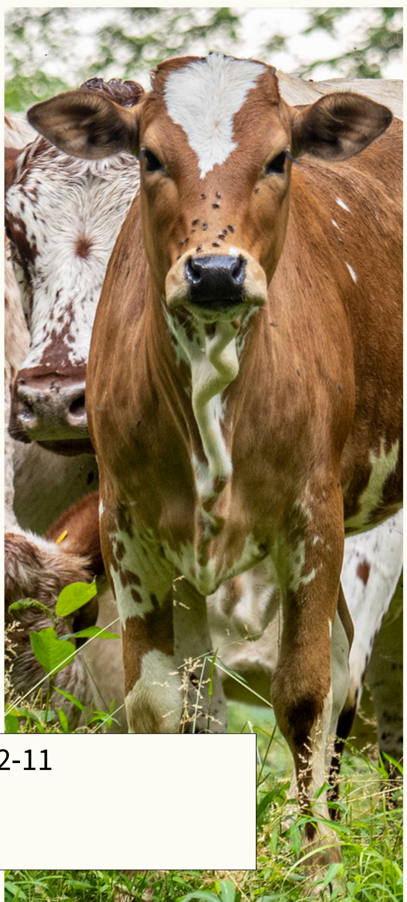
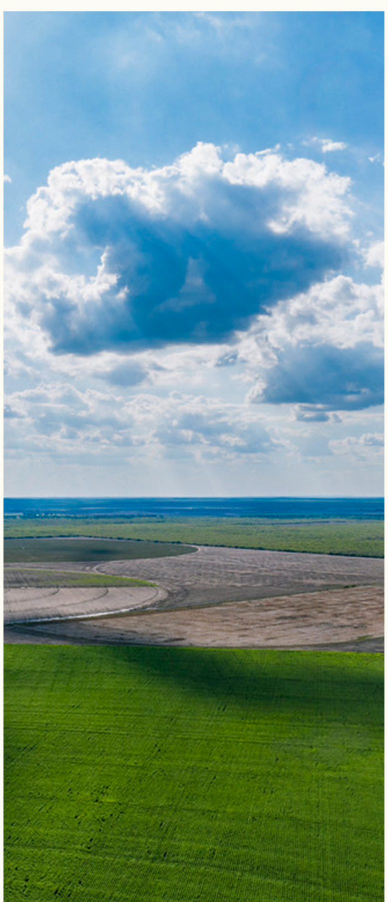
U.S. Department of Agriculture
Office of Inspector General

USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022





Audit Report 50401-0022-11

January 2024

USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022

Audit Report 50401-0022-11

OIG audited USDA's consolidated financial statements for fiscal years 2023 and 2022.

OBJECTIVE

The objectives of our audits were to review USDA's consolidated financial statements for fiscal years 2023 and 2022. Specifically, we determined whether: (1) the consolidated financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) USDA met the internal control objectives over financial reporting; (3) USDA complied with applicable laws and regulations; and (4) the Agency Financial Report is materially consistent with the information in the consolidated financial statements.

REVIEWED

We conducted our audits on information relevant to the audit objectives as obtained through systems or from officials and personnel from various USDA agencies and offices in Washington D.C. and New Orleans, Louisiana, as well as selected field offices.

RECOMMENDS

We recommended that the Food and Nutrition Service complete analysis on compliance with U.S. generally accepted accounting principles and prepare a position paper addressing accounting theory and practice for the accounting for the change in obligation recognition implemented in September 2023.

WHAT OIG FOUND

The United States Department of Agriculture (USDA) received a qualified opinion from the Office of Inspector General (OIG) on the consolidated financial statements. In our opinion, except for the possible effects on the fiscal year 2023 consolidated financial statements of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the financial position of USDA, as of September 30, 2023 and 2022 and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with United States of America generally accepted accounting principles.

Our consideration of USDA's internal control over financial reporting identified two deficiencies: (1) improvements are needed in overall financial management; and (2) USDA needs to improve its information technology security and controls, as many weaknesses remain. We determined the two deficiencies are material weaknesses. Additionally, our review of compliance with laws and regulations identified noncompliances with the Federal Financial Management Improvement Act of 1996, the Antideficiency Act, and the Payment Integrity Information Act of 2019.

The Food and Nutrition Service agreed with the recommendation, and we accepted management decision.

DATE: January 16, 2024

AUDIT NUMBER: **50401-0022-11**

TO: **Lynn Moaney**
Deputy Chief Financial Officer
Office of the Chief Financial Officer

ATTN: **Christopher Simmons**
Director
Internal Controls Division

FROM: **Janet Sorensen**
Assistant Inspector General for Audit

SUBJECT: USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022

This report presents the results of our audits of the United States Department of Agriculture's (USDA) consolidated financial statements for the fiscal years ending September 30, 2023, and 2022. The report contains a qualified opinion on the financial statements, as well as the results of our assessments of USDA's internal control over financial reporting and compliance with laws and regulations. Your written response is included in its entirety in Exhibit A. We have incorporated an excerpt from your response, and the Office of Inspector General's position into the relevant section of the report. Based on your written response, we are accepting management decision for the recommendation 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 each management decision to prevent being listed in the Department's annual Agency Financial Report. 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 audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (https://usdaoig.oversight.gov) in the near future.

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Independent Auditor's Report

Lynn Moaney
Deputy Chief Financial Officer
Office of the Chief Financial Officer

The United States Department of Agriculture's (USDA) Office of Inspector General (OIG) audited the consolidated financial statements of the USDA for fiscal years (FY) 2023 and 2022. We also considered USDA's internal control over financial reporting and tested USDA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct effect on the determination of material financial statement amounts and disclosures on these consolidated financial statements.

Section 1 presents the material weaknesses and Section 2 presents the instances of noncompliance with laws and regulations, as of and for the year ended September 30, 2023. Exhibit A presents USDA's response in its entirety.

Report on the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of USDA, which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net cost, and changes in net position; and the combined statements of budgetary resources for the fiscal years then ended and the related notes to the consolidated financial statements (hereinafter referred to as the "consolidated financial statements").

In our opinion, except for the possible effects on the FY 2023 consolidated financial statements of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USDA, as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the year then ended, in accordance with United States of America (U.S.) generally accepted accounting principles.

Basis for Qualified Opinion

In September 2023, USDA changed the obligation recognition point for the Supplemental Nutrition Assistance Program (SNAP) benefits and included obligations of more than $11 billion related to the October 2023 benefits in the New Obligations and Upward Adjustments (Total) line of the Combined Statements of Budgetary Resources (SBR) for the year ended September 30, 2023. These obligations also impacted the balances reported on the Apportioned, Unexpired Accounts and Expired Unobligated Balance, End of Year lines of the Combined SBR. However, management was unable to provide adequate evidential matter to support compliance with U.S.

generally accepted accounting principles after the change. As a result, we were unable to determine whether any adjustments to the consolidated financial statements were necessary.

We conducted our audits in accordance with U.S. generally accepted government auditing standards, the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the USDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

Other Matter

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the FY 2023 Agency Financial Report (AFR) to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management

Management is responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles;

- preparing, measuring, and presenting required supplementary information (RSI) in accordance with U.S. generally accepted accounting principles;

- preparing and presenting other information included in USDA's AFR, and ensuring the consistency of that information with the audited financial statements and the RSI;

- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; and

- compliance with laws, regulations, contract, and grant agreements applicable to USDA.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-01 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of financial statements in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-01 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to our audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USDA's internal control over financial reporting. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the consolidated financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by FASAB require that the RSI, which includes the Management's Discussion and Analysis (MD&A), be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the consolidated financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during the audits of the consolidated financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurances on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

USDA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for the purpose of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in USDA's AFR. The other information comprises USDA's Non-Discrimination Statement, Table of Contents, Message from the Secretary, Message from the Office of the Chief Financial Officer, Other Information, and Abbreviations-Acronyms sections, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In connection with our audits of USDA's consolidated financial statements, we considered USDA's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of USDA's internal control over financial reporting. Therefore, material weaknesses or significant deficiencies may exist that have not been identified. As described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of USDA's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in overall financial management and the information technology (IT) security program, described in "Findings" Section 1, to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In planning and performing our audit of USDA's consolidated financial statements as of and for the year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-01, we considered USDA's internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USDA's internal control over financial reporting. Accordingly, we do not express an opinion on USDA's internal control over financial reporting.

We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of UDSA's consolidated financial statements, we tested compliance with certain provisions of laws, regulations, contracts, and grant agreements. Noncompliance with these provisions could have a direct and material effect on the consolidated financial statements. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed instances of noncompliance that are reportable under U.S. generally accepted auditing standards or OMB Bulletin No. 24-01.

Federal Financial Management Improvement Act of 1996 (FFMIA)

We also performed tests of USDA's compliance with certain provisions referred to in Section 803(a) of FFMIA. Providing an opinion on compliance with FFMIA was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed instances, described in more detail in Section 2, of this report, where USDA was not substantially compliant with Federal Financial Management System Requirements (FFMSR) and the U.S. Standard General Ledger (USSGL) at the transaction level.

Antideficiency Act (ADA)

Title 31 U.S. Code (U.S.C.) §1517 states that an officer or an employee of the United States Government may not make or authorize an expenditure or obligation exceeding an apportionment or an amount permitted by regulations as prescribed by Title 31 U.S.C. § 1514. In FY 2023, the Department reported four confirmed[1] and two potential ADA violations in its AFR.

Payment Integrity Information Act of 2019 (PIIA)

During FY 2023, the results of our tests disclosed instances of noncompliance with the requirements of PIIA.[2] Four Phase 2 programs did not meet the PIIA compliance requirements on at least two of the following: reduction targets, corrective action plans, or improper payment rate of less than 10 percent. We also found that USDA did not ensure that one Phase 1 program completed a FY 2022 risk assessment, as required by PIIA, and reporting in the accompanying materials incorrectly stated that the program did not need to complete a FY 2022 risk assessment.[3]

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to USDA that have a direct effect on the determination of material amounts and disclosures in USDA's consolidated financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to USDA. We caution that noncompliance may occur and not be detected by these tests.

Purpose of the Report on Internal Control Over Financial Reporting and the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the "Report on Internal Control Over Financial Reporting" and the "Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements" sections is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of USDA's internal control over financial reporting or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-01 in considering USDA's internal control over financial reporting and compliance. Accordingly, these reports are not suitable for any other purpose.

[1] Of the four confirmed ADA violations, two have been reported to the President and Congress and two are pending submission.
[2] Payment Integrity Information Act of 2019 (PIIA), Pub. L. No. 116-117, 134 Stat. 113.
[3] Audit Report 50024-0003-24, *USDA's Compliance with Improper Payment Requirements for Fiscal Year 2022*, issued May 2023.

Management's Response

Management's response to the report is presented in Exhibit A. USDA's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly we express no opinion on it.

Janet Sorensen
Assistant Inspector General for Audit
Washington, D.C.
January 16, 2024

Findings

Section 1: Material Weaknesses in Internal Control Over Financial Reporting

Finding 1: Improvements are Needed in Overall Financial Management

Background

The material weakness in this finding is related to SNAP which is administered by the Food and Nutrition Service.

SNAP is funded by "appropriated mandatory" spending, also known as "appropriated entitlement" spending. The authorization law controls the amount of spending but does not contain the necessary appropriations to fund it. The appropriations are provided through the annual appropriation process.[4] Annual appropriations, also called fiscal year or 1-year appropriations, are made for a specified fiscal year and are available for obligation only during the fiscal year for which made.[5]

All appropriations are presumed to be annual appropriations unless the appropriation act expressly provides otherwise. Annual appropriations are available only to meet bona fide needs of the fiscal year for which they were appropriated. An appropriation for a given fiscal year is not available for the needs of a future fiscal year. Thus, where an obligation is made toward the end of a fiscal year and it is clear from the facts and circumstances that the need relates to the following fiscal year, the bona fide needs rule has been violated and the obligation is not a proper charge against the earlier appropriation, but must be charged against the following year's funds.[6]

Material Weakness

The Consolidated Appropriations Act, 2023,[7] hereinafter referred to as the Act, appropriated more than $153 billion for SNAP for the fiscal year ending September 30, 2023, of which $3 billion was to remain available through September 2025, in a reserve or contingency fund. As stated in the Act, "No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein."[8] Other than the limited contingency funds, there was no specifically expressed availability beyond September 30, 2023.

In September 2023, USDA determined and changed the obligation recognition point for SNAP benefits. Previously, USDA recorded an obligation when Electronic Benefit Transfer (EBT)

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[4] Congressional Research Service, *Overview of Funding Mechanisms in the Federal Budget Process, and Selected Examples*, R44582 (Feb. 2021).
[5] U.S. General Accounting Office, *Principles of Federal Appropriation Law,* GAO-04-261SP (3d ed. 2004).
[6] U.S. General Accounting Office, *Principles of Federal Appropriation Law,* GAO-04-261SP (3d ed. 2004).
[7] Consolidated Appropriations Act, 2023, Pub. L. No. 117-328, 136 Stat. 4459.
[8] Consolidated Appropriations Act, 2023, Pub. L. No. 117-328, 136 Stat. 4459.

benefits became available to the program beneficiary to spend – i.e., the benefit "effective date." The new process recognizes the obligation of funds for SNAP benefits at the point at which USDA authorizes the Federal Reserve Bank, through its Account Management Agent, to begin processing State issuance of SNAP benefits. USDA recorded obligations of more than $11 billion for October 2023 SNAP benefits on September 19, 2023. As a result, USDA changed the method of implementing an accounting principle and moved from an entirely automated process for recording SNAP obligations and disbursements for the 53 SNAP EBT states and territories to a labor-intensive manual process with increased risk. This change occurred despite the fact that USDA had funding available on October 1st for the October 2023 SNAP benefits from the Continuing Appropriations Act, 2024 and Other Extensions Act.[9]

The change in accounting principle was implemented without first performing adequate analysis of the change, including sufficient analysis that accounting for SNAP obligations complied with U.S. generally accepted accounting principles after the change, or designing controls for the new activities being performed. We further noted controls were being designed as the activities are performed. As a result, OIG was unable to obtain sufficient and appropriate evidence that the more than $11 billion obligation was a proper charge against the FY 2023 appropriation.

31 U.S.C. § 1502(a) states, "The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability . . . . However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law."

OMB, Circular No. A-123, identifies management as responsible for developing and maintaining effective internal control. The Circular further identifies internal control as the process for assuring achievement of the following objectives: effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations.

The U.S. Government Accountability Office's, *Standards for Internal Control in the Federal Government (Green Book)*: Green Book, Principle 9, Identify, Analyze and Respond to Change, states, in relevant part:

- 9.04. Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness.
- 9.05 As part of analyzing and responding to change, management performs a risk assessment to identify, analyze, and respond to any new risks prompted by the changes.

USDA has not adequately identified, analyzed, and responded to the risk significant changes pose to the organization in accordance with Green Book Principle 9. There was no formalized policy or process to follow when implementing a change in accounting principle and controls were not designed and implemented before the change occurred.

[9] Continuing Appropriations Act, 2024 and Other Extensions Act, Pub. L. No. 118-15, 137 Stat. 71.

As a result, USDA changed the method of implementing an accounting principle and moved from an entirely automated process for recording SNAP obligations and disbursements for the 53 SNAP EBT states and territories to a labor-intensive manual process with increased risk that the financial statements could be materially misstated.

In December 2023, USDA drafted a Departmental Regulation, *Voluntary Changes in Accounting Principles*, to assist agencies in implementing a structured process for analyzing changes to accounting principles, including changes in the method of applying those principles; assessing compliance with U.S. generally accepted accounting principles and impacts to financial reporting based on the change; and designing controls prior to the implementation of a change. The Office of the Chief Financial Officer plans to issue a bulletin by the end of January 2024 while the Departmental Regulation is finalized.

The Food and Nutrition Service has agreed to complete the analysis of the compliance with U.S. generally accepted accounting principles and prepare a position paper by March 31, 2024. Additionally, in December 2023, USDA provided a document containing legal analysis on the permissibility of obligating SNAP benefits for future period eligibility using a 1-year appropriation. This document is still under review by OIG. As this document will be a component of the position paper, we plan to complete our review once the position paper is finalized.

Recommendation 1 to the Food and Nutrition Service

Complete analysis on compliance with U.S. generally accepted accounting principles and prepare a position paper addressing accounting theory and practice for the accounting for the change in obligation recognition implemented in September 2023.

Agency Response

In its response, the Food and Nutrition Service stated:

> FNS will complete the analysis recommended by OIG and prepare a position paper addressing accounting theory and practice for the accounting for the change in obligation recognition implemented in September 2023.

The estimated completion date is March 31, 2024.

OIG Position

We accept the Food and Nutrition Service's management decision on this recommendation.

Finding 2: Improvements are Needed in Overall Information Technology Security Program

As required by the Federal Information Security Modernization Act of 2014 (FISMA), OIG reviewed USDA's ongoing efforts to improve its IT security program and practices during FY 2023.[10] USDA has worked diligently to improve its security posture, but some weaknesses remain. Of the 23 prior year recommendations, 1 remains open; 4 were closed by management, but the independent certified public accounting firm did not have sufficient time to test whether the recommendations were implemented effectively; 2 were closed by management, but testing identified deficiencies related to the recommendations; and the remaining 16 closed by management were validated by the independent certified public accounting firm as effectively remediated. OMB establishes standards for an effective level of security and considers level 4, "Managed and Measurable," to be sufficient. However, we found the Department's maturity level to be at level 3, "Consistently Implemented," which is ineffective according to OMB's criteria. The Department and its agencies must develop and implement an effective plan to mitigate security weaknesses identified in the prior FY recommendations.

The Office of the Chief Information Officer generally concurred with the findings and recommendations in the report.

[10] Audit Report 50503-0011-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2023 Federal Information Security Modernization Act*, issued July 2023.

Section 2: Noncompliance with Laws and Regulations

Finding 3: Lack of Substantial Compliance with FFMIA Requirements

FFMIA requires agencies to annually assess whether their financial management systems comply substantially with (1) FFMSR, (2) applicable Federal accounting standards, and (3) the USSGL at the transaction level. FFMIA also requires auditors to report in their Chief Financial Officer Act financial statement audit reports whether financial management systems substantially comply with FFMIA's system requirements. In addition, FISMA deficiencies are a component of FFMIA compliance.

During FY 2023, USDA evaluated its financial management systems to assess compliance with FFMIA. USDA reported that it was not compliant with FFMSR and USSGL at the transaction level. As noted in its MD&A, USDA continues its work to meet FFMIA and FISMA objectives.

Specifically, in its FFMIA and FMFIA reports, the Department reported an ineffective information security program due to many longstanding weaknesses with outstanding recommendations. See Finding 2 of this report for more details.

Additionally, in its FFMIA report, the Department noted noncompliance with the Commodity Credit Corporation where the financial management systems did not record certain obligations and accruals at the transaction level in accordance with the USSGL.

Due to planned actions, we are making no further recommendations in this report.

Abbreviations

ADA............................Antideficiency Act
AFR............................Agency Financial Report
EBT............................Electronic Benefits Transfer
FASAB........................Federal Accounting Standards Advisory Board
FFMIA ....Federal Financial Management Improvement Act of 1996
FFMSR........................Federal Financial Management System Requirements
FISMA ....Federal Information Security Modernization Act of 2014
FMFIA ....Federal Managers' Financial Integrity Act of 1982
FY ....fiscal year
IT................................information technology
MD&A ....Management's Discussion and Analysis
OIG ....Office of Inspector General
OMB ....Office of Management and Budget
PIIA............................Payment Integrity Information Act of 2019
RSI ....required supplementary information
SBR............................Statement of Budgetary Resources
SNAP ....Supplemental Nutrition Assistance Program
U.S. ....United States of America
U.S.C..........................U.S. Code
USSGL........................U.S. Standard General Ledger
USDA..........................United States Department of Agriculture

Agencies'
Response to Audit Report

United States
Department of
Agriculture

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

January 16, 2024

TO: Ms. Janet Sorensen
Assistant Inspector General for Audit
Office of Inspector General

FROM: Lynn Moaney /S/
Deputy Chief Financial Officer

SUBJECT: U.S. Department of Agriculture's Financial Statements for Fiscal Years 2023 and 2022

The Department is pleased to respond to your audit report on the financial statements for fiscal years 2023 and 2022.

We concur with the findings in the report. We will continue with actions planned and in progress to address the findings.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contract auditors during the audit.

United States Department of Agriculture

Food and Nutrition Service

1320 Braddock Place
Alexandria, VA
22314

DATE: January 16, 2024

AUDIT NUMBER: 50401-0022-11

TO: Janet Sorenson
Assistant Inspector General for Audit

FROM: Cindy Long /s/
Administrator
Food and Nutrition Service

SUBJECT: USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022

This letter responds to the discussion draft report for audit number 50401-0022-11, USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022. Specifically, the Food and Nutrition Service (FNS) is responding to the one recommendation in the report.

OIG Recommendation 1:

Complete analysis on compliance with U.S. generally accepted accounting principles and prepare a position paper addressing accounting theory and practice for the accounting for the change in obligation recognition implemented in September 2023.

FNS Response:

FNS will complete the analysis recommended by OIG and prepare a position paper addressing accounting theory and practice for the accounting for the change in obligation recognition implemented in September 2023.

Estimated Completion Date:

March 31, 2024

USDA's Agency Financial Report

Fiscal Years 2023 and 2022
Consolidated Financial Statements

Prepared by USDA

AGENCY FINANCIAL REPORT

2023

USDA

United States Department of Agriculture

Non-Discrimination Statement

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA or the Department) civil rights regulations and policies, USDA, its Mission Areas, agencies, staff offices, employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, or American Sign Language) should contact the responsible Mission Area, agency, or staff office - the USDA TARGET Center at (202) 720-2600 (voice and TTY).

To file a program discrimination complaint, a complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form, which can be obtained online from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights about the nature and date of an alleged civil rights violation. The completed Form AD-3027 or letter must be signed and submitted to USDA by:

(1) **Mail:**
U.S. Department of Agriculture
Executive Director
Office of the Assistant Secretary for Civil Rights
Center for Civil Rights Enforcement
1400 Independence Avenue, SW
Mail Stop 9430
Washington, D.C. 20250-9410, or

(2) **Efax:**
(833) 256-1665, or

(3) **Email:**
ProgramComplaints@usda.gov
Please attach a signed AD-3027 complaint form or letter to the email.

Table of Contents

Message from Secretary Vilsack

Attached you will find the U.S. Department of Agriculture's Agency Financial Report for Fiscal Year 2023, which covers a pivotal year characterized by recovery, growth, and the unveiling of new economic opportunities for our citizens. The dedicated public servants of the U.S. Department of Agriculture (USDA), in collaboration with our many external partners, have been a driving force behind building an economy that thrives from the middle out and bottom up.

Our focus has been particularly sharp on invigorating rural America, creating new opportunities for small- and mid-size farmers, who are the backbone of our agricultural community. USDA, called the People's Department by President Lincoln, also serves every American, in every zip code, every day. This work relies on a strong operational foundation, whether to ensure nutrition security, fair and competitive markets for farmers, climate-smart agriculture, a strong bioeconomy, thriving community infrastructure, or equitable access for all who seek to participate in our programs and in agriculture. This report demonstrates significant successes within USDA and for our stakeholders.

As a result of the work of the Biden-Harris Administration and Congress passing the American Rescue Plan, the Bipartisan Infrastructure Law, and the Inflation Reduction Act, along with the use of the Commodity Credit Corporation, USDA has invested in a system that works for farming, ranching, and forestry operations of all sizes; expands opportunity for underserved and minority farmers; puts nutritious food on the dinner table; reduces carbon output that causes climate change; and gives families and businesses in rural areas the tools they need to create a good life in the communities they love.

For example, with the backing of President Biden's Inflation Reduction Act, the USDA has been empowered to address the climate crisis with renewed vigor. Thanks to historic investments in FY2023 in voluntary conservation programs, USDA was able to enroll more farmers and more acres in conservation than at any other point in history. We also made the largest investment in rural electrification efforts since the Roosevelt Administration, with nearly $10 billion put towards the Empowering Rural America ("New ERA") and Powering Affordable Clean Energy (PACE) programs that will help communities invest in clean energy infrastructure that is also affordable for rural customers.

Through the Inflation Reduction Act and Bipartisan Infrastructure Law, we also were able to direct over $1.2 billion in FY 2023 towards mitigating wildfire risks across the West. Our efforts have been multifaceted, from boosting our Community Wildfire Defense Grants with nearly $200 million awarded to help communities across 22 states and seven tribes boost their resiliency to wildfires, to setting a record for hazardous fuels mitigation, at 4.3 million acres treated, that represents our unprecedented level of commitment to protect communities, watersheds, and critical infrastructure from wildfire.

Our endeavors also extend to bolstering local and regional food systems while leveling the playing field for small- and mid-sized producers. We've channeled over $75 million to enhance organic markets and support producers transitioning to organic farming. Investments to expand independent processing through programs like the Food Supply Chain Guaranteed Loan, Meat and Poultry Intermediary Lending, and Business and Industry Loan Guarantee have surpassed $320 million.

Furthermore, our ReConnect program, fortified with an investment of over $700 million, is bridging the digital divide for hundreds of thousands rural Americans, including those in the hardest to reach communities.

All the while, our commitment to fostering diversity, equity, inclusion, and accessibility remains unwavering. The independent Equity Commission, created under the American Rescue Plan, has been pivotal in providing recommendations to enhance inclusivity. In parallel, USDA invested $262.5 million in the NextGen program, providing grants to minority serving institutions with the goal of developing a new generation of agricultural leaders.

Our mission to end food and nutrition insecurity has also been front and center. Initiatives like our Healthy Meals Initiative have been strengthened with nearly $30 million, benefiting small and rural school districts. The Biden-Harris administration's allocation of $2.7 billion has further fortified our school meal programs and emergency food operations. Our commitment also extends to programs like Women, Infants, and Children (WIC), where we've directed an investment of $53 million to serve people in need.

In support of these initiatives, our mission support team persistently upholds its responsibility to evaluate internal controls within the USDA's programmatic and operational spheres, alongside the vigorous examination of financial reporting processes. The USDA has made substantial headway in addressing previously identified material weaknesses, culminating in a fiscal year-end without material weaknesses for both the Commodity Credit Corporation (CCC) and the Natural Resources Conservation Service (NRCS). For NRCS, this is first time they have received an unmodified opinion with no material weaknesses, significant deficiencies, and/or non-compliances with laws and regulations. This accomplishment resonates with our commitment to maintaining the highest standards of financial management and accountability. Thanks to work behind the scenes, the Department has reduced our open audit inventory from 88 in FY 2020 to 52 in FY 2023.

The challenges posed by the COVID-19 pandemic tested our staff and systems, but we persevered, ensuring the uninterrupted continuity of our operations. Our adept management of an impressive $61.1 billion in supplemental funding has fortified vital programs within the Coronavirus Aid, Relief and Economic Security Act, the Coronavirus Food Assistance Program, Inflation Reduction Act, and the American Rescue Plan. Our dedication to excellence is further exemplified by our strides in addressing and closing audit recommendations. Earnest collaboration among USDA agencies the Office of Inspector General (OIG) and the Government Accountability Office (GAO), has contributed to meticulous accounting and effective utilization of every dollar.

We also depend on the Office of the Inspector General (OIG), whose USDA Management Challenges Report, which accompanies the Agency Financial Report, provides vital insight into our operations. OIG has recognized our positive steps and cooperation on addressing each recommendation. USDA has reduced from 3 to 1 the number of "high risk" areas for improper payments. All Food Safety recommendations dating back to June 2020 are now closed, a testament to the commitment of USDA employees to the safety of the food on our dinner table. We are actively addressing previously identified deficiencies, demonstrating our dedication to continuous improvement.

OIG's Management Challenges Report reminds us that we must continue to focus on program efficiency and management excellence. Consistent with OIG guidance, USDA will continue to expand the use of data analytics to support decision and policy making, deepen our outreach to underserved communities and tribal nations, and safeguard information from those who wish to do the nation harm. USDA remains committed to overseeing the assessment of internal controls over our programs, operations, financial systems, and financial reporting. We adhere to the provisions of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) to mitigate material weaknesses and ensure compliance.

USDA's work is expansive—and it is crucial. It is about farms and the people who work them, and it is also about keeping businesses alive in small towns. It's about school children having access to healthy food grown in their own communities. It's about protecting our planet from droughts and wildfires and natural disasters. It's about America leading the way in what it means to be a sustainable, inclusive, resilient place.

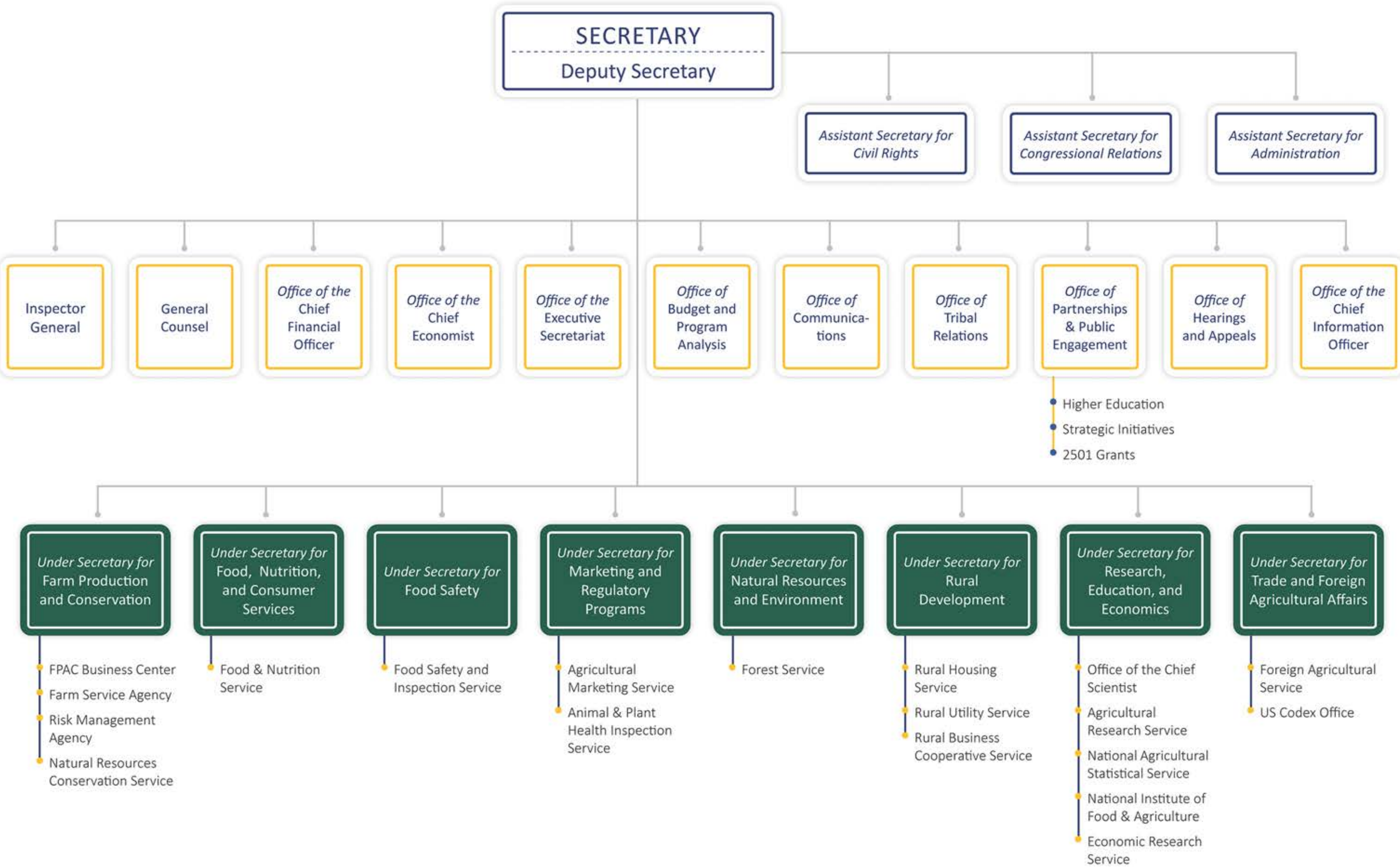
In FY 2023, USDA was tested, strengthened, and given many opportunities to prove our capabilities and vision. Together, we will continue to sow the seeds of hope, growth, and prosperity for all.

Thomas J. Vilsack
Secretary of Agriculture
January 16, 2024

Section I

Management's Discussion and Analysis

Organization Chart



Mission Areas and Staff Offices

Farm Production and Conservation

Farm Production and Conservation (FPAC) is USDA's focal point for the Nation's farmers, ranchers, and other stewards of private agricultural and non-industrial private forest lands. FPAC agencies implement programs designed to mitigate the significant risks of farming through crop insurance, conservation programs, farm safety net programs, lending, and disaster programs.

- Farm Production and Conservation Business Center (FPAC-BC)
- Farm Service Agency (FSA)
- Natural Resources Conservation Service (NRCS)
- Risk Management Agency (RMA)

Food, Nutrition, and Consumer Services

Food, Nutrition, and Consumer Services works to harness the Nation's agricultural abundance to reduce food insecurity and improve nutrition security in the United States. Its operating agency, the Food and Nutrition Service, administers Federal domestic nutrition assistance programs and includes the Center for Nutrition Policy and Promotion, which links scientific research to the nutrition needs of consumers through science-based dietary guidance, nutrition policy coordination, and nutrition education.

- Food and Nutrition Service (FNS)

Food Safety

Food Safety and Inspection Service (FSIS) is the USDA public health agency responsible for protecting the public's health by ensuring the safety of meat, poultry, and egg products. FSIS ensures food safety through the authorities of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, as well as humane animal handling through the Humane Methods of Slaughter Act.

- Food Safety and Inspection Service (FSIS)

Marketing and Regulatory Programs

Marketing and Regulatory Programs (MRP) facilitates domestic and international marketing of U.S. agricultural products, protects U.S. plant and animal health, regulates genetically engineered organisms, administers the Animal Welfare Act, and carries out wildlife damage management activities. MRP agencies are active participants in setting national and international standards.

- Agricultural Marketing Service (AMS)
- Animal and Plant Health Inspection Service (APHIS)

Natural Resources and Environment

The mission of Natural Resources and Environment is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. It carries out its mission in partnership with States, Tribes, and communities across the country who steward the Nation's forest and grasslands.

- Forest Service (FS)

Research, Education, and Economics

USDA's Research, Education, and Economics (REE) mission area is dedicated to creating a safe, sustainable, competitive, and equitable U.S. food and fiber system. We support American farmers, ranchers, and foresters, and help build stronger communities, families, and youth through sound integrated research, analysis, and education. REE delivers credible scientific research, economic data, statistical analysis, and scientific guidance through our five component organizations. Together, we serve as USDA's core scientific enterprise and work to tackle the world's most complex agricultural challenges with groundbreaking innovations and discoveries.

- Agricultural Research Service (ARS)
- Economic Research Service (ERS)
- National Agricultural Statistics Service (NASS)
- National Institute of Food and Agriculture (NIFA)
- Office of the Chief Scientist (OCS)

Rural Development

Rural Development (RD) fosters opportunity and economic security for people and communities in rural America through a broad range of investments. These investments open doors to better jobs and create access to innovation and technology while promoting the promise of rural prosperity, equity, and climate resilience. The mission area is a catalyst for locally driven economic development strategies that build on the diverse assets and needs of rural places, including improving high-speed internet access; providing affordable rural housing; connecting rural skill sets to jobs of the future; modernizing roads, bridges, and water systems; and ensuring communities have access to healthcare. RD provides tools and resources, such as loans, grants, and strong community partnerships, that ensure rural families, businesses, and communities can prosper today and in the future.

- Rural Business-Cooperative Service
- Rural Utilities Service
- Rural Housing Service

Trade and Foreign Agricultural Affairs

Trade and Foreign Agricultural Affairs' (TFAA) role is to provide our farmers and ranchers with opportunities to compete in the global marketplace. TFAA is the Department's lead on trade policy, with the primary responsibility to ensure USDA speaks with a unified voice on international agriculture issues domestically and abroad. Within TFAA, the Foreign Agricultural Service is the lead U.S. agency tasked with promoting exports of U.S. agricultural products through market intelligence, trade policy, trade capacity building, and trade promotion programs. This work is carried out by staff in Washington as well as a global network of nearly 100 offices covering approximately 180 countries. Also within TFAA, the U.S. Codex Office coordinates U.S. participation in the Codex Alimentarius Commission, a joint intergovernmental body of the Food and Agriculture Organization of the United Nations and the World Health Organization that sets international food standards while protecting consumer health and ensuring fair trade practices.

- Foreign Agricultural Service (FAS)
- US Codex Office

Staff Offices

Our offices provide support to Department officials and employees at all levels, and they support our programs and services by working with our agencies, Congress, organizations, and tribal governments. To learn more about USDA staff offices, please visit the USDA Staff Offices website for the most current data and information.

Program Performance

Mission, Vision, and Strategic Plan

Mission

To serve all Americans by providing effective, innovative, science-based public policy leadership in agriculture, food and nutrition, natural resource protection and management, rural development, and related issues with a commitment to deliver equitable and climate-smart opportunities that inspire and help America thrive.

Vision

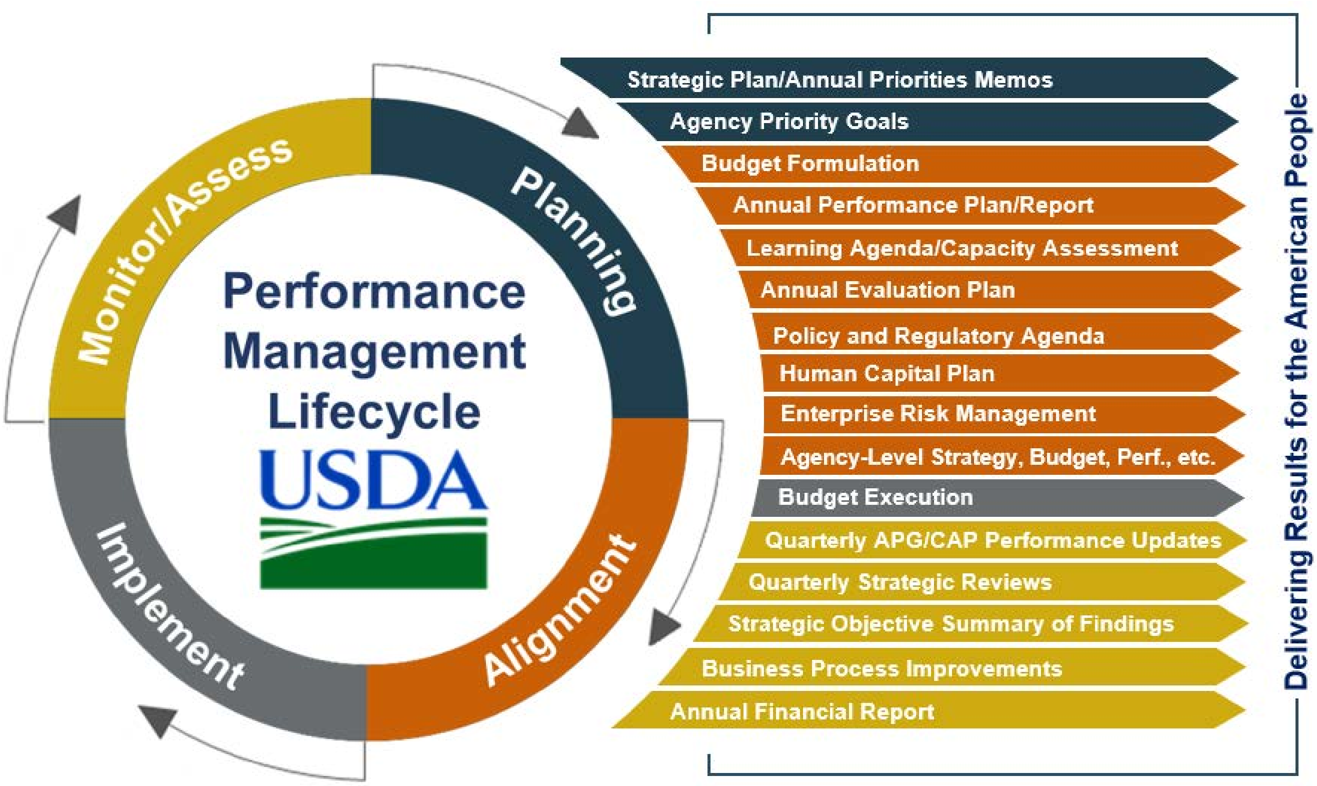
An equitable and climate-smart food and agriculture economy that protects and improves the health, nutrition, and quality of life of all Americans; yields healthy land, forests, and clean water; helps rural America thrive; and feeds the world.

FY 2022–2026 Strategic Plan

In March 2022, USDA published its *FY 2022-2026 Strategic Plan,* which outlines the long-term goals and objectives USDA hopes to accomplish and what actions the Department will take to realize those goals. The *Strategic Plan* provides the context for decisions about performance goals, priorities, and budget planning, and the framework for the detail provided in the Annual Performance Report (APR) and Annual Performance Plan (APP). The *Strategic Plan* focuses on six strategic goals supported by 21 strategic objectives, as highlighted below. In addition, the Strategic Plan is guided by five crosscutting priorities that inform USDA's work and are woven through the Strategic Plan.

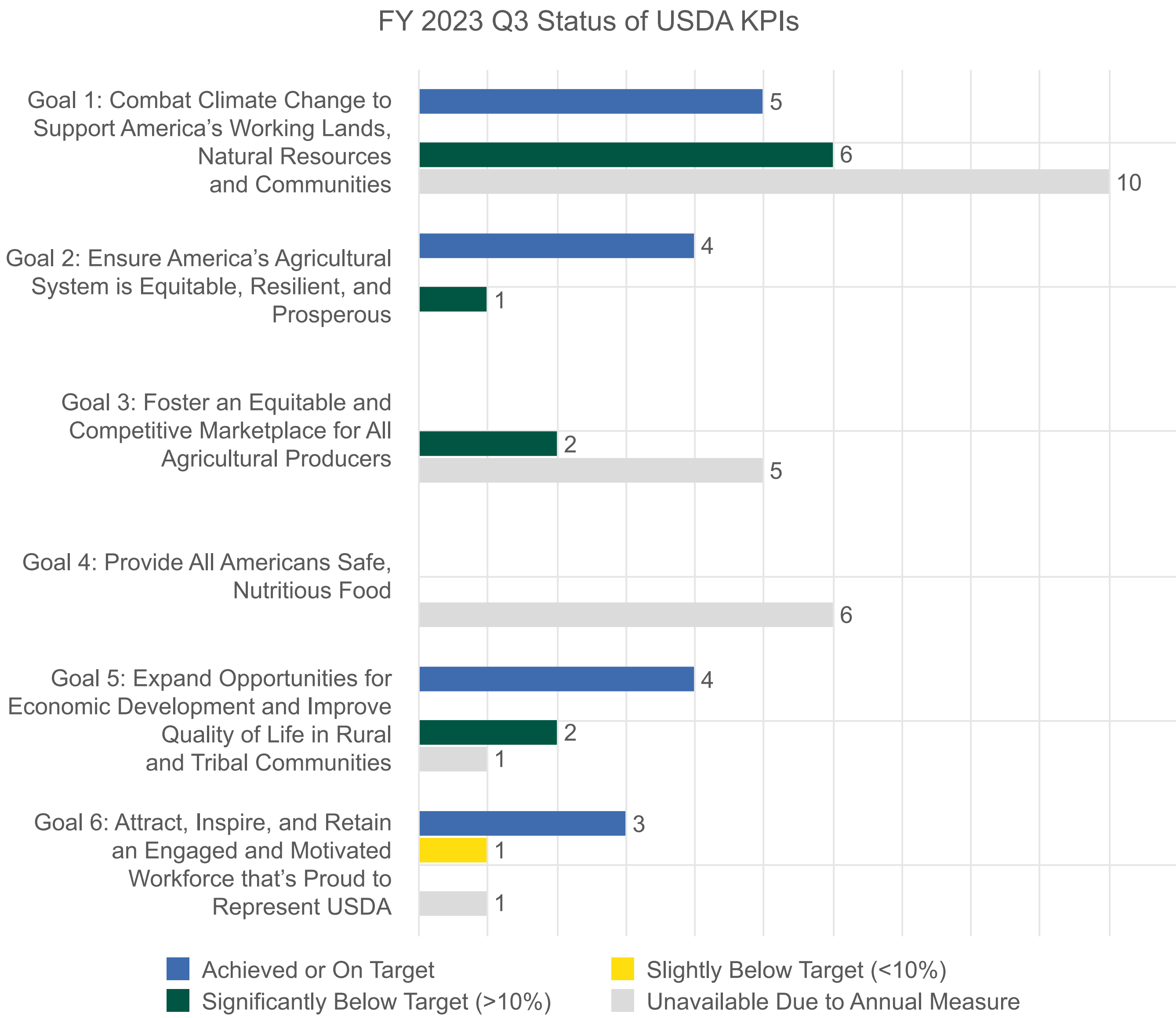
Performance Management Lifecycle

The Department's performance management lifecycle, highlighted below, establishes a strategic planning process driven by data, supported with evidence, and focused on results.



Performance Measurement

The *FY 2022-2026 Strategic Plan* is supported by performance measures, or Key Performance Indicators (KPIs), that measure progress toward achieving the strategic goals and objectives. The following graph depicts the FY 2023 Q3 status of USDA's KPIs, organized by strategic goal.



USDA's full FY 2023 performance results will be presented in the joint FY 2025 APP/FY 2023 APR. The joint APP/APR details USDA's plans for progress toward achieving the strategic goals and objectives described in the USDA *FY 2022-2026 Strategic Plan*, including plans on agency priority goals. This report will be posted on the USDA Our Performance website concurrent with the publication of the FY 2025 President's Budget in February 2024.

Analysis of Systems, Control, and Legal Compliance

Statement of Assurance

USDA's management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. USDA conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2023, except for the following material weaknesses reported: (1) information technology (IT) and (2) financial management.

In addition, USDA continues to report instances of non-compliance with Anti-Deficiency Act violations, two of which were reported to the President and Congress this year, two are pending submission, and two are under review as potential violations.

We also assessed the compliance of USDA's financial management systems with Federal Financial Management Systems' requirements in accordance with FMFIA Section 4; FFMIA Section 803(a); and OMB Circular No. A-123, Appendix D. They require Federal agencies to implement and maintain financial management systems that comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. As a result of the assessments conducted, we are reporting non-compliance with FFMIA.

The details of the exceptions are provided in the FMFIA, FFMIA, Compliance with Laws and Regulations, and Summary of Financial Statement Audit and Management Assurances sections of this report. No other material weaknesses were found in the design of the internal control over (1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2023, and (2) internal control over reporting as of September 30, 2023.

Thomas J. Vilsack

Thomas J. Vilsack
Secretary of Agriculture
January 16, 2024

Federal Managers' Financial Integrity Act Report on Management Control

Background

FMFIA requires ongoing evaluations of internal controls and financial management systems. These evaluations lead to an annual statement of assurance that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, abuse, and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

USDA evaluated its internal controls in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

USDA remains committed to reducing the risks associated with its deficiencies. It also strives to efficiently and effectively operate its programs in compliance with FMFIA and other applicable laws and regulations.

The Department operates a comprehensive internal control program. This program ensures compliance with the requirements of FMFIA, OMB Circular No. A-123, and its Appendices A through D, and other laws and regulations and conformance with FFMIA. All USDA managers must ensure their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements. In addition, USDA's management works with the Office of Inspector General (OIG) and the Government Accountability Office (GAO) to remediate the root causes of material weaknesses.

The following results may reappear in multiple sections with greater context and content specific reporting.

Fiscal Year 2023 Results

The Department has two material weaknesses in internal controls over information technology (IT) and financial management. The material weakness of IT is due to improvements needed in IT security and overall effectiveness (See Exhibit 1). The material weakness for financial management is due to improvements needed in the Food and Nutrition Service's internal control structure for implementing the change in the Supplemental Nutrition Assistance Program's obligation point in accordance with U.S. generally accepted accounting principles.

The Department reported two Anti-Deficiency Act (ADA) violations to the President and Congress during the fiscal year and has two pending issuances of a letters. The Office of the General Counsel (OGC) determined that two other potential instances were not ADA violations; and have been referred to GAO for a determination. A detailed description and summary of the Department's ADAs can be found in the Compliance with Laws and Regulations section of this report.

The Secretary's Statement of Assurance provides modified assurance that USDA's system of internal control complies with FMFIA objectives. For additional details on the results reported in USDA's Consolidated Financial Statements Audit Report, see the Summary of Financial Statement Audit and Management Assurances section of this report.

Summary of Outstanding Material Weaknesses

Exhibit 1 provides FY 2023 accomplishments and FY 2024 planned actions toward resolving the outstanding material weaknesses.

Exhibit 1: Summary of Outstanding Material Weaknesses

USDA IT	
Material Weaknesses Existing	The Department needs to continue its efforts to improve IT security and overall IT maturity to an effective level. In addition, the Department needs to continue remediation of its remaining outstanding audit recommendations.
Overall Estimated Completion Date	FY 2024
FY 2023 Accomplishments:	**FY 2024 Planned Actions:**
During FY 2023, the Office of the Chief Information Officer (OCIO): • The Department finalized USDA FISMA Improvement Plan on September 12, 2022. This comprehensive 5-year strategic vision includes a detailed improvement plan that tracks projects and efforts to improve the USDA Information Security Program and practices. This is the department's plan of action to migrate Cyber Security Assessment and Management System (CSAM) from National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 Revision 4 to SP 800-53 Revision 5 controls. In addition, the department developed an Integrated Project Team to manage the project schedule. For the purpose of keeping all stakeholders abreast of the requirements needed to complete the mitigation, a series of meetings were held. The Department continues to migrate all systems towards NIST Rev 5.	**OCIO will:** • Continue to refine operational processes to align with Cybersecurity Diagnostic and Migration (CDM) Phases. • Deploy CDM Phase 3 tools (Network Security Management). • Continue implementing audit recommendations from FY 2022 and FY 2023. • Develop a risk management strategy that will align with USDA's enterprise risk management governance. • Deploy or implement the Security Posture Dashboard Report that will incorporate operational and compliance IT risk within one system. • Publish Departmental Directives related to: Suitability Requirements Permitting Personnel Access to Information Systems, Information Systems Audit and Accountability, Firewall Technical Security Standard, and Security Assessment and Authorization. • Continue to track, monitor, and enforce security configuration baselines for USDA servers.

Federal Financial Management Improvement Act Report on Financial Management Systems

FFMIA is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply with (1) Federal Financial Management System (FFMS) requirements, (2) applicable Federal accounting standards, and (3) the U.S. Standard General Ledger (USSGL) at the transaction level.

Failure to resolve prior year recommendations identified by USDA's Office of Inspector General has prevented the Department from mitigating repeated deficiencies and receiving a quality rating on the five Cybersecurity Framework security functions. More detailed information on the status of corrective actions planned and to be completed to comply with the Federal Information Security Modernization Act (FISMA) is provided in the USDA Management Challenges section of this report.

The following results may reappear in multiple sections with greater context and content specific reporting.

FY 2023 Results

During FY 2023, the USDA evaluated its financial management systems to assess compliance with FFMIA. In assessing FFMIA compliance, USDA considered auditors' opinions on component agencies' financial statements and progress in addressing the material weaknesses identified in the FY 2022 Agency Financial Report (AFR).

USDA is not compliant with USSGL at the transaction level due to deficiencies identified for CCC (See Exhibit 2). In addition, as reported in the FFMIA section of this report, USDA continues to have weaknesses in IT controls that result in non-compliance with the FISMA requirement. As part of its financial systems strategy, USDA agencies continue working to meet FFMIA and FISMA objectives.

The following exhibit contains the outstanding initiatives to achieve compliance.

Exhibit 2: Initiatives to be Completed

Outstanding Initiatives to Achieve FFMIA Compliance

Initiative	Section of Non-Compliance	Agency	Target Completion Date
Information Technology	FFMS requirements and information security policies, procedures, and/or practices.	Multiple	9/30/2024
Financial Management	USSGL at the transaction level.	CCC	9/30/2026

CCC Non-Compliance

CCC was non-compliant with USSGL. The financial management systems did not record certain obligations and accruals at the transaction level in accordance with the USSGL. The agency continues to implement compensating controls over the accounting for obligation activity, making significant progress. CCC continues implementing its program obligation activity into the Financial Management Modernization Initiative through a phased approach.

CCC Timeline for Remediation:

FY2025: Resume CCC Financial Improvement Project (FFIP) interface with FPAC-BC owned applications and FMMI; completion of the Financial Intelligence Enterprise Transformation (FIET) initiative.

FY2026: Migration of remediated non-loan, non-fee-based program to FMMI from Core by 9/30/2026; refine timeline for interface development for loan and fee-based programs and migration of programs from Core to FMMI.

Compliance with Laws and Regulations

USDA has developed strategies to reduce and/or mitigate confirmed violations during FY 2023. USDA remains non-compliant with ADA.

The following exhibits provide further details of each violation.

Anti-Deficiency Act

Each agency within USDA conducts assessments on their own Anti-Deficiency Act compliance. Results are submitted monthly. Violations are reported to Congress, OIG, and the President.

Exhibit 3: Two ADA Violations were Reported to the President and Congress During 2023

Agency:	**Office of the Secretary**	**Year Identified**
Violation:	Two provisions in the Consolidated Appropriations Act were violated. USDA obligated and expended funds appropriated by the Act to prepare and deliver the Secretary's statements and to develop and publish the associated press release. USDA's obligation and expenditure of appropriated amounts for this prohibited purpose also violated the ADA, 31 U.S.C. § 1341(a)(1)(A). The combined cost associated with the violation is $68.47.	FY 2017

Agency:	**CCC**	**Year Identified**
Violation:	Tree Assistance Program: 34 unrecorded contracts were signed and approved in FY 2021 totaling $1,611,127. In FY 2022, the contracts were recorded into the program application yet failed to be recorded into the Core Accounting System (CORE) due to being held by the Common Obligation Framework as a result of a lack of FY 2021 funds.	FY 2021

Exhibit 4: ADA Violation Pending Submission to the President and Congress; Two ADA violations are pending issuance of letters.

Agency	Description of Violation	Status	Phase
CCC	FY 2022: Due to significant, interest rate changes beginning January 2022, the initial FY 2022 apportionment requested for Interest on Treasury Notes was insufficient. As a result, CCC exhausted the initial apportionment of $18,994,570 on March 23, 2022. CCC continued to borrow funds and repay interest until the funding deficiency was identified on May 17, 2022. CCC borrowing was suspended immediately until a new interest apportionment was approved by OMB on May 20, 2022.	OGC determined violation, letter pending.	In the final stages of the ADA process, pending updated Estimated Completion Date (ECD)
ERS	USDA transferred about $170,000 from an appropriation for NIFA's relocation expenses to the appropriation for the USDA Office of the Secretary. USDA complied with a notification requirement in Section 717(a) when it transferred to the Office of the Secretary amounts appropriated to NIFA. USDA never made the requisite notification under Section 717(a) when it transferred amounts appropriated to ERS. USDA thus violated the notification provision and, as a result, the Anti-deficiency Act, and it should report its violation as required by 31 U.S.C. § 1351.	Reported as required by 13 U.S. Code 1351.	Drafting an ADA letter.

Potential ADA Violations—two prior year violations were identified. These occurrences are pending results from research and investigation for a determination as to whether a violation occurred. Exhibit 5 provides a description and status.

