



80  
years

2024

Agency Financial Report



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# Message from Secretary Vilsack



The U.S. Department of Agriculture (USDA)'s Agency Financial Report for fiscal year (FY) 2024 reflects a year of significant transformation and achievements, driven by the dedication of our public servants. Each day, I have the privilege of working alongside thousands of committed USDA employees to effect meaningful change for all Americans. This year, we have focused on empowering people and improving lives through climate-smart agriculture and forestry, creating opportunities for small and mid-sized farmers, advancing equity, and tackling food and nutrition insecurity. Our work to serve the American people relies on a strong operational foundation, and this report highlights the progress we have made across all mission areas.

To create a system that works for everyone, we have identified new value-added markets for climate-smart agriculture commodities and supporting the participation of farmers, ranchers, and forest owners in these markets<sup>1</sup>. Historic investments, including the Inflation Reduction Act, Bipartisan Infrastructure Law, and the American Rescue Plan, have empowered us to create new programs that support rural communities, meet global demand for renewable and climate-smart goods, and take bold action against the climate crisis. In FY 2024, our Natural Resources Conservation Service allocated \$3 billion from the Inflation Reduction Act for climate-smart agriculture, including the Environmental Quality Incentives Program, Conservation Stewardship Program, Agriculture Conservation Easement Program, and the Regional Conservation Partnership Program, all of which help farmers, ranchers, and forest landowners to integrate conservation practices into their working lands. This included \$90 million for 53 Conservation Innovation Grant projects to support the development and adoption of new tools, practices, and technologies to further natural resource conservation and improve agricultural operations on private lands, including targeted projects to address enteric methane.

To respond to the challenges that climate change has created, we have invested \$500 million in resources from the Infrastructure Law and Inflation Reduction Act to expand work on the USDA Forest Service's Wildfire Crisis Strategy that will identify and begin reducing wildfire risk to communities, critical infrastructure and natural resources. USDA's Forest Service includes the brave men and women who put their life on the line every day to fight those fires. This strategy will not only save lives, but it will also save communities, making for healthier forests, and producing better air quality.

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<sup>1</sup> USDA's Strategic Goal 1 in Strategic Plan FY 2022–2026 is Combat Climate Change to Support America's Working Lands, Natural Resources, and Communities.

In addition to protecting our natural resources, we have made significant strides in safeguarding public health through our food safety initiatives<sup>2</sup>. This year, we have taken historic steps to combat Salmonella, the most frequently reported foodborne illness. Our Food Safety and Inspection Service (FSIS) issued a comprehensive proposed rule and determination to reduce Salmonella contamination in poultry products and enhance label integrity through new rules like the “Product of USDA” label and final determinations on Salmonella contamination in raw breaded stuffed chicken products. Additionally, we responded rapidly to detections of highly pathogenic avian influenza (HPAI H5N1) in poultry and dairy cattle. In FY 2024, USDA’s Animal Plant and Health Inspection Service, along with other USDA agencies like ARS and FSIS, worked swiftly to conduct epidemiologic investigations, limit spread to other states, use the latest scientific data to learn about the virus, reaffirm the safety of the food supply, and support producers.

Our Farm Production and Conservation (FPAC) mission area has also been instrumental in implementing investments to strengthen the resilience, sustainability, and viability of America’s agricultural producers. The FPAC Business Center expanded language access resources for producers, ensuring that more farmers can benefit from USDA programs. Through the Farm Service Agency’s Emergency Relief Program, we allocated disaster relief funds to support farm viability. We also made unprecedented investments in farm labor support, modernized the farm loan payment system, and eased the administrative burden for the Conservation Reserve Program. In addition, we updated the farm loan rule, based on feedback from farmers, to help farmers and ranchers make more money and invest in their farms. These changes are designed to make it easier for farmers to manage their finances and invest in their future.

Some of our most impactful efforts this year included implementation of Section 22006 and Section 22007 of the Inflation Reduction Act. We continued implementation of Section 22006, which provided \$2.3 billion in assistance to over 43,200 distressed borrowers across the nation. This financial relief is crucial in helping farmers and ranchers recover from financial difficulties and continue their essential work. Section 22007, also known as the Discrimination Financial Assistance Program, was an important moment in USDA’s history, acknowledging discrimination in USDA farm lending programs. The program provided \$2 billion in financial assistance to over 43,000 individuals who reported farm lending discrimination prior to January 2021.

To improve access to USDA services for producers in urban communities, we opened 17 Urban Service Centers across the country. Our Risk Management Agency played a pivotal role in supporting the largest farm safety net in history, insuring a record \$207 billion of agricultural products for 1.1 million producers and covering over 500 million acres. The agency also continued to develop new policies and expand existing ones to better serve all producers, ensuring that the agricultural sector remains resilient in the face of challenges.

We are transforming the food system by building new and better markets and creating opportunities in the local and regional food system structure<sup>3</sup>. In FY 2024, our Agricultural Marketing Service purchased \$3.26 billion worth of food to support producers and provide 3.56 billion pounds of nutritious food to American families. Additionally, we administered \$936 million in cooperative agreements to support local and underserved producers through programs like the

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<sup>2</sup> This work ties into USDA Strategic Goal 4: Make Safe, Nutritious Food Available to All Americans, in the USDA FY 2022–2026 Strategic Plan.

<sup>3</sup> This point correlates directly with USDA’s Strategic Goal 2: Ensure America’s Agricultural System is Equitable, Resilient, and Prosperous in USDA’s FY 2022–2026 Strategic Plan.

Local Food Purchase Assistance Cooperative Agreement Program (LFPA), LFPA Plus, and the Local Food for Schools Cooperative Agreement Program. We also issued \$400 million in grants through the Resilient Food Systems Infrastructure program, \$36.4 million through the Local Meat Capacity Grant Program, and \$85 million through the Organic Market Development Program. These efforts are just a few examples of how we are fostering more competitive and resilient markets for American producers.

On a global scale, our Trade and Foreign Agricultural Affairs mission area continues to grow international markets for U.S. farm and food products, propelling agricultural exports to more than \$170 billion for a projected fourth year in a row. Utilizing \$2.3 billion from the Commodity Credit Corporation, our Foreign Agricultural Service is helping U.S. exporters diversify their customer base through the new Regional Agricultural Promotion Program, knocking down barriers for specialty crop exporters through the new Assisting Specialty Crop Exports initiative<sup>4</sup>, and bolstering the U.S. government's international food aid efforts through the purchase of additional U.S. grown commodities as part of a new \$1 billion partnership with the U.S. Agency for International Development.

Back at home, we are working to change the way we produce electricity and power in rural America<sup>5</sup>. Through the Inflation Reduction Act, our Rural Development team is investing in resources to encourage farmers, ranchers, and producers to utilize renewable energy to lower costs, and are also creating opportunities for Rural Electric Cooperatives to transition away from fossil fuel generated power, which is harmful to the environment, to a more renewable portfolio. In FY 2024 alone, USDA provided more than \$525 million for 14 new clean energy projects that serve rural Americans through partially forgivable loans through the Powering Affordable Clean Energy program. USDA has announced more than 2100 REAP awards for more than \$600 million with more to come, which is a greater investment in the program than all of FY 2023.

Our mission to end food and nutrition insecurity remains a top priority. This year, our Food and Nutrition Service launched the first full-time summer EBT program, or "SUN Programs," benefiting roughly 21 million children by providing resources to their families on a permanent basis. These programs offer free summer meals for children under 18 and new grocery benefits for eligible kids. USDA also updated school nutrition standards to support children's health and announced \$39 million in new grants to help schools serve nutritious and delicious meals. In 2024, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) celebrated its 50th anniversary. To mark this milestone, USDA finalized science-based updates to the WIC food packages, better meeting the nutritional needs of pregnant, postpartum, and breastfeeding women, infants, and children. We further invested in this evidence-based program by announcing \$75 million in funds to modernize and support the WIC workforce, update WIC State agency infrastructure, and develop a Management Information Systems Strategy.

Underpinning USDA's programs and policies are the science, technology, and data delivered by the Research, Education, and Economics (REE) mission area. REE's investments in agricultural research, development and deployment are addressing some of the world's greatest challenges including the climate crisis, nutrition insecurity and hunger, farmer mental health and profitability,

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<sup>4</sup> These initiatives relate directly to USDA Strategic Goal 3: Foster an Equitable and Competitive Marketplace for All Agricultural Producers in the FY 2022–2026 USDA Strategic Plan.

<sup>5</sup> These initiatives relate to USDA Strategic Goal 5: Expand Opportunities for Economic Development and Improve Quality of Life in Rural and Tribal Communities in the USDA FY 2022–2026 Strategic Plan.



emerging public health threats, and more. REE's groundbreaking scientific solutions reach across the entire agriculture sector both nationally and internationally. For example, new REE initiatives, like USDA's ASCEND for Better Health and its associated USDA Nutrition Hubs, connect underserved communities with tailored, science-based nutrition information that can combat diet-related chronic diseases including many cancers and results in more equitable health outcomes. Additionally, USDA's National Agricultural Statistics Service recently published results from the 2022 Census of Agriculture, the most complete count of U.S. farms, ranches, and the people who operate them. Policymakers, industry and nonprofit stakeholders, producers, and the public rely on Ag Census data to make critical decisions about the future of agriculture. Speaking of the future, we know that in order to keep increasing service delivery to better serve the most customers, our investments in partnerships and workforce must reflect the diversity of the communities we serve. USDA's NextGen program, a historic, five-year \$265.5 million investment in Minority-serving Institutions across the country is training and supporting 20,000 food and agriculture leaders that look like America. This is one of many key programs that will ensure USDA is a great place to work, by recruiting and retaining the best talent and remaining inclusive of the people we serve<sup>6</sup>.

Ensuring that our funds are allocated and spent appropriately is a top priority for USDA. To achieve this, we rely on our insights provided by our partners, the Office of Inspector General (OIG) and the Government Accountability Office (GAO). Based on the Management Challenges report issued by the Office of the Inspector General (OIG), there are three major areas where OIG believes USDA faces challenges in delivering its programs: Ensuring Safety and Security, Providing Benefits, and Delivering Efficient Programs. While we recognize there are areas for improvement, the Department continues to implement remediations and corrective actions to improve the effectiveness of our programs. We are committed to taking the needed steps to help mitigate instances of fraud, waste, and abuse and ensure benefits reach those for whom they are intended. In terms of accomplishments, Mission Areas and Staff Offices continue to put an increased focus on closure rate of open recommendations. For FY 2024, OIG recommendations achieved a closure rate of over 60 percent and GAO closure rates for the 4-year lookback period are on track to meet 80 percent.

USDA's mission reaches far and wide, touching every corner of American life. From supporting the hardworking farmers and farmworkers who feed our nation, to revitalizing small-town economies, our work ensures that local communities thrive. We are committed to providing schoolchildren with healthy, locally sourced meals and safeguarding our natural resources against the growing threats of climate change. In FY 2024, USDA navigated through challenges that tested our resolve, fortified our strategies, and highlighted our unwavering commitment to innovation and progress. As we move forward, we will continue to cultivate opportunities that lead to lasting growth and prosperity for all.



**Thomas J. Vilsack**  
Secretary of Agriculture

November 14, 2024

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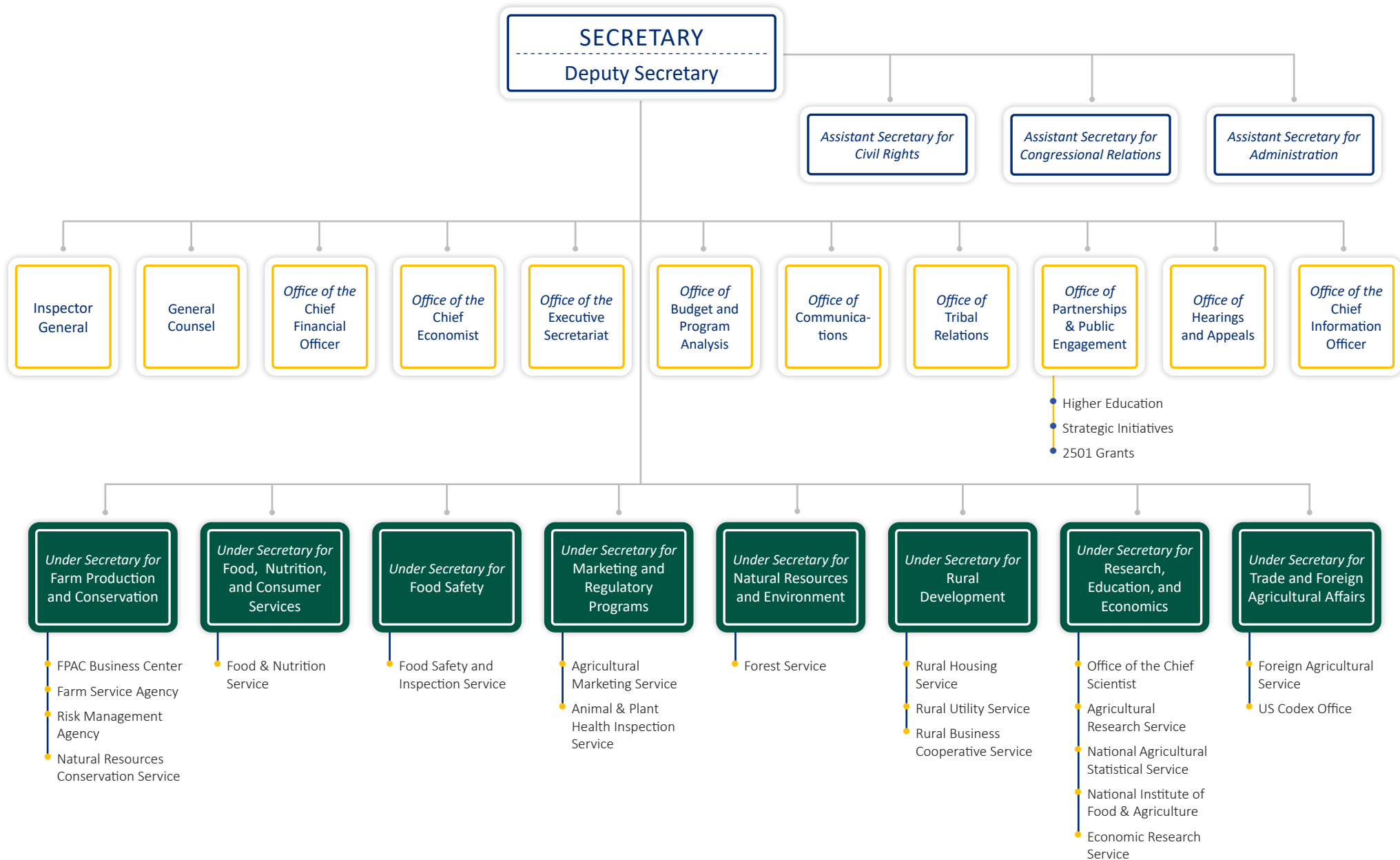
<sup>6</sup> These efforts relate directly to USDA FY 2022–2026's Strategic Plan's Strategic Goal 6: Attract, Inspire, and Retain an Engaged and Motivate Workforce that's Proud to Represent USDA.

A photograph of a classical building facade, likely a museum or government building, featuring large columns and a pediment inscribed with the word "AGRICULTURE". A large green diagonal overlay covers the left side of the image.

AGRICULTURE

# **Section I** Management's Discussion and Analysis

# Organization Chart







# Mission Areas and Staff Offices

## Farm Production and Conservation

FPAC is USDA's focal point for the Nation's farmers, ranchers, and other stewards of private agricultural and nonindustrial 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 (FNS) works to harness the Nation's agricultural abundance to reduce food and nutrition insecurity 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](#)

## Food Safety

Food Safety and Inspection Service 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](#)

## Marketing and Regulatory Programs

Marketing and Regulatory Programs (MRP) facilitates domestic and international marketing of U.S. agricultural products, promotes fair and competitive markets, 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 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 provides credible, data-driven scientific guidance rooted in scientific research, economic data, and statistical analysis through our five component organizations. The "USDA Science and Research Strategy, 2023–2026: Cultivating Scientific Innovation," outlines our highest research priorities and represents the input of both our stakeholders and all 8 of USDA's mission areas. The Strategy serves to spur innovation and collaboration across the USDA science R&D landscape and with partnering organizations. REE is USDA's core scientific enterprise and works across the Department and with partners and stakeholders 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 staff 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.



# USDA FY 2022-2026 Strategic Plan

## Priorities



Addressing Climate Change via Climate Smart Agriculture, Forestry & Renewable Energy



Advancing Racial Justice, Equity & Opportunity



Creating More & Better Market Opportunities for Producers and Consumers at Home and Abroad



Tackling Food & Nutrition Insecurity While Maintaining a Safe Food Supply



Making USDA a Great Place 10 Work for Everyone

## Strategic Goal

1

Combat Climate Change to Support America's Working Lands, Natural Resources, and Communities  
(FPAC, NRE, DA)

2

Ensure America's Agricultural System is Equitable, Resilient, and Prosperous  
(MRP, REE)

3

Foster an Equitable and Competitive Marketplace for All Agricultural Producers  
(FPAC, TFAA)

4

Make Safe, Nutritious Food Available to All Americans  
(FNCS, FS)

5

Expand Opportunities for Economic Development and Improve Quality of Life in Rural and Tribal Communities  
(RD)

6

Attract, Inspire, and Retain an Engaged and Motivated Workforce that's Proud to Represent USDA  
(DA, REE, FPAC, NRE, RD)

## Strategic Objectives

- Use Climate-Smart Management and Sound Science to Enhance the Health and Productivity of Agricultural Lands
- Lead Efforts to Adapt to the Consequences of Climate Change in Agriculture and Forestry
- Restore, Protect, and Conserve Watersheds to Ensure Clean, Abundant and Continuous Provisions of Water Resources
- Increase Carbon Sequestration, Reduce Greenhouse Gas Emissions, and Create Economic Opportunities (and Develop Low-Carbon Energy Solutions)

- Protect Plant and Animal Health by Maximizing Major Diseases, Pests, and Wildlife Conflicts
- Build Resilient Food Systems, Infrastructure, and Supply Chain
- Foster Agricultural Innovation

- Foster Sustainable Economic Growth by Promoting Innovation, Building Resiliency to Climate Change, and Expanding Renewable Energy
- Expand Markets for Emerging Technologies, Sustainable Products, and Novel Products
- Expand All Producers' Access to Global Markets Through Negotiation and Enforcement of Trade Agreements
- Expand International Marketing Opportunities and Build Demand in Developing Countries Through Delivery of Technical Assistance and Capacity Building

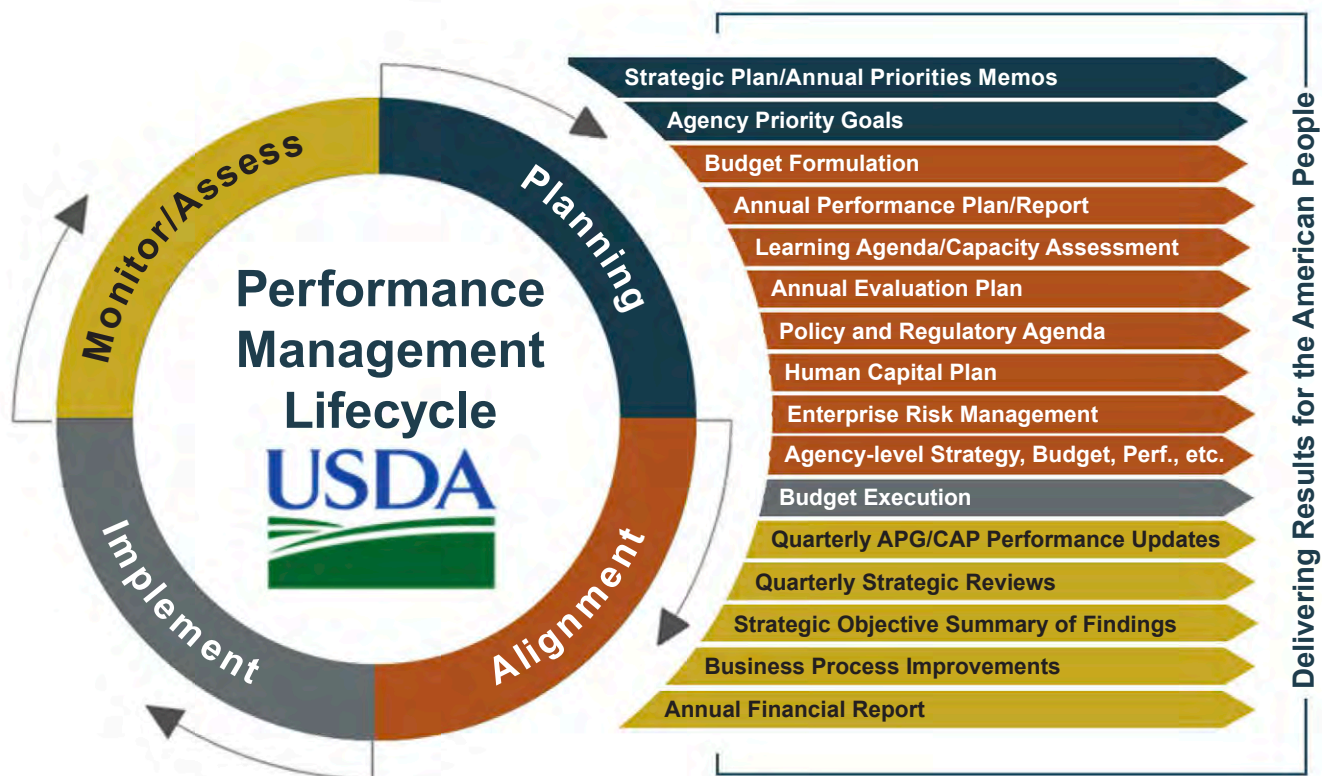
- Increase Food Security Through Assistance and Access to Nutritious and Affordable Food
- Encourage Healthy Dietary Choices Through Data-Driven, Flexible, Customer-Focused Approaches
- Prevent Foodborne Illness and Protect Public Health

- Improve Rural and Tribal Community Infrastructure, including Affordable E-Connectivity, Cornerstone Community Facilities, Sustainable and Reliable Power, and Clean and Safe Water and Sewer Systems
- Boost the Financial Security of Rural and Tribal Communities through Access to Affordable Housing
- Increase Capacity, Sustainability, and Economic Vitality in Rural and Tribal Communities
- Promote Environmental Justice by Maximizing Sustainable and Green Economic Development in Rural and Tribal Communities

- Foster a Culture of Civil Rights, Diversity, Equity, Inclusion, Accessibility, Transparency, and Accountability
- Establish a Customer-Centric, Inclusive, High-Performing Workforce that is Representative of America and the Communities We Serve
- Promote USDA Operational Excellence Through Better Use of Technology and Shared Solutions

## 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 towards achieving the strategic goals and objectives. Given the timing of publication for this report, the following graph depicts the FY 2024 Q3 status of USDA's KPIs, organized by strategic goal. As of FY 2024 Q3, USDA met or exceeded the target for 12 out of 54 (22 percent) performance metrics. 3 of the 54 (6 percent) performance metrics were deemed to "need improvement," meaning they were within 10 percent range of meeting the set target. 5 of the 54 (9 percent) performance metrics were more than 10 percent below target, designating them as "unmet." 34 of the 54 (63 percent) performance metrics do not have available data at the time of this report due to these measures being annual measures which cannot be reported quarterly and because of lag times associated with data reporting and processing.



