

For: State and County Offices

Nonstatutory FSA Program Recommendations for Cost Savings

Approved by: Acting Administrator



1 Recommendations for Cost Savings

A Background

Notice AO-1506 provided several farm programs (FP) and FLP area cost-saving suggestions. These recommendations are **not** mandatory; however, State Offices are urged to carefully review where these recommendations can be implemented as FSA continues to address the current budget situation.

All other FP and FLP requirements not mentioned in this notice should be carried out according to existing handbooks, notices, and procedures.

B Purpose

This notice:

- provides corrections and clarity to the following in Notice AO-1506, Exhibit 1:
 - Recommendation 6 has been updated to clarify that the removable media must be new and provided to FSA in its original and unopened packaging to be used or connected to a government computer
 - Recommendation 7 has been updated to:
 - permit COR's to limit the scope of the review activity so it can be conducted offsite
 - suspend the maximum number of offsite reviews that can be completed for FY 2011
 - allow the number of records selected for review to be less than the current minimums in 1-COR
- obsoletes Notice AO-1506.

Disposal Date	Distribution
May 1, 2012 5-9-11	State Offices; State Offices relay to County Offices

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1 Recommendations for Cost Savings (Continued)

C Contacts

If there are questions about this notice:

- County Offices shall contact State Offices
- State Offices shall contact either of the following by telephone:
 - the respective FP divisions
 - DAFLP at 202-720-4671.

FP Recommendations

1 Program Notifications

National procedures frequently require County Offices to publicize program and payment eligibility requirements through any means possible, such as newsletters, press releases, radio spots, etc. State and County Offices develop periodic newsletters and signup postcards and mail them to program participants.

Suggestion: State and County Offices consider low/no cost options to publicize program newsletters and eligibility information or reminders to producers. Free press could include publications in local newspapers and radio spots.

2 Compliance Reviews and Field Inspections

FSA conducts annual compliance reviews of 2,000 producers statistically selected, including FSA employees. The compliance review includes all programs in which the producer participates.

Suggestion: County Offices should try to avoid using travel funds to complete the acreage compliance reviews, and rely on digital imagery as much as possible to determine acreages during extreme budget shortages. Compliance reviews for other programs to verify, for example production for MAL's or LDP's, or field inspections for prevented planted acreage, will not be required to be completed/performed using County Office travel funds during extreme budget shortages. If compliance or field inspections are not completed for producers selected for spot check, the applicable producer's program file folder will be documented for the reason why the compliance or field inspection was not completed.

3 Reviews of Producers Identified by RMA

This is mandated by Federal Crop Insurance Act, Section 515 and requires FSA to conduct fact finding relative to allegations of fraud, waste, and abuse. Current procedure requires 2 field visits per year for each producer.

Suggestion: Combine all program spot checks, when possible, and follow the following cost-reducing options when extreme budget shortages impact County Office travel funding:

- reduce number of spot checks per producer/crop from 2 inspections to 1 inspection
- if County Offices receive more than 5 referrals, complete spot checks on no more than 5 producers.

Note: RMA is working on an application to permit transmitting the spot check findings back to RCO through CIMS. DAFP will notify the field when this functionality is available.

FP Recommendations (Continued)

4 Reviews of NAP

NAP adjusters perform inspections about NAP compliance and crop appraisals and are funded through CCC.

Requirement: State Offices should continue to use CCC-funded NAP adjusters. State and County Office employees are **not** authorized to use administrative funds to travel to complete NAP inspections.

5 ACRE Production Evidence

The Food, Conservation, and Energy Act of 2008, Section 1106 (c) (2) requires producers receiving ACRE payments to provide annual production reports. Current procedure requires County Offices to enter the producer-certified production information for **all** ACRE farms into the web-based ACRE system, but is only necessary when a farm triggers an ACRE payment.

Suggestion: SED's and STC's are granted the authority to limit entry of production certifications into PRS for farms that trigger a payment. County Offices must still collect the production certifications.