Exhibit 5: Prior Years' Identified Potential ADA Violations

Agency	Description of Violation	Status	Phase
CCC	FY 2018: Emergency Forestry Conservation Reserve Program — CCC failed to record the obligation for the full value of the long-term contract when the contract was signed. The ADA violation amount was $2,200,000.	OGC determined that the error was not an ADA violation but referred to GAO for determination.	In final stages of the ADA review process; no ECD at this time
CCC	FY 2017: The prior year accounting treatment for obligations related to the Conservative Reserve Program -— Annual Rental contracts were determined to be in error with an ADA total of $9,921,859,680. Only the annual portion of the contract values was recorded as an obligation.	OGC determined that the error was not an ADA violation but referred to GAO for determination.	In final stages of the ADA review process; no ECD at this time

Financial Management Systems Strategy

USDA Financial Management Services (FMS) component of the Office of the Chief Financial Officer (OCFO) provides timely, accurate, and complete financial information to USDA agencies to execute their mission. Specifically, FMS provides cloud-based, commercial off-the-shelf enterprise resource planning (ERP) software equipping USDA staff offices and agencies with the functionality necessary to distribute, obligate, expend, and report on the funds entrusted to them by the U.S. Congress.

FMS operates as an internal Shared Services Provider (SSP) to USDA staff offices and agencies. FMS offers proactive, cost-effective services providing value-added management services, expertise, and consultation to Federal agencies to generate efficiencies and support through the consolidation and standardization of functions, standard processing, and repeatable processes.

The OCFO leverages financial system successes to deliver efficient, cost-effective, mission-focused, collaboratively developed, and strategically aligned programs and tools. OCFO's systems' objectives in FY 2024 are to:

- Build Financial System agility and visibility through integrated ERP systems capability and deploying emerging technology.
- Expand capabilities of the OCFO systems to share, reuse, and integrate business capabilities, technology, and data across the Department and with external partners and stakeholders.
- Increase application and system efficiencies by collaborating in Department-wide application rationalization efforts.

The OCFO will continue to advance its financial systems by implementing emerging ERP technology platforms, improving connectivity, reducing the marginal costs of accessing information, and providing new ways to aggregate and analyze information.

Financial Management Lines of Business

FMS's mission as an internal SSP is to provide dependable, cost-effective, employee-centric systems and services to USDA organizations, thus enabling customers to focus on serving this great Nation through their mission delivery. FMS's goal is to provide the necessary activities for executing the Financial Management Lines of Business vision. The three central components of this vision are (1) communication, (2) governance, and (3) operations.

FMS's key activities include:

- Budget execution
- General ledger accounting
- Financial reporting
- Audit support
- Payroll accounting

- Investment accounting
- Commercial vendor payments
- Temporary duty travel payments
- Permanent change of station employee relocation payments
- Grant payments
- Purchase card payments
- Lease accounting
- Intragovernmental payments
- Intragovernmental collections
- Receivable management
- Property accounting
- Grants management

FMS's primary objectives are to:

- Enhance the enterprise financial management services to provide faster, less expensive, and low-risk solutions to customers.
- Integrate with the National Finance Center payroll processing services.
- Provide an enterprise grants management service featuring a full life cycle management tool for grants administration to provide visibility to the Government and the grant recipient.
- Maintain a complete audit-compliant financial solution with full documentation meeting financial requirements.
- Pursue continuous process, operational, and organizational improvements for shared services retained in the future state portfolio.
- Provide powerful and flexible financial management and reporting.
- Process administrative payments, collections, and certifications timely and accurately.

Successes During Fiscal Year 2023

For Fiscal Year 2023, FMS made significant strides in accomplishing our objectives and meeting milestones. Many of our successes came from implementing mandates from the Office of Personnel Management, U.S. Treasury, and achieving milestones in preparation for the Financial Intelligent Enterprise Transformation (FIET) implementation. The chart below depicts the initiatives and how they support the OCFO System objectives and the estimated completion date. The estimated completion date is for the completion of the entire project than spans multiple years. Majority of our successes are part of a larger effort or have dependencies that can affect the estimated completion date. The narratives describe the milestones achieved throughout FY 2023, as part of the bigger project. The following pages will provide additional information on our success throughout the year.

Exhibit 6: Financial Management (FM) System Objectives

FM System Successes	Build Financial Systems Agility and ERP Visibility and Capability	Expand FM System Capabilities to Integrate Business Capabilities, Technology, and Data	Increase Application and System Efficiencies by Collaborating Department-wide	Estimated Completion Date
	FM System Objectives			
AgPay Xpress	✓		✓	4QFY23
BOC Initiative	✓	✓	✓	4QFY23
Contract, Lease and Real Estate Management	✓	✓	✓	4QFY25
FIET (FY23 Milestones)	✓	✓	✓	2QFY24
Grants Management	✓	✓	✓	4QFY23
Oracle Apex Design	✓	✓	✓	4QFY24
SAP Analytics Cloud	✓	✓	✓	1QFY24
Mobile Check Capture	✓	✓	✓	4QFY23

FM Objectives listed in opening paragraph Financial Management Systems Strategy section.

Grants Management

The ezFedGrants (eFG) System manages grants online throughout a grant's life cycle. Grant-seeking organizations use the eFG External Portal to view and apply for grant award opportunities, view grant award package documents, and submit claims and reports. The eFG program is designed for servicing grants to organizations such as educational institutions and research organizations.

OCFO's FMS is the eFG system owner whose mission is to provide guidance and leadership in program management, governance, grants and agreements policy, and IT related to the eFG community.
The enterprise grants and agreements management solution encompasses six USDA agencies and includes more than 50 Financial Assistance Listings while transforming USDA's grants and agreements capabilities. The eFG system supports various Federal initiatives, such as homeownership opportunities to low-and moderate-income rural Americans, organic agriculture, and several other grant and agreement-related programs to serve the American public.

In FY 2023, eFG initiatives:

- Completed the development and implementation of integration of six web services between the U.S. Department of Health and Human Services (HHS) GrantSolutions system and USDA Financial Management Modernization Initiative (FMMI) in August 2023. GrantsSolutions is a Grants Quality Service Management Office (QSMO) service provider. The integration provides USDA grant-making agencies the option to migrate to GrantSolutions. The integration of web services from USDA FMMI to the HHS Payment Management System (PMS) will be completed in October 2023.

- Provided system training to 781 internal and external users on eFG. In FY 2023, the eFG system has 10,077 users (7,849 external users and 2,228 internal users).
- Continued to maintain a robust user education site, WikiGrants, as an internal repository of eFG-related materials—such as user guides, training modules, and frequently asked questions—and in FY 2023, received 906 unique visitors. The external website for eFG received an average of 7,756 site visits per month in FY 2023.
- Deployed 2,447 new FY 2023 agreements. During the life of the eFG system, 28,900 agreements have been deployed, and 9,907 are active or in draft status.
- Resolved 3,406 tickets (2,847 Tier 1 and 559 Tier 2) through the OCFO eFG Helpdesk as a first responder to customer inquiries.
- Resolved 41 ezFedGrants system incidents (21 system defects and 20 enhancements) in FY 2023 via the eFG Post-Production Support Team. In addition, 670 priority one-time system fixes were resolved in FY 2023 as of August 9, 2023.

Budget Object Class Initiative

The purpose of the Business Object Class (BOC) project is to support the USDA Budget Modernization effort. OCFO's role is to ensure BOC code compliance with OMB Circular A-11, Section 83. The discovery phase of the BOC initiative ended on October 31, 2021, but continues to analyze and update BOCs as anomalies. OCFO determined that the BOC structure could not be restructured at this time due to the resources required to accomplish this task. The main objective of this initiative is to improve data quality, identify where improvements can be made, and facilitate or improve the agencies' selection of appropriate BOCs for goods and services acquired.

The BOC initiative ensures the proper use of BOCs in FMMI. This initiative ensures BOCs accurately describe the goods or service, uses a standard crosswalk table to ensure consistency of BOCs reported to external regulatory agencies, and includes system edits and/or validation rules to ensure more accurate recordation of goods and services acquired. This effort includes:

- Continuing analysis of all BOC Series.
- Updating the BOC Manual.
- Performing analysis to ensure data quality.
- Gathering requirements on the impact of the BOC changes on the USDA interface systems, Adobe forms, and internal processes within FMMI to determine solutions.
- Adding BOC standards to policy and process flows to maintain compliance with OMB Circular A-11.

To reduce erroneous use of BOCs, the OCFO uses edits and/or validations in the SMARTPAY Interface program and the Integrated Acquisition System to prevent inappropriate use of BOCs from being applied to transactions. As a part of this initiative, OCFO added 20 new BOCs for Information Technology. These BOCs will improve cost transparency and quality of data and support Federal policies and priorities, such as the Federal Information Technology Acquisition Reform Act

(FITARA), Technology Business Management, and OMB reporting requirements. Ongoing efforts for the BOC initiative will continue to:

- Update the BOC manual. Once complete, OCFO will continue to improve the recording of data as it relates to the use of BOCs.
- Perform analysis to improve data quality.
- Correct SMARTPAY rejects due to inappropriate BOCs.

FMMI Intelligent Enterprise Transformation (FIET)

FMMI, USDA's financial system of record, is based on a Systems, Applications, and Products (SAP) platform and will be obsolete in 2027. Consequently, FMS will migrate to a next-generation SAP intelligent enterprise platform leveraging SAP S/4 High-Performance Analytic Appliance (HANA) technology. The new S4/HANA system will be an in-memory platform allowing users to run real-time reports on operational and financial data. In preparation for the transition, FMS continued the Information Lifecycle Management project to develop and implement a data archival strategy and system prior to the S/4HANA migration, reducing the cost and improving efficiency of the new system. In addition, FMS completed seven strategy and assessment efforts, including business process performance optimization, analytics strategy, integration strategy, and S/4HANA security migration planning. These, in concert with other prerequisite assessments, will facilitate and inform the greater S/4HANA migration. The FIET S/4HANA transition effort will begin in the fourth quarter of FY 2023, and completion is scheduled for the second quarter of FY 2025.

SAP Contract, Lease, and Real Estate Management Module within USDA's Enterprise-Wide Financial System FMMI

The Federal Accounting Standards Advisory Board (FASAB) issued SFFAS 54 introducing a new model for lease accounting with a mandated implementation date of October 1, 2023. SFFAS 54 addresses lease accounting standards by both lessees and lessors. For financial reporting purposes, all lease transactions must be recognized in accordance with SFFAS 54 when it becomes effective. FMS selected the SAP Contract and Lease Management (CLM) module as USDA's enterprise-wide financial system solution. FMS continued SAP CLM implementation in FY 2023, successfully importing the framework code for right-to-use and long-term leases into FMMI and resolving six of seven solution gaps identified within the CLM solution. In addition, FMS initiated interface development between the Corporate Property Automated Information Systems (CPAIS) and FMMI to facilitate data transfer between the two systems in support of SFFAS 54. Implementation of CLM right-to-use and long-term leases along with the FMMI-CPAIS interface is anticipated in 2nd Quarter FY 2024, to be followed by short-term and intragovernmental leases and lessor capabilities in late FY 2024 and FY 2025.

Treasury's Mobile Check Capture Program

FMS implemented the use of Treasury's Mobile Check Capture program, allowing agencies to deposit checks to the Electronic Check Processing (ECP) system, eliminating the need to mail the checks to the actual Treasury Lockbox. Instead, agencies will make deposits via a mobile phone app. Prior to adopting the Mobile Check Capture program, FMS staff would mail checks to the Treasury Lockbox along with remittance information, and U.S. Bank staff would manually key the data into their system prior to interfacing with Treasury's ECP system to process the deposit of funds. By using Mobile Check Capture, checks are recorded directly into the ECP system without the requirement of mailing checks to U.S. Bank, eliminating manual processing and postage costs. Additionally, deposits are recorded at Treasury the next business day, versus 7 to 10 business days when submitting a check mailed to the U.S. Bank Lockbox.

AgPay Xpress (AgPay XP)

AgPay XP is a streamlined enhanced payment process to increase USDA rebates by leveraging the General Services Administration's (GSA) SmartPay3 tools for alternative payment options. AgPay XP implements U.S. Bank's Payment Plus solution as USDA's preferred electronic method for issuing payments. It offers contractors a card-less payment solution providing fast and secure payments while improving efficiency. A pilot for AgPay XP, which was limited to six vendors, is currently underway. A full rollout is projected to start on October 1, 2023.

Oracle Application Express (APEX) Proof of Concept / Redesign

FMS successfully implemented a Proof of Concept (POC) to transition CPAIS from Oracle Forms and Reports to Oracle APEX. CPAIS Real Property and CPAIS Personal Property use Oracle Forms and Reports 12c for application development. Support for this product will end in August 2025. The transition to Oracle APEX will remove a software dependency on the customer's laptop/workstation and move CPAIS to a newer, supported technology. As part of the POC, FMS installed and configured the Oracle APEX environments and successfully updated the Real Property's Maintenance Code form and two tabs of the Property Inventory form. An APEX Redesign project is currently underway with 2 of the 17 planned sprints completed. The APEX Redesign project is projected to be completed by September 30, 2024.

SAP Analytics Cloud (SAC)

SAC is a unified analytics and planning solution equipping business intelligence users at all levels of USDA with comprehensive data exploration and self-service visualization capabilities. With SAC, users will be able to extend their analysis using their personal or agency Business Objects queries/ universes as data sources, build user stories from local data files or connect live to on-premises HANA models, develop planning and forecasting scenarios, build what-if scenarios, and monitor key performance indicators. In addition, with its real-time analytics capabilities, users will be able to answer complicated business questions and visualize trends in budgeting and spending, for example. The implementation of SAC will jump-start the FMMI transition into an intelligent enterprise with a single-user experience. This implementation will provide customers the added features needed to make business decisions quickly. In addition, SAC will be used to redesign existing dashboards and serve as the foundation to replace the Budget Status and Forecasting functionality, which was developed with antiquated/unsupported technologies. Requirements, design, and development of SAC is complete, with implementation projected for the first quarter of FY 2024.

Other Initiatives

Farm Service Agency/Commodity Credit Corporation Financial Improvement Program

FSA's financial accounting, including the Commodity Credit Corporation, whose programs are operated primarily by FSA, is not integrated into the FMMI system, creating reconciliation and other issues including additional costs to maintain a separate set of systems.

This project is a multi-phased, multi-year agile development project transferring all financial management processes from FSA accounting and feeder systems into FMMI. Simultaneously, FSA will align its feeder systems to produce auditable financial data to integrate with FMMI. In FY 2023, the Financial Improvement Program project migrated the code developed to date into the FMMI production environment in preparation for the FMMI migration to S/4HANA. Further code development, testing, and implementation activities will occur after the S/4HANA migration is complete in FY 2025.

Financial Management and Payroll Summit (FMPS)

The OCFO FMS team, in collaboration with National Finance Center, successfully organized and executed the FMPS offered to USDA agency personnel and Client agencies using the USDA's payroll and financial management systems. The FMPS was held in Washington, D.C., on July 18–20, 2023, with over 700 participants, in-person and virtually. The FMPS provided financial management courses aimed at supporting agency personnel in processing transactional data in the FMMI environment and payroll information in the Human Resources/Payroll processing of data. This summit provided our customers the opportunity to learn about current financial management initiatives and impending changes to systems, processes, and policies. Topics included the transition of FIET, audit requirements, and system Security and Compliance in addition to meeting with customers face-to-face.

Enterprise Architecture Program

The OCFO Enterprise Architecture (EA) Program delivers cost-effective, mission-focused, collaboratively developed, and strategically aligned programs and services to our stakeholders. This ground-up effort achieved several focused objectives during FY 2023, including:

- Improvement of the OCFO EA Program through increased skills and capabilities of the OCFO EA team and maturation of program procedures and governance. The increased program oversight ensures conformance to the Federal Legal Authorities and Regulatory Drivers, including the Clinger-Cohen Act of 1996, the E-Government Act of 2002, OMB Circular A-11, OMB Circular A-130, OMB policy memorandum M-07-11, the House of Representatives (H.R.) 1232—FITARA, Capital Planning and Investment Control (CPIC), and the Federal Enterprise Architecture Framework.
- Clear EA oversight and accountability into decisions and governance of the OCFO IT system to align with USDA and OCFO missions.

- Increased transparency and visibility regarding IT management as well as a line of sight from strategic goals to business processes and continuing into the technology architecture (for example, data, software, hardware, and technology infrastructure).

Capital Planning and Investment Control Program

CPIC is a systematic approach to selecting, managing, and evaluating IT investments. CPIC is mandated by the Clinger Cohen Act of 1996, which requires Federal agencies to focus on the results produced by IT investments. The OCFO CPIC Program identifies the processes and activities necessary to ensure OCFO’s IT investments are well-planned, cost-effective, and supportive of the missions and business goals of the agency and the Department.

The CPIC team continually monitors OCFO’s IT portfolio, mitigating risks and ensuring the overall health of investments. In FY 2023, the CPIC team:

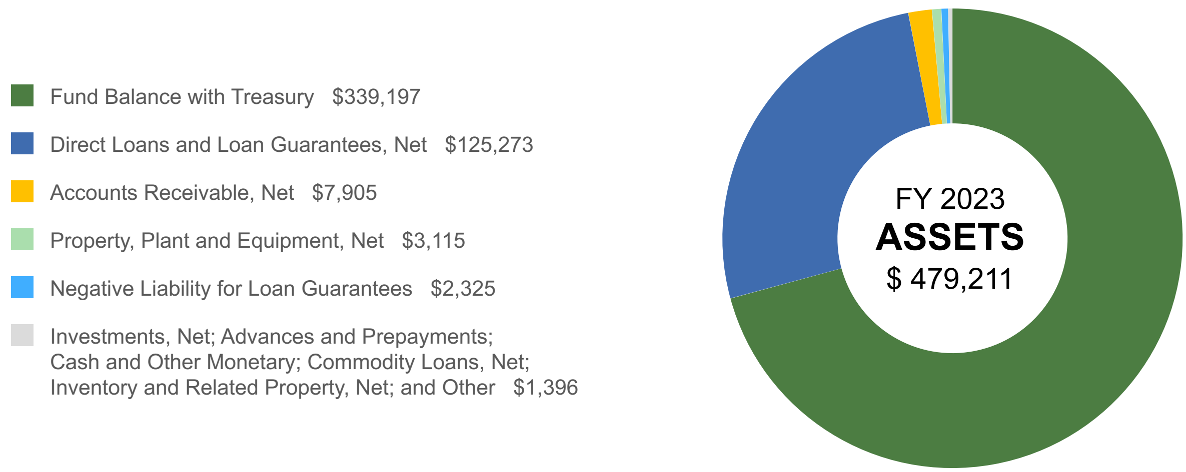
- Successfully retired the Pegasys Financial System Major Investment and transitioned Investment Management Activities to the General Services Administration.
- Maintained the health of 95 percent of OCFO’s Major and Non-Major Investments, achieving Chief Information Officer rating scores of 4 (Green) or higher.
- Maintained Investment Support Plans to monitor required artifacts for reporting purposes and eliminating identified weaknesses.
- In collaboration with EA, CPIC team provided guidance to the OCFO Project Management Office in the development of its Product Development Life Cycle.
- Completed the development and implementation of integration of six web services between HHS GrantSolutions system and USDA FMMI in August 2023. GrantsSolutions is a Grants QSMO service provider. The integration provides USDA grant-making agencies the option to migrate to GrantSolutions. The integration of web services from USDA FMMI to the HHS PMS will be completed in October 2023.

Analysis of Financial Statements

Analysis of Assets

Total assets for FY 2023 were $479,211 million, compared to $415,885 million for FY 2022, an increase of $63,326 million, or 15%.

Exhibit 7: Total Assets ($ in millions)



Assets ($ in million)	FY 2023	FY 2022	Change	% Change
Fund Balance with Treasury	$ 339,197	$ 284,081	$ 55,116	19.40%
Direct Loans and Loan Guarantees, Net	125,273	118,254	7,019	5.94%
Accounts Receivable, Net	7,905	7,201	704	9.78%
Property, Plant and Equipment, Net	3,115	2,835	280	9.88%
Negative Liability for Loan Guarantees	2,325	1,939	386	19.91%
Investments, Net; Advances and Prepayments; Cash and Other Monetary; Commodity Loans, Net; Inventory and Related Property, Net; and Other	1,396	1,575	(179)	-11.37%
Total Assets	**$ 479,211**	**$ 415,885**	**$ 63,326**	**15.23%**

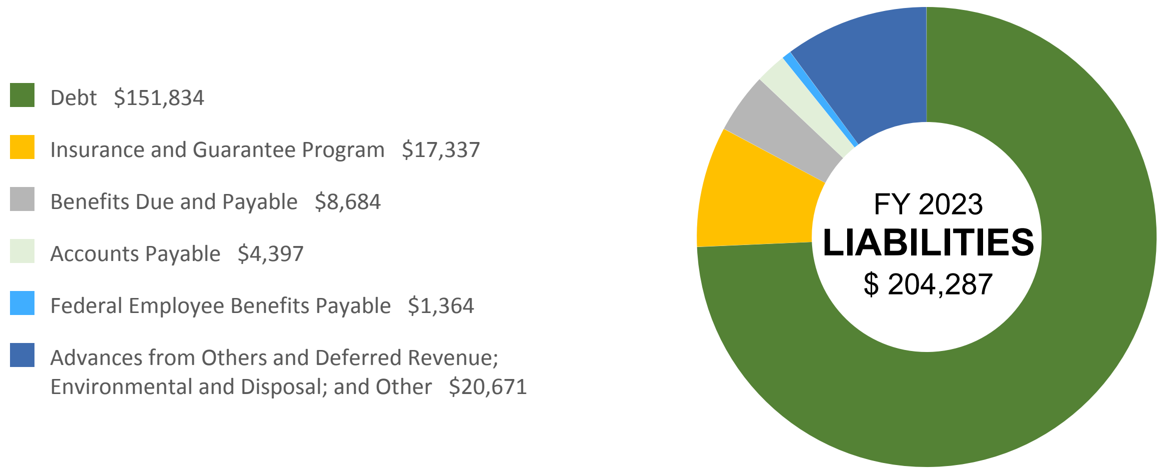
Total assets increased mainly due to appropriations for the Supplemental Nutrition Assistance Program and credit program activity which increased Fund Balance with Treasury and Direct Loans and Loan Guarantees, Net, respectively.

Direct Loans and Loan Guarantees, Net is one of the largest assets on the USDA Balance Sheet. RD offers both direct and guaranteed loan products for rural housing and rural business infrastructure. These products represent 86 percent of the total Department loan programs. Loan programs administered by the FSA represent 12 percent of the total. FSA supports farmers who are temporarily unable to obtain private, commercial credit. The remaining 2 percent represents commodity loans and credit programs administered by CCC. These loans are used to improve economic stability and provide an adequate supply of agricultural commodities. CCC credit programs provide international food assistance, expand international markets, and provide domestic low-cost financing to protect farm income and prices.

Analysis of Liabilities

Total liabilities for FY 2023 were $204,287 million, compared to $192,890 million for FY 2022, and increase of $11,397 million, or 6%.

Exhibit 8: Total Liabilities ($ in millions)



Liabilities ($ in millions)	FY 2023	FY 2022	Change	% Change
Debt	$ 151,834	$ 139,187	$ 12,647	9.09%
Insurance and Guarantee Program	17,337	17,325	12	0.07%
Benefits Due and Payable	8,684	8,479	205	2.42%
Accounts Payable	4,397	2,524	1,873	74.21%
Federal Employee Benefits Payable	1,364	1,334	30	2.25%
Advances from Others and Deferred Revenue; Environmental and Disposal; and Other	20,671	24,041	(3,370)	-14.02%
Total Liabilities	**$ 204,287**	**$ 192,890**	**$ 11,397**	**5.91%**

Total liabilities increased mainly due to debt related to credit programs and reclassification of a repayable advance to Treasury from other liabilities for the Disaster Relief Trust Fund.

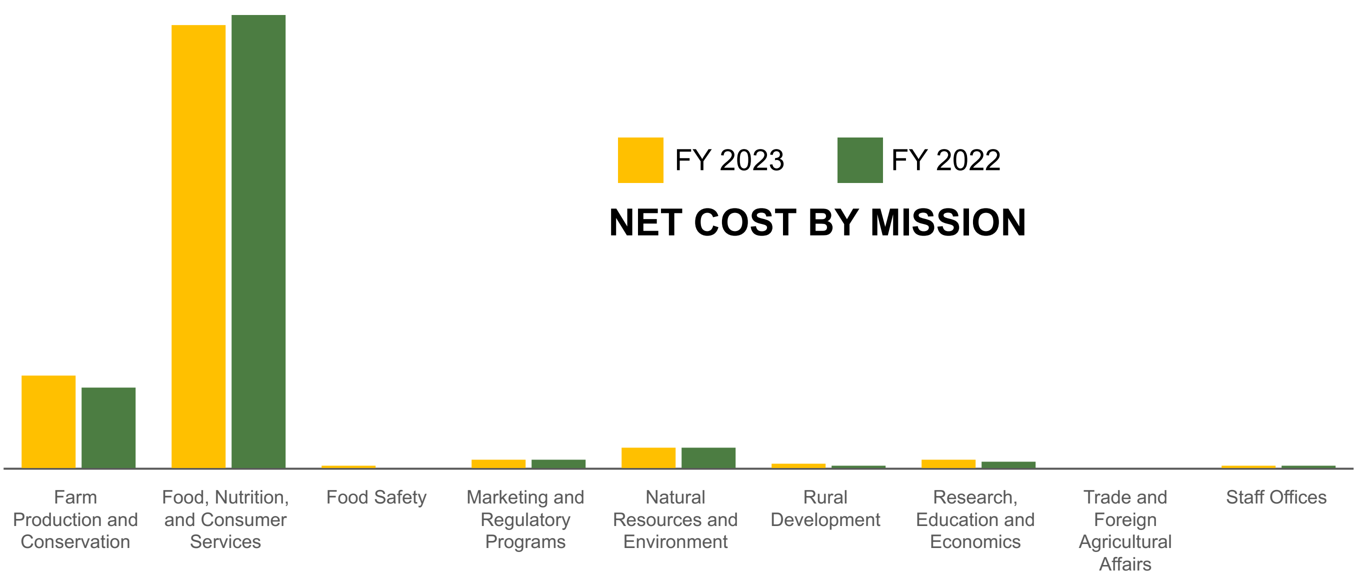
Debt is the single largest liability on USDA's balance sheet. It represents amounts owed primarily to Treasury by CCC, FSA and RD. For RD, the debt primarily represents financing to support electric and housing loan programs which represent 73 percent of the total debt. For CCC, the debt primarily represents financing for price support, export credit guarantees, disaster programs and loans related to farm storage facilities which represent 13 percent of the total debt. For FSA, the debt primarily represents financing to support direct and guaranteed loan programs, with the majority supporting operating, ownership, and emergency loans which represent 14 percent of the total debt.

Other liabilities decreased mainly due to reclassification of repayable advance to debt. Other liabilities include Liquidating Fund Balances Due to the General Fund; Grants, Subsidies, and Contributions; and Conservation Reserve Program. See Note 17: Other Liabilities for additional information.

Analysis of Net Cost

Net cost for FY 2023 was $230,968 million, compared to $244,628 million for FY 2022, a decrease of $13,660 million, or 6%.

Exhibit 9: Net Costs by Mission Area ($ in millions)



Net Cost ($ in millions)	FY 2023	FY 2022	Change	% Change
Farm Production and Conservation	$ 36,465	$ 32,073	$ 4,392	13.69%
Food, Nutrition, and Consumer Services	172,048	192,370	(20,322)	-10.56%
Food Safety	1,213	1,128	85	7.54%
Marketing and Regulatory Programs	3,860	3,731	129	3.46%
Natural Resources and Environment	8,717	8,291	426	5.14%
Rural Development	2,608	1,597	1,011	63.31%
Research, Education and Economics	3,814	3,413	401	11.75%
Trade and Foreign Agricultural Affairs	513	447	66	14.77%
Staff Offices	1,730	1,578	152	9.63%
Net Cost by Mission Area	**$ 230,968**	**$ 244,628**	**$ (13,660)**	**-5.58%**

Net cost decreased mainly due to fewer benefits delivered for the Supplemental Nutrition Assistance and Child Nutrition Programs.

Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the Nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments are measured in terms of expenses incurred for research and development, human capital, and non-Federal physical property. The following exhibit presents a comparison of stewardship investments.

Exhibit 10:Stewardship Investments ($ in millions)

Stewardship Investments ($ in millions)	FY 2023	FY 2022	Change	% Change
Research and Development	$ 3,125	$ 2,962	$ 163	5.50%
Human Capital	871	800	71	8.88%
Non-Federal Physical Property	91	80	11	13.75%
Total Stewardship Investments	**$ 4,087**	**$ 3,842**	**$ 245**	**6.38%**

Research and Development represents the largest investment by USDA to develop and transfer solutions to agricultural problems of high national priority and provide information access and dissemination to ensure high quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole.

Investments in Human Capital are mostly made by the National Institute of Food and Agriculture for higher education programs. These programs enable universities to broaden their curricula, increase faculty development and student research projects. and increase the number of new scholars recruited in the food and agriculture sciences.

State and local governments obtain computer systems and other equipment from the Food and Nutrition Service for the purpose of administering the Supplemental Nutrition Assistance Program which represents most of the non-Federal physical property investments.

Analysis of Net Position

Net Position is comprised of unexpended appropriations and cumulative results of operations. Net position increased $51,929 million, or 23%. mainly due to unexpended appropriations for the Supplemental Nutrition Assistance Program.

Exhibit 11: Net Position ($ in millions)

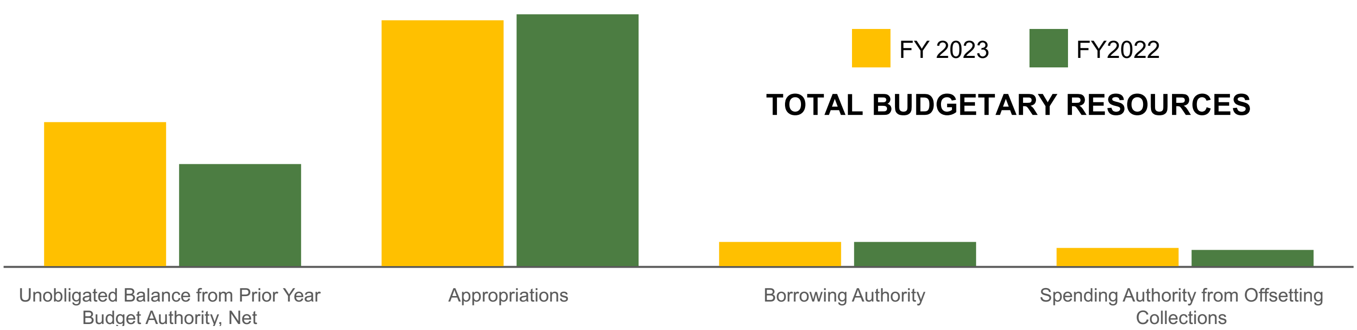
Net Position ($ in millions)	FY 2023	FY 2022	Change	% Change
Unexpended Appropriations	$ 218,658	$ 169,264	$ 49,394	29.18%
Cumulative Results of Operations	56,266	53,731	2,535	4.72%
Net Position	**$ 274,924**	**$ 222,995**	**$ 51,929**	**23.29%**

Analysis of Budgetary Resources

USDA receives most of its funding from appropriations authorized by Congress and administered by the U.S. Department of the Treasury. Total budgetary resources consist of the balance at the beginning of the year, appropriations received during the year, borrowing authority, and spending authority from offsetting collections.

Total budgetary resources were $508,280 million for FY 2023 compared to $465,116 million in FY 2022, an increase of $43,164 million, or 9 percent.

Exhibit 12: Budgetary Resources ($ in millions)



Budgetary Resources ($ in millions)	FY 2023	FY 2022	Change	% Change
Unobligated Balance from Prior Year Budget Authority, Net	$ 167,559	$ 120,480	$ 47,079	39.08%
Appropriations	287,272	293,959	(6,687)	-2.27%
Borrowing Authority	29,680	29,028	652	2.25%
Spending Authority from Offsetting Collections	23,769	21,649	2,120	9.79%
Total Budgetary Resources	**$ 508,280**	**$ 465,116**	**$ 43,164**	**9.28%**
New Obligations and Upward Adjustments	319,917	298,515	21,402	7.17%
Unobligated Balance, End of Year	188,363	166,601	21,762	13.06%
Status of Budgetary Resources	**$ 508,280**	**$ 465,116**	**$ 43,164**	**9.28%**

Total budgetary resources increased mainly due to higher Unobligated Balance from Prior Year Budget Authority, Net compared to the previous year across multiple agencies representing both expired and unexpired balances.

The status of budgetary resources increased relative to total budgetary resources comprised of new obligations and upward adjustments and unobligated balance.

COVID-19

USDA received additional funding of $34,500 million to prevent, prepare for, or respond to COVID-19 (i.e., coronavirus disease 2019) through the Consolidated Appropriations Act, 2021.

The Consolidated Appropriations Act, 2021 provided funding for, extended, and set out policies for various programs and activities, including COVID-19 economic relief measures. It extended modifications to Federal nutrition assistance programs for children, pregnant women, and older adults and provided funding for programs to support agricultural producers, growers, and processors.

This funding was in addition to funding received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Families First Coronavirus Response Act in FY 2020, and American Rescue Plan Act of 2021. The unobligated unexpired balances from prior year, new budgetary authority and recissions and other changes to budgetary resources was $40,982 million. Total obligations and outlays were $28,619 million and $14,997 million, respectively. Total amount remaining to be obligated is $12,363 million.

See Note 27, COVID-19 Activity for impact to financial statements.

Limitations of Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S. Code (U.S.C.) § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Forward Looking Information

The purpose of this section is to reflect on known and anticipated risks, uncertainties, future events or conditions, and trends that could significantly affect the Department's future financial position, condition, or operating performance. Farmers and ranchers operate in highly competitive markets, both domestically and internationally. Rapid shifts in consumer demands associated with quality, convenience, taste, and nutrition dictate that farming, ranching, and marketing infrastructures become more fluid and responsive. National security is a significant, ongoing priority for USDA. The Department's science research, education, and extension services will continue to be the foundation for understanding developments and making advances in solving agricultural and societal challenges. USDA is working with the U.S. Department of Homeland Security to help protect agriculture from intentional and accidental acts that may impact America's food supply or natural resources.

External Factors that Challenge USDA's Ability to Achieve its Goals

a. Operational complications in human capital, including hiring and recruitment, training, and an increasing gap between opportunities and candidate pools;

b. Record-breaking wildfires and other weather-related hardships, including disasters related to the increasing intensity and duration of extreme weather and climate change, both domestically and internationally;

c. The risk of catastrophic fire, depending on weather, drought conditions, and the expanding number of communities in the wildland-urban interface;

d. Non-weather-related hardships and other uncontrollable events, both domestically and internationally;

e. Domestic and international macroeconomic factors, including inflation, consumer purchasing power, the strength of the U.S. dollar, and political changes abroad that could impact domestic and global markets significantly at any time;

f. Sharp fluctuations in farm prices, interest rates, and unemployment that could impact the ability of farmers, other rural residents, communities, and businesses to qualify for credit and manage debt;

g. The increased movement of people and goods, which provides the opportunity for crop and animal pests and diseases to move quickly across domestic and international boundaries; and

h. The ability of the public and private sectors to collaborate effectively on food safety, security, and related emergency preparedness efforts.

Mitigation Strategies

USDA made progress in FY 2023 toward mitigating known and anticipated risks and uncertainties that could impact its ability to accomplish the strategic goals and objectives in the *FY 2022-2026 Strategic Plan*, including external factors, through its Enterprise Risk Management (ERM) program. Specifically, the Department has led large-scale efforts across mission areas to identify the top USDA enterprise risks, risk drivers, mitigation strategies, and key risk indicators. In FY 2024, USDA will continue to strengthen its ERM program and update the Department-wide risk profile, including risk drivers and risk mitigation strategies. Moving forward, USDA will continue to advance its mitigation strategies and reduce risks with periodic updates to the Deputy Secretary during Quarterly Strategic Reviews.

Summary of Efforts to Assess, Measure, and Mitigate Climate-Related Risks

In 2023, USDA and its agencies have made significant progress department-wide to address the priority actions outlined in the USDA Action Plan for Climate Adaptation and Resilience and the 12 Agency-Level Climate Adaptation Plans.

Climate risks to physical assets continue to be important considerations across the Department and examples of recent progress to address these risks include:

- Revision of USDA's Continuity of Operations Plan by USDA's Office of Homeland Security. The new Plan will include content related to the impacts of climate change and precautions which agencies and offices can take to prepare and respond.
- Release of a beta version of the Forest Service Climate Risk Viewer, to assess climate risks and vulnerabilities within the National Forest System. Developed with 28 high-quality datasets, this tool delivers information on wildfire and climate exposure to key resources and values including water and watersheds, biodiversity and species at risk, forest carbon, and mature and old growth characteristics. This will allow forest managers to assess the potential gaps between climate pressures and current management and identify the need for climate adaptation to maintain valued forest ecosystems and watersheds.
- In August 2022 and May 2023, USDA announced investments stemming from the Bipartisan Infrastructure Law in the Legacy Roads and Trails Program and the Collaborative Aquatic Landscape Restoration Program. Through these investments, USDA is ensuring that roads and bridges on national forests and grasslands and aquatic habitats are climate resilient for the benefit of visitors and surrounding communities.
- To adapt recreation facilities to a changing climate, USDA's Forest Service is developing recreation-focused vulnerability assessments and adaptation planning tools for several national forests.

Recent measures to manage climate-related financial risk at USDA include:

- Inclusion of Forest Service projections of future wildfire area and suppression expenditures in the White House OMB's comprehensive Climate Risk Exposure Assessment for FY 2023. Researchers from the Forest Service provided this information using state-of-the-art climate data, developing new projections of future wildfire areas burned and increases in Federal Government spending needed to suppress those fires. Forthcoming Economic Research Service analysis on the Farm Service Agency's Livestock Forage Program will be included in reporting with the FY 2025 President's Budget.
- Continued contribution of RD's Rural Housing Service (RHS) to the White House National Initiative to Advance Building Codes, Building Codes Task Force. This interagency effort led by the Federal Emergency Management Agency (FEMA) is working to ensure buildings are built to modern resilient codes.
- Development of an internal-facing new "Weather-Adjusted Portfolio Risk Dashboard" to assess RD's risk of financial loss due to the portfolio's exposure to five hydrometeorological hazards: coastal flooding, river flooding, hurricane, tornado, and wildfire. In addition to disaster-type, risk is evaluated by program area and geography (National, State, county, and census tract). The total risk scoring reflects the geometric mean of up to three factors: unpaid principal at risk, social vulnerability, and rurality. The dashboard was developed to better contextualize the climate risk exposure in the communities RD programs serve and help RD staff better meet mission goals and program priorities.
- Section 5c of Executive Order 14030 requires the U.S. Department of Housing and Urban Development, USDA, and U.S. Department of Veterans Affairs to better integrate climate-related risk into their lending programs and practices. OMB is leading the agencies' efforts to better understand the climate-related financial risk exposure of the single-family housing mortgage portfolios. Last year these efforts resulted in a three-part analysis that included:
    - Retrospective analysis assessing changes in the agencies' 90-day delinquency rates following 18 disasters that resulted in Presidentially Declared Major Disaster Areas.
    - Current exposure analysis utilizing the FEMA National Risk Index to measure current portfolio exposure and to estimate the expected annual loss from different natural disasters based upon unpaid principal balances.
    - Prospective analysis projecting financial loss over the next 30 years given different economic and climate conditions as specified in base case and severe adverse scenarios.

The final report submitted to OMB also included a qualitative assessment and risk matrix. This year we are updating and strengthening the analyses with current data and additional, recent-year historical data.

Section II
Financial Information

Message from the Office of the Chief Financial Officer

Dear Valued Stakeholders,

I am pleased to present the FY 2023 Financial Statements on behalf of USDA. Our Department remains committed to overseeing the assessment of internal control over USDA's programs, operations, financial systems, and financial reporting. I am delighted to share that USDA has made significant progress in addressing material weaknesses; ending the fiscal year with no material weaknesses in any of our standalone financial statement audits. This accomplishment would not have been possible without our dedicated and hardworking employees.

Amidst the challenges brought about by the COVID-19 pandemic, our dedicated staff at OCFO has demonstrated remarkable resilience and adaptability, ensuring the continuity of operations. We have successfully managed $61.13 billion in supplemental funding for various USDA programs, providing guidance on process controls, accounting, and financial reporting related to the funding. This has helped us to effectively support and allocate resources to programs under the Coronavirus Aid, Relief and Economic Security Act, Infrastructure Investment and Jobs Act, the American Rescue Plan and Inflation Reduction Act.

Additionally, we have made significant progress in closing audit recommendations, further strengthening our internal controls and compliance. Our commitment to improving internal controls and accountability is evident in the reduction of audit inventories and the diligent collaboration with USDA agencies, OIG, and GAO. In USDA's most recent GAO letter, we were recognized for achieving a recommendation implementation rate of 86 percent; exceeding GAO's 80% goal.

We are also very excited about our award of services to upgrade USDA's core financial system to SAP S/4 High-Performance Analytic Appliance (S/4HANA). This upgrade meets the evolving and increasingly complex financial system needs of USDA. Once completed, our financial system will provide enhanced reporting capabilities, faster processing times, an improved customer experience, and a host of other benefits expanding USDA's financial management capabilities. As one of the first federal agencies to make the transformational upgrade to S/4HANA, USDA is well positioned to be a leader within the greater federal financial management community.

At the OCFO, we remain dedicated to sound financial stewardship and continuously strive to maintain and improve our systems for proper accounting and effective utilization of funds. Our ultimate goal is to support USDA's mission and serve you, the American public.

We would like to express our sincere gratitude for your continued support and partnership. It is through your trust and collaboration that we are able to fulfill USDA's mission and serve the American public. We look forward to another successful year ahead, as we remain committed to upholding the highest standards of financial management and accountability.

Thank you once again for your continued support.

Sincerely,

Lynn Moaney
Deputy Chief Financial Officer
January 16, 2024

Financial Statements

Consolidated Balance Sheets

As of September 30, 2023 and 2022 ($ in millions)

	FY 2023	FY 2022
Assets (Note 2):		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 339,197	$ 284,081
Investments, Net (Note 5)	280	268
Accounts Receivable, Net (Note 6)	606	495
Advances and Prepayments	63	54
Other Assets (Note 11)	9	—
Total Intragovernmental Assets	340,155	284,898
Other than Intragovernmental Assets:		
Cash and Other Monetary Assets (Note 4)	388	492
Accounts Receivable, Net (Note 6)	7,299	6,706
Loans Receivable, Net		
Commodity Loans, Net	197	239
Direct Loans and Loan Guarantees, Net (Note 7)	125,273	118,254
Subtotal	125,470	118,493
Negative Liability for Loan Guarantees (Note 7)	2,325	1,939
Inventory and Related Property, Net (Note 8)	27	28
Property, Plant, and Equipment, Net (Note 9)	3,115	2,835
Advances and Prepayments	429	491
Investments, Net (Note 5)	3	3
Total Other than Intragovernmental Assets	139,056	130,987
Total Assets	479,211	415,885
Stewardship Property, Plant, and Equipment (Note 10)		
Liabilities (Note 12):		
Intragovernmental Liabilities:		
Accounts Payable	68	—
Debt (Note 13)	151,834	139,187
Advances from Others and Deferred Revenue	24	24
Other Liabilities (Note 17)	9,766	14,236
Total Intragovernmental Liabilities	161,692	153,447
Other than Intragovernmental Liabilities:		
Accounts Payable	4,329	2,524
Federal Employee Benefits Payable (Note 14)	1,364	1,334
Environmental and Disposal Liabilities (Note 15)	248	241
Benefits Due and Payable	8,684	8,479
Insurance and Guarantee Program Liabilities (Note 16)	17,337	17,325
Advances from Others and Deferred Revenue	194	153
Other Liabilities (Notes 17, 18 & 19)	10,439	9,387
Total Other than Intragovernmental Liabilities	42,595	39,443
Total Liabilities	204,287	192,890
Commitments and Contingencies (Note 19)		
Net Position:		
Unexpended Appropriations - Funds from Dedicated Collections (Note 20)	818	661
Unexpended Appropriations - Funds from Other Than Dedicated Collections	217,840	168,603
Total Unexpended Appropriations (Consolidated)	218,658	169,264
Cumulative Results of Operations - Funds from Dedicated Collections (Note 20)	4,247	3,878
Cumulative Results of Operations - Funds from Other Than Dedicated Collections	52,019	49,853
Total Cumulative Results of Operations (Consolidated)	56,266	53,731
Total Net Position	274,924	222,995
Total Liabilities and Net Position	$ 479,211	$ 415,885

The accompanying notes are an integral part of these statements.

Consolidated Statements of Net Cost

For the Years Ended September 30, 2023 and 2022 ($ in millions)

	FY 2023	FY 2022
Farm Production and Conservation:		
Gross Costs	$ 42,863	$ 37,006
Less: Earned Revenue	6,398	4,933
Net Costs	36,465	32,073
Food, Nutrition, and Consumer Services:		
Gross Costs	172,167	192,464
Less: Earned Revenue	119	94
Net Costs	172,048	192,370
Food Safety:		
Gross Costs	1,444	1,374
Less: Earned Revenue	231	246
Net Costs	1,213	1,128
Marketing and Regulatory Programs:		
Gross Costs	5,192	4,893
Less: Earned Revenue	1,332	1,162
Net Costs	3,860	3,731
Natural Resources and Environment:		
Gross Costs	9,622	9,076
Less: Earned Revenue	905	785
Net Costs	8,717	8,291
Rural Development:		
Gross Costs	6,177	4,814
Less: Earned Revenue	3,569	3,217
Net Costs	2,608	1,597
Research, Education, and Economics:		
Gross Costs	3,919	3,495
Less: Earned Revenue	105	82
Net Costs	3,814	3,413
Trade and Foreign Agricultural Affairs:		
Gross Costs	532	467
Less: Earned Revenue	19	20
Net Costs	513	447
Staff Offices:		
Gross Costs	1,962	1,821
Less: Earned Revenue	232	243
Net Costs	1,730	1,578
Total Gross Costs	243,878	255,410
Less: Total Earned Revenue	12,910	10,782
Net Cost of Operations (Notes 21 & 25)	$ 230,968	$ 244,628

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2023 ($ in millions)

	Funds from Dedicated Collections (Consolidated Totals) (Note 20)	Funds from Other Than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:			
Beginning Balances	$ 661	$ 168,603	$ 169,264
Appropriations Received	11	269,206	269,217
Appropriations Transferred In (Out)	285	(121)	164
Other Adjustments	—	(8,177)	(8,177)
Appropriations Used	(139)	(211,671)	(211,810)
Net Change in Unexpended Appropriations	157	49,237	49,394
Total Unexpended Appropriations	818	217,840	218,658
Cumulative Results of Operations:			
Beginning Balances	3,878	49,853	53,731
Other Adjustments	—	(691)	(691)
Appropriations Used	139	211,671	211,810
Non-exchange Revenue	269	25,533	25,802
Donations and Forfeitures of Cash and Cash Equivalents	1	2	3
Transfers In (Out) without Reimbursement	952	(1,602)	(650)
Imputed Financing	40	1,277	1,317
Other	(88)	(4,000)	(4,088)
Net Cost of Operations	(944)	(230,024)	(230,968)
Net Change in Cumulative Results of Operations	369	2,166	2,535
Total Cumulative Results of Operations	4,247	52,019	56,266
Net Position	$ 5,065	$ 269,859	$ 274,924

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2022 ($ in millions)

	Funds from Dedicated Collections (Consolidated Totals) (Note 20)	Funds from Other Than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:			
Beginning Balances	$ 468	$ 127,658	$ 128,126
Appropriations Received	12	285,236	285,248
Appropriations Transferred In (Out)	285	(358)	(73)
Other Adjustments	—	(21,650)	(21,650)
Appropriations Used	(104)	(222,283)	(222,387)
Net Change in Unexpended Appropriations	193	40,945	41,138
Total Unexpended Appropriations	661	168,603	169,264
Cumulative Results of Operations:			
Beginning Balances	3,473	44,854	48,327
Other Adjustments	—	(553)	(553)
Appropriations Used	104	222,283	222,387
Non-exchange Revenue	623	31,306	31,929
Donations and Forfeitures of Cash and Cash Equivalents	1	2	3
Transfers In (Out) without Reimbursement	1,151	(1,429)	(278)
Imputed Financing	30	975	1,005
Other	(234)	(4,227)	(4,461)
Net Cost of Operations	(1,270)	(243,358)	(244,628)
Net Change in Cumulative Results of Operations	405	4,999	5,404
Total Cumulative Results of Operations	3,878	49,853	53,731
Net Position	$ 4,539	$ 218,456	$ 222,995

The accompanying notes are an integral part of these statements.

Combined Statements of Budgetary Resources

For the Years Ended September 30, 2023 and 2022 ($ in millions)

	FY 2023		FY 2022	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	$ 162,779	$ 4,780	$ 115,631	$ 4,849
Appropriations (Discretionary and Mandatory)	287,253	19	293,956	3
Borrowing Authority (Discretionary and Mandatory)	13,298	16,382	11,978	17,050
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	11,916	11,853	10,665	10,984
Total Budgetary Resources	475,246	33,034	432,230	32,886
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	297,840	22,077	276,458	22,057
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	81,082	10,123	60,926	10,303
Exempt from Apportionment, Unexpired Accounts	46	—	276	—
Unapportioned, Unexpired Accounts	15,456	834	39,041	526
Unexpired Unobligated Balance, End of Year	96,584	10,957	100,243	10,829
Expired Unobligated Balance, End of Year	80,822	—	55,529	—
Unobligated Balance, End of Year (Total)	177,406	10,957	155,772	10,829
Total Budgetary Resources	475,246	33,034	432,230	32,886
Outlays, Net, and Disbursements, Net:				
Outlays, Net (Total) (Discretionary and Mandatory)	232,446		251,031	
Distributed Offsetting Receipts (-)	(3,559)		(5,796)	
Agency Outlays, Net (Discretionary and Mandatory) (Note 25)	$ 228,887		$ 245,235	
Disbursements, Net (Total) (Mandatory)		$ 5,628		$ 6,899

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

As of September 30, 2023, and 2022 ($ in millions)

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

USDA provides a wide variety of services in the United States and around the world. USDA is organized into eight distinct mission areas and their agencies that execute these missions, including staff offices for reporting listed below:

Farm Production and Conservation

- Farm Production and Conservation Business Center
- Farm Service Agency
- Commodity Credit Corporation
- Risk Management Agency
- Natural Resources Conservation Service

Food, Nutrition, and Consumer Services

- Food and Nutrition Service

Food Safety

- Food Safety and Inspection Service

Marketing and Regulatory Programs

- Agricultural Marketing Service
- Animal and Plant Health Inspection Service

Natural Resources and Environment

- Forest Service

Rural Development (Rural Housing Service, Rural Utility Service and Rural Business Cooperative Service)

Research, Education, and Economics

- Agricultural Research Service
- National Agricultural Statistics Service
- National Institute of Food and Agriculture
- Economic Research Service

Trade and Foreign Agricultural Affairs

- Foreign Agricultural Service
    - U.S. Codex Office

Staff Offices

The Commodity Credit Corporation listed above is not separately identified in the Organization Chart but is a component required to prepare financial statements. The Office of the Chief Scientist is reported in staff offices for financial statements but is listed with the Under Secretary for Research, Education, and Economics in the USDA Organization Chart because the agencies that comprise the mission area fund its operations.

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government. See Note 26 for Disclosure Entities and Related Parties that are not part of consolidation.

Consolidation

The financial statements consolidate results of all agencies and staff offices. The effects of intradepartmental activity and balances are eliminated, except for the Statement of Budgetary Resources (SBR) which is presented on a combined basis. The financial statements are prepared in accordance with generally accepted accounting principles for the Federal Government.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fund Balance with Treasury (FBWT) and Funds from Dedicated Collections

FBWT is an asset of a reporting entity and a liability of the General Fund. Similarly, investments in Federal Government securities that are held by Dedicated Collections accounts are assets of the reporting entity responsible for the Dedicated Collections and liabilities of the General Fund. In both cases, the amounts represent commitments by the Government to provide resources for particular programs, but they do not represent net assets to the Government as a whole.

When the reporting entity seeks to use FBWT or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Revenue and Other Financing Sources

As a component of the Government-wide reporting entity, the entity is subject to the Federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in entity and the Government-wide financial reports.

The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations.

Revenue from exchange transactions is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, sales price is fixed or determinable, and collection is reasonably assured. In certain cases, the prices charged by the Department are set by law or regulation, which for program and other reasons may not represent full cost. Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities. Revenue from non-exchange transactions is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. Appropriations are recognized as a financing source when used. An imputed financing source is recognized for costs subsidized by other Government entities.

Budgetary Terms

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts mean payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the *Analytical Perspectives* volume of the President's Budget.

Investments

The Department is authorized to invest certain funds in excess of its immediate needs in Treasury securities. Investments in non-marketable par value Treasury securities are classified as held to maturity and are carried at cost. Investments in market-based Treasury securities are classified as held to maturity and are carried at amortized cost. The amortized cost of securities is based on the purchase price adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities.

Accounts Receivable

Accounts receivable are reduced to net realizable value by an allowance for uncollectible accounts. The adequacy of the allowance is determined based on past experience and age of outstanding balances.

Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after FY 1991 are reported based on the present value of the net cash-flows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during the year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before FY 1992 are valued using either the present-value or net realizable methods. Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cash flows. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees. Under the net realizable value method, the average rate of the last five years of write-offs is used.

Inventories and Related Property

Commodity inventory, referred to as goods held under price support and stabilization programs in SFFAS No. 3, Accounting for Inventory and Related Property, issued by FASAB, represent commodities acquired by CCC for donation or price support purposes. Commodities are eventually sold or otherwise disposed of to help satisfy economic goals. Acquisition is generally made through commodity loan forfeitures, use of Commodity Certificate Exchange, or by purchase of commodities on the open market.

Inventory purchases are initially recorded at acquisition cost, including transportation, plus processing and packaging costs incurred after acquisition. Acquisition cost for loan forfeitures is the amount of the loan settlement, excluding interest. The commodity is revalued at the lower of cost or the net realizable value in accordance with SFFAS No. 3.

Commodity inventory is not held in reserve for future sale. All commodity inventory on hand at year-end is anticipated to be donated or transferred during the next fiscal year. CCC has no excess, obsolete or unserviceable inventory.

Property, Plant and Equipment (PP&E)

PP&E are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Useful lives for PP&E are disclosed in Note 9. Capitalization thresholds for personal property and real property are $25,000; and $100,000 for internal use software. There are no restrictions on the use or convertibility of PP&E.

Pension and Other Retirement Benefits

Pension and other retirement benefits (primarily retirement health care benefits) expense is recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, medical, and miscellaneous costs for approved compensation cases.

Funds from Dedicated Collections

In accordance with SFFAS 43, Funds from Dedicated Collections which became effective October 1, 2012, USDA has reported the funds from dedicated collections for which it has program management responsibility when the following three criteria are met: 1) a statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits or purposes; 2) explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and 3) a requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

Contingencies

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

Allocation Transfers

USDA is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

USDA allocates funds, as the parent, to the Department of the Interior, Department of Defense, Department of Housing and Urban Development, Agency for International Development, and the Small Business Administration. USDA receives allocation transfers, as the child, from the Department of Labor, Department of Transportation, Department of the Interior, Agency for International

Development, Economic Development Administration, Appalachian Regional Commission, and the Delta Regional Authority.

Inter-Entity Costs

Goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Department are recognized as imputed cost [in the Statement of Net Cost] and are offset by imputed revenue [in the Statement of Changes in Net Position]. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary assets are not assets of the Federal Government and are not recognized on the balance sheet.

