FOIA Number: 2012-0741-F

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Folder Title:
Department of Agriculture-Delegation of Authority to CFOs [Chief Financial Officers]

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Legend:

ASA = Assistant Secretary for Administration
CFO = Chief Financial Officer
OBPA = Office of Budget and Policy Analysis
MAP = Modernization of Administrative Processes
FISVIS = Financial Information Systems Vision and Strategy

USDA CFO ORGANIZATION

Duties and Responsibilities

AREA	EXISTING SITUATION	PANEL RECOMMENDATION	CFO RECOMMENDATION
BUDGET	OPBA does general budget formulation; CFO does formulation of Secretary's budget	Discontinue CFO formulation of Secretary's budget	Place all budget operations (formulation and execution) under the CFO. At a minimum, continue as is
FINANCIAL MANAGEMENT	CFO is responsible for all Departmental financial management activities; works with agencies to support agency financial management activity	Continue "financial" activities under CFO; transfer "management" (some budget work, management and productivity improvement, but not GPRA) activities to ASA	All direct financial and related financial management activities should remain under the province of the CFO
NATIONAL FINANCE CENTER	CFO is responsible for NFC operations	Should stay with CFO	Should stay with CFO
INFORMATION SYSTEMS	CFO is responsible for financial systems and financial portions of mixed systems; other systems are under the ASA	Not addressed by Panel	All systems should be placed under the CFO, as recommended by the CFO Act
PROCUREMENT	ASA is currently responsible for procurement	Not addressed by Panel	Procurement, an essentially financial activity, should be placed under the CFO, as suggested by the CFO Act
WORKING CAPITAL FUND	CFO is responsible for WCF operations	Operations stay with the CFO; oversight by "executive council" chaired by CFO	WCF activities are heavily financial in nature; should stay under the control of the CFO, in cooperation with customers
MAP PROJECT	ASA is currently responsible for MAP activities	Continue as is	Systems addressed by MAP benefit most by financial analysis; thus, MAP should be transferred to the CFO
FISVIS PROJECT	CFO is currently directing the FISVIS project	No real question about who should run it; should stay with the CFO	Should stay with the CFO
TRAVEL	CFO is responsible for travel management	Continue as is	Should stay with the CFO

Williams

United States Department of Agriculture
Office of the General Counsel
Washington, D.C. 20250-1400

MEMORANDUM FOR THE DEPUTY SECRETARY

FROM: James S. Gilliland
General Counsel 10/27/94

SUBJECT: Delegation of Authority to CFO - Issues and Proposed Determination

This memorandum responds to the assignment on August 22, 1994, by Deputy Secretary Rominger to me as Chairman of a panel composed of Wardell Townsend, Tony Williams, Chuck Gillum, Steve Dewhurst, and me (the Panel) to assess the issues for resolution and define the responsibilities of the Chief Financial Officer (CFO). This reviews the issues and proposes a division of resources. If this is acceptable, the end product is a separate document to make the delegation of authority for that position.

The key contact areas for the CFO are with Administration, headed by the Assistant Secretary for Administration (the "ASA"), and the Office of the Inspector General, headed by the Inspector General, and OBPA, headed by its director. There are no open areas of responsibility to be resolved between the CFO and either the OIG and OBPA. The open areas lie between the CFO and the ASA, since in prior years the CFO's responsibilities were carried out by the ASA wearing both hats.

Our project considered information provided by and discussions with the Deputy Secretary and members of the Panel, as well as editing by the Panel, to provide these recommendations. These have been reviewed and discussed, and in fact strongly debated, and the conclusions are the consensus of the majority of the Panel.

1. <u>Basic Statutory and Administrative Authorities</u>

We began with the Act, which is the Chief Financial Officers Act of 1990. This is commented upon in the GAO report of September 1991, which gives the GAO's interpretations of the reasons for the CFO Act to exist. In fact, there is little specific information in those papers to assist in our delineation project, as these documents are broad but not specific.

We also reviewed the National Performance Review report of the Vice President, and in particular, noted the discussion on page 31 of the booklet on Improving Financial

Management, FM05, entitled "Use The Chief Financial Officers (CFO) Act To Improve Financial Services." This, also, is more aspirational than definitive, and sets the objective of a high standard of financial services, led by financial managers with broad financial management backgrounds. The CFO's are intended to have a relationship with OMB as the "focal point for financial management policy." They should operate under the coordination of the CFO Council whose stated function it is to "advise and coordinate the activities of the agencies . . . on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and any other financial management matter," quoting the CFO Act. The NPR report suggests that this financial leadership structure will enhance financial managers' ability "to serve line managers." The CFO is to be the "principal financial officer" of the agency, the senior staff officer who advises the Secretary directly on "all financial management activities." As such, it suggests that the CFO should have authority over the various functional components of financial management exclusive of the budgeting process.

