

For: State and County Offices

FY 2018 FSFL National and State Office Annual Review Findings

Approved by: 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. Each year, the National Office:

- randomly selects a sample of outstanding FSFL’s
- notifies the respective State Offices of the selections in April.

The National Office reviewed FSFL compliance of 12 States Offices and 84 County Offices for the FY 2018 FSFL annual review process. Of the 43 FSFL’s reviewed for loan processing compliance, 37 FSFL’s had processing-related errors (86 percent of the sample total). Of the 41 FSFL’s reviewed for loan servicing compliance, 12 had servicing-related errors (30 percent of the sample total).

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

B Purpose

This notice:

- informs State and County Offices of the National and State Office findings for FY 2018
- is being issued according to FSA’s corrective action plan to minimize future FSFL processing, approval, and servicing errors.

Disposal Date	Distribution
June 1, 2020	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

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 must 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 must:
 - 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.

E Contact

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

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

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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 2018. The paragraph references are applicable to 1-FSFL.

Loan Processing	
Descriptions of Findings	Procedures Reference and Policy
CCC-185 was not properly completed.	1-FSFL, paragraphs 68 and 69 and Exhibit 28. CCC-195 Processing, item 6 C.
CCC-185D was not on file or was not completed properly.	1-FSFL, paragraph 154. CCC-195 Processing, items 14 and 15.
FSA-850 is not on file before approval of CCC-185.	1-FSFL, paragraphs 11, 110, and 111. FSA-850 must be completed and no adverse environmental impacts must be determined before CCC-185D can be approved. CCC-195 Processing, item 9.
<p>CCC-191:</p> <ul style="list-style-type: none"> • disbursement of loan funds is made before the borrower provides satisfactory evidence of the total cost of the facility • final cost document is not date-stamped when received in the County Office • no invoice or unsigned invoices submitted, when a signature was required • inadequate or incorrect amount on the release of liability and/or the invoice to support the loan disbursement. 	<p>1-FSFL, paragraph 172 provides policy for final review of cost documents.</p> <p>It is important that CCC-191 policy is followed completely to protect CCC and the FSFL applicant from the following, according to 1-FSFL, subparagraph 173 A:</p> <ul style="list-style-type: none"> • mechanics or other liens • claims arising against the contractor or subcontractor. <p>CCC-195A and CCC-195B, item 8.</p>
Final lien search is not performed within 5 workdays of check request in DLS or FSFL closing.	1-FSFL, subparagraph 185 D provides that State and County Offices must perform a final lien search on the collateral within 5 workdays of check request in DLS or FSFL closing.

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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
Final inspection of facility is not documented on CCC-295A or CCC-295C before loan disbursement.	1-FSFL, paragraph 171 provides that County Offices must document the results of the partial and final inspections in the FSFL folder on CCC-295A or CCC-295C. CCC-195A and CCC-195B, item 8B.
CCC-195 Processing, CCC-195A and CCC-195B were not properly completed.	1-FSFL, paragraph 74 provides procedures for properly completing CCC-195 Processing for each FSFL request received and CCC-195A or CCC-195B, as applicable.
CCC-186 was not properly completed or on file.	1-FSFL, paragraph 195 provides procedures for properly completing CCC-186 for each FSFL. CCC-195A and CCC-195B, item 10.

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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 2015 through 2017. The paragraph references are applicable to 1-FSFL.

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, notification, and demand letters timely. Important: The mailing date of the first demand letter 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 that County Offices must annually verify that the required insurance policies are current and CCC is listed as a loss payee. CCC-195 Servicing, item 10 A.
UCC-1 was not properly filed and secured party was listed as FSA instead of CCC.	1-FSFL, Part 8 provides procedures for properly filing UCC-1's. CCC-195 Processing, item 11. CCC-195A, item 10, or CCC-195B, item 9.
CCC-195 Servicing was not properly completed.	1-FSFL, paragraph 210 provides procedures for properly completing CCC-195 Servicing for outstanding FSFL's.
Annual collateral check was not performed timely.	1-FSFL, paragraph 215 provides procedures for required annual collateral checks. CCC-195 Servicing, item 12.