



U.S. Department of Agriculture
Office of Inspector General

USDA's Consolidated Financial Statements for Fiscal Years 2024 and 2023

November 2024
50401-0023-11





OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: November 14, 2024

**AUDIT
NUMBER:** 50401-0023-11

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

ATTN: Stacey Thompson
Administrative Management Director
Agency Audit Liaison Official

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: USDA's Consolidated Financial Statements for Fiscal Years 2024 and 2023

This report presents the results of our audits the United States Department of Agriculture's (USDA) consolidated financial statements for the fiscal years ending September 30, 2024 and 2023. The associated consolidated financial statements are presented in [USDA's Agency Financial Report](#). This report contains a qualified opinion on the consolidated 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 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 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.

Independent Auditor’s Report

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

In our audits of the fiscal years (FY) 2024 and 2023 consolidated financial statements of the United States Department of Agriculture (USDA) we found:

- except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, USDA’s consolidated financial statements as of and for the fiscal years ended September 30, 2024 and 2023, are presented fairly, in all material respects in accordance with United States of America (U.S.) generally accepted accounting principles;
- two material weaknesses and one significant deficiency in internal control over financial reporting; and
- noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), the Antideficiency Act (ADA), and the Payment Integrity Information Act of 2019 (PIIA).

The following sections discuss in more detail (1) our report on the consolidated financial statements, which includes an emphasis of matter paragraph related to USDA’s adoption of Statement of Federal Financial Accounting Standards (SFFAS) No. 54, *Leases*, as amended, an other-matter paragraph related to interactive data, a section on the required supplementary information (RSI), and a section on other information included with the consolidated financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) management’s response.

Report on the Consolidated Financial Statements

Qualified Opinion

We have audited the USDA’s consolidated financial statements. USDA’s financial statements comprise the consolidated balance sheets as of September 30, 2024 and 2023; 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 2024 and 2023 consolidated financial statements of the matter described in the Basis for Qualified Opinion section of our report, USDA’s consolidated financial statements present fairly, in all material respects, USDA’s financial position as of September 30, 2024 and 2023, and its net cost of operations, changes in

net position, and budgetary resources for the fiscal years then ended, in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

At the end of FY 2023, USDA changed the obligation recognition point for the Supplemental Nutrition Assistance Program (SNAP). Consistent with this change, USDA recorded obligations of more than \$9 billion and more than \$11 billion, for the years ended September 30, 2024 and 2023, respectively, for benefits in the first month of the subsequent fiscal year. These obligations are included in the “New Obligations and Upward Adjustments (Total)” line of the FY 2024 and FY 2023 Combined Statements of Budgetary Resources (SBR) and also impacted the balances reported in the “Apportioned, Unexpired Accounts” and “Expired Unobligated Balance, End of Year” lines of the FY 2024 and FY 2023 Combined SBR as well as the “Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)” line in the FY 2024 Combined SBR. However, management was unable to provide adequate evidential matter to support that these obligations were proper charges against the FY 2024 and FY 2023 appropriations. 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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor’s Responsibilities for the Audits 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.

Emphasis of Matter

As discussed in Notes 1 and 18 to the consolidated financial statements, as of October 1, 2023, USDA adopted SFFAS No. 54, *Leases*, as amended. Our opinion is not qualified with respect to this matter.

Other Matter

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the FY 2024 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 for the Consolidated Financial Statements

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

Auditor's Responsibilities for the Audits 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. 24-02 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 in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02 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 RSI¹ 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. In addition, we performed limited procedures on the reporting of government land acreage included in the RSI in accordance with OMB Bulletin 24-02. 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

¹ The RSI consists of Management's Discussion and Analysis (MD&A), Deferred Maintenance and Repairs, the Combining Statement of Budgetary Resources, and Land which are included with the financial statements.

