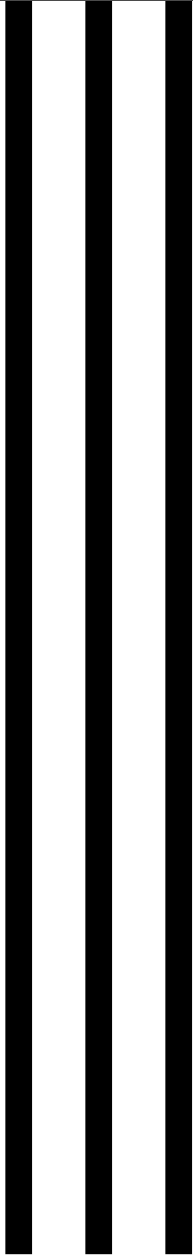


USDA



U.S. Department of Agriculture
Office of Inspector General
Southeast Region
Audit Report

ANIMAL AND PLANT HEALTH
INSPECTION SERVICE
CITRUS CANCER ERADICATION
PROGRAM
STATE OF FLORIDA



**Report No.
33099-2-At
AUGUST 2002**



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: August 8, 2002

REPLY TO
ATTN OF: 33099-2-A1

SUBJECT: Animal and Plant Health Inspection Service
Citrus Canker Eradication Program - State of Florida

TO: Bobby Acord
Administrator
Animal and Plant Health Inspection Service

ATTN: Joanne Munno
Acting Deputy Administrator
for Marketing Regulatory Program Business Services

This report presents the results of the subject audit. The Animal and Plant Health Inspection Service's June 24, 2002, response to the draft report is included as exhibit B, with excerpts and the Office of Inspector General's (OIG) position incorporated into the Findings and Recommendations section of this report.

Management decision can be made on the recommendations once the agency has provided the additional information outlined in the report sections, OIG Position, for the applicable recommendations.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing corrective actions you plan to take and the timeframes to address these recommendations. Please note that the regulation requires a management decision to be reached on all recommendations within 6 months of report issuance.

We appreciate the cooperation and assistance provided by your staff during the audit.


RICHARD D. LONG
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

ANIMAL AND PLANT HEALTH INSPECTION SERVICE CITRUS CANKER ERADICATION PROGRAM STATE OF FLORIDA

REPORT NO. 33099-2-AT

RESULTS IN BRIEF

This report presents the results of our self-initiated audit of the Citrus Canker Eradication Program (CCEP) in Florida. The audit objectives were to evaluate Animal and Plant Health Inspection Service's (APHIS) monitoring of the Florida Department of Agriculture and Consumer Services' (State Agency (SA)) implementation of the CCEP. We reviewed the controls over program expenditures and the management of citrus canker eradication activities for fiscal years (FY) 1999 through February 2002. The SA was provided \$134 million in Commodity Credit Corporation emergency program funds from APHIS.

APHIS did not have adequate controls to ensure that the SA properly reported CCEP expenses and timed requests of program funds to meet immediate cash needs. Our review disclosed

- The SA reported annual allocations it received from APHIS as actual program expenditures on the SF-269 Financial Status Reports. The SA official responsible for preparing the SF-269 reports improperly adjusted the actual expenses from the SA's books to include unliquidated obligations and encumbrances of anticipated expenses that were not incurred. As a result, the U.S. Department of Agriculture financial statements did not accurately reflect the actual expenses of the CCEP for FY's 1999 through 2001. Further APHIS could not rely on the SF-269 reports when determining the appropriateness of the SA's funding requests.
- For the period April 1999 through January 2002, the SA maintained an excessive cash balance of CCEP funds that averaged \$11 million monthly. The SA did not have procedures in place to time its cash draws of CCEP funds to meet immediate program needs. Rather than timing draws to immediate needs, the SA requested the total allocations in just one or two draws each

year. The estimated interest costs to the Federal Government for the excessive cash balance was \$1,430,522.

