

# FINANCIAL AND COMPLIANCE REVIEW GUIDE FOR THE TECHNICAL ASSISTANCE FOR SPECIALTY CROPS PROGRAM

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This guide provides instructions for performing a financial and compliance review of a Technical Assistance for Specialty Crops Program (TASC) Participant. It provides guidance for determining whether the Participant:

1. Met the financial and administrative responsibilities of its TASC program agreement;
2. Claimed only authorized, reasonable, and documented expenses; and
3. Reported only eligible and documented contributions and provided the required percentage match.

The instructions outlined in this guide apply to both the Participant's headquarters and overseas field offices.

A copy of the compliance review checklist covering the segments contained in this guide is provided for the reviewer as a control worksheet. Because of the variety of Participant organizations, reviewers must use their professional judgment to tailor the guide and checklist to meet specific conditions at the review site.

## **BACKGROUND**

TASC uses funds from the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC) to assist organizations by providing funding for projects which address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops.

TASC is authorized by Section 3205 of the Farm Security and Rural Investment Act of 2002 and is administered by USDA's Foreign Agricultural Service (FAS).

TASC forms a partnership between any U.S. organization, including, but not limited to, U.S. Government agencies, State government agencies, non-profit trade associations, universities, agricultural cooperatives, and private companies to provide funding for the costs of barriers that prohibit or threaten the export of U.S. specialty crops.

Under TASC, funds from CCC are used to reimburse the allowed expenditures of program Participants conducting approved activities.

Applications for TASC are developed by trade organizations and submitted to FAS separately or as part of the Unified Export Strategy (UES), the process that allows applicants to submit a single, consolidated marketing plan and strategy and request funding under various USDA market development programs.

Upon approval of a TASC application, FAS sets an activity funding level and signs a program agreement with the Participant.

The TASC regulations (7 CFR part 1487), which were last revised in 2003, must be used in conjunction with the Participant's authorization letter and program agreement to define activity requirements including activity dates, reimbursement procedures, record and report requirements, and activity evaluations.

All Participants must keep an itemized list of allowable expenditures incurred during the approved activity and submit them to FAS for reimbursement. All expense claims are subject to review, and Participants are held accountable for maintaining proper documentation for the program.

## **GENERAL REVIEW INSTRUCTIONS**

### ***A. PRELIMINARY REVIEW WORK***

1. Schedule and confirm review dates with the Participant.
2. Notify the Agricultural Counselor/Attaché/Trade Officer of the scheduled itinerary for the review of the Participant's overseas offices (if applicable).
3. Become familiar with the TASC Regulations (7 CFR part 1487), program agreement, TASC Notices, and any other policies and instructions relating to TASC.
4. Review the previous review report and working papers. Note report findings and recommendations and their resolution. During the course of the current review, determine the present status of past findings.
5. Review the signed TASC agreement and approval letter. These documents are filed with either the Marketing Operations Staff or the Commodity Division Marketing Specialist.
6. Through discussion with the Commodity Division Marketing Specialist and review of correspondence files, determine whether any problems or special conditions exist.
7. Obtain a schedule of advances and reimbursements made by CCC during the review period from the UES database. This schedule can serve as the control worksheet for advances and expenses examined during the review period.

- B. ENTRANCE CONFERENCE.** Meet with Participant officials at the start of the review to discuss the purpose and scope of the review and any potential problem areas.
- C. WORKING PAPERS.** Support all findings with complete and accurate working papers. Each working paper should identify the: (1) purpose or objective for developing and analyzing information in each review area; (2) scope of the review coverage; (3) source of the data reviewed; (4) conclusions as to the facts developed; and (5) appropriate recommendations. Cross-reference the working papers to the review report and the review checklist.
- D. EXIT CONFERENCE.** Meet with Participant officials at the end of the review to discuss all findings, recommendations and areas of concern, as well as any additional information the Participant needs to provide. Include a summary of the meeting along with a list of attendees in the review working papers.
- E. REVIEW REPORT.** A review report containing all findings, observations and recommendations resulting from the review must be issued to the Participant as soon as possible. The Participant will be asked to respond to the report within 60 days after the issue date of the report.

