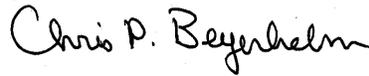


For: State and County Offices

Corrective Actions to Address Internal Control Weaknesses in Supervised Bank Accounts

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

A recently completed review identified multiple internal control weaknesses associated with the administration of supervised bank accounts for the Direct Loan Program. In response to the review findings, DAFLP, LMD, and OBF have developed corrective actions to mitigate the identified weaknesses.

B Purpose

This notice:

- places an immediate moratorium on establishing new supervised bank accounts for loan funds
- establishes guidelines for States to request exceptions to the moratorium
- provides guidance to States on reviewing and reconciling open supervised bank accounts.

C Contact

Direct any questions about this notice to Connie Holman at 202-690-0756.

Disposal Date	Distribution
March 1, 2015	State Offices; State Offices relay to County Offices

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2 State Office and County Office Responsibilities

A Moratorium on Establishing New Supervised Bank Accounts

The effective date for the moratorium and guidance for exceptions are as follows.

- Effective immediately, DAFLP is placing a moratorium on establishing new supervised bank accounts for loan funds. **The moratorium will remain in effect until further notice.** During the moratorium, DAFLP will evaluate the supervised bank account program to determine overall functionality as a funds management tool.

Note: States may continue to establish supervised bank accounts in cases which are necessary to protect FSA's security interest, such as insurance proceeds, the sale of basic security, capital purchases, and loan funds made for construction projects. Accounts **must** be closely monitored by DD's and State Office's and closed when funds have been distributed.

- **Exceptions to the Moratorium.** If a local office determines that a supervised bank account for loan funds is essential for the successful management of loan proceeds, then an exception may be requested. The authorized Agency official must document the reason(s) for the exception and obtain DD concurrence. The request must then be submitted to the State Office for review. If the State Office determines that the exception request is justified, the request must be forwarded to the National Office for final determination.

Note: State Offices shall submit exception requests to connie.holman@wdc.usda.gov.

B Review of Open Supervised Bank Accounts

Open supervised bank accounts shall be reviewed according to the following.

- State Offices or their designee will conduct a review of all outstanding supervised bank accounts. During the review, account balances will be reconciled with bank balances and FSA-2370 will be initialed and dated by the State Office reviewer and documented in the borrower case file.
- State Offices will determine whether or not to keep the account open. If it is determined that the account is:
 - still necessary, then the State Office must provide documentation which will be placed in the case file
 - no longer needed, then funds should be disbursed to the borrower or applied to the loan account and the account closed according to 1-FLP, paragraphs 104 A and B.

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2 State Office and County Office Responsibilities (Continued)

C Reporting Reviews

State Offices shall submit a report on the supervised bank account reviews according to subparagraph 2 B, and include certification that the review has been completed and the number of accounts that will remain open, within 60 calendar days of issuance of this notice. The report shall be e-mailed to Connie Holman at **connie.holman@wdc.usda.gov**.