



Rural Development  
Business Center

RD AN No. 4870 (2006-M)  
July 10, 2019

Chief Financial Officer

4300 Goodfellow Blvd  
St. Louis Mo 63120

Voice 314.457.4150  
Fax 844.539.5800

TO: State Directors  
Rural Development

ATTN: Administrators  
National Office Officials

FROM: Tony Bainbridge /s/ **Tony Bainbridge**  
Chief Financial Officer

SUBJECT: Fiscal Year 2019 State Internal Review Process

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) sets forth the Fiscal Year (FY) 2019 State Internal Review (SIR) process. The SIR process is a key component of Rural Development's (RD's) management and internal control system required by the Federal Managers' Financial Integrity Act of 1982 and OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The SIR process provides a comprehensive evaluation of the delivery of programs and administrative functions in the Field and State Offices.

**COMPARISON WITH PREVIOUS AN:**

This is a new issuance.

**IMPLEMENTATION RESPONSIBILITIES:**

Prior to FY 2019, the SIR process was conducted by State Office employees designated by each State Director. Beginning in FY 2019, the SIR review function has been transferred to the Business Center, Finance Office, Compliance Operations, Internal Compliance Division (ICD). For FY 2019, ICD staff will be conducting the SIR reviews.

Reviews will be conducted in accordance with RD Instruction 2006-M, Management Control System, with the following modifications:

1. State staff will no longer be required to conduct the SIR review. The ICD will be conducting the SIR review for each state.

EXPIRATION DATE:  
September 30, 2019

FILING INSTRUCTIONS:  
RD Instruction 2006-M

2. State Directors will continue to designate a State Senior Management (SSM) team representing each program, i.e. Program Directors. . The SSM team will need to assist the ICD review team by:
  - a. working with the Enterprise Office (EO) and ICD to gather various reports and documents for preplanning and review time;
  - b. participating in entrance and exit conferences;
  - c. reviewing and collaborating on ICD findings and building corrective action plans (CAP) with ICD prior to issuance of the final SIR Report; and
  - d. reviewing status reports and making recommendations for the State regarding CAPs or final closure of SIR Reports.
3. States will no longer be required to complete a 5-year Plan SIR schedule. ICD will be taking over the responsibility for determining frequency of state and program reviews to conduct as part of the SIR process to ensure compliance with A-123 guidelines.
4. States will no longer be required to prepare an annual SIR summary report. This function will be completed by ICD.

States selected for a FY 2019 SIR review will receive a memo confirming the SIR review dates. The States selected for the FY 2019 SIR review are AR, FL, ID, KS, MA, MT, NC, NE, NJ, PA, TX and WV. Additional guidance will outline the documentation and files to be selected for the review. This guidance will be sent out approximately 20 business days prior to the on-site visit. An entrance and exit conference will be conducted by the ICD team with each SIR review. EO Associate Enterprise Directors (AEDs) will participate in the entrance and exit conferences. The FY 2019 SIR review guides are available at [https://usdaqcc.sharepoint.com/sites/rd\\_cfo/icd/SitePages/Home.aspx](https://usdaqcc.sharepoint.com/sites/rd_cfo/icd/SitePages/Home.aspx).

The SSM team and ICD will develop a Corrective Action Plan (CAP) for identified weaknesses within 15 working days of the exit conference. ICD will meet with the SSM Team and appropriate Program and Area Director(s), within 15 working days of receiving the recommended CAP to collaborate and finalize the CAP for State Director and ICD Director acceptance. ICD will monitor the CAP and meet quarterly with the SSM team and AEDs to ensure that all corrective actions are implemented. AEDs will be responsible for submitting documentation resulting from any corrective action plans.

As we move into FY 2020, ICD will be meeting with State and National Office program staff to discuss and develop further improvements to the SIR Questionnaires and overall processes including modifications to RD Instruction 2006-M. We look forward to working with each of you.

Any questions regarding this FY's SIR process should be directed to Kristina Gebke at 314-457-4097 or Cindy Haas at 314-457-4121.