



U.S. Department of Agriculture  
Office of Inspector General



# IRA—Discrimination Financial Assistance Program

## Audit Report 50601-0006-23

OIG evaluated USDA's internal controls related to consistent and accurate reviews of applications for assistance and proper disbursements of the Discrimination Financial Assistance Program.

### OBJECTIVES

Our objectives were to evaluate the internal controls USDA designed and established to respond to risks it identified related to (1) consistent and accurate reviews of applications for assistance and (2) proper disbursements of the IRA Section 22007 DFAP.

### REVIEWED

To assess USDA's internal controls, we interviewed USDA and NGE officials. We also reviewed and analyzed data for 61,917 DFAP applications and over 43,000 disbursed payments submitted and processed in fiscal year 2024. We gained an understanding of the scoring process to determine whether discrimination occurred, but we did not review individual applications' scores due to the subjectivity of the eligibility factors.

### RECOMMENDS

We recommend that USDA document its concurrence or non-concurrence for the 3,019 applications and recover any of the more than \$6.2 million in questioned costs.

### WHAT OIG FOUND

The Inflation Reduction Act (IRA) created the Discrimination Financial Assistance Program (DFAP), providing \$2.2 billion in financial assistance for farmers, ranchers, and forest landowners who experienced discrimination by the U.S. Department of Agriculture (USDA) prior to 2021. The IRA required that DFAP be administered by qualified non-governmental entities (NGEs) under USDA oversight.

We found that USDA generally designed adequate internal controls to ensure consistent and accurate DFAP application reviews and award disbursements. However, USDA did not always follow its designed controls. Specifically, USDA did not consistently document its final concurrence for 3,019 of the 10,878 (27.7 percent) applications flagged for payment integrity concerns. Of those, 563 were approved, resulting in \$5.3 million in unsupported questioned costs.

Additionally, USDA did not follow its plan to conduct the reconciliation and validation review prior to payments being processed. Instead, USDA conducted a reconciliation to identify errors after the Department of Treasury (Treasury) disbursed payments. We also identified that USDA paid the National Administrator \$3.6 million in questioned costs due to its disbursement process allowing the DFAP funds to be disbursed by a third-party bank instead of the Treasury. USDA officials stated that DFAP was designed for full administration by NGEs, as required by the IRA, and senior officials pressed to maintain disbursement deadlines.

USDA officials began corrective actions to recover \$2 million identified by USDA as improper payments disbursed to ineligible applicants. USDA generally agreed with our findings and recommendations, and we accepted management decision for all three recommendations.



## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** September 8, 2025

**AUDIT**

**NUMBER:** 50601-0006-23

**TO:** Robert Ibarra  
Chief Operating Officer  
Farm Production and Conservation  
Business Center

**ATTN:** Christopher Simmons  
Director  
Performance, Accountability, and Risk Division

**FROM:** Brett Siefers  
Acting Assistant Inspector General for Audit

**SUBJECT:** IRA—Discrimination Financial Assistance Program

This report presents the results of our audit of IRA—Discrimination Financial Assistance Program. Your written response to the official draft is included in its entirety at the end of the report. Based on your written response, we are accepting management decision for all three recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of the date of each management decision. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our fieldwork and subsequent discussions.

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# Background and Objectives

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## Background

The U.S. Department of Agriculture (USDA) is responsible for the oversight of \$2.2 billion provided by the Inflation Reduction Act (IRA) of 2022 for the Discrimination Financial Assistance Program (DFAP).<sup>1</sup> This program provides financial assistance for farmers, ranchers, and forest landowners who experienced discrimination by USDA in farm lending programs prior to January 1, 2021. A maximum of \$500,000 was allowed per applicant to be expended by September 30, 2031. The IRA required DFAP to be administered through qualified non-governmental entities (referred to as NGEs in this report) subject to standards set and enforced by the Secretary of Agriculture.<sup>2</sup>

To oversee the program, USDA selected personnel from various USDA agencies including the

- Farm Production and Conservation (FPAC) Mission Area,
- Office of the General Counsel,
- Office of the Secretary (OSEC),
- Office of Communications, and
- Office of Congressional Relations (see Figure 1).

In February 2024, USDA developed the *USDA Payment Integrity and Potential Fraud Mitigation Framework Discrimination Financial Assistance Program*, describing the requirements under which the NGEs would administer DFAP. The USDA team's work included setting and enforcing standards for: implementation, stakeholder communication, public communication, contracts, application evaluation, award calculations, and program deadlines.

USDA also contracted with three NGEs, a National Administrator, and two Regional Administrators to administer DFAP (see Figure 1).

