

FINANCIAL AND COMPLIANCE REVIEW GUIDE FOR THE MARKET ACCESS PROGRAM

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This guide provides instructions for performing a financial and compliance review of a Market Access Program (MAP) Participant. It provides guidance for determining whether the Participant:

1. Met the financial and administrative responsibilities of its MAP agreement;
2. Claimed only authorized, reasonable, and documented expenses; and
3. Reported only eligible and documented contributions and provided the required amount or 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

MAP uses funds from the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC) to help U.S. producers, exporters, private companies, and agricultural trade organizations finance promotional activities for U.S. agricultural products.

MAP is authorized by Section 203 of the Agricultural Trade Act of 1978 and is administered by USDA's Foreign Agricultural Service (FAS).

MAP forms a partnership between trade associations, cooperatives, state-regional trade groups and USDA's CCC to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, technical assistance, and trade servicing.

Under MAP, funds from CCC are used to reimburse program Participants conducting approved overseas promotional activities for eligible products in specified countries.

Applications for MAP are developed by trade organizations and submitted to FAS 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 MAP application, FAS sets a program funding level and signs a program agreement with the Participant.

The MAP regulations (7 CFR part 1485) were revised and published on May 17, 2012. The regulations define program requirements, including cost-sharing, strategic planning, export goals, reimbursement procedures, record and report requirements, and activity evaluations.

All Participants must keep an itemized list of expenses incurred during the program year 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 MAP regulations (7 CFR part 1485), MAP Program Notices, and any other policies and instructions relating to MAP.
4. Review the previous review report and working papers. Note report findings and recommendations, as well as their resolution. During the course of the current review, determine the present status of past findings.
5. Review the MAP agreement, UES, and approval letter(s). These documents are filed with either the Program Operations Division (POD) or the Commodity Branch's Marketing Specialist.
6. Through discussion with the Commodity Branch's 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. Each reviewer should support all findings with complete and accurate working papers. In addition, reviewers should collect various types of documentation during the review such as (but not limited to) the following (if applicable): budget ceiling/allocation approval letters, program agreements, and amendments; reimbursement expense claims with applicable supporting documentation; contribution reports and supporting documentation; independent audit reports; general ledger/transaction ledger; documentation for contractors and/or consultants, including

copies of written agreements, requests for proposals, bids received, cost analysis, selection analyses for contracts awarded, and other documentation demonstrating a competitive bidding process was conducted; program advances; salary documentation for U.S. citizens and/or foreign national employees paid for with MAP funds; documentation of sales and trade relations expenditures (STRE) paid for with MAP funds; documentation for project property and leases paid for with MAP funds; other documentation as necessary.

- 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. An official Exit Notes document will be typed and given to the Participant officials either on the last day of the review or within two (2) business days after the review is completed. Include the Exit Notes document, 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. Within 30 days of the date of the report, the MAP Participant shall repay CCC the amount owed either by submitting a check payable to CCC or by offsetting its next reimbursement claim. If, however, a MAP Participant notifies CCC within 30 days of the date of the report that the Participant intends to file an appeal, the amount owed to CCC is not due until the appeal procedures are concluded and CCC has made a final determination as to the amount owed.

The Participant may choose to file an appeal to the report and/or request a hearing, as stated in 7 CFR part 1485.24(e).

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. *Reference.* 7 CFR part 1485.21 and 7 CFR part 1485.22(e).
3. *Review Steps.*
 - a. Identify Participant personnel responsible for managing MAP activities. Evaluate whether the Participant provides sufficient U.S.-based and overseas office staff to effectively manage MAP.
 - b. Determine whether the Participant has written instructions and authorizations supplementing the MAP 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 property purchased with MAP resources.

- (2) A records management system which provides budgetary control for each activity.
 - (3) Original receipts for all expenditures in excess of \$75 and receipts for all STRE expenditures, regardless of value.
 - (4) Cross-references between all accounting records and source documentation.
 - (5) A direct means or audit trail for verifying recorded data with reimbursement claims and expense documentation.
 - (6) Procedures for determining the allowability of MAP expenses. 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 expends \$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 (for fiscal years ending on or after January 1, 2005).
 - 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 1485.19 and any applicable Program Notices.
- 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. Select a sample of the advances and verify that:
 - (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) 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.