APHIS did not perform verifications of the SA's SF-269 reports and did not ensure that the SA followed cash management practices when requesting program funds.

In July 2000, APHIS completed a self-initiated review of the CCEP in Florida and in February 2002, the Florida Auditor General (AG) completed an audit of the program. The AG found that most of the deficiencies in APHIS' review had been corrected and that the costs charged to the program were allowable and appropriate to meet the objectives of the CCEP. Our test of SA expenditures also found that the costs charged to the program were supported and met the objectives of the program. Further, our observation of the CCEP in Broward and Brevard Counties found that the program, with some limitations imposed by the courts, was working to meet its objectives of identifying, containing, and eradicating citrus canker from Florida.

KEY RECOMMENDATIONS

We made a series of recommendations to APHIS for improving the SA's reporting of CCEP fiscal activities and cash management practices. Primary recommendations were for APHIS to require the SA to (1) only report actual expenses on its SF-269 reports, (2) establish a separate grant account for CCEP funds, and (3) time requests of CCEP funds to meet immediate cash needs. We also recommended that APHIS refer the excessive cash balance issue to the U.S. Department of the Treasury for a determination of whether the State should be assessed interest for the excess balances.

AGENCY RESPONSE

In its June 24, 2002, written response to the draft report, APHIS agreed with the recommendations. We have incorporated applicable portions of APHIS' response along with our position within the Findings and Recommendations section of the report. The agency's full response is included as exhibit B of the report.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
RESULTS IN BRIEF.....	i
KEY RECOMMENDATIONS	ii
AGENCY RESPONSE	ii
INTRODUCTION.....	1
BACKGROUND	1
OBJECTIVES.....	4
SCOPE	5
METHODOLOGY	5
FINDINGS AND RECOMMENDATIONS	7
CHAPTER 1.....	7
MONITORING OF FINANCIAL REPORTING AND CASH MANAGEMENT NEEDS IMPROVEMENT.....	7
FINDING NO. 1	7
RECOMMENDATION NO. 1	9
RECOMMENDATION NO. 2	9
RECOMMENDATION NO. 3	10
FINDING NO. 2	10
RECOMMENDATION NO. 4	13
RECOMMENDATION NO. 5	13
EXHIBIT A – SUMMARY OF MONETARY RESULTS	14
EXHIBIT B – AUDITEE RESPONSE TO DRAFT REPORT	15
ABBREVIATIONS.....	18

INTRODUCTION

BACKGROUND

In 1986, the Asian strain of citrus canker was found in Florida. Although it was declared eradicated in 1994, it reappeared near Miami International Airport in 1995. Citrus canker is

a plant disease that causes defoliation of citrus trees, lesions on the fruit, fruit to drop before it reaches maturity, and other serious damages. The disease renders fruit unmarketable and leads to extensive economic losses in commercial citrus producing areas. Florida's citrus industry is valued at approximately \$8 billion annually.

As of February 2002, Florida was fighting citrus canker in 10 counties and had established 7 quarantine areas in Collier, Desoto, Hendry, Manatee, Martin, and Miami-Dade/Broward Counties. The total quarantine area is approximately 1,500 square miles. The movement of citrus plant material from quarantine areas is prohibited, though movement may occur when certified by the Florida Department of Agriculture and Consumer Services (State Agency (SA)).

Because there is no cure or effective treatment for canker, eradication efforts call for the destruction of all citrus trees within a 1,900-foot radius of a diseased tree. In January 2000, the SA began removing exposed trees within 1,900-foot radius of an infected tree. Based on a 2-year epidemiological study in Dade and Broward Counties, this would capture 95 percent of disease spread from infected trees.