Asbestos-Related Cleanup Costs

Effective October 1, 2012, Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, as amended, requires an estimate of both friable and non-friable asbestos-related cleanup costs; recognition of a liability and related expense for those costs that are both probable and reasonably estimable; and disclosure of information related to friable and non-friable asbestos-related cleanup costs that are probable but not reasonably estimable in a note to the financial statements.

Deferred Maintenance and Repairs

Deferred maintenance and repairs are such that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use. SFFAS 42, Deferred Maintenance and Repairs became effective October 1, 2014. Estimates for deferred maintenance and repairs are disclosed in required supplementary information.

Reconciliation of Net Cost to Net Outlays

SFFAS 53, Budget and Accrual Reconciliation (BAR) became effective October 1, 2018. The BAR explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period.

Insurance Programs

The Federal Crop Insurance Program is considered a short-duration exchange transaction insurance program. The crop insurance policies insure against unexpected declines in yield and/or price due to natural causes. The insurance policies are structured as a contract between Approved Insurance Providers (AIPs) and producers, with the FCIC providing reinsurance to AIPs. Crop insurance policies automatically renew each year, unless producers cancel them by a published annual deadline. Under the reinsurance agreements, AIPs agree to deliver insurance products to eligible entities under certain terms and conditions. The administrative and operating subsidy compensates the AIPs for selling and servicing crop insurance policies, including the direct settling of claims. Producers pay a portion of premium and fees to participate in the insurance program benefit payments. FCIC and AIPs share in underwriting gains or losses. The underwriting risk for the crop insurance program is shared by FCIC and the AIPs. The AIPs generally retain approximately 80 to 85 percent of the premium, and the risk associated with the premium. FCIC provides AIPs stop-loss reinsurance for the risk associated with their retained premium.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Accounting Change

The Food and Nutrition Service improved financial accounting records by changing when it recognizes and records the obligation for Supplemental Nutrition Assistance Program (SNAP) benefits from the time recipients receive their Electronic Benefits Transfer (EBT) benefits to the point when funds are made available to the Federal Reserve Bank for benefits processing.

Reclassifications

Note 7: Loans Receivable, Net and Loan Guarantee Liabilities, Table 15: Loans Receivables, Net was reclassified to conform to OMB Circular A-136, Financial Reporting Requirements. Note 9: Property, Plant & Equipment (PP&E), Net was reclassified to disclose actual Useful Life (Years). Note 19: Commitments and Contingencies was reclassified to remove environmental and disposal liabilities disclosed in Note 15: Environmental and Disposal Liabilities.

NOTE 2: Non-Entity Assets

Non-entity assets include proceeds from the sale of timber payable to the U.S. Treasury, timber contract performance bonds, employer contributions and payroll taxes withheld for agencies serviced by the National Finance Center, rural housing escrow, interest, fines, and penalties.

	FY 2023	FY 2022
Intragovernmental Assets:		
Fund Balance with Treasury	$ 381	$ 379
Accounts Receivable	552	323
Total Intragovernmental Assets	933	702
Cash and Other Monetary Assets	78	55
Accounts Receivable	578	408
Total Non-Entity Assets	1,589	1,165
Total Entity Assets	477,622	414,720
Total Assets	$ 479,211	$ 415,885

NOTE 3: Fund Balance with Treasury

Borrowing Authority Not Yet Converted to Fund Balance represents unobligated and obligated amounts recorded at year-end that will be funded by future borrowings. Non-Budgetary Fund Balance with Treasury includes special fund receipt accounts, and clearing and suspense account balances awaiting disposition or reclassification.

On September 30, 2022, CCC recorded non-expenditure transfers to outside agencies. Due to the timing of the transactions, the financing (executed borrowings from Treasury) for these transfers was not processed until the next business day, October 3, 2022, effective in FY 2023. As a result, CCC has recognized a liability (Due to the General Fund) related to the financing event that did not occur until FY 2023. This results in a discrepancy with balances reported to Treasury of $3,197 million as of September 30, 2022.

	FY 2023	FY 2022
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 91,251	$ 71,505
Unavailable	97,210	95,097
Obligated Balance Not Yet Disbursed	142,910	107,017
Borrowing Authority Not Yet Converted to Fund Balance	(44,827)	(47,175)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(13)	(15)
Non-Budgetary Fund Balance with Treasury	52,666	57,652
Total	$ 339,197	$ 284,081

NOTE 4: Cash and Other Monetary Assets

For FY 2023 and FY 2022, cash and other monetary assets consists of Federal crop insurance escrow of $277 million and $398 million, deposits in transit of $33 million and $39 million, and single-family housing escrow of $78 million and $55 million, respectively.

	FY 2023	FY 2022
Cash	$ 388	$ 492

NOTE 5: Investments, Net

FY 2023	Cost/ Acquisition Value	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value
Intragovernmental Securities and Investments:						
Non-marketable - Market-based	$ 277	Straight Line	$ 1	$ 2	$ 280	$ 266
Total Intragovernmental Securities and Investments	277		1	2	280	266

Fair Value Measurement of Non-Intragovernmental Investments	Total
Equity Securities	3
Total Fair Value Measurement of Non-Intragovernmental Investments	$ 3

FY 2022	Cost/ Acquisition Value	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value
Intragovernmental Securities and Investments:						
Non-marketable - Market-based	$ 266	Straight Line	$ 1	$ 1	$ 268	$ 255
Total Intragovernmental Securities and Investments	266		1	1	268	255

Fair Value Measurement of Non-Intragovernmental Investments	Total
Equity Securities	3
Total Fair Value Measurement of Non-Intragovernmental Investments	$ 3

Fair value measurement of non-intragovernmental investments include equity securities held by the Alternative Agricultural Research and Commercialization Corporation (AARCC). These securities represent shares the AARCC program purchased as part of the original investment into non-publicly traded companies. The program along with the investments is currently going through a review process with regards to the viability of the remaining investments and their value.

The U. S. Treasury does not set aside assets to pay future expenditures associated with funds from dedicated collections; instead the cash generated from funds from dedicated Treasury securities are issued to the funds from dedicated collections as evidence of the dedicated receipts; Treasury securities held by the funds for dedicated collections are an asset of the fund(s) and a liability of the U. S. Treasury, and will be eliminated by consolidation in the U. S. Government-wide financial statements; and when the funds from dedicated collections redeems their Treasury securities to make expenditures, the U. S. Treasury will finance those expenditures in the same manner that it finances all other expenditures.

NOTE 6: Accounts Receivable, Net

FY 2023	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 606	$ —	$ 606
Other than Intragovernmental	7,372	(73)	7,299
Total	$ 7,978	$ (73)	$ 7,905

FY 2022	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 495	$ —	$ 495
Other than Intragovernmental	6,770	(64)	6,706
Total	$ 7,265	$ (64)	$ 7,201

NOTE 7: Loans Receivable, Net and Loan Guarantee Liabilities

Direct loan obligations and loan guarantee commitments made after fiscal year 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990, as amended.

Direct loan obligations or loan guarantee commitments made pre-1992 are reported at either net present-value or net realizable value.

The net present value of Direct Loan and Loan Guarantees, Net is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

The Department offers direct and guaranteed loans through credit programs in the FPAC mission area through the FSA and the CCC, and in the RD mission area.

Farm Production and Conservation Mission Area

The FPAC mission area helps keep America's farmers and ranchers in business as they face the uncertainties of weather and markets. FPAC delivers commodity, credit, conservation, disaster, and emergency assistance programs that help strengthen and stabilize the agricultural economy. FPAC contributes to the vitality of the farm sector with programs that encourage the expansion of export markets for U.S. agriculture.

FSA offers direct and guaranteed loans to farmers who are temporarily unable to obtain private, commercial credit, and nonprofit entities that are engaged in the improvement of the nation's agricultural community. Often, FSA borrowers are beginning farmers who cannot qualify for conventional loans due to insufficient financial resources. Additionally, the agency helps established farmers who have suffered financial setbacks from natural disasters or have limited resources to maintain profitable farming operations. FSA officials also provide borrowers with supervision and credit counseling.

FSA's mission is to provide supervised credit. FSA works with each borrower to identify specific strengths and weaknesses in farm production and management, and provides alternatives to address weaknesses. FSA is able to provide certain loan servicing options to assist borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rates, acceptance of easements, and debt write-downs. The eventual goal of FSA's farm credit programs is to graduate its borrowers to commercial credit.

CCC's foreign programs provide economic stimulus to both the U.S. and foreign markets, while giving humanitarian assistance to the most disadvantaged people throughout the world. CCC offers both credit guarantee and direct credit programs for buyers of U.S. exports, suppliers, and sovereign countries in need of food assistance.

CCC permits debtor nations to reschedule debt under the aegis of the Paris Club. The Paris Club is an informal group of official creditors whose role is to facilitate debt treatments based on an internationally recognized set of rules and principles, facilitated by the senior officials of the French Treasury. Its sole purpose is to assess, on a case-by-case basis, liquidity problems faced by economically disadvantaged countries. The general premise of Paris Club is to provide disadvantaged nations short-term liquidity relief to enable them to reestablish their credit worthiness. The U.S. Departments of State and Treasury lead the U.S. Delegation and negotiations for all U.S. agencies.

CCC also provides loans for farm and sugar storage facilities through the Farm Storage Facility Loan Program (FSFL). FSFL provides low interest financing for producers to build or upgrade farm storage and handling facilities. FSFL program regulations were amended during FY 2017 to add eligibility for portable storage structures, portable equipment, and storage and handling trucks, and to reduce the down payment and documentation requirements for a "microloan" category of FSFLs up to $50,000.

Exhibit 13: Farm Production and Conservation List of Direct Loan and Loan Guarantee Programs

Farm Service Agency	Commodity Credit Corporation
Direct Farm Ownership	General Sales Manager Export Credit Guarantee Program
Direct Farm Operating	Facility Program Guarantee
Direct Emergency Loans	Public Law (P.L.) 480 Title 1 Program
Direct Indian Land Acquisition	Direct Farm Storage Facility
Direct Boll Weevil Eradication	Direct Sugar Storage Facilities
Direct Seed Loans to Producers	
Direct Conservation	
Guaranteed Farm Operating Subsidized/Unsubsidized	
Guaranteed Farm Ownership Unsubsidized	
Guaranteed Conservation	
American Recovery and Reinvestment Fund	

Rural Development Mission Area

RD offers both direct and guaranteed loans administered through three agencies with unique missions to bring prosperity and opportunity to rural areas. Each year, RD programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing, business, and utilities. To leverage the impact of its programs, RD is working with State, local, and Tribal Governments, as well as private and nonprofit organizations and user-owned cooperatives. RD is able to provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements, and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

Rural Housing programs provide affordable, safe, and sanitary housing and essential community facilities to rural communities. They also help finance new or improved housing for moderate, low, and very low-income families each year. Other programs help rural communities to finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other community facilities.

Rural Business programs promote a dynamic business environment in rural America. These programs work in partnership with the private sector and community-based organizations to provide financial assistance and business planning. They also provide technical assistance to rural businesses and cooperatives, conduct research into rural economic issues, and provide cooperative educational materials to the public.

Rural Utilities programs help to improve the quality of life in rural America through a variety of loan programs for electric energy, telecommunications, and water and environmental projects. These programs leverage scarce Federal funds with private capital for investing in rural infrastructure, technology, and development of water resources.

Exhibit 14: Rural Development List of Direct Loan and Loan Guarantee Programs

Rural Housing Program	Rural Business Program	Rural Utilities Program
Single Family Housing Direct Loans (including Self-Help Loans)	Business and Industry Loan Guarantees	Water and Environmental Direct Loans, Loan Guarantees
Single Family Housing Loan Guarantees	Intermediary Relending Program Loans	Rural Broadband Direct Loans
Single Family Housing Repair Loans	Rural Microentrepreneur Assistance Program	Electric and Telecommunications Direct Loans and Loan Guarantees
Rural Rental Housing Direct Loan	Rural Economic Development Loans	
Rural Rental Housing Loan Guarantees	Rural Energy for America Program Loan Guarantees	
Farm Labor Housing Loans	Biorefinery Renewable Chemical, and Bio-based Product Manufacturing Assistance Program Loan Guarantees	
Community Facilities Direct Loans and Loan Guarantees		

Loan Modifications

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, continued through FY 2023. In this program, RD provides restructured loans and grants to development owners to revitalize multi-family housing development projects in order to extend the affordable use without displacing tenants due to the increased rent.

Payments to distressed borrowers and associated modifications for the Agricultural Credit Insurance Fund were authorized by the Inflation Reduction Act Section 22006 for loan programs authorized by the Consolidated Farm and Rural Development Act, subtitles A, B, and C (farm ownership, farm operating, and emergency). Total funding is $3.1 billion for both payments and modification costs and is available until FY 2031. Approximately two-thirds of the funding was obligated during FY 2023.

The Debt Reduction Fund is used to account for CCC's "modified debt." Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed.
In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. With one exception, all outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the Federal Credit Reform Act of 1990, as amended. CCC modified debt for several P.L. 480 loans in the direct financing and liquidating accounts during FY 2022.

Foreclosed Property

As of September 30, 2023 and 2022, foreclosed property consisted of 262 and 307 rural single-family housing dwellings, with an average holding period of 17 months for FY 2023 and FY 2022, respectively. As of September 30, 2023 and 2022, FSA-Farm Loan Program properties consist primarily of 134 and 125 farms, respectively. The average holding period for these properties in inventory for FY 2023 and FY 2022 was 92 and 89 months, respectively. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY 2023 and FY 2022 was 9,635 and 10,143, respectively. Certain properties can be leased to eligible individuals.

Other Information

Non-performing loans are defined as receivables that are in arrears by 90 or more days or are on rescheduling agreements until such time two consecutive payments have been made following the rescheduling. When RD, FSA and CCC calculate loan interest income, however, the recognition of revenue is deferred. Late interest is accrued on arrears.

Approximately $12,938 million and $12,949 million of Rural Housing borrowers' unpaid loan principal as of September 30, 2023 and 2022 were receiving interest credit. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately $568 million and $592 million higher for FY 2023 and FY 2022, respectively.

At the end of FY 2023 and FY 2022, the RD portfolio contained approximately 45,802 and 50,050 restructured loans with an outstanding unpaid principal balance of $3,072 million and $3,331 million, respectively. At the end of FY 2023 and FY 2022, the farm loan portfolio contained approximately 11,734 and 12,508 restructured loans with an outstanding unpaid principal balance of $992 million and $1,086 million, respectively. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2023 and 2022, were $823 million and $923 million, respectively.

Beginning in FY 2012, advance payments surpassed the loans receivable balance in the Rural Utilities Liquidating Fund. This was due to an increased volume in advance payments and a normal reduction to the Liquidating Portfolio. The Omnibus Budget Act of 1987, section 313, authorized the accumulation of Cushion of Credit (CoC) in the Revolving Fund. Borrowers were able to make advance payments up to their liquidating and financing total Rural Utilities Service debt. The enactment of the 2018 Agriculture Improvement Act had provided the borrowers the opportunity to prepay outstanding loans using the CoC balances without penalty through September 30, 2020. As of September 30, 2020 the CoC account is no longer accepting borrower deposits and the remaining balances are used to repay outstanding loan balances. To accurately represent the value of Electric and Telecommunication assets, RD reports the CoC amounts as a separate line item in Tables 1 and 2.

Table 1: Direct Loans Obligated Prior to FY 1992

FY 2023 Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Direct Loans, Net
Farm	$ 72	$ 33	$ 7	$ (35)	$ 77
Food Aid	175	5	—	(75)	105
Housing	4,802	843	3	(778)	4,870
Community Facility	4	—	—	—	4
Electric	187	2	—	—	189
Telecommunications	14	—	—	—	14
Water and Environmental	120	—	—	—	120
Cushion of Credit	(5)	—	—	—	(5)
Total	$ 5,369	$ 883	$ 10	$ (888)	$ 5,374

FY 2022 Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Direct Loans, Net
Farm	$ 114	$ 87	$ 7	$ (84)	$ 124
Food Aid	208	4	—	(73)	139
Housing	5,078	784	1	(712)	5,151
Community Facility	5	—	—	—	5
Electric	1,643	2	—	(1,427)	218
Telecommunications	20	—	—	—	20
Water and Environmental	137	2	—	—	139
Intermediary Relending	1	—	—	—	1
Cushion of Credit	(54)	—	—	—	(54)
Total	$ 7,152	$ 879	$ 8	$ (2,296)	$ 5,743

Table 2: Direct Loans Obligated Post-1991

FY 2023 Direct Loan Programs	Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Direct Loans, Net
Farm	$ 16,564	$ 281	$ 9	$ 168	$ 17,022
Food Aid	306	6	—	(51)	261
Housing	17,810	460	20	(1,416)	16,874
Community Facility	11,975	74	—	(252)	11,797
Electric	56,352	218	—	655	57,225
Telecommunications	2,275	6	—	(12)	2,269
Water and Environmental	13,529	65	—	167	13,761
Intermediary Relending	288	1	—	(49)	240
Business and Industry	41	—	—	(2)	39
Economic Development	207	—	—	(10)	197
Cushion of Credit	(269)	—	—	—	(269)
Total	$ 119,078	$ 1,111	$ 29	$ (802)	$ 119,416

FY 2022 Direct Loan Programs	Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Direct Loans, Net
Farm	$ 16,124	$ 363	$ 9	$ 180	$ 16,676
Food Aid	369	9	—	(88)	290
Housing	17,156	444	23	(1,183)	16,440
Community Facility	11,550	110	—	(228)	11,432
Electric	52,251	31	—	(737)	51,545
Telecommunications	2,418	2	—	(38)	2,382
Water and Environmental	13,090	83	—	303	13,476
Intermediary Relending	302	2	—	(58)	246
Business and Industry	42	—	—	(5)	37
Economic Development	177	—	—	(12)	165
Cushion of Credit	(491)	—	—	—	(491)
Total	$ 112,988	$ 1,044	$ 32	$ (1,866)	$ 112,198

Table 3: Total Amount of Direct Loans Disbursed (Post-1991)

Direct Loan Programs	FY 2023	FY 2022
Farm	$ 2,973	$ 3,036
Housing	1,657	1,125
Community Facility	823	946
Electric	6,350	5,749
Telecommunications	185	181
Water and Environmental	866	1,005
Intermediary Relending	16	10
Business and Industry	3	2
Economic Development	66	22
Total	$ 12,939	$ 12,076

Table 4: Subsidy Expense for Direct Loan Programs by Component

FY 2023 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ (30)	$ 36	$ (1)	$ 3	$ 8	$ (10)	$ 502	$ (542)	$ (40)	$ (42)
Export	—	—	—	—	—	—	9	(52)	(43)	(43)
Food Aid	—	—	—	—	—	—	—	10	10	10
Housing	10	69	—	(12)	67	2	61	148	209	278
Community Facility	(97)	33	—	15	(49)	—	3	63	66	17
Electric	(192)	20	(24)	(27)	(223)	—	(506)	(534)	(1,040)	(1,263)
Telecommunications	—	20	—	—	20	—	9	(56)	(47)	(27)
Water and Environmental	36	1	—	(30)	7	—	—	201	201	208
Intermediary Relending	2	—	—	—	2	—	25	(31)	(6)	(4)
Business and Industry	—	—	—	—	—	—	4	(6)	(2)	(2)
Economic Development	5	—	—	—	5	—	14	(18)	(4)	1
Total	$ (266)	$ 179	$ (25)	$ (51)	$ (163)	$ (8)	$ 121	$ (817)	$ (696)	$ (867)

FY 2022 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ (23)	$ 38	$ (1)	$ 2	$ 16	$ —	$ 481	$ (687)	$ (206)	$ (190)
Export	—	—	—	—	—	—	206	(184)	22	22
Food Aid	—	—	—	—	—	—	—	15	15	15
Housing	3	48	—	(4)	47	—	(135)	(380)	(515)	(468)
Community Facility	(107)	36	—	15	(56)	—	(99)	165	66	10
Electric	(203)	16	(19)	(22)	(228)	—	(1,413)	2,295	882	654
Telecommunications	—	18	—	(1)	17	3	49	6	55	75
Water and Environmental	47	1	—	(33)	15	—	53	132	185	200
Intermediary Relending	2	—	—	—	2	—	—	—	—	2
Business and Industry	—	—	—	—	—	—	—	(1)	(1)	(1)
Economic Development	2	—	—	—	2	—	(4)	—	(4)	(2)
Total	$ (279)	$ 157	$ (20)	$ (43)	$ (185)	$ 3	$ (862)	$ 1,361	$ 499	$ 317

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

The Housing program has an upward reestimate of $209 million. The key drivers of the upward impact were the updated full and partial payoff prepayments, subsidy interest, recaptures, and other outflows from FY 2022. The forecasted recapture recoveries decreased which resulted in an upward impact on the total reestimate amount. Another driver of the overall upward reestimate was an increase in full and partial prepayments and other outflows which resulted in an upward impact.

The Electric program had an overall downward reestimate of $(1,040) million, which is comprised of a $(970) million downward reestimate in the FFB program, a $(55) million downward reestimate in the FFB Underwriter program, and a downward reestimate of $(42) million in the FFB Electric Modification program. Those downward reestimates were offset by a $14 million upward reestimate in the Electric Municipal program, $13 million upward reestimate in the Electric Treasury. The main driver for the downward reestimate in the Direct Electric FFB program was the increase in forecasted interest payments and inflows due to updated data from FY2022. The main driver in the downward reestimate in the FFB Underwriter program was a model update to expand the model's functionality to include new amortization types, prepayments, and updating the credit ratings by advance.

The Direct Water and Waste Disposal program had an overall upward reestimate of $201 million. The main driver for the overall upward reestimate was less projected interest payments and inflows, as well as an increase in projected losses due to updated data from FY 2022.

Table 5: Subsidy Rates for Direct Loans by Program and Component (percentage)

FY 2023 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Ownership	(7.38)	0.44	—	0.25	(6.69)
Farm Operating	(3.17)	4.23	—	0.38	1.44
Emergency Disaster	(4.17)	10.03	—	0.27	6.13
Indian Tribe Land Acquisition	(37.74)	—	—	—	(37.74)
Boll Weevil Eradication	(0.48)	—	—	(0.14)	(0.62)
Indian Highly Fractionated Land	18.19	0.64	—	(0.95)	17.88
Heirs Property Relending Program	18.19	0.64	—	(0.95)	17.88
Farm Storage Facility Loan	(0.99)	—	(0.27)	(0.05)	(1.31)
Sugar Storage Facility Loan Program	(2.88)	—	—	0.01	(2.87)
Community Facility Loans	(13.56)	4.45	—	1.65	(7.46)
Section 502 Single-Family Housing	0.04	4.52	—	(0.85)	3.71
Section 515 Multi-Family Housing	19.53	1.25	—	(1.67)	19.11
Section 504 Housing Repair	11.73	(0.03)	—	(3.40)	8.30
Section 514 Farm Labor Housing	20.69	0.17	—	(0.44)	20.42
Section 524 Site Development	(0.06)	3.77	—	0.45	4.16
Section 523 Self-Help Housing	0.42	4.84	—	0.07	5.33
Single-Family Housing Credit Sales	(7.91)	2.82	—	1.52	(3.57)
Multi-Family Housing Revitalization Seconds	48.30	0.63	—	(0.04)	48.89
Multi-Family Housing Revitalization Zero	43.35	0.48	—	(0.27)	43.56
Native American Single Family Relending Pilot	24.86	9.93	—	(1.89)	32.90
Rural Microenterprise Direct Loans	2.68	2.66	—	—	5.34
Intermediary Relending Program	17.17	1.67	—	(1.30)	17.54
Rural Economic Development Loans	10.31	0.01	—	(0.45)	9.87
Water and Waste Disposal Loans	3.03	0.16	—	(5.38)	(2.19)
Water and Waste 1%	25.04	0.14	—	(11.56)	13.62
Treasury Electric Loans	—	—	—	(2.96)	(2.96)
FFB Electric Loans	(4.73)	0.01	—	(1.15)	(5.87)
Treasury Telecommunications Loans	0.05	0.61	—	(0.12)	0.54
FFB Guaranteed Underwriting	—	1.26	(1.82)	—	(0.56)
Rural Energy Savings Program	9.94	0.79	—	(0.37)	10.36
IRA Section 22001	35.88	0.01	—	(0.28)	35.61
Broadband Treasury Loans	0.04	14.02	—	(0.43)	13.63
Reconnect Direct Loans	4.27	10.05	—	(0.68)	13.64
Reconnect Grant Assisted Loans	—	10.05	—	0.05	10.10

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Table 6: Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2023	FY 2022
Beginning Balance of the Subsidy Cost Allowance	$ 2,841	$ 3,739
Add: Total Subsidy Expense for Direct Loans Disbursed During the Year As Shown in Table 4	(163)	(185)
Adjustments		
Loan Modifications	(194)	3
Fees Received	82	84
Loans Written Off	(140)	(214)
Subsidy Allowance Amortization	(101)	(19)
Other	62	(1,066)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	2,387	2,342
Add or Subtract Total Subsidy Reestimates As Shown in Table 4	(696)	499
Ending Balance of the Subsidy Cost Allowance	$ 1,691	$ 2,841

Table 7: Defaulted Guaranteed Loans from Post-1991 Guarantees

FY 2023 Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Farm	$ 133	$ 39	$ —	$ (136)	$ 36
Export	128	2	—	(15)	115
Housing	664	—	—	(629)	35
Community Facility	10	—	—	—	10
Business and Industry	396	—	—	(109)	287
Total	$ 1,331	$ 41	$ —	$ (889)	$ 483

FY 2022 Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Farm	$ 280	$ 106	$ —	$ (382)	$ 4
Export	347	11	—	(223)	135
Housing	348	—	—	(309)	39
Community Facility	5	—	—	—	5
Business and Industry	192	—	—	(62)	130
Total	$ 1,172	$ 117	$ —	$ (976)	$ 313

Table 8: Guaranteed Loans Outstanding

FY 2023 Loan Guarantee Programs	Pre-1992 Outstanding Principal, Face Value	Post-1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre-1992 Outstanding Principal, Guaranteed	Post-1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Farm	$ —	$ 18,460	$ 18,460	$ —	$ 16,793	$ 16,793
Export	—	2,798	2,798	—	2,735	2,735
Housing	—	113,024	113,024	—	101,685	101,685
Community Facility	—	1,288	1,288	—	1,121	1,121
Electric	—	122	122	—	122	122
Water and Environmental	—	111	111	—	97	97
Business and Industry	—	11,367	11,367	—	8,478	8,478
Total	$ —	$ 147,170	$ 147,170	$ —	$ 131,031	$ 131,031

FY 2022 Loan Guarantee Programs	Pre-1992 Outstanding Principal, Face Value	Post-1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre-1992 Outstanding Principal, Guaranteed	Post-1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
	$ —	$ 18,879	$ 18,879	$ —	$ 17,140	$ 17,140
Farm	—	3,210	3,210	—	3,136	3,136
Food Aid	—	116,252	116,252	—	105,061	105,061
Housing	—	1,193	1,193	—	1,055	1,055
Community Facility	—	131	131	—	131	131
Telecommunications	—	111	111	—	98	98
Intermediary Relending	—	9,948	9,948	—	7,506	7,506
Economic Development	$ —	$ 149,724	$ 149,724	$ —	$ 134,127	$ 134,127
Total						

Table 9: New Guaranteed Loans Disbursed

	FY 2023		FY 2022	
Loan Guarantee Programs	**Principal, Face Value Disbursed**	**Principal, Guaranteed Disbursed**	**Principal, Face Value Disbursed**	**Principal, Guaranteed Disbursed**
Farm	$ 2,013	$ 1,831	$ 3,256	$ 2,956
Export	2,913	2,847	3,292	3,217
Housing	7,157	6,441	14,060	12,654
Community Facility	147	129	174	154
Water and Environmental	14	13	12	10
Business and Industry	2,564	1,998	2,119	1,625
Total	$ 14,808	$ 13,259	$ 22,913	$ 20,616

Table 10: Liability for Loan Guarantees (Present Value)

FY 2023 Loan Guarantee Programs	Liabilities for Losses on Pre- 1992 Guarantees Present Value	Liabilities for Post- 1991 Guarantees Present Value	Liabilities for Loan Guarantees
Farm	$ —	$ 151	$ 151
Export	—	9	9
Housing	—	(2,840)	(2,840)
Community Facility	—	16	16
Water and Environmental	—	1	1
Business and Industry	—	338	338
Total	$ —	$ (2,325)	$ (2,325)

FY 2022 Loan Guarantee Programs	Liabilities for Losses on Pre- 1992 Guarantees Present Value	Liabilities for Post- 1991 Guarantees Present Value	Liabilities for Loan Guarantees
Farm	$ —	$ 141	$ 141
Export	—	14	14
Housing	—	(2,538)	(2,538)
Community Facility	—	24	24
Water and Environmental	—	1	1
Business and Industry	—	419	419
Total	$ —	$ (1,939)	$ (1,939)

Table 11: Subsidy Expense for Loan Guarantees by Program and Component

FY 2023 Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ —	$ 54	$ (51)	$ —	$ 3	$ (229)	$ (38)	$ (22)	$ (60)	$ (286)
Export	—	—	14	(8)	6	—	—	(7)	(7)	(1)
Housing	—	246	(309)	—	(63)	—	(5)	(182)	(187)	(250)
Community Facility	—	5	(6)	—	(1)	—	(2)	(5)	(7)	(8)
Business and Industry	—	154	(90)	—	64	—	(5)	(110)	(115)	(51)
Total	$ —	$ 459	$ (442)	$ (8)	$ 9	$ (229)	$ (50)	$ (326)	$ (376)	$ (596)

FY 2022 Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ —	$ 15	$ (9)	$ —	$ 6	$ —	$ (5)	$ (33)	$ (38)	$ (32)
Export	—	—	15	(3)	12	—	—	(1)	(1)	11
Housing	—	482	(677)	—	(195)	—	(120)	(1,291)	(1,411)	(1,606)
Community Facility	—	7	(5)	—	2	—	—	(6)	(6)	(4)
Business and Industry	—	124	(85)	—	39	—	(8)	53	45	84
Total	$ —	$ 628	$ (761)	$ (3)	$ (136)	$ —	$ (133)	$ (1,278)	$ (1,411)	$ (1,547)

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

The Guaranteed Housing program has an overall downward reestimate of $(187) million. Majority of the downward reestimate is attributed to the Guaranteed Single-Family Housing Section 502 program. The downward reestimate of $(184) million in the Blended component of the program and a downward reestimate of $(18) million in the Purchase component. The majority of the total reestimate is explained by the Blended component's change, which is attributed to a decrease in forecasted default claims. These changes were driven by the updated borrower source data which created an improved macroeconomic outlook. The downward reestimates in the Guaranteed Single-Family Housing Section 502 program were offset by an upward reestimate of $15 million in the Guaranteed Multi-Family Section 538 Housing program.

The Guaranteed Business and Industry program has an overall downward reestimate of $(115) million. Majority of the downward reestimates are attributed to the Guaranteed Business and Industry program which had an overall downward reestimate of $(84) million. The Guaranteed Renewable Energy program has a downward reestimate of $(22) million and the Guaranteed Biorefinery program had a downward reestimate of $(9) million. The cause of the downward reestimates is attributable to the update of the coefficients in the model to project defaults.

Table 12: Subsidy Rates for Loan Guarantees by Program and Component (percentage)

FY 2023 Guaranteed Loan Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Food Processing Supply Chain Loan Guarantees	—	6.91	—	—	6.91
Farm Ownership—Unsubsidized	—	0.75	(1.18)	—	(0.43)
Farm Operating—Unsubsidized	—	1.69	(1.17)	—	0.52
Conservation—Guaranteed	—	0.62	(1.16)	—	(0.54)
GSM 102	—	0.24	(0.50)	—	(0.26)
Export Guarantee Program—Facilities	—	0.62	(2.39)	—	(1.77)
Community Facility Loan Guarantees	—	3.38	(4.04)	—	(0.66)
Guaranteed 538 Multi-Family Housing	—	2.08	(5.05)	—	(2.97)
Guaranteed 502 Single-Family Housing	—	3.45	(4.21)	—	(0.76)
Business and Industry Loan Guarantees	—	6.41	(4.27)	—	2.14
Renewable Energy Loan Guarantees	—	2.59	(2.50)	—	0.09
Section 9003 Loan Guarantees	—	37.35	(4.56)	0.18	32.97
Water and Waste Disposal Loans	—	0.86	(0.88)		(0.02)

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Table 13: Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

	FY 2023	FY 2022
Beginning Balance of the Loan Guarantee Liabilities	$ (1,939)	$ (601)
Less Claim Payments to Lenders	181	130
Add Fees Received	579	658
Less Interest Supplements Paid	7	8
Add Foreclosed Property and Loans Acquired	29	61
Add Subsidy Expense	73	59
Less Negative Subsidy Payments	70	203
Add Upward Reestimate	(7)	44
Less Downward Reestimates	369	1,455
Loan Guarantee Modifications	4	—
Other	(437)	(364)
Ending Balance of the Loan Guarantee Liabilities	$ (2,325)	$ (1,939)

Table 14: Administrative Expenses

	FY 2023	FY 2022
Direct Loan Programs	$ 584	$ 521
Guaranteed Loan Programs	481	449
Total	$ 1,065	$ 970

Table 15: Loans Receivable, Net

	FY 2023	FY 2022
Beginning Balance of Loans Receivable, Net	$ 118,254	$ 113,057
Add: Loan disbursements	13,934	13,161
Less: Principal and interest payments received	7,847	8,523
Add: Interest accruals	22	19
Less: Fees received	82	2
Add: Foreclosed property acquired	—	24
Less: Sale of foreclosed property	25	54
Less: Loans written off	97	240
Less: Subsidy expense	99	109
Add: Negative subsidy payments	423	496
Less: Upward reestimates	1,517	1,276
Add: Downward reestimates	2,229	1,903
Other increase/(decrease) to the subsidy allowance	(434)	(306)
Other changes to the loan modifications	243	1
Allowance for loan and interest loss adjustments	281	100
Other non-cash reconciling items	(12)	3
Ending Balance of Loans Receivable, Net	$ 125,273	$ 118,254

NOTE 8: Inventory and Related Property, Net

Commodity inventory is restricted for the purpose of alleviating distress caused by natural disasters, providing emergency food assistance in developing countries, and providing price support and stabilization.

Commodities:	Unit of Measure	FY 2023 Beginning Inventory		Acquisitions		Collateral Acquired		Donations		Others		FY 2023 Ending Inventory	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Corn Meal	Pounds	—	$ —	19	$ 8	—	$ —	(19)	$ (8)	—	$ —	—	$ —
Blended Foods	Pounds	1	1	78	76	—	—	(75)	(72)	—	—	4	5
Dry Whole Peas	Cwt.	—	5	2	75	—	—	(2)	(77)	—	—	—	3
Grain Sorghum	Bushels	1	10	9	79	—	—	(9)	(83)	—	1	1	7
Lentils Dry	Cwt.	—	1	—	9	—	—	—	(10)	—	—	—	—
Rice Products	Cwt., Pounds	—	—	—	15	—	—	—	(15)	—	—	—	—
Vegetable Oil	Pounds	7	7	104	113	—	—	(111)	(115)	—	1	—	6
Wheat Products	Bushels, Pounds	—	—	18	292	—	—	(18)	(292)	—	—	—	—
Soybeans	Bushels, Pounds	—	—	263	63	—	—	(263)	(63)	—	—	—	—
Other	Various	—	4	—	12	—	—	—	(10)	—	—	—	6
Total			$ 28		$ 742		$ —		$ (745)		$ 2		$ 27

Commodities:	Unit of Measure	FY 2022 Beginning Inventory		Acquisitions		Collateral Acquired		Donations		Others		FY 2022 Ending Inventory	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Corn Meal	Pounds	—	$ —	108	$ 32	—	$ —	(108)	$ (32)	—	$ —	—	$ —
Blended Foods	Pounds	4	4	83	55	—	—	(86)	(58)	—	—	1	1
Dry Whole Peas	Cwt.	—	5	2	91	—	—	(2)	(91)	—	—	—	5
Grain Sorghum	Bushels	—	—	12	102	—	—	(11)	(94)	—	2	1	10
Lentils Dry	Cwt.	—	3	—	17	—	—	—	(19)	—	—	—	1
Rice Products	Cwt., Pounds	—	2	1	31	—	—	(1)	(33)	—	—	—	—
Vegetable Oil	Pounds	8	8	141	141	—	—	(142)	(141)	—	(1)	7	7
Wheat Products	Bushels, Pounds	—	—	20	338	—	—	(20)	(338)	—	—	—	—
Peanuts	Pounds	—	—	—	—	10	2	(4)	(1)	(6)	(1)	—	—
Soybeans	Bushels, Pounds	—	—	123	43	—	—	(123)	(43)	—	—	—	—
Other	Various	—	1	—	14	—	—	—	(11)	—	—	—	4
Total			$ 23		$ 864		$ 2		$ (861)		$ —		$ 28

NOTE 9: Property, Plant & Equipment (PP&E), Net

Information concerning deferred maintenance and repairs and estimated land acreage is discussed in unaudited required supplementary information.

FY 2023

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 73	$ —	$ 73
Improvements to Land	10	759	(757)	2
Construction-in-Progress		506	—	506
Buildings, Improvements and Renovations	15 – 30	3,276	(2,353)	923
Other Structures and Facilities	8 – 50	1,903	(1,708)	195
Equipment	5 – 25	2,338	(1,490)	848
Assets Under Capital Lease	10 – 25	16	(15)	1
Leasehold Improvements	3 – 15	105	(78)	27
Internal-Use Software	5	1,830	(1,361)	469
Internal-Use Software in Development		71	—	71
Total		$ 10,877	$ (7,762)	$ 3,115

Total PP&E and Accumulated Depreciation	Net PP&E
Balance Beginning of Year	$ 2,835
Capitalized Acquisitions	678
Revaluations	(2)
Depreciation Expense	(396)
Balance at End of Year	$ 3,115

FY 2022

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 73	$ —	$ 73
Improvements to Land	10	759	(756)	3
Construction-in-Progress		438	—	438
Buildings, Improvements and Renovations	15 – 30	3,199	(2,282)	917
Other Structures and Facilities	8 – 50	1,879	(1,692)	187
Equipment	5 – 25	2,170	(1,428)	742
Assets Under Capital Lease	10 – 25	18	(16)	2
Leasehold Improvements	4 – 15	104	(74)	30
Internal-Use Software	5	1,595	(1,232)	363
Internal-Use Software in Development		80	—	80
Total		$ 10,315	$ (7,480)	$ 2,835

Total PP&E and Accumulated Depreciation	Net PP&E
Balance Beginning of Year	$ 2,588
Capitalized Acquisitions	596
Dispositions	(1)
Revaluations	(7)
Depreciation Expense	(341)
Balance at End of Year	$ 2,835

NOTE 10: Stewardship Property, Plant & Equipment

Stewardship PP&E consist of assets whose physical properties resemble those of general PP&E that are traditionally capitalized in the financial statements. Due to the nature of these assets, valuation would be difficult and matching costs with specific periods would not be meaningful. Stewardship PP&E include heritage assets and stewardship land. Information concerning deferred maintenance and repairs and estimated land acreage is discussed in unaudited required supplementary information.

Heritage Assets

Heritage assets are unique and are generally expected to be preserved indefinitely. Heritage assets may be unique because they have historical or natural significance, are of cultural, educational, or artistic importance, or have significant architectural characteristics. The assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No amounts are shown on the Balance Sheet for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations. The costs of acquisition, betterment, or reconstruction of multi-use heritage assets is capitalized as general PP&E and depreciated. The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use, is considered an expense in the period incurred when determining the net cost of operations. Heritage assets consist of collection type, such as objects gathered and maintained for exhibition, such as library collections, and non-collection type, such as memorials, monuments, and buildings.

National Forests, National Grasslands and Other Sites

FS manages its heritage assets by site. Sites include national forests, national grasslands, other FS-managed sites, and non-FS-managed sites such as museums and university laboratories. The mission of the FS is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. The FS strives to achieve quality land management under the sustainable multiple-use management concept, to deliver the necessary products and services that are essential for enhancing natural resource stewardship, and to meet the diverse needs of people.

Heritage Asset categories can include the following:

Priority Heritage Assets (PHA): Heritage assets of distinct public value that are, or should be, actively maintained, and meet one or more of the following criteria:

- The property is recognized through an official designation, such as a listing on the National Register of Historic Places, State register, etc.
- The property is recognized through prior investment in preservation, interpretation, and use. Any improvement to a PHA that meets real property designation criteria is considered real property.
- The property is recognized in an Agency-approved management plan.
- The property exhibits critical deferred maintenance needs, and those needs have been documented.

Other Heritage Assets: Assets that may have potential important historical or cultural significance but lack formal listing and the demonstrated need for active maintenance.

Assemblage Assets: Any grouping of artifacts or archival materials aggregated through donation, agency events, site-specific or other field collection, other acquisition method, or combination therein.

Research Centers

ARS was established on November 2, 1953. Congress first authorized federally supported agricultural research in the Organic Act of 1862. The statute directed the Commissioner of Agriculture "to acquire and preserve in his department all information he can obtain by means of books and correspondence, and by practical and scientific experiments." The scope of USDA's agricultural research has been expanded and extended more than 60 times since the Department was created.

NRCS owns one heritage asset, the Tucson Plant Materials Center (TPMC), which is included in general PP&E as a multi-use asset. It was listed in the National Register of Historic Places on July 2, 1997. The TPMC develops and evaluates native plants and addresses an array of resource issues relating to rangeland, mines, urban land, cropland riparian areas, and desert land. The TPMC provides technical assistance to NRCS field offices; Resource Conservation and Development groups; conservation districts; Federal, State, or Tribal agencies; and private landowners through the Southwest.

Library Collections

NAL supports agricultural research through the acquisition, curation, and dissemination of information needed to solve today's agricultural challenges. NAL's content ranges from special collections materials dating from the early 16th century to near-real time observational research data. The Library holds more than 3.5 million items. NAL was created as the departmental library for USDA in 1862 and became a national library in 1990. One of five national libraries of the U.S., it is also a key member of the Agriculture Network Information Collaborative partnership. In its international role, NAL participates, as appropriate, in international agricultural information initiatives.

Acquisition and Withdrawal of Heritage Assets

The FS generally does not construct heritage assets, although in some circumstances important site-structural components may be rehabilitated or reconstructed into viable historic properties to provide forest visitors with use and interpretation. Heritage assets may be acquired through the procurement process, but this rarely occurs. Normally, heritage assets are part of the land acquisition and inventory process. Withdrawal occurs through land exchange or natural disasters. Most additions occur through inventory activities where previously undocumented sites are discovered and added to the total.

Stewardship Land

Stewardship land is land and land rights not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. Stewardship land is valued for its environmental resources, recreational and scenic value, cultural and paleontological resources, vast open spaces, and resource commodities and revenue provided to the Federal Government, States, and counties. These assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount is shown on the balance sheet for stewardship land. The acquisition cost of stewardship land is considered an expense in the period acquired when determining the net cost of operations. Stewardship land consists primarily of the national forests and grasslands owned by the FS and conservation easements purchased by NRCS.

National Forests

National forests are formally established and permanently set aside and reserved for national forest purposes, including National Wilderness, National Primitive, National Wild and Scenic River, National Recreation, National Scenic Research, National Game Refuges and Wildlife Preserve, and National Monument areas.

National Grasslands

National grasslands are designated by the Secretary of Agriculture and permanently held by the USDA under Title III of the Bankhead-Jones Farm Tenant Act.

Research and Experimental Areas

Research and experimental areas are reserved and dedicated by the Secretary of Agriculture for forest and range research experimentation. Areas reported are located outside the exterior boundaries of a national forest or national grassland.

National Preserves and Other Areas

National preserves are established to protect and preserve scientific, scenic, geologic, watershed, fish, wildlife, historic, cultural, and recreational values; and provide for multiple use and sustained yield of renewable resources. Other areas include areas administered by the FS that are not included in one of the above groups.

Research Centers

ARS has public domain land used to support scientific solutions to national and global agricultural challenges. ARS invests in stewardship land supporting research, development, and outreach of new varieties and technologies to mitigate animal/plant diseases and increase productivity, sustainability, and product quality. USDA research supports America's farmers and ranchers in their work to produce a safe and abundant food supply, with an additional focus to establish more sustainable systems to enhance crop and animal health.

Conservation Easements

NRCS' mission objectives in administering the conservation easement programs are to provide landowners with financial and technical assistance in return for maintaining and improving high quality productive soils, clean and abundant water, healthy plant and animal communities, clean air, an adequate energy supply, and working farm and ranch land.

NRCS' objectives in managing, monitoring, and enforcing the terms and conditions of easement deeds are to ensure that: 1) taxpayer investments are properly used in accordance with the intent of the program; 2) the agency is a good steward of the land; and 3) the land is properly maintained and managed compliant with agreed upon terms and conditions of the easement deed.

Stewardship resources involve substantial investment in order to gain long-term benefits for the American public and help the agency satisfy its mission. The purpose of purchasing easements is to restore or enhance wetlands, farmland, grasslands, forest ecosystems, and restore, protect, maintain, and enhance the functions of floodplains.

NRCS, on behalf of USDA, administers and owns conservation easements on private lands through a variety of programs. The specific uses for the land are identified under each program. Landowners are not allowed to withdraw from the program. However, termination or expiration may occur.

For the purpose of reporting, all easements where NRCS (or a variant of the United States administered through NRCS authorities) is listed as a grantee of the easement are included in the agency's stewardship land count. The NRCS stewardship land easements include conservation easements enrolled through program authorities and other easements administered by NRCS. As not all stewardship land conservation easements are permanent in duration, adjustments to end of year count and acreage balances may be made to account for expired or extinguished easements.

Acquisition and Withdrawal of Stewardship Lands

The Land and Water Conservation Fund (L&WCF) Land Acquisition Program acquires land for the FS National Forest System (NFS). The program coordinates with a variety of partners, including State, local, and Tribal Governments, and private landowners through statewide planning for development of a land-adjustment strategy.

The Land Acquisition Program preserves, develops, and maintains access to NFS lands and waters for the public and provides permanent access to public lands for recreation, commodity production, resource management, public safety, and community economic viability.

The L&WCF statutory authority specifically defines the purpose to also include protecting the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, archeological values, as well as food and habitat for fish and wildlife, and managing the public lands for minerals, food, timber, and fiber.

From these several allowable uses of program funding, the program concentrates on protecting habitat for priority species identified in the national forest and grassland's Land Management Plans and enhancing recreational opportunities for areas with high demand for recreation. The program focuses acquisitions on inholdings and areas adjacent to existing NFS lands.

FY 2023 (In Units)	Beginning Balance	Additions	Withdrawals	Ending Balance
Heritage Assets				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Other Sites	171	—	—	171
Research Centers	34	—	—	34
Library Collections	1	—	—	1
Total	380	—	—	380
Stewardship Land				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Research and Experimental Areas	3	—	—	3
National Preserves and Other Areas	2	—	—	2
Research Centers	33	—	—	33
Conservation Easements	19,421	203	(1)	19,623
Total	19,633	203	(1)	19,835

FY 2022 (In Units)	Beginning Balance	Additions	Withdrawals	Ending Balance
Heritage Assets				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Other Sites	171	1	(1)	171
Research Centers	34	—	—	34
Library Collections	1	—	—	1
Total	380	1	(1)	380
Stewardship Land				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Research and Experimental Areas	3	—	—	3
National Preserves and Other Areas	2	—	—	2
Research Centers	33	—	—	33
Conservation Easements	19,207	214	—	19,421
Total	19,419	214	—	19,633

NOTE 11: Other Assets

	FY 2023	FY 2022
Intragovernmental Assets		
Reimbursement Work Asset	$ 9	$ —
Total Intragovernmental Assets	$ 9	$ —
Total Other Assets	$ 9	$ —

NOTE 12: Liabilities Not Covered by Budgetary Resources

In FY 2023 and FY 2022, other intragovernmental liabilities not covered by budgetary resources included accruals for FECA of $119 million and $120 million, contract disputes claims payable to Treasury's Judgment Fund of $27 million and $27 million, unemployment compensation of $11 million and $10 million, and Technology Modernization Fund of $47 million and $9 million, respectively.

In FY 2023 and FY 2022, other liabilities with the public not covered by budgetary resources included contingent liabilities of $75 million and $79 million, Payments to States of $316 million and $329 million, single-family housing escrow of $78 million and $55 million, loans paid in advance for multi-family housing of $26 million and $25 million, and stewardship contracting product sales of $5 million and $4 million, respectively.

	FY 2023	FY 2022
Intragovernmental		
Other	$ 204	$ 166
Subtotal Intragovernmental	204	166
Other than Intragovernmental		
Federal Employee Benefits Payable	1,364	1,332
Environmental and Disposal Liabilities	240	236
Insurance and Guarantee Program Liabilities	13,823	12,611
Other	500	492
Subtotal Other than Intragovernmental	15,927	14,671
Total Liabilities Not Covered by Budgetary Resources	16,131	14,837
Total Liabilities Covered by Budgetary Resources	185,079	172,090
Total Liabilities Not Requiring Budgetary Resources	3,077	5,963
Total Liabilities	$ 204,287	$ 192,890

NOTE 13: Debt

FY 2023	Beginning Balance	Net Borrowing	Ending Balance
Source of Debt			
Debt Owed to the Federal Financing Bank	$ 51,845	$ 3,076	$ 54,921
Debt Owed to Treasury other than FFB	87,342	9,571	96,913
Total Debt	$ 139,187	$ 12,647	$ 151,834

FY 2022	Beginning Balance	Net Borrowing	Ending Balance
Source of Debt			
Debt Owed to the Federal Financing Bank	$ 48,772	$ 3,073	$ 51,845
Debt Owed to Treasury other than FFB	84,049	3,293	87,342
Total Debt	$ 132,821	$ 6,366	$ 139,187

NOTE 14: Federal Employee Benefits Payable

Other than Intragovernmental:	FY 2023	FY 2022
Employer Contributions and Payroll Taxes Payable	$ —	$ 2
Unfunded Leave	756	707
Actuarial FECA Liability	608	625
Total Federal Employee Benefits Payable	$ 1,364	$ 1,334

NOTE 15: Environmental and Disposal Liabilities

USDA is subject to the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, and the Resource Conservation and Recovery Act for cleanup of hazardous waste. In FY 2023 and FY 2022, FS estimates the liability for total cleanup costs for sites known to contain hazardous waste to be $1 million and $2 million, respectively, based on actual cleanup costs at similar sites. In FY 2023 and FY 2022, CCC estimates the liability for total cleanup costs for sites known to contain hazardous waste to be $47 million and $45 million, respectively, based on actual cleanup costs at similar sites. CCC estimates the range of potential future losses due to remedial actions to be between $47 million and $665 million. These estimates will change as new sites are discovered, remedy standards change, and new technology is introduced.

In FY 2023 and FY 2022, ARS estimated the liability for cleanup of the Beltsville Agricultural Research Center (BARC) to be $50 million and $46 million, respectively. Remediation costs are calculated for each site utilizing costs presented in a feasibility study, engineering estimate, actual costs, etc. Ground water monitoring and/or reporting costs are calculated for each site, assuming annual monitoring, where the annual monitoring costs are projected over a 30-year period (assuming indefinite long-term monitoring or remedial action operation period/phase). Where monitoring costs have already been paid for (contract executed) and/or where modeling or testing has deemed a period shorter than 30-years, those long-term management costs were not included in the 30-year period. Adjustments for inflation are also included in the estimates. ARS is evaluating and remediating areas of concern on BARC that are contaminated or threaten to contaminate ground and surface water with pesticides, solvents, metals, and other hazardous substances.

USDA is also subject to Asbestos National Emissions Standards for Hazardous Air Pollutants. In FY 2023 and FY 2022, the Department estimated its liability for asbestos-related cleanup of real property to be $150 million and $148 million, respectively. The liability is calculated using total square footage of real property expected to contain asbestos times a cost factor based on historical actual cleanup costs, adjusted for inflation, including any other identifiable costs, e.g., survey cost. As additional information becomes available, key assumptions will be reevaluated, cost estimates will be revised, and necessary adjustments will be made to the liability recognition.

NOTE 16: Insurance Programs

In crop year 2023, there were approximately 1.2 million standard reinsurance and livestock policies totaling approximately $206.06 billion insurance in-force, however, there is a remote likelihood that claims equal to the entire insurance in-force will be filed at the same time.

The AIPs for FY 2023 are as follows:

- Ace American Insurance Company
- American Agri-Business Insurance Company
- American Agricultural Insurance Company
- CGB Insurance Company
- Church Mutual Insurance Company
- Country Mutual Insurance Company
- Farmers Mutual Hail Insurance Company of Iowa
- Great American Insurance Company
- Hudson Insurance Company
- NAU Country Insurance Company
- Palomar Specialty Insurance Company
- Producers Agriculture Insurance Company
- Rural Community Insurance Company
- Stratford Insurance Company
- XL Reinsurance America Inc.

The funds within the Federal Crop Insurance Program can be used to pay any authorized expense of the program. The following table lists the type of funds received and the resources used by the program for 2023 and 2022.

Federal Crop Insurance Program Resource and Resources Used

Resource	Fiscal Year 2023	Uses	Fiscal Year 2023
Producer Premiums Collected	$ 7,029	Obligations for Delivery Costs	$ 2,431
Producer Fees Collected	47	Obligations for Indemnities	18,722
Underwriting Loss Collected from AIPs	136	Obligations for Underwriting Gain	1,354
Appropriations	15,378	Obligations for Initiatives & Other Costs	70
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	594	Unobligated Balance End of Year	594
Total	$ 23,171	**Total**	$ 23,171

Resource	Fiscal Year 2022	Uses	Fiscal Year 2022
Producer Premiums Collected	$ 6,252	Obligations for Delivery Costs	$ 2,206
Producer Fees Collected	49	Obligations for Indemnities	13,637
Underwriting Loss Collected from AIPs	4	Obligations for Underwriting Gain	2,731
Appropriations	12,353	Obligations for Initiatives & Other Costs	73
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	594	Unobligated Balance End of Year	592
Total	$ 19,239	**Total**	$ 19,239

In addition to the mandatory FCIC fund, RMA obligated $73.5 million in Salaries and Expenses funds to administer the Federal Crop Insurance Program in 2023. The Federal Crop Insurance Act requires the total premium, including producer paid premium and premium subsidy, to be established to achieve an overall projected loss ratio of not greater than 1.0 over an extended period of time. The FCIC Act dictates the percentage of subsidized premium. The estimation of expected indemnities is generally based on the observed historical rate of loss often referred to as the ‘loss cost’ method.

In fiscal year 2023 there was widespread drought and excessive heat in many parts of the nation, causing catastrophic damage to crops. To provide relief, RMA deferred collection of any unpaid producer premium without interest by two months. The total amount of deferred collections was approximately $4.7 billion.

FCIC collects administrative fees from producers in return for catastrophic risk protection coverage and additional levels coverage. The rates are set by statute. For reinsurance year 2023, the catastrophic risk protection fees were $655 per crop per county and $30 for additional levels coverage per crop per county.

FCIC may request the Secretary of Agriculture to provide borrowing authority funds of the CCC if at any time the amounts in the insurance fund are insufficient to allow FCIC to carry out its duties. Even though the authority exists, FCIC did not request CCC funds in the reporting period. Instead, FCIC uses such sums as are necessary from the U.S. Treasury to cover program costs that exceed collections.

Loss Recognition

The end of the government's fiscal year, on September 30, occurs while many crops are still in the field and subject to ongoing natural risks causing significant uncertainty for the end-of-fiscal-year estimates of claims. Estimates can often vary by 20 percent or more from results.

Estimates of claims are based on current crop conditions and historical trends for a given crop condition. Therefore, it is assumed the expected claims will be like levels observed historically.

