



U.S. Department of Agriculture Office of Inspector General



IRA—Oversight of the Inflation Reduction Act for Distressed Borrowers With Direct Loans That Took Extraordinary Measures to Avoid Delinquency

Audit Report 03601-0001-21

OIG evaluated the internal controls that the Farm Service Agency designed and established to respond to risks it identified related to (1) consistent and accurate reviews of applications for assistance and (2) reducing improper payments of the Inflation Reduction Act Section 22006 Extraordinary Measures Assistance program funds.

OBJECTIVE

Our objective was to evaluate the internal controls FSA designed and established to respond to risks it identified related to (1) consistent and accurate reviews of applications for assistance and (2) reducing improper payments of IRA Section 22006 Extraordinary Measures Assistance program funds.

REVIEWED

We reviewed applicable laws, regulations, policies and procedures, and other published guidance. We also interviewed FSA officials responsible for the administration and oversight of the Extraordinary Measures Assistance program.

RECOMMENDS

We are not making any recommendations in this report.

WHAT OIG FOUND

The Inflation Reduction Act (IRA) Section 22006 Extraordinary Measures Assistance program provided a financial assistance opportunity for Farm Service Agency (FSA) direct loan borrowers who took extraordinary measures to keep their loan accounts current between February 28, 2020, through October 18, 2022. Section 22006 of IRA of 2022 authorized \$3.1 billion for the United States Department of Agriculture to provide relief to distressed borrowers with certain FSA direct loans, guaranteed loans, or both, whose agricultural operations were at financial risk. To implement IRA Section 22006, FSA developed the Farm Loan Borrower Relief Program, which included the IRA Section 22006 Extraordinary Measures Assistance program.

Based on our review, we found that FSA identified and documented 11 risks to the IRA Section 22006 Extraordinary Measures Assistance program. Specifically, we determined, and FSA agreed, that 5 of the 11 risks were directly related to our objective. Overall, we concluded that FSA designed and established internal controls to respond to the five risks identified related to (1) consistent and accurate reviews of applications for assistance and (2) reducing improper payments of IRA Section 22006 Extraordinary Measures Assistance program funds. In response to these risks, FSA designed and established 23 internal controls.

We did not identify any issues with the design of the internal controls over the Extraordinary Measures Assistance program related to our objective; therefore, we are not making any recommendations in this report.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: September 9, 2024

AUDIT

NUMBER: 03601-0001-21

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Administrator
Farm Service Agency

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FROM: Janet Sorensen
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SUBJECT: IRA—Oversight of the Inflation Reduction Act for Distressed Borrowers With Direct Loans That Took Extraordinary Measures to Avoid Delinquency-Final Report

This report presents the results of the subject review. We do not have any recommendations in the report and, therefore, no further response to this office is necessary.

We appreciate the courtesies and cooperation extended to us by members of your staff during our 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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Background and Objective

Background

The United States Department of Agriculture’s (USDA) Farm Service Agency’s (FSA) mission is to equitably serve all farmers, ranchers, and agricultural partners by delivering effective, efficient agricultural programs for all Americans. FSA’s Farm Loan Programs (FLP) offer loans, both direct¹ and guaranteed,² to help farmers and ranchers get the financing they need to start, expand, or maintain a family farm. Through the FLP, FSA ensures that the American agriculture industry is sound by providing farmers and ranchers with financial capital, risk management assistance, and recovery support during economic distress or disaster.

[Section 22006 of the Inflation Reduction Act \(IRA\) of 2022](#) authorized \$3.1 billion for USDA to provide relief to distressed borrowers with certain FSA direct loans, guaranteed loans, or both, whose agricultural operations were at financial risk.³ To implement IRA Section 22006, FSA developed a suite of assistance opportunities through the Farm Loan Borrower Relief Program. The goal and objectives were to keep borrowers farming, stop farm loss, remove obstacles that currently prevent many borrowers from returning to their land, and improve the way that USDA approaches borrowing and loan servicing in the long-term that will assist farmers and ranchers in feeding America and building successful enterprises. IRA Section 22006 Extraordinary Measures Assistance program provided a financial assistance opportunity for FSA direct loan borrowers who took extraordinary measures to keep their loan accounts current between February 28, 2020, through October 18, 2022.