A November 17, 2000, State Court decision hampered the Citrus Canker Eradication Program (CCEP) because it stopped the cutting of exposed trees that had not developed canker symptoms. Strong opposition by many urban landowners and continuous negative news media coverage resulted in the lawsuit that stopped the removal of exposed trees within a 1,900-foot radius. The SA continued cutting diseased trees. As of March 2002, the State was seeking a change in State law that would require all citrus trees within a 1,900-foot radius of an infected tree be cut and removed. This change in the State law would remove the basis of the lawsuits. The State anticipated passage in the 2002 session of the Florida legislature.

Program Administration:

In the U.S. Department of Agriculture (USDA), the Animal and Plant Health Inspection Services (APHIS) administers the CCEP through a Cooperative Agreement with the SA. The Plant Protection Act of 2000 authorizes APHIS to cooperate with States and their political subdivisions to detect, eradicate, suppress, control, and prevent or retard the spread of plant pests and diseases. The CCEP objectives are to detect, contain, and eradicate citrus canker in Florida.

Under the Cooperative Agreement, the SA's responsibility of monitoring citrus canker was limited to designated quarantine areas while APHIS was responsible for monitoring the rest of the State. The SA, in cooperation with APHIS, establishes quarantine areas within Florida designed to contain citrus canker outbreaks. APHIS provides the SA with funds for allowable CCEP costs. APHIS also provides resources that include vehicles, radios and phones, office equipment, and furniture. The SA is responsible for day-to-day operations of the program.

Program Size and Cost:

For fiscal years (FY) 1999 through February 2002, APHIS provided the SA with \$134.3 million of funding and the State provided \$95.8 million. (See table 1.)

Table 1

FY	Funding Source	
	APHIS (Millions)	State (Millions)
1999	\$17.18	\$6.4
2000	55.99	57.8
2001	46.67	30.5
2002	14.49	1.1
Total	\$134.33	\$95.8

APHIS obtained funding for the CCEP through the Commodity Credit Corporation (CCC) Emergency Program authorization. These are no year funds that can be rolled over year-to-year to meet program needs.

Funding increased significantly in FY 2000, due to increased survey efforts that required additional staff and logistical support to identify diseased trees and surveillance efforts. This led to a significant increase in the cutting of trees with or exposed to citrus canker.

Program Controls:

The primary objective of the CCEP is to identify, contain, and eradicate citrus canker from Florida. This is accomplished through two types of surveys, a General Survey and a Sentinel Survey. The General Survey is an intensive SA review of all properties located inside quarantine areas. Each quarantine area is divided into Section-Township-Ranges (STR) for monitoring. A typical STR measures 1 square mile. The SA assigns two teams consisting of two inspectors each to survey all properties for citrus trees in STR for the presence of citrus canker. On each property, inspectors document the number of citrus trees and, if applicable, the suspected presence of citrus canker. Suspected trees are marked for a follow-up pathologist's analysis. After the General Survey is completed in STR, the inspectors return to the area with a pathologist who analyzes the samples and determines if a tree is infected and should be removed. The inspectors also map each property with a suspect tree, obtain samples for analysis, and detailed information for the properties' trees (variety, size and age). Table 2 shows CCEP activity since November 1, 2000.

Table 2

Category	Totals
Properties surveyed	2,322,523
Positive trees with citrus canker	11,783
Exposed trees with citrus canker	192,442
Trees Cut	18,211

APHIS inspectors perform the Sentinel Survey outside the quarantined areas. A Sentinel Survey generally selects 144 citrus trees per square mile for monitoring every 60 to 90 days for the presence of citrus canker. APHIS has 104 inspectors performing Sentinel Surveys covering 16,888 square miles and 121,338 sentinel trees.

The Cooperative Agreement also requires the SA to maintain accounting records supporting CCEP expenditures. The SA is required to submit quarterly accomplishment reports on program activities, and a SF-269, Financial Status Report of Program Expenditures to APHIS no later than 30 days after the end of each Federal fiscal quarter, and a final SF-269 no later than 90 days after the agreement expires. The State is also required to provide APHIS an independent annual audit in accordance with the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", revised June 24, 1997.