Throughout the program lifecycle, the NGEs developed the following additional standards to include application completeness, validation, and payment integrity that USDA reviewed and approved:

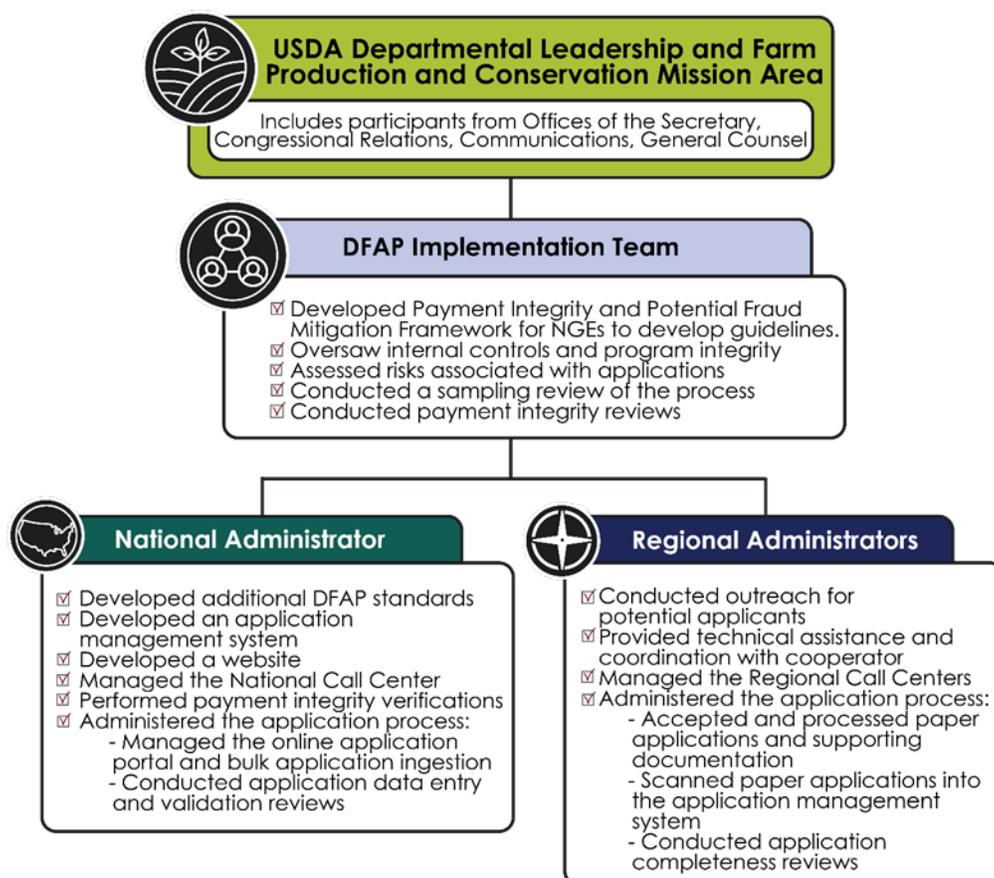
- *DFAP Application Data Entry Guide*,
- *DFAP Regional Completeness Review Guide*,
- *DFAP Validation Review Guide*, and
- *DFAP Integrity and Potential Fraud Mitigation Plan* (see Figure 1).

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<sup>1</sup> Inflation Reduction Act of 2022 Pub. L No. 117-169, 136 stat 2202 and 2203 (2022).

<sup>2</sup> Inflation Reduction Act of 2022 Pub. L No. 117-169, 136 stat 2203 (2022).

## Discrimination Financial Assistance Program (DFAP) Organizational Leadership Structure



**Figure 1: Listing of USDA and NGE officials and their respective DFAP responsibilities.  
Figure by the Office of Inspector General (OIG).**

While IRA was silent on proof of discrimination requirements, USDA’s standards encouraged but did not require applicants to provide relevant evidence and information to substantiate the discrimination experienced to be considered for program eligibility (see Figure 2 for eligibility requirements).<sup>3</sup> To ensure DFAP met its goal of reaching the communities that previously experienced discrimination while maintaining program integrity, USDA standards allowed “an applicant’s self-certified narrative that holistically and credibly depicted a description of discrimination in farm lending by USDA could alone render an application eligible without further documentation or corroborating statements...there is little to no information other than self-certification to rely on with respect to discrimination itself...USDA policy is to favor the farmer.”<sup>4</sup>

<sup>3</sup> USDA, *DFAP Validation Review Guide* Version 1.12 (July 2024).

<sup>4</sup> USDA, *USDA Payment Integrity and Potential Fraud Mitigation Framework Discrimination Financial Assistance Program* (Aug. 2024).