6 Providing Maps for Acreage Reporting

County Offices use several different processes to provide maps for acreage reporting purposes. Rather than printing all of the maps displaying producer-owned land and filing them away until the producer comes in the office to certify their acreage report, or mailing them to the producer so that the producer can review the map before certifying their acreage report, DAFP recommends the following suggestions.

Suggestions:

- County Offices could create .pdf or .jpg files of all of their maps displaying producer-owned land and store them in a database. When the producer visits the office, the map can be pulled up on the computer screen for review instead of printing it out.
- County Offices could create .pdf or .jpg files of all of their maps displaying producer-owned land and store them in a database. However, instead of printing out a map displaying producer-owned land, the map can be e-mailed to the producer and reviewed before their arrival at the County Office for the certification of their acreage report.
- County Offices could suggest that if the producer would like a copy of the map displaying their property, the producer could bring in a new and unopened removable media (CD or USB drive) and the County Office could copy the map to the media.

FP Recommendations (Continued)**6 Providing Maps for Acreage Reporting (Continued)**

- To reduce postage expenses, County Offices should not mail out any hard copy maps to their producers. Producers can get a copy of their maps when they visit an office.
- County Offices should not print out any hard copy maps in color, or only in certain circumstances, such as for legal disputes. Print in black/white and make photocopies as necessary.
- County Offices can adjust the amount of colored ink and transparency used in mapping.

Note: State and County Offices will soon have the following options for mapping that may reduce workload and expenses related to maps:

- Mapping on Demand Tool
- Map Series Tool
- Map Books Tool.

Note: Which option to use is currently being researched and will ultimately be at the direction of SED and State Office GIS specialist.

7 COR Reviews

Suggestion: Working within current budget constraints, State Offices may consider designing CORP reviews with a limited scope where the review activity can be conducted offsite. The scope of the reviews should be designed so the number of documents required to be reviewed is minimal and can be provided to COR using scanner, FAX, e-mail, or other electronic means. The policy for no more than 50 percent of State-initiated reviews shall be conducted offsite in a single FY will be suspended for FY 2011. In addition, the number of records selected for review may be less than the current minimums described in 1-COR. Additional guidance will be provided in a future COR notice.

8 Producer Appointments

Suggestion: Schedule producer appointments to avoid working overtime.

FLP Recommendations

1 FLP Credit Quality Reviews

1-FLP, paragraph 28 requires that SED's issue a State supplement establishing the method and standards for monitoring and evaluating credit quality standards. State Offices may use FSA-2103, FSA-2104, FSA-2119, or an alternative guide that includes items identified as critical.

Suggestion: State Offices should use online FLP systems, e-mail, telephone, and FAX capabilities to the maximum extent possible to complete credit quality reviews instead of visiting County Offices or requesting borrower case files be submitted to the State Office to reduce travel and shipping costs.

2 Construction and Development Inspections

1-FLP, subparagraph 124 B provides that inspections by FSA are not mandatory, but that FSA should participate in final inspections, if practicable.

Suggestion: FSA does not need to participate in the final inspection when written certifications or inspection reports from State or local authorities adequately document that the construction was completed according to the plans and specifications, and that all State and local requirements have been met.

3 Technical Appraisal Reviews

Technical appraisal reviews of appraisals used to process a loan or servicing request are required according to the requirements established in 1-FLP, subparagraph 143 E.

Suggestion: 1-FLP, subparagraph 143 D provides that a "technical appraisal review may include a desk review and/or a field review". Desk reviews should be completed whenever possible instead of field reviews.

4 Farm Assessment

1-FLP, subparagraph 223 A requires FSA review the assessment and borrowers progress at least annually.

Suggestion: 1-FLP, subparagraph 223 A provides that the annual review may be completed through an "office visit, field visit, letter, phone conversation, or year-end analysis". Phone conversation and e-mail should be used whenever possible to complete the annual review. When using an office visit, schedule the visit to coordinate with the borrower's need to conduct other FSA business.

FLP Recommendations (Continued)**5 Year-End Analysis**

1-FLP, subparagraph 263 requires a year-end analysis of borrowers who:

- have received any direct loan, except for streamlined CL's, chattel subordination, or primary loan servicing action within the last year
- are financially distressed or delinquent
- have a loan deferral
- are receiving a limited resource rate on any loan.