Previous Program Reviews and Noteworthy Accomplishments:

In July 2000, APHIS' Market and Regulatory Programs completed a Resources Management Systems and Evaluation Staff (RMSES) review for CCEP. The purpose of this review was to evaluate compliance with Federal regulations, policies, and procedures, and to enhance APHIS' management of the program. The RMSES review found 66 administrative and financial management deficiencies and provided recommendations to correct these issues. Both APHIS and the SA acted on recommendations to improve the overall quality and management of the CCEP.

Prior to our review, the auditor general (AG) performed an OMB A-133 audit of the CCEP for State FY 2001 (July 2000 through June 2001). Fieldwork was completed in January 2002; however, the AG has not issued its audit report. We reviewed the AG's working papers and found the AG had determined that most of the deficiencies in the RMSES review had been corrected and that costs charged to the program were allowable and appropriate.

Our test of SA expenditures also found that the costs charged to the program were eligible. Our review of the RMSES report found that 59 of the 66 deficiencies had been corrected. Further, we found that five of the seven unresolved recommendations did not impact on the success of the program. Two recommendations related to cash management practices and reporting expenses that were not corrected are discussed in this report.

Our observations of the CCEP activities in Broward and Brevard Counties showed that the program, with the limitations imposed by the court, was meeting its objectives. There was an effective cooperation between APHIS and the SA in the administration of the CCEP.

OBJECTIVES

The audit was conducted as part of the Office of Inspector General's (OIG) annual plan and assessed the CCEP in Florida. Our overall audit objective was to evaluate APHIS' monitoring of the SA's management of the CCEP. Specific objectives were to: (1) evaluate the controls over program expenditures and (2) determine if the SA was effectively monitoring and eradicating citrus canker.

SCOPE

The audit was conducted in accordance with Government Auditing Standards and primarily covered FY 1999 through January 31, 2002. For FY's 1999 through 2002, APHIS provided the SA \$134 million of CCC emergency program funds for the CCEP.

Audit work was conducted at the APHIS and SA offices in Gainesville and Tallahassee, Florida, and citrus canker field offices located in Plantation (Broward County) and Fort Pierce (Brevard County), Florida. Audit work was performed from November 2001 through February 2002.

METHODOLOGY

To accomplish our objectives, our examination consisted of the following:

- Review of the Plant Protection Act of 2000, as amended, and Federal Regulations Title 7, Code of Federal Regulation (CFR), Part 3016.
- Review of the Cooperative Agreement between APHIS and the SA.
- Interviews with APHIS officials and review of program policies, procedures, and pertinent correspondence at the APHIS State and field offices.
- Interviews with SA officials, and review of SA policies, procedures, program statistics and management reports, and other pertinent correspondence.
- Interview with and analysis of work performed by the Florida AG staff. During the course of our audit, the Florida AG office was in the final phase of its OMB circular A-133 audit of the SA for the State's FY 2001.
- Evaluation of the SA's accounting and reporting of program expenses.
- Analysis of the SA draws of Federal funds and cash management practices.
- Interviews with the U.S. Department of the Treasury officials covering the Federal Government's cash management policies and procedures.

- Judgmentally testing program expenditures reported on the SA's trial balance to supporting documentation.
- Evaluations of the program activities to identify, monitor, and eradicate citrus canker from Florida.

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	MONITORING OF FINANCIAL REPORTING AND CASH MANAGEMENT NEEDS IMPROVEMENT
------------------	--

APHIS did not have adequate controls to ensure that the SA properly reported CCEP expenses and timed its requests of program funds to meet immediate cash needs. APHIS did not perform verifications of the SA's SF-269 Financial Status Reports, and did not ensure that the SA followed cash management practices when requesting program funds. As a result, program expenditures reported on the USDA financial statements did not accurately reflect actual program expenses and the Federal Government incurred about \$1.4 million in interest on excessive program funds maintained by the SA.