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

C. PROGRAM INCOME

1. *Objective.* To determine whether the Participant has properly identified and applied program income.
2. *Reference.* 7 CFR part 1485.32.
3. *Review Steps.*
 - a. Determine whether the Participant generated income from CCC-funded activities.
 - b. Verify the Participant used the generated income for furtherance of their MAP activities within the program period during which funds were available.

D. ACTIVITY EXPENSES

1. *Objective.* To determine whether MAP resources were used only to reimburse 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 1485.17; 7 CFR part 1485.18; and any applicable Program Notices.
3. *Review Steps.*
 - a. *Testing/Sampling Expenses.* This section provides guidance for determining the level of sampling, and how the review sample may be selected.

The goal of each compliance review staff should be to review 100 percent of all claims and supporting documentation during a compliance review, at all times. In some instances, however, sampling may be appropriate. Among others, here are some factors to consider in making a determination:

- (1) The total dollar amount of all activities.
- (2) The dollar amount of the individual activity expense totals in relation to the total dollar amount of all activities.
- (3) The probability of finding questioned expenses. For example, travel expenses are more likely to contain questioned expenses than office supplies because of the specific regulatory requirements regarding travel expenses.
- (4) The adequacy and reliability of the Participant's accounting system, records, supporting documentation, and internal controls.
- (5) Problem areas encountered during the review period.

Clearly explain the scope and extent of sampling in the review working papers.

- b. *Questioning Expenses.* Specific criteria for determining the allowable expenses are contained in the MAP regulations and notices and are referenced in this guide under the specific expense category review procedures that follow.

When reviewing expenses, evaluate each item to determine whether it is an acceptable charge to MAP based upon the aforementioned criteria. Expenses that do not meet the above criteria should be questioned.

Questioned expenses generally fall under one or more of the following categories:

- (1) *Unauthorized.* An expense that is specifically unauthorized under the MAP regulations. Examples include product samples, the amount of premium class airfare over full fare economy, and business cards that target a U.S. domestic audience.
- (2) *Undocumented.* An expense with insufficient or no supporting documentation attached. Examples include STRE supported only by a credit card voucher and branded expenses lacking proof of payment.
- (3) *Unreasonable.* An expense which may not be specifically unauthorized or undocumented, but which does not reflect an action that a prudent person would have taken under the circumstances and conditions that existed at the time the expenditure was made. Examples include: the purchase of a year's supply of materials in the last month of the activity year; contracting for professional service fees that exceed normal market rates for those fees; and excessive alcohol purchases at STRE events.

Include questioned expenses as findings in the review report.

- c. *General.*

- (1) Check reimbursement claims for mathematical accuracy and proper certification for payment.
- (2) Selectively trace activity expense 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 expenses were authorized, adequately documented, and reasonable.
- (5) Selectively trace program year expenditures to payment documents (e.g., canceled checks, wire transfers, etc.).

- (6) Test expenditures made at the end of the program year to ensure both were for an activity that was approved prior to the end of the program year and that the activity was completed within 30 calendar days following the end of the program year.

E. 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 1485.17(c)(12); 7 CFR part 1485.17(d)(7) and (8); 7 CFR part 1485.30 and any applicable Program Notices.
3. *Review Steps.*
 - a. Schedule all nonexpendable property purchases and leases made during the review period.
 - b. Determine whether nonexpendable property purchases and 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 purchase, 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 insured all nonexpendable property purchased with CCC resources.

F. ANTI-FRAUD REQUIREMENTS

1. *Objective.* To determine whether the Participant has an anti-fraud program in place; includes an annual review of physical controls and weaknesses, a standard process for investigating and remediation of suspected fraud cases, and training in risk management and fraud detection for all current and future employees.
2. *Reference.* 7 CFR part 1485.31

3. *Review Steps.*

- a. Verify the Participant submits a detailed fraud prevention program annually to CCC.
- b. Verify a written approval from CCC was received by the Participant, approving the fraud prevention program.
- c. Verify the Participant has reported any allegations of fraud to USDA personnel within 5 business days of receiving the information.
- d. Verify if any fraud cases were reported and the steps taken to ensure appropriate actions have been taken based on the Participant's fraud prevention program.