Suggestion: Complete a year-end analysis only on borrowers who:

- have received an annual OL
- are 90 calendar days or more past due.

6 Farm Loan Programs Risk Assessment (FLPRA) Reviews

State Offices are required to complete FLPRA reviews on a percentage of County Offices each year according to 1-FLP, subparagraph 402 B.

Suggestion: State Offices shall complete FLPRA's remotely unless FLC and SED determine that an office visit is necessary.

7 DD FLP Oversight

DD's monitor FLP quarterly, according to 1-FLP, Part 9, Section 2. Reporting timeframes are established in 1-FLP, subparagraph 442 B.

Suggestion: DD's should complete quarterly reviews using online systems, such as DLS and FBP, to the maximum extent possible. Review items that cannot be completed using online systems may be completed by phone conversation, when an office visit cannot be scheduled to coincide with another need for visiting the County Office.

FLP Recommendations (Continued)

8 Guaranteed Lender Loan Files Review

A percentage of lender loan files must be reviewed each year according to 2-FLP, paragraph 267.

Suggestion: FLC, DD, and FLM should consult about the need to complete lender file reviews. Reviews should be discontinued for all lenders except when FLC, DD, and FLM determine a review is necessary because of either of the following:

- possible deficiencies in the lender's loanmaking or servicing procedures
- a potential for loss claims to be submitted.

9 Requests for Direct Loan Applications

3-FLP, subparagraph 41 A provides that a loan application may be obtained from:

- any FSA office
- FSA's web site
- eGov's web site.

Suggestion: When an applicant verbally requests that an FLP direct loan application be mailed, County Offices should encourage customers with appropriate capabilities to receive an application package, with electronically fillable forms, by e-mail. Application packages containing all forms required to submit OL/FO or EM application are available on the FFAS Employee Forms web site in both Microsoft Word and Adobe Acrobat format. Use:

- "FSA2001 EM" if the applicant wants to apply for EM
- "FSA2001 FO/OL" if the applicant wants to apply for FO/OL.

Do **not** refuse to mail the application package when the applicant's preference is to receive it by mail.

10 Processing Direct Loan Applications

Applicants must provide a list of all creditors on FSA-2005 when requesting a loan or primary loan servicing according to 3-FLP, subparagraph 42 A and 5-FLP, subparagraph 81 I. Approval officials may use a variety of methods to verify debts over \$1,000, including using FSA-2015 in conjunction with FSA-2004. FSA-2004 and FSA-2015 may be scanned and sent, and returned, by e-mail, or FAX when the loan approval official is able to confirm the authenticity by phone. Applicable requirements about transmitting PII **must** be followed.

FLP Recommendations (Continued)**11 Security Inspections:**

4-FLP, subparagraph 96 C requires:

- chattel security be inspected annually unless the assessment of analysis justifies no undue risk exists, in which case chattel security will be inspected every other year
- real estate security be inspected once every 3 years.

Suggestion: Inspections should only be completed for borrowers who:

- received an annual OL
- are 90 calendar days or more past due
- require additional FSA counseling according to action planned in the farm assessment.

When inspections are required, FLP staff shall coordinate with other County Office employees who may need to visit the farm for another program. Visits shall be scheduled in a manner that limits the required travel, such as completing the visit on the way to or from work.

12 Using E-Mail to Communicate With Applicants and Borrowers

FLP handbooks do not establish a policy on using e-mail.

Suggestion: County Offices may use e-mail for routine contacts with applicants and borrowers, such as scheduling a farm visit. E-mail shall **not** be used to transmit official notifications related to loanmaking or servicing, such as notification of:

- an incomplete or complete application
- an increase of a limited resource interest rate
- the availability of loan servicing.

13 Using Certified Mail

FLP handbooks require that a number of forms and documents be sent by certified mail. Using certified mail is currently being reviewed to determine where its use may be eliminated. Additional guidance about eliminating certified mail requirements will be provided at a later date.