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 the following sections: Table of Contents, Message from the Secretary, Message from the Office of the Chief Financial Officer, Other Information, and Abbreviations-Acronyms, and Non-Discrimination Statement. Other information 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 control² that might be material weaknesses³ or significant deficiencies⁴ or to express an opinion on the effectiveness of USDA's internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. Given these limitations, during our audit, we identified deficiencies in overall SNAP financial management and the information technology (IT) security program, described in Section 1, Finding 1 and Finding 2, that we consider to be material weaknesses. Further, we identified an additional deficiency in lease accounting and control activity, described Section 2, Finding 3, that we consider to be a significant deficiency. However, additional material weaknesses or significant deficiencies may exist that have not been identified.

In addition to the two material weaknesses and one significant deficiency in internal control over financial reporting, we also identified other deficiencies in USDA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.

² 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.

³ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

⁴ A significant deficiency is a deficiency, or a 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.

Nonetheless, these deficiencies warrant USDA management’s attention. We have communicated these matters to USDA management.

We performed our procedures related to USDA’s internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 24-02.

USDA management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In planning and performing our audit of USDA’s consolidated financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02, 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 for the purpose of expressing an opinion on the financial statements, 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 preparing performance information and ensuring efficient operations.

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

In connection with our audits of USDA’s consolidated financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor’s responsibilities discussed below. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to USDA. Accordingly, we do not express such an opinion. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

USDA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to USDA.

Our responsibility is to test compliance with selected provisions of 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.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed instances of noncompliance for FY 2024 that are reportable under U.S. generally accepted auditing standards or OMB Bulletin No. 24-02.

Federal Financial Management Improvement Act of 1996

We also performed tests of USDA’s compliance with certain provisions referred to in Section 803(a) of FFMIA⁵. 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 3 of this report, where USDA was not substantially compliant with Federal financial management system requirements and the U.S. Standard General Ledger (USSGL) at the transaction level.

Antideficiency Act

Title 31 U.S. Code (U.S.C.) §1517(a) 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(a). For FY 2024, the Department reported three confirmed⁶ and nine potential ADA violations in the AFR.

Payment Integrity Information Act of 2019

During FY 2024, we found that the USDA was not compliant with four of the six PIIA⁷ requirements for FY 2023. Specifically, 4 of the 12 reporting Phase 2 programs did not fully comply with PIIA requirements. These programs either did not meet annual reduction targets or report gross improper payment rates of less than 10 percent, or both. Similarly, we found three of the four programs’ corrective actions were not effective in reducing improper payments and these programs did not demonstrate improvements from the prior year.⁸

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. 24-02 in considering USDA’s internal control over financial reporting and compliance. Accordingly, these reports are not suitable for any other purpose.

⁵ Federal Financial Management Improvement Act of 1996, Pub. L. No. 104-208, 110 Stat. 3009.

⁶ Of the three confirmed ADA violations, two have been reported to the President and Congress and one is pending submission.

⁷ Payment Integrity Information Act of 2019, Pub. L. No. 116-117, 134 Stat. 113.

⁸ Audit Report 50024-0004-24, *USDA’s Compliance with Improper Payment Requirements for Fiscal Year 2023*, issued July 2024.

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.
November 14, 2024

Section 1: Material Weaknesses in Internal Control over Financial Reporting

Finding 1: Improvements are Needed in Overall SNAP Financial Management

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

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.⁹ 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.¹⁰

Consistent with the revised obligation point implemented in September 2023, USDA recorded obligations of more than \$9 billion and more than \$11 billion for October 2024 and October 2023 benefits, respectively. Previously, USDA recorded an obligation when Electronic Benefit Transfer (EBT) benefits became available to the program beneficiaries 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. 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. These obligations were recorded despite the fact that USDA had funding available on October 1st for the October 2024 and October 2023 SNAP benefits from the Continuing Appropriations and Extensions Act, 2025¹¹ and Continuing Appropriations Act, 2024 and Other Extensions Act.¹²

In FY 2024, USDA manually recorded SNAP expenditures for October 2023 benefits and manually adjusted the associated obligation down as benefits were redeemed. Once October 2023 benefits were fully redeemed, USDA adjusted the funds commitment to zero. However, as previously reported, controls for these manual processes were being designed as these activities were performed. As a result, the Office of Inspector General (OIG) was unable to obtain sufficient and appropriate evidence that the more than \$9 billion and more than \$11 billion were proper charges against the FY 2024 and FY 2023 appropriations, respectively.