Estimates assume there is a relationship between crop yields, harvest prices, and the resulting loss ratios. The indemnity for an individual producer is based on the difference between the producer's actual yield and his/her average yield. Similarly, for revenue plans, the indemnity is based on the difference between the actual harvest price and the "base" price which is the estimated harvest price at the time the crop is planted.

Regression analyses are calculated based on the historic relationships between the crop yields and harvest prices (when necessary) for each crop in each State and the resulting loss ratios in each of those years. The resulting regression coefficients are used in conjunction with the most recent NASS forecasts and commodity futures prices to calculate a projected loss ratio for each crop/State combination.

There are uncertainties associated with these assumptions including:

- Actual yields, which may be different than those provided by the NASS estimates;
- Changes in weather patterns close to harvesting dates, which could affect yields but not be reflected in the NASS estimates;
- Commodity prices, which may change from those in the market because of many factors (such as weather, yields, and economic conditions); and
- Significant catastrophic weather events (i.e. hurricanes and freezes) occurring near the balance sheet date, which could affect estimated crop yields and crop prices.

There are uncertainties associated with assumptions used to estimate losses on insurance claims. As a result, the ultimate liability may differ significantly from the recorded estimate. Indemnity costs are paid from premium proceeds, including producer paid premium and premium subsidies. If indemnity costs exceed funds available, additional funds will be requested and apportioned to FCIC.

Insurance Liabilities

The following table shows the insurance liabilities as of September 30, 2023 and September 30, 2022.

	2023	2022
Estimated Losses on Insurance Claims		
Liability for Unpaid Insurance Claims	$ 3,053	$ 3,007
Liability for Losses on Remaining Coverage	8,904	8,574
Total Estimated Losses on Insurance Claims	$ 11,957	$ 11,581
Unearned Revenue	1,843	1,694
Underwriting Gain	3,517	4,030
Other Insurance Liabilities	20	20
Total Insurance Liabilities	$ 17,337	$ 17,325

Reported insurance liabilities increased from fiscal year 2022 to fiscal year 2023. This increase is attributed to:

- Higher coverage amounts resulting from higher crop prices
- Higher level of losses caused by widespread drought and excessive heat
- Increased participation in certain insurance products

Estimated Losses on Insurance Claims

The following tables show information for changes in the estimated losses on insurance claims for fiscal year 2023 and fiscal year 2022.

Changes in Estimated Losses on Insurance Claims	2023	2022
Beginning Balance	$ 11,581	$ 9,985
Claims Expenses	18,647	13,638
Payments to Settle Claims	(18,823)	(13,403)
Adjustment of Accruals for Estimated Losses	552	1,361
Ending Balance	$ 11,957	$ 11,581

In fiscal year 2023, the actual claims reported were $5.0 billion more than fiscal year 2022. This was a result of higher losses related to higher commodity prices and widespread drought and excessive heat. Payments to Settle Claims are the actual payments to producers.

The Adjustment of Accrual for Estimated Losses is the reversal of the prior year accrual combined with the current year accrual for estimated losses. The indemnity projection is based on two major factors: losses due to a shortfall in yield and changes in commodity prices impacting revenue plans. The principal data source for yield projections is the NASS Crop Production report. The NASS Crop Production report is considered to represent USDA's official perspective on the current state of agricultural production. It is based on a survey of growers along with inspections of randomly selected sections of farms. Although the NASS Crop Production report is scrutinized by multiple sources, it is still an estimate and is subject to some uncertainty.

The revenue plans of insurance base their indemnities on the futures prices for specific contracts and exchanges. The best prediction of the final price for the futures contract is the most current price of the relevant commodities exchange. At the time the indemnity projection is made, up-to-date futures prices are taken from multiple exchanges. Again, this is subject to uncertainty due to fluctuations in markets.

Liability for Unpaid Insurance Claims

Liability for unpaid insurance claims are claims for adverse events that occurred before the end of the reporting period. Under SFFAS 51, for the claim to be considered incurred, a single event or a series of events must be completed by the end of the reporting period to be considered an adverse event of the period.

The liability for unpaid insurance claims is comprised of the following:

- Funds in the Escrow accounts to cover payments to producers who have not cashed their indemnity payments
- Claims reported but not paid as of the end of the reporting period
- Incurred but Not Reported (IBNR) is estimated claims from events that have occurred as of the end of the reporting period but have not yet been reported for settlement.

FCIC uses a historical trend analysis based upon the data from the prior years to determine the value of claims incurred for the current reinsurance year as of the financial statement reporting date. When the Summary of Business (SOB) is higher than the estimate at year end, the SOB amount is used.

Liability for Losses on Remaining Coverage

The liability for losses on remaining coverage as of the end of the reporting period represents the estimated amounts to be paid to settle claims for the remaining open arrangement period exceeding losses associated with the related unearned premiums as of the end of the reporting period.

The liability for losses on remaining coverage is the total projected losses minus actual losses reported, IBNR, and losses associated with unearned premium.

Liability for Unearned Insurance Premiums

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the balance sheet. Most of the increase in fiscal year 2023 was due to higher premiums caused by higher crop prices.

	2023	2022
Liability for Unearned Insurance Premiums	$ 1,843	$ 1,694

Underwriting Gain/Loss

Underwriting gain/loss is the AIPs portion of earnings or losses on the insurance book of business due from or to FCIC. A periodic settlement, as stipulated in the Standard Reinsurance Agreement, is calculated where results of business written by AIPs are determined and an experience-rated gain or loss on business ceded from AIPs is computed. Payments due to AIPs for a net gain are paid in the second fiscal year following the reinsurance year. Underwriting losses are paid to FCIC periodically.

Underwriting Gain	2023		2022	
Current Year Estimated Gains	$	2,175	$	1,517
Actual Underwriting Gains		1,342		2,513
Total Underwriting Gain Liability	$	3,517	$	4,030

At the end of fiscal year 2023, the underwriting gain liability includes amounts for reinsurance years 2022 and 2023. The reinsurance year 2023 estimated underwriting gain was $2,175 million based on a loss ratio of .92. The actual reinsurance year 2022 Underwriting Gain of $1,342 million was based on an actual loss ratio of 1.05 and will be paid in fiscal year 2024.

At the end of fiscal year 2022, the underwriting gain liability includes amounts for reinsurance years 2021 and 2022. The reinsurance year 2022 estimated underwriting gain was $1,517 million based on a loss ratio of 1.01 for standard reinsurance agreements. The actual reinsurance year 2021 Underwriting Gain of $2,513 million was based on an actual loss ratio of .68 and was paid in fiscal year 2023.

NOTE 17: Other Liabilities

Intragovernmental Liabilities:

Other Debt

In FY 2022, other debt represents a repayable advance to Treasury of $2,595 million for the Agricultural Disaster Relief Trust Fund.

Liability for Non-Entity Assets Not Reported as Custodial Activities

In FY 2023 and FY 2022, liability for non-entity assets not reported as Custodial Activities represents liquidating fund balances of $8,893 million and $7,800 million, respectively due to the General Fund.

Other Liabilities Without Related Budgetary Obligations

In FY 2022, other liabilities without related budgetary obligations includes amount due to the General Fund of $3,197 million for a financing event that did not occur until FY 2023.

Other than Intragovernmental Liabilities:

Other Liabilities With Related Budgetary Obligations

In FY 2023, other liabilities with related budgetary obligations with the public included Agricultural Risk Coverage of $272 million; Grants, Subsidies, and Contributions of $5,564 million; Conservation Reserve Program of $1,789 million; and other accrued liabilities of $1,070 million.

In FY 2022, other liabilities with related budgetary obligations with the public included Agricultural Risk Coverage of $97 million; Price Loss Coverage of $216 million; Grants, Subsidies, and Contributions of $4,872 million; Conservation Reserve Program of $1,772 million; and other accrued liabilities of $754 million.

Other Liabilities Without Related Budgetary Obligations

In FY 2023, other liabilities without related budgetary obligations with the public included Payments to States of $316 million, single-family housing escrow of $78 million, loans paid in advance for multi-family housing of $26 million, and other accrued liabilities of $6 million.

In FY 2022, other liabilities without related budgetary obligations with the public included Payments to States of $329 million, single-family housing escrow of $55 million, loans paid in advance for multi-family housing of $25 million, and other accrued liabilities of $4 million.

FY 2023	Non-Current	Current	Total
Intragovernmental Liabilities:			
Other Liabilities With Related Budgetary Obligations	$ —	$ 66	$ 66
Employer Contributions and Payroll Taxes	—	176	176
Unfunded FECA Liability	67	52	119
Other Unfunded Employment Related Liability	—	11	11
Liability for Clearing Accounts	—	14	14
Custodial Liability	—	414	414
Liability for Non-Entity Assets Not Reported as Custodial Activities	—	8,893	8,893
Other Liabilities Without Related Budgetary Obligations	—	73	73
Total Intragovernmental Liabilities	$ 67	$ 9,699	$ 9,766
Other than Intragovernmental Liabilities:			
Other Liabilities With Related Budgetary Obligations	—	8,695	8,695
Accrued Funded Payroll and Leave	—	655	655
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	—	600	600
Liability for Clearing Accounts	—	(13)	(13)
Contingent Liabilities (Note 19)	—	75	75
Capital Lease Liability (Note 18)	—	1	1
Other Liabilities Without Related Budgetary Obligations	26	400	426
Total Other than Intragovernmental Liabilities	$ 26	$ 10,413	$ 10,439
Total Other Liabilities	$ 93	$ 20,112	$ 20,205

FY 2022	Non-Current	Current	Total
Intragovernmental Liabilities:			
Other Liabilities With Related Budgetary Obligations	$ —	$ 41	$ 41
Employer Contributions and Payroll Taxes	—	161	161
Unfunded FECA Liability	66	54	120
Other Unfunded Employment Related Liability	—	10	10
Liability for Clearing Accounts	—	18	18
Other Debt	—	2,595	2,595
Custodial Liability	—	257	257
Liability for Non-Entity Assets Not Reported as Custodial Activities	—	7,800	7,800
Other Liabilities Without Related Budgetary Obligations	—	3,234	3,234
Total Intragovernmental Liabilities	$ 66	$ 14,170	$ 14,236
Other than Intragovernmental Liabilities:			
Other Liabilities With Related Budgetary Obligations	—	7,711	7,711
Accrued Funded Payroll and Leave	—	611	611
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	—	588	588
Liability for Clearing Accounts	—	(18)	(18)
Contingent Liabilities (Note 19)	—	79	79
Capital Lease Liability (Note 18)	1	1	2
Custodial Liability	—	1	1
Other Liabilities Without Related Budgetary Obligations	25	388	413
Total Other than Intragovernmental Liabilities	$ 26	$ 9,361	$ 9,387
Total Other Liabilities	$ 92	$ 23,531	$ 23,623

NOTE 18: Leases

Capital Leases

USDA enters into leasing agreements through leasing authority delegated by GSA. USDA acquires use of various general facilities (buildings and plant material centers), equipment, and land with renewal options that range from 0 to 10 years and which are located mainly in urban areas. The portfolio includes leases with escalation clauses based on the Consumer Price Index (CPI), and amortization periods with a range of 10 to 25 years.

Operating Leases

USDA enters into leasing agreements through leasing authority delegated by GSA. USDA leases various land, buildings, and equipment.

Major non-cancelable operating leases consists primarily of office space, most with renewal options with escalation clauses based on the CPI, and lease periods with a range of 1 to 59 years.

The USDA Headquarters complex (Whitten Building and South Building) is a government owned facility, which is part of the GSA Federal Buildings Inventory. As the result of a 1998 agreement between GSA and USDA, a moratorium was placed on the rental billings for the Headquarters complex beginning in FY 1999. At current market rate, the estimated yearly rental payment for the above mentioned space would be $69 million. This agreement is still in effect and as a result, USDA activities located in the Headquarters complex are not billed for rental costs. Imputed costs are not recognized.

FY 2023

Capital Leases

Summary of Assets Under Capital Leases	Federal	Non-Federal	Total
Land and Building	$ —	$ 16	$ 16
Accumulated Amortization	—	(15)	(15)
Total	$ —	$ 1	$ 1

Future Payments Due	Land & Buildings		Machinery & Equipment		Totals	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Fiscal Year 2024	$ —	$ 1	$ —	$ —	$ —	$ 1
Fiscal Year 2025	—	1	—	—	—	1
Fiscal Year 2026	—	—	—	—	—	—
Fiscal Year 2027	—	—	—	—	—	—
Fiscal Year 2028	—	—	—	—	—	—
After 5 Years	—	—	—	—	—	—
Total Future Lease Payments	—	2	—	—	—	2
Less: Imputed Interest	—	1	—	—	—	1
Net Capital Lease Liability	—	1	—	—	—	1
Capital Lease Liabilities Covered by Budgetary Resources	$ —	$ 1	$ —	$ —	$ —	$ 1

Operating Leases

Future Payments Due for Non-Cancellable Operating Leases	Land & Buildings		Machinery & Equipment		Totals	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Fiscal Year 2024	$ 13	$ 61	$ —	$ 1	$ 13	$ 62
Fiscal Year 2025	2	41	—	—	2	41
Fiscal Year 2026	1	34	—	—	1	34
Fiscal Year 2027	1	28	—	—	1	28
Fiscal Year 2028	1	21	—	—	1	21
After 5 Years	2	94	—	—	2	94
Total Future Lease Payments	$ 20	$ 279	$ —	$ 1	$ 20	$ 280

FY 2022

Capital Leases

Summary of Assets Under Capital Leases	**Federal**	**Non-Federal**	**Total**
Land and Building	$ —	$ 18	$ 18
Accumulated Amortization	—	(16)	(16)
Total	$ —	$ 2	$ 2

Future Payments Due	**Land & Buildings**		**Machinery & Equipment**		**Totals**	
	Federal	**Non-Federal**	**Federal**	**Non-Federal**	**Federal**	**Non-Federal**
Fiscal Year 2023	$ —	$ 3	$ —	$ —	$ —	$ 3
Fiscal Year 2024	—	1	—	—	—	1
Fiscal Year 2025	—	—	—	—	—	—
Fiscal Year 2026	—	—	—	—	—	—
Fiscal Year 2027	—	—	—	—	—	—
After 5 Years	—	—	—	—	—	—
Total Future Lease Payments	—	4	—	—	—	4
Less: Imputed Interest	—	2	—	—	—	2
Net Capital Lease Liability	—	2	—	—	—	2
Capital Lease Liabilities Covered by Budgetary Resources	$ —	$ 2	$ —	$ —	$ —	$ 2

Operating Leases

Future Payments Due for Non-Cancellable Operating Leases	**Land & Buildings**		**Machinery & Equipment**		**Totals**	
	Federal	**Non-Federal**	**Federal**	**Non-Federal**	**Federal**	**Non-Federal**
Fiscal Year 2023	$ 11	$ 56	$ —	$ 1	$ 11	$ 57
Fiscal Year 2024	—	36	—	2	—	38
Fiscal Year 2025	—	30	—	—	—	30
Fiscal Year 2026	—	26	—	—	—	26
Fiscal Year 2027	—	20	—	—	—	20
After 5 Years	—	102	—	—	—	102
Total Future Lease Payments	$ 11	$ 270	$ —	$ 3	$ 11	$ 273

NOTE 19: Commitments and Contingencies

The Department is subject to various contingencies related to legal claims as well as commitments under contractual and other commercial obligations.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment is remote.

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2023			
Legal Contingencies:			
Probable	$ 75	$ 75	$ 75
Reasonably Possible		1,087	1,728

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2022			
Legal Contingencies:			
Probable	$ 79	$ 79	$ 548
Reasonably Possible		143	755

Commitments to extend loan guarantees are estimated to be $3,731 million and $4,605 million in FY 2023 and FY 2022, respectively.

NOTE 20: Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities or purposes and must be accounted for separately from the Government’s general revenues.

Financial information for all significant funds from dedicated collections follows the descriptions of each fund’s purpose shown below.

Agricultural Marketing Service (AMS)

Expenses and Refunds, Inspection and Grading of Farm Products

The commodity grading programs provide grading, examination, and certification services for a wide variety of fresh and processed food commodities using federally approved grade standards and purchase specifications. This fund is financed by the collection of fees charged to producers of various food commodities who request, on a voluntary basis, inspection and grading of agricultural food commodities. This program is authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621–1627).

Funds for Strengthening Markets, Income, and Supply

The funds for strengthening markets, income, and supply are used to purchase commodities for schools and elderly feeding programs, to provide goods and other necessities in emergencies and disasters, and to purchase agricultural commodities to stabilize markets. The fund is permanently financed by statutory transfer of an amount equal to 30 percent of customs receipts collected during each calendar year and is automatically appropriated for expanding outlets for perishable, non-price supported commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Oceanic and Atmospheric Administration. All remaining funding in excess of the amount made available under the 2008 Farm Bill to carry out Section 32 activities is transferred to the Food and Nutrition Service and is used to purchase commodities under section 6 of the National School Lunch Act and other authorities specified in the child nutrition appropriation. Funds are available under section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c).

Animal and Plant Health Inspection Service (APHIS)

Agricultural Quarantine Inspection User Fee Account

This fund is used to record and report expenditures and revenue associated with operating Agricultural Quarantine Inspection (AQI) activities at ports of entry. The Farm Bill of 1990, as amended by the Federal Agriculture Improvement and Reform Act of 1996, gave APHIS the authority to charge user fees for AQI services and to use the revenue to fund AQI activities. In March of 2003, a portion of the AQI program was transferred to the Department of Homeland Security (DHS); however, APHIS retained the authority to collect AQI revenue. APHIS transfers a portion of the revenue to DHS periodically throughout the year to fund its expenditures. The revenue in the fund is collected from airlines, air passengers, vessels, trucks, and railroad cars that are subject to AQI inspection at ports of entry. These user fees are an inflow of revenue from the public that is used to fund AQI inspections that are required by APHIS and DHS. The authority is codified in 21 U.S.C. 136(a).

Forest Service (FS)

Acquisition of Lands to Complete Land Exchanges

Land Exchange Acquisitions is authorized by the Act of December 4, 1967, as amended (16 U.S.C. 484a), commonly known as The Sisk Act. All deposits received during the previous fiscal year are made available by the annual appropriation act. The authorizing legislation provides for cash deposits of a portion or all of the value of the selected lands in exchange cases with States, local governments, and public school districts or other public school authority, to be used to purchase similar lands, or in cases of special legislation, for authorized expenditures from funds deposited by non-Federal parties.

Cooperative Work

Cooperative contributions are deposited for disbursement in compliance with the terms and provisions of the agreement between the cooperator and the FS. Cooperators include timber purchasers, not-for-profit organizations, and local hunting and fishing clubs. The governing authorities are the Cooperative Funds Act of July 31, 1914 (16 U.S.C. 498) and the Knutson Vandenberg Act.

Land Acquisition

Funds are appropriated annually from Interior's Land and Water Conservation Fund, but are no-year appropriations to the Forest Service for acquisition of land pursuant to the Land and Water Conservation Act, as amended and other land acquisition authorities of the Forest Service (section 40.12).

National Grasslands Receipts

Title III, Bankhead-Jones Farm Tenant Act (Act) of July 22, 1937, as amended (7 U.S.C. 1012) authorizes annual payments on a calendar year basis to counties, equal to 25 percent of revenues received during the year from sales activities and fees on lands designated as national grasslands or land utilization projects. Counties use these payments for public schools and roads.

The administrative process of aggregating the receipts on a calendar year basis (involving two fiscal years) and disbursing the payments requires an unavailable receipt account (National Grasslands Receipts, Forest Service) and an available receipt account (Payments to Counties, National Grasslands, Forest Service).

National Forest Fund Receipts

The Act of May 23, 1908, as amended (16 U.S.C. 500), requires (with a few exceptions) that all receipts from national forest activities be aggregated each fiscal year in order to calculate the portion which is paid to the States in which the national forests are located. The payments must be used for public schools and roads in the county or counties in which the national forests are situated. Originally, the States' portion of receipts was 25 percent, but past statutory amendments have changed the calculation factors from time to time. Receipts include revenues from the sale of timber and other forest products; fees for grazing, special-use permits, power and mineral leases; and recreation user fees.

National Parks and Public Land Legacy Restoration Fund

The Great American Outdoors Act (GAOA) (P.L. 116-152) provides authority to establish the National Parks and Public Land Legacy Restoration Fund to address the maintenance backlog on public lands. The funds are allocated across GAOA-specified bureaus/agencies including the USDA Forest Service for fiscal years 2021 through 2025.

Payments to States, National Forest Fund

The Act of May 23, 1908, as amended (16 U.S.C. 500), commonly known as Payments to States, requires with a few exceptions, that 25 percent of all monies received from the national forests and deposited into the National Forest Fund during a fiscal year from timber, grazing, special-use permits, power and mineral leases, and admission and user fees be paid to the States in which the national forests are located, for public schools and public roads in the county or counties in which the national forests are situated.

Recreation Fee Demonstration Program

The Recreation Fee Demonstration Program fund receives deposits of recreation fees collected from projects that are part of the Recreation Fee Demonstration Program. These monies are retained and used for backlog repair and maintenance of recreation areas, sites, or projects. These funds are also used for interpretation, signage, habitat or facility enhancement, resource preservation, annual operation, maintenance, and law enforcement related to public use of recreation areas and sites. The Recreation Fee Demonstration Program is authorized by 16 U.S.C. 4601-6(a).

Reforestation Trust Fund

The Reforestation Trust Fund, 16 U.S.C. 1606a, receives its budgetary resources from periodic transfers by the U.S. Treasury of tariffs from exported timber. Amounts may be invested and reinvested by the FS in U.S. Treasury interest bearing Government securities. The funds are available for use by the Secretary of Agriculture to obligate for reforestation and timber-stand improvement activities.

Restoration of Forest Lands and Improvements

The Restoration of Forest Lands and Improvements Acts (16 U.S.C. 579(c)) states any monies received by the United States with respect to lands under the administration of the Forest Service (a) as a result of the forfeiture of a bond or deposit by a permittee or timber purchaser for failure to complete performance of improvement, protection, or rehabilitation work required under the permit or timber sale contract or (b) as a result of a judgment, compromise, or settlement of any claim, involving present or potential damage to lands or improvements, shall be deposited into the Restoration of Forest Lands and Improvements Account. The monies are then made available until expended to cover the cost to the United States of any improvement, protection, or rehabilitation work on lands under the administration of the Forest Service rendered necessary by the action which led to the forfeiture, judgment, compromise, or settlement, provided that any portion of the monies received in excess of the amount expended in performing the work necessitated by the action which led to their receipt shall be transferred to miscellaneous receipts.

State and Private Forestry

The FY 2004 Department of the Interior and Related Agencies Appropriation Act (P.L. 108-108) authorizes the Forest Service to receive a transfer of receipts from the Department of the Interior's Land and Water Conservation Fund to finance the existing Forest Legacy Program. Treasury established a new special fund, "State and Private Forestry" to accommodate for this program, and the funding is available until expended. The program expenditures include grants and an occasional land purchase, but no real property will be procured or constructed.

Stewardship Contracting Product Sales

Stewardship End Result Contracting Projects (16 U.S.C. 6591c), amends the Healthy Forests Restoration Act of 2003, and states the Forest Service, via agreement or contract as appropriate, may enter into stewardship contracting projects with private persons or other public or private entities to perform services to achieve land management goals for the national forests and the public lands that meet local and rural community needs. The value of timber or other forest products removed may be applied as an offset against the cost of services received under the agreements or contracts. Monies earned from such agreements or contracts may be retained by the Forest Service and shall be available for expenditure without further appropriation at the project site from which the monies are collected or at another project site. In addition, if the offset value of the forest products exceeds the value of the resource improvement treatments, the Forest Service may collect any residual receipts under the Act of June 9, 1930 (commonly known as the Knutson-Vandenberg Act, 16 U.S.C. 576); and apply the excess to other authorized stewardship projects. Finally, the Forest Service is required to annually report to the Committee of Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives on the status and accomplishments of these agreements and contracts.

Timber Salvage Sales

The Salvage Sale Fund was established to facilitate the timely removal of timber damaged by fire, wind, insects, diseases, or other events. Amounts collected from the sale of salvaged timber are used on other qualifying salvage sales to cover the cost of preparing and administering the sales.
The Timber Salvage Sales program is authorized by 16 U.S.C. 472(a).

National Institute of Food and Agriculture (NIFA)

Native American Institutions Endowment Fund

The Native American Institutions Endowment Fund was authorized by P.L. 103-382 and provided an initial installment to establish an endowment to benefit the 1994 land-grant institutions. The public law states that "This program will enhance educational opportunities for Native Americans by building educational capacity at these institutions in the areas of student recruitment and retention, curricula development, faculty preparation, instruction delivery systems, and scientific instrumentation for teaching." While the principal (corpus) of the fund cannot be used, the interest that is earned on the endowment fund investments in Treasury instruments can be used for the purposes described above. After the close of a fiscal year, the income is distributed after making adjustments for the cost of administering the fund.

Other

Financial information is summarized for all other funds from dedicated collections with total assets less than $50 million listed below.

Natural Resources Conservation Service

- Damage Assessment and Restoration Revolving Fund
- Miscellaneous Contributed Funds

Food Safety and Inspection Service

- Expenses and Refunds, Inspection of Farm Products

Agricultural Marketing Service

- Inspection and Weighing Services
- Perishable Agricultural Commodities Act
- Wool Research, Development and Promotion Trust Fund

Animal Plant Health Inspection Service

- Miscellaneous Contributed Funds

Forest Service

- Acquisition of Lands for National Forests, Special Acts
- Administration of Rights-of-Way and Other Land Uses Fund
- Communications Site Administration
- Expenses, Brush Disposal
- Gifts and Bequests
- Donations for Forest and Rangeland Research
- Hardwood Technology Transfer and Applied Research Fund
- Land Between the Lakes Management Fund
- Land Between the Lakes Trust Fund
- Licensee Program
- Midewin National Prairie (MNP) Rental Fee Account
- Operation and Maintenance of Quarters
- Payment to Minnesota (Cook, Lake and Saint Louis Counties) from the National Forests Fund
- Quinault Special Management Area
- Range Betterment Fund
- Receipts for Construction of Administrative Improvements- Arizona and Taos, New Mexico Land Conveyance
- Roads and Trails for States, National Forest Fund
- Timber Roads, Purchaser Elections
- Timber Sales Pipeline Restoration Fund

Rural Development

- Alternative Agricultural Research and Commercialization Revolving Fund

Agricultural Research Service

- Concessions Fees and Volunteer Services
- Gifts and Bequests
- Miscellaneous Contributed Funds

National Agricultural Statistics Service

- Miscellaneous Contributed Funds

Economic Research Service

- Miscellaneous Contributed Funds

Foreign Agricultural Service

- Foreign Service National Separation Liability Trust Fund
- Gifts and Bequests
- Miscellaneous Contributed Funds

Office of the Secretary

- Gifts and Bequests

Office of Partnerships and Public Engagement

- Gifts and Bequests

Office of Communications

- Gifts and Bequests

Office of General Counsel

- Gifts and Bequests

Office of the Inspector General

- Inspector General Assets Forfeiture, Department of Justice
- Inspector General Assets Forfeiture, Department of Treasury

FY 2023	AMS	AMS	APHIS	FS					
Funds from Dedicated Collections	Expenses and Refunds, Inspection and Grading of Farm Products	Funds for Strengthening Markets, Income, and Supply	Agricultural Quarantine Inspection User Fee Account	Acquisition of Lands to Complete Land Exchanges	Cooperative Work	Land Acquisition	National Grasslands Receipts	National Forest Fund Receipts	National Parks and Public Land Legacy Restoration Fund
BALANCE SHEET									
Intragovernmental									
Fund Balance with Treasury	$ 133	$ 916	$ 397	$ 57	$ 437	$ 315	$ 205	$ 181	$ 44
Investments, Net	—	—	—	—	—	—	—	—	—
Accounts Receivable, Net	—	—	—	—	—	—	—	—	555
Advances and Prepayments	—	—	—	—	—	—	—	—	2
Other Assets	—	—	9	—	—	—	—	—	—
Total Intragovernmental Assets	133	916	406	57	437	315	205	181	601
Other than Intragovernmental									
Accounts Receivable, Net	24	—	163	—	—	—	—	4	—
General Property, Plant, and Equipment, Net	—	—	3	46	8	40	—	—	18
Advances and Prepayments	—	—	—	—	—	—	—	—	—
Investments, Net	—	—	—	—	—	—	—	—	—
Total Other than Intragovernmental	24	—	166	46	8	40	—	4	18
Total Assets	157	916	572	103	445	355	205	185	619
Intragovernmental							—	—	—
Other Liabilities	10	—	3	—	1	—	—	—	—
Total Intragovernmental Liabilities	10	—	3	—	1	—	—	—	—
Other than Intragovernmental							—	—	—
Accounts Payable	—	14	1	—	3	—	—	—	8
Federal Employee Benefits Payable	53	—	—	—	—	—	—	—	—
Advances From Others and Deferred Revenue	—	—	56	—	77	—	—	—	—
Other Liabilities	7	83	6	—	1	—	59	—	1
Total Other than Intragovernmental	60	97	63	—	81	—	59	—	9
Total Liabilities	70	97	66	—	82	—	59	—	9
Unexpended Appropriations	—	—	—	—	—	—	—	—	592
Cumulative Results of Operations	87	819	506	103	363	355	146	185	18
Total Liabilities and Net Position	157	916	572	103	445	355	205	185	619
STATEMENT OF NET COST							—	—	—
Gross Program Costs	233	1,293	235	5	86	80	68	—	126
Less Earned Revenues	204	7	817	16	114	—	88	1	—
Net Cost of Operations	29	1,286	(582)	(11)	(28)	80	(20)	(1)	126
STATEMENT OF CHANGES IN NET POSITION							—	—	—
Unexpended Appropriations:							—	—	—
Beginning Balance	—	—	—	—	—	—	—	—	446
Appropriations Received	—	—	—	—	—	—	—	—	—
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	(139)
Total Unexpended Appropriations	—	—	—	—	—	—	—	—	592
Cumulative Results of Operations:							—	—	—
Beginning Balances	76	828	438	92	335	311	210	188	4
Appropriations Used	—	—	—	—	—	—	—	—	139
Other than Intragovernmental Non-exchange Revenue:							—	—	—
Miscellaneous Taxes and Receipts	—	—	—	—	—	—	—	—	—
Total Other than Intragovernmental Non-exchange Revenue	—	—	—	—	—	—	—	—	—
Intragovernmental Non-exchange Revenue	—	—	—	—	—	—	—	—	—
Donations and Forfeitures of Cash & Property	—	—	—	—	—	—	—	—	—
Transfers-In/out Without Reimbursement	—	1,277	(514)	—	—	124	—	—	1
Imputed Financing	40	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	(84)	(4)	—
Net Cost of Operations	(29)	(1,286)	582	11	28	(80)	20	1	(126)
Net Change in Cumulative Results of Operations	11	(9)	68	11	28	44	(64)	(3)	14
Total Cumulative Results of Operations	87	819	506	103	363	355	146	185	18
Net Position	$ 87	$ 819	$ 506	$ 103	$ 363	$ 355	$ 146	$ 185	$ 610

FY 2023	FS							NIFA		
Funds from Dedicated Collections	Payments to States, National Forests Fund	Recreation Fee Demonstration Program	Reforestation Trust Fund	Restoration of Forest Lands and Improvements	State and Private Forestry	Stewardship Contracting Product Sales	Timber Salvage Sales	Native American Institutions Endowment Fund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections
BALANCE SHEET										
Intragovernmental										
Fund Balance with Treasury	$ 148	$ 200	$ 344	$ 340	$ 301	$ 94	$ 100	$ 14	$ 303	$ 4,529
Investments, Net	—	—	—	—	—	—	—	274	6	280
Accounts Receivable, Net	—	—	—	—	—	—	—	—	—	555
Advances and Prepayments	—	—	—	—	—	—	—	—	—	2
Other Assets	—	—	—	—	—	—	—	—	—	9
Total Intragovernmental Assets	148	200	344	340	301	94	100	288	309	5,375
Other than Intragovernmental										
Accounts Receivable, Net	—	2	—	5	—	26	—	—	7	231
General Property, Plant, and Equipment, Net	2	1	1	1	—	—	1	—	4	125
Advances and Prepayments	—	—	—	1	5	—	—	—	—	6
Investments, Net	—	—	—	—	—	—	—	—	3	3
Total Other than Intragovernmental	2	3	1	7	5	26	1	—	14	365
Total Assets	150	203	345	347	306	120	101	288	323	5,740
Intragovernmental	—									
Other Liabilities	—	—	—	—	—	—	—	—	1	15
Total Intragovernmental Liabilities	—	—	—	—	—	—	—	—	1	15
Other than Intragovernmental	—									
Accounts Payable	—	1	3	—	—	1	—	—	1	32
Federal Employee Benefits Payable	—	—	—	—	—	—	—	—	—	53
Advances From Others and Deferred Revenue	—	—	—	—	—	—	—	—	14	147
Other Liabilities	252	2	1	—	—	6	—	—	10	428
Total Other than Intragovernmental	252	3	4	—	—	7	—	—	25	660
Total Liabilities	252	3	4	—	—	7	—	—	26	675
Unexpended Appropriations	—	—	—	—	—	—	—	225	1	818
Cumulative Results of Operations	(102)	200	341	347	306	113	101	63	296	4,247
Total Liabilities and Net Position	150	203	345	347	306	120	101	288	323	5,740
STATEMENT OF NET COST	—									
Gross Program Costs	136	122	49	22	53	44	30	4	152	2,738
Less Earned Revenues	155	136	—	—	—	41	36	6	173	1,794
Net Cost of Operations	(19)	(14)	49	22	53	3	(6)	(2)	(21)	944
STATEMENT OF CHANGES IN NET POSITION	—									
Unexpended Appropriations:	—									
Beginning Balance	—	—	—	—	—	—	—	214	1	661
Appropriations Received	—	—	—	—	—	—	—	11	—	11
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	—	(139)
Total Unexpended Appropriations	—	—	—	—	—	—	—	225	1	818
Cumulative Results of Operations:	—									
Beginning Balances	(121)	186	232	257	280	116	95	61	290	3,878
Appropriations Used	—	—	—	—	—	—	—	—	—	139
Other than Intragovernmental Non-exchange Revenue:	—									
Miscellaneous Taxes and Receipts	—	—	—	5	—	—	—	—	—	5
Total Other than Intragovernmental Non-exchange Revenue	—	—	—	5	—	—	—	—	—	5
Intragovernmental Non-exchange Revenue	—	—	158	106	—	—	—	—	—	264
Donations and Forfeitures of Cash & Property	—	—	—	—	—	—	—	—	1	1
Transfers-In/out Without Reimbursement	—	—	—	1	79	—	—	—	(16)	952
Imputed Financing	—	—	—	—	—	—	—	—	—	40
Other	—	—	—	—	—	—	—	—	—	(88)
Net Cost of Operations	19	14	(49)	(22)	(53)	(3)	6	2	21	(944)
Net Change in Cumulative Results of Operations	19	14	109	90	26	(3)	6	2	6	369
Total Cumulative Results of Operations	(102)	200	341	347	306	113	101	63	296	4,247
Net Position	$ (102)	$ 200	$ 341	$ 347	$ 306	$ 113	$ 101	$ 288	$ 297	$ 5,065

FY 2022

Funds from Dedicated Collections	AMS Expenses and Refunds, Inspection and Grading of Farm Products	AMS Funds for Strengthening Markets, Income, and Supply	APHIS Agricultural Quarantine Inspection User Fee Account	FS Acquisition of Lands to Complete Land Exchanges	FS Cooperative Work	FS Land Acquisition	FS National Grasslands Receipts	FS National Forest Fund Receipts	FS National Parks and Public Land Legacy Restoration Fund
BALANCE SHEET									
Intragovernmental									
Fund Balance with Treasury	$ 118	$ 904	$ 374	$ 45	$ 397	$ 271	$ 285	$ 182	$ 15
Investments, Net	—	—	—	—	—	—	—	—	—
Accounts Receivable, Net	—	1	—	—	—	—	—	—	431
Advances and Prepayments	—	—	—	—	—	—	—	—	2
Total Intragovernmental Assets	118	905	374	45	397	271	285	182	448
Other than Intragovernmental									
Accounts Receivable, Net	26	—	92	—	—	—	—	6	—
General Property, Plant, and Equipment, Net	—	—	3	46	8	41	—	—	5
Advances and Prepayments	—	—	—	—	—	—	—	—	—
Investments, Net	—	—	—	—	—	—	—	—	—
Total Other than Intragovernmental	26	—	95	46	8	41	—	6	5
Total Assets	144	905	469	91	405	312	285	188	453
Intragovernmental									
Other Liabilities	10	—	2	—	—	—	—	—	—
Total Intragovernmental Liabilities	10	—	2	—	—	—	—	—	—
Other than Intragovernmental									
Accounts Payable	—	6	1	—	2	—	—	—	2
Federal Employee Benefits Payable	51	—	—	—	—	—	—	—	—
Advances From Others and Deferred Revenue	—	—	22	—	67	—	—	—	—
Other Liabilities	6	70	6	—	1	—	74	—	1
Total Other than Intragovernmental	57	76	29	—	70	—	74	—	3
Total Liabilities	67	76	31	—	70	—	74	—	3
Unexpended Appropriations	—	—	—	—	—	—	—	—	446
Cumulative Results of Operations	76	828	438	92	335	311	210	188	4
Total Liabilities and Net Position	143	904	469	92	405	311	284	188	453
STATEMENT OF NET COST									
Gross Program Costs	227	1,246	244	4	79	36	92	—	100
Less Earned Revenues	198	6	658	1	91	—	55	(5)	—
Net Cost of Operations	29	1,240	(414)	3	(12)	36	37	5	100
STATEMENT OF CHANGES IN NET POSITION									
Unexpended Appropriations:									
Beginning Balance	—	—	—	—	—	—	—	—	265
Appropriations Received	—	—	—	—	—	—	—	—	—
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	(104)
Total Unexpended Appropriations	—	—	—	—	—	—	—	—	446
Cumulative Results of Operations:									
Beginning Balances	75	870	261	95	323	226	134	182	—
Appropriations Used	—	—	—	—	—	—	—	—	104
Other than Intragovernmental Non-exchange Revenue:									
Miscellaneous Taxes and Receipts	—	—	—	—	—	—	—	—	—
Total Other than Intragovernmental Non-exchange Revenue	—	—	—	—	—	—	—	—	—
Intragovernmental Non-exchange Revenue	—	—	—	—	—	—	331	26	—
Donations and Forfeitures of Cash & Property	—	—	—	—	—	—	—	—	—
Transfers-In/out Without Reimbursement	—	1,198	(236)	—	—	122	—	—	—
Imputed Financing	30	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	(1)	(218)	(15)	—
Net Cost of Operations	(29)	(1,240)	413	(3)	12	(36)	(37)	(5)	(100)
Net Change in Cumulative Results of Operations	1	(42)	177	(3)	12	85	76	6	4
Total Cumulative Results of Operations	76	828	438	92	335	311	210	188	4
Net Position	$ 76	$ 828	$ 438	$ 92	$ 335	$ 311	$ 210	$ 188	$ 450

FY 2022

Funds from Dedicated Collections	FS							NIFA		
	Payments to States, National Forests Fund	Recreation Fee Demonstration Program	Reforestation Trust Fund	Restoration of Forest Lands and Improvements	State and Private Forestry	Stewardship Contracting Product Sales	Timber Salvage Sales	Native American Institutions Endowment Fund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections
BALANCE SHEET										
Intragovernmental										
Fund Balance with Treasury	$ 126	$ 184	$ 232	$ 250	$ 277	$ 93	$ 94	$ 13	$ 300	$ 4,160
Investments, Net	—	—	—	—	—	—	—	263	6	269
Accounts Receivable, Net	—	—	—	—	—	—	—	—	—	432
Advances and Prepayments	—	—	—	—	—	—	—	—	—	2
Total Intragovernmental Assets	126	184	232	250	277	93	94	276	306	4,863
Other than Intragovernmental										
Accounts Receivable, Net	—	2	—	5	—	28	—	—	5	164
General Property, Plant, and Equipment, Net	2	1	—	1	—	—	1	—	4	112
Advances and Prepayments	—	—	—	—	7	—	—	—	—	7
Investments, Net	—	—	—	—	—	—	—	—	3	3
Total Other than Intragovernmental	2	3	—	6	7	28	1	—	12	286
Total Assets	128	187	232	256	284	121	95	276	318	5,149
Intragovernmental										
Other Liabilities	—	—	—	—	—	—	—	—	1	13
Total Intragovernmental Liabilities	—	—	—	—	—	—	—	—	1	13
Other than Intragovernmental										
Accounts Payable	—	1	1	—	—	—	—	—	1	14
Federal Employee Benefits Payable	—	—	—	—	—	—	—	—	—	51
Advances From Others and Deferred Revenue	—	—	—	—	—	—	—	—	14	103
Other Liabilities	249	1	—	—	5	5	1	—	10	429
Total Other than Intragovernmental	249	2	1	—	5	5	1	—	25	597
Total Liabilities	249	2	1	—	5	5	1	—	26	610
Unexpended Appropriations	—	—	—	—	—	—	—	214	1	661
Cumulative Results of Operations	(121)	186	232	257	280	116	95	61	290	3,878
Total Liabilities and Net Position	128	188	233	257	285	121	96	275	317	5,149
STATEMENT OF NET COST										
Gross Program Costs	319	100	63	16	53	34	25	6	152	2,796
Less Earned Revenues	149	132	—	—	—	43	33	5	160	1,526
Net Cost of Operations	170	(32)	63	16	53	(9)	(8)	1	(8)	1,270
STATEMENT OF CHANGES IN NET POSITION										
Unexpended Appropriations:										
Beginning Balance	—	—	—	—	—	—	—	202	1	468
Appropriations Received	—	—	—	—	—	—	—	12	—	12
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	—	(104)
Total Unexpended Appropriations	—	—	—	—	—	—	—	214	1	661
Cumulative Results of Operations:										
Beginning Balances	48	154	33	268	249	107	87	62	299	3,473
Appropriations Used	—	—	—	—	—	—	—	—	—	104
Other than Intragovernmental Non-exchange Revenue:										
Miscellaneous Taxes and Receipts	—	—	—	1	—	—	—	—	—	1
Total Other than Intragovernmental Non-exchange Revenue	—	—	—	1	—	—	—	—	—	1
Intragovernmental Non-exchange Revenue	—	—	262	3	—	—	—	—	—	622
Donations and Forfeitures of Cash & Property	—	—	—	—	—	—	—	—	1	1
Transfers-In/out Without Reimbursement	—	—	—	1	84	—	—	—	(18)	1,151
Imputed Financing	—	—	—	—	—	—	—	—	—	30
Other	—	—	—	—	—	—	—	—	—	(234)
Net Cost of Operations	(169)	32	(63)	(16)	(53)	9	8	(1)	8	(1,270)
Net Change in Cumulative Results of Operations	(169)	32	199	(11)	31	9	8	(1)	(9)	405
Total Cumulative Results of Operations	(121)	186	232	257	280	116	95	61	290	3,878
Net Position	$ (121)	$ 186	$ 232	$ 257	$ 280	$ 116	$ 95	$ 275	$ 291	$ 4,539

NOTE 21: Suborganization Program Costs

FY 2023	FPAC Business Center	FSA	CCC	RMA	NRCS	FNS	FSIS	AMS	APHIS	FS
Farm Production and Conservation:										
Gross Costs	$ 344	$ 6,550	$ 10,897	$ 21,860	$ 5,104	$ —	$ —	$ —	$ —	$ —
Less: Earned Revenue	9	554	293	5,518	52	—	—	—	—	—
Net Costs	335	5,996	10,604	16,342	5,052	—	—	—	—	—
Food, Nutrition, and Consumer Services:										
Gross Costs	—	—	—	—	—	173,440	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	120	—	—	—	—
Net Costs	—	—	—	—	—	173,320	—	—	—	—
Food Safety:										
Gross Costs	—	—	—	—	—	—	1,530	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	232	—	—	—
Net Costs	—	—	—	—	—	—	1,298	—	—	—
Marketing and Regulatory Programs:										
Gross Costs	—	—	—	—	—	—	—	3,155	2,213	—
Less: Earned Revenue	—	—	—	—	—	—	—	321	1,106	—
Net Costs	—	—	—	—	—	—	—	2,834	1,107	—
Natural Resources and Environment:										
Gross Costs	—	—	—	—	—	—	—	—	—	9,861
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	919
Net Costs	—	—	—	—	—	—	—	—	—	8,942
Rural Development:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Research, Education, and Economics:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Trade and Foreign Agricultural Affairs:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Staff Offices:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Total Gross Costs	344	6,550	10,897	21,860	5,104	173,440	1,530	3,155	2,213	9,861
Less: Total Earned Revenue	9	554	293	5,518	52	120	232	321	1,106	919
Net Cost of Operations	$ 335	$ 5,996	$ 10,604	$ 16,342	$ 5,052	$ 173,320	$ 1,298	$ 2,834	$ 1,107	$ 8,942

FY 2023	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Combined Total	Intra-entity Eliminations	Consolidated Total
Farm Production and Conservation:										
Gross Costs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 44,755	$ (1,892)	$ 42,863
Less: Earned Revenue	—	—	—	—	—	—	—	6,426	(28)	6,398
Net Costs	—	—	—	—	—	—	—	38,329	(1,864)	36,465
Food, Nutrition, and Consumer Services:										
Gross Costs	—	—	—	—	—	—	—	173,440	(1,273)	172,167
Less: Earned Revenue	—	—	—	—	—	—	—	120	(1)	119
Net Costs	—	—	—	—	—	—	—	173,320	(1,272)	172,048
Food Safety:										
Gross Costs	—	—	—	—	—	—	—	1,530	(86)	1,444
Less: Earned Revenue	—	—	—	—	—	—	—	232	(1)	231
Net Costs	—	—	—	—	—	—	—	1,298	(85)	1,213
Marketing and Regulatory Programs:										
Gross Costs	—	—	—	—	—	—	—	5,368	(176)	5,192
Less: Earned Revenue	—	—	—	—	—	—	—	1,427	(95)	1,332
Net Costs	—	—	—	—	—	—	—	3,941	(81)	3,860
Natural Resources and Environment:										
Gross Costs	—	—	—	—	—	—	—	9,861	(239)	9,622
Less: Earned Revenue	—	—	—	—	—	—	—	919	(14)	905
Net Costs	—	—	—	—	—	—	—	8,942	(225)	8,717
Rural Development:										
Gross Costs	6,267	—	—	—	—	—	—	6,267	(90)	6,177
Less: Earned Revenue	3,579	—	—	—	—	—	—	3,579	(10)	3,569
Net Costs	2,688	—	—	—	—	—	—	2,688	(80)	2,608
Research, Education, and Economics:										
Gross Costs	—	1,959	251	1,837	104	—	—	4,151	(232)	3,919
Less: Earned Revenue	—	177	35	40	1	—	—	253	(148)	105
Net Costs	—	1,782	216	1,797	103	—	—	3,898	(84)	3,814
Trade and Foreign Agricultural Affairs:										
Gross Costs	—	—	—	—	—	558	—	558	(26)	532
Less: Earned Revenue	—	—	—	—	—	65	—	65	(46)	19
Net Costs	—	—	—	—	—	493	—	493	20	513
Staff Offices:										
Gross Costs	—	—	—	—	—	—	2,104	2,104	(142)	1,962
Less: Earned Revenue	—	—	—	—	—	—	1,419	1,419	(1,187)	232
Net Costs	—	—	—	—	—	—	685	685	1,045	1,730
Total Gross Costs	6,267	1,959	251	1,837	104	558	2,104	248,034	(4,156)	243,878
Less: Total Earned Revenue	3,579	177	35	40	1	65	1,419	14,440	(1,530)	12,910
Net Cost of Operations	$ 2,688	$ 1,782	$ 216	$ 1,797	$ 103	$ 493	$ 685	$ 233,594	$ (2,626)	$ 230,968

FY 2022	FPAC Business Center	FSA	CCC	RMA	NRCS	FNS	FSIS	AMS	APHIS	FS
Farm Production and Conservation:										
Gross Costs	$ 333	$ 8,246	$ 8,522	$ 17,399	$ 4,311	$ —	$ —	$ —	$ —	$ —
Less: Earned Revenue	4	422	181	4,302	58	—	—	—	—	—
Net Costs	329	7,824	8,341	13,097	4,253	—	—	—	—	—
Food, Nutrition, and Consumer Services:										
Gross Costs	—	—	—	—	—	193,675	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	95	—	—	—	—
Net Costs	—	—	—	—	—	193,580	—	—	—	—
Food Safety:										
Gross Costs	—	—	—	—	—	—	1,456	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	248	—	—	—
Net Costs	—	—	—	—	—	—	1,208	—	—	—
Marketing and Regulatory Programs:										
Gross Costs	—	—	—	—	—	—	—	2,861	2,228	—
Less: Earned Revenue	—	—	—	—	—	—	—	332	928	—
Net Costs	—	—	—	—	—	—	—	2,529	1,300	—
Natural Resources and Environment:										
Gross Costs	—	—	—	—	—	—	—	—	—	9,305
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	797
Net Costs	—	—	—	—	—	—	—	—	—	8,508
Rural Development:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Research, Education, and Economics:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Trade and Foreign Agricultural Affairs:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Staff Offices:										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
Total Gross Costs	333	8,246	8,522	17,399	4,311	193,675	1,456	2,861	2,228	9,305
Less: Total Earned Revenue	4	422	181	4,302	58	95	248	332	928	797
Net Cost of Operations	$ 329	$ 7,824	$ 8,341	$ 13,097	$ 4,253	$ 193,580	$ 1,208	$ 2,529	$ 1,300	$ 8,508

FY 2022	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Combined Total	Intra-entity Eliminations	Consolidated Total
Farm Production and Conservation:										
Gross Costs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 38,811	$ (1,805)	$ 37,006
Less: Earned Revenue	—	—	—	—	—	—	—	4,967	(34)	4,933
Net Costs	—	—	—	—	—	—	—	33,844	(1,771)	32,073
Food, Nutrition, and Consumer Services:										
Gross Costs	—	—	—	—	—	—	—	193,675	(1,211)	192,464
Less: Earned Revenue	—	—	—	—	—	—	—	95	(1)	94
Net Costs	—	—	—	—	—	—	—	193,580	(1,210)	192,370
Food Safety:										
Gross Costs	—	—	—	—	—	—	—	1,456	(82)	1,374
Less: Earned Revenue	—	—	—	—	—	—	—	248	(2)	246
Net Costs	—	—	—	—	—	—	—	1,208	(80)	1,128
Marketing and Regulatory Programs:										
Gross Costs	—	—	—	—	—	—	—	5,089	(196)	4,893
Less: Earned Revenue	—	—	—	—	—	—	—	1,260	(98)	1,162
Net Costs	—	—	—	—	—	—	—	3,829	(98)	3,731
Natural Resources and Environment:										
Gross Costs	—	—	—	—	—	—	—	9,305	(229)	9,076
Less: Earned Revenue	—	—	—	—	—	—	—	797	(12)	785
Net Costs	—	—	—	—	—	—	—	8,508	(217)	8,291
Rural Development:										
Gross Costs	4,904	—	—	—	—	—	—	4,904	(90)	4,814
Less: Earned Revenue	3,227	—	—	—	—	—	—	3,227	(10)	3,217
Net Costs	1,677	—	—	—	—	—	—	1,677	(80)	1,597
Research, Education, and Economics:										
Gross Costs	—	1,751	236	1,624	93	—	—	3,704	(209)	3,495
Less: Earned Revenue	—	174	19	32	3	—	—	228	(146)	82
Net Costs	—	1,577	217	1,592	90	—	—	3,476	(63)	3,413
Trade and Foreign Agricultural Affairs:										
Gross Costs	—	—	—	—	—	488	—	488	(21)	467
Less: Earned Revenue	—	—	—	—	—	79	—	79	(59)	20
Net Costs	—	—	—	—	—	409	—	409	38	447
Staff Offices:										
Gross Costs	—	—	—	—	—	—	1,980	1,980	(159)	1,821
Less: Earned Revenue	—	—	—	—	—	—	1,439	1,439	(1,196)	243
Net Costs	—	—	—	—	—	—	541	541	1,037	1,578
Total Gross Costs	4,904	1,751	236	1,624	93	488	1,980	259,412	(4,002)	255,410
Less: Total Earned Revenue	3,227	174	19	32	3	79	1,439	12,340	(1,558)	10,782
Net Cost of Operations	$ 1,677	$ 1,577	$ 217	$ 1,592	$ 90	$ 409	$ 541	$ 247,072	$ (2,444)	$ 244,628

NOTE 22: Statement of Budgetary Resources

Adjustments to Prior Year's Ending Unobligated Balance Reported on Line 1020 of the SF-133

In FY 2023, AMS made adjustments of $4 million to the Unobligated Balance Brought Forward, October 1 that will be reported on Line 1020 of the SF-133, Report on Budget Execution and Budgetary Resources. In FY 2022, CCC and RD made adjustments of $17 million and $4 million, respectively to the Unobligated Balance Brought Forward, October 1 that will be reported on line 1020 of the SF-133, Report on Budget Execution and Budgetary Resources.

Terms of Borrowing Authority Used

The Secretary of Agriculture has the authority to make and issue notes to the Secretary of the Treasury for the purpose of discharging obligations for RD's insurance funds and CCC's non-reimbursed realized losses and debt related to foreign assistance programs. The permanent indefinite borrowing authority includes both interest bearing and non-interest bearing notes. These notes are drawn upon daily when disbursements exceed deposits. Notes payable under the permanent indefinite borrowing authority have a term of one year. On January 1 of each year, USDA refinances its outstanding borrowings, including accrued interest, at the January borrowing rate.

In addition, USDA has permanent indefinite borrowing authority for the foreign assistance and export credit programs to finance disbursements on post-credit reform, direct credit obligations, and credit guarantees. In accordance with the Federal Credit Reform Act of 1990, as amended, USDA borrows from Treasury on October 1, for the entire fiscal year, based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. Repayment under this agreement may be, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort, to which the borrowings are associated. Interest is earned on the daily balance of uninvested funds in the credit reform financing funds maintained at Treasury. The interest income is used to reduce interest expense on the underlying borrowings.

USDA has authority to borrow from the Federal Financing Bank (FFB) in the form of Certificates of Beneficial Ownership (CBOs) or loans executed directly between the borrower and FFB with an unconditional USDA repayment guarantee. CBOs outstanding with FFB are generally secured by unpaid loan principal balances. CBOs outstanding are related to pre-credit reform loans and no longer used for program financing.

FFB CBOs are repaid as they mature and are not related to any particular group of loans. Borrowings made to finance loans directly between the borrower and FFB mature and are repaid as the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on

FFB borrowings, except in those situations where an FFB funded loan is restructured and the terms of the loan are modified. Prepayments can be made on Treasury borrowings without a penalty; however, they cannot be made on FFB CBOs, without a penalty.

Funds may also be borrowed from private lending agencies and others. USDA reserves a sufficient amount of its borrowing authority to purchase, at any time, all notes and other obligations evidencing loans made by agencies and others. All bonds, notes, debentures, and similar obligations issued by the Department are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

Available Borrowing Authority, End of Period

Available borrowing authority at September 30, 2023 and 2022 was $44,827 million and $47,175 million, respectively.

Undelivered Orders at the End of the Period

FY 2023	Federal	Non-Federal
Paid	$ 104	$ 430
Unpaid	26,309	95,021
Total	$ 26,413	$ 95,451

FY 2022	Federal	Non-Federal
Paid	$ 102	$ 493
Unpaid	4,287	83,055
Total	$ 4,389	$ 83,548

Permanent Indefinite Appropriations

USDA has permanent indefinite appropriations available to fund (1) subsidy costs incurred under credit reform programs, (2) certain costs of the crop insurance program, (3) certain commodity program costs, (4) certain costs associated with FS programs, and (5) dairy indemnity payment program.