USDA’s standards identified the eligibility criteria types of discrimination for applicants (see Figure 2).<sup>5</sup>

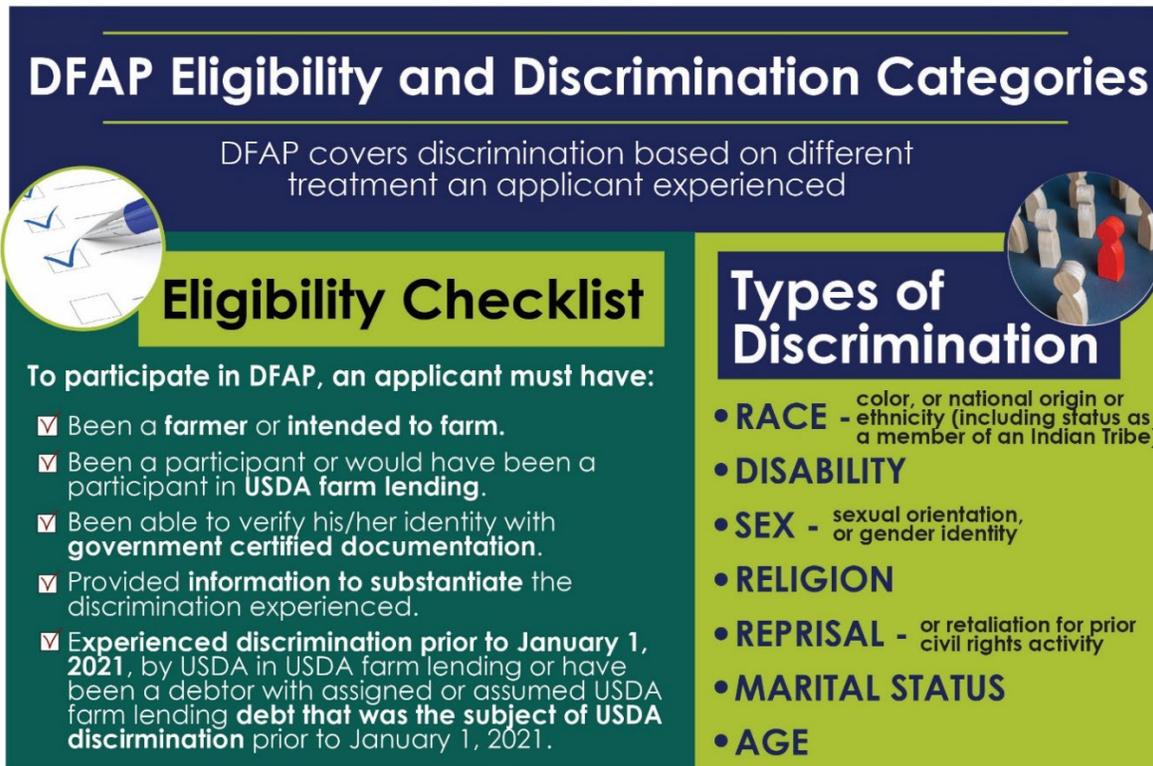


Figure 2: DFAP eligibility requirements and types of discrimination. Figure by OIG.

USDA was responsible for oversight of DFAP, including the processes for fund allocation and disbursement. See Figure 3 for the established process from application to funds disbursement for DFAP.



Figure 3: Established DFAP process from application to disbursement and responsible parties. Figure by OIG

<sup>5</sup> USDA, *DFAP Validation Review Guide* Version 1.12 (July 2024).

According to program goals, USDA took a risk-based, data centric approach to ensure data verification and payment integrity to mitigate potential fraud in DFAP.<sup>6</sup> USDA planned to manage potential risks through its own oversight by monitoring the completeness and validation process based on its sampling review process. USDA was responsible for reviewing a sample of all applications for “legal sufficiency.” In addition, USDA would conduct the following:

- Spot checks of applications early in the process to ensure that the validation guide was yielding intended results,
- Spot checks of NGE’s results from completeness reviews, and
- Reviews of applications flagged for payment integrity considerations.

On July 31, 2024, USDA issued 43,300 DFAP awards to applicants in all 50 States, the District of Columbia, Puerto Rico, U.S. Virgin Islands, and American Samoa, totaling more than \$2 billion in financial assistance. USDA contracted and paid NGEs more than \$180 million to administer DFAP. As of April 2025, more than \$4.3 million of the DFAP funds remained unspent, excluding any funds recovered.

## **Objectives**

Our objectives were to evaluate the internal controls USDA designed and established to respond to risks it identified related to (1) consistent and accurate reviews of applications for assistance and (2) proper disbursements of the IRA Section 22007 DFAP.