**SPECIFIC REVIEW TASKS**

**A. FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM CONTROLS REVIEW**

- 1. Objective.* To determine whether the Participant has a financial management and accounting system in place that conforms to generally accepted accounting principles.
- 2. Review Steps.*

  - a. Identify Participant personnel responsible for managing TASC activities. Evaluate whether the Participant provides sufficient U.S.-based and overseas office staff to effectively manage TASC.
  - b. Determine whether the Participant has written instructions and authorizations supplementing the TASC regulations for U.S.-based and overseas office use. Evaluate the adequacy of any written instructions.
  - c. Verify that the Participant's accounting system contains:

    - (1) Effective controls over and accountability for all activity funds and for any property purchased with TASC resources.
    - (2) A records management system which provides budgetary control for each activity.
    - (3) Original receipts for all expenditures in excess of \$25 and receipts for all STRE expenditures regardless of value (while not specifically prohibited, TASC expenditures should not include STRE).

- (4) Cross-references between all accounting records and expenditure source documentation.
  - (5) A direct means or audit trail for verifying recorded data with reimbursement claims and expenditure documentation.
  - (6) Procedures for determining the allowability of TASC expenditures. In most cases, control is provided by an employee who determines whether the expenditure is allowable before it is posted to the activity records and claimed for reimbursement.
  - (7) Periodic reconciliation of program obligations, expenditures, and unexpended balances with reports received from CCC.
- d. Obtain and review the annual audit report, including the management letter, prepared by the Participant's independent public accountant. If the organization receives \$500,000 or more of Federal funds (from one or more sources) in a year, it is required to have an audit conducted in accordance with Office of Management and Budget Circular A-133 for that year.
  - e. Determine whether the Participant has procedures in place to resolve audit and review findings and to implement recommendations.

**B. PROGRAM ADVANCES**

- 1. *Objective.* To determine whether advances are accounted for properly and fully expended within 90 days after the date of disbursement by CCC.
- 2. *Reference.* 7 CFR part 1487.8(b) and (c)
- 3. *Review Steps.*
  - a. Verify that the advance balance on the Participant's records agrees with the advance balance on CCC's records.
  - b. Verify that the advances are deposited in an insured, interest-bearing account.
  - c. Review program advances. Verify:
    - (1) The Participant has procedures in place to minimize the time elapsing between the transfer of funds from CCC and their subsequent use for program expenses.
    - (2) Verify that participants received no more than 85 percent of their approved funding for any given program year.
    - (3) Advances are fully expended within 90 calendar days after the date of disbursement by CCC or returned to CCC along with all interest earned on the advances.

- (4) Interest earned on advances was reported/remitted to CCC, as required.

**C. ACTIVITY EXPENSES**

1. *Objective.* To determine whether TASC resources were used only to reimburse allowable expenditures made to further an approved activity, for which the participant has not been or will not be reimbursed by any other source.
2. *Reference.* 7 CFR part 1487.8(a)(1)
3. *Review Steps.* Verify:
  - (1) The total dollar amount of all activities.
  - (2) The dollar amount of each individual activity.
  - (3) The adequacy and reliability of the Participant's accounting system, records, supporting documentation, and internal controls.
  - (4) Any problem areas encountered during the review period.
4. *General.*
  - (1) Check reimbursement claims for mathematical accuracy and proper certification for payment.
  - (2) Selectively trace activity expenditure line items on reimbursement claims into the general and/or subsidiary ledgers.
  - (3) Test expenditures made at the beginning of an activity to ensure that they were not made prior to CCC's approval of the activity.
  - (4) Selectively trace program expenditures to source documentation. Verify that the expenditures were authorized, adequately documented, and reasonable.
  - (5) Selectively trace program year expenditures to payment documents (e.g., canceled checks, wire transfers, etc.).

**D. NONEXPENDABLE PROJECT PROPERTY AND LEASES**

1. *Objective.* To determine whether the Participant's property management system adequately accounts for and safeguards project property and whether CCC's monetary interest is protected when project property is discarded.
2. *Reference.* 7 CFR part 1487.7 (Program Agreement and Approval Letter/s)

*3. Review Steps.*

- a. Schedule all nonexpendable property purchases and leases made during the review period.
- b. Determine whether nonexpendable property leases were authorized in the activity plan.
- c. Verify that leases are in writing and do not extend beyond the current activity plan year.
- d. Verify that the Participant has not used CCC resources to lease (except during authorized travel status) or repair motor vehicles.
- e. Trace nonexpendable property purchased during the review period to the inventory records.
- f. Ensure that the inventory records properly identify each item purchased with CCC resources.
- g. Select a sample of nonexpendable property items and physically verify their existence and use for activity purposes.
- h. Verify that the Participant properly disposed of project property.
- i. Verify that the Participant has properly/adequately insured all nonexpendable property purchased with TASC resources.