The permanent indefinite appropriations for credit reform are mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses in excess of premiums, and research and delivery costs.

The permanent indefinite appropriation for commodity program costs is used to encourage the exportation of agricultural commodities and products, to encourage domestic consumption of agricultural products by diverting them, and to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

FS has multiple permanent indefinite appropriations which are used to make improvements to national forests and grasslands. These include Payments to Counties (National Grasslands), Restoration of Forest Lands and Improvements, Reforestation Trust Fund, Recreation Fee Demonstration Program, Brush Disposal, Timber Roads, Timber Salvage Sales, and Maintenance of Quarters. All permanent indefinite appropriations are funded by receipts made available by law and are available until expended.

The FSA has a permanent indefinite appropriation for the Dairy Indemnity Payment Program to provide payments to dairy producers when a public regulatory agency directs them to remove their raw milk from the commercial market because it has been contaminated by pesticides and other residues.

Legal Arrangements Affecting Use of Unobligated Balances

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

Explanation of Differences Between the SBR and the Budget of the U.S. Government

The differences between the FY 2022 Statement of Budgetary Resources and the FY 2022 actual numbers presented in the FY 2024 Budget of the United States Government (Budget) are summarized below.

FY 2022

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 465,116	$ 298,515	$ (5,796)	$ 257,930
Reconciling Items:				
Expired Accounts	(58,962)	(3,435)		
Adjustment to Correct Borrowing Authority Withdrawn and Obligations (CCC)	(114)	(106)	—	—
Timing Difference for Rural Housing Assistance Grants (RD)	(3)	(3)	—	—
Milk Market Orders Fund	66	66		
Rounding	(8)	(6)	—	1
Budget of the United States Government	$ 406,095	$ 295,031	$ (5,796)	$ 257,931

A comparison between the FY 2023 SBR and the FY 2023 actual numbers presented in the FY 2025 Budget cannot be performed as the FY 2025 Budget is not yet available. The Budget with the actual amounts for the current year (i.e., FY 2023) will be available at a later date on the President's OMB Budget website.

NOTE 23: Incidental Custodial Collections

Custodial collections represent collections on land leases for resource extraction, National Forest Fund receipts from the sale of timber and other forest products, miscellaneous general fund receipts such as collections on accounts receivable related to canceled year appropriations, civil monetary penalties and interest, and commercial fines and penalties. Custodial collection activities are considered immaterial and incidental to the mission of the Department.

	FY 2023	FY 2022
Total Custodial Revenue:		
Sources of Cash Collections:		
Miscellaneous	$ 322	$ 199
Total Cash Collections	322	199
Accrual Adjustments	135	128
Total Custodial Revenue	457	327
Disposition of Collections:		
Transferred to Others:		
Treasury	(442)	(321)
(Increase)/Decrease in Amounts Yet to be Transferred	(15)	(6)
Total Disposition of Collections	(457)	(327)
Net Custodial Activity	$ —	$ —

NOTE 24: Fiduciary Activities

The department is responsible for one fiduciary fund. The Rural Housing Insurance Fund was established by P.L 89-117 pursuant to section 517 of title V of the Housing Act of 1949, which authorized RD to collect escrow payments on behalf of new and existing Single Family Housing borrowers. Other fiduciary activities by RD include but are not limited to collections from borrowers, interest paid on escrow accounts, and payments to insurance agencies and taxing authorities.

Schedule of Fiduciary Activity
For the years ended September 30, 2023 and 2022

	Rural Housing Insurance Fund FY 2023	Rural Housing Insurance Fund FY 2022
Fiduciary Net Assets, Beginning of Year	$ 99	$ 117
Contributions	458	456
Disbursements To and On Behalf of Beneficiaries	(469)	(474)
Increases/(Decrease) in Fiduciary Net Assets	(11)	(18)
Fiduciary Net Assets, End of Year	$ 88	$ 99

Fiduciary Net Assets
As of September 30, 2023 and 2022

	Rural Housing Insurance Fund FY 2023	Rural Housing Insurance Fund FY 2022
Fiduciary Assets:		
Cash and Cash Equivalents	$ 88	$ 99
Total Fiduciary Net Assets	$ 88	$ 99

NOTE 25: Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the Federal deficit. Financial accounting is intended to provide a picture of the government’s financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.
The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The reconciliation explains the relationship between the net cost of operations and net outlays by presenting (1) components of net cost that are not part of net outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities); (2) components of net outlays that are not part of net cost (e.g. acquisition of capital assets); and (3) other temporary timing difference (e.g. prior period adjustments due to correction of errors). The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

FY 2023	Intragovernmental	Other than Intragovernmental	Total
Net Cost	$ 6,074	$ 224,894	$ 230,968
Components of Net Cost Not Part of the Budgetary Outlays:			
Property, Plant and Equipment Depreciation Expense	—	(396)	(396)
Property, Plant and Equipment Disposals and Revaluations	—	(2)	(2)
Year-End Credit Reform Subsidy Accrual Reestimates	3,736	—	3,736
Loan Modification Adjustment Transfers	(3)	—	(3)
Exchange Revenue not Part of the SBR Outlays	102	703	805
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	102	423	525
Loans Receivable, Net (Non-FCRA)	—	(189)	(189)
Securities and Investments	1	—	1
Other Assets	10	(44)	(34)
(Increase)/Decrease in Liabilities			
Accounts Payable	89	(1,798)	(1,709)
Insurance and Guarantee Program Liabilities	—	(12)	(12)
Environmental and Disposal Liabilities	—	(6)	(6)
Benefits Due and Payable	—	(204)	(204)
Federal Employee and Veteran Benefits Payable	—	(31)	(31)
Other Liabilities	(47)	(1,044)	(1,091)
Financing Sources:			
Imputed Cost	(1,317)	—	(1,317)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays:	2,673	(2,600)	73
Components of the Budget Outlays That Are Not Part of the Net Operating Cost:			
Acquisition of Capital Assets	1	677	678
Acquisitions of Inventory	—	(2)	(2)
Financing Sources:			
Donated Revenue	—	(3)	(3)
Transfers Out (In) Without Reimbursements	(135)	—	(135)
Total Components of the Budget Outlays that are not part of Net Operating Cost	(134)	672	538
Miscellaneous Items:			
Distributed Offsetting Receipts	(268)	(17)	(285)
Custodial/Non-exchange revenue	(420)	341	(79)
Non-Entity Activity	(2,348)	—	(2,348)
Other Temporary Timing Differences	—	20	20
Total Other Reconciling Items	(3,036)	344	(2,692)
Total Net Outlays	5,577	223,310	228,887
Budgetary Agency Outlays, Net			$ 228,887

In FY 2023, significant line items include Year-End Credit Reform Subsidy Accrual Reestimates mainly due to RD; Increase in Accounts Payable mainly due to payments for FSA Emergency Relief Program; Increase in Other Liabilities mainly due to payments for FSA Pandemic Assistance Revenue Program, Farm Loan Borrower Relief Program, and Emergency Grain Storage Facility Assistance Program; and payments for NRCS Partnership for Climate-Smart Commodities Program; and Non-Entity Activity mainly due to RD downward reestimates and negative subsidy.

FY 2022	Intragovernmental	Other than Intragovernmental	Total
Net Cost	$ 5,144	$ 239,484	$ 244,628
Components of Net Cost Not Part of the Budgetary Outlays:			
Property, Plant and Equipment Depreciation Expense	—	(341)	(341)
Property, Plant and Equipment Disposals and Revaluations	—	(8)	(8)
Cost of Goods Sold	—	(2)	(2)
Year-End Credit Reform Subsidy Accrual Reestimates	4,081	—	4,081
Exchange Revenue not Part of the SBR Outlays	102	517	619
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	114	1,211	1,325
Loans Receivable, Net (Non-FCRA)	—	30	30
Other Assets	18	(82)	(64)
(Increase)/Decrease in Liabilities			
Accounts Payable	59	(167)	(108)
Insurance and Guarantee Program Liabilities	—	(3,099)	(3,099)
Environmental and Disposal Liabilities	—	17	17
Benefits Due and Payable	—	101	101
Federal Employee and Veteran Benefits Payable	—	42	42
Other Liabilities	44	3,566	3,610
Financing Sources:			
Imputed Cost	(1,005)	—	(1,005)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays:	3,413	1,785	5,198
Components of the Budget Outlays That Are Not Part of the Net Operating Cost:			
Acquisition of Capital Assets	1	595	596
Acquisitions of Inventory	—	6	6
Financing Sources:			
Donated Revenue	—	(3)	(3)
Transfers Out (In) Without Reimbursements	(155)	—	(155)
Total Components of the Budget Outlays that are not part of Net Operating Cost	(154)	598	444
Miscellaneous Items:			
Distributed Offsetting Receipts	(175)	(7)	(182)
Custodial/Non-exchange revenue	(360)	205	(155)
Non-Entity Activity	(4,708)	—	(4,708)
Other Temporary Timing Differences	10	—	10
Total Other Reconciling Items	(5,233)	198	(5,035)
Total Net Outlays	3,170	242,065	245,235
Budgetary Agency Outlays, Net			$ 245,235

In FY 2022, significant line items include Year-End Credit Reform Subsidy Accrual Reestimates mainly due to RD; Increase in Accounts Receivable, Net mainly due to RMA higher reported premiums for certain crops and Forest Service Great American Outdoors Act; Increase in Insurance and Guarantee Program Liabilities mainly due to RMA higher coverage amounts resulting from higher crop prices, higher level of losses caused by widespread drought and excessive heat, and increased participation in certain insurance products; Decrease in Other Liabilities mainly due to CCC accrual for ARC/PLC and FSA accrual for socially disadvantage borrowers under the American Rescue Plan; and Non-Entity Activity mainly due to RD downward reestimates and negative subsidy.

NOTE 26: Disclosure Entities and Related Parties

Disclosure Entities

Research and Promotion Boards

Research and Promotion ("checkoff") programs are authorized by the Commodity Promotion, Research, and Information Act of 1996 and various Acts for specific commodities. Research and Promotion Board members are appointed by the Secretary. AMS is responsible for administrative oversight of Research and Promotion Programs to ensure fiscal accountability and program integrity.

AMS also conducts rulemaking and oversees the activities of Fruit, Vegetable, and Specialty Crop Marketing Order Commodity Boards, Councils, or Committees to ensure compliance with all legal and regulatory requirements. Marketing orders and agreements are authorized by the Agricultural Marketing Agreement Act of 1937.

These programs are not federally funded. In FY 2023, the non-Federal costs of oversight for the Research and Promotion activities, including salaries and expenses, travel, and rent for office space were estimated to be $5.4 million. Industry boards collect and manage assessments from industry members to conduct program activities.

Foundation for Food and Agricultural Research (FFAR)

The Secretary of Agriculture (Secretary) was authorized by the Agricultural Act of 2014 (Act), to establish a nonprofit corporation known as the Foundation for Food and Agriculture Research. FFAR was established by the Secretary on July 23, 2014. To establish the funding, on the date of the enactment of this Act, the Secretary transferred $200 million of the Commodity Credit Corporation funds, to the FFAR, to remain available until expended under the conditions stipulated. On the date on which the strategic plan was submitted, the Secretary transferred $185 million of the Commodity Credit Corporation Funds, to the FFAR, to remain available until expended. The FFAR may use the funds made available to carry out the purposes of the FFAR only to the extent that the FFAR secures an equal amount of non-Federal matching funds for each expenditure. None of the funds made available may be used for construction.

The purposes of FFAR shall be (a) to advance the research mission of the USDA by supporting agricultural research activities focused on addressing key problems of national and international significance; and (b) to foster collaboration with agricultural researchers from the Federal Government, State (as defined in section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103)) governments, institutions of higher education (as defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001)), industry, and nonprofit organizations. The activities of the FFAR shall be supplemental to any other activities at USDA and shall not preempt any authority or responsibility of USDA under another provision of law; (c) to advance other incidental activities necessary to carry out and accomplish the foregoing missions enumerated.

FFAR is managed under the direction of the Board of Directors (Board), which may exercise all such authority and powers of the Foundation and do all such lawful acts and things as provided by statute, the Articles of Incorporation, or the By-laws. The Board is composed of designated or appointed Ex Officio Directors (non-voting) and Appointed Directors (voting), appointed in accordance with the Agricultural Act or these By-Laws. The number of Appointed Directors may increase or decrease, from time to time, but at no time be less than 15 and no more than 21 members. No employee of the Federal Government shall be an Appointed Director.

The ex-officio members of the Board consist of the following:

(i) The Secretary

(ii) The Under Secretary of Agriculture for Research, Education, and Economics

(iii) The Administrator of the Agricultural Research Service

(iv) The Director of the National Institute of Food and Agriculture

(v) The Director of the National Science Foundation

The ex-officio members by majority-vote appoint 15 individuals to the Board. The Board elects from among the members of the Board, an individual to serve as Chair of the Board. The Board hires an Executive Director who shall carry out such duties and responsibilities as the Board may prescribe. The Executive Director shall ensure that any funds received are held in separate accounts from funds received from nongovernmental entities.

To ensure integrity in the operations of the FFAR, the Board developed and enforced procedures relating to standards of conduct, financial disclosure statements, conflicts of interest (including recusal and waiver rules), audits, and any other matters determined appropriate by the Board.

Any individual who is an officer, employee, or member of the Board is prohibited from any participation in deliberations by the FFAR of a matter that would directly or predictably affect any financial interest of—

(i) the individual;

(ii) a relative (as defined in section 109 of the Ethics in Government Act of 1978 (5 U.S.C. App.109)) of that individual; or

(iii) a business organization or other entity in which the individual has an interest, including an organization or other entity with which the individual is negotiating employment.

Members of the Board may not receive compensation for service on the Board but may be reimbursed for travel, the reasonable cost of meals and lodging, and other necessary expenses incurred in carrying out the duties of the Board.

The Board of Directors designate and appoint standing committees of the Board: an Executive Committee, a Governance and Federal Relations Committee, a Finance, Risk and Audit Committee, a Development Committee, and a Scientific Programs Committee. Committees consist of at least four appointed Directors possessing the qualifications determined necessary by the Board and shall be comprised solely of Members of the Board. The Finance, Risk and Audit Committee provides annual audits of its financial condition to the Secretary of Agriculture and the Comptroller General of the United States for examination or audit.

Additional FFAR governance, financial, and audit reports can be located on the Foundation for Food & Agriculture Research website.

Related Party

Milk Market Orders Assessment Fund

The Secretary of Agriculture is authorized by the Agricultural Marketing Agreement Act of 1937, as amended under certain conditions to issue Federal milk marketing orders establishing minimum prices which handlers are required to pay for milk purchased from producers. There are currently 11 federally sanctioned milk market orders in operation. Market administrators are appointed by the Secretary and are responsible for carrying out the terms of specific marketing orders. Their operating expenses are financed by assessments on regulated handlers and partly by deductions from producers, which are reported to AMS. Most of these funds are collected and deposited in checking and savings accounts in local banks and disbursed directly for direct disbursement by the market administrator. A portion of the funds collected may be invested in securities such as certificates of deposit. Expenses of local offices are met from an administrative fund and a marketing service fund, which are prescribed in each order. The administrative fund is derived from prorated handler assessments. The marketing service fund of the individual order disseminates market information to producers who are not members of a qualified cooperative. It also provides for the verification of the weights, sampling, and testing of milk from these producers. The cost of these services is borne by such producers. The maximum rates for administrative assessment and for marketing services are set forth in each order and adjustments below these rates are made from time to time upon recommendations by the market administrator and upon approval of the AMS to provide reserves at about a six-month operating level. Upon termination of any order, the statute provides for distributing the proceeds from net assets pro rata to contributing handlers or producers.

The AMS reports this account in the President's Budget because milk marketing administration staff are excepted service. Salaries, health insurance, Thrift Savings Plan contributions and all other Federal benefits are paid by the marketing order funds and as a result there are no costs to the Federal Government. As a result, corresponding dollars are reported for presentation purposes only.
In FY 2023, the non-Federal costs of administrating Federal milk marketing orders, including salaries and expenses, travel, and rent for office space were estimated to be $64.6 million. The Secretary's oversight responsibilities of marketing orders by AMS is funded by the Funds for Strengthening Markets, Income and Supply (Section 32) account.

NOTE 27: COVID-19 Activity

The tables below summarize supplemental funding for COVID-19 and its financial statement impact.

FY 2023

Account Name	Treasury Account Symbol	Purpose	Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from Prior Year	New Budget Authority	Rescissions/ Other Changes to Budgetary Resources	Budgetary Resources Obligated	Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	Outlays, Net (Total)
FNS-Supplemental Nutrition Assistance Program (SNAP)	1233505	Consolidated Appropriations Act, 2021	$ —	$ 34,500	$ —	$ (23,107)	$ 11,393	$ 12,704
FNS-SNAP	12X3505	Consolidated Appropriations Act, 2021	3	—	—	—	3	—
FNS-SNAP	121/33505	American Rescue Plan Act	507	—	114	(607)	14	547
FNS-SNAP	121/63505	American Rescue Plan Act	25	—	—	(7)	18	1
FNS-SNAP	121/73505	American Rescue Plan Act	23	—	—	(23)	—	28
FNS-Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	121/43510	American Rescue Plan Act	308	—	—	(300)	8	31
AMS - Marketing Services	12X2500	Consolidated Appropriations Act, 2021	397	—	(389)	(8)	—	45
AMS - Payments to States and Possessions	12X2501	Consolidated Appropriations Act, 2021	—	—	—	—	—	23
APHIS- Salaries and Expenses	12X1600	American Rescue Plan Act	257	—	(11)	(246)	—	26
Rural Development- Distance Learning, Telemedicine, and Broadband Program	12X1232	CARES Act	1	—	—	—	1	4
Rural Development- Rural Community Facilities Program Account	121/31951	American Rescue Plan Act	133	—	43	(176)	—	68
Rural Development Rural Housing Insurance Fund Program Account	121/32081	American Rescue Plan Act	35	—	(5)	(29)	1	26
Rural Development Rural Cooperative Development Grants	12X1900	Consolidated Appropriations Act, 2021	1	—	(1)	—	—	11
NIFA - Farming Opportunities Training and Outreach Program; Farm Stress Program; Gus Schumacher Nutrition Incentive Program	12X0502	Consolidated Appropriations Act, 2021	—	—	—	—	—	43
Office of the Secretary	12X0115	CARES Act	1,452	—	11	(645)	818	558
Office of the Secretary	12X0115	CARES Act and Consolidated Appropriations Act, 2021	2,355	—	(254)	(1,999)	102	641
Office of the Secretary	12X0115	American Rescue Plan Act	31	—	(4)	(23)	4	25
Office of the Secretary	12X0408	American Rescue Plan Act	1,778	—	(328)	(1,449)	1	216
Total			$ 7,306	$ 34,500	$ (824)	$ (28,619)	$ 12,363	$ 14,997

FY 2023

Account Name	FNS-Supplemental Nutrition Assistance Program (SNAP)	FNS-SNAP	FNS-SNAP	FNS-SNAP	FNS-SNAP	FNS-Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	AMS-Marketing Services	AMS-Payments to States and Possessions
Treasury Account Symbol	1233505	12X3505	121/33505	121/63505	121/73505	121/43510	12X2500	12X2501
Purpose	Consolidated Appropriations Act, 2021	Consolidated Appropriations Act, 2021	American Rescue Plan Act	American Rescue Plan Act	American Rescue Plan Act	American Rescue Plan Act	Consolidated Appropriations Act, 2021	Consolidated Appropriations Act, 2021
BALANCE SHEET								
Intragovernmental:								
Fund Balance with Treasury (Note 3)	$ 21,796	$ 3	$ 226	$ 24	$ 30	$ 358	$ 51	$ 70
Advances and Prepayments	—	—	—	—	—	—	—	—
Total Intragovernmental Assets	21,796	3	226	24	30	358	51	70
Accounts Receivable, Net (Note 6)	—	—	—	—	—	—	—	—
Property, Plant, and Equipment, Net (Note 9)	—	—	—	—	—	—	—	—
Advances and Prepayments	—	—	—	—	—	—	—	—
Total Assets	21,796	3	226	24	30	358	51	70
Accounts Payable	—	—	—	—	—	—	—	—
Benefits Due and Payable	415	—	209	5	30	—	—	—
Other Liabilities (Notes 17, 18 & 19)	—	—	—	—	—	268	—	—
Total Liabilities	415	—	209	5	30	268	—	—
Unexpended Appropriations	21,381	3	17	19	—	90	51	70
Cumulative Results of Operations	—	—	—	—	—	—	—	—
Total Liabilities and Net Position	21,796	3	226	24	30	358	51	70
STATEMENT OF NET COST								
Gross Program Costs	13,119	—	482	6	23	244	45	23
Less: Earned Revenues	—	—	—	—	—	—	—	—
Net Cost of Operations (Notes 21 & 25)	13,119	—	482	6	23	244	45	23
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations:								
Beginning Balance	—	3	507	25	23	334	487	93
Appropriations Received	34,500	—	—	—	—	—	—	—
Other Adjustments	—	—	(8)	—	—	—	(391)	—
Appropriations Used	(13,119)	—	(482)	(6)	(23)	(244)	(45)	(23)
Net Change in Unexpended Appropriations	21,381	—	(490)	(6)	(23)	(244)	(436)	(23)
Total Unexpended Appropriations	21,381	3	17	19	—	90	51	70
Cumulative Results of Operations:								
Beginning Balance	—	—	—	—	—	—	—	—
Appropriations Used	13,119	—	482	6	23	244	45	23
Net Cost of Operations	(13,119)	—	(482)	(6)	(23)	(244)	(45)	(23)
Net Change in Cumulative Results of Operations	—	—	—	—	—	—	—	—
Total Cumulative Results of Operations	—	—	—	—	—	—	—	—
Net Position	$ 21,381	$ 3	$ 17	$ 19	$ —	$ 90	$ 51	$ 70

FY 2023

Account Name	APHIS- Salaries and Expenses	Rural Development- Distance Learning, Telemedicine, and Broadband Program	Rural Development- Rural Community Faculties Program Account	Rural Development Rural Housing Insurance Fund Program Account	Rural Development Rural Cooperative Development Grants	NIFA-Farming Opportunities Training and Outreach Program; Farm Stress Program; Gus Schumacher Nutrition Incentive Program	Office of the Secretary
Treasury Account Symbol	**12X1600**	**12X1232**	**121/31951**	**121/32081**	**12X1900**	**12X0502**	**12X0115**
Purpose	**American Rescue Plan Act**	**CARES Act**	**American Rescue Plan Act**	**American Rescue Plan Act**	**Consolidated Appropriations Act, 2021**	**Consolidated Appropriations Act, 2021**	**CARES Act**
BALANCE SHEET							
Intragovernmental:							
Fund Balance with Treasury (Note 3)	$ 253	$ 15	$ 353	$ 5	$ 12	$ 63	$ 1,088
Advances and Prepayments	1	—	—	—	—	—	—
Total Intragovernmental Assets	254	15	353	5	12	63	1,088
Accounts Receivable, Net (Note 6)	—	—	—	—	—	—	25
Property, Plant, and Equipment, Net (Note 9)	3	—	—	—	—	—	—
Advances and Prepayments	—	—	—	—	—	—	—
Total Assets	257	15	353	5	12	63	1,113
Accounts Payable	1	—	—	—	—	—	6
Benefits Due and Payable	—	—	—	—	—	—	—
Other Liabilities (Notes 17, 18 & 19)	—	—	—	—	—	—	67
Total Liabilities	1	—	—	—	—	—	73
Unexpended Appropriations	253	15	353	5	12	63	37
Cumulative Results of Operations	3	—	—	—	—	—	1,003
Total Liabilities and Net Position	257	15	353	5	12	63	1,113
STATEMENT OF NET COST							
Gross Program Costs	22	4	83	26	11	43	601
Less: Earned Revenues	—	—	(15)	—	—	—	—
Net Cost of Operations (Notes 21 & 25)	22	4	68	26	11	43	601
STATEMENT OF CHANGES IN NET POSITION							
Unexpended Appropriations:							
Beginning Balance	294	19	423	36	24	106	310
Appropriations Received	—	—	—	—	—	—	—
Other Adjustments	(16)	—	(2)	(5)	(1)	—	(23)
Appropriations Used	(25)	(4)	(68)	(26)	(11)	(43)	(250)
Net Change in Unexpended Appropriations	(41)	(4)	(70)	(31)	(12)	(43)	(273)
Total Unexpended Appropriations	253	15	353	5	12	63	37
Cumulative Results of Operations:							
Beginning Balance	—	—	—	—	—	—	1,354
Appropriations Used	25	4	68	26	11	43	250
Net Cost of Operations	(22)	(4)	(68)	(26)	(11)	(43)	(601)
Net Change in Cumulative Results of Operations	3	—	—	—	—	—	(351)
Total Cumulative Results of Operations	3	—	—	—	—	—	1,003
Net Position	$ 256	$ 15	$ 353	$ 5	$ 12	$ 63	$ 1,040

FY 2023

Account Name	Office of the Secretary	Office of the Secretary	Office of the Secretary	
Treasury Account Symbol	12X0115	12X0115	12X0408	
Purpose	CARES Act and Consolidated Appropriations Act, 2021	American Rescue Plan Act	American Rescue Plan Act	Total
BALANCE SHEET				
Intragovernmental:				
Fund Balance with Treasury (Note 3)	$ 1,602	$ 91	$ 2,029	$ 28,069
Advances and Prepayments	—	—	—	1
Total Intragovernmental Assets	1,602	91	2,029	28,070
Accounts Receivable, Net (Note 6)	3	—	—	28
Property, Plant, and Equipment, Net (Note 9)	1	—	—	4
Advances and Prepayments	1	—	3	4
Total Assets	1,607	91	2,032	28,106
Accounts Payable	1	—	—	8
Benefits Due and Payable	—	—	—	659
Other Liabilities (Notes 17, 18 & 19)	326	—	253	914
Total Liabilities	327	—	253	1,581
Unexpended Appropriations	1,277	91	1,779	25,516
Cumulative Results of Operations	3	—	—	1,009
Total Liabilities and Net Position	1,607	91	2,032	28,106
STATEMENT OF NET COST				
Gross Program Costs	958	25	358	16,073
Less: Earned Revenues	—	—	—	(15)
Net Cost of Operations (Notes 21 & 25)	958	25	358	16,058
STATEMENT OF CHANGES IN NET POSITION				
Unexpended Appropriations:				
Beginning Balance	2,547	120	2,467	7,818
Appropriations Received	—	—	—	34,500
Other Adjustments	(311)	(4)	(330)	(1,091)
Appropriations Used	(959)	(25)	(358)	(15,711)
Net Change in Unexpended Appropriations	(1,270)	(29)	(688)	17,698
Total Unexpended Appropriations	1,277	91	1,779	25,516
Cumulative Results of Operations:				
Beginning Balance	2	—	—	1,356
Appropriations Used	959	25	358	15,711
Net Cost of Operations	(958)	(25)	(358)	(16,058)
Net Change in Cumulative Results of Operations	1	—	—	(347)
Total Cumulative Results of Operations	3	—	—	1,009
Net Position	$ 1,280	$ 91	$ 1,779	$ 26,525

FY 2022

Account Name	Treasury Account Symbol	Purpose	Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from Prior Year	New Budget Authority	Rescissions/ Other Changes to Budgetary Resources	Budgetary Resources Obligated	Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	Outlays, Net (Total)
Farm Service Agency / Commodity Credit Corporation (CCC) - Assistance for Socially Disadvantaged Farmers and Ranchers	12X0172	American Rescue Plan Act	$ —	$ —	$ —	$ —	$ —	$ (1)
CCC- Food for Peace Title II Grants (Foreign Agricultural Service)	121/22278	American Rescue Plan Act	152	—	3	(151)	4	560
FNS-Supplemental Nutrition Assistance Program (SNAP)	1223505	Consolidated Appropriations Act, 2021	—	29,300	—	(25,971)	3,329	25,603
FNS-SNAP	12X3505	Consolidated Appropriations Act, 2021	5	—	—	(2)	3	2
FNS-SNAP	121/33505	American Rescue Plan Act	909	—	43	(445)	507	326
FNS-SNAP	121/63505	American Rescue Plan Act	25	—	—	—	25	—
FNS-SNAP	121/73505	American Rescue Plan Act	34	—	—	(11)	23	766
FNS-Commodities Assistance Program (CAP)	121/23507	American Rescue Plan Act	—	—	1	—	1	22
FNS-Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	121/23510	American Rescue Plan Act	—	—	263	(47)	216	159
FNS-WIC	121/43510	American Rescue Plan Act	390	—	—	(82)	308	1
AMS - Marketing Services	12X2500	Consolidated Appropriations Act, 2021	515	—	—	(118)	397	33
AMS - Payments to States and Possessions	12X2501	Consolidated Appropriations Act, 2021	97	—	—	(97)	—	6
APHIS- Salaries and Expenses	121/21600	Consolidated Appropriations Act, 2021	102	—	(102)	—	—	—
APHIS- Salaries and Expenses	12X1600	American Rescue Plan Act	300	—	—	(43)	257	5
APHIS- Salaries and Expenses	122/31600	Consolidated Appropriations Act, 2021	—	—	—	—	—	—
Rural Development- Distance Learning, Telemedicine, and Broadband Program	12X1232	CARES Act	—	—	1	—	1	5
Rural Development- Rental Assistance Program	121/20137	American Rescue Plan Act	—	—	—	—	—	63
Rural Development- Rural Community Facilities Program Account	121/31951	American Rescue Plan Act	475	—	—	(342)	133	52
Rural Development Rural Housing Insurance Fund Program Account	121/32081	American Rescue Plan Act	38	—	—	(3)	35	2
Rural Development Rural Cooperative Development Grants	12X1900	Consolidated Appropriations Act, 2021	3	—	1	(3)	1	11
NIFA - Farming Opportunities Training and Outreach Program; Farm Stress Program; Gus Schumacher Nutrition Incentive Program	12X0502	Consolidated Appropriations Act, 2021	18	—	(1)	(17)	—	34
Office of the Secretary	12X0115	CARES Act	3,886	—	(550)	(1,884)	1,452	1,662
Office of the Secretary	12X0115	CARES Act and Consolidated Appropriations Act, 2021	3,298	—	(384)	(559)	2,355	683
Office of the Secretary	12X0115	American Rescue Plan Act	4,656	(3,600)	(929)	(96)	31	8
Office of the Secretary	12X0408	American Rescue Plan Act	—	3,600	(1,000)	(822)	1,778	25
Total			$ 14,903	$ 29,300	$ (2,654)	$ (30,693)	$ 10,856	$ 30,027

FY 2022

Account Name	Farm Service Agency / Commodity Credit Corporation (CCC) - Assistance for Socially Disadvantaged Farmers and Ranchers	CCC- Food for Peace Title II Grants (Foreign Agricultural Service)	FNS-Supplemental Nutrition Assistance Program (SNAP)	FNS-SNAP	FNS-SNAP	FNS-SNAP	FNS-SNAP	FNS-Commodity Assistance Program (CAP)
Treasury Account Symbol	**12X0172**	**121/22278**	**1223505**	**12X3505**	**121/33505**	**121/63505**	**121/73505**	**121/23507**
Purpose	**American Rescue Plan Act**	**American Rescue Plan Act**	**Consolidated Appropriations Act, 2021**	**Consolidated Appropriations Act, 2021**	**American Rescue Plan Act**	**American Rescue Plan Act**	**American Rescue Plan Act**	**American Rescue Plan Act**
BALANCE SHEET								
Intragovernmental:								
Fund Balance with Treasury (Note 3)	$ —	$ 31	$ 3,697	$ 3	$ 781	$ 25	$ 58	$ —
Total Intragovernmental Assets	—	31	3,697	3	781	25	58	—
Accounts Receivable, Net (Note 6)	—	—	—	—	—	—	—	—
Inventory and Related Property, Net (Note 8)	—	8	—	—	—	—	—	—
Total Assets	—	39	3,697	3	781	25	58	—
Accounts Payable	—	1	—	—	—	—	—	—
Benefits Due and Payable	—	—	368	—	274	—	35	—
Other Liabilities (Notes 17, 18 & 19)	—	4	—	—	—	—	—	—
Total Liabilities	—	5	368	—	274	—	35	—
Unexpended Appropriations	—	26	3,329	3	507	25	23	—
Cumulative Results of Operations	—	8	—	—	—	—	—	—
Total Liabilities and Net Position	—	39	3,697	3	781	25	58	—
STATEMENT OF NET COST								
Gross Program Costs	(1,960)	463	25,971	2	402	—	11	21
Net Cost of Operations (Notes 21 & 25)	(1,960)	463	25,971	2	402	—	11	21
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations:								
Beginning Balance	—	483	—	5	909	25	34	21
Appropriations Received	—	—	29,300	—	—	—	—	—
Appropriations Transferred in/out	—	—	—	—	—	—	—	—
Other Adjustments	(1,960)	—	—	—	—	—	—	—
Appropriations Used	1,960	(457)	(25,971)	(2)	(402)	—	(11)	(21)
Net Change in Unexpended Appropriations	—	(457)	3,329	(2)	(402)	—	(11)	(21)
Total Unexpended Appropriations	—	26	3,329	3	507	25	23	—
Cumulative Results of Operations:								
Beginning Balance	—	14	—	—	—	—	—	—
Appropriations Used	(1,960)	457	25,971	2	402	—	11	21
Net Cost of Operations	1,960	(463)	(25,971)	(2)	(402)	—	(11)	(21)
Net Change in Cumulative Results of Operations	—	(6)	—	—	—	—	—	—
Total Cumulative Results of Operations	—	8	—	—	—	—	—	—
Net Position	$ —	$ 34	$ 3,329	$ 3	$ 507	$ 25	$ 23	$ —

FY 2022

Account Name	FNS-Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	FNS-WIC	AMS-Marketing Services	AMS-Payments to States and Possessions	APHIS- Salaries and Expenses	APHIS- Salaries and Expenses	APHIS- Salaries and Expenses	Rural Development- Distance Learning, Telemedicine, and Broadband Program
Treasury Account Symbol	121/23510	121/43510	12X2500	12X2501	121/21600	12X1600	122/31600	12X1232
Purpose	American Rescue Plan Act	American Rescue Plan Act	Consolidated Appropriations Act, 2021	Consolidated Appropriations Act, 2021	Consolidated Appropriations Act, 2021	American Rescue Plan Act	Consolidated Appropriations Act, 2021	CARES Act
BALANCE SHEET								
Intragovernmental:								
Fund Balance with Treasury (Note 3)	$ 217	$ 389	$ 487	$ 93	$ —	$ 295	$ —	$ 19
Total Intragovernmental Assets	217	389	487	93	—	295	—	19
Accounts Receivable, Net (Note 6)	—	—	—	—	—	—	—	—
Inventory and Related Property, Net (Note 8)	—	—	—	—	—	—	—	—
Total Assets	217	389	487	93	—	295	—	19
Accounts Payable	—	—	—	—	—	—	—	—
Benefits Due and Payable	—	—	—	—	—	—	—	—
Other Liabilities (Notes 17, 18 & 19)	—	55	—	—	—	—	—	—
Total Liabilities	—	55	—	—	—	—	—	—
Unexpended Appropriations	217	334	487	93	—	295	—	19
Cumulative Results of Operations	—	—	—	—	—	—	—	—
Total Liabilities and Net Position	217	389	487	93	—	295	—	19
STATEMENT OF NET COST								
Gross Program Costs	(217)	56	33	6	—	5	—	5
Net Cost of Operations (Notes 21 & 25)	(217)	56	33	6	—	5	—	5
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations:								
Beginning Balance	—	390	520	99	102	300	—	24
Appropriations Received	—	—	—	—	—	—	250	—
Appropriations Transferred in/out	—	—	—	—	(102)	—	(250)	—
Other Adjustments	—	—	—	—	—	—	—	—
Appropriations Used	217	(56)	(33)	(6)	—	(5)	—	(5)
Net Change in Unexpended Appropriations	217	(56)	(33)	(6)	(102)	(5)	—	(5)
Total Unexpended Appropriations	217	334	487	93	—	295	—	19
Cumulative Results of Operations:								
Beginning Balance	—	—	—	—	—	—	—	—
Appropriations Used	(217)	56	33	6	—	5	—	5
Net Cost of Operations	217	(56)	(33)	(6)	—	(5)	—	(5)
Net Change in Cumulative Results of Operations	—	—	—	—	—	—	—	—
Total Cumulative Results of Operations	—	—	—	—	—	—	—	—
Net Position	$ 217	$ 334	$ 487	$ 93	$ —	$ 295	$ —	$ 19

FY 2022

Account Name	Rural Development-Rental Assistance Program	Rural Development-Rural Community Faculties Program Account	Rural Development Rural Housing Insurance Fund Program Account	Rural Development Rural Cooperative Development Grants	NIFA-Farming Opportunities Training and Outreach Program; Farm Stress Program; Gus Schumacher Nutrition Incentive Program	Office of the Secretary	Office of the Secretary	Office of the Secretary
Treasury Account Symbol	121/20137	121/31951	121/32081	12X1900	12X0502	12X0115	12X0115	12X0115
Purpose	American Rescue Plan Act	American Rescue Plan Act	American Rescue Plan Act	Consolidated Appropriations Act, 2021	Consolidated Appropriations Act, 2021	CARES Act	CARES Act and Consolidated Appropriations Act, 2021	American Rescue Plan Act
BALANCE SHEET								
Intragovernmental:								
Fund Balance with Treasury (Note 3)	$ 20	$ 423	$ 36	$ 24	$ 106	$ 1,676	$ 2,555	$ 120
Total Intragovernmental Assets	20	423	36	24	106	1,676	2,555	120
Accounts Receivable, Net (Note 6)	—	—	—	—	—	30	2	—
Inventory and Related Property, Net (Note 8)	—	—	—	—	—	—	—	—
Total Assets	20	423	36	24	106	1,706	2,557	120
Accounts Payable	—	—	—	—	—	6	2	—
Benefits Due and Payable	—	—	—	—	—	—	—	—
Other Liabilities (Notes 17, 18 & 19)	2	—	—	—	—	29	6	—
Total Liabilities	2	—	—	—	—	35	8	—
Unexpended Appropriations	20	423	36	24	106	310	2,547	120
Cumulative Results of Operations	(2)	—	—	—	—	1,361	2	—
Total Liabilities and Net Position	20	423	36	24	106	1,706	2,557	120
STATEMENT OF NET COST								
Gross Program Costs	65	52	2	11	34	1,682	404	9
Net Cost of Operations (Notes 21 & 25)	65	52	2	11	34	1,682	404	9
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations:								
Beginning Balance	83	475	38	35	140	2,382	3,353	4,658
Appropriations Received	—	—	—	—	—	—	—	(3,600)
Appropriations Transferred in/out	—	—	—	—	—	—	—	—
Other Adjustments	—	—	—	—	—	(600)	(400)	(929)
Appropriations Used	(63)	(52)	(2)	(11)	(34)	(1,472)	(406)	(9)
Net Change in Unexpended Appropriations	(63)	(52)	(2)	(11)	(34)	(2,072)	(806)	(4,538)
Total Unexpended Appropriations	20	423	36	24	106	310	2,547	120
Cumulative Results of Operations:								
Beginning Balance	—	—	—	—	—	1,571	—	—
Appropriations Used	63	52	2	11	34	1,472	406	9
Net Cost of Operations	(65)	(52)	(2)	(11)	(34)	(1,682)	(404)	(9)
Net Change in Cumulative Results of Operations	(2)	—	—	—	—	(210)	2	—
Total Cumulative Results of Operations	(2)	—	—	—	—	1,361	2	—
Net Position	$ 18	$ 423	$ 36	$ 24	$ 106	$ 1,671	$ 2,549	$ 120

FY 2022

Account Name	Office of the Secretary	
Treasury Account Symbol	12X0408	
Purpose	American Rescue Plan Act	Total
BALANCE SHEET		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 2,575	$ 13,630
Total Intragovernmental Assets	2,575	13,630
Accounts Receivable, Net (Note 6)	—	32
Inventory and Related Property, Net (Note 8)	—	8
Total Assets	2,575	13,670
Accounts Payable	—	9
Benefits Due and Payable	—	677
Other Liabilities (Notes 17, 18 & 19)	108	204
Total Liabilities	108	890
Unexpended Appropriations	2,467	11,411
Cumulative Results of Operations	—	1,369
Total Liabilities and Net Position	2,575	13,670
STATEMENT OF NET COST		
Gross Program Costs	133	27,190
Net Cost of Operations (Notes 21 & 25)	133	27,190
STATEMENT OF CHANGES IN NET POSITION		
Unexpended Appropriations:		
Beginning Balance	—	14,076
Appropriations Received	3,600	29,550
Appropriations Transferred in/out	—	(352)
Other Adjustments	(1,000)	(4,889)
Appropriations Used	(133)	(26,974)
Net Change in Unexpended Appropriations	2,467	(2,665)
Total Unexpended Appropriations	2,467	11,411
Cumulative Results of Operations:		
Beginning Balance	—	1,585
Appropriations Used	133	26,974
Net Cost of Operations	(133)	(27,190)
Net Change in Cumulative Results of Operations	—	(216)
Total Cumulative Results of Operations	—	1,369
Net Position	$ 2,467	$ 12,780

RMA took numerous actions to provide relief in the face of the pandemic to ensure crop insurance continued to provide a farm safety net under such unprecedented times. RMA did not initially receive direct budgetary resources to respond to COVID-19 and most of the actions provided reporting flexibilities to AIP's and producers.

Beginning FY 2021, RMA was assigned to administer the Pandemic Cover Crop Program as part of USDA's Pandemic Assistance for Producers initiative, a bundle of programs to bring financial assistance to farmers, ranchers and producers who felt the impact of COVID-19 market disruptions.

NOTE 28: Subsequent Events

Management is not aware of any events or transactions that have occurred subsequent to the balance sheet date, but prior to the issuance of the financial statements, that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements.

Note Disclosure Related to the Statement of Net Cost and Statement of Changes in Net Position

NOTE 29: Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the Financial Report (FR) of the U.S. Government, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS.

Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the USDA's financial statements and the USDA's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items.

A copy of the 2022 FR can be found on the Treasury's Reports, Statements and Publications website and a copy of the 2023 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that results from other components of the Federal Government.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, nonprofit entities, and State, local, and foreign Governments.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2023

FY 2023 USDA SNC		Line Items Used to Prepare FY 2023 Government-wide SNC	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
Gross Costs			**Gross cost**
		$ 233,103	**Non-federal gross cost**
			Federal gross cost
		2,319	Benefit program costs (RC 26)/2
		1,317	Imputed costs (RC25)/2
		1,859	Buy/Sell Cost (RC24)/2
		1	Purchase of assets (RC 24)/2
		4,672	Borrowing and other interest expense (RC05)/2
		608	Other expenses (without reciprocals) (RC 29)
		(1)	Reconciling Item - Purchase of assets
		10,775	**Total federal gross cost**
Total Gross Costs	$ 243,878	243,878	**Department total gross cost**
Earned Revenue			**Earned revenue**
		11,675	Non-federal earned revenue
		(2)	Reconciling Item - Custodial revenue - Non-federal earned revenue
		11,673	**Adjusted Non-federal earned revenue**
			Federal earned revenue
		538	Buy/sell revenue (exchange) (RC24)/2
		1	Purchase of assets offset (RC 24) / 2
		11	Federal securities interest revenue including associated gains and losses (exchange) (RC 03)/2
		590	Borrowing and other interest revenue (exchange) (RC 05)/2
		101	Collections transferred in to a TAS other than the general fund of the U.S. Government - exchange (RC 13)
		(1)	Reconciling item - Purchase of assets
		(3)	Reconciling Item - Custodial revenue - Buy/sell revenue (exchange) (RC24)/2
		1,237	**Total federal earned revenue**
Less: Total Earned Revenue	12,910	12,910	**Department total earned revenue**
Net Cost of Operations	$ 230,968	$ 230,968	**Net cost of operations**

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2023

FY 2023 USDA SCNP			Line Items Used to Prepare FY 2023 Government-wide SCNP	
Financial Statement Line		**Amounts**	**Amounts**	**Reclassified Financial Statement Lines**
Unexpended Appropriations:				
Beginning Balances	$	169,264	$ 169,264	Net position, beginning of period
Appropriations Received		269,217	269,217	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1
			307	Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08) /1
Appropriations Transferred In (Out)		164	143	Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08) /1
Other Adjustments		(8,177)	(8,177)	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1
Appropriations Used		(211,810)	211,810	Appropriations used (RC 39)
Net Change in Unexpended Appropriations		49,394	49,394	**Net change in unexpended appropriations**
Total Unexpended Appropriations		218,658	218,658	**Total unexpended appropriations**
Cumulative Results of Operations:				
Beginning Balances		53,731	53,731	Net position, beginning of period
			702	Collections for others transferred to the General Fund of the U.S. Government (RC 44)
Other Adjustments		(691)	11	Reconciling - Custodial activity - collections for others transferred to the General Fund of the U.S. Government (RC 44)
Appropriations Used		211,810	211,810	Appropriations expended (RC 38)/1
			35	Other taxes and receipts
Non-exchange Revenue		25,802	25,767	Collections transferred into a TAS other than the General Fund of the U.S. Government - Nonexchange (RC 15)
Donations and Forfeitures of Cash and Cash Equivalents		3	3	Other taxes and receipts
			215	Appropriation of unavailable special or trust fund receipts transfers-in (RC 07)/1
			12	Appropriation of unavailable special or trust fund receipts transfers-out (RC 07) /1
			10	Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08)/1i
			877	Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08)/1
			12	Transfers-in without reimbursement (RC 18)/1
			(3)	Transfers-out without reimbursement (RC 18)/1
Transfers In (Out) Without Reimbursement		(650)	(1)	Reconciling item - rounding
Imputed Financing		1,317	1,317	Imputed financing sources (RC 25)/1
			85	Other taxes and receipts
			459	Reconciling item - custodial activity - other taxes and receipts
			286	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
			3,202	Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
			295	Reconciling item - Custodial revenue - Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
			1,251	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC48)
			157	Reconciling item - Custodial activity - accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC 48)
Other		(4,088)	1	Reconciling item - rounding
Net Cost of Operations		(230,968)	230,968	Net cost of operations
Net Change and Cumulative Results of Operations		2,535	2,535	Net change and cumulative results of operations
Total Cumulative Results of Operations		56,266	56,266	**Total Cumulative results of operations**
Net Position	$	274,924	$ 274,924	**Net position, end of period**

Required Supplementary Information

Deferred Maintenance and Repairs (Unaudited)

The Forest Service is steward to nearly 193 million acres of national forests and grasslands within the NFS. On these NFS lands, the agency manages major assets that are categorized as PP&E, including nearly 40,000 administrative, recreation, and research buildings, over 1,100 communication systems, and approximately 30,000 recreational sites, such as campgrounds, picnic areas, trailheads, and interpretive sites.

Across the NFS, the agency also manages over 370,000 miles of roads, of which 65,000 miles are for passenger vehicles; over 159,000 miles of trails for motorized and non-motorized use; nearly 13,400 road and trail bridges; and over 1,700 Forest Service owned and Special Use Permitted dam structures.

ARS owns/manages approximately 15 million gross square feet of facility space in 2,973 buildings on 405,783 acres of land. APHIS operates approximately 28 facilities, which includes 378 buildings, in the United States and 14 facilities/buildings internationally. The NRCS portfolio of owned assets encompasses 27 sites, including 12 parcels of owned land, 218 buildings, and about 215 other structures.

Deferred Maintenance & Repairs (DM&R) estimates include capitalized PP&E, non-capitalized heritage assets, and non-capitalized or fully depreciated PP&E.

No DM&R is reported for stewardship land because land is considered to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose. Stewardship land easements are excluded from DM&R since ownership is retained by the landowner.

Defining and Implementing Maintenance and Repairs Policies in Practice

Policies for ranking and prioritizing DM&R activities for most assets, except roads, trails, and bridges, are based on condition surveys performed on a 5-year revolving schedule. Roads, trails and bridges have separate schedules. The agency's DM&R for NFS passenger car roads is determined every year from random sample surveys providing a moderate level of confidence that the DM&R total being reported represents the true DM&R. DM&R is not reported for roads that are not part of the passenger car system because maintenance needs on those roads are not as recurring and cyclical year over year. Bridge inspections occur on a 2-year or 4-year revolving schedule. To date, scheduled surveys of all administrative buildings, dams, bridges, roads open to passenger cars, and recreation sites have been accomplished.

ARS, APHIS, and NRCS use similar condition surveys to estimate DM&R on all major classes of its PP&E and heritage assets.

Ranking and Prioritizing Maintenance and Repairs Activities

Maintenance and repair activities are prioritized based on condition surveys and ranked based on PP&E and heritage assets that pose serious threats to public health or safety, a natural resource, or the ability of the agency to implement its mission.

Factors Considered in Setting Acceptable Condition

The standards for acceptable operating condition for various classes of PP&E and heritage assets are as follows:

Conditions of roads and bridges within the NFS road system are measured by various standards:

- Federal Highway Administration regulations for the Federal Highway Safety Act.
- Best management practices for the nonpoint source provisions of the Clean Water Act from U.S. Environmental Protection Agency and States.
- Road management objectives developed through the National Forest Management Act forest planning process.
- Forest Service directives—Forest Service Manual (FSM) 7730, Operation and Maintenance; Forest Service Handbook (FSH) 7709.56a, Road Preconstruction, and FSH 7709.56b, Transportation Structures Handbook.

Dams in the NFS are managed according to FSM 7500, Water Storage and Transmission, and FSH 7509.11, Dams Management Handbook. The condition of a dam is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public. For dams to be rated in acceptable condition, the agency needs to restore the dams to the original functional purpose, correct unsightly conditions, or prevent more costly repairs.

Buildings in the NFS comply with the International Family of Building and Related Codes, the National Fire Protection Association Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration as determined by condition surveys and safety inspections. These requirements are found in FSM 7310, Buildings and Related Facilities.

Recreation facilities in the NFS are located within recreation sites that range from highly developed sites to general forest areas such as campgrounds, trailheads, trails, water and wastewater systems, interpretive facilities, and visitor centers. Recreation sites are managed in accordance with Federal laws and regulations (Code of Federal Regulations [CFR] 36).

Detailed management guidelines are contained in FSM 2330, Publicly Managed Recreation Opportunities, and forest- and regional-level user guides. Quality standards for developed recreation sites in the NFS were established as Meaningful Measures for health and cleanliness, settings, safety and security, responsiveness, and the condition of the facility.

Trails and trail bridges in the NFS are managed according to Federal law and regulations (CFR 36). More specific direction is contained in FSM 2350, Trail, River, and Similar Recreation Opportunities, and the FSH 2309.18, Trails Management Handbook.

ARS, APHIS, and NRCS define acceptable condition in accordance with standards comparable to those used in private industry for buildings and other structures.

Deferred Maintenance and Repair Costs

Asset Category	FY 2023 Ending Balance	FY 2023 Beginning Balance	FY 2022 Ending Balance	FY 2022 Beginning Balance
General PP&E	$ 9,633	$ 8,295	$ 8,295	$ 6,782
Heritage Assets	463	290	290	252
Total	$ 10,096	$ 8,585	$ 8,585	$ 7,034

DM&R costs increased in FY 2023 across all categories within PP&E mainly due to deteriorating assets, continued focus on data accuracy and thorough condition surveys, and the effects of inflation both not allowing funding for maintenance projects to reach as many assets and the cost to complete maintenance needs already on the backlog increasing.

Funding from the Great American Outdoors Act – Legacy Restoration Fund allowed the agency to address $23.7 million of the deferred maintenance over the last year by completing 85 projects. Through FY 2023, the Forest Service had 994 internally tracked projects funded by Congress.