FINDING NO. 1

INACCURATE REPORTING OF EXPENSES INCURRED

The SA reported annual allocations it received from APHIS as actual expenditures on the SF-269 reports. The SA's official responsible for preparing the SF-269 reports improperly adjusted the actual expenses from the SA's books to include unliquidated obligations and

encumbrances of anticipated expenses that were not incurred. Further, APHIS did not perform sufficient oversight of the financial reporting. As a result, USDA financial statements did not accurately reflect the actual expenses of the CCEP for FY 1999 through 2001. Further, APHIS could not rely on the SF-269 reports when determining the appropriateness of the SA's funding requests. (See finding 2.)

The SA is required to report its program expenditures quarterly to APHIS on the SF-269 report. The SF-269 report is used to report the status of funds and show the effect of the reporting period's transactions on the cumulative financial status of a grant or Cooperative Agreement.¹ Instructions for preparation of the SF-269 report require that expenses and unliquidated obligations be reported as separate line items on the form. Unliquidated obligations are defined as obligations incurred but not yet paid. There are no provisions to report encumbrances (an anticipated expense that had not been incurred) as expenditures on this form. USDA uses the SF-269 report to account for Federal funds provided to SA's. The SF-269 reports for all of USDA's grants and

¹ 7 CFR 3016.41(b), dated January 1, 2001

cooperative agreements are combined at yearend to report expenditures on the Department's financial statements.

We compared the SA's SF-269 reports for FY 1999 through 2001 to its accounting records and found that the expenses reported were not supported. The SA reported on the SF-269 reports the same amount as the annual allocations received from APHIS. The SA fiscal officer who prepared the SF-269 reports included unliquidated obligations, encumbrances, and off-book manual accruals² as actual expenditures to match the funds provided. Table 3 shows the annual allocations, expenses reported on the SF-269 reports, and the expenses supported by the SA's accounting system for FY 1999 through 2001.

Table 3

FY	APHIS Allocation (Millions)	SF-269 Expenses (Millions)	Actual Expenses (Millions)	Difference (Millions)
1999	\$ 17.18	\$ 17.18	\$ 8.17	\$ 9.01
2000	55.99	55.99	27.77	28.22
2001	46.67	46.67	71.40	(24.73)
Total	\$119.84	\$119.84	\$107.34	\$12.50

Our review disclosed that \$12.5 million of unexpended citrus canker funds were on hand as of September 30, 2001, although the SF-269 report showed the funds were spent.

The State Treasurer combined citrus canker eradication funds into a general "Grants Account" with all other grants the SA received and was unable to determine a cash balance of CCEP funds. Of the \$12.4 million of CCEP funds available, SA officials were only aware of \$5.4 million that was available for Shade Florida. Shade Florida is a budget line item in the CCEP Cooperative Agreement to provide \$100 to homeowners who had a citrus tree cut down to assist them in replacing greenery.

APHIS did not provide the necessary oversight to ensure that the SA's reporting of Federal funds was accurate, cash management practices were appropriate and expenses charged to the CCEP were eligible. In discussions with the SA, APHIS officials were told the annual A-133 audit provided the necessary verification and validation of program expenditures. The annual A-133 audits are financial audits of the SA and may not include testing of the validity of citrus canker transactions to provide the necessary assurance that USDA funds were properly accounted for and reported.

² The SA operates on a modified cash basis and does not make accruals at Federal FY end.

RECOMMENDATION NO. 1

Require the SA to develop procedures and establish controls for accurate reporting of CCEP costs on the SF-269 reports.

APHIS Response

In its June 24, 2002, written response, APHIS stated the following:

Florida Department of Agriculture and Consumer Services (FDACS) has been orally advised that the reimbursement requested on the SF-269 document should be limited to actual expenditures.

Once the final report has been received the Animal and Plant Health Inspection Service (APHIS) Plant Protection and Quarantine's (PPQ) Deputy Administrator will formally submit the report to the appropriate FDACS official requesting a written response to this recommendation.