G. COMPENSATION AND ALLOWANCES FOR U.S. CITIZEN AND FOREIGN NATIONAL EMPLOYEES

1. *Objective.* To determine whether compensation and allowance expenses for U.S. citizen and foreign national employees conform to MAP limitations.
2. *Reference.* 7 CFR part 1485.17(c)(1) through (6); 7 CFR part 1485.17(e)(1) through (4); and 7 CFR part 1485.20.

3. *Review Steps.*

- a. Verify that U.S. citizen and foreign national employees are hired under written contract.
- b. Verify that compensation paid to U.S. citizen employees or contractors does not exceed 125 percent of the General Schedule (GS) Grade 15, Step 10 rate, and that allowances paid to these individuals do not exceed the rate authorized for U.S. Embassy personnel.
- c. Verify that non-allowance expenses such as home leave travel, rest and relaxation travel, or dependent education and travel are reimbursed at the rates and frequencies applicable to U.S. Embassy personnel as allowed under the State Department's Foreign Affairs Manual.
- d. Verify that salary expenses for foreign national employees do not exceed the rates prescribed for equivalent positions in the local U.S. Embassy Foreign Service National (FSN) Salary Plan.

If an FSN salary plan does not exist, verify that compensation does not exceed prevailing local levels.

- e. If a foreign national serves as a country or regional director, verify that compensation payments are limited to a one or two grade increase, respectively, over the existing top grade of the FSN Salary Plan. The increases are calculated as the percentage difference between the second highest and highest grade in the FSN Salary Plan, with that percentage applied to each of the steps in the top grade.

- f. Selectively trace compensation and allowance expenses for U.S. citizen and foreign national employees to supporting documentation.

H. DAILY CONTRACTORS

1. *Objective.* To determine whether daily contractors' fees comply with MAP limitations.
2. *Reference.* 7 CFR part 1485.17(c)(7) and any applicable Program Notices.
3. *Review Steps.* On a sample basis verify that:
 - a. Daily contractors are hired under written contract.
 - b. Daily contractor fees do not exceed the daily gross salary of a GS-15, Step 10.
 - c. Daily contractor billings include a schedule of days worked.
 - d. Contract objectives are met.

I. TRAVEL

1. *Objective.* To determine whether travel expenses comply with the U.S. Federal Travel Regulations (FTR).
2. *Reference.* FTR 41 CFR parts 301 through 304; 7 CFR part 1485.17(a) through (d) and (i); 7 CFR part 1485.22(b); and any applicable Program Notices.
3. *Review Steps.* Review travel expense claims on a sample basis. Verify that:
 - a. Per diem and miscellaneous expense claims comply with the FTR.
 - b. Air travel claims do not exceed the full fare economy equivalent 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 no later than 45 days after completion of the travel.
 - f. Business class air travel expenses comply with the limited circumstances outlined in the MAP regulations and comply with the FTR.

J. SALES AND TRADE RELATIONS EXPENDITURES (STRE)

1. *Objective.* To determine whether STRE expenses comply with MAP limitations.

2. *Reference.* 7 CFR part 1485.17(c)(19) and any applicable Program Notices.
3. *Review Steps.* Review STRE expenses on a sample basis. Verify that:
 - 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. STRE incurred in the U.S. was in conjunction with an approved activity and received prior written approval from CCC.

K. 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 MAP resources.
2. *Reference.* 7 CFR part 1485.29 and any applicable Program Notices.
3. *Review Steps.* Select a sample of contract actions and verify that:
 - a. For contracts with an annual value of \$35,000 or more, the Participant ensured the costs constituted an economical and effective use of MAP resources.
 - b. Some form of cost or price analysis was made.
 - c. Documentation supports the basis for the award including justification for not selecting the lowest bidder.
 - d. The action did not result in a conflict of interest.
 - e. The amounts paid agreed with the contract provisions.
 - f. The contracted goods or services were provided.