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<sup>6</sup> USDA, *USDA Payment Integrity and Potential Fraud Mitigation Framework Discrimination Financial Assistance Program* (Aug. 2024).

## Finding 1: USDA’s Oversight Controls for Payment Integrity Needed Improvement

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We found that USDA generally designed and established internal controls for consistent and accurate reviews of DFAP applications. However, USDA did not consistently document its final concurrence or non-concurrence<sup>7</sup> for 3,019 (27.7 percent) of the 10,878 applications flagged by one of the NGEs, the National Administrator, for payment integrity concerns. This occurred because USDA officials stated they did not always document verbal concurrence communicated during weekly meetings with the National Administrator. As a result, USDA disbursed \$5.3 million in unsupported questioned costs for 563 applications with payment integrity concerns.<sup>8</sup>

According to the *National Administrator DFAP Payment Integrity Plan*, the National Administrator was to assess and assign a recommendation for each flagged application with potential fraud. USDA was to review each recommendation and provide either concurrence or non-concurrence.<sup>9</sup>

To identify potential fraud and detect possible fraud patterns or other potential improper payments, the National Administrator reviewed all submitted applications to flag payment integrity concerns, such as duplicate names, addresses, and phone numbers. Then, the National Administrator prepared a report of 10,878 flagged applications, including recommendations as to whether the payment integrity flag associated with the application should be marked as resolved and why. USDA was to then review those concerns and provide final concurrence on whether the applications should receive awards. We reviewed the design of this control system and found it was designed to provide consistent and accurate reviews. However, when we reviewed USDA’s documentation of applications flagged for payment integrity issues, we found USDA did not document its final review for 3,019 of those flagged applications. Our analysis noted that 563 of the 3,019 applications were paid, resulting in awards with payment integrity issues totaling more than \$5.3 million being disbursed. For example, of the 563 applications flagged with payment integrity issues, we identified the following:

- 4 applications totaling \$526,780 were flagged due to substantially similar narratives by the same preparer;
- 11 applications totaling \$248,870 were flagged due to very similar narratives from applicants in a similar area; and
- 25 applications totaling \$164,630 were flagged due to “0 percent agriculture land.”

These applications required further review from multiple data sources to identify and validate (1) the land location information provided and (2) whether the land in question was designated as majority “agricultural,” “non-agricultural,” or “optional agricultural” to determine potential impacts on applicant eligibility.<sup>10</sup>

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<sup>7</sup> For this report, we use the term concurrence for the term “concurrence or non-concurrence.”

<sup>8</sup> The remaining 2,437 applications did not receive awards.

<sup>9</sup> USDA, *National Administrator DFAP Payment Integrity Plan* (July 16, 2024).

<sup>10</sup> *Ibid.*

When we asked about these final reviews, USDA officials stated that they coordinated with the National Administrator on all applications flagged for payment integrity issues. These discussions included the reasons the applications were flagged for suspected potential fraud and discussions on implementing mitigation and other anti-fraud strategies as needed.

USDA officials stated they could have done better at documenting final concurrence. They noted that they reviewed at least 1,000 of the 3,019 flagged applications and did not issue awards for those applications.<sup>11</sup> However, due to a change in the Administration, the end of the National Administrator's contract, and a reduction in USDA staff responsible for records management, USDA officials were challenged with locating sufficient and appropriate documentation in a timely manner to support that concurrence was provided for all 3,019 applications.

Since this was a one-time program and many of the documentation issues were associated with the change in Administration, we are not making any recommendations related to the documentation challenges we identified. However, because DFAP decisions are final with no right of appeal, OIG determined that it is important for USDA to fully document its concurrence on all flagged applications identified as not having a documented final concurrence, even for those applications that did not receive an award. In addition, USDA should recover any costs to the 563 awardees determined to be unallowable or improper, as appropriate.

## **Recommendation 1**

We recommend that USDA re-review the 3,019 applications without documented concurrence and take appropriate action. As appropriate, recover any of the \$5,369,000 unsupported questioned costs awarded to the 563 flagged applicants that are determined to be unallowable.

### **Agency Response**

In its August 18, 2025, response, USDA officials agreed with OIG's assessment that USDA did not consistently document its final concurrence for applications flagged with payment integrity concerns. The process for concurrence could have been more thoroughly documented.

Regarding OIG's list of 3,019 applications, USDA provided an updated file on April 3, 2025, which included complete concurrence for additional application cohorts. USDA proposes a re-review of paid applications for cohorts 45, 55, and 57 and will provide proper documentation of those reviews and the decisions for payment if warranted. The total number of applications in question totals 1,343 with payments to 460 totaling \$3,503,900.

USDA provided an estimated completion date of August 22, 2025.

