

For: State and County Offices

COC Review of Administrative Expenditures

Approved by: Deputy Administrator, Management



1 Overview

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Background

After a recent OIG audit of County Office administrative funds, OIG expressed concern that State and County Offices are not utilizing computer software queries available to assist in monitoring administrative expenses. The potential for misuse of funds is greatly increased when internal controls, such as the available queries, are not fully utilized.

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Purpose

This notice:

- reminds State and County Offices of the need to follow established internal control procedures
- provides instructions for reviewing the following:
 - system produced "Administrative Expenditures Report"
 - KCFO produced "Statement of Biweekly Expenditures".

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Contact

If there are questions about this notice, contact Debbie Barker, FMD at 703-305-1309.

Disposal Date March 1, 2001	Distribution State Offices; State Offices relay to County Offices
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Notice FI-2488

2 **Reminder About Following Internal Control Procedures**

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What Are Internal Control Procedures

Internal control procedures are those procedures put into place as checks and balances to provide reasonable assurance that payments are:

- authorized according to applicable regulations
- issued for the correct amount
- made payable to the proper recipient
- properly accounted for.

It is important that internal control procedures be developed and followed to protect the assets of any organization. Internal control procedures involve both automated and manual operations.

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FSA Internal Control Procedures

FSA uses both automated and manual internal control procedures. Examples of the automated internal control procedures include the following:

- requiring a user ID and password to enter data in the system
- system validation of information entered
- requiring an ID number be used, and that it be on the name and address file
- attaching the user ID to the payment record in the accounting history file
- the automated administrative expense ledger
- KCFO:
 - payment exception reports
 - reports of unmatched paid checks over 90 calendar days old
 - biweekly printouts of administrative expenses recorded.

Examples of manual internal control procedures include the following:

- separation of duties as outlined in 1-FI
 - requiring 2 signatures on payment transactions
 - State and County Office review of KCFO:
 - payment exception reports
 - report of unmatched paid checks over 90 days old
 - biweekly printouts of administrative expenses recorded
 - COC review of administrative expenditures.
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Notice FI-2488

2 **Reminder About Following Internal Control Procedures (Continued)**

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CED's Responsibility to Follow Internal Control Procedures

CED's have the responsibility of ensuring that all internal control procedures are followed in the County Office. CED's may delegate authority to sign and countersign Disbursement Transaction Statements or CCC-184's to ensure that adequate separation of duties is maintained.

It is also CED's responsibility to provide the administrative expenditures report to COC. The report must contain sufficient information for COC to have assurance that administrative expenditures are reasonable and proper. COC review is to be documented in the COC minutes.

3 **Review of Automated Administrative Expenditures Reports**

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COC Review of Automated Administrative Expenditures Report

115-FI (Rev. 4), subparagraph 142 C requires that COC review administrative expenditures, and document the review in the COC minutes. The automated report breaks expenditures into transaction categories that will allow COC to have assurance that expenditures are reasonable and proper. If any items on the report are questionable or unclear, CED shall research the item to provide COC a further explanation of the expenditure.

COC review of the Administrative Expenditures Report shall be documented in the COC minutes. The documentation shall indicate any items on the report that COC determined were questionable or unclear, and CED's explanation of the expenditure.

115-FI (Rev. 4), paragraph 304 provides detailed information on how to print the automated Administrative Expenditures Report.

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3 Review of Automated Administrative Expenditures Reports (Continued)

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**Administrative
Expense History
File**

The Administrative Expense History File includes the detail of all administrative payments issued in the State or County Office. The file may be searched by any of the following criteria:

- individual ID number
- transaction code
- pay period range
- date range
- individual COE reference number.

The payment summary screen displays the ID number, issue date, transaction code used, and net payment amount of the issuance. When a sequence number is entered, the system will display the name and address of the payee. The summary information or the detailed information may be printed by pressing “Cmd12”, Printer Control. CED should research the history file for any payments that are questionable. CED or COC could perform a spot check of the file on an infrequent basis as an added internal control mechanism.

115-FI (Rev. 4), paragraph 335 provides detailed instructions for searching and printing the Administrative Expense History File.

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**KCFO Produced
Biweekly
Statement of
Administrative
Expenses**

Payments initiated in the State and County Offices are transmitted to KCFO to update the KCFO COE mainframe. KCFO sends the State and County Offices a biweekly printout of the administrative expenses that were processed in the pay period. 115-FI (Rev. 4), paragraph 368 provides information on interpreting the KCFO printout, and requires that State Offices monitor County Office reports for reasonableness and to ensure that corrections are made timely.

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**State
Administrative
Check Control
Report**

KCFO produces a biweekly State Administrative Check Control Report, which lists all administrative payments issued by the State Office on behalf of County Offices. The report lists the check number, net amount, and date issued. 115-FI (Rev. 4), paragraph 371 requires that the report be reviewed by someone other than the person responsible for issuing payments. State Office administrative payments are recorded in the Accounting Payment History File. 1-FI, Part 6 provides information on researching the Accounting Payment History File.

Note: The program code for State Office issued payments is “STOADM”.