⁹ Congressional Research Service, *Overview of Funding Mechanisms in the Federal Budget Process, and Selected Examples*, R44582 (Feb. 2021).

¹⁰ U.S. Government Accountability Office, *Principles of Federal Appropriation Law*, GAO-04-261SP (3d ed. 2004).

¹¹ Continuing Appropriations and Extensions Act, 2025, Pub. L. No. 118-83, 138 Stat. 1524.

¹² Continuing Appropriations Act, 2024 and Other Extensions Act, Pub. L. No. 118-15, 137 Stat. 71.

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 or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of [title 31]. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.”

The U.S. Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (Green Book): Green Book, Principle 10, Design Control Activities and Principle 12, Implement Control Activities, states, in relevant part:

- 10.01. Management should design control activities to achieve objectives and respond to risks, and
- 12.01. Management should implement control activities through policies.

In response to recommendations made in the prior financial statement audit report, FNS completed the analysis on compliance with U.S. generally accepted accounting principles and prepared a position paper addressing accounting theory and practice for the change in obligation recognition implemented in September 2023. In addition, USDA issued an Office of the Chief Financial Officer (OCFO) bulletin¹³ in February 2024 to provide guidance for voluntary changes in accounting principles while a Departmental Regulation is finalized.

In February 2024, we requested an opinion from GAO on whether USDA’s change in its use and obligation of funds appropriated to USDA for payment of SNAP benefits is consistent with pertinent appropriations law principles and statutes. GAO’s review of our request is ongoing; therefore, we are making no further recommendations.

¹³ USDA OCFO Bulletin 24-01, *Voluntary Changes in Accounting Principles* (Feb. 23, 2024).

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

As required by the Federal Information Security Modernization Act of 2014 (FISMA),¹⁴ OIG reviewed USDA’s ongoing efforts to improve its IT security program and practices during FY 2024. USDA has worked diligently to improve its security posture, with the core metric maturity average rising from the previous year. In addition, USDA closed 28 of 29 prior year recommendations; 1 recommendation remained open, 1 recommendation was partially implemented, and the remaining recommendations were successfully closed. Consistent with the FISMA requirements, the OMB policy and guidance, and the National Institute of Standards and Technology standards and guidance, USDA established and maintained its information security program and practices for the five Cybersecurity Functions and nine FISMA Metric Domains. USDA has increased its maturity level in one domain area to level 5, “Optimized.” However, weaknesses still exist, and we made 26 new recommendations to address 12 identified deficiencies within USDA’s information security program.

OMB establishes standards for an effective level of security and considers level 4, “Managed and Measurable,” to be sufficient. However, we found USDA’s maturity level to be at level 3, “Consistently Implemented,” which is ineffective according to OMB’s criteria. USDA should implement robust monitoring capabilities to continually assess the security state of its systems to include a process to hold service centers accountable for identified compliance gaps.

The Office of the Chief Information Officer generally concurred with the findings and recommendations in the report.¹⁵

¹⁴ Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283, 128 Stat. 3073.

¹⁵ Audit Report 50503-0013-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2024 Federal Information Security Modernization Act*, issued July 2024.

Section 2: Significant Deficiency in Internal Control over Financial Reporting

Finding 3: Improvements are Needed in SFFAS 54 Leases Accounting and Control Activity

We found that USDA did not fully implement SFFAS 54, Leases, in FY 2024. This occurred because the Department did not sufficiently identify, analyze, and respond to the significant change resulting from newly effective accounting standard and related amendments.

On June 1, 2024, the Department began the implementation process and instructed the agencies to utilize the Contract and Lease Management (CLM)¹⁶ module to account for USDA leases. At yearend, leases were not completely uploaded in CLM. In addition, the Department did not establish general ledger accounts for short term revenue and lease expenses until September 2024. As a result, agencies posted adjustments over \$477 million and reclassified almost \$210 million in short term revenue and \$505 million in lease expenses (short term and intragovernmental) to comply with SFFAS 54 and related amendments.

