





# OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** January 9, 2023

**TO:** Zach Ducheneaux  
Administrator  
Farm Service Agency

**ATTN:** Gary Weishaar  
Branch Chief  
External Audits and Investigations Division

**FROM:** Yaris Rivera Rojas  
Acting Assistant Inspector General for Audit

**SUBJECT:** Prior OIG Audits Relevant to Farm Service Agency's Inflation Reduction Act Funding

According to the U.S. Department of Agriculture (USDA) Office of Budget and Program Analysis, the Inflation Reduction Act (IRA), Pub. L. No. 117-169, signed on August 16, 2022, provided more than \$43 billion to the USDA. Of this amount, IRA provided more than \$5.5 billion for relief for borrowers and assistance to underserved farmers, ranchers, and foresters. This includes the following activities/programs administered by the Farm Service Agency (FSA):

- \$3.1 billion for Farm Loan Immediate Relief for Borrowers with At-Risk Agricultural Operations<sup>1</sup>; and
- \$2.46 billion<sup>2</sup> for USDA Assistance and Support for Underserved Farmers, Ranchers, and Foresters.

As part of the Office of Inspector General's (OIG) oversight responsibility, we reviewed the results of prior OIG and Government Accountability Office (GAO) engagements that were relevant to the funding provided by IRA.<sup>3</sup> Identifying areas in which OIG reported past weaknesses and recommendations may provide FSA insight to maintain or further strengthen existing controls for programs receiving IRA funding. Based on our review, we identified the following findings and recommendations that FSA may wish to consider to ensure its assistance activities and programs continue to operate effectively with the proper control environment. According to information maintained by the Office of the Chief Financial Officer (OCFO), as of December 9, 2022, some of the recommendations associated with these prior audits have not yet been implemented. These outstanding recommendations are noted as applicable.

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<sup>1</sup> We did not identify any prior OIG engagements for this area.

<sup>2</sup> IRA provided \$2,835,000 for Underserved Farmers, Ranchers, and Foresters.

<sup>3</sup> We limited our review to prior OIG engagements to the same period. We limited our review to prior OIG engagements with recommendations tracked by the Office of the Chief Financial Officer.

## USDA Assistance and Support for Underserved Farmers, Ranchers, and Foresters

- *Beginning Farmers*<sup>4</sup>: OIG reported that although the Department measured beginning farmer and rancher activities by tracking program funds expended, it did not establish outcome-based measures of performance. Consequently, the Department is not fully conveying its degree of success in achieving the desired results of beginning farmer program efforts.

OIG recommended that the Department develop and implement outcome-based measures to track and report on program performance related to beginning farmer and rancher programs and activities. According to OCFO, as of December 9, 2022, FSA had not implemented this recommendation.

- *Farm Service Agency Microloan Program*<sup>5</sup>: OIG reported that, although our review concluded that FSA's controls appear adequate to achieve the program's goals, opportunities exist to improve operations in areas where FSA required excessive security for loans, inconsistently filed security liens, and inconsistently established microloan repayment terms. Because of the inconsistent application of the new Microloan Program requirements, FSA may place unnecessary burdens and cause financial strain on microloan borrowers and may create the appearance of inequitable treatment. We also found that FSA could not demonstrate that it had successfully reached out to some target audiences. As a result, FSA may not fully achieve its objective of providing support to current and prospective producers, including underserved groups and veterans. If the agency does not market its programs effectively to all producers, including underserved groups, then some producers may not receive the information and assistance they need to succeed, and those producers may perceive that FSA is treating them inequitably.

OIG recommended that FSA develop and implement controls and guidance to achieve consistent administration of microloans, periodically evaluate outreach activities to ensure effective marketing to target groups, and develop an accurate measurement of success for its outreach program. According to OCFO, all the recommendations for this audit have been implemented.

- *Socially Disadvantaged Borrower Foreclosures—Farmer Program Loans*<sup>6</sup>: OIG reported that FSA's foreclosure and restructure process was consistent and in conformity with applicable laws, regulations, policies, and procedures. Although we did identify some instances where FSA was not technically in conformity with laws, regulations, policies, or procedures, the exceptions were not significant and were usually a matter of timing. Moreover, we found that these exceptions affected non-socially disadvantaged borrowers as well as socially disadvantaged borrowers. Accordingly, OIG did not make any recommendations in this report.

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<sup>4</sup> Audit Report 50601-0010-31, *Beginning Farmers*, Sept. 2022.

<sup>5</sup> Audit Report 03601-0003-22, *Farm Service Agency Microloan Program*, Sept. 2015.

<sup>6</sup> Audit Report 03601-0049-TE, *Socially Disadvantaged Borrower Foreclosures-- Farmer Program Loans*, June 2009.

### Related GAO Reports

We also noted the following GAO reports that FSA may want to consider, which include findings and recommendations relevant to the funding provided by IRA:

- *Agriculture Lending Information on Credit and Outreach to Socially Disadvantaged Farmers and Ranchers Is Limited*<sup>7</sup>; and
- *Beginning Farmers: Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance*.<sup>8</sup>

This memorandum contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>).

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<sup>7</sup> GAO-19-539, *Agriculture Lending: Information on Credit and Outreach to Socially Disadvantaged Farmers and Ranchers Is Limited*, July 2019.

<sup>8</sup> GAO-07-1130, *Beginning Farmers: Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance*, Sept. 2007.

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