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<sup>11</sup> In April 2025, after our fieldwork close-out meeting, USDA officials located and provided additional documentation. However, the number of records and results documented in those records was inconsistent with previously provided documentation, and we determined that the records could not be relied on without significant analysis of this new documentation.

## **OIG Position**

We accept management decision for this recommendation. However, the questioned costs will not be revised as requested. USDA did not provide adequate documentation to support the change requested.

## Finding 2: USDA’s Design of Payment Disbursement Controls Needed Improvement

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We found that USDA did not follow the established plan to conduct the reconciliation and validation review prior to payments being processed. Instead, USDA conducted a reconciliation to identify errors after the Department of Treasury (Treasury) disbursed payments to applicants. This occurred because USDA designed a disbursement process requiring a request for authorization from Treasury to hold DFAP funds outside of Treasury (referred to as a waiver in this report) to allow the National Administrator to disburse check payments. However, when Treasury and USDA could not agree on the terms of a waiver, USDA shifted and rushed its disbursement process without review. As a result, USDA disbursed \$2 million in questioned costs to 20 applicants who did not meet the eligibility requirements. Additionally, we found that USDA paid the National Administrator \$3.6 million in questioned costs due to the design of its disbursement process allowing the DFAP funds to be disbursed by a third-party bank instead of Treasury.

USDA designed DFAP in accordance with the statute which required administration of the program by a qualified National Administrator.<sup>12</sup> The National Administrator was primarily responsible for administering the program, reviewing applications, and making determinations of eligibility and award amounts.<sup>13</sup> USDA’s standards also required the National Administrator to conduct payment verifications and process payment disbursements through a third-party bank.<sup>14</sup> According to public law, all Government funds shall be deposited in the Treasury and not a bank.<sup>15</sup> This law was codified in 31 U.S.C. §3302(b).<sup>16</sup>

In order for the National Administrator to issue award payments via a third-party bank, USDA had to request a waiver from Treasury to hold DFAP funds outside of Treasury. According to USDA officials, although USDA had been working with Treasury for several months on DFAP issues, Treasury notified USDA on July 17, 2024, that a waiver of 31 U.S.C. 3302(b) would be required. USDA and Treasury disagreed on the interpretation of the law and whether this law applied to DFAP funds. However, on July 19, 2024, USDA agreed to have Treasury issue the DFAP awards because Treasury gave USDA assurance that it could meet USDA’s timeline to disburse the awards.

According to USDA officials, to accommodate this significant change to the disbursement process, USDA modified its existing FPAC payment process in less than 48 hours of the decision to have Treasury disburse DFAP awards as opposed to the National Administrator. As per IRA, USDA had until September 2031 to expend DFAP funds.<sup>17</sup> However, according to USDA officials, USDA Senior officials insisted that awards still be issued by the end of July 2024.

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<sup>12</sup> Inflation Reduction Act of 2022 Pub. L No. 117–169, 136 stat 2203 (2022).

<sup>13</sup> Inflation Reduction Act of 2022 Pub. L No. 117–169, 136 stat 2203 (2022). USDA, *DFAP Validation Review Guide* (July 2024).

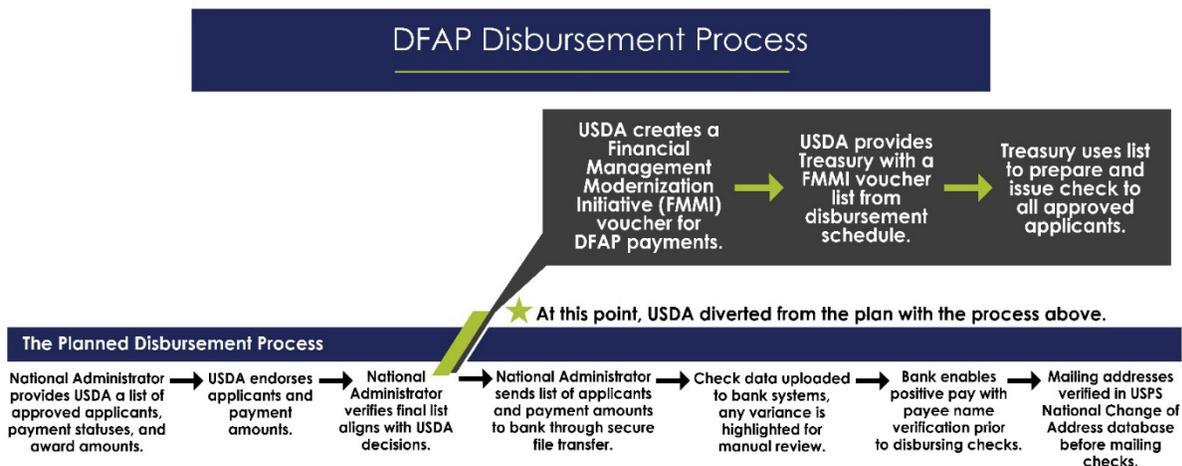
<sup>14</sup> USDA, *National Administrator DFAP Payment Integrity Plan* (July 16, 2024).