OIG Position

To achieve a management decision, we will need specific details of actions APHIS and the SA will take on the recommendation and timeframes for implementation.

RECOMMENDATION NO. 2

Require the SA to establish a separate grant account to account for CCEP funds and charge program expenses to that fund.

APHIS Response

In its June 24, 2002, written response, APHIS stated the following, "We agree that CCEP funds should not be commingled with other sources of State funding. Once the final report has been received, PPQ's Deputy Administrator will formally submit the report to the appropriate FDACS official requesting a written response to this recommendation."

OIG Position

To achieve a management decision, we will need specific details of actions APHIS and the SA will take on the recommendation and timeframes for implementation.

RECOMMENDATION NO. 3

Perform routine reviews to verify costs reported on SF-269 reports and assess the SA's cash balances.

APHIS Response

In its June 24, 2002, written response, APHIS stated the following, "We agree with this recommendation. APHIS' Resource Management Systems and Evaluation Staff will perform a follow up review beginning in July 2002."

OIG Position

To achieve a management decision, we will need a copy of the followup review report and plans for ongoing reviews to assess the SA's cash balances (see Recommendation No. 5).

FINDING NO. 2
EXCESSIVE DRAWS OF
FEDERAL FUNDS

For the period April 1999 through January 2002, the SA maintained an excessive cash balance of CCEP funds that averaged \$11 million monthly. The SA did not have procedures in place to time its cash draws of CCEP funds to meet immediate program needs. Rather than timing draws to immediate needs, the SA requested the total allocations in just one or two draws each year. APHIS did not monitor the SA's cash management practices to determine whether cash draw requests were appropriate and did not ensure corrective action was taken when excess cash advances were identified. The estimated interest costs to the Federal Government for the excessive cash balance was \$1,430,522.

The Grants Management Common Rule³ provides uniform administrative rules for Federal Grants and Cooperative Agreements and provides standards for drawing Federal funds by SA's. The standard requires that "Methods and procedures for payments shall minimize the time elapsing between the transfer of funds and disbursement* * *." The regulation further provides for payments to be advances "provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and their disbursement by the grantee* * *."

In July 1998, the U.S. Department of the Treasury and State of Florida implemented the Cash Management Improvement Act (CMIA)

³ 7 CFR 3016.21, dated January 1, 2001

of 1990. The Department of the Treasury's CMIA regulations⁴ prescribe rules and procedures for the transfer of funds between the Federal Government and the States for Federal grant and other programs. The regulations provide that "a State will incur an interest liability to the Federal Government if Federal funds are in a State account prior to the day the State pays out funds for program purposes."⁵ The interest liability is incurred by the State because this program is governed by Subpart A of the regulation. This subpart applies "to all programs that meet the threshold for major Federal assistance programs in a State." The Department of the Treasury-State Agreement for Florida defines a major program as one with more than \$30 million. Even though the CCEP program exceeded the \$30 Million threshold, it was not listed in the agreement. U.S. Department of the Treasury officials stated that because the program had exceeded the threshold, it should have been included in the agreement and that the State may be liable for interest on excessive balances.

In its A-133 audit for the State's FY 2000-2001, the Florida AG identified excessive cash balances as a reportable noncompliance condition. The AG's analysis disclosed the SA's average daily cash balance maintained for all grants and agreements was \$13,053,776. All grants the SA receives are combined into a "Grants Account." The SA does not maintain a subsidiary ledger for each grant. The AG provided the following example of inadequate cash management practices:

On July 1, 2000, the SA had a cash balance of \$6 million, and on July 19, 2000, drew another \$12.4 million of CCEP funds, although expenditures from July 2, 2000, through August 17, 2000, only totaled \$5 million. This resulted in a cash balance of \$13.4 million, and, when coupled with the other grants' funds deposited, created a cash balance of \$13.9 million.

