



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1885(442)

March 17, 1989

SUBJECT: Review of Grazing Association Loan Restrictions  
Office of the Inspector General (OIG) Audit  
04099-95-KC

TO: State Directors and District Directors

ATTN: Community Programs Chiefs and Community and  
Business Programs Chiefs

PURPOSE:

This Administrative Notice (AN) is issued to summarize the weaknesses noted by the aforementioned OIG audit, to provide State and District personnel with the guidance necessary to resolve problems outlined by the audit and to prevent any future recurrence of these problems.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on this subject.

IMPLEMENTATION:

FmHA Instruction 442.2 states that grazing associations are to be operated for the purpose of providing seasonal grazing for livestock belonging to association members. The OIG audit found that some grazing associations were planting crops on the acreage and/or entering the acreage into the Conservation Reserve Program (CRP), managed by the Agricultural Stabilization and Conservation Service (ASCS). Either action precludes use of the land for pasture and thereby violates loan restrictions and negates program objectives.

To remedy this situation, the FmHA servicing official will, for each grazing association and in coordination with ASCS personnel:

1. Reconcile the acres of land shown on FmHA records with those shown on ASCS records, and, when necessary, to association records.

EXPIRATION DATE: March 31, 1990

FILING INSTRUCTIONS: Preceding  
FmHA Instruction 442.2



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2. Review borrower certifications of acreage and current land use provided to ASCS and follow up with those associations reporting current plantings of crops to determine if the associations are/are not in compliance with FmHA loan restrictions.
3. Notify by letter, any association not in compliance with loan restrictions. The letter will ask the association to either eliminate the particular violation(s) or refinance its account. The association will be given 30 days in which to respond. ASCS will be copied on all correspondence.

A written report on the reconciliation of acreages and on the status of all identified violations must be provided no later than September 1, 1989, to the National Office, Attention: Community Facilities Division, Fred Young, telephone: FTS 382-1490 or commercial (202) 382-1490.

To prevent a recurrence of these problems, the FmHA servicing official will make security inspections of grazing associations in accordance with FmHA Instruction 1942-A, section 1942.17(r)(3). At that time, particular attention should be paid to loan restrictions and any violations thereof promptly acted upon.



NEAL SOX JOHNSON  
Acting Administrator