

**For:** FSA State and County Office Employees

**Signature Requirements for RD 1956-1 and FSA-2249**

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



**1 Overview**

**A Background**

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires Federal agencies to evaluate and report annually on the effectiveness of internal controls for administrative, program, and financial management operations. OMB Circular A-123:

- implements FMFIA
- Appendix A, specifically addresses internal controls for financial reporting.

FSA has been addressing Appendix A the past 4 years with internal testing.

FLP recently concluded internal testing and failed to comply with the requirement that:

- all direct loan debt settlements are approved and signed by the SED's on RD 1956-1
- guaranteed loan restructures are approved by agency approval officials by signing FSA-2249.

**B Purpose**

This notice serves as a corrective action and reminds:

- Field Office personnel of review and signature requirements for both direct loan debt settlements and guaranteed loan restructures
- FLC's to review at least 2 restructured direct loan accounts on a quarterly basis.

**Disposal Date**

July 1, 2010

**Distribution**

All FSA State and County Office employees; State Offices relay to County Offices

## Notice FLP-542

### 1 Overview

#### C Contact

State Offices with questions about this notice shall contact either of the following:

- Bruce Mair for direct loan debt settlement by:
  - e-mail at **bruce.mair@wdc.usda.gov**
  - telephone at 202-720-4572
- Jeff King for guaranteed loan restructure by:
  - e-mail at **jeffrey.king@wdc.usda.gov**
  - telephone at 202-720-4572.

### 2 Requirements

#### A Debt Settlements

RD Instruction 1956-B, Section 1956.84:

- (b) requires that RD 1956-1 be executed for all debt settlements
- (a)(v) requires SED's to approve the cancellation of debts discharged in bankruptcy.

5-FLP, subparagraph:

- 406 A requires that RD 1956-1 be completed for debt discharged in reorganization bankruptcy
- 407 C references RD Instruction 1956-B for cancelling debt if all parties are discharged in bankruptcy and all security is liquidated.

To process a debt settlement for direct loans:

- agency officials **must** ensure that RD 1956-1 is signed by SED's **before** sending to FMD, FSC, FLOO
- RD 1956-1, Part VIII shall be signed by the appropriate agency recommending official.

**Note:** Approval official authorities are found in 1-FLP subparagraph 29 D. Approval of direct loan debt settlements **must** be executed according to 1-FLP, subparagraph 29 G, and RD Instruction 1956-B, Section 1956.84.

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### 2 Requirements

#### B Guaranteed Loan Restructuring

2-FLP, paragraph 313 requires that FSA-2249 be completed and forwarded to FMD, FSC, FLOO.

To process a guaranteed loan restructure:

- agency officials **must** ensure that FSA-2249 is signed by the agency approval official **before** sending to FMD, FSC, FLOO
- FSA-2249, item 17 **must** be signed by the agency approving official.

**Note:** Approval official authorities are found in 1-FLP subparagraph 29 D. Approval of guaranteed loan restructuring **must** be executed according to 1-FLP, subparagraph 29 G.

#### C Reviewing Restructured Direct Loans

1-FLP, subparagraph 28 A requires FLC to review at least 2 restructured accounts, if available, to ensure that they have been processed correctly.

To complete this review:

- FLC shall review as a minimum, FSA-2119, items 2A, 2B, 2H, 2J and 2M
- item 3 C **must** be signed by a FLC or a Farm Loan Specialist.