Combining Statement of Budgetary Resources (Unaudited)

FY 2023	FPAC Business Center	FSA	FSA	CCC	CCC	RMA	NRCS	FNS	FSIS	AMS	APHIS
	Budgetary	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:											
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	$ 34	$ 8,964	$ 191	$ 667	$ 131	$ 678	$ 11,977	$ 96,617	$ 181	$ 4,930	$ 1,584
Appropriations (Discretionary and Mandatory)	2,387	5,371	19	2,008	—	15,390	6,668	226,834	1,151	2,641	2,111
Borrowing Authority (Discretionary and Mandatory)	—	—	3,230	13,298	463	—	—	—	—	—	—
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	158	403	3,407	8	160	7,214	(6)	118	220	178	293
Total Budgetary Resources	2,579	14,738	6,847	15,981	754	23,282	18,639	323,569	1,552	7,749	3,988
Status of Budgetary Resources:											
New Obligations and Upward Adjustments (Total)	2,385	7,369	3,901	15,475	464	22,681	9,769	199,932	1,463	5,681	2,415
Unobligated Balance, End of Year:											
Apportioned, Unexpired Accounts	170	6,711	2,564	404	38	590	6,197	37,676	60	1,425	1,542
Exempt from Apportionment, Unexpired Accounts	—	—	—	—	—	—	—	—	—	46	—
Unapportioned, Unexpired Accounts	—	161	382	93	252	5	33	9,179	—	187	6
Unexpired Unobligated Balance, End of Year	170	6,872	2,946	497	290	595	6,230	46,855	60	1,658	1,548
Expired Unobligated Balance, End of Year	24	497	—	9	—	6	2,640	76,782	29	410	25
Unobligated Balance, End of Year (Total)	194	7,369	2,946	506	290	601	8,870	123,637	89	2,068	1,573
Total Budgetary Resources	2,579	14,738	6,847	15,981	754	23,282	18,639	323,569	1,552	7,749	3,988
Outlays, Net, and Disbursements, Net:											
Outlays, Net (Total) (Discretionary and Mandatory)	305	4,617		9,152		16,576	4,694	171,456	1,209	2,994	1,849
Distributed Offsetting Receipts (-)	1	(705)		(68)		—	(2)	(2)	(16)	(206)	(8)
Agency Outlays, Net (Discretionary and Mandatory)	$ 306	$ 3,912		$ 9,084		$ 16,576	$ 4,692	$ 171,454	$ 1,193	$ 2,788	$ 1,841
Disbursements, Net (Total) (Mandatory)			$ 325		$ 44						

FY 2023	FS	RD		ARS	NASS	NIFA	ERS	FAS	Staff Offices	Total	
	Budgetary	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:											
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	$ 12,153	$ 17,954	$ 4,458	$ 509	$ 18	$ 1,101	$ 12	$ 217	$ 5,183	$ 162,779	$ 4,780
Appropriations (Discretionary and Mandatory)	11,579	7,171	—	1,902	213	2,043	94	487	(797)	287,253	19
Borrowing Authority (Discretionary and Mandatory)	—	—	12,689	—	—	—	—	—	—	13,298	16,382
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	648	681	8,286	180	37	97	6	55	1,626	11,916	11,853
Total Budgetary Resources	24,380	25,806	25,433	2,591	268	3,241	112	759	6,012	475,246	33,034
Status of Budgetary Resources:											
New Obligations and Upward Adjustments (Total)	12,800	9,681	17,712	2,237	262	2,685	103	516	2,386	297,840	22,077
Unobligated Balance, End of Year:											
Apportioned, Unexpired Accounts	8,633	16,013	7,521	321	6	530	2	151	651	81,082	10,123
Exempt from Apportionment, Unexpired Accounts	—	—	—	—	—	—	—	—	—	46	—
Unapportioned, Unexpired Accounts	2,840	23	200	4	—	1	—	6	2,918	15,456	834
Unexpired Unobligated Balance, End of Year	11,473	16,036	7,721	325	6	531	2	157	3,569	96,584	10,957
Expired Unobligated Balance, End of Year	107	89	—	29	—	25	7	86	57	80,822	—
Unobligated Balance, End of Year (Total)	11,580	16,125	7,721	354	6	556	9	243	3,626	177,406	10,957
Total Budgetary Resources	24,380	25,806	25,433	2,591	268	3,241	112	759	6,012	475,246	33,034
Outlays, Net, and Disbursements, Net:											
Outlays, Net (Total) (Discretionary and Mandatory)	8,969	5,689		1,775	196	1,799	105	454	607	232,446	
Distributed Offsetting Receipts (-)	(903)	(1,592)		(18)	—	(33)	—	—	(7)	(3,559)	
Agency Outlays, Net (Discretionary and Mandatory)	$ 8,066	$ 4,097		$ 1,757	$ 196	$ 1,766	$ 105	$ 454	$ 600	$ 228,887	
Disbursements, Net (Total) (Mandatory)			$ 5,259								$ 5,628

FY 2022	FPAC Business Center	FSA		CCC		RMA	NRCS	FNS	FSIS	AMS	APHIS
	Budgetary	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:											
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	$ 20	$ 7,100	$ 151	$ 1,085	$ 108	$ 613	$ 6,737	$ 77,803	$ 234	$ 3,679	$ 1,458
Appropriations (Discretionary and Mandatory)	300	12,808	—	2,319	—	12,527	10,349	205,653	1,139	4,619	2,384
Borrowing Authority (Discretionary and Mandatory)	—	—	3,560	11,978	425	—	—	—	—	—	—
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	12	306	2,482	9	147	6,305	56	94	231	207	249
Total Budgetary Resources	332	20,214	6,193	15,391	680	19,445	17,142	283,550	1,604	8,505	4,091
Status of Budgetary Resources:											
New Obligations and Upward Adjustments (Total)	304	10,916	3,894	14,961	458	18,768	5,798	191,701	1,435	3,971	2,348
Unobligated Balance, End of Year:											
Apportioned, Unexpired Accounts	12	5,647	2,271	327	29	666	7,412	30,370	147	2,480	1,716
Exempt from Apportionment, Unexpired Accounts	—	—	—	—	—	—	—	—	—	276	—
Unapportioned, Unexpired Accounts	—	3,429	28	101	193	5	1,311	9,429	—	1,571	9
Unexpired Unobligated Balance, End of Year	12	9,076	2,299	428	222	671	8,723	39,799	147	4,327	1,725
Expired Unobligated Balance, End of Year	16	222	—	2	—	6	2,621	52,050	22	207	18
Unobligated Balance, End of Year (Total)	28	9,298	2,299	430	222	677	11,344	91,849	169	4,534	1,743
Total Budgetary Resources	332	20,214	6,193	15,391	680	19,445	17,142	283,550	1,604	8,505	4,091
Outlays, Net, and Disbursements, Net:											
Outlays, Net (Total) (Discretionary and Mandatory)	307	10,412		8,927		10,918	4,287	192,291	1,147	2,722	1,886
Distributed Offsetting Receipts (-)	—	(686)		(52)		—	(1)	(1)	(18)	(196)	(12)
Agency Outlays, Net (Discretionary and Mandatory)	$ 307	$ 9,726		$ 8,875		$ 10,918	$ 4,286	$ 192,290	$ 1,129	$ 2,526	$ 1,874
Disbursements, Net (Total) (Mandatory)			$ 1,230		$ 79						

FY 2022	FS	RD	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Total	Total
	Budgetary	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:											
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	$ 4,344	$ 4,634	$ 4,590	$ 436	$ 26	$ 676	$ 13	$ 221	$ 6,552	$ 115,631	$ 4,849
Appropriations (Discretionary and Mandatory)	17,117	20,605	3	1,797	190	2,350	88	467	(756)	293,956	3
Borrowing Authority (Discretionary and Mandatory)	—	—	13,065	—	—	—	—	—	—	11,978	17,050
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	557	748	8,355	173	26	82	2	63	1,545	10,665	10,984
Total Budgetary Resources	22,018	25,987	26,013	2,406	242	3,108	103	751	7,341	432,230	32,886
Status of Budgetary Resources:											
New Obligations and Upward Adjustments (Total)	10,208	8,681	17,705	2,168	242	2,048	94	547	2,268	276,458	22,057
Unobligated Balance, End of Year:	—	—	—	—	—	—	—	—	—	—	—
Apportioned, Unexpired Accounts	5,176	5,034	8,003	209	—	1,037	1	93	599	60,926	10,303
Exempt from Apportionment, Unexpired Accounts	—	—	—	—	—	—	—	—	—	276	—
Unapportioned, Unexpired Accounts	6,556	12,190	305	2	—	5	—	11	4,422	39,041	526
Unexpired Unobligated Balance, End of Year	11,732	17,224	8,308	211	—	1,042	1	104	5,021	100,243	10,829
Expired Unobligated Balance, End of Year	78	82	—	27	—	18	8	100	52	55,529	—
Unobligated Balance, End of Year (Total)	11,810	17,306	8,308	238	—	1,060	9	204	5,073	155,772	10,829
Total Budgetary Resources	22,018	25,987	26,013	2,406	242	3,108	103	751	7,341	432,230	32,886
Outlays, Net, and Disbursements, Net:											
Outlays, Net (Total) (Discretionary and Mandatory)	8,485	5,383		1,611	196	1,595	87	403	374	251,031	
Distributed Offsetting Receipts (-)	(818)	(3,976)		(18)	—	(3)	1	—	(16)	(5,796)	
Agency Outlays, Net (Discretionary and Mandatory)	$ 7,667	$ 1,407		$ 1,593	$ 196	$ 1,592	$ 88	$ 403	$ 358	$ 245,235	
Disbursements, Net (Total) (Mandatory)			$ 5,590								$ 6,899

Land (Unaudited)

Forest Service

The Forest Service is steward to over a 193 million acres of PP&E lands, Stewardship lands and permanent land rights encompassing national forests and grasslands which provides a wide range of economic, social, and environmental benefits. The mission of the Forest Service is to sustain the health, diversity, and productivity of the nation's forests and grasslands to meet the needs of present and future generations. The Forest Service achieves this mission through active land management practices supported by science and focused on conservation, preservation, multiple use, and sustained yield.

Forest Service PP&E lands are predominantly acquired for the construction and or use of buildings to support Forest Service goals which include but is not limited to protection of water quality, habitat for wildlife and fisheries, forest health, recreation, and forest products.

Forest Service Stewardship lands are predominantly used to achieve land management goals which include but is not limited to protection of water quality, habitat for wildlife and fisheries, forest health, recreation, and forest products.

Land and land rights acquired by the Forest Service are predominantly permanent in nature and include surface and or sub-surface rights as fee title or partial interest. Forest Service does not report or track yearly amounts to administer land rights.

Forest Service lands and permanent land rights are assigned to one of three sub-categories based on predominant use and are reported in estimated acres of land. The three sub-categories are commercial use land; conservation and preservation land; and operational land.

Commercial use land or land rights are predominantly used to generate inflows of resources from non-Federal third parties. Forest Service has broad authority to issue various special use authorization types and collect fees for the use of NFS land. These authorized uses do not represent the predominate use of NFS lands and they are infrequent in location and temporary in nature.

Conservation and preservation land or land rights are used for protection and proper use of natural resources or preservation of buildings, objects, and landscapes from use. Examples of land conserved or preserved for significant natural, historic, scenic, cultural, and recreational resources include geologic resource sites, wildlife and plant life refuges, archeological resource sites or local Native American or ethnic cultural sites.

Operational land and land rights are used predominately for general or administrative purposes including scientific functions such as conducting and managing research, experimentation, and operations; and other related functions that are administrative or other mission related in nature including office building locations.

Agricultural Research Service

ARS has 390,703 acres of land including 77,504 acres of federally owned land and 313,199 acres of Public Domain land used for research, finding scientific solutions to national and global agricultural challenges. ARS is holding 70 acres of land for disposal at Glenn Dale, MD.

Animal and Plant Health Inspection Service

APHIS owns approximately 1,162 acres of land used primarily for research and development facilities in support of our mission to protect American Agriculture. The largest acreage is the land at Moore Air base used to house the Insect Management and Molecular Diagnostics Laboratory. The laboratory is responsible for developing and validating technologies used to detect and diagnose plant pests.

Natural Resources Conservation Service

NRCS owns land on twelve Plant Materials Center (PMC) locations. Of the twelve, eleven are owned by NRCS, and one is operated under a contribution agreement. PMC land is used for seed and plant production, for plant studies, for demonstration areas, and for buildings and facilities to support PMC activities. PMC land not usable for these purposes may be managed as natural areas to provide buffers between PMC operations and other areas. PMCs manage land resources consistent with NRCS conservation practices to maintain soil, water, and other natural resources, and ensure the land is acceptable for future PMC activities.

NRCS has one small parcel of land (0.2 acres), obtained from another Federal agency in 1955, that houses a storage unit used for field office supplies. The parcel, located in a residential/mixed use area, is maintained in accordance with local requirements.

Stewardship land consists of conservation easements acquired under a variety of easement programs and authorities. NRCS's mission objectives in administering the conservation easement programs are to provide landowners with financial and technical assistance in return for maintaining and improving high quality productive soils, clean and abundant water, healthy plant and animal communities, clean air, an adequate energy supply, and working farm and ranch land.

USDA stewardship land easement acreage accurately reflects the number of acres under USDA stewardship land easement as of September 30, 2023. However, for the reasons discussed in this section, this number may be adjusted in future reports.

Early stewardship land conservation easements were acquired without the benefit of being professionally surveyed. Although the best technology at the time was utilized to determine easement size, there is variation to the accuracy of those methods compared to present day surveying techniques. Presently, all USDA stewardship land conservation easements are surveyed by licensed surveyors to determine the size of the easement. While these surveys provide an accurate report of the size of the easement, USDA is continually making efforts to enhance its survey standards and requirements to reflect survey equipment improvements and ensure accurate reporting. Annual monitoring of stewardship land conservation easements allows NRCS to observe situations that may lead to the need for an updated survey. For example, lack of signage on an easement boundary or other circumstances that result in undefined easement boundaries often precipitate encroachment by adjacent landowners and violations of the terms of the easement. In order to reduce the frequency of these encroachments and easement violations, USDA stewardship land easements occasionally require new surveys to reestablish the easement boundaries. Because these boundary reestablishment surveys are conducted under the most current survey standards and requirements, the new survey may reflect a change in the acres as originally reported for that particular easement which may result in adjustment in the reporting of USDA stewardship land easement acreage.

In addition, the 2014 Farm Bill granted authority to NRCS to amend USDA stewardship land easements through an easement administration action. If approved, the resulting amendment may result in an increase in the reported USDA stewardship land easement acreage, or, in the case of an authorized easement termination, a reduction in the easement and acre count. Finally, though rare, litigation involving existing USDA stewardship land easements may result in the termination of an easement or a modification to the boundary of an easement, both of which would result in an adjustment to the reported USDA stewardship land easement acreage.

Of the Stewardship Land, 3.2 million acres are of a permanent duration. The remaining approximately 476 thousand acres are considered temporary, ranging from 30 to 99 years in duration. There are no costs associated with the maintenance of these land rights.

FY2023

PP&E Land

Agency	Conservation and Preservation	Operational	Commercial Use	Total Estimated Acreage
	Estimated Acreage by Predominant Use			
Forest Service	358	9,613	—	9,971
Agricultural Research Service	—	77,504	—	77,504
Animal and Plant Health Inspection Service	—	1,162	—	1,162
Natural Resources Conservation Service	—	1,900	—	1,900
Total General PP&E	358	90,179	—	90,537

Agency	Conservation and Preservation	Operational	Commercial Use	Total Estimated Acreage
	Held for Disposal or Exchange by Predominant Use			
Forest Service	—	54	—	54
Agricultural Research Service	—	70	—	70
Total General PP&E	—	124	—	124

Stewardship Land

Agency	Conservation and Preservation	Operational	Commercial Use	Total Estimated Acreage
	Estimated Acreage by Predominant Use			
Forest Service	191,552,875	1,165,796	401,256	193,119,927
Agricultural Research Service	—	313,199	—	313,199
Natural Resources Conservation Service	3,689,002	—	—	3,689,002
Total Stewardship Land	195,241,877	1,478,995	401,256	197,122,128

Agency	Conservation and Preservation	Operational	Commercial Use	Total Estimated Acreage
	Held for Disposal or Exchange by Predominant Use			
Forest Service	—	522	—	522
Total Stewardship Land	—	522	—	522

FY2022

PP&E Land

	Estimated Acreage by Predominant Use			
	Conservation and Preservation	**Operational**	**Commercial Use**	**Total Estimated Acreage**
Agency				
Forest Service	349	9,207	—	9,556
Agricultural Research Service	—	77,655	—	77,655
Animal and Plant Health Inspection Service	—	1,146	—	1,146
Natural Resources Conservation Service	—	1,900	—	1,900
Total PP&E	349	89,908	—	90,257

	Held for Disposal or Exchange by Predominant Use			
	Conservation and Preservation	**Operational**	**Commercial Use**	**Total Estimated Acreage**
Agency				
Forest Service	—	54	—	54
Agricultural Research Service	—	70	—	70
Total PP&E	—	124	—	124

Stewardship Land

	Estimated Acreage by Predominant Use			
	Conservation and Preservation	**Operational**	**Commercial Use**	**Total Estimated Acreage**
Agency				
Forest Service	191,491,750	1,186,627	404,971	193,083,348
Agricultural Research Service	—	313,198	—	313,198
Natural Resources Conservation Service	3,649,692	—	—	3,649,692
Total Stewardship Land	195,141,442	1,499,825	404,971	197,046,238

	Held for Disposal or Exchange by Predominant Use			
	Conservation and Preservation	**Operational**	**Commercial Use**	**Total Estimated Acreage**
Agency				
Forest Service	—	522	—	522
Total Stewardship Land	—	522	—	522

Section III
Other Information

Summary of Financial Statement Audit and Management Assurances

Summary of Existing Material Weaknesses

USDA's material weakness as related to management's assurance for the FMFIA and the certification for FFMIA, are listed in Exhibit 15 and Exhibit 16.

Exhibit 15: Summary of Financial Statement Audit

Audit Opinion as of November 14, 2023: Modified 2023 Consolidated Financial Statement Audit

Restatement: No

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Management	1	1	1		1
Information Technology Security and Controls	1	2	2		1
TOTAL MATERIAL WEAKNESSES	**2**	**3**	**3**		**2**

Exhibit 16: Summary of Management Assurances

A. Effectiveness of Internal Control Over Reporting (FMFIA § 2)[1]

Statement of Assurance: Modified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management	1	1	1			1
TOTAL MATERIAL WEAKNESSES	**1**	**1**	**1**			**1**

[1] In the FY 2022 Agency Financial Report, the Information Technology material weakness was reported in Exhibit 22.A Effectiveness of Internal Control Over Reporting (FMFIA § 2). The correct reporting is Effectiveness of Internal Control Over Operations (FMFIA § 2), which is correct for FY 2023.

B. Effectiveness of Internal Control Over Operations (FMFIA § 2)

Statement of Assurance: Modified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Technology	1	2	2			1
TOTAL MATERIAL WEAKNESSES	1	2	2			1

C. Conformance with Federal Financial Management System Requirements (FMFIA § 4)

Statement of Assurance: Unmodified

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1		1			0
TOTAL NON-CONFORMANCES	1		1			0

D. Compliance with Section 803 (A) of the FFMIA

	Item	Agency	Auditor
1	**Federal Financial Management System Requirements**	Lack of substantial compliance noted	Lack of substantial compliance noted
2	**Applicable Federal Accounting Standards**	No lack of substantial compliance noted	No lack of substantial compliance noted
3	**U.S. Standard General Ledger at Transaction Level**	Lack of substantial compliance noted	Lack of substantial compliance noted

Management Challenges

The Reports Consolidation Act of 2000 requires the USDA OIG to report annually on the most serious management challenges USDA and its agencies and mission offices face. OIG sought to provide the Secretary and other policymakers with a streamlined report that improves clarity and highlights significant information.

OIG reported FY 2023 challenges is a lookback into the period of FY 2020 to FY 2023 that aims to provide the Department areas where USDA could improve its efforts to achieve overall excellence for the Department. As a part of the FY 2023 management challenges review, one challenge have been removed from this year's report. OIG also highlighted what they consider "key challenge area indicators" within the three areas to assist USDA when addressing the challenges.

a. Ensuring Safety and Security,

b. Providing Benefits, and

c. Delivering Efficient Programs

An example of USDA's success in program process improvements is USDA's FSIS takes steps to ensure meat, poultry, and egg products are safe, wholesome, and properly labeled. FSIS personnel at more than 6,600 regulated establishments ensure food safety through the authorities of the Federal Meat Inspection Act, the Poultry Products Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, as well as humane animal handling through the Humane Methods of Slaughter Act. FSIS works with Federal, State, and local food safety partners to address emerging pathogens, detect foodborne hazards, and prevent foodborne illness. In calendar year 2022, FSIS issued 68 total recalls (46 percent product contamination, 26 percent misbranding, 22 percent unreported allergies) and 23 public health alerts. For FY 2023, the proposed budget for FSIS was $1.4 billion, with proposed discretionary funding of $1.2 billion, an increase of $150.4 million from the 2022 Annualized Continuing Resolution. During this time, USDA has made progress in improving its oversight of food safety. All the food safety-related recommendations OIG made between June 2020-2023 have been closed.

The following pages include the entire USDA Management Challenges Report for FY 2023.

A full copy of the OIG Report is also available on the Oversight.gov website.

OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

2023 USDA Management Challenges

September 2023

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250

DATE: September 12, 2023

TO: Honorable Thomas J. Vilsack
Secretary

FROM: Phyllis K. Fong
Inspector General

SUBJECT: 2023 USDA Management Challenges

In accordance with the Reports Consolidation Act of 2000, the U.S. Department of Agriculture (USDA) Office of Inspector General is issuing the 2023 USDA Management Challenges report. This annual publication summarizes what we consider the most significant management and performance challenges facing the Department. The report is organized into three major challenge areas—Ensuring Safety and Security, Providing Benefits, and Delivering Efficient Programs. It is intended to aid the Department with improving program performance and operations.

We would like to close by expressing our appreciation to you and the Deputy Secretary for your ongoing support of our work and your commitment to excellence at USDA. We look forward to working with the Department to address these management challenges.

If you have any questions or would like to discuss these management challenges and related key challenge indicators, please contact me (202-720-8001). You or your staff may also contact Analytics and Innovation's Acting Assistant Inspector General, Craig Goscha (816-926-7644).

Attachment

cc:

Subcabinet Officials
Agency Administrator

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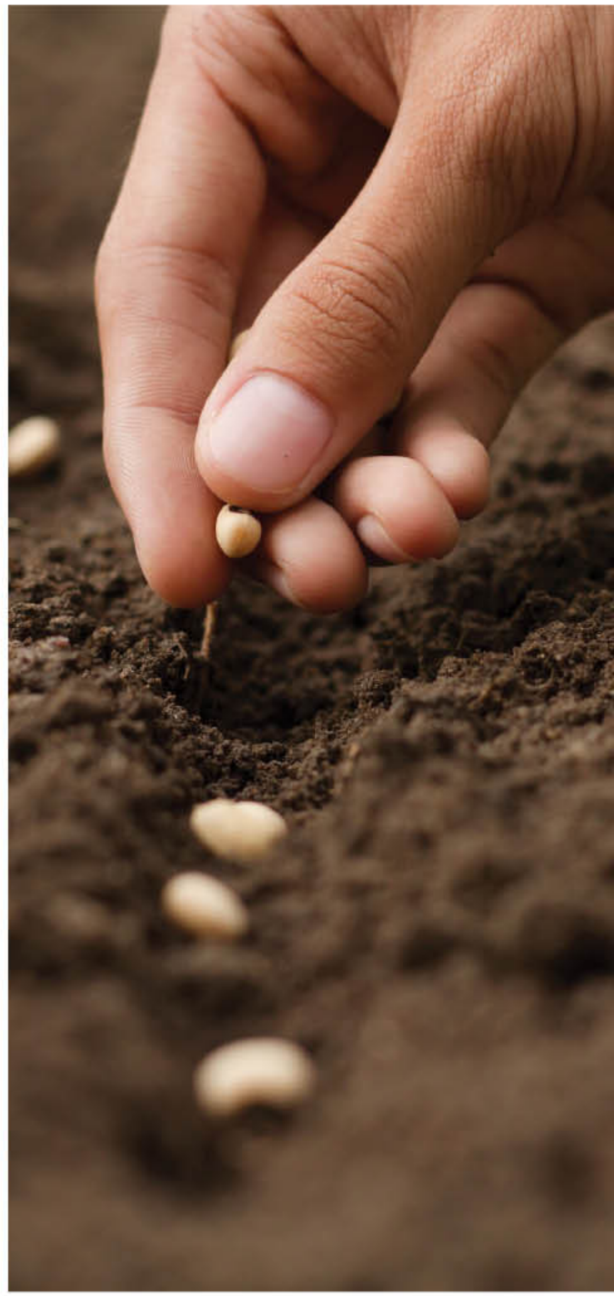

Courtesy Photo/AdobeStock. All AdobeStock photos included in the report are used under license. They do not depict any OIG audits or investigations.

Introduction and Approach

The Office of Inspector General (OIG) provides oversight to U.S. Department of Agriculture (USDA) programs and operations to help ensure the effective delivery of USDA programs to the public and American agriculture. USDA is comprised of 29 agencies and offices with nearly 100,000 employees at more than 4,500 locations across the country and abroad. These agencies and offices provide specific services to the American people regarding research, marketing and regulatory programs, farm and foreign agriculture, food safety, rural development, natural resources, and other areas based on public policy, the best available science, and effective management. In accordance with the Reports Consolidation Act of 2000, we are reporting what we consider to be the most significant management and performance challenges facing the Department.

Our report is organized into three major challenge areas—Ensuring Safety and Security, Providing Benefits, and Delivering Efficient Programs—which represent areas where OIG believes USDA could improve its efforts to achieve overall excellence for the Department. Each major challenge area contains "key challenge indicators" that can assist USDA when addressing the challenges.[1] This approach should aid Departmental leadership by providing areas to address and resolve both broad and unique challenges that may affect multiple and specific agencies. It also provides the Secretary and other policymakers with a more streamlined report to improve clarity and give significant information greater prominence.

This report is primarily based on information gained from our audits, investigations, and other work in providing oversight of USDA's programs and operations from June 1, 2020, through June 30, 2023.

1 Key challenge indicators are areas of focus that are derived from our findings and can help the Department address the challenges more effectively.

Challenge 1: Ensuring Safety and Security

USDA is responsible for the overall program administration in many areas of food processing and food distribution. From inspecting domestic products, imports, and exports to conducting risk assessments and educating the public about the importance of food safety, USDA plays a role in ensuring public health and safety.

USDA services include safety- and security-related programs and initiatives, such as enhancing public health and well-being by protecting the public from foodborne illness and ensuring that the Nation's meat, poultry, and egg products are safe, wholesome, and correctly packaged; ensuring the health and care of animals and plants; and supervising and coordinating the design, acquisition, maintenance, use, and disposal of information technology (IT) by USDA agencies.

The next section summarizes USDA's management challenges, and its progress, in the areas of food safety, animal and plant welfare, and cybersecurity and IT.

Food Safety

The Food Safety and Inspection Service (FSIS) is responsible for protecting the public's health by ensuring that meat, poultry, and egg products are safe, wholesome, and properly labeled. Approximately 9,000 FSIS employees at more than 6,600 regulated establishments ensure food safety through the authorities of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, as well as humane animal handling through the Humane Methods of Slaughter Act.

FSIS works with Federal, State, and local food safety partners to address emerging pathogens, detect foodborne hazards, and prevent foodborne illness. In calendar year 2022, FSIS issued 68 total recalls (46 percent product contamination,

U.S. Department of Agriculture Shell Egg Graders perform sanitation pre-op inspections to ensure the shell egg processing machines are properly cleaned before starting the day's operation. Photo by Preston Keres from USDA's Flickr account. It does not depict any particular audit or investigation.

2

26 percent misbranding, 22 percent unreported allergies) and 23 public health alerts. For fiscal year (FY) 2023, the proposed budget for FSIS was $1.4 billion, with proposed discretionary funding of $1.2 billion, an increase of $150.4 million from the 2022 Annualized Continuing Resolution.

During this time, USDA has made progress in improving its oversight of food safety. All the food safety-related recommendations we made between June 2020-2023 have been closed. However, Federal Oversight of Food Safety was added to the Government Accountability Office's (GAO) high-risk list in 2007. In recent years, GAO has made recommendations to reduce fragmentation in Federal food safety oversight.

USDA's challenge will be to remain vigilant and proactive in ensuring that American consumers receive wholesome foods. To maintain the confidence of consumers, Congress, and other stakeholders, USDA's food safety agencies should continue to improve their inspection strategies and technology systems and provide consistent, documented applications of statutes and regulations.

Example Report Summary

To ensure labels are truthful and not misleading, FSIS' Labeling and Program Delivery Staff review label applications and either approve product labels or request changes. FSIS also has inspection program personnel at each establishment who are responsible for verifying that labels and related files (i.e., labeling records) meet requirements. We reviewed label application packages for FY 2018 in our 2020 report, *Controls Over Meat, Poultry, and Egg Product Labels*, to ensure that the labels FSIS approved were accurate and supported. While we found that FSIS' controls over its approval of labels were generally effective, we also found that it needs to document its review and approval process for required labels and improve establishments' compliance with generic label requirements. FSIS provided its response to our findings and agreed with our recommendations.

USDA OIG Highlighted Work Issued June 2020–2023: Food Safety

COVID-19—Food Safety and Inspection Service Pandemic Response at Establishments (Report 24801-0001-23, issued 7/26/22)*

Controls Over Imported Meat and Poultry Products (Report 24601-0003-21, issued 7/1/20)*

FSIS Rulemaking Process for the Proposed Rule: Modernization of Swine Slaughter Inspection (Report 24801-0001-41, issued 6/23/20)*

Controls Over Meat, Poultry, and Egg Product Labels (Report 24601-0002-23, issued 6/15/20)*

Recommendation Progress**
OIG issued 4 audit products with 13 recommendations. All recommendations are closed.

* Indicates that all recommendations in the report are closed.
** Indicates that the report recommendation statuses are up to date as of July 31, 2023.

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USDA OIG Highlighted Investigations Closed June 2020-2023: Food Safety

OIG closed approximately 29 investigations related to food safety during this period, obtaining 15 administrative, 28 criminal, and 19 civil outcomes,[2] and more than $11 million in monetary results. When OIG receives allegations involving food safety, we thoroughly review these complaints and respond.

Former Brooklyn [New York] Business Owners Plead Guilty in Scheme to Sell Misbranded Beef Products

New Oxford [Pennsylvania] Veterinarian Sentenced for Defrauding the U.S. Department of Agriculture

Former USDA Animal Inspector Sentenced for Accepting Bribes

Braymer [Missouri] Man Sentenced to 32 Years for Cattle Fraud Scheme That Led to Murders

Nebraska Beef, Ltd. and 2 Former Employees Sentenced for USDA Violations

Maryland Livestock Brokers Sentenced to 30 Months' Imprisonment for Exporting Dairy Cattle Through Fraudulent Health Certificates

Cattle on a farm. Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.

[2] Includes convictions and diversions.

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Animal and Plant Health

The Animal and Plant Health Inspection Service (APHIS) protects the health of U.S. agriculture and natural resources against invasive pests and diseases, regulates genetically engineered crops, administers the Animal Welfare Act (AWA) and the Horse Protection Act, and helps people and wildlife coexist. APHIS also certifies the health of U.S. agricultural exports and resolves sanitary (animal) and phytosanitary (plant) issues to open, expand, and maintain markets for U.S plant and animal products. It is responsible for protecting 900 million acres of farmland, facilitating the movement of $177 billion worth of U.S. agricultural goods, and keeping 21.6 million Americans employed in agriculture-related industries.

According to APHIS' 2021 Impact Report, keeping U.S. agriculture healthy intersects with some of the most pressing issues of our time: zoonotic diseases (diseases that move between animals and people), public health, climate change, global population growth, and food security. In FY 2023, APHIS received more than $1.4 billion to carry out its mission. Of that amount, $1.1 billion is to protect agriculture from pests and diseases, address sanitary and phytosanitary trade concerns, and enforce animal care legislation. APHIS' Fiscal Years 2023-2027 Strategic Plan highlights its role in eradicating plant and animal diseases; innovating with new technologies to safeguard agricultural health, ensure animal welfare, and manage wildlife conflict; and responding to zoonotic and emerging diseases.

OIG's work found that APHIS also faces challenges with data integrity, regulatory compliance, and emergency preparedness. U.S. agriculture has evolved rapidly over the years, and public interest in animal welfare has increased. As such, APHIS must adapt to the increased use of analytics to support decision and policy making, strengthen and deploy monitoring and protocols in response to changes in domestic pest and disease occurrences, and prepare adequately for potential disease outbreaks. We also continue to investigate allegations related to animal welfare, including dogfighting and cockfighting. The provisions of AWA were designed to protect animals from being used in illegal fighting ventures, which often entail other forms of criminal activity. OIG continues to work vigorously with our Federal, State, and local partners to resolve AWA allegations and ensure the individuals participating in this type of animal cruelty are brought to justice.

Spotted Lanternfly specimens at an Animal and Plant Health Inspection Service field office. The Spotted Lanternfly is a destructive insect that feeds on a wide range of fruit, ornamental, and hardwood trees, including grapes, apples, walnut, and oak; a serious threat to the United States' agriculture and natural resources. Photo by Preston Keres from USDA's Flickr account. It does not depict any particular audit or investigation.

USDA OIG Highlighted Work Issued June 2020–2023: Plant and Animal Health

Plant Pest and Disease Management and Disaster Prevention Program (Report 33601-0001-21, issued 1/3/23)

Cattle Health Program Disease Incident Response (Report 33601-0003-41, issued 11/28/22)

Follow-up on Smuggling Interdiction and Trade Compliance Program (Report 33601-0004-23, issued 9/29/21)*

Controls Over Select Agents (Report 33701-0002-21, issued 7/27/21)*

Animal Care Program Oversight of Dog Breeders (Report 33601-0002-31, issued 6/30/21)*

Follow-Up to Animal and Plant Health Inspection Service's Controls Over Licensing of Animal Exhibitors (Report 33601-0003-23, issued 3/12/21)*

National Veterinary Stockpile Oversight (Report 33701-0001-21, issued 9/23/20)*

Recommendation Progress**
OIG issued 7 audit products with 52 recommendations,11 of which remain open.

Example Report Summary

In the first finding of our 2022 report, *Cattle Health Program Disease Incident Response*, we found that APHIS did not adequately manage identified risks to its animal disease tracing capabilities. This occurred because APHIS did not sufficiently analyze the risks' significance to determine what mitigating actions APHIS or its cooperators should take. As a result, APHIS' ability to timely and effectively respond to cattle disease incidents may be adversely impacted—potentially slowing the tracing process and increasing the likelihood of disease spread. Additionally, cattle producers' business operations may be affected. We recommended that APHIS analyze animal disease traceability risks by estimating the risks' significance and, based on the results, determine what actions are necessary to mitigate the risks. APHIS agreed with our recommendations.

OIG closed approximately 43 investigations involving plant and animal health during this time, obtaining 32 administrative and 181 criminal outcomes and more than $2 million in monetary results.

* Indicates that all recommendations in the report are closed.
** Indicates that the report recommendation statuses are up to date as of July 31, 2023.

USDA OIG Highlighted Investigations Closed June 2020–2023: Plant and Animal Health

Crossville [Tennessee] Man Convicted of Drug Conspiracy and Other Crimes

Lead Defendant in Dog-Fighting Operation Sentenced to Federal Prison

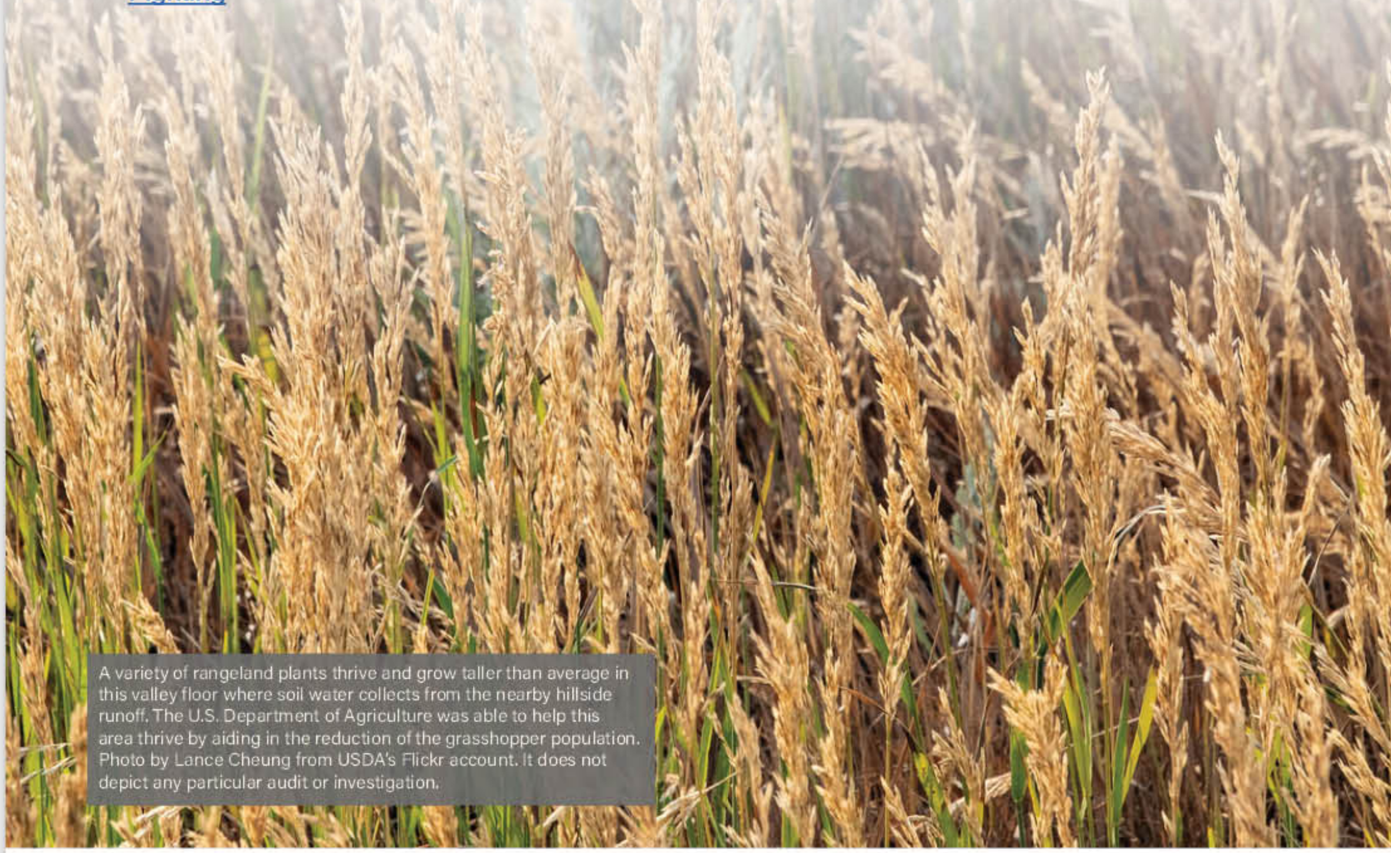
Drug Trafficking and Dogfighting Ringleader Sentenced to 30 Years in Prison

Final Defendants Sentenced in Federal Dog Fighting Case

Kent County [Delaware] Man Sentenced to Incarceration for Drugs, Gun and Dog Fighting

Pallett Recycling Company to Pay $100,000 Fine and Former Owner Sentenced for Environmental Crime

"Chicken Joe" Sentenced to 16 Months in Prison for Conspiring to Run an Animal Fighting Operation



A variety of rangeland plants thrive and grow taller than average in this valley floor where soil water collects from the nearby hillside runoff. The U.S. Department of Agriculture was able to help this area thrive by aiding in the reduction of the grasshopper population. Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.

Cybersecurity and Information Technology

To provide benefits and services to the American public, USDA must efficiently manage vast amounts of data. The Office of the Chief Information Officer (OCIO) supports USDA's mission through innovative, secure, and cost-effective IT solutions and services. According to the Federal IT Dashboard, the Department plans to spend more than $3.1 billion on IT-related initiatives in FY 2023. Members of the public apply for and access many USDA programs, benefits, and other services through online or mobile portals, which can require the transfer of sensitive information. In addition, USDA employees must be able to access, use, and communicate this information reliably and timely.

The Office of Management and Budget (OMB) establishes standards for an effective level of security and considers "Managed and Measurable" to be a sufficient level. However, our work has found consistent weaknesses with IT-related initiatives since the Federal Information Security Modernization Act of 2014 (FISMA) was enacted. Specifically, USDA has not reached the "Managed and Measurable" level for the scope of this report. We found the Department's maturity level remained at the "Consistently Implemented" level for this timeframe, which indicates an ineffective level of security based on OMB's criteria. The Department and its agencies must develop and implement an effective plan to mitigate security weaknesses identified in the prior fiscal year recommendations. The Department thus faces a significant challenge in safeguarding information by protecting the security, confidentiality, and integrity of its IT infrastructure, even as it allows authorized users to access and use this information.

Furthermore, GAO has designated cybersecurity as a Governmentwide high-risk area since 1997. GAO expanded this high-risk area in 2003 to include protection of critical cyber infrastructure and again in 2015 to include protecting the privacy of personally identifiable information.

We have issued additional IT security-related reports, which have been redacted due to sensitive content and are being withheld from public release due to concerns about the risk of circumvention of law. OIG's Office of Investigations also conducts reviews in this area.


Courtesy Photo/AdobeStock.

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USDA OIG Highlighted Work Issued June 2020–2023: Cybersecurity and Information Technology

Security Testing of a Selected USDA Network (50801-0004-12, issued 12/15/22)*

U.S. Department of Agriculture, Office of Chief Information Officer, Fiscal Year 2022 Federal Information Security Modernization Act (50503-0009-12, issued 9/27/22)

Secure Configuration of USDA's Virtualization Platforms (50801-0003-12, issued 8/18/22)

U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2021 Federal Information Security Modernization Act (50503-0005-12, issued 10/29/21)*

Security Over USDA Web Applications (50801-0002-12, issued 10/27/21)

USDA's Information Technology Incident Response Consideration (88801-0001-12, issued 6/2/21)*

USDA's Security Controls Over the Prevention and Mitigation of Ransomware (50501-0024-12, issued 2/25/21)*

U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2020 Federal Information Security Modernization Act (50503-0003-12, issued 10/29/20)*

Security Over Select USDA Agencies' Networks and Systems FY 2019 (50501-0022-12 issued 9/30/20)

Implementation of the IT Modernization Centers of Excellence Improvements (50801-0001-12, issued 9/23/20)*

Recommendation Progress**
OIG issued 10 audit products with 63 recommendations, 8 of which remain open.

Example Report Summary

According to the *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2022 Federal Information Security Modernization Act Audit*, we found that USDA continues to take positive steps to improve its IT security posture, but many weaknesses remain. Out of 25 previously open recommendations identified during FY 2020 and FY 2021 FISMA performance audits, we determined USDA successfully closed 8 recommendations during our fieldwork that ended on June 30, 2022. We have also issued seven new recommendations based on security weaknesses identified in FY 2022. OCIO concurred with all the findings and recommendations in this report.

USDA OIG Highlighted Investigations Closed June 2020-2023: Cybersecurity and Information Technology

OIG closed two investigations involving cybersecurity and IT during this time, obtaining one administrative outcome.

No press releases are available for these cases.

* Indicates that all recommendations in the report are closed.
** Indicates that the report recommendation statuses are up to date as of July 31, 2023.

Challenge 2: Providing Benefits

USDA manages more than 300 programs that provide a variety of services to the American public. Many of these programs provide essential services, such as disaster assistance ($563 million), crop insurance ($13.2 billion), nutrition assistance programs ($146.7 billion), farm commodity programs ($9.1 billion), and more. Collectively, these programs account for over 80 percent of USDA's FY 2023 funding.

Effective oversight and monitoring of USDA's programs and operations are vital. This oversight ensures that funds reach those for whom they are intended and that programs are efficient, produce reliable results, and comply with applicable laws and regulations. Program integrity and proper stewardship of resources are significant responsibilities of the Department; ineffective oversight and accountability can negatively impact consumer confidence in USDA programs.

Due to the impact of these programs and the large funding amounts involved, the Department must employ efficient processes within its programs and provide effective oversight to ensure program integrity. These actions help mitigate instances of fraud, waste, and abuse and ensure benefits reach those for whom they are intended. The following sections summarize USDA's challenges and progress with integrity of benefits related to food and nutrition programs and grant oversight.

Organic carrots sold at a farmers' market that uses a token system for people who want to use debit and the U.S. Department of Agriculture's Food and Nutrition Service Electronic Benefits Transfer card. USDA Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.

Food and Nutrition Assistance Programs

Food and nutrition assistance programs play significant roles in combating food insecurity and reducing hunger for children, low-income families, Tribal Nations, and the elderly. The Food and Nutrition Service (FNS) administers 16 Federal nutrition assistance programs, including the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Supplemental Nutrition Assistance Program (SNAP); and school meals.

The onset of the coronavirus disease 2019 (COVID-19) pandemic generated

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many changes to USDA's food and nutrition assistance programs. Congress passed several laws to combat the impacts of COVID-19, including the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the American Rescue Plan Act of 2021. These acts provided significant funding to expand the scope and coverage of existing USDA benefits programs through greater administrative flexibilities. USDA also implemented temporary programs, such as the Farmers to Families Food Box Program and the Pandemic Electronic Benefits Transfer program, to make benefits even more accessible during the COVID-19 pandemic.

In FY 2023, FNS was expected to receive $146.7 billion out of the Department's projected $209.3 billion total outlays, accounting for 73 percent of the Department's funding. Since a high percentage of USDA's total funding is awarded to FNS for food and nutrition assistance programs, FNS must safeguard the integrity of its program funds and ensure the programs are delivered and used as intended. However, our work has found that the Department continues to face challenges with nutrition program administration and oversight, especially with the implementation of new pandemic-related programs that increased participation and introduced program flexibilities. Based on our investigative monetary results, USDA loses millions of dollars every year to fraud and crime associated with SNAP and other FNS food and nutrition assistance programs. Since these programs are vital to Americans, FNS must strengthen its oversight of these programs and remain vigilant against fraud, waste, and abuse.

Courtesy Photo/AdobeStock.

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Example Report Summary

In our inspection report of The Emergency Food Assistance Program (TEFAP), we reviewed the flexibilities FNS made available to the State agencies during the pandemic and whether FNS' oversight of State agencies and Eligible Recipient Agencies (ERA) were properly accounting for and using the program's administrative funds correctly. We found that State agencies did not always request flexibilities in writing, as required by Federal regulation; FNS regional office personnel did not ensure they provided written approval of the State agencies' requests prior to implementation, as directed by the FNS National Office; FNS approved a State agency's request to implement an unallowable flexibility; and management evaluation reviewers did not support their determinations of State agency and ERA compliance or non-compliance with Federal and FNS program requirements in their workpapers. We recommended that FNS establish and implement written procedures for its TEFAP State plan amendment process; work with the regional offices to confirm that TEFAP State plans reflect current operations and are approved in writing; perform a review of the TEFAP program-specific management evaluation module to provide clear instructions for retaining documentation; and provide management evaluation reviewers with training. FNS agreed with our findings and recommendations.

USDA OIG Highlighted Work Issued June 2020–2023: Food and Nutrition Programs

Supplemental Nutrition Assistance Program Waiver Process (27601-0006-41, issued 1/3/23)

COVID-19—Oversight of the Emergency Food Assistance Program—Final Report (27801-0001-21, issued 8/18/22)*

COVID-19—Farmers to Families Food Box Program Administration—Interim Report (01801-0001-22(1), issued 6/24/22)*

COVID-19—Oversight of the Emergency Food Assistance Program—Interim Report (27801-0001-21(1), issued 8/25/21)

COVID-19—Supplemental Nutrition Assistance Program Online Purchasing in Response to the Coronavirus Disease 2019 (27801-0003-22, issued 8/25/21)

Consolidated Report of FNS and Selected State Agencies' Controls Over [Summer Food Service Program] SFSP (27601-0005-41, issued 9/18/20)

Recommendation Progress**
OIG issued 8 audit products with 28 recommendations, 17 of which remain open.

* Indicates that all recommendations in the report are closed.
** Indicates that the report recommendation statuses are up to date as of July 31, 2023.

USDA OIG Highlighted Investigations Closed June 2020-2023: Food and Nutrition Programs

OIG closed approximately 452 investigations related to food and nutrition programs during this time, obtaining 1,096 administrative, 1,485 criminal, and 5 civil outcomes and more than $192 million in monetary results. These programs were created to provide food and nutrition to those who truly need this assistance. OIG will continue to dedicate investigative resources and work with our law enforcement and prosecutorial partners to protect the integrity of these programs.

Final Defendant Sentenced to Prison in All About Giving Fraud

Director of Not-For-Profit in Henderson [North Carolina] Sentenced for Theft of Federal Funds

Brookdale [New York] Hospital Agrees to Civil Settlement to Resolve Allegations That Former Employees Defrauded a Federally Funded Nutrition Program

Texas Woman Sentenced for Fraud and Money Laundering Conspiracies Targeting Federally Funded Meal Programs for Underprivileged Youth

Guam Seafood Store Owner Sentenced to 21 Months Imprisonment for Food Stamp Fraud

East Bay [California] Convenience Store Owner Sentenced to More Than 3 Years in Prison for Role in Food Stamp Fraud Conspiracies

Convenience Store Owner, Worker, Sentenced to Prison for Defrauding Federal Food Stamp Program

Brooklyn [New York] Yeshiva Admits to Pervasive Program and Benefit Fraud Conspiracy

Final Defendant Sentenced for Role in Conspiracy to Defraud U.S. Department of Agriculture

Courtesy Photo/AdobeStock.

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Grants Oversight

USDA distributes and oversees billions of dollars in grants each fiscal year. According to USASpending.gov, in FY 2022 USDA obligated more than $57 billion for grants that were used for numerous purposes, including disaster relief, block grants, and market development programs. USDA must ensure grants are used for the purposes identified in the grant award and within specific limitations and regulations. Further, the timely receipt of accurate financial records and performance reports from grantees is necessary for agencies to ensure grant funds are properly spent and intended results are achieved. Federal agencies are required to follow OMB guidance to award, monitor, and assess the success of grants.[3] This guidance provides consistent and uniform Governmentwide policies and procedures for management of the agencies' grants and agreements.

Correspondingly, the 2021 Infrastructure Investment and Jobs Act (IIJA) provided USDA more than $8.3 billion in funding to improve the Nation's energy, broadband access, transportation, and other infrastructure projects. The Inflation Reduction Act provided the Natural Resources Conservation Service with $19.5 billion in additional funds over 5 years for its existing conservation programs. Also, the American Rescue Plan Act provided additional relief to address the continued impact of COVID-19 on the economy, public health, State and local governments, individuals, and businesses.

OIG's oversight work has identified weaknesses in USDA's management of grant processes. While some weaknesses were related to internal controls, others were related to criminal acts such as theft or misuse of funds. Any weaknesses in these processes can lead to misspent funds and ineffective programs. As the number of grants increases, it is imperative that USDA address weaknesses in the grant award and monitoring process to ensure grant funds are used fairly, correctly, and transparently.

Debris in a flooded area following a hurricane. Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.

[3] 2 C.F.R. § 200.

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Example Report Summary

Our FY 2022 report *Oversight of the Agricultural Trade Promotion Program* (ATP) reviewed the process that the Foreign Agricultural Service (FAS) used to award $300 million in ATP funding during FY 2019. We found that FAS awarded $300 million in ATP funding to applicants who may not have been the most meritorious based on the announced criteria and program regulations. This occurred because FAS did not make establishing controls over its grant programs a priority even though FAS agreed to do so in response to recommendations OIG made in 2014. Additionally, FAS did not maintain sufficient documentation about the reviews performed on applications and the selections made, which impaired our ability to fully evaluate those reviews and selections. FAS officials explained ATP was developed very quickly. FAS officials stated that the best way to develop the new program quickly was to model it on similar market development programs that were already in use and to use analysis that had recently been conducted for these same potential applicants. However, we identified control weaknesses and significant deviations from established internal controls and processes that call into question the merit of the awards made. FAS agreed to implement our recommendations.

Container ships docked at a terminal. USDA photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.

USDA OIG Highlighted Work Issued June 2020–2023: Grants Oversight

Wildfires and Hurricanes Indemnity Program—Puerto Rico (03702-0003-31, issued 3/24/23)

Oversight of the Agricultural Trade Promotion Program (07601-0001-24, issued 8/29/22)

Florida Citrus Recovery Block Grant Program (03702-0001-22, issued 6/30/21)*

Hurricane Disaster Assistance—Emergency Watershed Protection Program (10702-0001-23, issued 6/25/21)

2017 Hurricane Relief Emergency Conservation Program (03702-0002-23, issued 6/9/21)

Forest Service Grant for Roadless Area Management in the State of Alaska (08801-0001-24, issued 12/15/20)*

Agricultural Marketing Service Controls Over the Specialty Crop Block Grant Program (01601-0002-23, issued 10/6/20)*

Recommendation Progress**
OIG issued 7 audit products with 40 recommendations, 17 of which remain open.

USDA OIG Highlighted Investigations Closed June 2020-2023: Grants Oversight

OIG closed approximately 16 investigations involving grant fraud during this time, obtaining 13 administrative and 13 criminal outcomes and more than $6 million in monetary results. Grant funds are awarded for a specific "public purpose" and grantees must use those funds as agreed and within certain parameters, to include the granting agency's guidelines. Common grant fraud risks include misappropriation and/or misuse of funds, theft of Government funds, misrepresentation to obtain the funds, and unreported conflicts of interest to guarantee receipt of the funds.

Husband and Wife Sentenced in Scheme to Defraud the United States

Newport Woman Pleads Guilty to Wire Fraud and Stealing from Federally Funded Program

Citrus nursery operations. Maintaining a clean supply of citrus plants for homeowners and commercial producers is a key component of the U.S. Department of Agriculture Animal and Plant Health Inspection Service citrus disease program. USDA photo by Timothy Riley from USDA's Flickr account. It does not depict any particular audit or investigation.

* Indicates that all recommendations in the report are closed.
** Indicates that the report recommendation statuses are up to date as of July 31, 2023.

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Outreach

The Department has prioritized outreach efforts in its Strategic Plan Fiscal Years 2022–2026. For example, USDA plans to prioritize upholding civil rights and building trust with underserved communities, including Tribal Nations, through equitable and inclusive customer service and actions. The Department also plans to design, implement, and administer programs in a way that increases access and program participation for underserved communities. Additionally, the Department intends to ensure USDA investments and services are directed to underserved communities, using data to understand who benefits from USDA programs and services.

Our prior work shows that to implement effective, efficient agricultural programs that also reach underrepresented groups, USDA must improve its outreach efforts, including performance management, oversight of award and complaints processes, and data collection. While USDA has made progress in this area, the Department must continue to increase access to underserved and hard-to-reach populations, remove barriers to participation, and improve the delivery of its programs.

Example Report Summary

A 2021 OIG audit reviewed and evaluated the Office of Partnerships and Public Engagement (OPPE) policies, procedures, and internal controls related to the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program's (2501 Program) grant management process and the 2501 Program grants awarded in FYs 2018 and 2019. Additionally, we reviewed the implementation of recommendations from prior audits.

We found that 6 of the 18 applications we reviewed were not eligible to receive grant funds; as a result, OPPE awarded a total of more than $1.1 million in grant funds to 3 of the 6 ineligible entities. We also determined that the independent review panel did not follow established guidance and did not apply a consistent methodology to award points; as a result, OPPE cannot ensure it awarded FYs 2018 and 2019 grants—totaling more than $25 million—to the worthiest applicants. In addition, we determined that program personnel did not follow procedures OPPE established to monitor and evaluate grantee performance effectively; as a result, OPPE cannot assess whether it achieved the objectives of the 2501 Program and whether program resources are protected. Finally, we determined that OPPE did not establish a performance plan and set performance goals and indicators to measure and assess its progress towards achieving the 2501 Program's purpose. OPPE agreed with our recommendations.

USDA OIG Highlighted Work Issued June 2020–2023: Outreach

Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program (2501 Program) in Fiscal Years 2018 and 2019 (91601-0001-21, issued 11/10/21)

USDA Oversight of Civil Rights Complaints (60601-0001-21, issued 9/22/21)

Market Facilitation Program—Interim Report (03601-0003-31(1), issued 9/30/20)

Recommendation Progress**
OIG issued 3 audit products with 42 recommendations, 15 of which remain open.

USDA OIG Highlighted Investigations Closed June 2020-2023: Outreach

OIG conducted approximately four investigations involving fraud against programs benefiting underrepresented groups during this time, obtaining more than $11 million in monetary results.

Seven Defendants Sentenced to Federal Prison in $11.5 Million Fraud Case

* Indicates that all recommendations in the report are closed.
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Challenge 3: Delivering Efficient Programs

The effectiveness and efficiency with which USDA manages its assets are critical. With such a diverse portfolio of programs, the Department must execute well-designed programs to ensure diligent oversight of Federal funds. However, USDA has the continuing challenge of designing, developing, and implementing programs that reliably achieve their intended results. Monitoring program performance is also essential to ensure that USDA programs and benefits are delivered effectively and are accessible to all the communities USDA serves. To accomplish this goal, the Department must have sufficient controls to ensure the data used to evaluate program performance, measure impact, and make evidence-based decisions are complete, timely, and accurate. In addition, since USDA received significant additional funding through FFCRA, the CARES Act, the American Rescue Plan Act, IIJA, and the Inflation Reduction Act to implement its various responsibilities, the Department needs to remain more vigilant than ever in its efforts to strengthen financial management. The following section summarizes USDA's challenges and progress in the areas of financial reporting and data integrity.

Financial Reporting

Financial reporting serves as the foundation for responsible fiscal management and transparency. Accurate and comprehensive financial reporting allows USDA to account for its financial activities, expenditures, and revenue sources, demonstrating accountability and responsible stewardship of public funds. It enables the agency to assess the effectiveness and efficiency of its programs, facilitating data-driven decision-making to optimize resource allocation and program outcomes. Additionally, financial reporting ensures compliance with relevant laws, regulations, and accounting standards, reducing the risk of legal and financial repercussions. Transparent financial reporting also fosters trust and confidence among stakeholders, including the public, Congress, and other Government agencies, reinforcing USDA's credibility and commitment to supporting American agriculture, rural communities, and food security.

As required by law, OIG either conducts or oversees audits of the financial statements for the Department and four component agencies annually to determine if the statements are fairly presented in accordance with generally accepted accounting principles. In addition, OIG reviews internal controls over financial reporting and tests compliance with applicable laws and regulations. These financial statements account for USDA's costs and revenues, assets and liabilities, and other information. In addition, the [Payment Integrity Information Act of 2019](#) (PIIA) collectively requires agencies to periodically review all programs and activities to identify those susceptible to significant improper payments.[4] An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Not all improper payments are fraudulent, and not all improper payments represent a loss to the Government. However, all improper payments can affect the integrity of Government programs and compromise the public's trust in the Federal Government.

Although USDA has addressed longstanding deficiencies with financial reporting, it continues to face challenges reaching full compliance with Federal requirements for improper payments. As USDA works to address improper payments and improve the quality of its financial reporting, we continue to emphasize the importance of complying with improper payment and financial reporting requirements, especially those related to improper payment information. If USDA addresses key weaknesses, the public can be more confident that USDA conscientiously and effectively accounts for, uses, and recovers taxpayer dollars.


Courtesy Photo/AdobeStock.

