

Part 404 – Compliance – Internal and External

Subpart B – Internal Control Management

404.10 General

A. The NRCS corporate compliance strategy is a system of internal controls that provides timely and accurate information on the quality of operations, financial reporting, and compliance that result in actions to reduce risks. This framework consists of a set of tools to be utilized for assessing the quality of the outcomes produced at point-of-delivery sites and provided to clients. It is a series of well-established and tools available to leadership to access and manage risk in specific areas.

B. Internal controls provide the organizational structure, policies, and procedures to reasonably ensure that—

- (1) Programs achieve their intended results.
- (2) Resources are used consistently with agency mission.
- (3) Programs and resources are protected from waste, fraud, and mismanagement.
- (4) Laws and regulations are followed.
- (5) Reliable and timely information is obtained, maintained, reported, and used for decision making.
- (6) Identified deficiencies are corrected in a timely manner.

C. Outcomes of the implementation of this framework include—

- (1) More efficient and effective quality assurance and quality control process.
- (2) Increased efficiency and effectiveness in operations.
- (3) Collection of reliable information and data to make sound management decisions.
- (4) Protection of resources.
- (5) Execution of operations consistent with manager's plans and policies.
- (6) Outcomes measured against standardized criteria.
- (7) Standardized tools and processes for the measurement of quality remedial action plans that mitigate risk and improve agency operations in the long-term.
- (8) Follow-up that ensures quality concerns and issues are eliminated.

404.11 References

Federal agencies are subject to numerous legislative and regulatory requirements that promote and support effective internal controls. The following authorities play a major role in standards for internal control management:

- (1) Government Accounting Office Management and Evaluation Tool (August 2001)
- (2) Office of Management and Budget Circular A-123, Manager's Responsibility for Internal Control (December 2004)
- (3) Departmental Manual 1110-002, USDA Management Control Manual (November 2002)
- (4) 5 CFR Part 250, Personnel Management in Agencies
- (5) The Federal Managers Financial Integrity Act of 1982 (FMIFA)
- (6) The Government Performance and Results Act (GPRA)
- (7) The Chief Financial Officers Act (CFO Act), as amended
- (8) The Inspector General Act of 1978 (IG Act), as amended

- (9) The Federal Financial Management Improvement Act of 1996 (FEMIA)
- (10) The Federal Information Security Management Act of 2002 (FISMA)
- (11) The Improper Payment Information Act of 2002 (IPIA)
- (12) The Single Audit Act, as amended
- (13) The Clinger-Cohen Act of 1996 (formally the Information Technology Management Reform Act)

404.12 Policy

A. The Government Accountability Office (GAO) issues internal control standards for the Federal Government as required by 31 U.S.C. Section 3512(c). The standards provide the overall guidance that assists to identify risks for fraud, waste, abuse, and mismanagement. GAO has also issued a management and evaluation tool to help managers determine how well an agency's internal controls are functioning.

B. Evaluation of existing NRCS internal control structures will be conducted utilizing the GAO standards and supplemented, as needed. The standards are the minimum level of quality and apply to all aspects of the agency that include program implementation, financial reporting, compliance, and operations. Completion of this evaluation will determine the adequacy of the design and function of the agency's existing internal controls and identify what, where, and how improvements can be implemented for each particular standard.

C. These five standards provide a general framework for the agency to continually assess internal controls and integrate them as institutionalized activities and events.

(1) Control Environment

- (i) Management and employees have a positive and supportive attitude toward internal controls and conscientious management.
- (ii) A high level of employee competence for accomplishment of assigned duties and responsibilities is maintained.
- (iii) Key areas of authority and responsibility are established.
- (iv) Good human resource management practices are in place in the agency so that the right people are in the right places accomplishing the right things.

(2) Risk Assessment

- (i) The agency has established clear and consistent agency wide objectives and supporting activity-level objectives.
- (ii) The agency has identified relevant high-level risks that could impact the agency as a whole and developed associated actions to manage or eliminate the vulnerability.

(3) Control Activities

- (i) Appropriate policies, procedures, criteria, techniques, and control mechanisms have been developed and are in place to ensure adherence to established directives.
- (ii) The agency helps ensure that actions are taken to address risk.