FSA publicly launched IRA Section 22006 Extraordinary Measures Assistance May 19, 2023, through a letter announcing the program to direct loan borrowers. Extraordinary measures are actions taken by borrowers to remain current on FLP payments by monetizing long-term or essential assets, incurring non-FSA debt, or deferring other essential payments, resulting in reduced farm and household viability. See Figure 1. The letter publicized that current direct

Figure 1: Eligibility Requirements for the Extraordinary Measures Assistance program. Figure created by the Office of Inspector General (OIG), based on information obtained from FSA.

¹ Direct loans are made directly from FSA to the farmer.

² USDA-approved traditional lenders provide guaranteed loans with the backing of FSA.

³ IRA of 2022, Pub. L. No. 117-169, 136 Stat. 1818 (Aug. 2022).

loan borrowers could be eligible to receive direct payments equal to the funds obtained through qualifying⁴ extraordinary measures used to make installment payments on qualifying direct.⁵ FLP loans.

The maximum payment is equal to the total loan installment(s) paid. Multiple extraordinary measures can be eligible for assistance, but only for loan payments made within the same production year in which the borrower took the extraordinary measures. In addition to the Extraordinary Measures Assistance payment, borrowers could also be eligible to receive a payment covering their next loan installment due.⁶ See Figure 2. Requests for Extraordinary Measures Assistance must have been submitted by December 31, 2023, through the Farmers.gov 22006 assistance request portal, or in person at a local FSA office. All requests for assistance were subject to FSA’s review and determination process. See Figure 3.

As of July 15, 2024, FSA stated it approved 6,480 requests for assistance, amounting to more than \$311 million in Extraordinary Measures Assistance payments.⁷



Figure 2: Award Calculation. Figure created by OIG, based on information obtained from FSA.

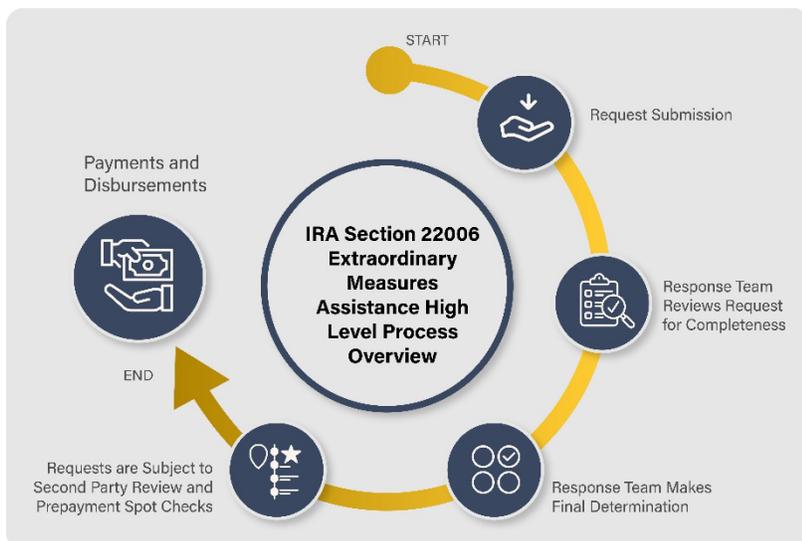


Figure 3: Process Overview. Figure created by OIG, based on information provided by FSA.

⁴ Qualifying extraordinary measures include: (1) deferral of a loan that is not an FSA loan; (2) obtaining additional debt not ordinarily taken in the normal course of business through resources outside of FSA to make FSA farm loan payments; (3) delinquency, as of May 19, 2023, on essential family living and farm operating expenses to make FSA farm loan payments; (4) early withdrawal of non-liquid assets, such as retirement or long term investments; and (5) sale of essential assets required to maintain current operation of the borrower’s farm and household.

⁵ Qualifying direct loans include farm ownership loans, operating loans (including youth and microloans), emergency loans, conservation loans, and soil and water loans.

⁶ Borrowers were eligible to receive a payment covering their next loan installment due on all FLP direct loans if they had not received prior IRA Section 22006 assistance installment payment. Eligible borrowers were given the option to decline this additional payment.

⁷ Of the total amount awarded, \$311,060,367.49, Extraordinary Measures Assistance payments accounted for \$218,450,940.60, while Extraordinary Measures Assistance next installment payments totaled \$92,609,426.89.