Strategic Goals	Performance Metrics				Total
	Achieved or On Target	Slightly Below Target (<10%)	Significantly Below Target (>10%)	Unavailable Due to Annual Measure	
<b>Goal 1:</b> Combat Climate Change to Support America's Working Lands, Natural Resources and Communities	5	0	0	17	22
<b>Goal 2:</b> Ensure America's Agricultural System is Equitable, Resilient, and Prosperous	2	3	0	1	6
<b>Goal 3:</b> Foster an Equitable and Competitive Marketplace for All Agricultural Producers	1	0	1	5	7
<b>Goal 4:</b> Make Safe, Nutritious Food Available to All Americans	0	0	0	6	6
<b>Goal 5:</b> Expand Opportunities for Economic Development and Improve Quality of Life in Rural and Tribal Communities	4	0	1	2	7
<b>Goal 6:</b> Attract, Inspire, and Retain an Engaged and Motivated Workforce that's Proud to Represent USDA	0	0	3	3	6
<b>Total</b>	12	3	5	34	54
<b>Percentage</b>	22%	6%	9%	63%	100%

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

In addition to the KPIs, USDA has two FY 2024–2025 Agency Priority Goals (APGs) that represent near-term achievements that leadership wants to accomplish within two years. USDA's FY 2024–2025 APGs are:

- Ensure all Americans have access to high-speed, affordable, and reliable broadband
- Cultivate a motivated and skilled workforce capable of accomplishing USDA's mission through effective recruitment and retention

As of FY 2024 Q3, USDA is on track to accomplishing these APGs. Quarterly APG progress updates are posted on [Performance.gov](#) and are also included in the joint APP/APR.



# 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 (FMFIA). USDA conducted its assessment of risk and internal control in accordance with Office of Management and Budget (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, 2024, except for the following material weaknesses reported: (1) information technology (IT) and (2) financial management.

We also assessed the compliance of USDA's financial management systems with Federal Financial Management Systems' requirements in accordance with FMFIA Section 4; Federal Financial Management Improvement Act (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.

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, one pending submission and nine are under review as potential violations. USDA is non-compliant with the Payment Integrity Information Act of 2019 (PIIA) requirements for FY 2023.

For FY 2023, the department fulfilled its high-dollar quarterly overpayment reporting requirements mandates by OMB. Three FNS programs and one RMA program reported an annual monetary loss improper payment estimate greater than \$100,000,000. Therefore, a scorecard for each of the programs was completed each quarter and submitted to OMB during FY 2023. The program specific scorecard provided information on the actions taken or planned to prevent improper payments and unknown payments in the future.

However, USDA is non-compliant with the PIIA requirements. Specifically, the department did not meet four of the six PIIA requirements, which are reported in the FY 2023 OIG report. Details are further discussed in the management challenges section and payment integrity sections of this report. The collaboration and partnership with USDA's Inspector General (IG) and the Department of Treasury/Office of Payment and Integrity has been beneficial in the effort to assess eligibility of prepayment awards. The department will continue to identify and review all programs to reduce its improper payments.

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 material weaknesses were found in the (1) internal control over reporting as of September 30, 2024. One material weakness was found in the design of the internal control over (2) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2024.



**Thomas J. Vilsack**  
Secretary of Agriculture

November 14, 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 OIG and the 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 2024 Results

The Department has two material weaknesses in internal controls over 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 the change in the obligation recognition point for Supplemental Nutrition Assistance Program (SNAP) benefits that occurred in September of 2023. (See Exhibit 2). The Office of the Chief Financial Officer implemented recommendations from a FY 2023 audit for the material weakness related to OMB's standards for an effective level of security.

The Department reported two Anti-Deficiency Act (ADA) violations to the President and Congress during the fiscal year. In addition, one confirmed violation is pending submission to the President and Congress. The Office of the General Counsel (OGC) determined that nine other potential instances are under observation and investigation during this time. 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 2024 accomplishments and FY 2025 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 2025
FY 2024 Accomplishments:	FY 2025 Planned Actions:
<p>During FY 2024, the Office of the Chief Information Officer (OCIO):</p> <ul style="list-style-type: none"><li>During the FY 2024 FISMA audit, USDA improved its Inspector General FISMA maturity rating in 3 of the 5 National Institute of Standards and Technology Cybersecurity Framework functions and implemented 19 audit recommendation. The USDA Cybersecurity Progress Report score increased by 16 percent to achieve 90 percent during FY 2024. OCIO has achieved several key milestones that significantly enhance USDA's cybersecurity posture under the Zero Trust Framework, including the successful implementation of a centralized identity management system for the enterprise. OCIO established the Privacy Council as a permanently chartered subcommittee of the USDA's Chief Information Officers Council and did not report any major incidents involving PII.</li></ul>	<p>OCIO will:</p> <ul style="list-style-type: none"><li>Continue to mature its cybersecurity program and FISMA maturity</li><li>Ensure the alignment of new cybersecurity initiatives with Executive Order 14028, Improving the Nation's Cybersecurity</li><li>Leverage emerging technologies, including artificial intelligence as prescribed by Executive Order 14110, Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence</li><li>Continue to develop a skilled and agile cyber workforce</li></ul>
USDA Financial Management	
Material Weaknesses Existing	The basis for this weakness was that in September of 2023, the obligation recognition point for SNAP benefits was changed.
Overall Estimated Completion Date	FY 2025
FY 2024 Accomplishments:	FY 2025 Planned Actions:
<p>During FY 2024, FNS.</p> <ul style="list-style-type: none"><li>Food, Nutrition, and Consumer Services (FNCS) completed an analysis on compliance with U.S. generally accepted accounting principles and prepared a position paper addressing accounting theory and practice for the accounting for the change in obligation recognition implemented in September 2023. The position paper has been shared with the OIG and the two parties have been engaged on a regular basis on this matter. Compensating controls have been implemented to address the change and while the end goal is to automate the work, this cannot be done until completion of a full cycle. Therefore, the conditions that led to this continue unresolved in FY 2024.</li></ul>	<p>FNS will:</p> <ul style="list-style-type: none"><li>Contingent upon any forthcoming recommendations and additional guidance from OIG through the 2024 financial statements audit or from GAO, FNCS will pursue automation for this change in FY 2025.</li></ul>

# 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.

USDA resolved prior year’s recommendations; however, USDA’s Office of Inspector General identified additional deficiencies preventing 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 2024 Results

During FY 2024, 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 2023 Agency Financial Report (AFR).

USDA is not compliant with USSGL at the transaction level due to deficiencies identified for the Commodity Credit Corporation (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	9/30/2025
Financial Management	USSGL at the transaction level.	CCC	9/30/2026



## CCC Non-Compliance

CCC non-compliance with USSGL remains on-going in FY 2024. 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:

**FY 2025:** Resume CCC Financial Improvement Project interface with Farm Production and Conservation Business Center owned applications and Financial Management Modernization Initiative (FMFI); completion of the Financial Intelligence Enterprise Transformation (FIET) initiative.

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



# Compliance with Laws and Regulations

USDA has developed strategies to reduce and/or mitigate confirmed violations during FY 2024. USDA remains non-compliant with ADA. USDA is also non-compliant with PIIA requirements for FY 2024.

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 2024

Agency: ERS	Year Identified
<b>Violation:</b> USDA transferred about \$159,627.51 from an appropriation for NIFA's relocation expenses to the appropriation for the USDA Office of the Secretary. USDA never made the requisite notification under Section 717(a) when it transferred amounts appropriated to ERS	FY 2022
Agency: CCC	Year Identified
<b>Violation:</b> Due to significant interest rate change 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.	FY 2022

### Exhibit 4: ADA Violation Pending Submission to the President and Congress; One ADA violation is pending issuance of a letter.

Agency	Description of Violation	Status	Phase
NRCS/ FPAC-BC	In FY 2023, the FPAC Business Center issued a contract on behalf of NRCS for Vehicle Telematics which installs devices into NRCS's fleet of vehicle to track drivers through their PIV card. NRCS provided funding but the FPAC-BC put the project together and presented it to NRCS for funding approval for USDA Chief Information Officer (CIO). The purchase of IT must follow the IT governance process which requires approval from the Investment Review Board (IRB) and the USDA CIO. The required approval steps were not followed for this purchase of \$1,848,471.50. A violation occurred when FPAC-BC obligated more than the \$25,000 for the contract.	Letter in clearance	OGC determined violation occurred

Potential ADA Violations—four prior year and five new potential violations were identified and are currently pending results. Two of the four prior year potential violations have been cleared by OGC and are pending a determination by the GAO. All other 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
<b>CCC</b>	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 Estimated Completion Date (ECD) at this time
<b>CCC</b>	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
<b>FPAC-FSA</b>	In FY 2023, the FPAC Business Center issued a contract on behalf of the FSA to Catalyst Communication Network for online access to farm equipment valuation guides and compact tractor guides. This online access with a user id/ password meets the OMB's definition of IT which requires approval from the IRB and the USDA CIO. The required approval steps were not followed for this purchase of \$41,662.	Potential Violation	Referred to OGC
<b>NRCS</b>	In FY 2023, the FPAC Business Center issued a contract on behalf of NRCS to American Society for Testing & Materials which provides a web portal that allows NRCS users to login and view current industry practices and material standards. This web portal and login meets the OMB's definition of IT which requires approval from the IRB and the USDA CIO. The required approval steps were not followed for this purchase of \$64,588.	Potential Violation	Referred to OGC
<b>CCC</b>	CCC Charter Act (15 USC 714) Provides the authorities for CCC operations. 15 USC 714i, Cooperation with other governmental agencies, provides the authority for CCC to enter into reimbursable agreements and is statutorily capped at \$56,102,727. The Interagency Agreement (IAA) was contracted with CCC as the Requesting Agency (Buyer) and USAID as the servicing Agency (Seller). IAAs by nature are reimbursable agreements, by listing CCC on the IAA, CCC section 11 cap applies. The apportionment for CCC section 11 funding provides a number of purposes and includes a reserve for contingencies of \$2 million. The apportionment does not include an funding for the purposes of this IAA, so the full amount of the IAA is the amount of the amount of the potential violation. Form 7600A indicates the amount of \$650,000.00.	Potential Violation	Referred to OGC

Agency	Description of Violation	Status	Phase
APHIS	APHIS noted a handful of leases either not scored or incorrectly scored as an operating or capital lease in an OIG review of the FY 2023 APHIS leases. The lease classification concern of approximately \$35 million aggregate is considered to be a control deficiency for materiality purposes. APHIS is in the exploratory phase whereby they are working with the OCFO and have prepared a Summary of Uncorrected Misstatements due to uncorrected lease issues and may be formulating a corrective action plan. The Agency plans to consult with OGC to confirm that there is no identified ADA violation.	Potential Violation	Referred to OGC
AMS	In July 2024, the agency discovered the FGIS Fund Balance with Treasury account ended with negative balance for the June reporting period. AMS does not consider the FGIS abnormal Fund Balance with Treasury and ADA violation. The program ended the fiscal year with a positive cash balance despite \$55 million cap. USDA, AMS Treasury Account Symbol (TAS) 12X4050 closed July 2024 with a negative cash balance of \$812,718.79. The MRP Chief Financial Officer is in an exploratory phase whereby they are consulting with USDA Office of the General Counsel.	Potential Violation	Referred to OGC
CCC	The Agriculture Risk Coverage (ARC) Program and Price Loss Coverage (PLC) Program request CCC Indefinite Borrowing Authority and OMB Apportionment based on Mid-Session Review estimates provided by the Economic Policy Analysis Division at various points during the fiscal year. In September 2024 the estimate dramatically spiked and exceeded the 05/30/24 estimate upon which authority was made. Per obligations estimate methodology CCC has obligated approximately \$746 million dollars more in the ARC and PLC programs that was requested on the latest FY 2024 SF-132.	Potential Violation	Referred to OGC
OCFO	OBPA revised staff office apportionment request for FY 2024 to correct the previous errors and these were received and approved by OMB before the end of this fiscal year. However, we were not able to do that for FY 2018–2023 within the period of funds availability. These violations were failures to ensure compliance with the instructions contained in OMB Circular A-11, Preparation, Submission and Execution of the Budget. Once the error occurred in FY 2018, it carried over until a more diligent review took place earlier this year. OCFO and OBPA revised the FY 2024 apportionment to properly reflect the reimbursement authority for Staff Offices. OCFO is seeking a legal opinion from OGC regarding prior fiscal years.	Potential Violation	Referred to OGC

# Payment Integrity Information Act

The USDA OIG conducted a review of the Department’s payment integrity information reported on Paymentaccuracy.gov and supporting documentation from the component agencies. The report findings and recommendations can be found at [USDA's Compliance with Improper Payment Requirements for FY 2023 \(oversight.gov\)](#).

Exhibit 6: Two Agencies were identified during the FY 2023 Inspector General Review.

Agency	Description of Noncompliance	Status	Audit Report Number
FSA & FNS	USDA programs did not comply with four of the six improper payment requirements: FSA and FNS programs either did not meet annual reduction targets, report gross improper payment rates of less than 10 percent, or both. Similarly, with these programs’ corrective actions were not effective in reducing improper payments, and these programs are not demonstrating improvements from the prior year.	OIG determined	50024-0004-24



# 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 were 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

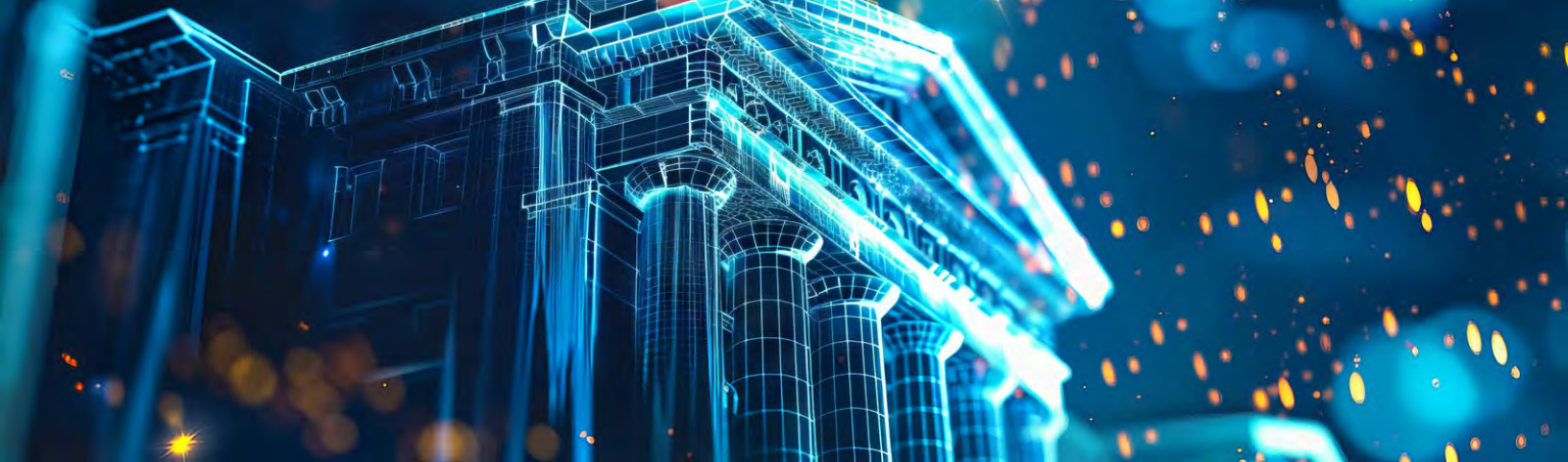
FMS's mission as an internal SSP is to provide dependable, cost-effective, employee-centric systems and services to USDA organizations, thus enabling customers to focus on serving this great Nation through their mission delivery. FMS's goal is to provide the necessary activities for executing the Financial 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 FY 2024

For FY 2024, 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 FIET implementation. The narratives describe the milestones achieved throughout FY 2024, as part of the bigger project. The following pages will provide additional information on our success throughout the year.

### **Financial Management Modernization Initiative Intelligent Enterprise Transformation**

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 Business Suite 4 High-performance SAP Analytic Appliance (S/4HANA) technology through the FIET project. The new S/4HANA system will be an in-memory platform allowing users to run real-time reports on operational and financial data. The FIET project completed the Initiate, Confirm, Design and Build, and System Integration Testing 1 phases in FY 2024. Implementation of FIET is scheduled for completion in February of 2025 after completing Quality Assurance testing, User Acceptance Testing, and a mock implementation. FIET implementation ensures FMS is the pinnacle for financial management services and provides unparalleled support to USDA agencies and staff offices.

### **SAP Contract and Lease Management (CLM) Module within USDA's Enterprise-Wide Financial System FMMI**

The Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards (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 comply with SFFAS 54. FMS selected the SAP CLM module as USDA's enterprise-wide financial system solution. FMS completed the SAP CLM implementation in FY 2024, successfully importing the framework code for right-to-use and long-term leases into FMMI and resolving seven solution gaps identified within the CLM solution. Additionally, FMS successfully implemented an interface between the Corporate Property Automated Information Systems and FMMI facilitating data transfer between the two systems in support of SFFAS 54 requirements of proper valuation of leases and mandated reporting of the lessee financial transactions in the General Ledger. FMS plans to implement lessor transactions in FY 2025.

## **SAP Information Lifecycle Management (ILM) Implementation**

In preparation for the S/4HANA transition, FMS needed to develop and implement a data archival strategy and system. FMS implemented SAP ILM in the first quarter of FY 2024, which reduced the overall database footprint and established the process of managing data prior to the S/4HANA migration. This implementation will result in reducing cost and improving efficiency of the new system.

## **Statement on Standards for Attestation Engagements (SSAE) System and Organization Controls (SOC) I Examination**

FMS conducted a SOC 1 type 2 examination of the FMS financial systems in accordance with SSAE 18, as amended, and issued a report with an unmodified (clean) opinion. FMS provided complete and timely evidence to the audit team in satisfaction of testing criteria of the system controls. FMS provided the auditors with artifacts such as documentation of procedures, populated and sampled data, and system user activity. FMS achieved a 100 percent submission rate of all requested provided by client (PBC) items. FMS supported all walkthroughs and requests for documentation to achieve 100 percent of the audit control objectives contributing to the successful completion of the examination with a favorable auditor's opinion. Receiving a clean opinion provides FMS customers and stakeholders assurance of our processes and confidence in our fiduciary responsibilities in support of USDA's mission.

## **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 provides servicing grants to organizations such as educational institutions and research organizations.