SA officials agreed with the AG that its procedures for drawing CCEP funds were not followed. The SA requests for funds were estimated based on budgeted amounts in the Cooperative Agreement, reimbursement of expenditures paid by the SA, and encumbrances of expected expenses. SA officials stated that the CCEP funds were drawn down in anticipation of a push to complete its tree cutting efforts, however, the court stopped the tree cutting of exposed trees. Because the AG's report had not been issued at the time of our review, the SA had not formally responded to the report's recommendations.

⁴ 31 CFR 205.12, dated January 1, 2001

⁵ 31 CFR 205.12(a), dated January 1, 2001

Our review showed that the SA's draw procedures had not changed since the AG's fieldwork and they were not based on immediate cash needs. Our analysis of the cash balances for FY 1999 through January 31, 2002 showed that the SA maintained an average monthly cash balance of \$11 million of CCEP funds. In several instances, the SA requested the total amount of the agreement. Examples were:

- On July 2, 1999, an increase in the agreement for \$15,663,000 was approved. The SA requested and received the entire amount twelve days later.
- On May 25, 2001, an increase for \$30.1 million was approved. Of this amount, \$10.2 million had been drawn and carried over from the prior year. On May 31, 2001, the SA requested and received the \$19.8 million balance of the award.

APHIS did not evaluate the propriety of the SA's draw requests. Further, APHIS did not ensure corrective action was taken when excess cash advances were identified. At a March 20, 2001, summit meeting between APHIS and SA officials, APHIS officials discussed the SA's holding of \$16.8 million of excessive CCEP funds and that it should have been deposited in an interest bearing account with earnings remitted to the U.S. Department of the Treasury. However, APHIS did not follow-up to ensure that the SA took appropriate action.

State Treasury officials informed us that the State has an investment strategy to maximize interest revenue for funds available in various treasury accounts, of which CCEP funds were one of the accounts. Interest earnings on Federal funds subject to CMIA are required to be remitted to the U.S. Department of the Treasury in accordance with the Treasury-State agreement. Other interest earned is generally credited to the State's general revenue account. CCEP was not included in the Treasury-State agreement, thus interest earning for CCEP funds were not remitted to the Department of the Treasury. Further, interest earned on the citrus canker funds was not reinvested into CCEP. As a result, the Federal Government lost the use of these funds to meet CCEP needs while the State realized interest earnings for its other financing needs.

The CCEP funding for State FY's 2000 and 2001 exceeded the \$30 million threshold for major Federal assistance programs. For the 31-month period July 1, 1999 through January 31, 2002, we estimated that the interest costs to the Federal Government (based on the CMIA interest rates (the 13-week Treasury Bill interest rate average)) was \$1,430,522. Further, the Federal Government can expect to incur an additional \$268,950 of interest expense over the next year based on the average monthly excessive cash balance of \$11 million if corrective action

is not taken.

RECOMMENDATION NO. 4

Refer the SA's excessive cash balances to the U.S. Department of the Treasury for a determination of an interest liability, (i.e., \$1,430,522) and collect from the SA any

interest assessed.

APHIS Response

In its June 24, 2002, written response, APHIS stated the following, "APHIS' Financial Management Division Director will take appropriate action to ensure this item is referred to the Treasury Department."

OIG Position

To achieve a management decision, we will need a copy of the referral to the U.S. Department of the Treasury.

RECOMMENDATION NO. 5

Require the SA to time its draw requests for CCEP funds to meet immediate program cash needs.

APHIS Response

In its June 24, 2002, written response, APHIS stated the following, "We agree with the recommendation. By the end of the fiscal year, the cooperative agreement will be revised to require monthly draws based on cash needs."

OIG Position

We agree with the proposed revision to the cooperative agreement. However, to achieve a management decision, we will need a copy of the revision and plans for monitoring/reviewing compliance (see Recommendation No. 3).