Objective

Our objective was to evaluate the internal controls FSA designed and established to respond to risks it identified related to (1) consistent and accurate reviews of applications for assistance and (2) reducing improper payments of IRA Section 22006 Extraordinary Measures Assistance program funds.

Section 1: FSA Designed and Established Internal Controls to Respond to Program Risks

Overall, we concluded that FSA designed and established internal controls⁸ to respond to the five risks identified related to (1) consistent and accurate reviews of applications for assistance and (2) reducing improper payments of IRA Section 22006 Extraordinary Measures Assistance program funds.⁹ In response to these risks, we found that FSA designed and established 23 internal controls, as outlined in Figure 4 below.

Risks, Internal Control Objectives and Number of Internal Controls FSA Designed Related to Consistent and Accurate Review of Requests for Assistance and Reducing Improper Payments

Risk	Internal Control Objective	Number of Internal Controls
If request determinations are not consistently reviewed, then determinations may be inconsistent.	Minimize variation in reviews and determinations.	5
If requests are not secure and data accurate, then data can become compromised or incorrect data used.	Safeguard and maintain data integrity.	5
If proper oversight does not occur, then improper determinations or payments may be made and percentage of requests for reconsiderations and appeals could be higher.	Prepayment spot checks.	3
	Continuous monitoring.	3
	Post payment spot checks.	1
	Ensure proper payment.	3
If internal control oversight does not occur, then program risks and controls may not be implemented.	Enhance internal control environment.	1
If controls are not in place, then fraud may occur.	Identify suspicious activity or potential fraud.	2

Figure 4: 5 Risks, 8 Internal Control Objectives, and 23 Internal Controls identified by FSA related to our objective. Figure created by OIG, based on information obtained from FSA.

⁸ The Federal Managers' Financial Integrity Act requires Federal executive branch entities to establish internal controls in accordance with the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (GAO-14-704G, Sept. 2014). According to GAO, internal controls comprise the plans, methods, policies, and procedures used to fulfill the objectives of the program.

⁹ Our review found that FSA identified and documented 11 risks to the IRA Section 22006 Extraordinary Measures Assistance program. Specifically, we determined, and FSA agreed, that 5 of the 11 risks were directly related to our objective.

FSA National Office officials documented the internal controls they established to respond to identified risks to the program. This included the risks related to ensuring consistent and accurate reviews of requests for assistance and reducing the risk of improper payments. Additionally, FSA created a risk and internal control matrix to document specific internal controls that FSA planned to establish to mitigate identified risks.¹⁰

As part of its internal control structure, FSA assigned and delegated responsibilities related to the design and implementation of the Extraordinary Measures Assistance program, including program administration, oversight, risk identification, internal control development, and reporting to National Office officials. The National Office created a Response Team, which included FSA Loan Program staff members,¹¹ to centralize the review process for the requests for assistance.

FSA also documented the internal controls it established to administer the program in its written policies, such as its internal control plan,¹² and Field Guidance Handbook.¹³ FSA's written policies included the Response Team's responsibilities related to:

- Conducting initial reviews of the borrower's assistance request to ensure borrower eligibility, and the request for assistance was complete;
- Performing targeted spot-checks to ensure compliance, consistency, and accuracy in the review process; and
- Making final award determinations and communicating the results with the borrowers.

Further, FSA required the Response Team to participate in a training presentation to provide a thorough understanding of the Section 22006 Extraordinary Measures Assistance program and ensure that each team member was aware of their roles and responsibilities in reviewing and assessing borrower requests for assistance.

FSA also designed and documented an internal control that required National Office officials to conduct spot checks on FSA's request for assistance "tracker spreadsheet"¹⁴ to ensure accuracy, completeness, consistency, and adherence to policies and procedures. FSA's policy also established weekly internal meetings with FSA leadership, various working groups, and the

¹⁰ Documents the risks and internal controls for the proper oversight of the IRA Section 22006 Extraordinary Measures Assistance program.

¹¹ The Response Team included National, State, and local FSA Farm Loan staff with loan processing experience.

¹² Although not officially published in draft form until March 2024, FSA stated they operated under the internal controls detailed in these documents for the administration of the IRA Section 22006 Extraordinary Measures Assistance program. As of July 11, 2024, the plan is still a draft.