[4] The Payment Integrity Information Act of 2019, Pub. L. No. 116-117 (2020), repealed the Improper Payments Information Act of 2002, Pub. L. No. 107-300; Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204; and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248.

Example Report Summary

Our review of compliance with laws and regulations identified noncompliance with PIIA. We found that USDA was not compliant with four of the six PIIA requirements for FY 2022. Specifically, 4 of the 14 reporting Phase 2 programs and 1 Phase 1 program did not fully comply with PIIA requirements. Four Phase 2 programs did not meet the PIIA compliance requirements on at least two of the following: reduction targets, corrective action plans, or improper payment rate of less than 10 percent. We also found that USDA did not ensure that one Phase 1 program completed an FY 2022 risk assessment, as required by PIIA, and reporting in the accompanying materials incorrectly stated that the program did not need to complete an FY 2022 risk assessment. The agency agreed with our recommendations.

USDA OIG Highlighted Work Issued June 2020–2023: Financial Reporting

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2022 (50024-0003-24, issued 5/22/23)

USDA's Consolidated Financial Statements for Fiscal Years 2022 and 2021 (50401-0021-11, issued 11/14/22)*

Commodity Credit Corporation's Financial Statements for Fiscal Years 2022 and 2021 (06403-0005-11, issued 11/9/22)

Natural Resources Conservation Service's Financial Statements for Fiscal Years 2022 and 2021 (10403-0005-11, issued 11/9/22)

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021 (50024-0002-24, issued 6/28/22)*

USDA's Consolidated Financial Statements for Fiscal Years 2021 and 2020 (50401-0020-11, issued 11/15/21)

Commodity Credit Corporation's Financial Statements for Fiscal Years 2021 and 2020 (06403-0004-11, issued 11/15/21)*

Natural Resources Conservation Service's Financial Statements for Fiscal Years 2021 and 2020 (10403-0004-11, issued 11/15/21)

Rural Development's Financial Statements for Fiscal Years 2021 and 2020 (85401-0012-11, issued 11/9/21)*

Forest Service Use of Settlement Funds (08601-0011-41, issued 3/24/21)*

U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2020 and 2019 (50401-0019-11, issued 12/14/20)*

Commodity Credit Corporation's Financial Statements for Fiscal Years 2020 and 2019 (06403-0003-11, issued 12/8/20)*

Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2020 and 2019 (05401-0012-11, issued 12/8/20)*

Recommendation Progress**
OIG issued 13 products with 50 recommendations, 16 of which remain open.

* Indicates that all recommendations in the report are closed.
** Indicates that the report recommendation statuses are up to date as of July 31, 2023.

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Data Integrity

USDA creates and manages multitudes of data across hundreds of applications and data stores. They are used for numerous purposes, including research, program initiatives, policymaking, and financial transparency. These data allow the Department to innovate, measure progress and success, make evidence-based decisions, and improve the delivery of services and programs. According to USDA's [data strategy](), the Department has an opportunity to harness its vast data assets strategically to improve internal decision-making and efficient use of resources, maximize the impact of citizen-facing programs, and provide the public and private industry with easy access to data that can solve national problems and drive innovation.

However, USDA has faced challenges with maintaining its data integrity. For example, we published four reports that found issues with maintaining complete and accurate payment information, keeping consistent records, and reporting accurate and timely data, which leads to further challenges for USDA in reaching its goal of becoming a facts-based, data-driven organization.

Example Report Summary

As stated in the executive summary of *USDA's Compliance with the Geospatial Data Act for Fiscal Year 2022*, the purpose of the Geospatial Data Act (GDA) is to minimize duplication of geospatial activities across agencies and improve collaboration, reduce waste, codify previous executive actions, and give Congress an oversight role for the Federal Government's multibillion-dollar investments in geospatial data. Within USDA's OCIO, the Enterprise Geospatial Management Office (EGMO) oversees, coordinates, and facilitates USDA's implementation of geospatial policies, directives, requirements, and data management.

Although we recognize that USDA has made progress toward complying with certain aspects of the GDA, we found that it was not compliant with 6 of the 13 covered agency responsibilities. Additionally, we determined that the designated oversight entity, EGMO, did not have an accurate inventory of geospatial assets. As a result, USDA agencies inconsistently implemented the GDA. Without consistency, USDA is not completely fulfilling its role of improving Federal management, coordination, and utilization of geospatial data, which can negatively impact mission-critical business requirements of the Department's infrastructure and emergency response capabilities nationwide. OCIO generally concurred with our six recommendations.

Courtesy Photo/AdobeStock.

USDA OIG Highlighted Work Issued June 2020–2023: Data Integrity

USDA’s Compliance with the Geospatial Data Act for Fiscal Year 2022 (50501-0026-12, issued 9/30/22)

USDA’s Digital Accountability and Transparency Act Compliance Efforts for Fiscal Years 2020 and 2021 (11601-0002-12, issued 11/3/21)*

U.S. Department of Agriculture’s 2020 Compliance with the Geospatial Data Act (50501-0023-12, issued 9/29/20)*

2017 Emergency Assistance for Honeybee Claims (03702-0001-23, issued 9/28/20)

Recommendation Progress**
OIG issued 4 audit products with 33 recommendations, 11 of which remain open.

Courtesy Photo/AdobeStock.

* Indicates that all recommendations in the report are closed.
** Indicates that the report recommendation statuses are up to date as of July 31, 2023.

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Acronyms and Abbreviations

2501 Program	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program
APHIS	Animal and Plant Health Inspection Service
ATP	Agricultural Trade Program
AWA	Animal Welfare Act
CARES	Coronavirus Aid, Relief, and Economic Security
C.F.R.	Code of Federal Regulations
COVID-19	coronavirus disease 2019
EGMO	Enterprise Geospatial Management Office
ERA	Eligible Recipient Agencies
FAS	Foreign Agricultural Service
FFCRA	Families First Coronavirus Response Act
FISMA	Federal Information Security Modernization Act of 2014
FNS	Food and Nutrition Service
FSIS	Food Safety and Inspection Service
FY	fiscal year
GAO	Government Accountability Office
GDA	Geospatial Data Act
IIJA	Infrastructure Investment and Jobs Act
IT	information technology
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPE	Office of Partnerships and Public Engagement
PIIA	Payment Integrity Information Act of 2019
SNAP	Supplemental Nutrition Assistance Program
TEFAP	The Emergency Food Assistance Program
USDA	U.S. Department of Agriculture
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

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Response to Management Challenges

USDA takes challenges identified by OIG very seriously and is aggressively pursuing corrective actions to address these weaknesses. The Department has already completed several corrective actions recommended by OIG and Government Accountability Office auditors. We will continue to enhance internal controls to remain compliant with Federal laws and regulations, as indicated in the following responses.

CHALLENGE 1: Ensuring Safety and Security

Food Safety and Inspection Service

FSIS has made progress in improving its oversight of food safety. All food safety-related recommendations made between June 2020-2023 have been closed. Additionally, USDA has closed all GAO recommendations directed at USDA to address the high-risk area, Federal Oversight of Food Safety. GAO has conducted audits regarding Federal Oversight of Food Safety which addressed the issue of fragmentation of the U.S. food safety system by creating a single food safety agency. The final audit report issued in 2017, Food Safety: A National Strategy Is Needed to Address Fragmentation in Federal Oversight. U.S. GAO, contained only one recommendation, which is still open, directed at the Executive Office of the President. USDA continues to remain vigilant and proactive in ensuring Americans receive wholesome foods. FSIS collaborates with our food safety partners regarding food safety. FSIS will continue to improve our inspection strategies and technology systems, and provide consistent, documented applications of statutes and regulations.

Animal Plant Health and Inspection Service, Cattle Health Program Disease Incident Response, (33601-0003-41)

Currently, APHIS is developing an analysis of oversight procedures to assess the magnitude of impact, likelihood of occurrence, and the nature of the three risks. (1) Official Identification Requirements Limited to Interstate Movements, (2) Exclusion of Beef Feeder Cattle from Official Identification Requirements, (3) and Inconsistent Collection and Correlation of Identification at Slaughter Facilities. Upon completion APHIS will incorporate findings into the traceability program and institute risk mitigation procedures for the three identified areas. APHIS is preparing a new traceability rule for publication to address the needs and desires for traceability in the industry.

APHIS is developing additional guidance to provide to field offices that includes the specific documentation offices are required to maintain for the Cattle Health Program tuberculosis and brucellosis indemnity payments.

APHIS has completed corrective actions which enable recipients to separately identify their costs for each program under Animal Health program umbrella cooperative agreements.

Animal Plant Health and Inspection Service, Plant Pest and Disease Management and Disaster Prevention Program, (33601-0001-21)

APHIS plan to implement a process to track all Plant, Pest, and Disease Management transactions for each project from approval through closeout, including Rapid Response.

APHIS Plant, Protection and Quarantine office is developing plans of action to mitigate the risks posed by cooperators with an elevated risk level for both active and future agreements. This plan will include consideration of the risk in the application process, additions of special measures into an award agreement, and review activities to be conducted through the completion of an award.

Office of the Chief Information Office, U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2022 Federal Information Security Modernization Act, (50503-0009-12)

The Department finalized the "FISMA Improvement Plan" on September 12, 2022. This comprehensive 5-year strategic vision includes a detailed improvement plan that tracks projects and efforts to improve the USDA Information Security Program and Practices. This is the Department's plan of action to migrate CSAM from NIST SP 800-53 Revision 4 to (NIST Rev 4) SP 800-53 Revision 5 (NIST Rev 5) controls. In addition, the Department developed an integrated project team to manage the project schedule.

Office of Communications, Security Over USDA Web Applications, (50801-0002-12)

The Department has implemented a process to prepare and maintain a complete inventory list of all public-facing web applications and websites, update this list as changes occur, and perform reconciliations of the inventory on a regular basis to ensure it is complete and accurate.

CHALLENGE 2: Providing Benefits

Food Nutrition Service, Supplemental Nutrition Assistance Program Waiver Process, (27601-0006-41)

FNS is in the process of updating policies and procedures to provide to stakeholders which will ensure all SNAP waivers are documented as required. These will include procedures for maintaining adequate and proper documentation, including records such as policy decisions and regulatory and statutory interpretations, which will ensure official agency records comply with applicable requirements are underway and will be completed November 15, 2023.

Food Nutrition Service, COVID-19 Supplemental Nutrition Assistance Program Online Purchasing in Response to the Coronavirus Disease 2019, (27801-0003-22)

FNS provided documentation for review regarding updates to the SNAP Online Purchasing risk assessment. FNS will establish a policy for periodic review and updating the assessment. FNS established controls for monitoring, evaluating, and documenting SNAP participants' personal information by issuing an internal Standard Operating Procedure in August 2022.

FNS will finalize the updated risk assessment, to include testing and risk mitigation by the estimated completion date of December 31, 2023.

Food Nutrition Service, Consolidated Report of FNS and Selected State Agencies' Controls Over [Summer Food Service Program] SFSP, (27601-0005-41)

In December 2022, new legislation was signed which made significant changes to the Summer Food Service Program (SFSP) and required FNS to work on rule-making to codify these changes before guidance and best practices that align with program requirements could be issued. FNS is now finalizing guidance to describe how and when State agencies should ensure applicants' sites do not serve the same meal to the same children as other SFSP sites in the same area and are ensuring these sites align with the Interim Final Rule to be published in late 2023.

FNS continue to take several actions to improve program processes which include revising guidance, establishing a workgroup to update the SFSP Management Evaluation (ME) Guide for fiscal year 2024, and providing training to regional and State agencies on updated guidance.

Agricultural Marketing Service, COVID-19 Farmers to Families Food Box Program Administration - Interim Report, (01801-0001-22)

AMS will establish and implement a policy that includes assessing risks and developing effective controls when responding to national emergencies. In addition, AMS is developing and Emergency Acquisition Policy and Procedures for Food Purchases by the Departments Commodity Procurement Program (CPP) in support of a response to a Presidential declared emergency, completed December 12, 2022.

Farm Service Agency, Wildfires and Hurricanes Indemnity Program-Puerto Rico, (03702-0003-31)

Currently, FSA is updating policies and procedures to strengthen the overall controls and review process in regards to tree, bush, and vine losses. FSA will work to establish policy for conducting accuracy and applicability reviews when information or data from an outside entity is utilized for FSA programs. Updated guidance, Handbook 1-CM Amendment 80 was issued on June 9, 2023, to require National Office approval before State or country offices develop policy or procedures.

Farm Service Agency 2017 Hurricane Relief Emergency Conservation Program, (03702-0002-23)

Although the OIG audit of FSA ECP did not directly involve FSA's management or oversight of grants, OIG's audit of FSA's Florida Citrus Recovery Block Grant Program (CRBG), identified and ECP payment of more than $50,000 to a producer for expenses already paid by the CRBG Program. FSA completed corrective actions to address the improper payment by collecting the overpayment amount.

A determinations on whether relief will be granted are pending. Florida State office received request the request for relief from applicable FSA County offices. No applicable receivables were identified by External Audits and Investigation Branch as of June 23, 2023.

FSA continue to issue revised guidance and implement national training to improve processes.

Natural Resources Conservation Service, Hurricane Disaster Assistance- Emergency Watershed Protection Program, (EWP) (10702-0001-23)

NRCS has made great stride in regards to implementing recommendations made by OIG. An improvement made to improve program monitoring was a national program database and to improve internal controls, NRCS revised the EWP program manual to verify sponsor eligibility and ensure the correct and timely completion of project reports. The frequency of reviews of unliquidated obligations was increased and performance metrics were added to the manual.

Office of Partnerships and Public Engagement Formerly OAO, Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program (2501 Program) in Fiscal Years 2018 and 2019, (91601-0001-21)

The OPPE 2501 Program developed and implemented prescreening controls to ensure all SAM checks are conducted and documented in an Initial Review Checklist Form. The form captures initial eligibility data such as the SAM.gov registration requirement, entity start date, Federal Financial Representations and Certification completion, and whether the applicant adhered to the Funding Opportunity Announcement (FOA) requirements. Controls have been established to determine eligibility and monitor score sheets electronically submitted by the Review Panel, and implemented a revised process for recipient selection. Training was received during the 2023 Grant Cycle. Management participated in the training to conduct knowledge checks and reinforce process requirements. Program staff have updated the 2501 Program’s policies and procedures manual to better minimize fraud, waste, and abuse. Baseline monitoring, which includes in-office assessment and desktop monitoring, is conducted on a recurring cycle throughout the lifetime of the award. Advanced monitoring, which includes on-site evaluations is conducted on a least five percent of active grants and contingent on availability of travel funds. OPPE follow established risk-assessment criteria when determining the monitoring schedule and focus area for grant recipients. Monitoring controls were developed and implemented to ensure established oversight and monitoring activities are performed as prescribed. Internal controls were established to verify grantees submit OMB-approved performance progress reports and financial reports.

Performance and financial reports are reviewed to ensure the required certification language is included and the form is not expired. Controls are in place to ensure grantees provide enough detail in their funds request and expense justifications to allow OPPE to verify USDA funds are used for their intended purpose and that project costs are necessary, reasonable, allowable and allocatable. The Performance Improvement Officer (PIO) is working with additional resources to develop performance goals and indicators for the 2501 Program and is in the process of working with the Department to develop the program evaluation templates to determine the effectiveness and efficiency of the 2501 Program.

Office of the Assistant Secretary for Civil Rights, USDA Oversight of Civil Rights Complaints, (60601-0001-21)

OASCR has made improvements in support of oversight of civil rights complaints. OASCR has revised the Departmental Regulation (DR) 4330-003, Non-discrimination in USDA-Conducted Programs and Activities to improve the timeframe to process program complaints, which was published October 3, 2022. Additional guidance, Department Manual (DM) Program Complaint will be published once reviewed by the Department.

Farm Service Agency, Market Facilitation Program - Interim Report, (03601-0003-31) (1)

FSA has improved processes for managing customer data by updating guidance and implementing new requirements to provide customers an opportunity to update information to be used in the Customer management data system. FSA continue to work with Stakeholders to update and revise Departmental Regulation (DR) 43370-001.

CHALLENGE 3: Delivering Efficient Programs

USDA's Compliance with Improper Payment Requirement for Fiscal Year 2022, (50024-0003-24)

Farm Service Agency

FSA submitted plans to the appropriate officials describing the actions FSA will take to bring the following programs into compliance: ARC/PLC, Livestock Forage Disaster Program (LFP) and ECP.

FSA will continue to improve processes by providing additional employee training and understand trends and systemic issues occurring at the State and county levels.

Office of the Chief Financial Officer

OCFO requested and was granted read-only access to the AFR platform to properly review all sections of AFR draft prior to Departmental review and publication. OCFO reviews of the draft ensured that reported information related to the Payment Integrity Information Act of 2019 (PIIA) was current and accurate. OCFO created and utilized a tracking sheet electronically to ensure that all documents were properly reviewed prior to the reporting of any information.

The current Risk Assessment Tracking Tool was enhanced to include additional spaces to track communication with programs regarding submission of the required deliverables. This additionally implemented a progressive communication protocol that ensured all stakeholders were aware of missed details.

USDA program responses to the Annual OMB Data Call will be reviewed to ensure accurate responses to prescribed questions. This will be done by requiring programs to complete the Data Call responses prior to the OMB deadline.

Programs are required to submit the OMB Naming Convention responses to OCFO. OCFO reviewed and submitted the Naming Convention Data Call to the OMB MAX site. Prior to submission, OCFO reviewed the program responses and compared them to previously submitted program inventory deliverables. Any discrepancies between the two documents were discussed with the Agency Point of Contact and resolved prior to submission.

Commodity Credit Corporation, Commodity Credit Corporation's Financial Statements for Fiscal Years 2022 and 2021, (06403-0005-11)

FSA will review and update guidance and continue to monitor and improve internal controls over its financial system applications to ensure adequate security and protection of its financial information.

Natural Resources Conservation Service, Natural Resources Conservation Service's Financial Statements for Fiscal Years 2022 and 2021, (10403-0005-11)

NRCS plans to improve the Upward/Downward adjustments to FMMI by: 1) Identifying the documents that cause the invalid upward/downward adjustments, 2) Adding quality control steps for the adjustments to ensure the adjustments in FMMI is accurate and complete prior to posting, and 3) Document the controls in a Standard Operating Procedures.

Office of the Chief Financial Officer, USDA's Consolidated Financial Statements for Fiscal Years 2021 and 2020, (50401-0020-11)

OCFO plans to complete the following actions to address this challenge and ensure appropriate agency officials obtain training pertaining to Departmental Regulation 2230-001, Reviews of Unliquidated Obligations: (1) offer training course to appropriate agency officials; and (2) document completion rates.

Natural Resources Conservation Service, Natural Resources Conservation Service's Financial Statements for Fiscal Years 2021 and 2020, (10403-0004-11)

NRCS is near completion with implementing procedures that enable management to completely and accurately accrue for expenditures that are incurred but not recorded as of period end and to revise and update guidance.

Office of the Chief Information Officer, USDA's Compliance with the Geospatial Data Act for Fiscal Year 2022, (50501-0026-12)

The OCIO Enterprise Data Management Center, Enterprise Geospatial Management Office (EGMO) developed and implemented a plan of action to collect, disseminate, and preserve geospatial data, developed an inventory tool to track and share Geospatial Data Act data across the Department, developed and implemented a scorecard used to track agency plans to ensure that relevant geospatial data, information, or products can be readily shared with other Federal agencies and non-Federal users, and developed catalog lifecycles used for priority data and products identified by the mission areas.

EGMO will continue to provide management oversight to ensure USDA agencies continue to execute the plan of action developed by EGMO on geospatial data and utilize the tools developed.

EGMO developed a process to verify all approved National Geospatial Data Assets (NGDAs) use geospatial data standards, including metadata standards, developed and implemented AgLearn metadata training, procured geospatial tools (ArcGIS Pro) and made them available for data creators, developed Metadata Standards Departmental Manual which has been published, and documented metadata standards for all USDA NGDAs.

EGMO will continue to provide management oversight to ensure agency compliance with the process to verify that all approved NGDAs use geospatial data standards, including metadata standards, ensure continuance of the AgLearn metadata training, ensure geospatial data creators have the necessary tools to perform effectively, and ensure the community of practice is aware of the published Metadata Standards Department Manual. This audit was satisfied September 13, 2023.

Farm Service Agency, 2017 Emergency Assistance for Honeybee Claims, (03702-0001-23)

FSA published Handbook 1-Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP), Amendment 13 on June 27, 2023, which outlines the internal control process for collecting District director reviews and monitoring State and National offices. A SharePoint site for gathering reviews has been developed to collect the results of reviews, allow monitoring, and provide an overall evaluation of program status. The handbook also provides specific guidance on how to report the results of the District director reviews to the State Executive Director and the information to be included in those reports. The standardized questionnaire has been developed.

FSA will explore implementing the reviews into its Internal Review Documentation and Tracking System.

Payment Integrity

Over the past two decades, laws and regulations governing the identification and recovery of improper payments have evolved to improve payment accuracy and boost public confidence in Federal programs' stewardship of taxpayer dollars. The Improper Payments Information Act of 2002 (IPIA), as amended and expanded by other laws, collectively required agencies to periodically review all programs and activities susceptible to significant improper payments, conduct payment recapture audits, and utilize Government-wide Do Not Pay (DNP) initiatives. In addition, IPIA had extensive reporting requirements. IPIA was repealed and replaced by the Improper Payment Elimination and Recovery Act of 2010, followed by the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA).

In recent years, OMB transformed the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements. IPERIA was repeated and replaced by the PIIA, which was passed on March 2, 2020. The PIIA modified and restructured existing improper payments laws to help agencies better identify and reduce any money wasted because of improper government payments.

Not all improper payments are fraud, and not all improper payments represent a loss to the Government. Generally, an improper payment is any payment that should not have been made or of an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Overview of USDA Programs

During FY 2023, USDA comprised 161 programs in eight mission areas providing leadership on food, agriculture, natural resources, rural development, and nutrition. A ninth mission area was dedicated to supporting the operational and administrative needs of the Department. Exhibit 17 provides further details on the alignment of USDA programs to the various mission areas.

Exhibit 17: Number USDA Programs by Mission Area

Mission Area / Agency	# of Programs
Food, Nutrition, and Consumer Services (FNCS) *Food and Nutrition Service (FNS)*	17
Farm Production and Conservation (FPAC) *Farm Service Agency (FSA), FPAC Business Center, Natural Resources Conservation Service (NRCS), and Risk Management Agency (RMA)*	55
Food Safety (FS) *Food Safety and Inspection Service (FSIS)*	2
Marketing and Regulatory Programs (MRP) *Agricultural Marketing Service (AMS) and Animal and Plant Health Inspection Service (APHIS)*	8
Natural Resources and Environment (NRE) *Forest Service (FS)*	15
Rural Development (RD) *Rural Business-Cooperative Service (RBCS), Rural Utility Service (RUS), and Rural Housing Service (RHS)*	42
Research, Education, and Economics (REE) *Agricultural Research Service (ARS) and National Institute of Food and Agriculture (NIFA)*	7
Trade and Foreign Agricultural Affairs (TFAA) *Foreign Agricultural Service (FAS)*	2
Staff Offices (SO) *Departmental Administration (DA), Office of Partnership and Public Engagement (OPPE), Office of the Secretary of the Assistant Secretary of Civil Rights (OASCR), Office of Budget and Program Analysis (OBPA), Office of the Chief Economist (OCE), Office of the Chief Financial Officer (OCFO), Office of the Chief Information Officer (OCIO), Office of the General Counsel (OGC), Office of Hearings and Appeals (OHA), and Office of Inspector General (OIG)*	13
TOTAL USDA PROGRAMS	**161**

OMB identifies programs as either Phase 1 or Phase 2 based on the potential risk of improper payments. Phase 1 programs have annual outlays of over $10 million (M) and an improper payment rate that is below 1.5 percent. Phase 2 programs exceed the OMB threshold if the reported improper payment amount is above $10M and 1.5 percent of the program's total annual outlays or above $100M regardless of the associated percentage of the program's total annual outlays.

Based on the OMB guidelines:

- 110 programs were categorized as Phase 1 programs;
- 13 programs were categorized as Phase 2; and
- 38 programs had outlays less than $10M.

During FY 2023, USDA had one program that was considered a High-Priority program: RMA FCIC. This was a reduction from FY 2022, when USDA had three High-Priority programs. OMB defines High-Priority programs as those with estimates of improper payments resulting in a monetary loss that exceeds $100M annually. Programs identified as High-Priority report quarterly through an OMB-driven reporting mechanism. The results of the quarterly scorecard can be found at www.paymentaccuracy.gov/payment-accuracy-high-priority-programs.

Phase 1 Reporting

Programs identified as Phase 1 must perform a risk assessment every 3 years. In the interim years, should a program experience any significant legislative changes and/or significant increase in funding, a risk assessment may be done to determine if the program continues to be at low risk for making significant improper payments at or above the threshold levels set by OMB.

In FY 2023, the Department conducted 58 risk assessments of programs in the following agencies:

- Agricultural Research Services (ARS)
- Commodity Credit Corporation (CCC)
- Farm Service Agency (FSA)
- Food and Nutrition Service (FNS)
- Forest Service (FS)
- Foreign Agricultural Service (FAS)
- Natural Resources Conservation Service (NRCS)
- Rural Business-Cooperative Service (RBCS)
- Rural Development (RD)
- Rural Housing Service (RHS)
- Rural Utility Service (RUS)
- Staff Offices (SO)

After performing risk assessments for these programs, the Department determined none of its Phase 1 programs in FY 2023 were risk-susceptible to making significant improper payments at or above the threshold levels set by OMB. Of the 58 risk assessments completed, 10 were for programs reporting outlays under $10M that opted to complete a risk assessment to ensure proper functionality of internal controls. Lastly, due to an Office of Inspector General FY 2022 finding regarding incomplete risk assessments, the Staff Office-OCIO completed a risk assessment.

For all other programs with outlays less than $10M or categorized as Phase 1, a management certification was completed. The management certification requires the program to attest to whether material changes occurred since the last risk assessment. Should the program indicate a material change to the program, OCFO meets with program personnel to better understand the changes and what controls have been implemented to mitigate risk associated with improper payments. Depending on the outcome of that meeting, the program may be required to complete an off-cycle risk assessment the next fiscal year. During FY 2023, no programs experienced material changes that warranted an off-cycle risk assessment.

Phase 2 Reporting

Annually, programs provide in-depth payment integrity information to OMB for publication via an OMB-designed reporting tool. The data are collected and subsequently published on www.paymentaccuracy.gov to fulfill multiple statutory reporting requirements.

In addition to the reporting requirements outlined in OMB CircularA-123, Appendix C (M-21-19), OMB Circular A-136, Financial Reporting Requirements, programs identified as High-Priority must provide further information regarding their actions related to improper payments. This information includes an explanation of the description of improper payments made, an estimate of the improper payment amount and rate, an explanation of the causes of improper payments, and any major actions taken or planned to mitigate those causes. This reporting requirement was optional for programs identified as Phase 2; USDA requested that all Phase 2 programs submit a narrative response to be included in the FY 2023 AFR.

The below chart summarizes the 13 Phase 2 programs and provides a brief description of each of the programs:

Exhibit 18: USDA Phase 2 Programs and Descriptions

USDA Agency	Phase 2 Program Name	Program Description
FNS	Supplemental Nutrition Assistance Program (SNAP)	SNAP provides food benefits to low-income families to supplement their grocery budgets so they can afford the nutritious food essential to health and well-being.
FNS	National School Lunch Program (NSLP)	NSLP is a federally assisted meal program operating in public and nonprofit private schools and residential childcare institutions. It provides nutritionally balanced and low-cost or free lunches to children each school day. The program was established under the National School Lunch Act, signed by President Harry Truman in 1946.
FNS	School Breakfast Program (SBP)	The SBP provides reimbursement to states to operate nonprofit breakfast programs in schools and residential childcare institutions. The Food and Nutrition Service administers the SBP at the Federal level, state education agencies administer the SBP at the state level, and local school food authorities operate the program in schools.
FNS	Women, Infants & Children (WIC)	The Special Supplemental Nutrition Program for WIC provides Federal grants to states for supplemental foods, healthcare referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age 5 who are found to be at nutritional risk.

USDA Agency	Phase 2 Program Name	Program Description
FNS	Child & Adult Care Food Program (CACFP) Family Day Care Home (FDCH) Component	The CACFP is a Federal program that provides reimbursements for nutritious meals and snacks to eligible children and adults who are enrolled for care at participating childcare centers, daycare homes, and adult daycare centers. CACFP also provides reimbursements for meals served to children and youth participating in after-school care programs, children residing in emergency shelters, and adults over the age of 60 or living with a disability and enrolled in daycare facilities. CACFP contributes to the wellness, healthy growth, and development of young children and adults in the United States.
FNS	Summer Food Service Program (SFSP)	The SFSP is a federally funded, state-administered program. USDA reimburses program operators who serve no-cost, healthy meals and snacks to children and teens. Meals are served at summer sites in low-income communities, where sponsors often also offer enrichment activities, or—in approved rural communities facing access issues—may be provided via grab-n-go or delivery.
CCC	Agriculture Risk Coverage (ARC) & Price Loss Coverage (PLC)	The ARC and PLC programs provide financial protections to farmers from substantial drops in crop prices or revenues and are vital economic safety nets for most American farms.
FSA	Livestock Forage Disaster Program (LFP)	The LFP provides payments to eligible livestock owners and contract growers who have covered livestock and who are also producers of grazed forage crop acreage (native and improved pastureland with permanent vegetative cover, or certain crops planted specifically for grazing) that have suffered a loss of grazed forage due to a qualifying drought during the normal grazing period for the county.
FSA	Noninsured Assistance Program (NAP)	NAP provides financial assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented planting occur due to natural disasters.
FSA	Coronavirus Food Assistance Program (CFAP)	CFAP was implemented for producers of agricultural commodities marketed in 2020 that faced market disruptions due to COVID-19. This was part of a larger initiative to improve USDA pandemic assistance to producers.
FSA	Wildfires & Hurricanes Indemnity Program Plus (WHIP+)	WHIP+ provides assistance to eligible producers who suffered losses to crops, trees, bushes, and vines. Payments are based on several factors, including the expected value of the crop, the crop that was actually harvested, and crop insurance coverage and payments, among others.
FSA	Emergency Conservation Program-Disasters (ECP-Disasters)	ECP-Disasters helps farmers and ranchers repair damage to farmlands caused by natural disasters and put in place methods for water conservation during severe drought.
RMA	Federal Crop Insurance Corporation Program Fund (FCIC)*	The FCIC Program Fund is a wholly owned government corporation that administers the Federal crop insurance program. FCIC promotes the economic stability of agriculture through a sound system of crop insurance and provides the means for the research and experience helpful in devising and establishing such insurance.

*For FY 2023, FCIC is reporting as a High-Priority Program

Phase 2 Program Summaries of Payment Integrity Activities, Results, and Mitigation Strategies

FNS Supplemental Nutrition Assistance Program (SNAP)

The SNAP improper payment rate for FY 2022, nationally, is estimated to be 11.54 percent, including over-issuances and under-issuances. Out of a total regular annual issuance of $75,987,537,654, overpayments are projected to be approximately $7,477,944,757 while underpayments are projected to be $1,295,123,286. It should be noted, USDA FNS had not announced a SNAP payment error rate since FY 2019. COVID-19 flexibilities provided by Congress allowed State agencies the ability to suspend Quality Control (QC) reviews for FY 2020 and FY 2021, which impacted the quality and completeness of QC data during those years.[2] As a result, FNS was unable to establish National and State level payment error rates for FYs 2020 and 2021. FY 2022 is therefore the first year FNS reported payment error rates since the COVID-19 pandemic began.

The following narrative describes how SNAP's corrective actions were specifically tailored to better reflect the unique processes, procedures, and risks involved in the program. The system operates through a regulatory defined valid statistical sample of cases that are pulled and reviewed using a two-tier system. An overview is described online at SNAP Quality Control | Food and Nutrition Service (USDA.gov).

Results of the case reviews are entered into SNAP's QC system, which FNS uses to conduct a root cause analysis to identify the primary causes of errors at the National and State level. At the National level, the leading factors that contribute to more than 60 percent of all errors nationwide are: (1) wage and salary errors; (2) reporting system errors; and (3) household composition errors. FNS targets technical assistance at the Federal level to hold States accountable for implementing corrective action plans specifically tailored to preventing these errors. FNS requires States to provide regular progress reporting and uses State-reported QC data to measure the impact of corrective actions. Corrective action plans remain open until all activities are completed and validated.

FNS also establishes Federal-level corrective actions tailored to support State payment accuracy efforts. FNS identifies activities based on a sub-root cause analysis and uses a data-driven approach to target resources to States based on risk. The sub-root cause analysis further assesses the specific factors leading to errors. For example, wage and salary errors occur due to households failing to report information and State agencies failing to act on or properly verify income information. FNS identifies Federal-level corrective actions to assist States with improving household reporting and working with States to increase how effectively they act on or verify information. This assistance ensures that corrective actions are tailored to specific and unique causes.

[2] FNS initially provided QC flexibility under a Families First Coronavirus Response Act waiver for March, April, and May 2020. Section 4603(a)(2) of the Continuing Appropriations Act 2021 and Other Extensions Act then allowed QC flexibility through September 2021. However, the Consolidated Appropriations Act 2021 changed the end date for QC flexibility to June 30, 2021.

The Food and Nutrition Act of 2008, as amended, establishes authority for FNS to collect over-issuances and provide restitution to households for under-issuances. FNS promulgated regulations at 7 CFR 273.18 governing claims collection. FNS also assists SNAP State agencies using the Treasury Offset Program to collect unpaid claims.

The following are corrective actions FNS has and continues to implement at the Federal level to address national root causes of error:

Exhibit 19: FNS SNAP Key Actions to Address Root Causes of Errors

Key Actions at the Federal Level to Address National Root Causes of Error in the SNAP Program	
Mitigation Strategy or Corrective Action	**Description and Impact**
Income Verification Pilot	In December 2020, Congress provided FNS with funding intended to improve States' ability to verify household earnings via third-party income databases. FNS issued grants to State agencies to support these efforts in FY 2021 and 2022. This project helps FNS support State agencies in improving wage and salary information, recognizing that this is a long-standing driver of payment errors.
End of Public Health Emergency (PHE) Training For All States	FNS provided and continues to provide technical assistance to State agencies in the form of trainings, guidance memos, and roundtable discussions that cover a range of topics to help States manage the end of the PHE. These efforts support State agencies in ensuring program integrity as they return to normal program rules after COVID-related flexibilities and waivers end. For example, FNS is providing trainings and guidance (1) on re-implementing key certification actions and conducting QC reviews and (2) clarifying the sunset of waivers and other PHE-related administrative flexibilities. FNS will also facilitate discussions with State leaders to gather information on obstacles to a successful transition and ideas for how FNS can support them.
Root Cause Analysis and Correct Action Discussion with Leaders	FNS conducted two training events for State SNAP managers in QC, policy, and corrective action planning. The training focused on how to identify the root causes of errors using already available SNAP data and FNS tools, and policy and program changes a State may consider when designing meaningful corrective action plans. Finally, several States shared their own experiences conducting this type of analysis to improve payment accuracy. These critical conversations were designed to help States better understand how to develop effective and targeted corrective actions that in turn improve program performance.

The following are corrective actions FNS will implement at the Federal level by the end of FY 2023 to address the national sub-root causes of error:

Exhibit 20: FNS SNAP Key Actions to Address Sub-Root Causes of Errors

Key Actions at the Federal Level to Address National Sub-Root Causes of Error in the SNAP Program	
Mitigation Strategy or Corrective Action	**Description and Impact**
Contract to Support States	In May 2023, FNS awarded a contract to provide technical assistance resources for States to assist them in improving payment accuracy. Under this contract, FNS will: host listening sessions with States to encourage peer-to-peer information sharing and to gather information on challenges and opportunities in improving payment accuracy, update existing guidance for States on payment accuracy best practices, and provide training for States and FNS staff on the updated guidance. Moving forward, FNS plans to use the resources developed by the contractor in providing technical assistance to States on improving payment accuracy.
Nationwide Earnings Verification Services	On September 30, 2023, FNS awarded a five-year contract to two vendors, Equifax and Experian, for the SNAP EVS. The SNAP EVS provides State agencies with access to two commercial databases of employment and earnings records. State agencies administering SNAP can use the SNAP EVS to verify earned income sources and amounts for SNAP applicants and recipients.

FNS National School Lunch Program (NSLP) and School Breakfast Program (SBP)

FNS estimates improper payments via the Access, Participation, Eligibility, and Certification (APEC) study series. The agency conducts these studies every 5 years. In between study years, FNS uses administrative data to "age" the study estimates. Schools served all meals for free throughout School Years (SY) 2020–2021 and 2021–2022.[3] As a result, data that would normally enter into FNS' statistical aging model does not exist for FY 2022, and FNS used the unadjusted errors from APEC III to estimate improper payments[4]. FNS estimates improper payments for FY 22 of $546.36 million in NSLP, and $194.4 million in SBP, equating to error rates of 2.38% for NSLP and 2.99% for SBP, respectively.

[3] In school year 2020–2021, schools had the option of serving all meals for free through the Summer Food Service Program or the NSLP's Seamless Summer Option (SSO); see USDA policy memo, COVID–19: Child Nutrition Response #59. In school year 2021–2022, schools could continue serving meals for free under the SSO; see policy memo, COVID–19: Child Nutrition Response #85.

[4] Because schools served all meals for free through the end of school year 2021–2022, certification error was zero through the first three quarters of FY 2022.

FNS has determined two root causes that have resulted in improper payments in the school meals programs:

- *Certification Error:* This occurs when a student is certified at the incorrect reimbursement level, e.g., at the higher free level instead of reduced-price (which results in an overpayment) or at the lower paid or reduced-price levels instead of free (which results in an underpayment).
- *Aggregation Error:* This occurs when, in the process of reimbursements, the incorrect meal counts are recorded or transmitted from schools to school food authorities (SFAs), from SFAs to State agencies (SAs), or from SAs to FNS.

During FY 2023, FNS undertook and planned the following activities to mitigate NSLP/SBP improper payments:

Exhibit 21: FNS NSLP and SBP Key Actions to Address Root Causes of Errors

Key Actions During FY 2023 to Address Improper Payments in NSLP/SBP Programs	
Mitigation Strategy or Corrective Action	**Description and Impact**
Internal Process/Policy Change	FNS published the Child Nutrition Programs: Community Eligibility Provision-Increasing Options for Schools Proposed Rule on March 23, 2023. This rulemaking proposes to lower CEP's minimum identified student percentage (ISP) from 40 to 25 percent to increase program reach.
Automation: Direct Certification with Medicaid	On July 1, 2023, FNS announced 13 new states will begin participating in the Direct Certification with Medicaid Demonstration Project for SY 2023–2024. The total number of states participating in the demonstration project will now be 38.
Automation: Non-Competitive Technology Innovation Grants (nTIGs)	In FY 2021, FNS released $50M in nTIG funds for Child Nutrition State agencies to improve IT systems. FNS continues to work with grant recipients using funds to develop, improve, and maintain Child Nutrition IT systems.
Training: National Webinars	FNS held Administrative Review (AR) webinars for State agency staff providing learning materials on how to complete an AR including timeline and resources needed when conducting an AR (e.g., oversight of eligibility, claiming and meal pattern).

FNS Women, Infants, and Children (WIC)

Estimates of improper payment rates in WIC are calculated using two types of errors: (1) improper certification of participants (certification case error) and (2) incorrect payments to retail vendors (vendor errors). FNS makes use of periodic studies to assess the level of error in program payments and then "ages" the data to produce updated estimates for each reporting year for both certification case errors and vendor errors. FNS estimates improper payment amount to be $64.21M with a 1.79 percent improper payment rate.

FNS has determined two root causes that have resulted in improper payments:

- *Certification Case Error:* WIC sampling is accomplished by asking respondents to show the documents/proofs they presented when initially gaining eligibility for the program. The proofs must meet standards set by FNS through Federal regulation and/or by State agency policy. From the certification interviews, the eligibility of each WIC participant is determined to be either proper or improper, resulting in a case error for improper results. Those case errors are then translated to dollar error amounts based on actual redemption data, and then reported as IPs.
- *Vendor Error*: WIC samples vendor overcharge errors by comparing the best purchase price obtained by the compliance buyer to the redeemed dollar amount. The actual dollar amount overcharged is also calculated using price and redemption information. For each record with an overcharge, amounts paid are compared to the Maximum Allowable Reimbursement (MAR) and Not-to-Exceed (NTE) values provided by the State agency. If the amount paid exceeds the MAR or NTE, then the lesser amount is used to calculate the overcharge. Similar to the certification case error, vendor overcharge amounts are reported as overpayments outside of agency control.

FNS continues to take proactive measures to help WIC State agencies reduce improper payments. FNS uses management evaluations (MEs) as its primary oversight tool. FNS analyzes ME data on an ongoing basis to identify opportunities to improve program administration and integrity. This includes addressing certification and vendor issues that could result in improper payments and working with State agencies to address these issues through corrective actions or by providing technical assistance.

In May 2023, FNS released a memorandum for State agencies to streamline and identify opportunities to simplify WIC certification process and is currently updating the WIC Vendor Management and Food Delivery Handbook to include new resources to support WIC State agencies in their vendor oversight and integrity activities.

FNS has not made any changes in payment integrity methodologies activities during the FY 2023 reporting period.

FNS Child and Adult Care Food Program (CACFP) Family Day Care Home (FDCH) Component

CACFP is a Federal program providing reimbursements for nutritious meals and snacks to eligible children and adults who are enrolled for care at participating childcare centers, day care homes, and adult day care centers. CACFP also provides reimbursements for meals served to children and youth participating in after-school care programs, children residing in emergency shelters, and adults over the age of 60 or living with a disability and enrolled in day care facilities. CACFP contributes to the wellness, healthy growth, and development of young children and adults in the United States.

CACFP has three distinct parts: Child Care Centers, Adult Day Care facilities, and FDCHs. The improper payment measures currently do not include improper payments associated with the Adult Day Care component or Child Care Centers.

FDCH sponsoring organizations are responsible for classifying each of the homes under their sponsorship as eligible for either Tier I or Tier II reimbursement. FDCH sponsors may determine the tiering status of participating FDCHs using elementary school data, census data, or the provider's documented household income. FDCHs qualify for the higher Tier I reimbursement rates based on their location within low-income areas or the low-income status of the provider. All other FDCHs, referred to as Tier II FDCHs, are reimbursed at lower rates; however, they may still receive the Tier I higher reimbursement rates for meals served to children from families with incomes at or below 185 percent of the poverty level as long as the individual child's eligibility is documented and recorded.

FDCHs report meals and snacks served to enrolled children to their sponsors. Sponsors then submit meal claims to their State agencies, which, in turn, submit aggregated meal claims to the USDA FNS. FNS, through State agencies, then reimburses sponsors for all meals and snacks served that meet Federal guidelines and sponsors reimburse the FDCHs.

FNS estimates error in FDCH reimbursement levels through periodic sample-based studies. Studies assess whether day care homes are assigned to the correct reimbursement tier. In years between studies, FNS updates the most recent study's sample-based estimate with administrative data. For FY 2022, FNS is reporting no tiering error.[5] FNS anticipates reporting on tiering error again for FY 2023[6].

[5] An April 2021 FNS policy memo, COVID-19: Child Nutrition Response #93 allowed all day care homes, regardless of location, to claim all meals and snacks at the Tier 1 reimbursement rate, effectively removing tiering error while the waiver was in place. The waiver expired June 30, 2022. The Keep Kids Fed Act of 2022 (KKFA, P.L. 117-158) increased the reimbursement of Tier II family or group day care homes to Tier I amounts for the 2022–2023 school year (July 1, 2022, through June 30, 2023). The combination of the administrative waiver and the KKFA provision had the effect of reducing tiering error to zero for all of fiscal year 2022 and will reduce tiering error to zero for the first 9 months of fiscal year 2023.

[6] The 2009 CACFP Improper Payments Data Collection Pilot Project explored the feasibility of using parent recall data on specific meals (breakfast, morning snack, lunch, afternoon snack, supper, evening snack) to estimate erroneous meal claims. The 2020 CACFP Family Day Care Homes Meal Claims Feasibility Study explored additional methods of measuring the number of meals claimed for reimbursement. Due to study limitations, in particular low participation and response rates from providers and parents, the 2020 study findings were not generalizable and USDA concluded this approach for data collection was not feasible.

FNS continues to explore methodologies to assess error in the number of meals claimed by FDCHs. The agency's most recent effort[7] collected State Monitoring Reports that contain the findings from State reviews of sponsors' meal claims for each of their FDCHs, including errors associated with meal claiming. The study is assessing whether these findings, along with the meal claim reimbursements submitted by each State to FNS, can be used to estimate improper payments.

While the current sampling plan focuses on FDCHs, work is ongoing to expand improper payment measures to include childcare centers and sponsors through a comprehensive measure of erroneous payments via the Erroneous Payments in CACFP Centers Study (EPICCS). EPICCS builds on the methods developed for school meals in the APEC study series. The agency expects to release EPICCS results in 2024.

During FY 2023, FNS identified three root causes that resulted in improper payments. The root cause and the activities to mitigate their impact are:

Exhibit 22: FNS CACFP FDCH Component Key Actions to Address Root Causes of Errors

Key Actions During FY 2023 to Address Improper Payments CACFP and FDCH Programs	
Root Cause	**Description of Mitigation Efforts**
Internal Process/Policy Change	Applicable for FY 2023, FNS issued a policy memo to States, "Area Eligibility for Summer 2022 and School Year 2022–23," providing guidance on determining CACFP eligibility when school data are unavailable. Family Day Care Homes use school or census data to establish geographic eligibility.
Automation	In FY 2021, FNS released $50M in non-competitive Technology Innovation Grant (nTIG) funds for Child Nutrition (CN) State agencies to improve IT systems. Throughout FY 2022 and FY 2023, FNS continued to work with the nTIG grant recipients who are using funds to develop, improve, and maintain CN IT systems through virtual and in-person technical assistance. FNS will be releasing additional nTIG funding in FY 2023 to ensure that State agencies are able to continue to develop and improve their CN IT systems. FNS expects that the overall improvement of IT systems by nTIG recipients administering CACFP will improve the State agencies' ability to train, monitor, provide technical assistance, and take corrective actions with CACFP sponsors.
Monitoring	FNS Regional Offices are completing three MEs per region, each of which also includes a local-level review where FNS staff accompany State agencies on reviews of operators. MEs provide a periodic assessment of State agency operations and administration and can result in a report of findings, which require the State agency to correct any problems. This helps to ensure that State agencies are properly monitoring certification and meal counting at the local level and are working with local operators to reduce improper payments.

[7] FNS anticipates completing this study, tentatively named the "CACFP Meal Claiming Error Methods Study," in FY 2024.

FNS: Summer Food Service Program (SFSP)

SFSP is a USDA FNS-funded State-administered program that provides free meals and snacks to children in low-income areas when school is not in session. At the local level, SFSP is administered by State-approved sponsoring organizations. These organizations manage one or more sites that are located in a variety of settings, including schools, parks, community centers, libraries, farmers' markets, apartment complexes, churches, and migrant centers. Many sites offer enrichment opportunities for children, such as reading, physical activity, or nutrition education.

FNS issues program funds to State agencies, which then pass the funds to SFSP sponsoring organizations to run the program. Sponsoring organizations use that money to cover both the food and administrative costs of the program.

Federal payments require a simple "meals times rate" computation. SFSP sponsoring organizations submit meal counts to their State agencies once per month. Those meal counts are multiplied by one of two SFSP rates. Meals prepared on-site or meals served by sites located in rural areas receive a higher reimbursement rate from FNS, whereas meals prepared by vendors and served at sites in non-rural areas receive a lower rate. Both the self-prep/rural and vended/urban rates are designed to cover food and administrative costs.

FNS is currently engaged in efforts to develop an improper payment estimate for SFSP in accordance with a Sampling and Estimation Methodology Plan for approval by OMB. FNS will collect data over a 5-year period that began in the summer of 2023.

Data collection was originally scheduled to begin in the summer of 2020. However, states operated SFSP in the summers of 2021 and 2022 under a series of FNS-authorized pandemic waivers that significantly altered SFSP program rules. FNS elected to postpone data collection until those waivers expired. Program waivers during the COVID-19 emergency allowed SFSP to operate outside of summer months, modified congregate feeding requirements, allowed for parent/guardian meal pick-up, and provided flexibility in determining site eligibility.

During FY 2023, FNS undertook and planned the following activities to mitigate SFSP improper payments:

Exhibit 23: FNS SFSP Key Actions to Address Root Causes of Errors

Key Actions During FY 2023 to Address Improper Payments in SFSP Programs	
Root Cause	**Description of Mitigation Efforts**
Training: State Agencies	State agencies must offer training to sponsors each year prior to the annual sponsor application period. The training covers the sponsoring organization's responsibilities and the site supervisor's responsibilities. Every sponsoring organization must send key staff members (including directors) to that State agency training in order to be eligible to participate in the program.
Training: Sponsor Administrative Staff	Training for administrative staff includes: • Purpose of the program • Site eligibility and visit requirements • Recordkeeping requirements • Meal requirements • Reporting procedures
Training: Sponsors' Site Monitors	Training for site monitors include: • Overview of sites for which they are responsible • Conducting site visits and reviews • Monitoring schedules • Reporting • Recordkeeping procedures
Training: Site Staff	Training for site staff include: • Purpose of the program • Site eligibility • Recordkeeping requirements, such as meal counts, delivery receipts, daily forms, daily labor, and meal service forms • Adjustments to meals, such as delivered meals, preparation, and inventory procedures
Monitoring	FNS Regional Offices are also completing three MEs per region, each of which also includes a local-level review where FNS staff accompany State agencies on reviews of local operators. MEs provide a periodic assessment of State agency operations and administration and can result in a report of findings that require the State agency to correct any problems. This helps to ensure that State agencies are properly monitoring meal claims at the local level and are working with local operators to reduce any improper payments.

CCC Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC)

The FY 2023 estimated improper payment amount for ARC/PLC is $189.13M and the estimated improper payment error rate is 8.60 percent. Improper payments were due to the County Office official not following the well documented program requirements on all findings. To address Acreage Reporting issues, the Deputy Administrator for Farm Programs (DAFP) has created a task force to develop recommendations to inform a timeline of adoption. The team will review policies and software enhancements to identify possible changes that would mitigate risks associated with improper payments. In addition, FSA provided National Payment Eligibility and Payment Limitation training at a joint training session. Finally, to reduce the occurrence of overall errors, an ARC/PLC sign-up checklist has been created as a resource for county office employees.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

FSA Livestock Forage Disaster Program (LFP)

The FY 2023 estimated improper payment amount for LFP is $168.55M and the estimated improper payment error rate is 13.66 percent. The causes of improper payments were the County Office Official not following well documented program requirements of having a written lease or completed CCC-855 (Annual Lease Agreement Certification Statement) for the associated acreage; late filed acreage reporting policy according to 2-CP; and not having required eligibility documents on file prior to payment. Also, County Office staff did not adhere to first-level controls to prevent improper payments to ensure the correct carrying capacity is used for the specific forage and pasture type.

FSA conducts monthly training for State Livestock Program Specialists that focuses on issues identified in Payment Integrity Information Act testing. In addition, National Payment Eligibility and Payment Limitation training was provided at the National Training session. Also, Deputy Administrator for Farm Programs (DAFP) has created a task force that will meet to discuss issues. One of the primary objectives of this task force is to address improper payment findings related to the acreage reporting process. The task force will develop proposed solutions and training materials. Furthermore, FSA will conduct a meeting with the purpose of identifying LFP software enhancements that can assure the proper completion of the CCC-855 or that written lease requirements are met. Moreover, District Directors are required to review the first five LFP applications received in the Service Center. FSA implemented a SharePoint system in FY 2023 for those reviews to be documented and to report any identified program weaknesses to the National Office. Finally, FSA will continue to request the prioritization of LFP software enhancements that will eliminate the manual entry of carrying capacities by interfacing the application system with the National Crop Table.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

FSA Noninsured Crop Disaster Assistance Program (NAP)

The FY 2023 estimated improper payment amount for NAP is $25.1M and the estimated improper payment error rate is 10.46 percent. The causes of improper payments were:

- Fees were not collected or a register was not established for late filed acreage reports.
- The incorrect number of acres/colonies/taps and incorrect production were used to calculate a payment.
- An incorrect Animal Unit Day (AUD) loss factor was entered in the Grazing Worksheet.

Training will be conducted to address incorrect grazing acreage and production accounting errors, specifically to accurately convert animal units into payment acres in the Grass for Grazing worksheet. This manual process has been identified as a future software enhancement to automate the process preventing many of these specific data entry errors. The NAP Team meets with State Office Specialists monthly to provide ongoing training and address outstanding questions. These meetings are recorded and posted to the NAP Training Page. In addition, the NAP CCC-770 checklist will be updated to address these specific findings. To address Acreage Reporting issues, DAFP has created a task force. One of the primary topics is to address improper payment findings related to the acreage reporting process. The task force will also develop proposed solutions and training materials.

The underpayment findings are related to data entry errors and failure to access data. Specific training will be conducted to instruct on accurately converting animal units to payment acres in the Grass for Grazing worksheet. In addition, several software enhancements have been identified for the NAP program that will directly reduce improper payment findings.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

FSA Coronavirus Food Assistance Program (CFAP)

The FY 2023 estimated improper payment amount for CFAP is $35.9M and the estimated improper payment error rate is 6.65 percent. Improper payments were due to program requirements of completing re-delegation of authority to the County Executive Director, obtaining approval signatures, and collecting payment eligibility documentation, and to entering incorrect values in the system based on the producer's certification or County Committee adjustment.

FSA will include and emphasize the approval authority process and policies, including delegations of authority, for all current and future ad hoc programs. The approval authority process will be a segment of the overall program training and included in the program policy notices and procedures. In addition, National Payment Eligibility and Payment Limitation training was provided at the National Training session. The training focused on findings associated with all program areas. The additional training and emphasis on delegation of authority will provide guidance to field office employees in completing this significant program requirement. Finally, FSA will conduct CFAP spot checks to ensure manual entries are correctly entered in the application software.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

FSA Wildfires and Hurricanes Indemnity Program Plus (WHIP+)

The FY 2023 estimated improper payment amount for WHIP+ is $15.94M and the estimated improper payment error rate is 8.34 percent. Improper payments were due to incorrect values entered into software (data entry errors), acreage reports not on file or signed for the affected crops, and data used not matching RMA data.

The WHIP+ program has been closed and funding has expired. Corrections have been applied to succeeding ad hoc disaster programs. The Safety Net Division (SND) reduced the requirement for manual data entry by field office users in succeeding ad hoc disaster programs. This was done by utilizing integrated software systems to allow dropdown options and pre-populated fields. FSA has also taken additional steps to enhance data sharing with other agencies to utilize existing data provided by producers and reduce the need for county office employees to load values. Data entry and data integrity were and still are being addressed during monthly calls with field offices. In addition, SND increased cooperation with RMA for succeeding ad hoc disaster programs by streamlining the application process using existing payment calculations provided by RMA that were used to provide auto-populated applications for payment to producers.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

FSA Emergency Conservation Program-Disasters (ECP-Disasters)

The FY 2023 estimated improper payment amount for ECP-Disasters is $34.37M and the estimated improper payment error rate is 40.41 percent. The causes of improper payments were:

- Prepared and dated FSA-23 (Determining Agricultural Market Value and Cost Share Per Acre Worksheet) were not on file before Cost-Share approval.
- Revised FSA-848A (Cost-Share Agreement) were not signed by the participant before payment was issued.
- Eligible cost of practice or component was calculated incorrectly.