OCFO 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 encompass 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 2024, 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 FMFI in August 2024. GrantsSolutions is a Grants Quality Service Management Office service provider. The integration provides USDA grant-making agencies the option to migrate to GrantSolutions. FMS plans on completing the integration of web services from USDA FMFI to the HHS Payment Management System October 2024.
- Provided system training to 781 internal and external users on eFG. In FY 2024, 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 2024, received 906 unique visitors. The external website for eFG received an average of 7,756 site visits per month in FY 2024.



- Deployed 2,447 new FY 2024 agreements. During the life of the eFG system, users have deployed 28,900 agreements 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 2024 via the eFG Post-Production Support Team. Additionally, as of August 9, 2024, the eFG Post-Production Support team resolved 670 priority one-time system fixes in FY 2024.

### **Centralized Receivables Service (CRS) to FMFI Interface Implementation**

The CRS to FMFI interface was necessary to allow agencies to reconcile the debts collected by CRS to the corresponding accounts receivables in FMFI by sending FMFI interest and penalties collected through Treasury's CRS collections process. Prior to implementation, this was a manual reconciliation process for every receivable collected by Treasury's CRS. This interface improves the quality of data in FMFI and allows reconciliation of all CRS collections and expedites inquiries. Additionally, this will allow other agencies to implement additional programs into Treasury's CRS collections system. Automation of the CRS data extract file provides an efficient and time saving method of updating accounts receivables allowing for better debt management.

### **USDA Agriculture Pay Express (AgPay XP)**

AgPay XP is a streamlined enhanced payment process to increase USDA rebates by leveraging the General Services Administration (GSA)'s 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 cardless payment solution providing fast and secure payments while improving efficiency. The AgPay XP pilot, which was limited to six vendors, completed in December 2024. A full rollout started in January 2024 following the completion of the pilot. As of August 2024, USDA processed a total of 193 transactions and \$6.34 million in volume.

### **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 with very few clicks. The implementation of SAC will jump-start the FMFI transition into an intelligent enterprise with a single-user experience. This implementation will provide customers the features necessary to make business decisions quickly. Additionally, SAC will replace antiquated technology used in existing dashboards and Budget Status and Forecasting functionality. While FMS implemented SAC in February 2024, a full rollout to all users, including training, was completed in September 2024.

## Other Initiatives

### **Farm Service Agency/Commodity Credit Corporation Financial Improvement Program**

FSA's financial accounting, including the CCC, is not integrated into FMML, 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 FMML. Simultaneously, FSA will align its feeder systems to produce auditable financial data to integrate with FMML. In FY 2024, the Financial Improvement Program project migrated the code developed to date into the FMML production environment in preparation for the FMML migration to S/4HANA. Further code development, testing, and implementation activities will occur after the S/4HANA migration is complete in FY 2025. This project is critical to ensuring transparency and accountability of financial management while providing cost effective support all while eliminating redundant systems.

### **Financial Training Forum (FTF)**

The OCFO FMS team successfully organized and executed the FY 2024 FTF. The FTF provided financial management courses aimed at supporting agency personnel in processing transactional data in the FMML environment. The FTF provides customers the opportunity to learn about current financial management initiatives and impending changes to systems, processes, and policies. The virtual training forum included six topics within the current FMML environment and an overview of projected changes to FMML as part of the FIET implementation. The training supports the Department's employee engagement goal, strengthens current financial management practices, and is an integral part of the FIET transformation change management goals. In total, FTF attendance was 6,161 and awarded 6,243 Continuing Professional Education (CPE) credits to qualifying students. FMS continues to conduct training as a benefit to enhance user experiences for processing data in the financial system and to assist with ensuring customers are equipped with the proper tools necessary to support the mission.

### **MuleSoft to SAP Process Orchestration (PO) Redesign**

FMS successfully redesigned the Travel Relocation, Overseas Maintenance System (OMS), HHS Grants Managed Package, and NIFA Formula Grants Calculation interfaces in SAP PO. This redesign eliminated all interfaces using MuleSoft. MuleSoft and SAP PO are both Enterprise Service Buses (ESBs) used by FMML, but additional software maintenance cost is incurred for MuleSoft as SAP PO costs are part of the normal licensing costs for SAP. As a result of redesigning the remaining interfaces in SAP PO and eliminating the need for the redundant functionality provided by MuleSoft, USDA realized a savings of approximately \$433K annually.

### **Enhanced OMS Interface for Animal Health Inspection Service**

Completed the implementation of APHIS into the OMS interface process. The OMS interface modification reads the APHIS daily files created by Department of State. APHIS manually downloads these files from the Department of State's system and places them on the existing drop box for the OMS interface to process into FMML. Previously, APHIS would enter data monthly in arrears directly into FMML for these transactions. The interface automates the creation of the obligations, advances, and expense documents daily with minimal manual intervention. Changes were made to the interface to process the APHIS specific transactions involving the use of APHIS Trust Fund Treasury.

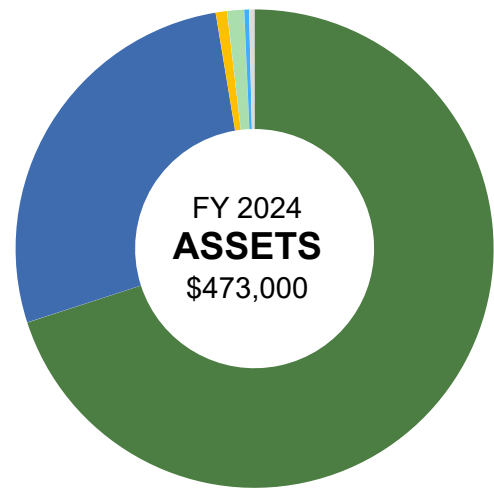
# Analysis of Financial Statements

## Analysis of Assets

Total assets for FY 2024 were \$473,000 million, compared to \$479,211 million for FY 2023, a decrease of \$6,211 million, or -1.30 percent.

Exhibit 7: Total Assets (\$ in millions)

Fund Balance with Treasury	\$331,140
Direct Loans and Loan Guarantees, Net	\$129,576
Accounts Receivable, Net	\$3,575
Property, Plant and Equipment, Net	\$5,463
Negative Loan Guarantee Liabilities	\$1,552
Investments, Net, Advances and Prepayments, Cash and Other Monetary, Commodity Loans, Net, Inventory and Related Property, Net, and Other	\$1,694



Assets (\$ in million)	FY 2024	FY 2023	Change	% Change
Fund Balance with Treasury	\$331,140	\$339,197	\$(8,057)	-2.38%
Direct Loans and Loan Guarantees, Net	129,576	125,273	4,303	3.43%
Accounts Receivable, Net	3,575	7,905	(4,330)	-54.78%
Property, Plant and Equipment, Net	5,463	3,115	2,348	75.38%
Negative Loan Guarantee Liabilities	1,552	2,325	(773)	-33.25%
Investments, Net, Advances and Prepayments, Cash and Other Monetary, Commodity Loans, Net, Inventory and Related Property, Net, and Other	1,694	1,396	298	21.35%
<b>Total Assets</b>	<b>\$473,000</b>	<b>\$479,211</b>	<b>\$(6,211)</b>	<b>-1.30%</b>

Significant changes include Accounts Receivable, Net and Property, Plant and Equipment, Net. The decrease in Accounts Receivable, Net is mainly due to lower premium revenues caused by lower crop prices. The increase in Property, Plant and Equipment, Net is mainly due to the transfer of the National Bio and Agro Facility from the Department of Homeland Security to ARS and effects of implementing SFFAS 54.

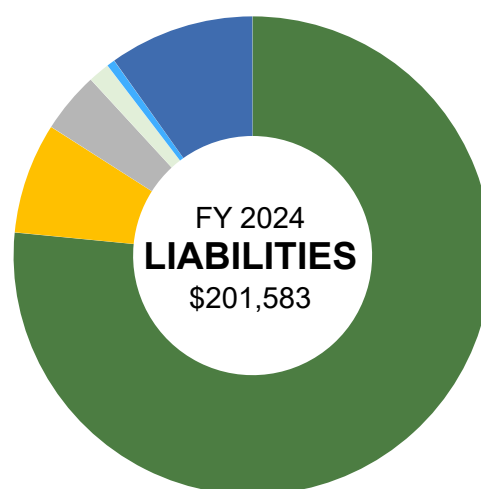
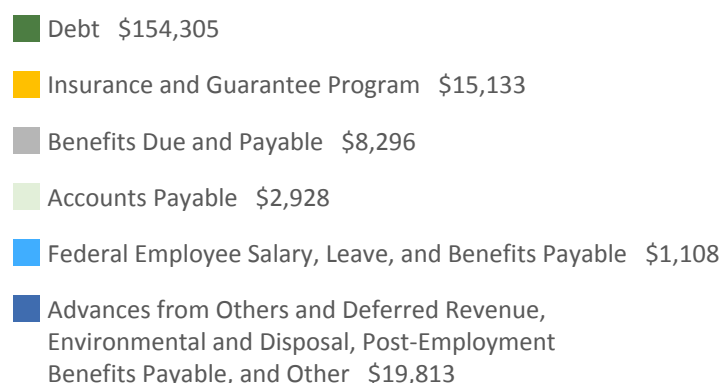
Direct Loans and Loan Guarantees, Net is one of the largest assets on the USDA Balance Sheet. RD offers both direct and guaranteed loan products for rural housing and rural business infrastructure. These products represent 85 percent of the total Department loan programs. Loan programs

administered by the FSA represent 13 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 2024 were \$201,583 million, compared to \$204,287 million for FY 2023, a decrease of \$2,704 million, or -1.32 percent.

Exhibit 8: Total Liabilities (\$ in millions)



Liabilities (\$ in millions)	FY 2024	FY 2023	Change	% Change
Debt	\$154,305	\$151,834	\$2,471	1.63%
Insurance and Guarantee Program	15,133	17,337	(2,204)	-12.71%
Benefits Due and Payable	8,296	8,684	(388)	-4.47%
Accounts Payable	2,928	4,397	(1,469)	-33.41%
Federal Employee Salary, Leave, and Benefits Payable	1,108	1,411	(303)	-21.47%
Advances from Others and Deferred Revenue, Environmental and Disposal, Post-Employment Benefits Payable, and Other	19,813	20,624	(811)	-3.93%
<b>Total Liabilities</b>	<b>\$201,583</b>	<b>\$204,287</b>	<b>\$(2,704)</b>	<b>-1.32%</b>

Significant changes include Insurance and Guarantee Program and Accounts Payable. The decrease in Insurance and Guarantee Program is due to estimated losses and administrative and operating fees caused by lower crop prices and participation of insurance coverage. The decrease in Accounts Payable is mainly due to less funding for FSA emergency relief programs.

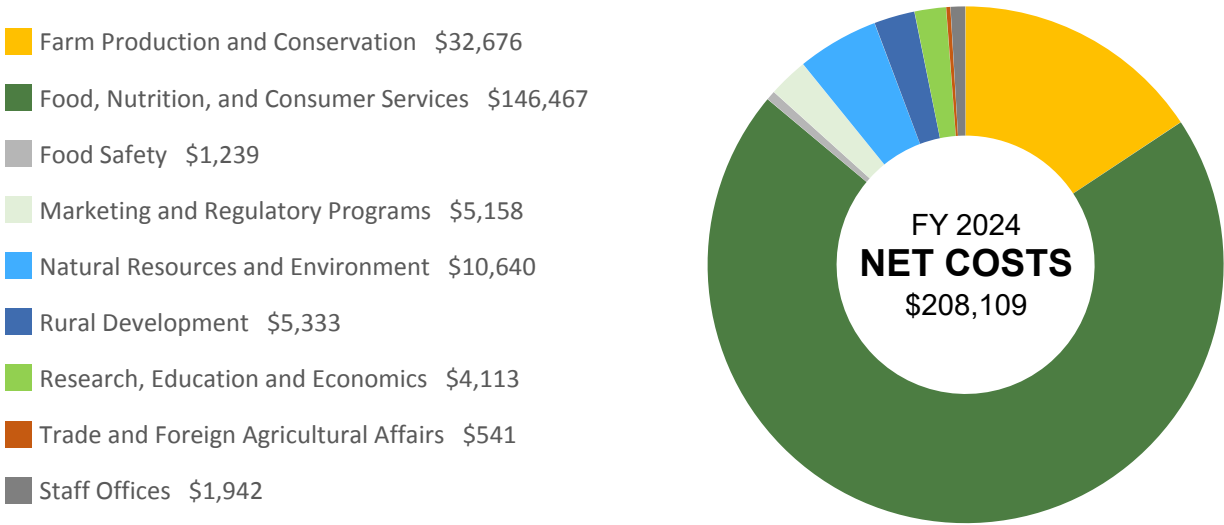


Debt is the single largest liability on USDA's balance sheet. It represents amounts owed primarily to Treasury by CCC, FSA and RD. For RD, the debt primarily represents financing to support electric and housing loan programs which represent 76 percent of the total debt. For CCC, the debt primarily represents financing for price support, export credit guarantees, disaster programs and loans related to farm storage facilities which represent 10 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.

## Analysis of Net Cost

Net cost for FY 2024 was \$208,109 million, compared to \$230,968 million for FY 2023, a decrease of \$22,859 million, or -9.90 percent.

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



Net Cost (\$ in millions)	FY 2024	FY 2023	Change	% Change
Farm Production and Conservation	\$32,676	\$36,465	\$(3,789)	-10.39%
Food, Nutrition, and Consumer Services	146,467	172,048	(25,581)	-14.87%
Food Safety	1,239	1,213	26	2.14%
Marketing and Regulatory Programs	5,158	3,860	1,298	33.63%
Natural Resources and Environment	10,640	8,717	1,923	22.06%
Rural Development	5,333	2,608	2,725	104.49%
Research, Education and Economics	4,113	3,814	299	7.84%
Trade and Foreign Agricultural Affairs	541	513	28	5.46%
Staff Offices	1,942	1,730	212	12.25%
Net Cost by Mission Area	\$208,109	\$230,968	\$(22,859)	-9.90%

Significant changes include FPAC, FNS, MRP, NRE, and RD mission areas. The decrease in FPAC was mainly due to Insurance, Dairy Margin Coverage, and Disaster Assistance programs offset by an increase in the Discrimination Financial Assistance program. The decrease in FNS was mainly due to fewer benefits delivered for the Supplemental Nutrition Assistance program. The increase in MRP was mainly due to Commodity Purchases-Emergency Food Assistance and Highly Pathogenic Avian Influenza programs. The increase in NRE was mainly due to Wildland Fire Management, National Forest Systems, Inflation Reduction Act, and Disaster Relief programs. The increase in RD was mainly due to Rural Housing Insurance Fund, Rural Business and Industry, and Rural Electric and Telephone programs offset by an increase in downward reestimates.

## 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 2024	FY 2023	Change	% Change
Research and Development	\$3,192	\$3,125	\$67	2.14%
Human Capital	871	871	-	0.00%
Non-Federal Physical Property	99	91	8	8.79%
<b>Total Stewardship Investments</b>	<b>\$4,162</b>	<b>\$4,087</b>	<b>\$75</b>	<b>1.84%</b>

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 decreased \$3,507 million, or -1.28 percent.

Exhibit 11: Net Position (\$ in millions)

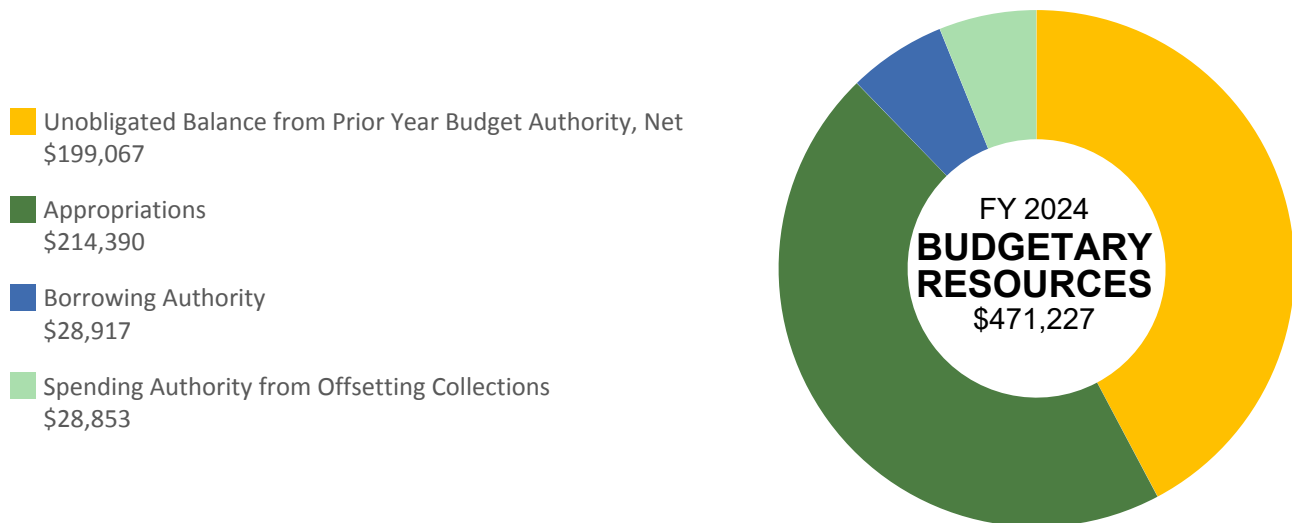
Net Position (\$ in millions)	FY 2024	FY 2023	Change	% Change
Unexpended Appropriations	\$218,033	\$218,658	\$(625)	-0.29%
Cumulative Results of Operations	53,384	56,266	(2,882)	-5.12%
<b>Net Position</b>	<b>\$271,417</b>	<b>\$274,924</b>	<b>\$(3,507)</b>	<b>-1.28%</b>

## 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 \$471,227 million for FY 2024 compared to \$508,280 million in FY 2023, a decrease of \$37,053 million, or -7.29 percent.

Exhibit 12: Budgetary Resources (\$ in millions)



<b>Budgetary Resources (\$ in millions)</b>	<b>FY 2024</b>	<b>FY 2023</b>	<b>Change</b>	<b>% Change</b>
Unobligated Balance from Prior Year Budget Authority, Net	\$199,067	\$167,559	\$31,508	18.80%
Appropriations	214,390	287,272	(72,882)	-25.37%
Borrowing Authority	28,917	29,680	(763)	-2.57%
Spending Authority from Offsetting Collections	28,853	23,769	5,084	21.39%
<b>Total Budgetary Resources</b>	<b>\$471,227</b>	<b>\$508,280</b>	<b>\$(37,053)</b>	<b>-7.29%</b>
New Obligations and Upward Adjustments	279,549	319,917	(40,368)	-12.62%
Unobligated Balance, End of Year	191,678	188,363	3,315	1.76%
<b>Status of Budgetary Resources</b>	<b>\$471,227</b>	<b>\$508,280</b>	<b>\$(37,053)</b>	<b>-7.29%</b>

Significant changes include Unobligated Balance from Prior Year Budget Authority, Net, Appropriations, Spending Authority from Offsetting Collections, and New Obligations and Upward Adjustments. The increase in Unobligated Balance from Prior Year Budget Authority, Net was higher than prior year across multiple agencies representing both expired and unexpired balances. The decrease in Appropriations was mainly due to the Supplemental Nutrition Assistance, Insurance, Farm, and Rural Development programs. The increase in Spending Authority from Offsetting Collections was mainly due to the Insurance program. The decrease in New Obligations and Upward Adjustments was mainly due to Supplemental Nutrition Assistance, COVID-19, and the Discrimination Financial Assistance programs.

## COVID-19

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 years is \$872 million.

## 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 information technology and management and in human capital, including hiring and recruitment, training, infrastructure, 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 has continued to make progress in FY 2024 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. ERM provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that provides better insight about how to most effectively prioritize and manage risks to mission delivery. ERM supports the Department's ability to articulate risks, align and allocate resources, and proactively discuss management and mitigation strategies and activities to better equip the Department to deliver on its goals and objectives and potentially improve stakeholder confidence and trust. Specifically, the Department has led large-scale efforts across mission areas and staff offices to identify the top enterprise risks, risk drivers, mitigation strategies, and key risk indicators. For example, in FY 2024, USDA introduced a new FY 2024–2025 APG focused on recruitment and retention to address human capital risks. In FY 2025, USDA will continue to strengthen its ERM program and better integrate the consideration of risks into budget formulation. USDA will continue to advance the mitigation strategies in FY 2025, with periodic updates to the Deputy Secretary during Quarterly Strategic Reviews.



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

In 2024, as part of President Biden's whole-of-government approach to confronting the climate crisis, the USDA released an updated Climate Adaptation Plan 2024–2027 highlighting USDA's advancements over the last three years in assessing climate risks and integrating climate adaptation into its programs, policies, and operations.

The 2024–2027 USDA Climate Adaptation Plan builds on [USDA's 2021 Action Plan for Climate Adaptation and Resilience](#) and emphasizes how USDA agencies and offices have progressed towards the five priority action areas identified in the 2021 Adaptation plan:

1. Build resilience across landscapes with investments in soil and forest health.
2. Increase outreach and education to promote adoption of climate-smart adaptation strategies.
3. Broaden access to and availability of climate data at regional and local scales for USDA Mission Areas, producers, land managers, and other stakeholders.
4. Increase support for research and development of climate-smart practices and technologies to inform USDA and help producers and land managers adapt to a changing climate.
5. Leverage the USDA Climate Hubs to support USDA Mission Areas to delivering adaptation science, technology, and tools.

