response; however, because use of and need for managerial cost accounting information may vary among agency officials. Other questions (noted below) need more than one response. All relevant responses should be included in the agency’s submission. If you are not certain whether a question requires a consolidated response, call Tyson Whitney at (202) 720-8978, Ron Degiuli at (202) 720-1888, or John Brewer at (202) 720-9427.

II. Instructions:

OCFO recognizes that agencies are in various stages of implementing their Managerial Cost Accounting (MCA) systems. The questions are sorted by topic. Background information and definitions for the terms in the questions may be found in the following documents -

- ◆ Chapter 3 of the “Agriculture Financial Standards Manual”
(www.ocfo.usda.gov/acctpol/pdf/fasm.pdf)
- ◆ JFMIP System Requirements for Managerial Cost accounting
(www.fsio.gov/fsio/download/systemrequirements/Mancostsysreq.pdf)
- ◆ Statement of Federal Financial Accounting Standards, Statement #4: Managerial Cost Accounting Concepts and Standards for the Federal Government (SFFAS No.4)
www.fasab.gov/pdffiles/sffas-4.pdf
- ◆ Cost Accounting Survey and Analysis, from 2002 (copy provided via e-mail)

Please provide both hardcopy and electronic files to OCFO by **July 16, 2007**. Hardcopy may be sent to Ron Degiuli in Room 3061-S. E-mail responses should be sent to Ronald.degiuli@usda.gov, john.brewer@usda.gov, and Tyson.whitney@usda.gov.

Responses should be included in the spaces provided in this document. Spacing can be adjusted as needed to accommodate your answers. If responses to a question include references to other documents, please include copies of the relevant pages from those documents or indicate the website where those documents can be accessed.

Please ensure that up-to-date contact information is included below in the event that follow up is required:

General information about the respondent and the organization represented:

Agency/Mission Area/Staff Office: _____

Names & titles of person(s) responding: _____

Phone: _____ e-mail: _____

III. Questions:

A. 2002 Cost Accounting Survey

Please update your Agency's responses to sections 1, 2 and 3 in the 2002 survey.

(Note that not all agencies were included in the 2002 survey. You should proceed to Section III.B for any areas not included in the 2002 survey.) If you find overlap between this survey and the 2002 survey, please provide your answers in this survey. For example, 2002 question III.2.a, "What type of cost accounting techniques does your organization use?" is similar to current question III.C.1, "Cost may be accumulated through either cost accounting systems or cost finding techniques. Which method does your agency use?"

Please highlight changes in 2002 survey that have been made to the 2002 data to facilitate compilation of this year's survey.

B. SFFAS No. 4 and Federally Mandated Requirements

Please provide a link to, or copy of your agency MCA system requirements document and manual, if applicable. You may submit this and indicate the page number that addresses the questions below. A consolidated response may be appropriate. The underlined terms are defined in Chapter 3 – *Managerial Cost Accounting* of the *Agriculture Financial Standards Manual*.

1. Cost may be accumulated through either cost accounting systems or cost finding techniques. Which method does your agency primarily use?

Type of Cost	Cost (\$M) in FY2006	Cost Accumulation Method
Loan Subsidies		<input type="checkbox"/> Cost Accounting Systems <input type="checkbox"/> Cost Finding Techniques
Program Payments or Grants to External Customers		<input type="checkbox"/> Cost Accounting Systems <input type="checkbox"/> Cost Finding Techniques
Reimbursable Fees and Services		<input type="checkbox"/> Cost Accounting Systems <input type="checkbox"/> Cost Finding Techniques
Administrative Salaries and Expenses		<input type="checkbox"/> Cost Accounting Systems <input type="checkbox"/> Cost Finding Techniques
IT Investment Costs		<input type="checkbox"/> Cost Accounting Systems <input type="checkbox"/> Cost Finding Techniques

Type of Cost	Cost (\$M) in FY2006	Cost Accumulation Method
Department Imputed Costs (OPM Health, CCE, Retirement, Life Insurance Payments, Treasury Judgment Fund, etc.		<input type="checkbox"/> Cost Accounting Systems <input type="checkbox"/> Cost Finding Techniques
Other Costs (please describe):		<input type="checkbox"/> Cost Accounting Systems <input type="checkbox"/> Cost Finding Techniques

2. How are amounts accumulated in support of the Department's Statement of Net Cost?

3. Select the responsibility centers/program areas from your Agency's budget full cost exhibits and list below, by each of the USDA defined responsibility segments; e.g.. *USDA Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers; Program: Federal Crop Insurance Corporation Fund; Program Item: Compliance and Integrity Program.*

4. Are you capturing the full cost and inter-entity costs for producing your outputs for these program items?

5. What is your costing methodology? If there is more than one methodology used by your agency, please identify circumstances where each is used. Please choose from the following three choices (defined in Chapter 3 of the *Agriculture Financial Standards Manual*):
 - a. Direct tracing of costs (cost of resources that are used directly in the production of an output).
 - b. Assigning costs on a cause and effect basis (for costs that are not traced directly to outputs). In this case, the cost is assigned to an intermediate cost object which links the resource costs and the output or activity. Overhead costs are an example of this.
 - c. Allocating costs on a reasonable and consistent basis. An example of this would be General and Administrative expenses like depreciation, rent, utilities, security, etc.