EXHIBIT A – SUMMARY OF MONETARY RESULTS

FINDING NO.	DESCRIPTION	AMOUNT	CATEGORY
2	Interest Cost for Excessive Cash Draws	\$1,430,522 ¹	Questioned Costs, Recovery Recommended
2	Monetary Savings over Next 12-months	\$268,950 ²	Questioned Costs, FTBPTBU ³
<p>¹ To compute the interest cost for the period July 1, 1999, through January 21, 2002, (31 months), we took the published CMIA daily interest rate applicable to each month, multiplied it times the number of days in each month, and that product times the monthly excess cash balance. The monthly computation of interest was summed to yield the total of \$1,430,522.</p> <p>² Computed based on the average monthly cash balance times the average weekly T-bill rate annualized.</p> <p>³ Funds To Be Put To Better Use</p>			

EXHIBIT B – AUDITEE RESPONSE TO DRAFT REPORT

Page 1 of 3



United States
Department of
Agriculture

Marketing and
Regulatory
Programs

Animal and
Plant Health
Inspection
Service

Washington, DC
20250

JUN 24 2002

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL

FROM: Bobby R. Acord
Administrator

A handwritten signature in cursive script that reads "Bobby R. Acord".

SUBJECT: Citrus Canker Eradication Program
State of Florida – Audit No. 33099-2-At

This correspondence is the Animal and Plant Health Inspection Service's reply to your draft audit report dated May 10, 2002. Each of the recommendations identified in OIG's report is addressed in the enclosed comments.

We appreciate the opportunity to comment on the recommendations identified in the report.

Enclosure



APHIS - Protecting American Agriculture
An Equal Opportunity Employer

Recommendation 1:

Require the State Agency (SA) to develop procedures and establish controls for accurate reporting of the CCEP costs on the SF-269 Financial Status Reports.

APHIS Response:

Florida Department of Agriculture and Consumer Services (FDACS) has been orally advised that the reimbursement requested on the SF-269 document should be limited to actual expenditures.

Once the final report has been received the Animal and Plant Health Inspection Service (APHIS) Plant Protection and Quarantine's (PPQ) Deputy Administrator will formally submit the report to the appropriate FDACS official requesting a written response to this recommendation.

Recommendation 2:

Require the SA to establish a separate grant account to account for CCEP funds and charge program expenses to that fund.

APHIS Response:

We agree that CCEP funds should not be commingled with other sources of State funding. Once the final report has been received, PPQ's Deputy Administrator will formally submit the report to the appropriate FDACS official requesting a written response to this recommendation.

Recommendation 3:

Perform routine reviews to verify costs reported on SF-269 Financial Status Reports and assess the SA's cash balances.

APHIS Response:

We agree with this recommendation. APHIS' Resource Management Systems and Evaluation Staff will perform a follow up review beginning in July 2002.

Recommendation 4:

Refer the SA's excessive cash balances to the U.S. Department of the Treasury for a determination of an interest liability, (i.e., \$1,430,522) and collect from the SA any interest assessed.

APHIS Response:

APHIS' Financial Management Division Director will take appropriate action to ensure this item is referred to the Treasury Department.

Recommendation 5:

Require the SA to time its draw requests for CCEP funds to meet immediate program cash needs.

APHIS Response:

We agree with the recommendation. By the end of the fiscal year, the cooperative agreement will be revised to require monthly draws based on cash needs.

ABBREVIATIONS

AG	
Auditor General.....	4
APHIS	
Animal and Plant Health Inspection Service	2
CCC	
Commodity Credit Corporation	2
CCEP	
Citrus Canker Eradication Program	1
CFR	
Code of Federal Regulation.....	5
CMIA	
Cash Management Improvement Act	10
FDACS	
Florida Department of Agriculture and Consumer Services	9
FY	
Fiscal Year.....	2
OIG	
Office of Inspector General.....	4
OMB	
Office of Management and Budget	3
RMSES	
Resource Management Systems and Evaluation Staff.....	4
SA	
Florida Department of Agriculture and Consumer Services State Agency.....	1
STR	
Section, township range	3
USDA	
U.S. Department of Agriculture.....	2