In the 2024–2027 plan, USDA expands on its efforts to manage climate change effects on its facilities, employees, and federal lands and waters. The plan describes how climate adaptation is being integrated into decision-making and budget formulation processes, including how USDA agencies are using current and forward-looking climate change information to inform their work. Climate data for extreme heat, extreme precipitation, sea level rise, wildfire risk, and flooding were assessed. USDA analyzed how these risks affect USDA facilities and employees. The plan also looked at impacts to federal lands, waters and cultural resources. Elevating actions outlined in USDA [agency-level adaptation plans](#), released in 2022, the Department-wide 2024–2027 plan details how climate risks and new opportunities are being woven into agency policies, programs, and external funding opportunities.

At the Department-level, the Office of Budget and Program Analysis is working to better integrate climate change risks into the ERM process and the Office of Energy and Environmental Policy (OEEP) is supporting Agencies and offices in developing and implementing agency-level Climate Adaptation Plans. Both efforts will position agencies and offices to make more climate-informed decisions.

Assessments of climate risk to USDA programs have been supported by the technical capacity of multiple USDA agencies. USDA's ERS has research capacity in both [climate impacts and climate adaptation and resilience](#) that is supported through statistical analysis as well as simulation models. The USDA Forest Service has extensive modeling capacity supporting its periodic [Resources Planning Act \(RPA\) Assessment](#) that provides snapshots of current agency forest and rangeland conditions and projected impact 50 years into the future, incorporating drivers of socioeconomic and



climate change. These analyses and others rely heavily on data collection through efforts such as the Forest Inventory and Analysis program, the Natural Resources Inventory, ERS's Agricultural Resource Management Survey (ARMS), and other [National Agricultural Statistics Service](#) surveys of the agricultural sector.

More information on climate-related risk can be found in Section III located on page [223](#) of this report. This section will provide hyperlinks to USDA climate adaptation plans, budget information, and the relationship between governance, strategy, and risk management.







# **Section II** Financial Information



# Message from the Office of the Chief Financial Officer

Dear Valued Stakeholders,

I am pleased to present the U.S. Department of Agriculture's Agency Financial Report for Fiscal Year 2024. This report highlights USDA's financial performance, accountability, and progress toward our strategic goals, reflecting our commitment to transparent and responsible management of federal resources.

Throughout FY 2024, USDA remained focused on supporting American agriculture, promoting food security, and enhancing rural communities. Our efforts were guided by a dedication to efficiency, integrity, and innovation, ensuring that we could effectively deliver programs and services to farmers, ranchers, and families across the nation.

This year's AFR demonstrates our continued commitment to strengthen internal controls, improve financial operations, and enhance service delivery. Despite challenges, the USDA managed approximately \$216 billion in funds, ensuring that resources were used effectively and responsibly to support our mission. We also continue to make great progress in GAO and OIG recommendation closure rates. For GAO, our 4-year lookback implementation rates have exceeded the government-wide rates for the past four years. I would also highlight that we are on track to go-live with the upgrade of our financial management system to S/4 HANA in February 2025, a great achievement that we know will bring a higher level of customer experience to our financial system end-users and enhance data-driven decisions.

In our role as fiscal stewards, we have thoroughly reviewed our financial management operations and oversight as part of our continuous commitment to excellence. During this review, we acknowledge the material weakness related to the Supplemental Nutrition Assistance Program and some instances of non-compliance with federal requirements. In keeping with our dedication to upholding the highest standards, we have proactively developed a corrective action plan to address the deficiencies. The steps we are taking will not only resolve the issue but also strengthen our safeguards to prevent future occurrences, demonstrating our proactive approach to compliance. Our goal is not just to be compliant but to set the benchmark for financial excellence across the federal government, and we are dedicated to maintaining this high standard.

Looking forward, the USDA is committed to building on this solid foundation. We will continue to pursue innovation, sustainability, and resilience in the agricultural sector, and continue our commitment to being good stewards of taxpayer funds.



I extend my sincere thanks to our employees, partners, and stakeholders whose dedication and support make our achievements possible. Together, we are building a stronger, more sustainable future for American agriculture.

Thank you for your continued trust and support in USDA's mission.

A handwritten signature in black ink that reads "Lynn Moaney". The script is fluid and cursive, with the first name "Lynn" and last name "Moaney" clearly distinguishable.

**Lynn Moaney**  
Deputy Chief Financial Officer  
U.S. Department of Agriculture

November 14, 2024



# Independent Auditors Report



## 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

A handwritten signature in blue ink, appearing to read "Janet Sorensen".

**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**

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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

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AUDIT REPORT 50401-0023-11

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,

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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<sup>1</sup> 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

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<sup>1</sup> 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 control<sup>2</sup> that might be material weaknesses<sup>3</sup> or significant deficiencies<sup>4</sup> 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.

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<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 FFMIA<sup>5</sup>. 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 confirmed<sup>6</sup> 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 PIIA<sup>7</sup> 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.<sup>8</sup>

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.

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

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

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

<sup>8</sup> 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

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### 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.<sup>9</sup> 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.<sup>10</sup>

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, 2025.<sup>11</sup> and Continuing Appropriations Act, 2024 and Other Extensions Act.<sup>12</sup>

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.

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

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

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

<sup>12</sup> 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) bulletin<sup>13</sup> 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.

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<sup>13</sup> 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),<sup>14</sup> 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.<sup>15</sup>

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

<sup>15</sup> 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

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### 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)<sup>16</sup> 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 Center<sup>17</sup> partially uploaded leases in CLM. Manual adjustments were needed at yearend to account for the remaining leases.
- Marketing and Regulatory Programs Business Services<sup>18</sup> 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.<sup>19</sup> Additionally, a lessor should recognize a lease receivable and unearned

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

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

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

<sup>19</sup> SFFAS 54, April 17, 2018, paragraph 96.



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

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.

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<sup>20</sup> SFFAS 54, April 17, 2018, Section 55.

### **Section 3: Noncompliance with Laws and Regulations**

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#### **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

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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

## **Exhibit A: Management's Response**

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

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AUDIT REPORT 50401-0023-11





**United States  
Department of  
Agriculture**

Office of the Chief  
Financial Officer

1400 Independence  
Avenue, SW

Washington, DC  
20250

November 14, 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  
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.

AN EQUAL OPPORTUNITY EMPLOYER

# Financial Statements

## Consolidated Balance Sheets

As of September 30, 2024 and 2023 (\$ in millions)

	FY 2024	FY 2023
<b>Assets (Note 2):</b>		
<b>Intragovernmental Assets:</b>		
Fund Balance with Treasury (Note 3)	\$ 331,140	\$ 339,197
Investments, Net (Note 5)	393	280
Accounts Receivable, Net (Note 6)	773	606
Advances and Prepayments	161	63
Other Assets (Note 11)	8	9
<b>Total Intragovernmental Assets</b>	<b>332,475</b>	<b>340,155</b>
<b>Other than Intragovernmental Assets:</b>		
Cash and Other Monetary Assets (Note 4)	388	388
Accounts Receivable, Net (Note 6)	2,802	7,299
Loans Receivable, Net		
Commodity Loans, Net	308	197
Direct Loans and Loan Guarantees, Net (Note 7)	129,576	125,273
Subtotal	129,884	125,470
Negative Loan Guarantee Liabilities (Note 7)	1,552	2,325
Inventory and Related Property, Net (Note 8)	23	27
Property, Plant, and Equipment, Net (Note 9)	5,463	3,115
Advances and Prepayments	410	429
Investments, Net (Note 5)	3	3
<b>Total Other than Intragovernmental Assets</b>	<b>140,525</b>	<b>139,056</b>
<b>Total Assets</b>	<b>473,000</b>	<b>479,211</b>
Stewardship Property, Plant, and Equipment (Note 10)		
<b>Liabilities (Note 12):</b>		
<b>Intragovernmental Liabilities:</b>		
Accounts Payable	56	68
Debt (Note 13)	154,305	151,834
Advances from Others and Deferred Revenue	25	24
Other Liabilities (Note 17)	9,290	9,766
<b>Total Intragovernmental Liabilities</b>	<b>163,676</b>	<b>161,692</b>
<b>Other than Intragovernmental Liabilities:</b>		
Accounts Payable	2,872	4,329
Federal Employee Salary, Leave, and Benefits Payable (Note 14)	1,108	1,411
Post-Employment Benefits Payable (Note 14)	600	608
Environmental and Disposal Liabilities (Note 15)	242	248
Benefits Due and Payable	8,296	8,684
Insurance and Guarantee Program Liabilities (Note 16)	15,133	17,337
Advances from Others and Deferred Revenue	229	194
Other Liabilities (Notes 17, 18 & 19)	9,427	9,784
<b>Total Other than Intragovernmental Liabilities</b>	<b>37,907</b>	<b>42,595</b>
<b>Total Liabilities</b>	<b>201,583</b>	<b>204,287</b>
Commitments and Contingencies (Note 19)		
<b>Net Position:</b>		
Unexpended Appropriations - Funds from Dedicated Collections (Note 20)	954	818
Unexpended Appropriations - Funds from Other Than Dedicated Collections	217,079	217,840
Total Unexpended Appropriations (Consolidated)	218,033	218,658
Cumulative Results of Operations - Funds from Dedicated Collections (Note 20)	4,385	4,247
Cumulative Results of Operations - Funds from Other Than Dedicated Collections	48,999	52,019
Total Cumulative Results of Operations (Consolidated)	53,384	56,266
<b>Total Net Position</b>	<b>271,417</b>	<b>274,924</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 473,000</b>	<b>\$ 479,211</b>

*The accompanying notes are an integral part of these statements.*

# Consolidated Statements of Net Cost

For the Years Ended September 30, 2024 and 2023 (\$ in millions)

	FY 2024	FY 2023
<b>Farm Production and Conservation:</b>		
Gross Costs	\$ 38,194	\$ 42,863
Less: Earned Revenue	5,518	6,398
Net Costs	32,676	36,465
<b>Food, Nutrition, and Consumer Services:</b>		
Gross Costs	146,597	172,167
Less: Earned Revenue	130	119
Net Costs	146,467	172,048
<b>Food Safety:</b>		
Gross Costs	1,480	1,444
Less: Earned Revenue	241	231
Net Costs	1,239	1,213
<b>Marketing and Regulatory Programs:</b>		
Gross Costs	6,517	5,192
Less: Earned Revenue	1,359	1,332
Net Costs	5,158	3,860
<b>Natural Resources and Environment:</b>		
Gross Costs	11,574	9,622
Less: Earned Revenue	934	905
Net Costs	10,640	8,717
<b>Rural Development:</b>		
Gross Costs	8,646	6,177
Less: Earned Revenue	3,313	3,569
Net Costs	5,333	2,608
<b>Research, Education, and Economics:</b>		
Gross Costs	4,222	3,919
Less: Earned Revenue	109	105
Net Costs	4,113	3,814
<b>Trade and Foreign Agricultural Affairs:</b>		
Gross Costs	557	532
Less: Earned Revenue	16	19
Net Costs	541	513
<b>Staff Offices:</b>		
Gross Costs	2,184	1,962
Less: Earned Revenue	242	232
Net Costs	1,942	1,730
<b>Total Gross Costs</b>	219,971	243,878
<b>Less: Total Earned Revenue</b>	11,862	12,910
<b>Net Cost of Operations (Notes 21 &amp; 25)</b>	<u>\$ 208,109</u>	<u>\$ 230,968</u>

*The accompanying notes are an integral part of these statements.*

# Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2024 (\$ in millions)

	Funds from Dedicated Collections (Consolidated Totals) (Note 20)	Funds from Other Than Dedicated Collections (Consolidated Totals)	Consolidated Total
<b>Unexpended Appropriations:</b>			
Beginning Balances	\$ 818	\$ 217,840	\$ 218,658
Appropriations Received	12	200,140	200,152
Appropriations Transferred In (Out)	285	(11)	274
Other Adjustments	—	(19,664)	(19,664)
Appropriations Used	(161)	(181,226)	(181,387)
Net Change in Unexpended Appropriations	136	(761)	(625)
<b>Total Unexpended Appropriations</b>	<b>954</b>	<b>217,079</b>	<b>218,033</b>
<b>Cumulative Results of Operations:</b>			
Beginning Balances	4,247	52,019	56,266
Other Adjustments	—	(693)	(693)
Appropriations Used	161	181,226	181,387
Non-exchange Revenue	204	24,629	24,833
Donations and Forfeitures of Cash and Cash Equivalents	1	2	3
Transfers In (Out) without Reimbursement	902	(569)	333
Imputed Financing	48	1,605	1,653
Other	15	(2,304)	(2,289)
Net Cost of Operations	(1,193)	(206,916)	(208,109)
Net Change in Cumulative Results of Operations	138	(3,020)	(2,882)
<b>Total Cumulative Results of Operations</b>	<b>4,385</b>	<b>48,999</b>	<b>53,384</b>
<b>Net Position</b>	<b>\$ 5,339</b>	<b>\$ 266,078</b>	<b>\$ 271,417</b>

*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
<b>Unexpended Appropriations:</b>			
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
<b>Total Unexpended Appropriations</b>	<b>818</b>	<b>217,840</b>	<b>218,658</b>
<b>Cumulative Results of Operations:</b>			
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
<b>Total Cumulative Results of Operations</b>	<b>4,247</b>	<b>52,019</b>	<b>56,266</b>
<b>Net Position</b>	<b>\$ 5,065</b>	<b>\$ 269,859</b>	<b>\$ 274,924</b>

*The accompanying notes are an integral part of these statements.*

# Combined Statements of Budgetary Resources

For the Years Ended September 30, 2024 and 2023 (\$ in millions)

	FY 2024		FY 2023	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
<b>Budgetary Resources:</b>				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	\$ 192,724	\$ 6,343	\$ 162,779	\$ 4,780
Appropriations (Discretionary and Mandatory)	214,341	49	287,253	19
Borrowing Authority (Discretionary and Mandatory)	12,263	16,654	13,298	16,382
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	17,975	10,878	11,916	11,853
<b>Total Budgetary Resources</b>	<b>437,303</b>	<b>33,924</b>	<b>475,246</b>	<b>33,034</b>
<b>Status of Budgetary Resources:</b>				
New Obligations and Upward Adjustments (Total)	255,961	23,588	297,840	22,077
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	54,115	9,984	81,082	10,123
Exempt from Apportionment, Unexpired Accounts	75	—	46	—
Unapportioned, Unexpired Accounts	13,267	352	15,456	834
Unexpired Unobligated Balance, End of Year	67,457	10,336	96,584	10,957
Expired Unobligated Balance, End of Year	113,885	—	80,822	—
Unobligated Balance, End of Year (Total)	181,342	10,336	177,406	10,957
<b>Total Budgetary Resources</b>	<b>437,303</b>	<b>33,924</b>	<b>475,246</b>	<b>33,034</b>
<b>Outlays, Net, and Disbursements, Net:</b>				
Outlays, Net (Total) (Discretionary and Mandatory)	209,339		232,446	
Distributed Offsetting Receipts (-)	(5,937)		(3,559)	
<b>Agency Outlays, Net (Discretionary and Mandatory) (Note 25)</b>	<b>\$ 203,402</b>		<b>\$ 228,887</b>	
<b>Disbursements, Net (Total) (Mandatory)</b>		<b>\$ 7,110</b>		<b>\$ 5,628</b>

*The accompanying notes are an integral part of these statements.*

# Notes to the Financial Statements

As of September 30, 2024, and 2023 (\$ in millions)

## NOTE 1: Reporting Entity and 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.

## Summary of Significant Accounting Policies

### 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.

## **Leases**

Starting in FY 2024, federal reporting entities are required to report a right-to-use (RTU) lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. This is a prospective change and is not reflected in the FY 2023 comparative reporting.

USDA elected the transitional accommodation provided for embedded leases. Embedded leases is a common industry term which generally describes contracts or agreements that contain lease component(s) and nonlease component(s), such as service components, and serve a primary purpose attributable to the nonlease component(s). The transitional accommodation applies only to contracts or agreements that meet both of the following criteria: (1) The contracts or agreements contain nonlease component(s) and may contain lease component(s) and (2) The purpose of the contracts or agreements is primarily attributable to the nonlease component(s), such as service components, based on management's assessment of the nature of the contracts or agreements and professional judgment. For contracts or agreements meeting the criteria above, USDA accounts for such contracts or agreements, including the lease component(s), as nonlease contracts or agreements in their entirety. This election applies to contracts or agreements existing as of October 1, 2023, and/or those subsequently entered into or modified on or prior to September 30, 2026 (end of the accommodation period).

## **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, FASAB, 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 Federal Crop Insurance Corporation (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. Stop loss reinsurance is a type of reinsurance where the reinsurer pays the cedant's losses if they exceed a certain percentage of the earned premium in any given year. This limits the primary carrier's liability to a specific percentage of the total loss each year.

### **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**

In FY 2023, the Food and Nutrition Service improved financial accounting records by changing when it recognizes and records the obligation for 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**

The Consolidated Balance Sheet, Note 7: Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Table 15: Loans Receivable, Net; Note 14: Federal Employee Benefits Payable; Note 17: Other Liabilities; and RSI: Land was reclassified to conform to OMB Circular A-136, Financial Reporting Requirements.



## Note Disclosures Related to the Balance Sheet

### 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 2024	FY 2023
<b>Intragovernmental Assets:</b>		
Fund Balance with Treasury	\$ (135)	\$ 381
Accounts Receivable	363	552
Total Intragovernmental Assets	228	933
Cash and Other Monetary Assets	85	78
Accounts Receivable	688	578
Total Non-Entity Assets	1,001	1,589
Total Entity Assets	471,999	477,622
<b>Total Assets</b>	<b>\$ 473,000</b>	<b>\$ 479,211</b>

## NOTE 3: Fund Balance with Treasury

Unobligated Balance - Unavailable includes expired and unexpired amounts. 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.

Status of Fund Balance with Treasury	FY 2024	FY 2023
Unobligated Balance		
Available	\$ 64,173	\$ 91,251
Unavailable	127,613	97,210
Obligated Balance Not Yet Disbursed	139,656	142,910
Borrowing Authority Not Yet Converted to Fund Balance	(47,134)	(44,827)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(11)	(13)
Non-Budgetary Fund Balance with Treasury	46,843	52,666
<b>Total</b>	<b>\$ 331,140</b>	<b>\$ 339,197</b>

## NOTE 4: Cash and Other Monetary Assets

For FY 2024 and FY 2023, cash and other monetary assets consists of federal crop insurance escrow of \$259 million and \$277 million, deposits in transit of \$44 million and \$33 million, and single-family housing escrow of \$85 million and \$78 million, respectively.

	FY 2024	FY 2023
Cash	\$ 388	\$ 388

## NOTE 5: Investments, Net

FY 2024	Cost/ Acquisition Value	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value
<b>Intragovernmental Securities and Investments:</b>						
Non-marketable - Market-based	\$ 388	Straight Line	\$ 2	\$ 3	\$ 393	\$ 387
<b>Total Intragovernmental Securities and Investments</b>	<b>388</b>		<b>2</b>	<b>3</b>	<b>393</b>	<b>387</b>
<b>Fair Value Measurement of Non-Intragovernmental Investments</b>					<b>Total</b>	
Equity Securities					3	
<b>Total Fair Value Measurement of Non-Intragovernmental Investments</b>					<b>\$ 3</b>	

FY 2023	Cost/ Acquisition Value	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value
<b>Intragovernmental Securities and Investments:</b>						
Non-marketable - Market-based	\$ 277	Straight Line	\$ 1	\$ 2	\$ 280	\$ 266
<b>Total Intragovernmental Securities and Investments</b>	<b>277</b>		<b>1</b>	<b>2</b>	<b>280</b>	<b>266</b>
<b>Fair Value Measurement of Non-Intragovernmental Investments</b>					<b>Total</b>	
Equity Securities					3	
<b>Total Fair Value Measurement of Non-Intragovernmental Investments</b>					<b>\$ 3</b>	

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

<b>FY 2024</b>	<b>Accounts Receivable, Gross</b>	<b>Allowance for Uncollectible Accounts</b>	<b>Accounts Receivable, Net</b>
Intragovernmental	\$ 773	\$ —	\$ 773
Other than Intragovernmental	2,880	(78)	2,802
<b>Total</b>	<b>\$ 3,653</b>	<b>\$ (78)</b>	<b>\$ 3,575</b>
<b>Criminal Restitution</b>	<b>\$ 268</b>	<b>\$ (15)</b>	<b>\$ 253</b>

<b>FY 2023</b>	<b>Accounts Receivable, Gross</b>	<b>Allowance for Uncollectible Accounts</b>	<b>Accounts Receivable, Net</b>
Intragovernmental	\$ 606	\$ —	\$ 606
Other than Intragovernmental	7,372	(73)	7,299
<b>Total</b>	<b>\$ 7,978</b>	<b>\$ (73)</b>	<b>\$ 7,905</b>
<b>Criminal Restitution</b>	<b>\$ 165</b>	<b>\$ (17)</b>	<b>\$ 148</b>

## NOTE 7: Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities

Direct loan obligations and loan guarantee commitments made after FY 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

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	Public Law (P.L.) 480 Title 1 Program
Direct Emergency Loans	Direct Farm Storage Facility
Direct Indian Land Acquisition	Direct Sugar Storage Facilities
Direct Boll Weevil Eradication	
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	
Community Facilities Direct Loans and Loan Guarantees	Manufacturing Assistance Program Loan Guarantees	

## Loan Modifications

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, continued through FY 2024. 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. 94 percent of the funding was obligated during FY 2023 and FY 2024.