In addition to the above, for all contracts valued at \$35,000 or more annually, the Participant should also:

- a. Obtain at least 3 competitive bids (where possible) to assure adequate competition, and
- b. Rebid all multi-year contracts every 3 years.
- c. Submit written contracting guidelines to CCC for approval for contracts using MAP

resources.

L. 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 1485.16; 7 CFR part 1485.21(d)(7); 7 CFR part 1485.22(a); and 7 CFR part 1485.25.
3. *Review Steps.*
 - a. Verify that the End-of-Year Contributions Report was submitted to FAS no later than six (6) months after the end of the program year.
 - b. On a test basis, trace reported contributions to source documentation. Verify that:
 - (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 amount or percentage specified in the approval letter.

M. BRANDED COMPANY ACTIVITIES/EXPENSES

1. *Objective.* To determine whether export sales and U.S. content information contained in a branded company's application is accurate, 50 percent of the commodity or product ingredients are of U.S. origin, U.S. origin identification is included on all promotional material, and reimbursed expenses are authorized and supported by proof of payment.
2. *Reference.* 7 CFR part 1485.15; 7 CFR part 1485.17; and any applicable Program Notices.
3. *Review Steps.*
 - a. Extract export sales data from the branded company's application and verify against the company's accounting records.
 - b. Obtain the company's U.S. content origin certification and verify the veracity of the statement. For processed products, it may be necessary to obtain product recipes along with additives or other information that separately identify ingredients in the promoted product.
 - c. Trace all branded reimbursement claims to supporting documentation. Verify that:

- (1) Reimbursed expenses are limited to authorized direct promotional expenditures.
- (2) All product labels, promotional material, and advertising include U.S. origin identification.
- (3) The origin identification is conspicuously displayed in a manner that is easily observed.
- d. Verify that 100 percent of the claimed expenses were paid by the branded company. Acceptable proof of payment documentation includes, but is not limited to, canceled checks, wire transfer documents, bank statements, vendor receipts, and credit memos.
- e. Verify the branded company's size certification (either annual receipts or number of employees) against supporting documentation.

Documentation may come from regular books of account (e.g., the general ledger, journals, or other books of original entry) tax returns, or from employment and/or payroll records.

N. ADDITIONALITY

- 1. *Objective.* To determine whether the MAP resources received by the Participant supplement, but do not supplant, any private or third party funds or other contributions to program activities.
- 2. *Reference.* 7 CFR part 1485.13(a)(2)(i)(E).
- 3. *Review Steps.*
 - a. Review and evaluate the documentation provided by the Participant to support its additionality certification. This should include discussions with Participant personnel familiar with the certification, a review of narrative documentation or other data used to support the certification, and a review of any financial data, such as export sales data, advertising and promotional expenditures, used to support the certification.
 - b. A review of the Participant's records supporting the certification, coupled with discussions with the participant should be sufficient to reach a conclusion on the reliability of the certification. If an adverse conclusion is reached on the reliability, full disclosure should be included in the review report.

O. CIVIL RIGHTS

- 1. *Objective.* To determine whether the Participant carries out MAP in compliance with all requirements regarding nondiscrimination as contained in Federal and USDA regulations.
- 2. *Reference.* 7 CFR part 15 and 12 CFR part 202.
- 3. *Review Steps.*
 - a. Obtain a copy of the Participant's Civil Rights Self Certification Evaluation Checklist. (The

certification must accompany each agreement and each subsequent amendment.)

- b. Through observation and analysis, determine whether the information contained on the Self Certification Checklist is valid.
- c. Complete the CSEPD Civil Rights On-Site Checklist after reviewing the information contained on the Participant’s Self Certification Checklist.
- d. Forward the CSEPD Civil Rights On-Site Checklist via email to the Civil Rights Staff.
- e. Any discrimination complaints should be addressed to: USDA/FAS/OA/Civil Rights Staff
1400 Independence Avenue, S.W., Room 4069-S, Washington, D.C. 20250-1008; Telephone:
202-720-7233; Fax: 202-720-2658; TTY/TDD: 202-720-1228.

P. CONTACT INFORMATION

If you have any comments or suggestions about this guide, please address them to Vincent Fusaro at (202) 690-4851 or via e-mail at: Compliance Staff@fas.usda.gov.

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