From the NPR and OMB reports, we believe that the fundamental concept in the creation of the CFO structure is to model government CFO's on their corporate cousins. Corporate CFO's are staff executives, analogous to the corporation's counsel, with oversight on matters of what financial resources the company needs (basically, the budget and corporate finance areas), how it is using its resources (the controller function), and how it used them (the oversight function).

Like the counsel, the CFO is not a "line" executive. The CFO provides the financial link between elements of the company. However, the business functions of the Federal Government differ from the private sector in a number of key respects. Principally, the acquisition of resources through the Congressional appropriations process is unlike the "sales" or financing functions of the private sector. As a result, budget formulation and presentation are more closely aligned with policy and program development than with the traditional accounting function.

Also, the independence of the audit function in the Federal Government is governed by Inspector General Act of 1978, with the result that most audit functions remain with the IG rather than with the CFO. We thus have the CFO, as the senior staff advisor to the Secretary in the finance area, with responsibility for the remaining financial functions of the Department.

We find no other helpful guidance as to the line of demarcation between the responsibilities of the CFO and of the ASA. With resolution not having been reached in this area by discussion within the Department, this was our task.

2. Structure of Assignments Which Are Already Established

From our two Panel meetings, it appears that two elements of our financial world have already "come to rest" and are not subject to fresh review by this Committee. They deserve only brief comment.

A. Audit and Budget

As noted above, the IG has statutory audit responsibility, a province of the CFO in the private sector. The Department's budgeting function also is established in OBPA. Thus, the budget work of the Department is to remain unchanged. "If it ain't broke, don't fix it" seems to apply here. These are policy judgments which come from our laws and Regulations, which we note here simply to observe upon the variance with the corporate model.

B. National Finance Center

The second "card played" is the National Finance Center (NFC). The NFC is an operating department with some 1,600 employees, serving the financial processing needs of this Department and others which contract for its services. While the CFO observes that its principal product is "financial," and it is true that much of the NFC's end product is financial in the sense that it is in the form of checks that go into employees' accounts. However, the NFC is what the business community calls a "service bureau"; it is an operating function providing an administrative service. It is not (a) a financial management or staff fiscal function, and (b) with 1,600 employees and service to agencies within and without this Department, it is a "line" function, not a "staff" function. However, it has been assigned to the CFO. The CFO staff appear capable of supervising it. They are handling it satisfactorily. It is already in place and working well. So it shall stay with the CFO.

3. Allocation of Responsibility In Other Areas

Our charge, therefore, is to assess and allocate the remaining "gray area" of financially related administration responsibilities under the former ASA/CFO office. Most, but not all, of these are in the Office of Financial Management (OFM).

Each executive officer has a legitimate and good faith belief that the areas which are gray should properly be a part of his responsibility. Each understands that the other's belief is, likewise, in good faith and legitimate. Therefore, since it does no good to look to the statute or other written guidance, we assessed the practical effect of how the division should occur which would allow for both areas to function in the most effective way into the future. Stated another way, each of the two parties recognizes that the principal issue is "resources." By "resources," we can read "people," as each officer legitimately needs the people involved to discharge his responsibilities. These "gray areas" sift down to these few items:

A. Modernization of Administrative Processes, or "MAP."

While the MAP office now only includes a couple of people, and is projected in 1995 for 5, its breadth exceeds its base. It functions as a think tank and is a resource for which both areas see a need. By definition, and as its name states, MAP is an "administrative" function in the province of the ASA, since administrative processes are his direct responsibility. However, the CFO argues that the administrative matters which MAP addresses most often are improvements in the "financial area," which is in the CFO's area. This, too, is true. Having considered both positions, it seems that MAP should stay under the ASA.

Having said that, we now want to qualify it. What MAP administers relates to other agencies. It interacts. To operate effectively, an Executive Board should function with MAP. The Board should serve as both a sounding committee for ideas and as a policy committee with active participation with agency representatives. It needs frequent transfusions of financial analysis. We recommend that MAP be chaired by the ASA, but all actions which involve a financial or accountability function be subject to the advice and consent of the CFO. If they cannot agree on some issue, the last say should be with neither the ASA or the CFO, but with the Deputy Secretary.

B. Management Personnel Under OFM.

The "M" in OFM stands for management, as it does in OMB. The Management and Productivity Improvement Division of OFM oversees USDA cost management activities, tracks the status of GAO audits, conducts cost management studies, and guides, develops and oversees USDA's Total Quality Management and other Federal management programs. This division also has responsibilities with respect to the internal management of OFM. There are nine staff years involved in this area.