¹³ Internal guidance that documented and communicated policies and processes to FSA staff involved in the administration of the Extraordinary Measures Assistance program. The IRA Section 22006 Field Guidance Handbook also included guidance for FSA's other IRA Section 22006 programs.

¹⁴ An internal spreadsheet that FSA developed to oversee intake and processing progress, track workload, and perform spot checks to ensure the accuracy of the program data. The tracker spreadsheet includes information for each request for assistance, including initial and second-party review determinations and award amounts.

Response Team to increase transparency and consistency and discuss information pertinent to the ongoing administration of the Extraordinary Measures Assistance program.

Overall, we determined that FSA designed and established internal controls to mitigate the five risks related to consistent and accurate review of requests for assistance and reducing improper payments. We found that FSA's internal controls were documented in written guidance, which included its internal control plan, Field Guidance Handbook, training materials, and other FSA provided documentation. Specifically, FSA's written guidance included detailed information on the roles and responsibilities of program officials, criteria for eligibility,¹⁵ initial and second party review process, and conducting spot checks to ensure accuracy and completeness of program data. Additionally, according to the internal control plan, FSA established weekly internal meetings with FSA leadership, various working groups, and the Response Team to increase transparency and consistency and discuss information pertinent to the ongoing administration of the Extraordinary Measures Assistance program. As a result, we concluded that if the controls FSA established were implemented as designed, there is reasonable assurance that requests for assistance were consistently and accurately reviewed, and the risks of improper payments were reduced. Therefore, we are not making any recommendations in this report. However, as the program continues, we will monitor and assess the risks in the program to determine if additional engagements need to be initiated.

¹⁵ Program criteria included eligibility requirements, qualifying extraordinary measures, and borrower documentation requirements.

Scope and Methodology

We conducted our audit to evaluate if FSA designed and established internal controls to respond to the risks it identified related to (1) consistent and accurate reviews of applications for assistance and (2) reducing improper payments of IRA Section 22006 Extraordinary Measures Assistance program funds.

The scope of our audit covered fiscal year 2023 through March 31, 2024. We determined that FSA identified 5 risks that were related to our objective and FSA designed 23 internal controls in response to those 5 risks.

We conducted our fieldwork from February 2024 through August 2024. We discussed the results of our audit with FSA on July 11, 2024. FSA management agreed with our audit conclusions and did not have any comments.

To accomplish our audit objective, we:

- Reviewed applicable Federal regulations and internal control requirements, including IRA Section 22006 and GAO’s *Standards for Internal Control in the Federal Government*.¹⁶
- Reviewed FSA’s Extraordinary Measures Assistance program risk and internal control matrix.
- Interviewed FSA National Office officials responsible for designing and establishing the Extraordinary Measures Assistance program. Additionally, we interviewed Response Team members to gain an understanding of the request for assistance review process.
- Reviewed FSA’s Extraordinary Measures Assistance program guidance documents, including the internal control plan, Field Guide Handbook, tracker spreadsheet, training documentation, and notification letters to borrowers.

We assessed the internal controls deemed significant to our audit objective, including but not limited to, controls defined in GAO’s *Standards for Internal Control in the Federal Government*.¹⁷ Specifically, we assessed the following components and underlying principles:

Component	Principle
Control Environment	The oversight body and management should demonstrate a commitment to integrity and ethical values.
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.
Risk Assessment	Management should define objectives clearly to enable the identification of risks and define risk tolerances.

¹⁶ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

¹⁷ Ibid.

Risk Assessment	Management should identify, analyze, and respond to risks related to the defined objectives.
Component	Principle
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Control Activities	Management should implement control activities through policies.
Control Activities	Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

However, because our review was limited to the internal control components and underlying principles listed above, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

During our audit, we obtained system and data access controls that were used for the Extraordinary Measures Assistance program. However, we did not perform tests to determine the overall reliability of information systems used to administer the Extraordinary Measures Assistance program, as evaluating the effectiveness of these systems was not a part of our audit objective. Therefore, we make no representation regarding the adequacy of any agency computer system, or the information generated from it.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusion based on our audit objective.

Abbreviations

FLP.....	Farm Loan Programs
FSA.....	Farm Service Agency
GAO.....	Government Accountability Office
IRA.....	Inflation Reduction Act
OIG.....	Office of Inspector General
USDA.....	United States Department of Agriculture

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