In our testing and analysis of yearend balances we noted:

- Farm Production and Conservation Business Center¹⁷ partially uploaded leases in CLM. Manual adjustments were needed at yearend to account for the remaining leases.
- Marketing and Regulatory Programs Business Services¹⁸ identified four misstatements totaling more than \$35 million due to a misclassification of leases.
- Forest Service (FS) did not timely identify their lessor activity. A reclassification of almost \$210 million was made for the lessor activity. In addition, we determined that FS included non-lease components as part of the lease components.
- The Department did not record more than \$35 million of right-to-use leases related to the Overseas Housing Pool.

The Federal Accounting Standard Advisory Board issued SFFAS 54, Leases, in April 2018, effective for the period beginning after September 30, 2023. The new accounting standard revises the financial reporting standards for federal lease accounting. It requires that leases unexpired at the beginning of the reporting period in which the Statement is implemented be recognized and measured using the facts and circumstances that exist at the beginning of the reporting period.¹⁹ Additionally, a lessor should recognize a lease receivable and unearned

¹⁶ CLM is a module of the Financial Management Modernization Initiative, the Departmental General Ledger System, which reproduces the amortization schedule and automatically post transactions.

¹⁷ Farm Production and Conservation Business Center provides services to the Commodity Credit Corporation, Farm Service Agency, Natural Resources Conservation Service, and Risk Management Agency.

¹⁸ Marketing and Regulatory Programs Business Services provides administrative services to the Agricultural Marketing Service and Animal and Plant Health Inspection Service.

¹⁹ SFFAS 54, April 17, 2018, paragraph 96.

revenue, except for short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases.²⁰

The Green Book Principle 9, Identify, Analyze, and Respond to Change, states:

- 9.04 As part of risk assessment or a similar process, management analyzes and responds to identified changes and related risks in order to maintain an effective internal control system. Changes in conditions affecting the entity and its environment often require changes to the entity's internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions. 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.

The Department did not adequately respond to the changes in conditions that were caused by the new accounting standard, SFFAS 54 and related amendments. As a result, the Department made substantial manual adjustments and reclassifications after yearend, increasing the risk of misstatements in the USDA Financial Statements.

Recommendation 1:

Update and clarify Departmental guidance to ensure agencies fully and consistently implement SFFAS 54 and related amendments.

Agency Response

OCFO generally agrees with the issues noted. OCFO will update guidance to ensure agencies fully and consistently implement SFFAS 54 and related amendments.

OIG Position

We accept management decision for this recommendation.

²⁰ SFFAS 54, April 17, 2018, Section 55.

Section 3: Noncompliance with Laws and Regulations

Finding 4: Lack of Substantial Compliance with FFMIA Requirements

FFMIA requires agencies to annually assess whether their financial management systems comply substantially with (1) Federal financial management system requirements, (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 2024, USDA evaluated its financial management systems to assess compliance with FFMIA. USDA reported that it is not compliant with Federal financial management system requirements and the USSGL at the transaction level. As noted in its MD&A, USDA agencies continue working to meet FFMIA and FISMA objectives.

Specifically, in its FFMIA and Federal Managers' Financial Integrity Act Report on Management Control, the Department reported continued weaknesses in IT controls that result in noncompliance with the FISMA requirement. See Finding 2 of this report for more details.

Additionally, in its FFMIA report, the Department noted noncompliance by 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
CLM	Contract and Lease Management
EBT	Electronic Benefits Transfer
FASAB	Federal Accounting Standards Advisory Board
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Modernization Act of 2014
FNS	Food and Nutrition Service
FY	fiscal year
FS	Forest Service
GAO	U.S. Government Accountability Office
IT	information technology
MD&A	Management’s Discussion and Analysis
OCFO	Office of the Chief Financial Officer
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
SFFAS	Statement of Federal Financial Accounting Standards
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

**Management's Response
to the Audit Report**



**United States
Department of
Agriculture**

November 14, 2024

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

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
2024 and 2023

The Department is pleased to respond to your audit report on the financial statements for fiscal years 2024 and 2023.

We concur with the findings in the report. We will continue with actions planned and in progress to address the findings. We will update guidance to ensure agencies fully and consistently implement SFFAS 54 and related amendments.

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

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