A revised CCC-770 checklist has been developed to capture District Director participation in the review process during approval, payment, and lifespan of the practice. This will allow the District Directors to ensure and verify that the FSA-23 approval is completed before the cost share agreement is approved and allow them to ensure and verify that the FSA-848-A is signed by FSA and the participant before the payment is issued. Secondly, FSA is also in the process of Incorporating ECP into the Internal Review Document Tracking System to track actions. Finally, FSA has developed new ECP payment scenarios that eliminates the County Office requirement to compute cost share items considered eligible.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

Phase 2 High-Priority Program Summaries of Payment Integrity Activities, Results, and Mitigation Strategies

RMA: Federal Crop Insurance Corporation Program Fund (FCIC)

For FY 2023, RMA reported an estimated error rate of 2.64 percent and improper dollars totaling $369.82M. There were two main root causes of the reported improper dollars:

- Failure to access data/information
- Inability to access data/information

The improper dollars associated with failure to access data/information resulted from situations in which the data/information existed, were obtained, and were used in the payment calculation; however, an administrative error or calculation error caused the proper payment to become improper. RMA has addressed improper payments for these types of errors in many different ways, including, but not limited to, assessing the quality control processes of AIPs through AIP Performance Reviews, conducting program reviews, and issuing Manager's Bulletins. Based on the results of the FY 2023 IPERIA reviews, RMA is currently conducting a program review focused on unit structure as a means of reducing improper payments under this root cause.

A majority of improper dollars associated with inability to access data/information are the result of certification errors. The Federal crop insurance program requires participants to certify a variety of information used to establish the amount of insurance on a policy and total premium. Errors in certifications can lead to improper payments. RMA has, and continues to, conduct results analysis in order to identify ways to reduce improper payments in this area. Some of the steps taken include, but are not limited to, updating current policies and procedures, issuing informational memorandums and Manager's Bulletins, and conducting program reviews. For FY 2023, RMA intends to issue an Informational Memorandum addressing certification errors related to acreage reporting.

Results data can be found in RMA's Compliance Activities and Results Systems (CARS). CARS is a Microsoft Dynamic Customer Relationship Management (CRM) application that supports case management and date collection.

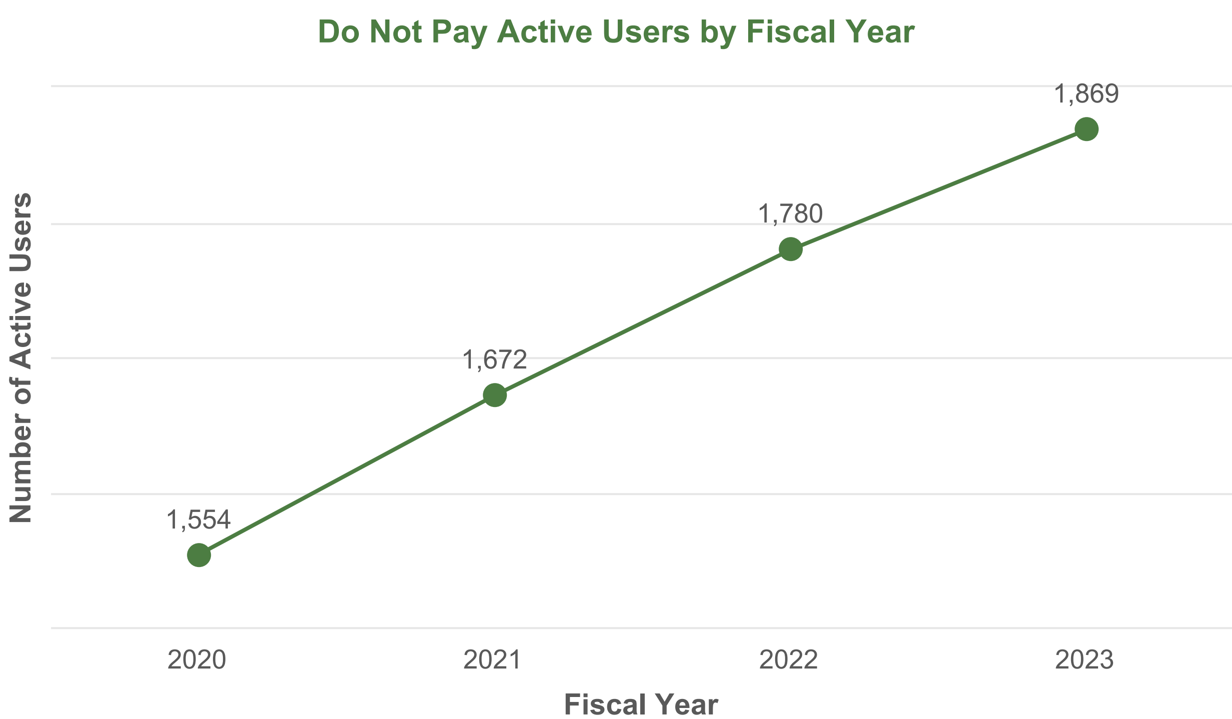
RMA did not have any changes in payment integrity methodologies, activities, or results that occurred during the reporting period.

Do Not Pay (DNP)

USDA continues to utilize DNP in its efforts to mitigate improper payments. USDA programs currently using DNP utilize the Working System (the "Portal") throughout the payment life cycle. All programs utilize the Portal during the pre-award step, most utilize pre-award and pre-payment, and a few programs utilize pre-award, pre-payment, and post-payment.

The end of the various COVID-19-related assistance programs, which broadened USDA programs in a variety of ways, including amount of funding available and eligibility requirements, resulted in USDA DNP search activities returning to pre-pandemic levels. During FY 2023, the number of DNP search activities decreased by nearly 95 percent (from 118,064 to 5,068); however, the total dollar amount matched from those search activities only decreased by approximately 16 percent (from $13.95M to $11.68M).

USDA has increased its active users by approximately 5 percent, from 1,780 in FY 2022 to 1,869 in FY 2023. These users span five agencies and multiple programs. USDA consistently increases the number of active users by at least 3 percent each fiscal year.



USDA is currently in various stages of the enrollment and onboarding process with four new programs. The programs are:

- FSA-Farm Loan Program
- FS-Grants & Agreements-State, Private, & Tribal Forestry
- NIFA-Office of Grants and Financial Management
- RMA-Federal Crop Insurance Corp

The Department aims to have enrollment for these programs completed during FY 2024. With the addition of these four programs, USDA is anticipating a 100 percent increase in user enrollment to over 3400 users by the end of FY24.

Further Information

Annually, the Department gathers, analyzes, and submits data to OMB to be presented on www.paymentaccuracy.gov. OMB presents the data in several different methods, including information on individual agencies or on a Government-wide consolidated basis. This website contains current and historical information about improper payments made under Federal programs and extensive information about how improper payments are defined and tracked. Please refer to the paymentaccuracy.gov website for detailed results from the Department's efforts in 2023 to comply with PIIA.

Civil Monetary Penalty Adjustment for Inflation

USDA maintains regulations regarding civil monetary policies at Title 7 of the Code of Federal Regulations § 3.91. The Department reviews and updates the penalties in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

The Department must update its civil monetary penalties to account for annual inflation each year. On May 10, 2023, the Department published the revised penalties for 2023 in the Federal Register.

The following table briefly describes the penalty, under which authority it pertains, and the current penalty amounts.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Agricultural Marketing Service	Improper recordkeeping	7 U.S.C. 136i-1(d)	Insecticides and Environmental Pesticide Control	5/10/2023	A maximum of $1,116 for the first offense and a minimum of $2,168 in the case of subsequent offenses, except that the penalty will be less than $2,168 if the Secretary determines that the person made a good faith effort to comply.
Agricultural Marketing Service	Violation of the unfair conduct rule	7 U.S.C. 499b(5)	Perishable Agricultural Commodities Act	5/10/2023	Maximum of $6,075.
Agricultural Marketing Service	Violation of the licensing requirements	7 U.S.C. 499c(a)	Perishable Agricultural Commodities Act	5/10/2023	Maximum of $1,939 for each such offense and not more than $484 for each day it continues, or a maximum of $484 for each offense if the Secretary determines the violation was not willful.
Agricultural Marketing Service	Civil penalty in lieu of license suspension	7 U.S.C. 499h(e)	Perishable Agricultural Commodities Act	5/10/2023	Maximum penalty of $3,878 for each violative transaction or each day the violation continues.
Agricultural Marketing Service	Violation	7 U.S.C. 586	Export Apple Act	5/10/2023	Minimum of $176 and a maximum of $17,718.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Agricultural Marketing Service	Violation	7 U.S.C. 596	Export Grape and Plum Act	5/10/2023	Minimum of $338 and a maximum of $33,902.
Agricultural Marketing Service	Violation of an order issued by the Secretary	7 U.S.C. 608c(14)(B)	Agricultural Adjustment Act	5/10/2023	Maximum of $3,391. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to file certain reports	7 U.S.C. 610 (C)	Agricultural Adjustment Act	5/10/2023	Maximum of $338.
Agricultural Marketing Service	Violation of a seed program	7 U.S.C. 1596(b)	Federal Seed Act	5/10/2023	Minimum of $115 and a maximum of $2,312.
Agricultural Marketing Service	Failure to collect any assessment or fee	7 U.S.C. 2112(b)	Cotton Research and Promotion Act	5/10/2023	Maximum of $3,391.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee for a violation	7 U.S.C. 2621(b)(1)	Potato Research and Promotion Act	5/10/2023	Minimum of $1,520 and a maximum of $14,017.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 2621(b)(3)	Potato Research and Promotion Act	5/10/2023	Maximum of $1,520. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 2714(b)(1)	Egg Research and Consumer Information Act	5/10/2023	Minimum of $1,757 and a maximum of $17,571.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 2714(b)(3)	Egg Research and Consumer Information Act	5/10/2023	Maximum of $1,757. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to remit any assessment or fee or for a violation of a program	7 U.S.C. 2908(a)(2)	Beef Research and Information Act	5/10/2023	Maximum of $13,707.
Agricultural Marketing Service	Failure to remit any assessment or for a violation of a program	7 U.S.C. 3410(b)	Wheat and Wheat Foods Research	5/10/2023	Maximum of $3,391.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 4314(b)(1)	Floral Research and Consumer Information Act	5/10/2023	Minimum of $1,596 and a maximum of $15,954.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 4314(b)(3)	Floral Research and Consumer Information Act	5/10/2023	Maximum of $1,596. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Violation of an order	7 U.S.C. 4510(b)	Dairy Promotion Program	5/10/2023	Maximum of $2,949.
Agricultural Marketing Service	Pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 4610(b)(1)	Honey Research, Promotion, and Consumer Information Act	5/10/2023	Minimum of $886 and a maximum of $9,086.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 4610(b)(3)	Honey Research, Promotion, and Consumer Information Act	5/10/2023	Maximum of $908. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Violation of a program	7 U.S.C. 4815(b)(1)(A)(i)	Pork Promotion, Research, and Consumer Information Act of 1985	5/10/2023	Maximum of $2,742.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 4815(b)(3)(A)	Pork Promotion, Research, and Consumer Information Act of 1985	5/10/2023	Maximum of $1,372. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 4910(b)(1)	Watermelon Research and Promotion Act	5/10/2023	Minimum of $1,372 and a maximum of $13,707.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 4910(b)(3)	Watermelon Research and Promotion Act	5/10/2023	Maximum of $1,372. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 6009(c)(1)	Pecan Promotion and Research Act of 1990	5/10/2023	Minimum of $2,232 and a maximum of $22,313.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 6009(e)	Pecan Promotion and Research Act of 1990	5/10/2023	Maximum of $2,230.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 6107(c)(1)	Mushroom Promotion, Research, and Consumer Information Act of 1990	5/10/2023	Minimum of $1,085 and a maximum of $10,846.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 6107(e)	Mushroom Promotion, Research, and Consumer Information Act of 1990	5/10/2023	Maximum of $1,085. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 6207(c)(1)	Lime Research, Promotion, and Consumer Information Act of 1990	5/10/2023	Minimum of $1,085 and a maximum of $10,846.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 6207(e)	Lime Research, Promotion, and Consumer Information Act of 1990	5/10/2023	Maximum of $1,085. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 6307(c)(1)(A)	Soybean Promotion, Research, and Consumer Information Act	5/10/2023	Maximum of $2,232.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 6307(e)	Soybean Promotion, Research, and Consumer Information Act	5/10/2023	Maximum of $11,109. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 6411(c)(1)(A), 7 U.S.C. 6411(c)(1)(B)	Fluid Milk Promotion Act of 1990	5/10/2023	Minimum of $1,085 and a maximum of $10,846 or in the case of a violation that is willful, a minimum of $21,313 and a maximum of $216,892.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 6411(e)	Fluid Milk Promotion Act of 1990	5/10/2023	Maximum of $11,162. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Knowingly labeling or selling a product as organic	7 U.S.C. 6519(c)	Organic Foods Production Act of 1990	5/10/2023	Maximum of $21,689.
Agricultural Marketing Service	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 6808(c)(1)(A)(i)	Fresh Cut Flowers and Fresh Cut Greens Promotion and Information Act of 1993	5/10/2023	Minimum of $1,023 and a maximum of $10,226.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 6808(e)(1)	Fresh Cut Flowers and Fresh Cut Greens Promotion and Information Act of 1993	5/10/2023	Maximum of $10,226. Each day the violation continues is a separate violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Agricultural Marketing Service	Violation of a program	7 U.S.C. 7107(c)(1)(A)	Sheep Promotion, Research, and Information Act of 1994	5/10/2023	Maximum of $1,993.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 7107(e)	Sheep Promotion, Research, and Information Act of 1994	5/10/2023	Maximum of $996. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Violation of an order or regulation issued	7 U.S.C. 7419(c)(1)	Commodity Promotion, Research, and Information Act of 1996	5/10/2023	Minimum of $1,881 and a maximum of $18,825 for each violation.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 7419(e)	Commodity Promotion, Research, and Information Act of 1996	5/10/2023	Minimum of $1,881 and a maximum of $18,825. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Violation of an order or regulation issued	7 U.S.C. 7448(c)(1)(A)(i)	Canola and Rapeseed Research, Promotion, and Consumer Information Act,	5/10/2023	Maximum of $1,881 for each violation.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 7448(e)	Canola and Rapeseed Research, Promotion, and Consumer Information Act	5/10/2023	Maximum of $9,413. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Violation of an order or regulation issued	7 U.S.C. 7468(c)(1)	National Kiwifruit Research, Promotion, and Consumer Information Act	5/10/2023	Minimum of $942 and a maximum of $9,413 for each violation.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 7468(e)	National Kiwifruit Research, Promotion, and Consumer Information Act	5/10/2023	Maximum of $942. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Violation of an order or regulation	7 U.S.C. 7487(a)	Popcorn Promotion, Research, and Consumer Information Act	5/10/2023	Maximum of $1,881 for each violation.
Agricultural Marketing Service	Violation	21 U.S.C. 1041(c)(1)(A)	Egg Products Inspection Act	5/10/2023	Maximum of $10,846 for each violation.
Agricultural Marketing Service	Violation of an order or regulation issued	7 U.S.C. 7807(c)(1)(A)(i)	Hass Avocado Promotion, Research, and Information Act of 2000	5/10/2023	Minimum of $1,711 and a maximum of $17,110 for each violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 7807(e)(1	Hass Avocado Promotion, Research, and Information Act of 2000	5/10/2023	Maximum of $17,127 for each offense. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Violation of certain provisions	7 U.S.C. 1636b(a)(1)	Livestock Mandatory Reporting Act of 1999	5/10/2023	Maximum of $17,718 for each violation.
Agricultural Marketing Service	Failure to obey a cease-and-desist order	7 U.S.C. 1636b(g)(3)	Livestock Mandatory Reporting Act of 1999	5/10/2023	Maximum of $17,718 for each violation. Each day the violation continues is a separate violation.
Agricultural Marketing Service	Failure to obey an order	7 U.S.C. 1637b(c)(4)(D)(iii)	Dairy Product Mandatory Reporting Program	5/10/2023	Maximum of $17,127 for each offense.
Agricultural Marketing Service	Willful violation	7 U.S.C. 1638b(b)(2)	Country of Origin Labeling Program	5/10/2023	Maximum of $1,376 for each violation.
Agricultural Marketing Service	Violation	7 U.S.C. 4535 and 4510(b)	Dairy Research Program	5/10/2023	Maximum of $2,949 for each violation.
Agricultural Marketing Service	Violation by a packer or swine contractor	7 U.S.C. 193(b)	Packers and Stockyards	5/10/2023	Maximum of $33,896.
Agricultural Marketing Service	Failure for a livestock market agency or dealer to register	7 U.S.C. 203	Packers and Stockyards	5/10/2023	Maximum of $2,311 and not more than $115 for each day the violation continues.
Agricultural Marketing Service	Operating without filing, or in violation of, a stockyard rate schedule or of a regulation	7 U.S.C. 207(g)	Packers and Stockyards	5/10/2023	Maximum of $2,312 and not more than $115 for each day the violation continues.
Agricultural Marketing Service	Stockyard owner, livestock market agency, or dealer who engages in or uses any unfair, unjustly discriminatory, or deceptive practice	7 U.S.C. 213(b)	Packers and Stockyards	5/10/2023	Maximum of $33,896.
Agricultural Marketing Service	Stockyard owner, livestock market agency, or dealer who knowingly fails to obey any order	7 U.S.C. 211, 212, or 213, codified at 7 U.S.C. 215(a)	Packers and Stockyards	5/10/2023	Maximum of $2,312.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Agricultural Marketing Service	Live poultry dealer violations	7 U.S.C. 228b-2(b)	Packers and Stockyards	5/10/2023	Maximum of $98,605.
Agricultural Marketing Service	Violation	7 U.S.C. 86(c)	Grain Standards	5/10/2023	Maximum of $331,249.
Agricultural Marketing Service	Failure to comply with certain provisions	7 U.S.C. 254	U.S. Warehouse Act	5/10/2023	Maximum of $42,818 per violation if an agricultural product is not involved in the violation.
Animal and Plant Health Inspection Service	Violation	7 U.S.C. 1596(b)	Federal Seed Act	5/10/2023	Minimum of $115 and a maximum of $2,312.
Animal and Plant Health Inspection Service	Violation	7 U.S.C. 2149(b)	Animal Welfare Act	5/10/2023	Maximum of $13,760, and knowingly failing to obey a cease-and-desist order has a civil penalty of $2,063.
Animal and Plant Health Inspection Service	Penalty for any person that causes harm to, or interferes with, an animal used for the purposes of official inspection by USDA	7 U.S.C. 2279e(a)	Farming Opportunities Training and Outreach	5/10/2023	Maximum of $17,127.
Animal and Plant Health Inspection Service	Violation	7 U.S.C. 3805(a)	Swine Health Protection Act	5/10/2023	Maximum of $34,422.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Penalty for any person that violates or that forges, counterfeits, or, without authority from the Secretary, uses, alters, defaces, or destroys any certificate, permit, or other document	7 U.S.C. 7734(b)(1)	Plant Protection Act (PPA)	5/10/2023	Maximum of the greater of: $85,636 in the case of any individual (except that the civil penalty may not exceed $1,712 in the case of an initial violation of the PPA by an individual moving regulated articles not for monetary gain), $428,175 in the case of any other person for each violation, $688,012 for all violations adjudicated in a single proceeding if the violations do not include a willful violation, and $1,376,023 for all violations adjudicated in a single proceeding if the violations include a willful violation; or twice the gross gain or gross loss for any violation, forgery, counterfeiting, unauthorized use, defacing, or destruction of a certificate, permit, or other document provided for in the PPA that results in the person deriving pecuniary gain or causing pecuniary loss to another person.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Penalty for any person that violates or that forges, counterfeits, or, without authority from the Secretary, uses, alters, defaces, or destroys any certificate, permit, or other document	7 U.S.C. 8313(b)(1)	Animal Health Protection Act (AHPA)	5/10/2023	Maximum of the greater of $82,187 in the case of any individual, except that the civil penalty may not exceed $1,644 in the case of an initial violation of the AHPA by an individual moving regulated articles not for monetary gain, $410,933 in the case of any other person for each violation, $688,012 for all violations adjudicated in a single proceeding if the violations do not include a willful violation, and $1,376,023 for all violations adjudicated in a single proceeding if the violations include a willful violation; or twice the gross gain or gross loss for any violation, forgery, counterfeiting, unauthorized use, defacing, or destruction of a certificate, permit, or other document provided under the AHPA that results in the person deriving pecuniary gain or causing pecuniary loss to another person.
Animal and Plant Health Inspection Service	Penalty for any person that violates certain regulations regarding transfers of listed agents and toxins or possession and use of listed agents and toxins	7 U.S.C. 8401(i)(1)	Agricultural Bioterrorism Protection Act of 2002	5/10/2023	Maximum of $410,933 in the case of an individual and $821,869 in the case of any other person.
Animal and Plant Health Inspection Service	Violation	15 U.S.C. 1825(b)(1)	Horse Protection Act	5/10/2023	Maximum of $6,781.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Failure to obey the Horse Protection Act disqualification	15 U.S.C. 1825(c)	Horse Protection Act	5/10/2023	Maximum of $13,252.
Animal and Plant Health Inspection Service	Knowingly violating, or, if in the business as an importer or exporter, violating, with respect to terrestrial plants, any provision	16 U.S.C. 1540(a)(1), section 9(a)(1)(A) through (F), (a)(2)(A) through (D), (c), (d) (other than regulations relating to record-keeping or filing reports), (f), or (g)	Endangered Species Act of 1973	5/10/2023	Maximum of $61,984 for each violation.
Animal and Plant Health Inspection Service	Knowingly violating, or, if in the business as an importer or exporter, violating, with respect to terrestrial plants, any other regulation	16 U.S.C. 1540(a)(1)	Endangered Species Act of 1973	5/10/2023	Maximum of $29,683 for each violation.
Animal and Plant Health Inspection Service	Violating, with respect to terrestrial plants or any regulation, permit, or certificate	16 U.S.C. 1540(a)(1)	Endangered Species Act of 1973	5/10/2023	Maximum of $1,564 for each violation.
Animal and Plant Health Inspection Service	Knowingly and willfully violating with respect to the transportation of animals by any rail carrier, express carrier, or common carrier (except by air or water), a receiver, trustee, or lessee of one of those carriers, or an owner or master of a vessel	49 U.S.C. 80502(d)	Transportation of Animals	5/10/2023	Minimum of $195 and a maximum of $996.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Violation and its implementing regulation	7 U.S.C. 1901 note, as specified in 9 CFR 88.6	Commercial Transportation of Equine for Slaughter Act	5/10/2023	Maximum of $5,891. Each horse transported is a separate violation.
Animal and Plant Health Inspection Service	Knowingly violating or for violating any other provision provided that, in the exercise of due care, the violator should have known that the plant was taken, possessed, transported, or sold in violation of any underlying law, treaty, or regulation	16 U.S.C. 3373(a)(1)	Lacey Act Amendments of 1981	5/10/2023	Maximum of $30,822 for each violation, as specified in 16 U.S.C. 3373(a)(1) (but if the plant has a market value of less than $412 and involves only the transportation, acquisition, or receipt of a plant taken or possessed in violation of any law, treaty, or regulation of the United States, any Indian tribal law, any foreign law, or any law or regulation of any State, the penalty will not exceed the maximum provided for violation of said law, treaty, or regulation, or $30,822, whichever is less).
Animal and Plant Health Inspection Service	Violation	16 U.S.C. 3373(a)(2)	Lacey Act Amendments of 1981	5/10/2023	Maximum of $770.
Food and Nutrition Service	Violating a provision or a regulation under the Act by a retail food store or wholesale food concern	7 U.S.C. 2021(a) and (c)	Food and Nutrition Act of 2008 (Act)	5/10/2023	Maximum of $137,603 for each violation.
Food and Nutrition Service	Trafficking in food coupons	7 U.S.C. 2021(b)(3)(B)	Food and Nutrition Act of 2008 (Act)	5/10/2023	Maximum of $49,585 for each violation, except that the maximum penalty for violations occurring during a single investigation is $89,289.
Food and Nutrition Service	Sale of firearms, ammunition, explosives, or controlled substances for coupons	7 U.S.C. 2021(b)(3)(C)	Food and Nutrition Act of 2008 (Act)	5/10/2023	Maximum of $44,645 for each violation except that the maximum penalty for violations occurring during a single investigation is $89,289.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Food and Nutrition Service	Any entity that submits a bid to supply infant formula and discloses the amount of the bid, rebate, or discount practices in advance of the bid opening or for any entity that makes a statement prior to the opening of bids for the purpose of influencing a bid	42 U.S.C. 1786(h)(8)(H)(i)	Special Supplemental Nutrition Program for Women, Infants, and Children	5/10/2023	Maximum of $210,161,878.
Food and Nutrition Service	Vendor convicted of trafficking in food instruments	42 U.S.C. 1786(o)(1)(A) and 42 U.S.C. 1786(o)(4)(B)	Special Supplemental Nutrition Program for Women, Infants, and Children	5/10/2023	Maximum of $18,171 for each violation, except that the maximum penalty for violations occurring during a single investigation is $72,686.
Food and Nutrition Service	Vendor convicted of selling firearms, ammunition, explosives, or controlled substances in exchange for food instruments	42 U.S.C. 1786(o)(1)(B) and 42 U.S.C. 1786(o)(4)(B)	Special Supplemental Nutrition Program for Women, Infants, and Children	5/10/2023	Maximum of $17,725 for each violation, except that the maximum penalty for violations occurring during a single investigation is $72,686.
Food Safety and Inspection Service	Violation	21 U.S.C. 1041(c)(1)(A)	Egg Products Inspection Act	5/10/2023	Maximum of $10,846 for each violation.
Forest Service	Willful disregard of the prohibition against the export of unprocessed timber originating from Federal lands	16 U.S.C. 620d(c)(1)(A)	Federal Lands	5/10/2023	Maximum of $1,116,140 per violation or three times the gross value of the unprocessed timber, whichever is greater.
Forest Service	Violation	16 U.S.C. 620d(c)(2)(A)(i)	Forest Resources Conservation and Shortage Relief Act	5/10/2023	Maximum of $167,422 per violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Forest Service	Penalty for a person that should have known that an action was a violation regardless of whether such violation caused the export of unprocessed timber originating from Federal lands	16 U.S.C. 620d(c)(2)(A)(ii),	Forest Resources Conservation and Shortage Relief Act	5/10/2023	Maximum of $111,614 per violation.
Forest Service	Willful violation	16 U.S.C. 620d(c)(2)(A)(iii)	Forest Resources Conservation and Shortage Relief Act	5/10/2023	Maximum of $1,116,140.
Forest Service	Violation involving protections of caves	16 U.S. C. 4307(a)(2)	Federal Cave Resources Protection	5/10/2023	Maximum of $24,393.
Federal Crop Insurance Corporation	Willfully and intentionally providing any false or inaccurate information	7 U.S.C. 1515(h)(3)(A)	Federal Crop Insurance Act	5/10/2023	Maximum of the greater of the amount of the pecuniary gain obtained as a result of the false or inaccurate information or the non-compliance; or $14,478.
Rural Housing Service	Violation of section 536 of Title V of the Housing Act of 1949	42 U.S.C. 1490p(e)(2)	Housing Act of 1949	5/10/2023	Maximum of $237,267 in the case of an individual and a maximum of $2,372,677 in the case of an applicant other than an individual.
Rural Housing Service	Penalty for equity skimming	42 U.S.C. 1490s(a)(2)	Housing Act of 1949	5/10/2023	Maximum of $42,818.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Rural Housing Service	Submitting false information, submitting false certifications, failing to timely submit information, failing to maintain real property in good repair and condition, failing to provide acceptable management for a project, or failing to comply with applicable civil rights laws and regulations	42 U.S.C. 1490s(b)(3)(A)	Housing Act of 1949	5/10/2023	Maximum of the greater of twice the damages USDA, guaranteed lender, or project secured for a loan under Title V suffered or would have suffered as a result of the violation; or $85,636 per violation.
Commodity Credit Corporation	Penalty for willful failure or refusal to furnish information or willful furnishing of false information under Section 156	7 U.S.C. 7272(g)(5)	Federal Agricultural Improvement and Reform Act of 1996	5/10/2023	Maximum of $18,825 for each violation.
Commodity Credit Corporation	Willful failure or refusal to furnish information or willful furnishing of false data by a processor, refiner, or importer of sugar, syrup, and molasses	7 U.S.C. 7272(g)(5)	Federal Agriculture Improvement and Reform Act of 1996	5/10/2023	Maximum of $18,825 for each violation.
Commodity Credit Corporation	Filing a false acreage report that exceeds tolerance	7 U.S.C. 7272(g)(5)	Federal Agriculture Improvement and Reform Act of 1996	5/10/2023	Maximum of $18,825 for each violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Current Penalty Level ($ Amount)
Commodity Credit Corporation	Knowingly violating any regulation of the Secretary of the Commodity Credit Corporation pertaining to flexible marketing allotments for sugar	7 U.S.C. 1359hh(b)	Agricultural Adjustment Act of 1938	5/10/2023	Maximum of $13,760 for each violation.
Commodity Credit Corporation	Knowingly violating regulations promulgated by the Secretary pertaining to cotton insect eradication	7 U.S.C. 1444a(d)	Agricultural Act of 1949	5/10/2023	Maximum of $16,952 for each offense.
Office of the Secretary	Making, presenting, submitting, or causing to be made, presented, or submitted a false, fictitious, or fraudulent claim	31 U.S.C. 3802(a)(1)	Program Fraud Civil Remedies Act of 1986	5/10/2023	Maximum of $13,509.
Office of the Secretary	Making, presenting, submitting, or causing to be made, presented, or submitted a false, fictitious, or fraudulent written statement	31 U.S.C. 3802(a)(2)	Program Fraud Civil Remedies Act of 1986	5/10/2023	Maximum of $13,509.

Grants Programs

Pursuant to OMB Uniform Guidance in Section 200.344(a) of Part 2 of the CFR, recipients of grants and cooperative agreements must submit final reports and liquidate all obligations incurred under their awards within 120 days after the end of the period of performance, unless the Federal awarding department or agency authorizes an extension, or program-specific statutes specify a different liquidation period.

Exhibit 24 shows that USDA has 701 grants/cooperative agreements with an undisbursed balance of $78,744,175.30 for which closeout has not yet occurred, but for which the period of performance has elapsed by 2 years or more prior to September 30, 2023.

Exhibit 24: Fiscal Year 2023 Grants Program Summary

Category	2–3 Years	>3–5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	147	75	14
Number of Grants/Cooperative Agreements with Undisbursed Balances	346	96	23
Total Amount of Undisbursed Balances	**$32,539,683.82**	**$38,695,826.79**	**$7,508,664.69**

USDA faces several challenges leading to delayed grant agreement award closeout, including:

- Timely receipt of the financial and accomplishment reports for the completion of closeout reports from grantees;
- Program Manager and Grant Specialist turnover;
- Delays in compliance reviews and pending audits during the award period;
- Delays in receipts of final vouchers from recipients;
- Awaiting litigation and cannot be close until the judicial system authorizes the agency to close;
- Administrative challenges related to finalizing rates and budget line-item agreements; and
- Delays in the resolution of audits by grant recipients.

Each USDA grant-making agency continues to review outstanding grants/cooperative agreements and monitor open balances through the Agency's quarterly Unliquidated Obligations review for appropriate closeout actions. The grant-making agencies' accountable officers continue their closeout of grants/cooperative agreements efforts and continuous communication with the recipients of USDA funds to ensure compliance with requirements of Title 2 CFR Part 200 and better management of Federal Funds.

Climate-Related Financial Risk

Climate Action Plans and Sustainability Reports and Implementation Plans are posted at sustainability.gov, Office of the Federal Chief Sustainability Officer, and on agency websites.

USDA Action Plan for Climate Adaptation and Resilience: 2022 Progress Report

USDA 2022 Sustainability Plan

USDA Agency-Level Climate Adaptation Plans prepared by:

- Natural Resources Conservation Service
- Farm Service Agency
- Risk Management Agency
- Agricultural Marketing Service
- Animal and Plant Health Inspection Service
- Forest Service
- Rural Development
- Agricultural Research Service
- National Institute of Food and Agriculture
- National Agricultural Statistics Service
- Economic Research Service
- Foreign Agricultural Service
- Select Staff Offices including the Office of the Chief Economist, the Office of Budget and Program Analysis, the Office of Property and Environmental Management, and the Office of Homeland Security

USDA's Action Plan for Climate Adaptation and Resilience

Agency Audits Resolution Report

Background

The Inspector General (IG) Act Amendments of 1988 (P.L. 100–504; IG Act Amendments) require that each agency head submit semi-annual reports to Congress on actions taken in response to the OIG audit, evaluation, and inspection reports. Consistent with the Reports Consolidation Act of 2000 (P.L. 106–531), OCFO consolidates, annualizes, and includes the required semi-annual IG Act Amendments' reporting elements in the annual Agency Financial Report.

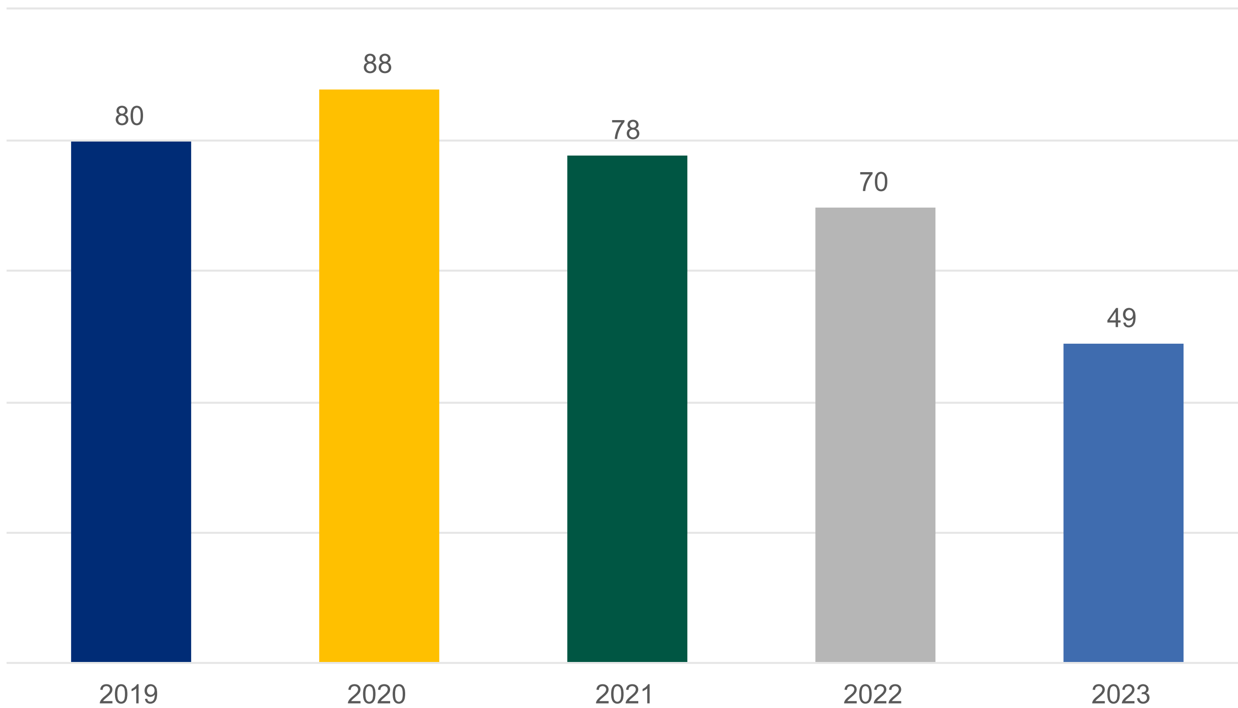
OIG audits USDA's programs, systems, and operations and recommends improvements to management based on its findings. USDA management may agree or disagree with the audit's findings or recommendations. When management agrees with recommendations in an audit, it submits a written plan for corrective action and an estimated target completion date to the OIG for concurrence. If OIG and management agree that the proposed corrective action will address the finding, the "management decision" process is concluded for that recommendation. The memo outlining the terms of the management decision between management and OIG is retained for audit follow-up purposes.

USDA's OCFO oversees audit follow-up for the Department and ensures that management takes prompt and responsive action to address OIG findings and audits. As USDA completes corrective actions relative to the management decision, it submits documentation as "final action" to OCFO to complete the review process. OCFO reviews the submitted documentation and determines whether USDA provided adequate support for the completion of corrective actions agreed to in the management decision. If confirmed, OCFO "closes" the recommendation. An audit remains open until all corrective actions for each recommendation are completed.

Fiscal Year Results

As of September 29, 2023, USDA agencies closed 38 audits during FY 2023. OIG and USDA agencies also reached management decisions on 17 audits. As shown in the following exhibit, the Department's inventory of open audits decreased in FY 2023 by 30 percent, from 70 to 49.[8]

Exhibit 25: Open Audit Inventory



Note: Open audit inventory for FY 2021 corrected to 78 and for FY 2022 corrected to 70.

Audit Follow-Up Process

The IG Act Amendments require an annual report to Congress providing the status of resolved audits that remain open. Resolved audits are those where a management decision has been reached for all recommendations. Reports on resolved audits must include the elements listed in the following bullet points (see Exhibit 26 for definitions):

- Beginning and ending balances for the number of audit reports and dollar value of disallowed costs (DC) and Funds to Be Put to Better Use (FTBU);
- The number of new management decisions reached;

[8] This report and information was generated on 09/28/2023 and updated on 09/29/2023. Percentage decreased was calculated using the percentage decrease formula. Two additional management decisions were received on 09/25/2023 and 09/29/2023 but the records have not been entered in the AFTR records as yet and are therefore not yet accounted for here.

- The disposition of DC and FTBU of audits with final action (for example: accounts receivables, cash collections, agency offsets, write-offs); and
- Resolved audits that remain open 1 year or more past the management decision date require additional reporting elements. These elements include the date issued, the revised estimated completion date, the original dollar value of DC or FTBU, and an explanation as to why the final action has not been completed.

Exhibit 26: Audit Follow-Up Definitions

Term	Definition
DC	An incurred cost questioned by the OIG that management agreed should not be chargeable to the Government.
Final Action	Actions that management has taken to address the audit findings and recommendations.
FTBU	An OIG recommendation that funds could be used more efficiently if management completes the recommendation. This recommendation includes: a. Reductions in outlays or other savings; b. De-obligation of funds from programs or operations; c. The withdrawal of subsidy costs on loans, guarantees, or bonds; and d. Implementation of recommended improvements for grants or contracts, or unnecessary expenditures noted in pre-award reviews of contracts or grant agreements.
Management Decision	Agreement between management and OIG on the corrective action needed to address audit findings and recommendations.

Beginning and Ending Inventory for Audits with DC and FTBU

Of the 38 audits that achieved final action during the fiscal year, ten contained DC. The number of audits with DC remaining in the inventory at the end of the fiscal year was 12, with an outstanding balance of $10,588,916.66 (see Exhibit 27). For DC audits that achieved final action in FY 2023, OIG and management agreed to collect $1,571,258. Four of the audits in the Beginning of the Period are audits that had open recommendation(s) with DC in FY 2020 whose recommendations with DC closed in FY 2023; one audit that opened in FY 2023 also closed out it's recommendation with DC in FY 2023. These audits remain open but no longer have a DC balance and have been removed from the count of Audits listed at the End of the Period.

Exhibit 27: Inventory of Audits with DC[9]

Audits with DC	# of Audits		Amount ($)
Beginning of the Period (October 1, 2022)	25**	$	60,613,944
Plus: New Management Decisions	2	$	927,572
Total Audits Pending Collection of DC	27	$	61,541,516
Less: Adjustments[1]		$	49,435,341
Revised Subtotal		$	12,106,175
Less: Final Actions (Recoveries)[2]	10	$	1,571,258
Audits with DC Requiring Final Action at the End of the Period (September 30,2023)[3]	12	$	10,588,917

*Exhibits 27 and 28 include only those open audits with DC and FTBU, respectively. In addition, some audits contain both DC and FTBU amounts. For this reason, the number of audits shown as the ending balances in Exhibits 27 and 28 do not equal the total resolved audit inventory balance in Exhibit 25.

**This number has been adjusted from the FY 2022 Ending Balance.

[1] This include monetary actions that close out the DC balances of audits that otherwise remain open: 03601-0003-31, 03702-0001-32, 10702-0001-23, 50099-0011-SF, and 96801-0001-22.

[2] This total only includes audits with an Audit Agreed Amount DC, where the entire audit has been closed.

[3] Five of the Audits with DC Balances at the beginning of the period closed out their DC balances without closing out the Audit. While the audits remain open, they no longer count as Audits with DC. (see Adjustments [1])

Final action occurred on one audit that involved an FTBU amount totaling $297,570. Two audits with unresolved FTBU balances remain in the inventory as of September 29, 2023, with an outstanding audit amount of $6,107,822. (See Exhibit 28). Two additional audits that had open FTBU balances resolved those balances as implemented and are not counted towards the count of audits with FTBU requiring final action at the end of FY 2023.

Exhibit 28: Inventory of Audits with FTBU[10]

Audits with FTBU	# of Audits		Amount ($)
Beginning of the Period (October 1, 2022)	3	$	204,591,460
Plus: New Management Decisions	2	$	18,091,344
Total Audits Pending	5	$	222,682,804
Less: Adjustments		$	216,574,979
Less: Final Actions[1]	1	$	292,570
Audits with FTBU Requiring Final Action at the End of the Period (September 30, 2023)[2]	2	$	6,107,822
Disposition of FTBU:			
FTBU Implemented	2	$	216,574,979
FTBU Not Implemented	0	$	0
Total FTBU Amounts for Final Action Audits	0	$	0

* Exhibits 27 and 28 include only those open audits with DC and FTBU, respectively. In addition, some audits contain both DC and FTBU amounts. For this reason, the number of audits shown as the ending balances in Exhibits 27 and 28 do not equal the total resolved audit inventory balance in Exhibit 25.

[1] This number contains the final action of Audit 03601-0012-AT whose FTBU monetary action and associated recommendations were approved and closed before 2010. The listed $292,570 is not accounted for in either the beginning period nor in the end of period balances.

[2] Two audits closed out their FTBU recommendations as implemented but remain open at the end of the period. They are accounted for in the Disposition of FTBU and the Adjustments.

[9] This exhibit was generated on 09/28/2023
[10] This exhibit was generated on 09/28/2023

The number of audits open for more than 1 year at the beginning of FY 2023 decreased from the previous fiscal year from 52 to 36. During FY 2023, thirteen audits became 1-year-after-Managment Decision Date (MDD). Of those 5 closed and the ending inventory includes the remaining 8 audits that became 1-year-after-MDD during FY 2023. These audits were offset by the 24 audits that were previously 1-year-after-MDD but closed during FY 2023. USDA agencies continue to pursue remediation and/or compensating controls to address many of the underlying issues identified in these audits.

The number of audits open 1 or more years after the MDD decreased by 16 (see Exhibit 29).

Exhibit 29: The Number of Audits Open 1 or More Years After MDD[11]

Audits 1 Year or More After MDD	# of Audits
Beginning of the period*	52
Plus: Audits that reached 1 year after MDD during FY 2023	13
Subtotal FY 2023 audits 1 year or more after MDD	65
Less: Audits closed**	29
Ending balance as of September 30, 2023	36

** Includes the 24 closed audits from the beginning balance and the 5 audits that became 1 year or more past MDD and closed this year.

Exhibit 30: Distribution of Audits Open 1 Year or More After MDD[1] [12]

Audits on Schedule			Audits Behind Schedule			Audits Under Collection		
#	DC ($)	FTBU ($)	#	DC ($)	FTBU ($)	#	DC ($)	FTBU ($)
0	$0	$0	16	$9,724,543	$6,089,279	12	$8,456,614	$0

DC = Disallowed Cost. FTBU = Funds to be Put to Better Use.

*All 12 audits listed in Under Collections are also listed in the Behind Schedule columns. The total number of Audits Open 1 Year or More After MDD is 36, consistent with Exhibit 29.

[11] This exhibit was updated on 09/29/2023
[12] This exhibit was generated on 9/28/2023

Management's Report on Audit Follow-Up

Audits without Final Action 1 year or more after MDD (excluding the # audits that are just waiting on collections) as of 9/30/2023 are/were behind schedule and listed individually in Exhibit 31. The audits are categorized by agency and the reason why final action has not occurred. Audits that reached Final Action between 10/1/2023 and the issuance of this report are noted in the Reason Pending column.

Exhibit 31: Audits Open 1 Year or More After MDD and Behind Schedule

Animal and Plant Health Inspection Service (APHIS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC ($)	FTBU ($)	
50601-0001-32	9/22/2015	12/31/2023	Controls Over APHIS Introduction of Genetically Engineered Organisms	$0	$0	Receipt and/or processing of Final Action Documentation; Administrative Action
APHIS Subtotal (1)				**$0**	**$0**	

Food and Nutrition Service (FNS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
27601-0001-31	7/31/2013	12/1/2023	FNS Control for Authorizing (SNAP) Retailers	$0	$0	Issuance of Policy/Guidance Receipt and/or processing of Final Action Documentation
27601-0003-10	9/27/2016	11/15/2023	New Mexico's Compliance with SNAP Certification of Eligible Households Requirements	$9,621	$0	Receipt and/or processing of Final Action
27601-0005-41	9/18/2020	12/1/2023	Consolidated Report on FNS and Selected State Agencies Control Over SFSP	$0	$6,089,279	Issuance of Policy/Guidance; Receipt and/or processing of Final Action Documentation; Administrative Action
27601-0013-10	12/19/2017	12/31/2023	Compilation Report of States' Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	$0	$0	Issuance of Policy/Guidance
27601-0019-10	9/28/2018	4/30/2024	Compilation Report of States' Compliance with Requirements for the Issuance and Use of SNAP Benefits	$0	$0	Issuance of Policy/Guidance
27702-0001-22	10/18/2019	11/30/2023	Review of FNS Nutrition Assistance Program Providing Disaster Funding to Puerto Rico	$1,258,308	$0	Administrative Action
27801-0003-22	8/25/2021	12/31/2023	COVID 19 - Supplemental Nutrition Assistance Program Online Purchasing in Response to the Coronavirus Disease 2019	$0	$0	Administrative Action
FNS Subtotal (7)				**$1,267,929**	**$6,089,279**	

Farm Service Agency (FSA)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
03601-0001-22	7/31/2014	12/30/2023	Compliance Activities	$0	$0	Issuance of Policy/Guidance
03601-0003-31	3/9/2022	3/31/2024	Market Facilitation Program	$0	$0	Receipt and/or processing of Final Action Documentation
50601-0003-22	1/27/2017	3/31/2024	Coordination of USDA Farm Program Compliance—FSA, Risk Management Agency, and Natural Resource Conservation Service	$0	$0	Receipt and/or processing of Final Action Documentation
03702-0001-23	9/28/2020	3/31/2024	2017 Emergency Assistance for Honeybee Claims	$0	$0	Issuance of Policy/Guidance; Receipt and/or processing of Final Action Documentation
03702-0001-32	12/10/2014	3/31/2024	Livestock Forage Program	$0	$0	Receipt and/or Processing of Final Action Documentation
03601-0003-31(1)	9/30/2020	3/31/2024	Market Facilitation Program – Interim Report	$0	$0	Issuance of Policy/Guidance; Receipt and/or processing of Final Action Documentation
FSA Subtotal (6)				**$0**	**$0**	

Natural Resources Conservation Service (NRCS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
10403-0004-11	11/15/2021	12/31/2023	NRCS Financial Statements for Fiscal Years 2021 and 2020	$0	$0	Issuance of Policy/Guidance
10702-0001-23	6/25/2021	3/30/2024	Hurricane Disaster Assistance-Emergency Watershed Protection Program	$9,798,133	$198,502,181	Issuance of Policy/Guidance; Receipt and/or processing Final Action Documentation; Results of Internal Monitoring or Program Review
NRCS Subtotal (2)				**$9,798,133**	**$198,502,181**	

Office of Advocacy and Outreach (OAO)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
91601-0001-21	11/10/2021	10/31/2024	Outreach and Assistance for Socially Disadvantaged Farmers, Ranchers, and Veteran Farmers	$0	$0	Issuance of Policy/Guidance
OAO Subtotal (1)				**$0**	**$0**	

Office of the Assistant Secretary for Civil Rights (OASCR)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
60601-0001-21	9/22/2021	12/29/2023	USDA Oversight of Civil Rights Complaints	$0	$0	Issuance of Policy/Guidance
OASCR Subtotal (1)				**$0**	**$0**	

Office of the Chief Financial Officer (OCFO)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
11601-0001-12	11/8/2019	3/29/2024	USDA Fiscal Year 2019 First Quarter Data Act Submission	$0	$0	Issuance of Policy/Guidance
50401-0020-11	11/15/2021	12/31/2023	USDA's Consolidated Financial Statements for Fiscal Years 2021 and 2020	$0	$0	Issuance of Policy/Guidance
OCFO Subtotal (2)				**$0**	**$0**	

Office of Chief Information Officer (OCIO)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
50501-0017-12	9/28/2018	12/30/2023	Security Over Select USDA Agencies Network and Systems Fiscal Year 2018	$0	$0	Administrative Action
50501-0020-12(1)	6/26/2018	12/31/2023	Improper Usage of USDA's Information Technology Resources	$0	$0	Receipt and/or processing of Final Action Documentation
50801-0002-12	10/27/2021	11/30/2023	Security Over USDA Web Applications	$0	$0	Issuance of Policy/Guidance
OCIO Subtotal (3)				**$0**	**$0**	

Office of Small and Disadvantaged Business Utilization (OSDBU)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
50601-0003-23	9/28/2018	12/31/2023	OSDBU's Control Over the Eligibility of Contract Recipients	$0	$0	Issuance of Policy/Guidance
OSDBU Subtotal (1)				**$0**	**$0**	

Research, Education, and Economics Agency (REE)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
84801-0001-22	12/8/2020	9/30/2024	USDA Research Integrity and Capacity	$0	$0	Administrative Action
REE Subtotal (1)				**$0**	**$0**	

Risk Management Agency (RMA)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
05601-0007-31	6/30/2020	12/1/2023	Controls Over Crop Insurance Section 508(H) Products	$0	$0	Issuance of Policy/Guidance
RMA Subtotal (1)				**$0**	**$0**	

Abbreviations — Acronyms

— A —

AARCC	Agricultural Research and Commercialization Corporation
ADA	Anti-Deficiency Act
AFR	Agency Financial Report
AgPay XP	AgPay Xpress
AHPA	Animal Health Protection Act
AIPs	Approved Insurance Providers
AMS	Agricultural Marketing Service
APEC	Access, Participation, Eligibility, and Certification Study
APEX	Oracle Application Express
APHIS	Animal and Plant Health Inspection Service
APP	Annual Performance Plan
APR	Annual Performance Report
AQI	Agricultural Quarantine Inspection
AR	Administrative Review
ARC	Agriculture Risk Coverage
ARS	Agricultural Research Service

— B —

BAR	Budget and Accrual Reconciliation
BARC	Beltsville Agricultural Research Center
BOC	Budget Object Classification

— C —

CACFP	Child and Adult Care Food Program
CAP	Commodity Assistance Program
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CARS	Compliance Activities and Results Systems
CBOs	Certificates of Beneficial Ownership
CCC	Commodity Credit Corporation
CDM	Cybersecurity Diagnostic and Migration
CFR	Code of Federal Regulations
CLM	Contract and Lease Management
CN	Child Nutrition
CoC	Cushion of Credit
CORE	Core Accounting System
COVID-19	Coronavirus Disease 2019
CPAIS	Corporate Property Automated Information Systems
CPI	Consumer Price Index
CPIC	Capital Planning and Investment Control
CRBG	Citrus Recovery Block Grant
CSAM	Cyber Security Assessment and Management
Cwt.	Hundredweight

— D —

DC	Disallowed Costs
Department, the	U.S. Department of Agriculture
DHS	Department of Homeland Security
DM&R	Deferred Maintenance
DNP	Do Not Pay
DOL	Department of Labor
DR	Departmental Regulation

— E —

EA	Enterprise Architecture
EBT	Electronic Benefits Transfer
ECD	Estimated Completion Date
ECP	Electronic Check Processing
eFG	ezFedGrants
EGMO	Enterprise Geospatial Management Office
EPICCS	Erroneous Payments in CACFP Centers Study
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ERS	Economic Research Service
EWP	Emergency Watershed Protection

— F —

FAS	Foreign Agricultural Service
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCIC	Federal Crop Insurance Corporation
FDCH	Family Day Care Homes
FECA	Federal Employees’ Compensation Act
FEMA	Federal Emergency Management Agency
FFAR	Foundation for Food and Agricultural Research
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FFMS	Federal Financial Management System
FIET	Financial Intelligent Enterprise Transformation
FISMA	Federal Information Security Modernization Act
FITARA	Federal Information Technology Reform Act
FMFIA	Federal Managers’ Financial Integrity Act
FMMI	Financial Management Modernization Initiative
FMPS	Financial Management Payroll Summit
FMS	Financial Management Services
FNS	Food and Nutrition Service
FPAC	Farm Production and Conservation
FR	Financial Report
FS	Forest Service
FSA	Farm Service Agency
FSFL	Farm Storage Facility Loan Program
FSH	Forest Service Handbook
FSIS	Food Safety and Inspection Service
FSM	Forest Service Manual
FTBU	Funds to Be Put to Better Use
FY	Fiscal Year

— G —

GAO	Government Accountability Office
GAOA	Great American Outdoors Act
GSA	General Services Administration
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System

— H —

HANA	High-Performance Analytic Appliance
HHS	Health and Human Services

— I —

IBNR	Incurred but Not Reported
IG	Inspector General
IPERIA	Improper Payment Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IT	Information Technology

— K - L —

KPIs	Key Performance Indicators
L&WCF	Land and Water Conservation Fund
LFP	Livestock Forage Disaster Program

— M —

MDD	Management Decision Date
ME	Management Evaluation
MRP	Marketing and Regulatory Programs

— N —

NAL	National Agricultural Library
NASS	National Agricultural Statistics Services
NFS	National Forest System
NIFA	National Institute of Food and Agriculture
NRCS	Natural Resources Conservation Service
NSLP	National School Lunch Program
nTIG	Non-Competitive Technology Innovation Grants

— O —

OASCR	Office of the Assistant Secretary for Civil Rights
OBPA	Office of Budget and Program Analysis
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCS	Office of the Chief Scientist
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPE	Office of Partnership and Public Engagement
OSDBU	Office of Small and Disadvantaged Business Utilization

— P —

P.L.	Public Law
PHA	Priority Heritage Assets
PHE	End of Public Health Emergency
PIIA	Payment Integrity Information Act of 2019
PLC	Price Loss Coverage
PMC	Plant Materials Center
PMS	Payment Management System
POC	Proof of Concept
PP&E	Property, Plant and Equipment
PPA	Plant Protection Act

— Q —

QSMO	Quality Service Management Office

— R —

RD	Rural Development
REE	Research, Education, and Economics
RMA	Risk Management Agency

— S —

SAC	SAP Analytics Cloud
SAM	System for Award Management
SAP	Systems, Applications, and Products
SAs	State Agencies
SBP	School Breakfast Program
SBR	Statement of Budgetary Resources
SFAs	School Food Authorities
SFFAS	Statement of Federal Financial Accounting Standards
SFSP	Summer Food Service Program
SNAP	Supplemental Nutrition Assistance Program
SOB	Summary of Business
SSO	Seamless Summer Option
SSP	Shared Services Provider
SY	School Year

— T —

TFAA	Trade and Foreign Agricultural Affairs
TPMC	Tucson Plant Materials Center

— U —

U.S.C.	U.S. Code
USDA	U.S. Department of Agriculture
USSGL	U.S. Standard General Ledger

— V - W —

WIC	Women, Infants, and Children

United States Department of Agriculture

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