(4) Information and Communication

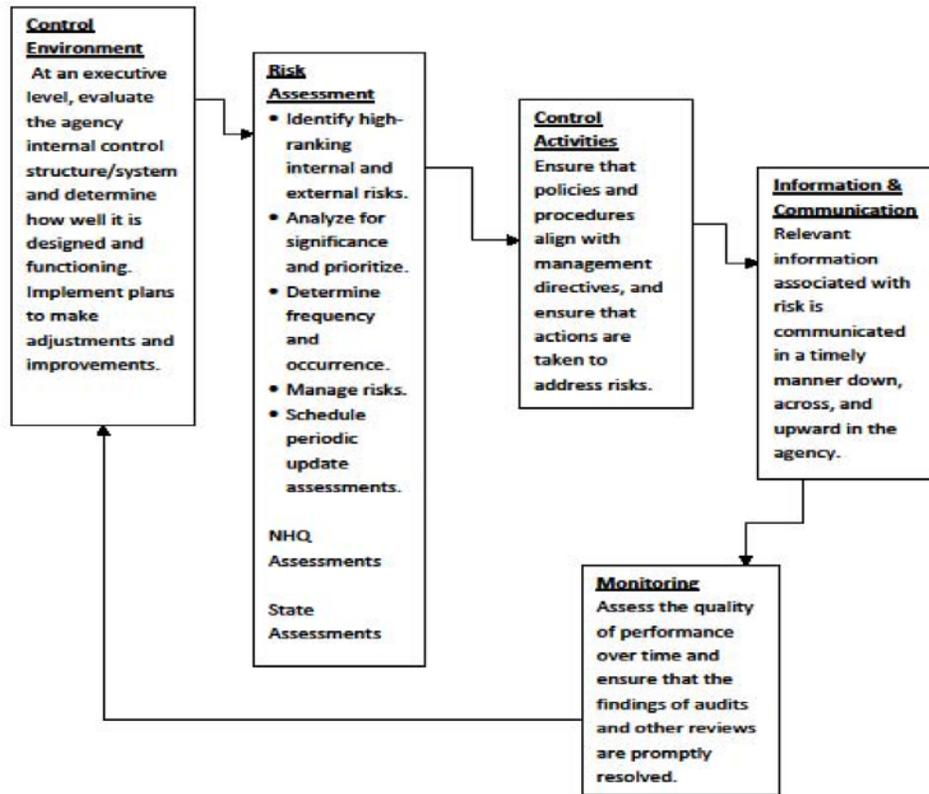
A system that distributes accurate and timely information in the appropriate format and form so staffs can perform their jobs appropriately and efficiently.

(5) Monitoring

- (i) The agency assesses the quality of performance over time and ensures that the findings of audits and other reviews are promptly resolved.

- (ii) Appropriate follow-up and monitoring occurs on a continuous basis so that deficiencies and risk can be minimized, managed, corrected, or eliminated.

NRCS Corporate Compliance Strategy Framework



404.13 Responsibilities

- A. The Deputy Chief for Strategic Planning and Accountability is responsible for—
- (1) Developing the overall framework for policy, procedures, and guidance for internal control management and implementation.
 - (2) Ensuring agency compliance activities adequately improve compliance and integrity by focusing on systemic problems so that fraud, waste, and abuse are reduced.
 - (3) Making recommendations for adjustments to strengthen and improve overall compliance activities.
 - (4) Developing quality assurance and quality control streamlining efforts for evaluations, reviews, spot checks, and other assessments to minimize the impacts on National headquarters and States.
- B. Deputy Chiefs are responsible for—
- (1) Oversight of national quality assurance processes in appropriate areas of responsibility.
 - (2) Providing results of quality assurance reviews, risk assessments, and evaluations to appropriate staff for corrective actions.
 - (3) Correcting and addressing any findings, deficiencies, risks, or vulnerabilities revealed by reviews, assessments, or evaluations.

C. The Director, Compliance Division, is responsible for—

- (1) Implementing a corporate approach to quality assurance reviews in coordination with the Oversight and Evaluation staff and deputy areas.
- (2) Preparing recommendations for States and deputy areas to address risks and issues identified during quality assurance reviews.
- (3) Ensuring recommendations from quality assurance reviews are carried out at National Headquarters.
- (4) Serving as an internal liaison to ensure deputy areas address suggested quality assurance and quality control recommendations.
- (5) Summarizing national quality assurance risks and developing recommended actions.
- (6) Reporting to agency leadership on quality assurance and quality control issues.
- (7) Developing a national schedule of review, assessments, and evaluations.

D. The Regional Conservationists are responsible for—

- (1) Oversight of State quality assurance processes.
- (2) Providing results of quality assurance reviews, risk assessments, and evaluations to appropriate staff for corrective actions.
- (3) Correcting and addressing any findings, deficiencies, risks, or vulnerabilities revealed by reviews, assessments, or evaluations.

404.14 Major Steps Associated With Strategic Implementation of Agency Internal Control Processes

A. Conduct an executive-level measurement of internal controls in the agency using the Government Accountability Office management and evaluation tool and supplemental information, as needed.

B. Identify existing and potential risks and vulnerabilities through comprehensive assessments at National Headquarters and at State offices.

C. Develop quality criteria for National Headquarters and State offices based on relevant agencywide risks.

D. Develop quality system tools that will assist in measuring quality criteria both at National Headquarters and at State offices.

404.15 Reviews, Processes, and Evaluations at National and State Levels – Reserved