Type of Cost	Organizations and Budget Object Classes	Activities and Projects	Programs and Program Outputs	Strategic Goals and other Performance Measures
Loan Subsidies	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable
Program Payments or Grants to External Customers	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable
Reimbursable Fees and Services	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable
Administrative Salaries and Expenses	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable
Department Imputed Costs	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable
IT Investment Costs	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable
Other Costs (please describe):	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable	<input type="checkbox"/> Direct Tracing <input type="checkbox"/> Cause and Effect <input type="checkbox"/> Allocation <input type="checkbox"/> Not Applicable

6. Which costing methodology, if any, do you use for Administrative Salaries and Expenses? What is your costing methodology? If there is more than one methodology used by your agency, please identify circumstances where each is used.

- Activity Based Costing
- Standard Costing
- Job Order Costing
- Process Costing
- Other – Please describe:

C. Management Accountability

1. How are managers held accountable for using cost information in decision making?
2. Do executive performance plans reflect responsibility and accountability for use of cost management techniques?
3. If the answer to question #2 is no, why do you think this is the case?

D. Linking Cost and Performance Information

Financial Cost and Performance Management

1. How do you currently use managerial cost accounting in your budget process?
2. What is the source of the data for the Full Cost by Strategic Objective Budget exhibit?
 - MCA system
 - Accounting system
 - Program system
 - Manual system - Please explain source of data used

3. Is the data easy to collect and is it meaningful? If not, what challenges to you encounter? Please be specific.

4. Do you use the information from the Full Cost budget exhibits for reporting on the Planning and Accountability Report (PAR) objectives and performance measures for your responsibility center?

Yes

No

Partially – please explain:

a) Are you able to provide the full accounting cost of supporting the goal?

Yes

No

Partially – please explain:

b) What about the objectives under the goal?

Yes

No

Partially – please explain:

c) What about the performance measures under the objectives?

Yes

No

Partially – please explain:

5. If you answered no to question 4 a), b) or c), how could you use the budget exhibit to report on performance measures? What prevents you from using this data?

6. If your agency sets fees or has reimbursements, how is managerial cost accounting used to assure that full costs are recouped?

Operational Cost and Performance Management

7. What type of operational performance information and measures do you collect and link to cost information?

Responsibility Center	Number of outputs	Timeliness of outputs	Unit cost of outputs	Activity or project based costs	Other

8. List representative measures used by the component to reflect operational cost and performance (e.g. cycle per unit):

9. How do you collect operational performance information? (check all that apply)

- Financial Data Warehouse (FDW)
- Spreadsheet or database maintained locally
- Other: _____

10. What kind of data do you collect in your agency's data warehouses (e.g., FTE's)?

11. How do you link your agency cost information in FFIS with the non-financial data your agency captures in the FDW or other system?

12. Do you currently use operational performance information to:

- Prepare fiscal year budgets
- Prepare special project or supplemental budget requests
- Report financial performance to management
- Demonstrate alignment with strategic plans
- Justify headcount
- Manage employee workload
- Manage work activities

13. In making economic decisions, such as conducting a project in-house or outsourcing it, how do you use cost accounting to support the decision?

Program Cost and Performance Management

14. Your agency or staff office conducts program evaluations on a periodic basis. Some of these evaluations are reported in the PAR if the program supports a goal, objective or performance measure.
- a) Are you able to provide cost information to show the cost of the program?
 - b) What is the source of the cost information? Is it timely?
 - c) What challenges do you encountered in compiling the data?
 - d) Provide examples of program effectiveness measures which can be linked to cost (note: not all measures have a cost-performance relationship). Examples include acres conserved, and loan loss rates:

E. Systems Identification (Consolidated response is appropriate)

- 1. Does your agency have a MCA system? If not, what actions has your agency taken to develop or adopt one?
- 2. Is your agency using or planning to use an activity or project-based time and attendance system (e.g. employees put their time to programs, activities and/or projects)? Which system (if relevant)?
- 3. Does your agency have a Managerial Cost Accounting data mart or data source? Which funds does it cover?

4. Does your agency have a documented costing methodology and definitions of key managerial cost accounting components (e.g., responsibility segments, responsibility centers, indirect activities, outputs, etc.)?
5. Does your agency have a cost accounting tool to assist in implementing costing methodologies?
6. Does your organization generate managerial cost accounting reports?
 - a. Is the data retrievable from existing systems to generate managerial cost accounting reports that would support the management decision making needs identified in the “Using Cost Information” section?
 - b. What standard managerial cost accounting reports are available and how frequently are they updated?
 - c. Are the reports reliable? If not, what could be done to improve them?
 - d. Does management review reports regularly and manage cost based on information in the reports?
 - e. What is the mechanism for requesting additional reports?
7. How are you using the fields in your FFIS accounting code structure to link your accounts to:
 - i. Treasury Symbols,
 - ii. Performance measures
 - iii. The President’s budget
8. How does your system or data interface with FFIS?

What non-financial data would need to be reported to the Department’s financial