<sup>15</sup> Pub. L. No. 97-258, 96 Stat. 948 (1982).

<sup>16</sup> 31 United States Code (U.S.C). § 3302(b), 31 C.F.R. § 380.

<sup>17</sup> Inflation Reduction Act of 2022 Pub. L No. 117–169, 136 stat 2203 (2022).

Figure 4 shows the planned and implemented disbursement processes.



**Figure 4: Planned and implemented DFAP disbursement processes. Figure by OIG.**

Ultimately, USDA did not complete its review prior to payments being issued. According to USDA officials, they conducted a one-time reconciliation of the issued payments to identify payment errors. In a subsequent meeting to discuss the findings, USDA officials stated that they conducted a reconciliation prior to issuing payments as part of its modified FPAC payment process and identified awards with payment integrity issues. Yet, Senior officials instructed FPAC staff to proceed with those awards to meet the end of July timeline to disburse awards. However, USDA officials did not provide sufficient and appropriate documentation to support its reconciliations prior to issuing payments. Instead, USDA officials continued to direct OIG to the one-time reconciliation it completed after issuing payments. As of April 2025, USDA identified that 20 applicants received more than \$2 million in improper payments.

Additionally, during our audit work, we identified and referred five questionable awards to our Office of Investigations (OI) for further review. As of May 12, 2025, OI has opened multiple investigations totaling more than \$1.8 million which could identify additional improper payments.

USDA officials stated that they are currently in the process of recovering the improper payments they identified and have already recovered more than \$1.1 million. We recommend that USDA continue to recover all remaining improper payments. We concluded that, had USDA conducted its review prior to issuing payments, USDA could have avoided making these improper payments and any potential improper payments identified by OI, including any costs involved with recovering the funds. While neither USDA nor OIG was able to identify a cost for recovery of funds, both expended additional resources to recover payments that should not have been made.

Despite not using the National Administrator for the disbursement process, USDA officials stated that the National Administrator had already spent time and resources preparing to disburse DFAP awards and any attempt to reduce the amount paid to the NGE would not be beneficial.

Since the contract was designed by phases, we determined that the disbursement phase was valued at \$3.6 million. While we recognize some of this cost may be valid, USDA officials were unable to provide sufficient and appropriate documentation to support the individual tasks that the National Administrator had completed and would warrant payment for. Therefore, we determined that USDA paid the National Administrator \$3.6 million in questioned costs for administering the disbursement process it was not allowed to implement. While these funds are not recoverable, we concluded that USDA spent DFAP funds on an unnecessary disbursement process.

We concluded that USDA did not prepare a back-up plan in case the waiver was not approved because it did not interpret the law to apply to DFAP funds. Consequently, USDA had to quickly redirect and create a new disbursement process in real-time as senior officials still expected to issue award payments by the end of July 2024. To better prepare for any future programs such as this, we suggest that USDA identify and incorporate any lessons learned and best practices to receive Treasury approval prior to contracting a third-party to disburse Federal program funds.

## **Recommendation 2**

We recommend that USDA recover \$914,810 of the remaining \$2 million in questioned costs disbursed to applicants that were identified as improper payments during its reconciliation review.

### **Agency Response**

In its August 18, 2025, response, USDA officials agreed with OIG's recommendation to recover improper payments disbursed to applicants that were identified as improper payments. To date, USDA has followed agency protocol by sending billing notices and demand letters providing applicant's proper due process. Future activities will include final demand letters and reporting to the Treasury Offset Program for federal government payment offsets.

USDA provided an estimated completion date of August 29, 2025.

### **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 3**

We recommend that USDA identify and incorporate lessons learned and best practices for future programs that may require a non-governmental entity to administer the program. This should include modifying its contracts to receive Treasury approval prior to spending \$3,687,272 in questioned costs to disburse Federal program funds by a third-party bank.

### **Agency Response**

In its August 18, 2025, response, USDA officials agreed with OIG's assessment that more precaution should have been taken when using a non-government entity to administer a program. The Inflation Reduction Act Section 22007 Discrimination Financial Assistance Program was a priority initiative for the previous Secretary of Agriculture, but better precaution should have been taken to ensure compliance with the law. For example, by making the unprecedented decision to use a third party for administering DFAP unnecessary expenses were incurred. Key program leaders and decision makers came from the Office of the Secretary but did not consult with enacting officials to avoid mistakes. Regarding the partial descoping of the National Administrator's contract related to the disbursement period, the value of the descoped work remaining in the disbursement period was estimated to be less than \$470,000. USDA will document this issue as a lesson learned note and provide a copy to OIG.

