United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

APR 18 2017

The Honorable Gene L. Dodaro
Comptroller General of the United States
United States Government Accountability Office
441 G Street, NW.
Washington, D.C. 20548

Dear Mr. Dodaro:

This letter reports a violation of the Antideficiency Act (ADA) by the U.S. Department of Agriculture's (USDA), Farm Service Agency (FSA), as required by 31 U.S.C. § 1517(b).

A violation of 31 U.S.C. § 1517(a) occurred at the apportionment line item level in account 12X4213 Agriculture Credit Insurance Fund Guaranteed Loan Financing in the total amount of $302,823.57. The violation occurred on February 25, 2014, in connection with the purchase of Farm Loan Programs guaranteed loans for fiscal year (FY) 2014.

The agency has determined that the responsible officials had no knowing and willful intent to violate ADA. Internal control weaknesses that contributed to the violation have been sufficiently addressed to prevent its recurrence. In the most recent Annual Assurance Certification Statement, USDA disclosed the violation, but also stated that the agency is in substantial compliance with the Federal Financial Management Improvement Act, the Federal Managers' Financial Integrity Act, and OMB Circular A-123 guidance for internal controls.

Background

The violation was the result of obligations exceeding a single line item within an apportionment. The apportionment identifies legal limits that restrict how much an agency can obligate, and for which projects, programs, and activities it can obligate. In this case, there was an apportionment category line item that restricted to $1 million the total amount FSA could obligate for the purpose of "Purchase of Guaranteed Loans/Interest on Loans from Investors."
On February 25, 2014, FSA obligated $1,302,823.57 in order to purchase guaranteed loans from investors, thus exceeding the apportionment and violating 31 U.S.C. § 1517(a). A subsequent apportionment that provided sufficient funding for this specific line item was submitted and approved the following month.

The primary reason that the violation occurred is because standard operating procedures were not followed. Standard operating procedures required that the Farm Loan Operations Office (FLOO) send the payment information to the Funds Control Group (FCG) to verify funds availability prior to payment. FCG would then verify funds availability and add the amount to a spreadsheet used to track funds availability. In this instance, FLOO did not confirm with FCG that sufficient funds were available to cover the Purchase of Guaranteed Loans from Investors prior to the payments, resulting in the funding deficiency. There is no automated funds control for the items funded by this apportionment.

Responsible Officer and Administrative Discipline

The Chief Financial Officer (CFO) of the Farm Service Agency has ultimate responsibility for fund balances and fiscal control. Because the violation was not deliberate or intentional and was instead the result of weaknesses in internal control procedures, administrative discipline was not proposed.

Corrective Action

Manual corrective administrative actions were implemented on March 12, 2014, to address internal control weaknesses that contributed to this violation. New process codes and workflows for guaranteed purchases have been added to the standard operating procedures and have been communicated to staff. The new process codes send the purchase of guaranteed loans transactions to the funds control staff for funding approval prior to obligation. As a second check, FSA staff also verifies that funding has been approved prior to payment. This dual process has provided successful internal controls and fund control violations have not occurred since implementation of the new standard operation procedures. There is an Information Technology project underway to automate the funding verification process, and the agency anticipates that this will be completed by the end of FY 2017 or by the second quarter of FY 2018.

Identical letters are being sent to President Donald Trump, President of the Senate Mike Pence, and Speaker of the House of Representatives Paul Ryan. If you have any further questions, please have a member of your staff contact the Office of External and Intergovernmental Affairs at (202) 720–6643.

Sincerely,

Michael L. Young
Acting Deputy Secretary