

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Notice FSFL-134**

**For:** State and County Offices

**FY 2015 FSFL National and State Office Annual Review Findings**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

To improve the accountability and effectiveness of the FSFL program, it is recommended that State Offices perform annual reviews of outstanding FSFL's to measure and evaluate the effectiveness of FSFL policies and internal controls. Therefore, each year the National Office will:

- randomly select a sample of outstanding FSFL's
- notify the respective State Offices of the selection in March.

The sampling of State Office annual reviews for FY 2015 included 9 States Offices and 53 County Offices. Of the 33 FSFL's reviewed by State Offices, 22 had loan processing-related errors (66 percent of the sample total). Of the 42 FSFL's reviewed for loan servicing compliance, 8 had program-related errors (19 percent of the sample total).

The FSFL Program error findings identified in this notice are critical to protecting the Government's interest, and the established FSFL policies in place must be enforced.

Disposal Date	Distribution
October 1, 2016 4-15-16	State Offices; State Offices relay to County Offices

**1 Overview (Continued)**

**B Purpose**

This notice:

- informs State and County Offices of the National and State Office findings for FY 2015
- is being issued according to FSA's Corrective Action Plan to minimize future FSFL processing, approval, and servicing errors.

**C National Office Action**

The National Office is available to assist State Offices with developing corrective action plans, if necessary.

**D SED Action**

SED's shall ensure that:

- applicable State Office program chiefs and specialists review this notice and all program-related finding reports in detail to:
  - develop corrective action plans, as needed
  - ensure that County Offices follow applicable program procedures issued through National notices and program handbooks, and thoroughly complete the required checklists
- additional internal control procedures are developed to avoid findings, indicated by any program-related reviews for the FSFL Program
- applicable State Office program chiefs provide additional training, where needed
- corrective action plans are implemented to reduce improper payments
- DD's within their respective districts, shall:
  - review this notice with CED's and program technicians
  - ensure understanding of the contents.

SED's are authorized to issue State supplements to 1-FSFL; however, the State supplement may not be:

- issued to simply state, word for word, policies already established in 1-FSFL
- less restrictive than National policy.

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### 1 Overview (Continued)

#### E Contact

State Offices shall direct questions about this notice to Toni Williams, PSD, by either of the following:

- e-mail to **toni.williams@wdc.usda.gov**
- telephone at 202-720-2270.

### 2 National and State FSFL Findings

#### A Loan Processing Common Findings

The following table provides common findings for FSFL's approved and disbursed during FY 2015. The paragraph references are applicable to 1-FSFL (Rev. 2).

Loan Processing	
Descriptions of Findings	Procedures Reference and Policy
CCC-185 was not properly completed.	1-FSFL, paragraph 70. CCC-195 Processing, item 6 B.
No record of FSFL application fee was collected at the time of FSFL request.	1-FSFL, subparagraph 58 A. CCC-195 Processing, item 6 C.
Delegation of authority is not on file for those employees signing forms and documents relating to FSFL.	1-FSFL, subparagraph 6 B All FSFL forms, except CCC-185, and documents prepared according to 1-FSFL, may be re-delegated in writing according to 16-AO, paragraphs 212 through 214. CCC-195 Processing, item 6 Q.
FSA-850 is not on file before approval of CCC-185.	1-FSFL, paragraphs 109, 110, and 111. FSA-850 must be completed and no adverse environmental impacts must be determined before CCC-185 can be approved. CCC-195 Processing, items 6 T and 9 C.

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### 2 National and State FSFL Findings (Continued)

#### A Loan Processing Common Findings (Continued)

Loan Processing	
Descriptions of Findings	Procedures Reference and Policy
<p>CCC-191:</p> <ul style="list-style-type: none"> <li>disbursement of loan funds is made before the borrower provides satisfactory evidence of the total cost of the facility</li> <li>final cost document is not date-stamped when received in the County Office</li> <li>no invoice or unsigned invoices, when a signature was required</li> <li>inadequate or incorrect amount on the release of liability and/or the invoice to support the loan disbursement.</li> </ul>	<p>1-FSFL, paragraph 172 provides policy for final review of cost documents.</p> <p>It is important that 1-FSFL, subparagraph 172 C is reviewed and followed completely to ensure that CCC-191 is accurately completed and invoices and other acceptable support documentation is received to protect CCC and the FSFL applicant from the following, according to 1-FSFL, subparagraph 173 A:</p> <ul style="list-style-type: none"> <li>mechanics or other liens</li> <li>claims arising against the contractor or subcontractor.</li> </ul>
Final lien search is not performed within 5 working days of loan closing.	1-FSFL, subparagraph 185 D provides within 5 working days of FSFL closing, State and County Offices shall perform a final lien search on the collateral.
Final inspection of facility is not documented on CCC-295A before loan disbursement.	1-FSFL, paragraph 171 provides that County Offices shall document the results of the partial and final inspections in the FSFL folder on CCC-295A.
Disbursement calculator was not completed.	<p>1-FSFL, paragraph 175 provides that a disbursement calculator must be:</p> <ul style="list-style-type: none"> <li>completed before a partial or final FSFL is disbursed</li> <li>filed in the producer's FSFL folder before disbursement.</li> </ul>
CCC-195 Processing was not properly completed.	1-FSFL, subparagraph 210 A provides procedures for properly completing CCC-195 Processing for each FSFL request received.

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### 2 National and State FSFL Findings (Continued)

#### B Loan Servicing Common Findings

The following table provides common findings for FSFL's serviced during FY 2013 and FY 2014. The paragraph references are applicable to 1-FSFL (Rev. 2).

Loan Servicing	
Descriptions of Findings	Procedures Reference and Policy
Proper notifications were not timely issued to borrowers of servicing actions; for example, reminder and notification letters and demand letters.	1-FSFL, paragraph 209 provides basic servicing policies. County Offices are required to mail reminder and notification letter and demand letters timely.  <b>Important:</b> The date the first demand letter was mailed begins the due process period to start legal action if the annual installment repayment is not received in the County Office.  CCC-195 Servicing, item 6.
Annual verifications of multi-peril crop flood and/or all-peril structural insurance policies were not performed.	1-FSFL, paragraph 96 provides annually County Offices must verify that required insurance policies are current and CCC is listed as a loss payee.  CCC-195 Servicing, item 10 A.