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 finalized debt reductions for several P.L. 480 loans in the direct financing and liquidating accounts that were initiated during FY 2022.

## Foreclosed Property

As of September 30, 2024 and 2023, foreclosed property consisted of 320 and 262 rural single-family housing dwellings, with an average holding period of 17 months for FY 2024 and FY 2023, respectively. As of September 30, 2024 and 2023, FSA-Farm Loan Program properties consist primarily of 137 and 134 farms, respectively. The average holding period for these properties in inventory for FY 2024 and FY 2023 was 107 and 92 months, respectively. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY 2024 and FY 2023 was 11,263 and 9,635, 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 \$12,961 million and \$12,938 million of Rural Housing borrowers' unpaid loan principal as of September 30, 2024 and 2023 were receiving interest credit. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately \$561 million and \$568 million higher for FY 2024 and FY 2023, respectively.

At the end of FY 2024 and FY 2023, the RD portfolio contained approximately 43,642 and 45,802 restructured loans with an outstanding unpaid principal balance of \$3,079 million and \$3,072 million, respectively. At the end of FY 2024 and FY 2023, the farm loan portfolio contained approximately 11,127 and 11,734 restructured loans with an outstanding unpaid principal balance of \$990 million and \$992 million, respectively. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2024 and 2023, were \$752 million and \$823 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

<b>FY 2024 Direct Loan Programs</b>	<b>Loans Receivable, Gross</b>	<b>Interest Receivable</b>	<b>Foreclosed Property</b>	<b>Present Value Allowance</b>	<b>Direct Loans, Net</b>
Farm	\$ 56	\$ 32	\$ 7	\$ (30)	\$ 65
Food Aid	153	6	—	(74)	85
Housing	4,490	870	5	(815)	4,550
Community Facility	4	—	—	—	4
Electric	42	2	—	—	44
Telecommunications	12	—	—	—	12
Water and Environmental	102	1	—	—	103
Cushion of Credit	(1)	—	—	—	(1)
<b>Total</b>	<b>\$ 4,858</b>	<b>\$ 911</b>	<b>\$ 12</b>	<b>\$ (919)</b>	<b>\$ 4,862</b>

<b>FY 2023 Direct Loan Programs</b>	<b>Loans Receivable, Gross</b>	<b>Interest Receivable</b>	<b>Foreclosed Property</b>	<b>Present Value Allowance</b>	<b>Direct Loans, Net</b>
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)
<b>Total</b>	<b>\$ 5,369</b>	<b>\$ 883</b>	<b>\$ 10</b>	<b>\$ (888)</b>	<b>\$ 5,374</b>

Table 2: Direct Loans Obligated Post-1991

<b>FY 2024 Direct Loan Programs</b>	<b>Loans Receivable, Gross</b>	<b>Interest and Fees Receivable</b>	<b>Foreclosed Property</b>	<b>Allowance for Subsidy Cost (Present Value)</b>	<b>Direct Loans, Net</b>
Farm	\$ 18,188	\$ 349	\$ 9	\$ (70)	\$ 18,476
Food Aid	244	6	—	(38)	212
Housing	18,249	486	24	(2,210)	16,549
Community Facility	12,510	53	—	(431)	12,132
Electric	58,757	41	—	1,304	60,102
Telecommunications	2,218	6	—	(15)	2,209
Water and Environmental	14,183	41	—	2	14,226
Intermediary Relending	279	1	—	(45)	235
Business and Industry	39	—	—	(2)	37
Economic Development	239	—	—	(15)	224
Cushion of Credit	(219)	—	—	—	(219)
<b>Total</b>	<b>\$ 124,687</b>	<b>\$ 983</b>	<b>\$ 33</b>	<b>\$ (1,520)</b>	<b>\$ 124,183</b>

<b>FY 2023 Direct Loan Programs</b>	<b>Loans Receivable, Gross</b>	<b>Interest and Fees Receivable</b>	<b>Foreclosed Property</b>	<b>Allowance for Subsidy Cost (Present Value)</b>	<b>Direct Loans, Net</b>
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)
<b>Total</b>	<b>\$ 119,078</b>	<b>\$ 1,111</b>	<b>\$ 29</b>	<b>\$ (802)</b>	<b>\$ 119,416</b>

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

<b>Direct Loan Programs</b>	<b>FY 2024</b>	<b>FY 2023</b>
Farm	\$ 3,283	\$ 2,973
Housing	1,345	1,657
Community Facility	1,006	823
Electric	5,150	6,350
Telecommunications	183	185
Water and Environmental	1,096	866
Intermediary Relending	15	16
Business and Industry	3	3
Economic Development	72	66
<b>Total</b>	<b>\$ 12,153</b>	<b>\$ 12,939</b>



Table 4: Subsidy Expense for Direct Loan Programs by Component

FY 2024 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	\$ (28)	\$ 36	\$ (1)	\$ 6	\$ 13	\$ 2	\$ 96	\$ 111	\$ 207	\$ 222
Export	—	—	—	—	—	—	157	(167)	(10)	(10)
Food Aid	—	—	—	—	—	—	—	21	21	21
Housing	74	50	—	(21)	103	4	7	768	775	882
Community Facility	(119)	44	—	15	(60)	—	—	230	230	170
Electric	(101)	2	(1)	(94)	(194)	—	12	(821)	(809)	(1,003)
Telecommunications	—	26	—	—	26	—	—	(43)	(43)	(17)
Water and Environmental	44	1	—	(42)	3	—	—	242	242	245
Intermediary Relending	2	1	—	—	3	—	—	(1)	(1)	2
Business and Industry	—	—	—	—	—	—	(9)	9	—	—
Economic Development	8	—	—	—	8	—	—	—	—	8
<b>Total</b>	<b>\$ (120)</b>	<b>\$ 160</b>	<b>\$ (2)</b>	<b>\$ (136)</b>	<b>\$ (98)</b>	<b>\$ 6</b>	<b>\$ 263</b>	<b>\$ 349</b>	<b>\$ 612</b>	<b>\$ 520</b>

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
<b>Total</b>	<b>\$ (266)</b>	<b>\$ 179</b>	<b>\$ (25)</b>	<b>\$ (51)</b>	<b>\$ (163)</b>	<b>\$ (8)</b>	<b>\$ 121</b>	<b>\$ (817)</b>	<b>\$ (696)</b>	<b>\$ (867)</b>

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

The Direct Farm program had an upward reestimate of \$207 million. This total was comprised of a \$418 million upward technical reestimate and a \$(191) million downward technical reestimate, net interest on reestimate of \$(13) million and net accrual between FY 2023 financial statement reestimates and President's Budget (PB) reestimates of \$(7) million. 92 percent of the total reestimate was due to ACIF, with the remainder due to Farm Storage Facility Loans.

The upward reestimate was \$329 million for direct farm ownership loans and \$67 million for direct farm operating loans. The upward reestimate for ACIF direct ownership was spread across 18 separate cohorts, 13 of which were less than \$1 million. Most of the upward reestimate for direct farm ownership was attributable to the 2023 and 2024 cohorts. The increases were largely due to (a) an increase in the single effective rate of 1.48 percent for the 2023 cohort which directly resulted in \$301 million of the upward reestimate and (b) a decrease in the 2024 actual versus budgeted borrower interest rate which reduced the interest rate spread and increased the cost from the 2024 PB rate.

The upward reestimate for direct farm operating was spread across 10 cohorts, of which 9 were less than \$1 million. Similar to direct farm ownership, 98 percent of the upward technical reestimate was due to the 2023 cohort, which was \$66 million, largely attributable to the single effective rate increase of 2.3 percent.

For the downward reestimate in the Direct Farm category, ACIF comprised 98 percent of the total with 95 percent of the decrease resulting from the direct farm operating and emergency loan categories. The direct farm operating program experienced a total FY 2024 reestimate of \$(170) million across 23 cohorts. The breakdown for the direct farm operating program is as follows: (a) for cohorts 2014–2022, actual principal and interest write-down/off amounts in FY 2024 were lower than projected in PB 2025 reestimate, and the FSA Direct Loan Model updated in FY 2024 reduced forecasted principal and interest write-down/off amounts; (b) for the 2024 cohort, the updated model reduced forecasted principal and interest write-down/off amounts by 3.3 percent. In addition, the actual 2024 cohort borrower interest rate was 0.26 percentage points higher than the borrower interest rate assumed in the PB 2024 formulation estimate. Given that the single effective rate did not change, total scheduled interest as a percentage of total obligations increased from 22.1 percent to 24 percent. These factors drove the downward reestimate for the direct farm operating program.

The Direct Single-Family Housing program has an upward reestimate of \$775 million. The key drivers of the change that caused the upward impact were an increase in defaults, prepayments, as well as, an increase in outflows, which included expenses such as insurance, real estate taxes, title fees, and repairs on foreclosed properties. The increase in outflows as compared to the performing unpaid principal balance was also a major driver of the upward reestimate.

The Direct Community Facility program had an overall upward reestimate of \$230 million. The main drivers for the overall upward reestimate were the increase in prepayments and defaults, as well as, the decrease in interest payments. Another component in the overall upward reestimate was the decrease in miscellaneous inflows, such as cash received to repay taxes, insurance, and other miscellaneous costs RD has incurred.

The Direct Electric program had an overall downward reestimate of \$(809) million, which is comprised of a \$(559) downward reestimate in the Federal Financing Bank (FFB) program, a \$227 million upward reestimate in the FFB Underwriter program, a \$3 million upward reestimate in the FFB Note Extension program, and a \$(480) downward reestimate in the Direct Electric Treasury program. The main driver for the downward reestimate in the Direct Electric FFB program was the increase in interest payments and accounts receivable inflows. The main driver for the upward reestimate in the FFB Underwriter program was an additional year of actual cash flow data added to the updated model which caused an increase in forecasted default claims and consequently lead to a decrease in forecasted fees. The key component for the downward reestimate in the Direct Electric Treasury program was the increase in projected interest payments due to an additional year of actual cash flow data added to this new program.

The Direct Water and Waste Disposal program had an overall upward reestimate of \$242 million. The main drivers for the overall upward reestimate were the increase in forecasted principal prepayments due to historical cash flows, which resulted in lower forecasted interest payments.

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

FY 2024 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Ownership	(0.80)	0.32	—	(0.27)	(0.75)
Farm Operating	(2.66)	3.65	—	0.71	1.70
Emergency Disaster	1.05	8.49	—	(0.22)	9.32
Indian Tribe Land Acquisition	(12.14)	—	—	—	(12.14)
Indian Highly Fractionated Land	32.22	0.49	—	(1.19)	31.52
Heirs Property Relending Program	32.22	0.49	—	(1.19)	31.52
Farm Storage Facility Loan	0.33	—	(0.27)	(0.01)	0.05
Sugar Storage Facility Loan Program	(1.68)	—	—	0.16	(1.52)
Community Facility Loans	(3.75)	3.41	—	(0.16)	(0.50)
Section 502 Single-Family Housing	8.03	4.04	—	(2.46)	9.61
Section 515 Multi-Family Housing	35.80	0.96	—	(1.78)	34.98
Section 504 Housing Repair	23.34	(0.03)	—	(5.95)	17.36
Section 514 Farm Labor Housing	35.27	0.12	—	(0.58)	34.81
Section 524 Site Development	5.63	3.42	—	0.48	9.53
Section 523 Self-Help Housing	8.22	4.46	—	0.05	12.73
Single-Family Housing Credit Sales	(6.05)	2.16	—	1.58	(2.31)
Multi-Family Housing Revitalization Seconds	66.50	0.36	—	(0.09)	66.77
Multi-Family Housing Revitalization Zero	56.22	0.27	—	(0.23)	56.26
Native American Single Family Relending Pilot	40.13	7.26	—	(1.63)	45.76
Rural Microenterprise Direct Loans	17.74	2.12	—	(4.16)	15.70
Intermediary Relending Program	1.14	31.09	—	(1.87)	30.36
Rural Economic Development Loans	18.48	0.01	—	(0.62)	17.87
Water and Waste Disposal Loans	15.29	0.12	—	(7.06)	8.35
Water and Waste 1%	40.84	0.09	—	(13.99)	26.94
Treasury Electric Loans	—	—	—	(1.95)	(1.95)
FFB Electric Loans	(3.92)	0.01	—	(0.31)	(4.22)
Treasury Telecommunications Loans	0.30	0.50	—	0.24	1.04
FFB Guaranteed Underwriting	—	0.80	(2.77)	—	(1.97)
Rural Energy Savings Program	17.75	0.52	—	(0.37)	17.90
IRA Section 22001	37.52	0.01	—	(0.26)	37.27
IRA Section 22004	20.50	0.01	—	(1.20)	19.31
IRA Section 22004 Zero	44.29	—	—	(2.06)	42.23
Broadband Treasury Loans	0.30	13.60	—	(0.01)	13.89
Reconnect Direct Loans	15.72	8.76	—	(1.96)	22.52
Reconnect Grant Assisted Loans	—	8.75	—	0.41	9.16

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 2024	FY 2023
<b>Beginning Balance of the Subsidy Cost Allowance</b>	\$ 1,691	\$ 2,841
Add: Total Subsidy Expense for Direct Loans Disbursed During the Year As Shown in Table 4	(98)	(163)
Adjustments		
Loan Modifications	49	(194)
Fees Received	98	82
Loans Written Off	(126)	(140)
Subsidy Allowance Amortization	188	(101)
Other	124	62
Ending Balance of the Subsidy Cost Allowance Before Reestimates	1,926	2,387
Add or Subtract Total Subsidy Reestimates As Shown in Table 4	612	(696)
<b>Ending Balance of the Subsidy Cost Allowance</b>	<u>\$ 2,538</u>	<u>\$ 1,691</u>

Table 7: Defaulted Guaranteed Loans from Post-1991 Guarantees

FY 2024 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	\$ 85	\$ 35	\$ —	\$ (85)	\$ 35
Export	76	1	—	(18)	59
Housing	762	—	—	(728)	34
Community Facility	7	—	—	5	12
Business and Industry	583	—	—	(192)	391
<b>Total</b>	<u>\$ 1,513</u>	<u>\$ 36</u>	<u>\$ —</u>	<u>\$ (1,018)</u>	<u>\$ 531</u>

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
<b>Total</b>	<u>\$ 1,331</u>	<u>\$ 41</u>	<u>\$ —</u>	<u>\$ (889)</u>	<u>\$ 483</u>

Table 8: Guaranteed Loans Outstanding

FY 2024 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	\$ —	\$ 18,413	\$ 18,413	\$ —	\$ 16,779	\$ 16,779
Export	—	2,723	2,723	—	2,661	2,661
Housing	—	110,271	110,271	—	98,889	98,889
Community Facility	—	1,296	1,296	—	1,115	1,115
Electric	—	114	114	—	114	114
Water and Environmental	—	119	119	—	103	103
Business and Industry	—	11,943	11,943	—	8,777	8,777
<b>Total</b>	<b>\$ —</b>	<b>\$ 144,879</b>	<b>\$ 144,879</b>	<b>\$ —</b>	<b>\$ 128,438</b>	<b>\$ 128,438</b>

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
<b>Total</b>	<b>\$ —</b>	<b>\$ 147,170</b>	<b>\$ 147,170</b>	<b>\$ —</b>	<b>\$ 131,031</b>	<b>\$ 131,031</b>

Table 9: New Guaranteed Loans Disbursed

Loan Guarantee Programs	FY 2024		FY 2023	
	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Farm	\$ 2,216	\$ 2,020	\$ 2,013	\$ 1,831
Export	2,815	2,749	2,913	2,847
Housing	6,222	5,600	7,157	6,441
Community Facility	185	152	147	129
Water and Environmental	11	9	14	13
Business and Industry	1,659	1,289	2,564	1,998
<b>Total</b>	<b>\$ 13,108</b>	<b>\$ 11,819</b>	<b>\$ 14,808</b>	<b>\$ 13,259</b>



Table 10: Liability for Loan Guarantees (Present Value)

FY 2024 Loan Guarantee Programs	Liabilities for Losses on Pre- 1992 Guarantees Present Value		Liabilities for Post- 1991 Guarantees Present Value		Liabilities for Loan Guarantees	
Farm	\$	—	\$	143	\$	143
Export		—		7		7
Housing		—		(2,121)		(2,121)
Community Facility		—		16		16
Water and Environmental		—		1		1
Business and Industry		—		402		402
<b>Total</b>	\$	—	\$	(1,552)	\$	(1,552)

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
<b>Total</b>	\$	—	\$	(2,325)	\$	(2,325)

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

FY 2024 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	\$	—	\$	1	\$	(1)	\$	—	\$	—	\$	—	\$	(141)	\$	53	\$	(88)	\$	(88)
Export		—		—		12		(9)		3		—		—		(5)		(5)		(2)
Housing		—		190		(224)		—		(34)		—		(4)		668		664		630
Community Facility		—		7		(7)		—		—		—		—		(4)		(4)		(4)
Business and Industry		—		100		(62)		—		38		—		—		68		68		106
<b>Total</b>	\$	—	\$	298	\$	(282)	\$	(9)	\$	7	\$	—	\$	(145)	\$	780	\$	635	\$	642

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)
<b>Total</b>	\$	—	\$	459	\$	(442)	\$	(8)	\$	9	\$	(229)	\$	(50)	\$	(326)	\$	(376)	\$	(596)

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 had an overall upward reestimate of \$664 million. The majority of the upward reestimates is attributed to the Guaranteed Single-Family Housing Section 502 Program. The total upward reestimate is the result of a \$545 million upward reestimate in the Section 502 Blended component of the program, a \$83 million upward reestimate in the Guaranteed Multi-Family Housing Section 538 program, and a \$36 million upward reestimate in the Section 502 Purchase component. The majority of the total reestimate is explained by the Guaranteed Single-Family Housing Section 502 Blended component's change, which is attributed to an increase in forecasted default claims, as well as a decrease in forecasted annual fee payments. These changes were driven by updating projected default claim cash flows with actual default claim cash flows, which were significantly higher than expected.