USDA provided an estimated completion date of August 22, 2025.

### **OIG Position**

We accept management decision for this recommendation. However, we disagree with USDA's reported value of \$470,000 for disbursement work. USDA did not provide documentation to substantiate its estimate.

## Scope and Methodology

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We conducted an audit to evaluate the internal controls USDA designed and established to respond to risks it identified related to (1) consistent and accurate reviews of applications for assistance and (2) proper disbursements of DFAP. We conducted our field work from October 2024 through May 2025. We met with USDA officials in Washington, DC. We discussed the results of our audit with USDA officials on June 10, 2025, and included their comments, as appropriate.

The audit covered a universe of 61,917 DFAP applications of which 43,300 received financial assistance totaling more than \$2 billion during fiscal year 2024.

To accomplish our audit objectives, we:

- reviewed and analyzed application data and DFAP payments to determine whether USDA followed the internal controls it had designed and established, reviewed and analyzed the completeness and validation processes for all applications to determine whether the National Administrator followed established internal controls set by USDA;
- interviewed USDA officials and NGEs representatives responsible for DFAP to understand their roles and responsibilities;
- reviewed USDA’s contracts and modifications with the National Administrator and two Regional Administrators to determine services performed for DFAP; and
- gained an understanding of the scoring process but did not review the scores given to individual applicants to determine whether discrimination occurred due to the: (1) subjectivity of the eligibility factors and (2) challenges with not having the National Administrator’s system to re-create the application scoring utilizing the same methods used by the National Administrator.

We worked in conjunction with OI and the Office of Analytics and Innovation (OAI) to review DFAP. We relied on the work of specialists from OAI to analyze the National Administrator’s payment integrity data, identify applications paid without concurrence, and verify the accuracy of awards disbursed to applicants. We obtained documentation to ensure these specialists were qualified professionally, competent in the work we relied upon, and met independence standards.

We assessed internal controls significant to the audit objectives including controls defined in the *Government Accountability Office’s Standards for Internal Control in the Federal Government*. Specifically, we assessed the following components and underlying principles:

<b>Component</b>	<b>Principle</b>
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.
Control Environment	Management should demonstrate a commitment to recruit, develop, and retain competent individuals.

<b>Component</b>	<b>Principle</b>
Risk Assessment	Management should define objectives clearly to enable the identification of risks and define risk tolerances.
Risk Assessment	Management should identify, analyze, and respond to risks related to achieving the defined objectives.
Risk Assessment	Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Monitoring	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

We designed our audit work to assess these internal control components and underlying principles; as such, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

During the audit, we obtained a universe of DFAP applications from two information technology systems used by the NGEs and USDA to administer DFAP. Those systems are proprietary systems owned and maintained by the contracted NGE. While we relied on information from the systems, we make no representation regarding the adequacy of the computer systems, or the accuracy of information generated from them. The systems were used by the NGEs and USDA to process and store DFAP applications and scores. We were unable to test those systems as they were owned by the NGE and were deactivated as of January 2025. In addition, we relied on reports generated from the USDA and Treasury Financial Information Systems. While we relied on information from these systems, we did not independently review or assess the information system(s); therefore, we make no representation regarding the adequacy of the computer systems, or the accuracy of the information generated from them.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Abbreviations

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CFR.....	Code of Federal Regulations
FMMI.....	Financial Management Modernization Initiative
FPAC.....	Farm Production and Conservation
Treasury .....	Department of Treasury
DFAP .....	Discrimination Financial Assistance Program
IRA.....	Inflation Reduction Act
NGE .....	non-governmental entity
OAI .....	Office of Analytics and Innovation
OI .....	Office of Investigations
OIG .....	Office of Inspector General
OSEC .....	Office of the Secretary of Agriculture
U.S.C.....	United States Code
USDA.....	U.S. Department of Agriculture

## **Exhibit A: Summary of Monetary Results**

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Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

<b>Finding</b>	<b>Recommendation</b>	<b>Description</b>	<b>Amount</b>	<b>Category</b>
<b>1</b>	<b>1</b>	Funds paid to applicants without USDA documentation of its concurrence.	\$5,369,000	Questioned Costs, Recovery Recommended
<b>2</b>	<b>2</b>	Funds paid to applicants with payment integrity issues.	\$ 914,810	Questioned Costs, Recovery Recommended
<b>2</b>	<b>2</b>	Funds paid to and recovered from applicants with payment integrity issues.	\$1,103,810	Questioned Costs, No Recovery
<b>2</b>	<b>3</b>	Funds USDA paid for a disbursement process that was not used.	\$3,687,272	Questioned Costs, No Recovery
<b>Total</b>			<b>\$11,074,892</b>	