The ASA clearly has important management responsibilities and would draw the line of demarcation as "financial management" versus non-financial management. Some of the responsibilities of the Management and Productivity Improvement Division are arguably beyond the strict confines of financial management. The CFO argues that all management carried out by OFM is, necessarily, financial in character, and therefore these personnel should serve under his jurisdiction. The CFO points to his responsibility for the Government Performance Results Act (GPRA).

Both arguments are both logical and sound. Both groups need the people. The problem is that there are not adequate resources for each organization to have a staff this size. Since the staff has done all aspects of the work, and there will be no new people assigned, our best suggestion is to divide the staff in two, and to allocate those necessary to meet the GPRA requirement to the CFO, and the other management personnel who discharge the ASA's management responsibilities to the ASA. The CFO's responsibility will continue to include audit follow-up. This split may make neither officer happy, but it allows some coverage of each responsibility.

C. Budget Unit and Working Capital Fund

There are actually two functions here, comprising twenty-four people, with thirteen in Budget in the Central Services Office, and eleven working for the Working Capital Fund and Fiscal Operations Staffs.

(1) The Budget Staff does the basic budget work for the smaller offices, such as the Office of the Secretary, OBPA, OGC, etc. It also does the budgeting for a number of central USDA accounts, such as Hazardous Waste Management, Advisory Committees, and the strategic plan for Washington office space. The ASA feels that this is an administrative service that is provided to these agencies and accounts. The CFO feels that this is a financial function that comes with OFM. If budgeting were generically in the CFO realm, we would agree with the CFO, but the budget issue has already been addressed. In USDA, at least, it is not to be considered a financial management function. We believe that the service to the smaller offices is an "administrative service." These resources should stay with the ASA.

(2) The Working Capital Fund Staff provides budget, accounting, and oversight services to activities financed through the Working Capital Fund and supports the Chief Financial Officer in his role as Controller of the Working Capital Fund. The Fiscal Services Staff provides for the distribution of "Greenbook charges" among USDA agencies. Both of these functions are heavily "financial" in nature but the ASA correctly notes that many of the specific activities (computer centers, utilities charges, etc.) are within his jurisdiction in terms of day-to-day management. On balance, we believe that these functions should stay with the CFO. However, we also believe that the overlap of interests in this area dictates the creation of an executive council not dissimilar from the recommendation for MAP except that this council would be chaired by the CFO. All actions involving activities under the jurisdiction of the ASA would require the advice and consent of the ASA.

Fis-Vis Project

There are about ten people working on the Fis-Vis Project, which is a project to tie together the fiscal systems, management, accuracy and controls of the USDA. The need for this project rests in problems noted by the GAO and others that we have four or five different, somewhat inconsistent, financial management systems. Although Fis-Vis is largely involved with systems, its more important mission is financial policy. There's no real question about who should run it. Let's be simple and direct on it. This project should go to the CFO.

Travel

One other item discussed by the group has been "travel management." This function has to do with the establishment of USDA-wide travel policies which are, in turn, a reflection of policies established by the General Services Administration. It administers, in particular, USDA personnel transfers, the moving costs for which exceed $50 million per year. These functions are presently carried out as part of the responsibilities of the Federal Assistance and Fiscal Policy Division of OFM.

Travel policy is always controversial, akin to policy on parking places, which gives it sensitivity beyond its numbers. It is doubtful that a corporate CFO would have much to do with his travel office, which seems to be an administrative service function. So, even though it is an administrative function in most common perspectives, its mission is also important for accountability. It is doubtful that any executive looking for a simpler life would want it.

The Panel is not unanimous on who should have this small function. We would be comfortable with either party having it. If the Deputy Secretary feels that it should remain under the ASA, we would feel comfortable about that; otherwise our divided recommendation would be to give it to the CFO.

6. Relationship of the CFO to Other Financial Executives Within the USDA

One other matter discussed by the Panel at its final meeting was the relationship between the Department-level CFO and the financial officers (controllers) of USDA agencies. OMB favors strong CFO oversight of agency-level controller positions. This oversight extends to the review of job descriptions and skill requirements, consultative oversight over the selection of individuals to fill these positions, and consultation with agency heads in performance evaluations of persons serving in financial capacities. The Panel agrees that these are appropriate functions for the Department's CFO with the understanding that this oversight is intended to supplement rather than supplant agency-level processes. It should be left to the CFO and to agency officials to establish more specific procedures covering the oversight functions. Accordingly, this policy recommendation is unanimously presented, but it is not a part of the Delegation which allocates resources as per our mission.

7. Conclusion

A reading of this analysis may recall the parable of Solomon's baby. However, we think that this resources allocation solution will serve to allow the work to get done despite inadequate resources, which is, after all, the public interest. The net effect would be to assign about 17 of 77 staff years currently housed in OFM to the ASA. Other plans, or variations on these themes, may also work. This should work for USDA, for the CFO, for the ASA, and, thus, for all of us. It is in this spirit that it is recommended.