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

FY 2024 Loan Guarantee Programs	Fees and Other				Total
	Interest Supplements	Defaults	Collections	Other	
Farm Ownership—Unsubsidized	—	0.71	(1.17)	—	(0.46)
Farm Operating—Unsubsidized	—	1.23	(1.16)	—	0.07
Conservation—Guaranteed	—	0.58	(1.16)	—	(0.58)
GSM 102	—	0.33	(0.58)	—	(0.25)
Export Guarantee Program—Facilities	—	1.38	(2.02)	—	(0.64)
Community Facility Loan Guarantees	—	3.00	(3.85)	—	(0.85)
Guaranteed 538 Multi-Family Housing	—	2.10	(4.39)	—	(2.29)
Guaranteed 502 Single-Family Housing	—	3.06	(3.50)	—	(0.44)
Business and Industry Loan Guarantees	—	6.69	(4.40)	—	2.29
Renewable Energy Loan Guarantees	—	1.67	(2.36)	—	(0.69)
Section 9003 Loan Guarantees	—	37.35	(4.56)	0.18	32.97
Water and Waste Disposal Loans	—	0.74	(0.87)	—	(0.13)

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 2024	FY 2023
<b>Beginning Balance of the Loan Guarantee Liabilities</b>	\$ (2,325)	\$ (1,939)
Less Claim Payments to Lenders	209	181
Add Fees Received	540	579
Less Interest Supplements Paid	7	7
Add Foreclosed Property and Loans Acquired	29	29
Add Subsidy Expense	42	73
Less Negative Subsidy Payments	41	70
Add Upward Reestimate	728	(7)
Less Downward Reestimates	93	369
Loan Guarantee Modifications	—	4
Other	(216)	(437)
<b>Ending Balance of the Loan Guarantee Liabilities</b>	<u>\$ (1,552)</u>	<u>\$ (2,325)</u>

Table 14: Administrative Expenses

	FY 2024	FY 2023
Direct Loan Programs	\$ 607	\$ 584
Guaranteed Loan Programs	496	481
<b>Total</b>	<u>\$ 1,103</u>	<u>\$ 1,065</u>

Table 15: Loans Receivable, Net

	FY 2024	FY 2023
<b>Beginning Balance of Loans Receivable, Net</b>	\$ 125,273	\$ 118,254
Add: Loan Disbursements	12,744	13,934
Less: Principal and Interest Payments Received	7,422	7,847
Less: Fees Received	98	82
Add: Interest Accruals	29	22
Less: Sale of Foreclosed Property	15	25
Less: Loans Written Off	(20)	97
Add: Reduction in Subsidy Allowance for Loans	4	—
Less: Subsidy Expense	187	99
Add: Negative Subsidy	315	423
Less: Upward Reestimates	2,425	1,517
Add: Downward Reestimates	1,825	2,229
Other Increase/(Decrease) to the Subsidy Allowance	(461)	(434)
Other Changes to the Loan Modifications	(37)	243
Allowance for Loan and Interest Loss Adjustments	(82)	281
Other Non-Cash Reconciling Items	93	(12)
<b>Ending Balance of Loans Receivable, Net</b>	<u>\$ 129,576</u>	<u>\$ 125,273</u>

## 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 2024 Beginning Inventory		Acquisitions		Collateral Acquired		Donations		Others		FY 2024 Ending Inventory	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Corn Meal	Pounds	—	\$ —	118	\$ 39	—	\$ —	(118)	\$ (39)	—	\$ —	—	\$ —
Blended Foods	Pounds	4	5	48	40	—	—	(25)	(23)	(8)	(6)	19	16
Dry Edible Beans	Cwt.	—	—	—	3	—	—	—	(3)	—	—	—	—
Dry Whole Peas	Cwt.	—	3	1	33	—	—	(1)	(31)	—	(4)	—	1
Grain Sorghum	Bushels	1	7	5	34	—	—	(4)	(29)	(1)	(12)	1	—
Lentils Dry	Cwt.	—	—	—	1	—	—	—	(1)	—	—	—	—
Rice Products	Cwt., Pounds	—	—	2	57	—	—	(2)	(57)	—	—	—	—
Vegetable Oil	Pounds	—	6	55	48	—	—	(51)	(44)	(8)	(10)	(4)	—
Wheat Products	Bushels, Pounds	—	—	4	43	—	—	(4)	(43)	—	—	—	—
Soybeans	Bushels, Pounds	—	—	359	95	—	—	(359)	(95)	—	—	—	—
Other	Various	—	6	—	4	—	—	—	(4)	—	—	—	6
<b>Total</b>			\$ 27		\$ 397		\$ —		\$ (369)		\$ (32)		\$ 23

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
<b>Total</b>			\$ 28		\$ 742		\$ —		\$ (745)		\$ 2		\$ 27

## NOTE 9: Property, Plant & Equipment, Net

Information concerning deferred maintenance and repairs and estimated land acreage is discussed in unaudited required supplementary information. Information regarding RTU lease arrangements is included in Note 18, Leases.

### FY 2024

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		\$ 79	\$ —	\$ 79
Improvements to Land	10	759	(758)	1
Construction-in-Progress		576	—	576
Buildings, Improvements and Renovations	15 – 49	4,543	(2,446)	2,097
Other Structures and Facilities	8 – 50	1,925	(1,722)	203
Equipment	5 – 25	2,548	(1,599)	949
Lessee Right-To-Use Lease Asset	2 – 48	1,057	(190)	867
Leasehold Improvements	3 – 15	106	(82)	24
Internal-Use Software	5	2,052	(1,512)	540
Internal-Use Software in Development		127	—	127
<b>Total</b>		<b>\$ 13,772</b>	<b>\$ (8,309)</b>	<b>\$ 5,463</b>

### Total PP&E and Accumulated Depreciation

### Net PP&E

<b>Balance Beginning of Year</b>	\$ 3,115
Effects of Implementation of SFFAS 54	1,007
Balance Beginning of Year, Adjusted	4,122
Capitalized Acquisitions	825
Right-to-Use Lease Assets, Current Year Activity	50
Current Year Amortization of Right-to-Use Lease	(190)
Dispositions	(7)
Transfers In/Out Without Reimbursement	1,145
Depreciation Expense	(482)
<b>Balance at End of Year</b>	<b>\$ 5,463</b>

### 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
<b>Total</b>		<b>\$ 10,877</b>	<b>\$ (7,762)</b>	<b>\$ 3,115</b>

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	<u>\$ 3,115</u>

## 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 throughout the Southwest.

## **Library Collections**

National Agricultural Library (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 16<sup>th</sup> 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.

<b>FY 2024 (In Units)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Heritage Assets</b>				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Other Sites	171	13	(11)	173
Research Centers	34	—	—	34
Library Collections	1	—	—	1
<b>Total</b>	<b>380</b>	<b>13</b>	<b>(11)</b>	<b>382</b>
<b>Stewardship Land</b>				
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	19,623	204	(2)	19,825
<b>Total</b>	<b>19,835</b>	<b>204</b>	<b>(2)</b>	<b>20,037</b>
<b>FY 2023 (In Units)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Withdrawals</b>	<b>Ending Balance</b>
<b>Heritage Assets</b>				
National Forests	154	—	—	154
National Grasslands	20	—	—	20
Other Sites	171	—	—	171
Research Centers	34	—	—	34
Library Collections	1	—	—	1
<b>Total</b>	<b>380</b>	<b>—</b>	<b>—</b>	<b>380</b>
<b>Stewardship Land</b>				
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
<b>Total</b>	<b>19,633</b>	<b>203</b>	<b>(1)</b>	<b>19,835</b>

## NOTE 11: Other Assets

APHIS has an intragovernmental leasehold reimbursable work agreement with GSA for the Otay Mesa Land Port of Entry Modernization project which GSA is expected to derive a significant level of residual economic benefits and services from the reimbursable work. In accordance with FASAB, Technical Bulletin 2023-01, APHIS recognizes an intragovernmental reimbursable work asset for the construction costs and GSA recognizes the resulting leasehold improvement and an intragovernmental unearned reimbursable work revenue liability. APHIS amortizes the intragovernmental reimbursable work asset and GSA recognizes intragovernmental reimbursable work revenue in a systematic and rational manner over the shorter of (a) the remainder of the lease term or (b) the useful life of the underlying asset constructed.

	<b>FY 2024</b>	<b>FY 2023</b>
<b>Intragovernmental Assets</b>		
Reimbursement Work Asset	\$ 8	\$ 9
Total Intragovernmental Assets	8	9
<b>Total Other Assets</b>	<b>\$ 8</b>	<b>\$ 9</b>

## NOTE 12: Liabilities Not Covered by Budgetary Resources

In FY 2024 and FY 2023, other intragovernmental liabilities not covered by budgetary resources included accruals for FECA of \$126 million and \$119 million, contract disputes claims payable to Treasury's Judgment Fund of \$27 million and \$27 million, unemployment compensation of \$8 million and \$11 million, and Technology Modernization Fund of \$61 million and \$47 million, respectively. In FY 2024, interest on repayable advances for Disaster Relief Trust Fund was \$441 million.

In FY 2024 and FY 2023, other liabilities with the public not covered by budgetary resources included contingent liabilities of \$75 million and \$75 million, Payments to States of \$126 million and \$316 million, single-family housing escrow of \$85 million and \$78 million, loans paid in advance for multi-family housing of \$26 million and \$26 million, and stewardship contracting product sales of \$4 million and \$5 million, respectively. In FY 2024, unfunded lessee lease liability was \$872 million.

	FY 2024	FY 2023
<b>Intragovernmental</b>		
Other	\$ 663	\$ 204
<b>Subtotal Intragovernmental</b>	<u>663</u>	<u>204</u>
<b>Other than Intragovernmental</b>		
Federal Employee Benefits Payable	1,401	1,364
Environmental and Disposal Liabilities	235	240
Insurance and Guarantee Program Liabilities	11,387	13,823
Other	1,188	500
<b>Subtotal Other than Intragovernmental</b>	<u>14,211</u>	<u>15,927</u>
Total Liabilities Not Covered by Budgetary Resources	14,874	16,131
Total Liabilities Covered by Budgetary Resources	183,438	185,079
Total Liabilities Not Requiring Budgetary Resources	3,271	3,077
<b>Total Liabilities</b>	<u>\$ 201,583</u>	<u>\$ 204,287</u>

## NOTE 13: Debt

FY 2024	Beginning Balance	Net Borrowing	Ending Balance
<b>Source of Debt</b>			
Debt Owed to the Federal Financing Bank	\$ 54,921	\$ (549)	\$ 54,372
Debt Owed to Treasury other than FFB	96,913	3,020	99,933
<b>Total Debt</b>	<u>\$ 151,834</u>	<u>\$ 2,471</u>	<u>\$ 154,305</u>
<b>FY 2023</b>	<b>Beginning Balance</b>	<b>Net Borrowing</b>	<b>Ending Balance</b>
<b>Source of Debt</b>			
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
<b>Total Debt</b>	<u>\$ 139,187</u>	<u>\$ 12,647</u>	<u>\$ 151,834</u>

# NOTE 14: Federal Employee Benefits Payable

Other than Intragovernmental:	FY 2024	FY 2023
Accrued Funded Payroll and Leave	\$ 307	\$ 655
Unfunded Leave	801	756
Actuarial FECA Liability	600	608
<b>Total Federal Employee Benefits Payable</b>	<b>\$ 1,708</b>	<b>\$ 2,019</b>

# 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 2024 and FY 2023, FS estimates the liability for total cleanup costs for sites known to contain hazardous waste to be \$4 million and \$1 million, respectively, based on actual cleanup costs at similar sites. In FY 2024 and FY 2023, CCC estimates the liability for total cleanup costs for sites known to contain hazardous waste to be \$28 million and \$47 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 \$28 million and \$337 million. These estimates will change as new sites are discovered, remedy standards change, and new technology is introduced.

In FY 2024 and FY 2023, ARS estimated the liability for cleanup of the Beltsville Agricultural Research Center (BARC) to be \$54 million and \$50 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 2024 and FY 2023, the Department estimated its liability for asbestos-related cleanup of real property to be \$156 million and \$150 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 2024, there were approximately 1.2 million standard reinsurance and livestock policies totaling approximately \$192 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 2024 are as follows:

- **CM:** Country Mutual Insurance Company
- **CP:** Church Mutual Insurance Company
- **EF:** Rural Community Insurance Company
- **FA:** American Agricultural Insurance Company
- **FH:** Farmers Mutual Hail Insurance Company
- **GA:** Great American Insurance Company
- **HU:** Hudson Insurance Company
- **NA:** NAU Country Insurance Company
- **PL:** Producers Agriculture Insurance Company
- **PS:** Palomar Specialty Insurance Company
- **RH:** ACE American Insurance Company
- **SR:** Stratford Insurance Company
- **WN:** American Agri-Business Insurance Company
- **XL:** Greenwich Insurance Company

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 2024 and 2023.

**Federal Crop Insurance Program Resource and Resources Used**

Resource	FY 2024	Uses	FY 2024
Producer Premiums Collected	\$ 11,569	Obligations for Delivery Costs	\$ 2,436
Producer Fees Collected	88	Obligations for Indemnities	17,441
Underwriting Loss Collected from AIPs	64	Obligations for Underwriting Gain	2,111
Appropriations	10,354	Obligations for Initiatives & Other Costs	72
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	596	Unobligated Balance End of Year	598
<b>Total</b>	<b>\$ 22,658</b>	<b>Total</b>	<b>\$ 22,658</b>

Resource	FY 2023	Uses	FY 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
<b>Total</b>	<b>\$ 23,171</b>	<b>Total</b>	<b>\$ 23,171</b>

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.

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 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, 2024 and September 30, 2023.

	2024	2023
<b>Estimated Losses on Insurance Claims</b>		
Liability for Unpaid Insurance Claims	\$ 1,197	\$ 3,053
Liability for Losses on Remaining Coverage	7,526	8,904
Total Estimated Losses on Insurance Claims	\$ 8,723	\$ 11,957
Unearned Revenue	1,360	1,843
Underwriting Gain	5,033	3,517
Other Insurance Liabilities	17	20
<b>Total Insurance Liabilities</b>	<b>\$ 15,133</b>	<b>\$ 17,337</b>

## Estimated Losses on Insurance Claims

The following table shows information for changes in the estimated losses on insurance claims for FY 2024 and FY 2023.

Changes in Estimated Losses on Insurance Claims	2024	2023
<b>Beginning Balance</b>	\$ 11,957	\$ 11,581
Claims Expenses	17,541	18,647
Payments to Settle Claims	(17,502)	(18,823)
Adjustment of Accruals for Estimated Losses	(3,273)	552
<b>Ending Balance</b>	<b>\$ 8,723</b>	<b>\$ 11,957</b>

The chart above provides a roll forward of the liability for estimated losses on insurance claims from the prior fiscal year to the current fiscal year. The claims expenses represent actuals reported. In FY 2024, the actual claims reported were \$1.1 billion dollars less than FY 2023. This was due to lower prices for most major commodities/production areas. Payments to settle claims are the actual payments to producers.

The Adjustment of Accrual for Estimated Losses is the reversal of the prior fiscal year accrual combined with the current fiscal 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.

## 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 consolidated balance sheets.

## 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.

<b>Underwriting Gain</b>	<b>2024</b>	<b>2023</b>
Current Year Estimated Gains	\$ 3,013	\$ 2,175
Actual Underwriting Gains	2,020	1,342
<b>Total Underwriting Gain Liability</b>	<b>\$ 5,033</b>	<b>\$ 3,517</b>

At the end of FY 2024, the underwriting gain liability includes amounts for reinsurance years 2023 and 2024. The reinsurance year 2024 estimated underwriting gain was \$3,013 million based on a loss ratio of .75. The actual reinsurance year 2023 Underwriting Gain of \$2,020 million was based on an actual loss ratio of 0.96 and will be paid in FY 2025.

The underwriting gain liability for FY 2023 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 was paid in FY 2024.

## NOTE 17: Other Liabilities

### Intragovernmental Liabilities:

#### Liability for Clearing Accounts

In FY 2024, liability for clearing accounts includes a payroll timing difference of \$1,081 million and amounts awaiting disposition or reclassification of \$(44) million.

#### Liability for Non-Entity Assets Not Reported as Custodial Activities

In FY 2024 and FY 2023, liability for non-entity assets not reported as Custodial Activities represents liquidating fund balances of \$6,929 million and \$8,893 million, respectively due to the General Fund. Liquidating fund balances represent excess collections from pre-1992 direct loan obligations and loan guarantee commitments.

#### Other Liabilities Without Related Budgetary Obligations

In FY 2024, other liabilities without related budgetary obligations includes \$441 million interest on repayable advances for Disaster Relief Trust Fund, credit programs of \$61 million, and insurance claims and indemnities of \$27 million.

## Other than Intragovernmental Liabilities:

### Other Liabilities With Related Budgetary Obligations

In FY 2024, other liabilities with related budgetary obligations with the public included Agricultural Risk Coverage of \$472 million; Grants, Subsidies, and Contributions of \$4,986 million; Conservation Reserve Program of \$1,824 million; and other accrued liabilities of \$830 million.

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.

### Other Liabilities Without Related Budgetary Obligations

In FY 2024, other liabilities without related budgetary obligations with the public included Payments to States of \$126 million, single-family housing escrow of \$85 million, loans paid in advance for multi-family housing of \$26 million, and other accrued liabilities of \$5 million.

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.

#### FY 2024

##### Intragovernmental Liabilities:

	Non-Current	Current	Total
Other Liabilities With Related Budgetary Obligations	\$ —	\$ 59	\$ 59
Employer Contributions and Payroll Taxes	—	77	77
Unfunded FECA Liability	73	53	126
Other Unfunded Employment Related Liability	—	8	8
Liability for Clearing Accounts	—	1,037	1,037
Custodial Liability	—	525	525
Liability for Non-Entity Assets not reported on the Statement of Custodial Activities	—	6,929	6,929
Other Liabilities Without Related Budgetary Obligations	—	529	529
<b>Total Intragovernmental Liabilities</b>	<b>\$ 73</b>	<b>\$ 9,217</b>	<b>\$ 9,290</b>

##### Other than Intragovernmental Liabilities:

Other Liabilities With Related Budgetary Obligations	—	8,112	8,112
Lessee Lease Liability	—	30	30
Unfunded Lessee Lease Liability	—	872	872
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	—	77	77
Liability for Clearing Accounts	—	18	18
Contingent Liabilities (Note 19)	—	75	75
Custodial Liability	—	1	1
Other Liabilities Without Related Budgetary Obligations	26	216	242
<b>Total Other than Intragovernmental Liabilities</b>	<b>\$ 26</b>	<b>\$ 9,401</b>	<b>\$ 9,427</b>
<b>Total Other Liabilities</b>	<b>\$ 99</b>	<b>\$ 18,618</b>	<b>\$ 18,717</b>



**FY 2023**
**Intragovernmental Liabilities:**

	<b>Non-Current</b>	<b>Current</b>	<b>Total</b>
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 on the Statement of Custodial Activities	—	8,893	8,893
Other Liabilities Without Related Budgetary Obligations	—	73	73

**Total Intragovernmental Liabilities**

\$ 67	\$ 9,699	\$ 9,766
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**Other than Intragovernmental Liabilities:**

Other Liabilities With Related Budgetary Obligations	—	8,695	8,695
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	—	600	600
Liability for Clearing Accounts	—	(13)	(13)
Contingent Liabilities	—	75	75
Capital Lease Liability	—	1	1
Other Liabilities Without Related Budgetary Obligations	26	400	426

**Total Other than Intragovernmental Liabilities**

\$ 26	\$ 9,758	\$ 9,784
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**Total Other Liabilities**

\$ 93	\$ 19,457	\$ 19,550
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## NOTE 18: Leases

### Intragovernmental

USDA primarily leases buildings and structures, through the General Services Administration, that are essential to government operations including general office space, office space for field, regional, and state operations, laboratories and other research facilities, warehouses, airfields, border inspection stations, and training facilities for fire suppression. For intragovernmental leases, disclosure of annual lease expenses consists of amounts incurred during the fiscal year.

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 \$70 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.

### Other than Intragovernmental

USDA's lessee arrangements predominantly consist of RTU leases. Beginning in FY 2024, RTU assets are reported in Property, Plant and Equipment, Net (Note 9) on the Consolidated Balance Sheet and the related lease liabilities are reported in Other Liabilities (Note 17). All leases are recorded on the Consolidated Balance Sheet except short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases. For RTU lease assets, annual lease expenses include amounts incurred during the fiscal year for the amortization of the lease assets, as well as associated interest expense. The discount rates used to calculate the RTU Liability and Asset amounts is based on rates provided by the Department of Treasury. Rates are applied to leases based on their commencement date and total lease term. The range is 3.65 percent – 5.00 percent from October 1, 2023 – September 30, 2024. USDA's leases consist primarily of office space, most with renewal options with escalation clauses based on the Consumer Price Index (CPI), and lease periods remaining of 2 to 48 years.

USDA's lessor arrangements consist mostly of special use agreements and grazing permits. Since most of the revenue collected from these agreements is based on a variety of rent/fee calculations, it is highly variable. Therefore, revenues are recognized as income in the period earned.