**Farm Production and Conservation  
Business Center  
Response to Audit Report**



Farm Production and  
Conservation

Business Center

Office of the Chief  
Operating Officer

Washington, DC, 20250

**DATE:** August 18, 2025

**TO:** Yaris Rivera-Rojas  
Acting Assistant Inspector General for Audit  
Office of Inspector General

**FROM:** Robert Ibarra  
Chief Operating Officer  
Farm Production and Conservation  
Business Center

*1st Robert Ibarra*

**SUBJECT:** OIG Audit 50601-0006-23, IRA Section 22007 - Discrimination  
Financial Assistance Program - Agency Response to the Official  
Draft Report

Please find the attached agency response to recommendations identified in the  
official draft report dated June 13, 2025.

If you require additional information, please contact Aja Buckner,  
[aja.buckner@usda.gov](mailto:aja.buckner@usda.gov), External Audits and Investigations Branch; Performance,  
Accountability, and Risk Division.

Attachment

Cc: Ronald Royster, Acting Chief Financial Officer

## **Response to the OIG's recommendations**

With regard to the three recommendations issued by the OIG, FPAC management provides the following responses:

### **Recommendation 1**

We recommend that USDA re-review the 3,019 applications without documented concurrence and take appropriate action. As appropriate, recover any of the \$5,369,000 unsupported questioned costs awarded to the 563 flagged applicants that are determined to be unallowable.

### **FPAC Management Response:**

FPAC agrees with OIG's assessment that under prior leadership, USDA did not consistently document its final concurrence or non-concurrence for applications flagged with payment integrity concerns. Prior FPAC leadership should have created a more solidified designation process than the working document 'DFAP USDA Cohort Tracker' to track concurrence/nonconcurrence. The process for concurrence/non-concurrence could have been more thoroughly documented by the Under Secretary's signed approval on individual Awards in accordance with the standards set and enforced by USDA through the DFAP Validation Guide and Payment Integrity Plan.

Regarding OIG's list of 3,019 applications, USDA provided an updated file on 4-3-2025 which included complete concurrence for additional applications including Payment Integrity Cohorts 8, 41, and 44. In addition, USDA states there is adequate documentation of concurrence provided in the 'USDA Concurrence (column S)' for Cohorts 11, 16, 20, 34, 36, 43. In Cohort 46, as noted in the National Administrator's DFAP Payment Integrity Plan, states that "No eligibility recommendation made". This Cohort flagged applications where addresses and other information were found in supporting documents and replaced existing information. Therefore, the only Payment Integrity Cohorts without documented concurrence in the Cohort Tracker format are Cohorts 45, 55, 57. USDA proposes a re-review of paid applications for Cohorts 45, 55, and 57 and will provide proper documentation of those reviews and the decisions for payment if warranted. The total number of applications in question totals 1,343 with payments to 460 totaling \$3,503,900. USDA will have this complete by August 22, 2025.

### **Recommendation 2**

We recommend that USDA recover \$914,810 of the remaining \$2 million in questioned costs disbursed to applicants that were identified as improper payments during its reconciliation review.

### **FPAC Management Response:**

FPAC agrees with OIG's recommendation to recover improper payments disbursed to applicants that were identified as improper payments. To date, USDA has followed agency protocol by sending billing notices and demand letters providing applicant's proper due process. Future activities will include final demand letters and reporting to the Treasury Offset Program (TOP) for federal government payment offsets.

### **Recommendation 3**

We recommend that USDA identify and incorporate lessons learned and best practices for future programs that may require a non-governmental entity to administer the program. This should include modifying its contracts to receive Treasury approval prior to spending \$3,687,272 million in questioned costs to disburse Federal program funds by a third-party bank.

**FPAC Management Response:**

FPAC agrees with OIG's assessment that more precaution should have been taken when using a non-government entity to administer a program. The Inflation Reduction Act Section 22007 Discrimination Financial Assistance Program (DFAP) was a priority initiative for the previous Secretary of Agriculture, but better precaution should have been taken to ensure compliance with the law. For example, by making the unprecedented decision to use a third party for administering DFAP unnecessary expenses were incurred. Key program leaders and decision makers came from the Office of the Secretary (OSEC) but did not consult with enacting officials to avoid mistakes. Regarding the partial descoping of the National Administrator's contract related to the disbursement period, the value of the descoped work remaining in the disbursement period was estimated to be less than \$470,000. USDA will document this issue as a lesson learned note and provide a copy to OIG by August 22, 2025.

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