***E. DAILY CONTRACTORS***

- 1. Objective.* To determine whether daily contractors' fees comply with TASC limitations.
- 2. Reference.* 7 CFR part 1487.7 (Program Agreement and Approval Letter/s)
- 3. Review Steps.* Verify:
  - a. Daily contractors are hired under written contract.
  - b. Daily contractor fees do not exceed the daily gross salary of the GS-15, Step 10, base salary in effect at the time.
  - c. Daily contractor billings include a schedule of days worked.
  - d. Contract stipulations and objectives are met.

***F. TRAVEL***

- 1. Objective.* To determine whether travel expenses comply with the U.S. Federal Travel Regulation (FTR).

2. *Reference.* 7 CFR Part 1487.7 (Program Agreement and Approval Letter/s) and FTR 41 CFR parts 301 through 304.
3. *Review Steps.* Review travel expense claims. Verify:
  - a. Per diem and miscellaneous expense claims comply with FTR.
  - b. Air travel claims do not exceed the full fare economy class equivalent rate and that they comply with the "Fly America Act."
  - c. Travel advances are not claimed for reimbursement until the travel is completed.
  - d. The Attaché/Trade Officer who covers the destination country was notified in advance of any travel.
  - e. Trip reports were submitted if required.

***G. SALES AND TRADE RELATIONS EXPENDITURES (STRE) - While not strictly prohibited, TASC Expenditures Should Not Include STRE***

1. *Objective.* To determine whether STRE expenses comply with TASC limitations.
2. *Reference.* 7 CFR part 1487.8(a)(4).
3. *Review Steps.* Review STRE expenses on a sample basis. Verify:
  - a. Per capita costs are equal to or less than American Embassy representational funding guidelines.
  - b. The Attaché/Trade Officer provided written authorization for STRE claims that exceed Embassy limitations.
  - c. Attendees include persons other than Participant and U.S. government employees.
  - d. No STRE was reimbursed for events occurring in the United States.

***H. CONTRACTING FOR GOODS AND SERVICES***

1. *Objective.* To determine whether the Participant's contracting standards ensure that the terms, conditions and costs of contracts for goods and services result in the most effective and economic use of TASC resources.
2. *Reference.* 7 CFR part 1487.7 (Participant Agreement and Approval Letter/s).
3. *Review Steps.* Verify:

For contracts valued at less than \$25,000 per annum, the Participant ensured that the costs constituted an economical and effective use of TASC resources:

- a. Some form of cost or price analysis was performed.
- b. Documentation supports the basis for the award including justification for not selecting the lowest bidder.
- c. The action did not result in a conflict of interest.
- d. The amounts paid agreed with the contract provisions.
- e. The contracted goods or services were provided.

In addition to the above, for all contracts valued at \$25,000 or more per annum, the Participant also should:

- a. Obtain at least 3 competitive bids (where possible) to assure adequate competition; and
- b. Rebid all contracts at least every 3 years.

### ***I. CONTRIBUTIONS***

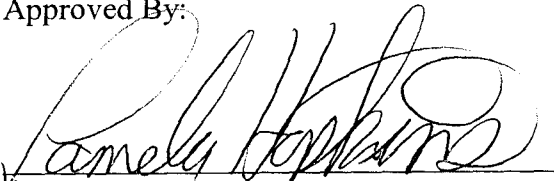
1. *Objective.* To determine whether contributions equal the percentage specified in the approval letter and were eligible and properly documented.
2. *Reference.* 7 CFR part 1487.7 (Program Agreement and Approval Letter/s).
3. *Review Steps.*
  - a. Verify that the Contributions Report was submitted to FAS no later than 90 days after the end of the program year, or as specified in the Participant's authorization letter/s.
  - b. On a test basis, trace reported contributions to source documentation. Verify:
    - (1) Contributions were in furtherance of approved activities.
    - (2) Contributions were eligible.
    - (3) Contributions were not reimbursed to the contributor by any other source.
  - c. Verify that the values placed on in-kind contributions were reasonable.
  - d. Determine whether the Participant's contribution equals or exceeds the percentage specified in the authorization letter/s.



**J. CONTACT INFORMATION**

If you have any comments or suggestions about this guide, please address them to Pamela Hopkins or W.H. Elizabeth Wong Lee, Compliance Review Staff, at (202) 720-6713, via fax at (202) 720-7138, or via e-mail at: [Pamela.Hopkins@fas.usda.gov](mailto:Pamela.Hopkins@fas.usda.gov) or [Beth.Wong@fas.usda.gov](mailto:Beth.Wong@fas.usda.gov).

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