**FY 2024***Lessee***Intragovernmental:**

Lease Expense:	Total
Land and Building	\$ 255
<b>Total</b>	<b>\$ 255</b>

**Other than Intragovernmental:**

Lease assets:	Total
Land and Buildings	\$ 1,057
Accumulated amortization	(190)
<b>Total</b>	<b>\$ 867</b>

Fiscal Year	Principal	Interest	Total
2025	\$ 162	\$ 39	\$ 201
2026	157	39	196
2027	134	32	166
2028	105	27	132
2029	65	27	92
2030-34	179	50	229
2035-39	73	16	89
2040-44	23	4	27
After 20 years	4	1	5
<b>Total</b>	<b>\$ 902</b>	<b>\$ 235</b>	<b>\$ 1,137</b>

Lease expense:	Total
Amortization	\$ 190
Interest	44
Other	246
<b>Total</b>	<b>\$ 480</b>

*Lessor***Other than intragovernmental:**

Lease revenue:	Total
Variable	\$ 208
<b>Total</b>	<b>\$ 208</b>

**FY 2023**
*Capital Leases*
**Summary of Assets Under Capital Leases**

	Federal	Non-Federal	Total
Land and Building	\$ —	\$ 16	\$ 16
Accumulated Amortization	—	(15)	(15)
<b>Total</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 1</b>

**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
<b>Total Future Lease Payments</b>	<b>\$ 20</b>	<b>\$ 279</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 20</b>	<b>\$ 280</b>

# 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.

FY 2024	Accrued Liabilities		Estimated Range of Loss	
			Lower End	Upper End
Legal Contingencies:				
Probable	\$	75	\$ 78	\$ 79
Reasonably Possible			2,297	4,515
FY 2023				
FY 2023	Accrued Liabilities		Estimated Range of Loss	
			Lower End	Upper End
Legal Contingencies:				
Probable	\$	75	\$ 75	\$ 75
Reasonably Possible			1,087	1,728

Commitments to extend loan guarantees are estimated to be \$4,056 million and \$3,731 million in FY 2024 and FY 2023, 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

### 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**

### **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**

### **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**

### **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

## **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

## Funds from Dedicated Collections

## BALANCE SHEET

## Intragovernmental Assets

Fund Balance with Treasury	\$	130	\$	742	\$	326	\$	64	\$	442	\$	360	\$	233	\$	188	\$	22
Investments, Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts Receivable, Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	702
Advances and Prepayments	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	4
Other Assets	—	—	—	—	—	8	—	—	—	—	—	—	—	—	—	—	—	—

## Total Intragovernmental Assets

## Other than Intragovernmental Assets

Accounts Receivable, Net	27	—	156	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
General Property, Plant, and Equipment, Net	7	—	70	44	7	40	—	—	—	—	—	—	—	—	—	—	—	38
Advances and Prepayments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Investments, Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

## Total Other than Intragovernmental Assets

Total Assets	164	742	560	108	450	400	233	194	766
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## Intragovernmental Liabilities

Other Liabilities	11	5	2	—	—	—	—	—	—
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## Total Intragovernmental Liabilities

## Other than Intragovernmental Liabilities

Accounts Payable	1	8	2	—	3	—	—	—	—	1
Federal Employee Salary, Leave and Benefits Payable	27	1	2	—	1	—	—	—	—	—
Post-Employment Benefits Payable	29	—	—	—	—	—	—	—	—	—
Advances From Others and Deferred Revenue	—	—	91	—	82	—	—	—	—	—
Other Liabilities	7	41	65	—	—	—	56	—	—	—

## Total Other than Intragovernmental Liabilities

Total Liabilities	75	55	162	—	86	—	56	—	1
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## Unexpended Appropriations

Cumulative Results of Operations	89	687	398	108	364	400	177	194	49
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## Total Liabilities and Net Position

STATEMENT OF NET COST	164	742	560	108	450	400	233	194	766
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Gross Program Costs	262	1,499	260	7	102	81	58	—	141
Less Earned Revenues	213	6	824	12	102	—	65	18	—

## Net Cost of Operations

STATEMENT OF CHANGES IN NET POSITION	49	1,493	(564)	(5)	—	81	(7)	(18)	141
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## Unexpended Appropriations:

Beginning Balance	—	—	—	—	—	—	—	—	592
Appropriations Received	—	—	—	—	—	—	—	—	—
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	(161)

## Total Unexpended Appropriations

Cumulative Results of Operations:	—	—	—	—	—	—	—	—	716
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Beginning Balances	87	819	506	103	363	355	146	185	18
Appropriations Used	—	—	—	—	—	—	—	—	161

## Other than Intragovernmental Non-exchange Revenue:

Miscellaneous Taxes and Receipts	—	—	—	—	—	—	—	—	—
----------------------------------	---	---	---	---	---	---	---	---	---

## Total Other than Intragovernmental Non-exchange Revenue

Intragovernmental Non-exchange Revenue	3	—	—	—	—	—	—	—	—
--	---	---	---	---	---	---	---	---	---

Donations and Forfeitures of Cash & Property	—	—	—	—	1	—	—	—	—
--	---	---	---	---	---	---	---	---	---

Transfers-In/out Without Reimbursement	—	1,361	(672)	—	—	126	—	—	11
--	---	-------	-------	---	---	-----	---	---	----

Imputed Financing	48	—	—	—	—	—	—	—	—
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Other	—	—	—	—	—	—	24	(9)	—
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Net Cost of Operations	(49)	(1,493)	564	5	—	(81)	7	18	(141)
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Net Change in Cumulative Results of Operations	2	(132)	(108)	5	1	45	31	9	31
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Total Cumulative Results of Operations	89	687	398	108	364	400	177	194	49
--	----	-----	-----	-----	-----	-----	-----	-----	----

Net Position	\$	89	\$	687	\$	398	\$	108	\$	364	\$	400	\$	177	\$	194	\$	765
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## Funds from Dedicated Collections

## BALANCE SHEET

## Intragovernmental Assets

Fund Balance with Treasury	\$ 170	\$ 198	\$ 341	\$ 254	\$ 332	\$ 93	\$ 99	\$ 21	\$ 298	\$ 4,313
Investments, Net	—	—	—	100	—	—	—	287	6	393
Accounts Receivable, Net	—	—	—	—	—	—	—	—	—	702
Advances and Prepayments	—	—	5	1	—	—	—	—	—	11
Other Assets	—	—	—	—	—	—	—	—	—	8

## Total Intragovernmental Assets

## Other than Intragovernmental Assets

Accounts Receivable, Net	—	3	—	—	—	21	—	—	6	219
General Property, Plant, and Equipment, Net	2	1	1	1	—	—	1	—	4	216
Advances and Prepayments	—	—	1	2	10	—	—	—	—	13
Investments, Net	—	—	—	—	—	—	—	—	3	3

## Total Other than Intragovernmental Assets

Total Assets	172	202	348	358	342	114	100	308	317	5,878
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## Intragovernmental Liabilities

Other Liabilities	—	—	—	—	—	—	—	—	1	19
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## Total Intragovernmental Liabilities

## Other than Intragovernmental Liabilities

Accounts Payable	—	1	3	—	—	1	(1)	5	1	25
Federal Employee Salary, Leave and Benefits Payable	—	1	—	—	—	—	1	—	1	34
Post-Employment Benefits Payable	1	—	—	—	—	—	—	—	—	30
Advances From Others and Deferred Revenue	—	—	—	—	—	—	—	—	14	187
Other Liabilities	65	—	—	—	—	4	—	—	6	244

## Total Other than Intragovernmental Liabilities

Total Liabilities	66	2	3	—	—	5	—	5	22	520
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Unexpended Appropriations	—	—	—	—	—	—	—	237	1	954
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## Cumulative Results of Operations

Total Liabilities and Net Position	106	200	345	358	342	109	100	66	293	4,385
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## STATEMENT OF NET COST

Gross Program Costs	(54)	145	153	33	56	49	42	6	161	3,001
Less Earned Revenues	154	145	—	1	—	45	41	9	173	1,808
Net Cost of Operations	(208)	—	153	32	56	4	1	(3)	(12)	1,193

## STATEMENT OF CHANGES IN NET POSITION

## Unexpended Appropriations:

Beginning Balance	—	—	—	—	—	—	—	225	1	818
Appropriations Received	—	—	—	—	—	—	—	12	—	12
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	—	(161)

## Total Unexpended Appropriations

Cumulative Results of Operations:	—	—	—	—	—	—	—	237	1	954
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## Beginning Balances

Beginning Balances	(102)	200	341	347	306	113	101	63	296	4,247
Appropriations Used	—	—	—	—	—	—	—	—	—	161
Other than Intragovernmental Non-exchange Revenue:	—	—	—	—	—	—	—	—	—	—
Miscellaneous Taxes and Receipts	—	—	—	4	—	—	—	—	—	4

## Total Other than Intragovernmental Non-exchange Revenue

Intragovernmental Non-exchange Revenue	—	—	157	39	—	—	—	—	1	200
Donations and Forfeitures of Cash & Property	—	—	—	—	—	—	—	—	—	1
Transfers-In/out Without Reimbursement	—	—	—	—	92	—	—	—	(16)	902
Imputed Financing	—	—	—	—	—	—	—	—	—	48
Other	—	—	—	—	—	—	—	—	—	15

## Net Cost of Operations

Net Change in Cumulative Results of Operations	208	—	(153)	(32)	(56)	(4)	(1)	3	12	(1,193)
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## Total Cumulative Results of Operations

Net Position	106	200	345	358	342	109	100	66	293	4,385
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	\$ 106	\$ 200	\$ 345	\$ 358	\$ 342	\$ 109	\$ 100	\$ 303	\$ 294	\$ 5,339
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## Funds from Dedicated Collections

## BALANCE SHEET

## Intragovernmental Assets

	AMS	AMS	APHIS	FS						
	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	
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	—	—	—	—	—	—	
<b>Total Intragovernmental Assets</b>	<b>133</b>	<b>916</b>	<b>406</b>	<b>57</b>	<b>437</b>	<b>315</b>	<b>205</b>	<b>181</b>	<b>601</b>	
<b>Other than Intragovernmental Assets</b>										
Accounts Receivable, Net	24	—	163	—	—	—	—	4	—	
General Property, Plant, and Equipment, Net	—	—	3	46	8	40	—	—	18	
Advances and Prepayments	—	—	—	—	—	—	—	—	—	
Investments, Net	—	—	—	—	—	—	—	—	—	
<b>Total Other than Intragovernmental Assets</b>	<b>24</b>	<b>—</b>	<b>166</b>	<b>46</b>	<b>8</b>	<b>40</b>	<b>—</b>	<b>4</b>	<b>18</b>	
<b>Total Assets</b>	<b>157</b>	<b>916</b>	<b>572</b>	<b>103</b>	<b>445</b>	<b>355</b>	<b>205</b>	<b>185</b>	<b>619</b>	
<b>Intragovernmental Liabilities</b>										
Other Liabilities	10	—	3	—	1	—	—	—	—	
<b>Total Intragovernmental Liabilities</b>	<b>10</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
<b>Other than Intragovernmental Liabilities</b>										
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	
<b>Total Other than Intragovernmental Liabilities</b>	<b>60</b>	<b>97</b>	<b>63</b>	<b>—</b>	<b>81</b>	<b>—</b>	<b>59</b>	<b>—</b>	<b>9</b>	
<b>Total Liabilities</b>	<b>70</b>	<b>97</b>	<b>66</b>	<b>—</b>	<b>82</b>	<b>—</b>	<b>59</b>	<b>—</b>	<b>9</b>	
Unexpended Appropriations	—	—	—	—	—	—	—	—	592	
Cumulative Results of Operations	87	819	506	103	363	355	146	185	18	
<b>Total Liabilities and Net Position</b>	<b>157</b>	<b>916</b>	<b>572</b>	<b>103</b>	<b>445</b>	<b>355</b>	<b>205</b>	<b>185</b>	<b>619</b>	

## 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	—	
<b>Net Cost of Operations</b>	<b>29</b>	<b>1,286</b>	<b>(582)</b>	<b>(11)</b>	<b>(28)</b>	<b>80</b>	<b>(20)</b>	<b>(1)</b>	<b>126</b>	

## STATEMENT OF CHANGES IN NET POSITION

## Unexpended Appropriations:

Beginning Balance	—	—	—	—	—	—	—	—	446	
Appropriations Received	—	—	—	—	—	—	—	—	—	
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	285	
Appropriations Used	—	—	—	—	—	—	—	—	(139)	
<b>Total Unexpended Appropriations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>592</b>	
<b>Cumulative Results of Operations:</b>										
Beginning Balances	76	828	438	92	335	311	210	188	4	
Appropriations Used	—	—	—	—	—	—	—	—	139	
Other than Intragovernmental Non-exchange Revenue:									—	
Miscellaneous Taxes and Receipts	—	—	—	—	—	—	—	—	—	
<b>Total Other than Intragovernmental Non-exchange Revenue</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
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)	—	
<b>Net Cost of Operations</b>	<b>(29)</b>	<b>(1,286)</b>	<b>582</b>	<b>11</b>	<b>28</b>	<b>(80)</b>	<b>20</b>	<b>1</b>	<b>(126)</b>	
<b>Net Change in Cumulative Results of Operations</b>	<b>11</b>	<b>(9)</b>	<b>68</b>	<b>11</b>	<b>28</b>	<b>44</b>	<b>(64)</b>	<b>(3)</b>	<b>14</b>	
<b>Total Cumulative Results of Operations</b>	<b>87</b>	<b>819</b>	<b>506</b>	<b>103</b>	<b>363</b>	<b>355</b>	<b>146</b>	<b>185</b>	<b>18</b>	
<b>Net Position</b>	<b>\$ 87</b>	<b>\$ 819</b>	<b>\$ 506</b>	<b>\$ 103</b>	<b>\$ 363</b>	<b>\$ 355</b>	<b>\$ 146</b>	<b>\$ 185</b>	<b>\$ 610</b>	

	FS							NIFA	Other Funds	Total Funds
	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	from Dedicated Collections	from Dedicated Collections
<b>Funds from Dedicated Collections</b>										
<b>BALANCE SHEET</b>										
<b>Intragovernmental Assets</b>										
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
<b>Total Intragovernmental Assets</b>	<b>148</b>	<b>200</b>	<b>344</b>	<b>340</b>	<b>301</b>	<b>94</b>	<b>100</b>	<b>288</b>	<b>309</b>	<b>5,375</b>
<b>Other than Intragovernmental Assets</b>										
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
<b>Total Other than Intragovernmental Assets</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>5</b>	<b>26</b>	<b>1</b>	<b>—</b>	<b>14</b>	<b>365</b>
<b>Total Assets</b>	<b>150</b>	<b>203</b>	<b>345</b>	<b>347</b>	<b>306</b>	<b>120</b>	<b>101</b>	<b>288</b>	<b>323</b>	<b>5,740</b>
<b>Intragovernmental Liabilities</b>										
Other Liabilities	—	—	—	—	—	—	—	—	1	15
<b>Total Intragovernmental Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>15</b>
<b>Other than Intragovernmental Liabilities</b>										
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
<b>Total Other than Intragovernmental Liabilities</b>	<b>252</b>	<b>3</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>25</b>	<b>660</b>
<b>Total Liabilities</b>	<b>252</b>	<b>3</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>26</b>	<b>675</b>
Unexpended Appropriations	—	—	—	—	—	—	—	225	1	818
Cumulative Results of Operations	(102)	200	341	347	306	113	101	63	296	4,247
<b>Total Liabilities and Net Position</b>	<b>150</b>	<b>203</b>	<b>345</b>	<b>347</b>	<b>306</b>	<b>120</b>	<b>101</b>	<b>288</b>	<b>323</b>	<b>5,740</b>
<b>STATEMENT OF NET COST</b>										
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
<b>Net Cost of Operations</b>	<b>(19)</b>	<b>(14)</b>	<b>49</b>	<b>22</b>	<b>53</b>	<b>3</b>	<b>(6)</b>	<b>(2)</b>	<b>(21)</b>	<b>944</b>
<b>STATEMENT OF CHANGES IN NET POSITION</b>										
<b>Unexpended Appropriations:</b>										
Beginning Balance	—	—	—	—	—	—	—	214	1	661
Appropriations Received	—	—	—	—	—	—	—	11	—	11
Appropriations Transferred In/Out	—	—	—	—	—	—	—	—	—	285
Appropriations Used	—	—	—	—	—	—	—	—	—	(139)
<b>Total Unexpended Appropriations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>225</b>	<b>1</b>	<b>818</b>
<b>Cumulative Results of Operations:</b>										
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
<b>Total Other than Intragovernmental Non-exchange Revenue</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5</b>
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)
<b>Net Cost of Operations</b>	<b>19</b>	<b>14</b>	<b>(49)</b>	<b>(22)</b>	<b>(53)</b>	<b>(3)</b>	<b>6</b>	<b>2</b>	<b>21</b>	<b>(944)</b>
<b>Net Change in Cumulative Results of Operations</b>	<b>19</b>	<b>14</b>	<b>109</b>	<b>90</b>	<b>26</b>	<b>(3)</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>369</b>
<b>Total Cumulative Results of Operations</b>	<b>(102)</b>	<b>200</b>	<b>341</b>	<b>347</b>	<b>306</b>	<b>113</b>	<b>101</b>	<b>63</b>	<b>296</b>	<b>4,247</b>
<b>Net Position</b>	<b>\$ (102)</b>	<b>\$ 200</b>	<b>\$ 341</b>	<b>\$ 347</b>	<b>\$ 306</b>	<b>\$ 113</b>	<b>\$ 101</b>	<b>\$ 288</b>	<b>\$ 297</b>	<b>\$ 5,065</b>

## Note Disclosures Related to the Statement of Net Cost

### NOTE 21: Suborganization Program Costs

FY 2024	FPAC Business Center	FSA	CCC	RMA	NRCS	FNS	FSIS	AMS	APHIS	FS
<b>Farm Production and Conservation:</b>										
Gross Costs	\$ 2,401	\$ 6,493	\$ 8,902	\$ 16,748	\$ 5,576	\$ —	\$ —	\$ —	\$ —	\$ —
Less: Earned Revenue	18	597	317	4,551	78	—	—	—	—	—
Net Costs	2,383	5,896	8,585	12,197	5,498	—	—	—	—	—
<b>Food, Nutrition, and Consumer Services:</b>										
Gross Costs	—	—	—	—	—	148,097	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	131	—	—	—	—
Net Costs	—	—	—	—	—	147,966	—	—	—	—
<b>Food Safety:</b>										
Gross Costs	—	—	—	—	—	—	1,572	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	262	—	—	—
Net Costs	—	—	—	—	—	—	1,310	—	—	—
<b>Marketing and Regulatory Programs:</b>										
Gross Costs	—	—	—	—	—	—	—	3,942	2,776	—
Less: Earned Revenue	—	—	—	—	—	—	—	328	1,129	—
Net Costs	—	—	—	—	—	—	—	3,614	1,647	—
<b>Natural Resources and Environment:</b>										
Gross Costs	—	—	—	—	—	—	—	—	—	11,874
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	949
Net Costs	—	—	—	—	—	—	—	—	—	10,925
<b>Rural Development:</b>										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
<b>Research, Education, and Economics:</b>										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
<b>Trade and Foreign Agricultural Affairs:</b>										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
<b>Staff Offices:</b>										
Gross Costs	—	—	—	—	—	—	—	—	—	—
Less: Earned Revenue	—	—	—	—	—	—	—	—	—	—
Net Costs	—	—	—	—	—	—	—	—	—	—
<b>Total Gross Costs</b>	<b>2,401</b>	<b>6,493</b>	<b>8,902</b>	<b>16,748</b>	<b>5,576</b>	<b>148,097</b>	<b>1,572</b>	<b>3,942</b>	<b>2,776</b>	<b>11,874</b>
<b>Less: Total Earned Revenue</b>	<b>18</b>	<b>597</b>	<b>317</b>	<b>4,551</b>	<b>78</b>	<b>131</b>	<b>262</b>	<b>328</b>	<b>1,129</b>	<b>949</b>
<b>Net Cost of Operations</b>	<b>\$ 2,383</b>	<b>\$ 5,896</b>	<b>\$ 8,585</b>	<b>\$ 12,197</b>	<b>\$ 5,498</b>	<b>\$ 147,966</b>	<b>\$ 1,310</b>	<b>\$ 3,614</b>	<b>\$ 1,647</b>	<b>\$ 10,925</b>

FY 2024	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Combined Total	Intra-entity Eliminations	Consolidated Total
<b>Farm Production and Conservation:</b>										
Gross Costs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 40,120	\$ (1,926)	\$ 38,194
Less: Earned Revenue	—	—	—	—	—	—	—	5,561	(43)	5,518
Net Costs	—	—	—	—	—	—	—	34,559	(1,883)	32,676
<b>Food, Nutrition, and Consumer Services:</b>										
Gross Costs	—	—	—	—	—	—	—	148,097	(1,500)	146,597
Less: Earned Revenue	—	—	—	—	—	—	—	131	(1)	130
Net Costs	—	—	—	—	—	—	—	147,966	(1,499)	146,467
<b>Food Safety:</b>										
Gross Costs	—	—	—	—	—	—	—	1,572	(92)	1,480
Less: Earned Revenue	—	—	—	—	—	—	—	262	(21)	241
Net Costs	—	—	—	—	—	—	—	1,310	(71)	1,239
<b>Marketing and Regulatory Programs:</b>										
Gross Costs	—	—	—	—	—	—	—	6,718	(201)	6,517
Less: Earned Revenue	—	—	—	—	—	—	—	1,457	(98)	1,359
Net Costs	—	—	—	—	—	—	—	5,261	(103)	5,158
<b>Natural Resources and Environment:</b>										
Gross Costs	—	—	—	—	—	—	—	11,874	(300)	11,574
Less: Earned Revenue	—	—	—	—	—	—	—	949	(15)	934
Net Costs	—	—	—	—	—	—	—	10,925	(285)	10,640
<b>Rural Development:</b>										
Gross Costs	8,738	—	—	—	—	—	—	8,738	(92)	8,646
Less: Earned Revenue	3,840	—	—	—	—	—	—	3,840	(527)	3,313
Net Costs	4,898	—	—	—	—	—	—	4,898	435	5,333
<b>Research, Education, and Economics:</b>										
Gross Costs	—	2,096	236	2,005	113	—	—	4,450	(228)	4,222
Less: Earned Revenue	—	184	42	45	8	—	—	279	(170)	109
Net Costs	—	1,912	194	1,960	105	—	—	4,171	(58)	4,113
<b>Trade and Foreign Agricultural Affairs:</b>										
Gross Costs	—	—	—	—	—	582	—	582	(25)	557
Less: Earned Revenue	—	—	—	—	—	61	—	61	(45)	16
Net Costs	—	—	—	—	—	521	—	521	20	541
<b>Staff Offices:</b>										
Gross Costs	—	—	—	—	—	—	2,883	2,883	(699)	2,184
Less: Earned Revenue	—	—	—	—	—	—	1,572	1,572	(1,330)	242
Net Costs	—	—	—	—	—	—	1,311	1,311	631	1,942
<b>Total Gross Costs</b>	<b>8,738</b>	<b>2,096</b>	<b>236</b>	<b>2,005</b>	<b>113</b>	<b>582</b>	<b>2,883</b>	<b>225,034</b>	<b>(5,063)</b>	<b>219,971</b>
<b>Less: Total Earned Revenue</b>	<b>3,840</b>	<b>184</b>	<b>42</b>	<b>45</b>	<b>8</b>	<b>61</b>	<b>1,572</b>	<b>14,112</b>	<b>(2,250)</b>	<b>11,862</b>
<b>Net Cost of Operations</b>	<b>\$ 4,898</b>	<b>\$ 1,912</b>	<b>\$ 194</b>	<b>\$ 1,960</b>	<b>\$ 105</b>	<b>\$ 521</b>	<b>\$ 1,311</b>	<b>\$ 210,922</b>	<b>\$ (2,813)</b>	<b>\$ 208,109</b>

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

## FY 2023

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



## Note Disclosures Related to the Statement of Budgetary Resources

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### NOTE 22: Statement of Budgetary Resources

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

In FY 2024, CCC, Forest Service, and AMS made adjustments of \$17 million, \$4 million, and \$2 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.

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.

#### 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 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, 2024 and 2023 was \$47,134 million and \$44,827 million, respectively.

### Undelivered Orders at the End of the Period

FY 2024	Federal	Non-Federal	FY 2023	Federal	Non-Federal
Paid	\$ 805	\$ 412	Paid	\$ 104	\$ 430
Unpaid	20,749	100,535	Unpaid	26,309	95,021
Total	\$ 21,554	\$ 100,947	Total	\$ 26,413	\$ 95,451

### 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 2023 Statement of Budgetary Resources and the FY 2023 actual numbers presented in the FY 2025 Budget of the United States Government (Budget) are summarized below.

### FY 2023

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 508,280	\$ 319,917	\$ (3,559)	\$ 238,074
Reconciling Items:				
Expired Accounts	(86,949)	(6,125)	—	—
Adjustment to Correct Borrowing Authority Withdrawn and Obligations (CCC)	(93)	(80)	—	—
Timing Difference for Rural Water and Waste Disposal Program Account (RD)	1	—	—	—
Milk Market Orders Fund	65	65	—	—
Rounding	(2)	(3)	—	(3)
Budget of the United States Government	<u>\$ 421,302</u>	<u>\$ 313,774</u>	<u>\$ (3,559)</u>	<u>\$ 238,071</u>

A comparison between the FY 2024 SBR and the FY 2024 actual numbers presented in the FY 2026 Budget cannot be performed as the FY 2026 Budget is not yet available. The Budget with the actual amounts for the current year (i.e., FY 2024) will be available at a later date on the [President's OMB Budget](#) website.

# Note Disclosures Not Pertaining to a Specific Statement

## 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 2024	FY 2023
<b>Total Custodial Revenue:</b>		
<b>Sources of Cash Collections:</b>		
Miscellaneous	\$ 239	\$ 322
Total Cash Collections	239	322
Accrual Adjustments	105	135
Total Custodial Revenue	344	457
<b>Disposition of Collections:</b>		
Transferred to Others:		
Treasury	(199)	(442)
(Increase )/Decrease in Amounts Yet to be Transferred	(145)	(15)
Total Disposition of Collections	(344)	(457)
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, 2024 and 2023**

	<b>Rural Housing Insurance Fund FY 2024</b>	<b>Rural Housing Insurance Fund FY 2023</b>
<b>Fiduciary Net Assets, Beginning of Year</b>	\$ 88	\$ 99
Contributions	509	458
Disbursements To and On Behalf of Beneficiaries	(501)	(469)
Increases/(Decrease) in Fiduciary Net Assets	8	(11)
<b>Fiduciary Net Assets, End of Year</b>	<b>\$ 96</b>	<b>\$ 88</b>

**Fiduciary Net Assets**  
**As of September 30, 2024 and 2023**

	<b>Rural Housing Insurance Fund FY 2024</b>	<b>Rural Housing Insurance Fund FY 2023</b>
<b>Fiduciary Assets:</b>		
Cash and Cash Equivalents	\$ 96	\$ 88
<b>Total Fiduciary Net Assets</b>	<b>\$ 96</b>	<b>\$ 88</b>

## 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 2024

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Operating Cost (Revenue) Reported on the Statement of Net Cost</b>	<b>\$ 7,030</b>	<b>\$ 201,079</b>	<b>\$ 208,109</b>
<b>Components of Net Cost Not Part of the Budgetary Outlays:</b>			
Property, Plant and Equipment Depreciation Expense	—	(482)	(482)
Property, Plant and Equipment Disposals and Revaluations	—	(7)	(7)
Lessee Lease Amortization	—	(190)	(190)
Year-End Credit Reform Subsidy Accrual Reestimates	2,099	—	2,099
Loan Modification Adjustment Transfers	44	—	44
Exchange Revenue not Part of the SBR Outlays	99	788	887
<b>Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:</b>			
Accounts Receivable, Net	83	(4,609)	(4,526)
Loans Receivable, Net (Non-FCRA)	—	(351)	(351)
Securities and Investments	2	—	2
Other Assets	701	(1)	700
<b>(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:</b>			
Accounts Payable	(1,256)	1,516	260
Lessee Lease Liability	—	155	155
Insurance and Guarantee Program Liabilities	—	2,204	2,204
Environmental and Disposal Liabilities	—	5	5
Benefits Due and Payable	—	388	388
Federal Employee Salary, Leave, and Benefits Payable	—	303	303
Other Post-Employment Payable	—	8	8
Other Liabilities	(2,068)	739	(1,329)
<b>Financing Sources:</b>			
Imputed Cost	(1,653)	—	(1,653)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays:</b>	<b>(1,949)</b>	<b>466</b>	<b>(1,483)</b>
<b>Components of the Budget Outlays That Are Not Part of the Net Operating Cost:</b>			
Acquisition of Capital Assets	11	814	825
Acquisitions of Inventory	—	(4)	(4)
<b>Financing Sources:</b>			
Donated Revenue	—	(3)	(3)
Transfers Out (In) Without Reimbursements	3	—	3
<b>Total Components of the Budget Outlays that are not part of Net Operating Cost</b>	<b>14</b>	<b>807</b>	<b>821</b>
<b>Miscellaneous Items:</b>			
Distributed Offsetting Receipts	(202)	(9)	(211)
Custodial/Non-exchange revenue	(388)	223	(165)
Non-Entity Activity	(3,696)	—	(3,696)
Other Temporary Timing Differences	—	27	27
<b>Total Other Reconciling Items</b>	<b>(4,286)</b>	<b>241</b>	<b>(4,045)</b>
<b>Total Net Outlays</b>	<b>809</b>	<b>202,593</b>	<b>203,402</b>
<b>Budgetary Agency Outlays, Net</b>			<b>\$ 203,402</b>

In FY 2024, significant line items include Year-End Credit Reform Subsidy Accrual Reestimates mainly due to RD; Decrease in Accounts Receivable, Net mainly due to RMA lower premium revenues attributed to lower crop prices; Decrease in Insurance and Guarantee Program Liabilities mainly due to RMA estimated losses; and Non-Entity Activity mainly due to RD downward reestimates.



FY 2023	Intragovernmental	Other than Intragovernmental	Total
<b>Net Operating Cost (Revenue) Reported on the Statement of Net Cost</b>	<u>\$ 6,074</u>	<u>\$ 224,894</u>	<u>\$ 230,968</u>
<b>Components of Net Cost Not Part of the Budgetary Outlays:</b>			
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
<b>Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:</b>			
Accounts Receivable, Net	102	423	525
Loans Receivable, Net (Non-FCRA)	—	(189)	(189)
Securities and Investments	1	—	1
Other Assets	10	(44)	(34)
<b>(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:</b>			
Accounts Payable	89	(1,798)	(1,709)
Lessee Lease Liability			
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)
<b>Financing Sources:</b>			
Imputed Cost	(1,317)	—	(1,317)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays:</b>	<u>2,673</u>	<u>(2,600)</u>	<u>73</u>
<b>Components of the Budget Outlays That Are Not Part of the Net Operating Cost:</b>			
Acquisition of Capital Assets	1	677	678
Acquisitions of Inventory	—	(2)	(2)
<b>Financing Sources:</b>			
Donated Revenue	—	(3)	(3)
Transfers Out (In) Without Reimbursements	(135)	—	(135)
<b>Total Components of the Budget Outlays that are not part of Net Operating Cost</b>	<u>(134)</u>	<u>672</u>	<u>538</u>
<b>Miscellaneous Items:</b>			
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
<b>Total Other Reconciling Items</b>	<u>(3,036)</u>	<u>344</u>	<u>(2,692)</u>
<b>Total Net Outlays</b>	<u>5,577</u>	<u>223,310</u>	<u>228,887</u>
<b>Budgetary Agency Outlays, Net</b>			<u>\$ 228,887</u>

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.

# 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 2024, 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 \$7.2 million. Industry boards collect and manage assessments from industry members to conduct program activities.

### Foundation for Food and Agricultural Research

The Secretary of Agriculture (Secretary) was authorized by the Agricultural Act of 2014, to establish a nonprofit corporation known as the Foundation for Food and Agriculture Research (FFAR). FFAR was officially established on July 23, 2014, during which the Secretary appointed a 15-member board of directors. To create 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 and is expected to secure an equal amount of non-federal matching funds for each expenditure. None of the funds made available may be used for construction.

The 2023 Farm Bill Extension included funding for FFAR and other orphan programs – programs that received funding in past Farm Bills but are not guaranteed continual funding in future Farm Bills. This Farm Bill extension included \$37 million for FFAR, which allows us to continue funding pioneering food and agriculture research in 2024.

The purpose of FFAR shall be (a) to advance the research mission of the Department by supporting agricultural research activities focused on addressing key problems of national and international significance including: (i) plant health, production, and plant products; (ii) animal health, production, and products; (iii) food safety, nutrition, and health; (iv) renewable energy, natural resources, and the environment; (v) agricultural and food security; (vi) agriculture systems and technology; and (vii) agriculture economics and rural communities; (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; and (c) to advance other incidental activities necessary to carry out and accomplish the foregoing missions enumerated. FFAR shall also, in consultation with the Secretary (i), identify existing and proposed Federal intramural and extramural research and development programs relating to the purposes of the Foundation; and (ii) coordinate Foundation activities with those programs so as to minimize duplication of existing efforts and to avoid conflicts, specifically at the Department of Agriculture and document the consultation process and include a summary of the results in the annual report required in Section 5.

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 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 number of Appointed Directors may increase or decrease, from time to time, but at no time be less than fifteen and no more than twenty-one members. No employee of the Federal Government shall be an Appointed Director. The ex-officio members appoint 15 individuals to the Board by majority vote. The Board elects from among the members of the Board, an individual to serve as Chair of the Board and 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. 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.

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.

Additional FFAR governance, financial, and audit reports can be located on the Governance – Foundation for Food & Agriculture Research ([foundationfar.org](http://foundationfar.org)) 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 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 there are no costs to the Federal Government. As a result, corresponding dollars are reported for presentation purposes only. In FY 2024, the non-federal costs of administering federal milk marketing orders, including salaries and expenses, travel, and rent for office space were estimated to be \$75.4 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: 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***

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### **NOTE 28: 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 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 2023 FR can be found on the [Treasury's Reports, Statements and Publications](#) website and a copy of the 2024 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 result 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, 2024

FY 2024 USDA SNC		Line Items Used to Prepare FY 2024 Government-wide SNC	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement Line
Gross Costs			<b>Gross cost</b>
		\$ 208,301	<b>Non-federal gross cost</b>
			<b>Federal gross cost</b>
		2,516	Benefit program costs (RC 26)/2
		1,653	Imputed costs (RC25)/2
		2,278	Buy/Sell Cost (RC24)/2
		11	Purchase of assets (RC 24)/2
		(11)	Reconciling Item - Purchase of assets
		4,553	Borrowing and other interest expense (RC05)/2
		671	Other expenses (without reciprocals) (RC 29)
		(1)	Reconciling Item - Rounding
		11,670	<b>Total federal gross cost</b>
<b>Total Gross Costs</b>	\$ 219,971	219,971	<b>Department total gross cost</b>
Earned Revenue			<b>Earned revenue</b>
		10,536	Non-federal earned revenue
			Reconciling Item - Custodial revenue - Non-federal earned revenue
		10,536	<b>Adjusted Non-federal earned revenue</b>
			<b>Federal earned revenue</b>
		598	Buy/sell revenue (exchange) (RC24)/2
		11	Purchase of assets offset (RC 24) / 2
		10	Federal securities interest revenue including associated gains and losses (exchange) (RC 03)/2
		622	Borrowing and other interest revenue (exchange) (RC 05)/2
		102	Collections transferred in to a TAS other than the general fund of the U.S. Government - exchange (RC 13)
		(11)	Reconciling item - Purchase of assets
		(6)	Reconciling Item - Custodial revenue - Buy/sell revenue (exchange) (RC24)/2
		1,326	<b>Total federal earned revenue</b>
<b>Less: Total Earned Revenue</b>	11,862	11,862	<b>Department total earned revenue</b>
<b>Net Cost of Operations</b>	\$ 208,109	\$ 208,109	<b>Net cost of operations</b>



# 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, 2024

FY 2024 USDA SCNP		Line Items Used to Prepare FY 2024 Government-wide SCNP	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement Lines
<b>Unexpended Appropriations:</b>			
Beginning Balances	\$ 218,658	\$ 218,658	Net position, beginning of period
Appropriations Received	200,152	200,152	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1
		300	Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08) /1
Appropriations Transferred In (Out)	274	26	Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08) /1
Other Adjustments	(19,664)	(19,664)	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1
Appropriations Used	(181,387)	(181,387)	Appropriations used (RC 39)
Net Change in Unexpended Appropriations	(625)	(625)	<b>Net change in unexpended appropriations</b>
<b>Total Unexpended Appropriations</b>	<b>218,033</b>	<b>218,033</b>	<b>Total unexpended appropriations</b>
<b>Cumulative Results of Operations:</b>			
Beginning Balances	56,266	56,266	Net position, beginning of period
		668	Collections for others transferred to the General Fund of the U.S. Government (RC 44 )
		37	Revenue and Other Financing Sources - Cancellations (RC 36)
Other Adjustments	(693)	12	Reconciling - Custodial activity - collections for others transferred to the General Fund of the U.S. Government (RC 44)
Appropriations Used	181,387	181,387	Appropriations expended (RC 38)/1
		62	Other taxes and receipts
		4	Federal securities interest revenue including associated gains and losses (non-exchange) (RC 03) /1
Non-exchange Revenue	24,833	24,767	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
		231	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
		18	Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08)/1i
		1,050	Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08)/1
		1,143	Transfers-in without reimbursement (RC 18)/1
Transfers In (Out) Without Reimbursement	333	(3)	Transfers-out without reimbursement (RC 18)/1
Imputed Financing	1,653	1,653	Imputed financing sources (RC 25)/1
		7	Other taxes and receipts
		(337)	Reconciling item - custodial activity - other taxes and receipts
		297	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
		4,439	Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
		219	Reconciling item - Custodial revenue - Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
		(1,853)	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC48)
Other	(2,289)		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)
Net Cost of Operations	(208,109)	208,109	Net cost of operations
Net Change and Cumulative Results of Operations	(2,882)	(2,882)	Net change and cumulative results of operations
<b>Total Cumulative Results of Operations</b>	<b>53,384</b>	<b>53,384</b>	<b>Total Cumulative results of operations</b>
<b>Net Position</b>	<b>\$ 271,417</b>	<b>\$ 271,417</b>	<b>Net position, end of period</b>



# 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 nearly 370,000 miles of roads, of which 65,000 miles are for passenger vehicles; over 164,000 miles of trails for motorized and non-motorized use; nearly 14,000 road and trail bridges; and over 1,500 dam structures.

ARS owns/manages approximately 16 million gross square feet of facility space in 2,980 buildings on 406,162 acres of land. APHIS operates approximately 28 facilities, which includes 396 buildings, in the United States and 14 facilities/buildings internationally. The NRCS portfolio of owned assets encompasses 25 sites, including 12 parcels of owned land, 216 buildings, and about 213 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

Assets are required to be maintained for safe use in accordance with maintenance criteria documented in their management objectives. These plans ensure assets are functioning as designed. Management objectives include plans for budgeting, scheduling, accomplishing, reporting, and evaluating maintenance, while prioritizing expenditure of limited funds. The plans also include condition assessments to track maintenance needs.

Policies for identifying DM&R activities for most assets, except roads, trails, and bridges, are based on condition surveys performed on a 5-year revolving schedule. The agency's DM&R for NFS passenger car roads and trails 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. Road bridge inspections occur on a 2-year or 4-year revolving schedule.

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 the asset's importance to the agency's mission. Condition surveys help the Forest Service know what maintenance needs an asset has and document threats to public health or safety or a natural resource. The Forest Service National Asset Management Program prioritizes maintenance, repair, and real property activities by determining how important a project is to the agency mission. This allows the Forest Service to analyze project benefits and asset value under constrained budget scenarios. The set of highest scoring projects meeting agency needs across its geography and multiple mission areas are prioritized for funding.

## 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 2024 Ending Balance	FY 2024 Beginning Balance	FY 2023 Ending Balance	FY 2023 Beginning Balance
PP&E	\$ 12,067	\$ 9,633	\$ 9,633	\$ 8,295
Heritage Assets	443	463	463	290
<b>Total</b>	<b>\$ 12,510</b>	<b>\$ 10,096</b>	<b>\$ 10,096</b>	<b>\$ 8,585</b>

DM&R costs increased in FY 2024 across all categories within PP&E for several reasons. The biggest increase is due to the updating of the RS Means work item data in the Natural Resource Manager (NRM) asset database to reflect inflation since 2016. Additional deferred maintenance increases are due to continued deterioration of aging assets, and inflation not allowing funding for maintenance projects to reach as many assets.

Funding from the Great American Outdoors Act – Legacy Restoration Fund allowed the agency to address \$61.5 million of the deferred maintenance over the last year by completing 97 projects. Through FY 2024, the Forest Service had 1,039 internally tracked projects funded by Congress.

# Combining Statement of Budgetary Resources (Unaudited)

	FPAC Business Center	FSA		CCC		RMA	NRCS	FNS	FSIS	AMS	APHIS
		Non- Budgetary Credit Reform Financing Accounts		Non- Budgetary Credit Reform Financing Accounts							
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
<b>FY 2024</b>											
<b>Budgetary Resources:</b>											
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	\$ 190	\$ 7,730	\$ 487	\$ 750	\$ 165	\$ 600	\$ 9,410	\$ 136,217	\$ 85	\$ 2,227	\$ 1,342
Appropriations (Discretionary and Mandatory)	325	1,442	49	1,672		10,413	7,777	163,546	1,208	3,191	2,926
Borrowing Authority (Discretionary and Mandatory)			3,452	12,263	458						
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	(70)	308	2,412	636	190	11,721	104	125	245	208	318
<b>Total Budgetary Resources</b>	<b>445</b>	<b>9,480</b>	<b>6,400</b>	<b>15,321</b>	<b>813</b>	<b>22,734</b>	<b>17,291</b>	<b>299,888</b>	<b>1,538</b>	<b>5,626</b>	<b>4,586</b>
<b>Status of Budgetary Resources:</b>											
New Obligations and Upward Adjustments (Total)	391	6,398	4,255	14,932	456	22,132	9,068	161,134	1,460	3,258	2,744
Unobligated Balance, End of Year:											
Apportioned, Unexpired Accounts	34	2,626	2,111	237	52	590	5,553	19,344	61	2,005	1,803
Exempt from Apportionment, Unexpired Accounts										75	
Unapportioned, Unexpired Accounts		354	34	135	305	9	56	9,160		227	7
Unexpired Unobligated Balance, End of Year	34	2,980	2,145	372	357	599	5,609	28,504	61	2,307	1,810
Expired Unobligated Balance, End of Year	20	102		17		3	2,614	110,250	17	61	32
Unobligated Balance, End of Year (Total)	54	3,082	2,145	389	357	602	8,223	138,754	78	2,368	1,842
<b>Total Budgetary Resources</b>	<b>445</b>	<b>9,480</b>	<b>6,400</b>	<b>15,321</b>	<b>813</b>	<b>22,734</b>	<b>17,291</b>	<b>299,888</b>	<b>1,538</b>	<b>5,626</b>	<b>4,586</b>
<b>Outlays, Net, and Disbursements, Net:</b>											
Outlays, Net (Total) (Discretionary and Mandatory)	2,367	7,165		6,613		9,846	5,519	147,548	1,245	3,813	2,397
Distributed Offsetting Receipts (-)		(549)		(70)			(4)	(3)	(19)	(213)	(17)
<b>Agency Outlays, Net (Discretionary and Mandatory)</b>	<b>\$ 2,367</b>	<b>\$ 6,616</b>		<b>\$ 6,543</b>		<b>\$ 9,846</b>	<b>\$ 5,515</b>	<b>\$ 147,545</b>	<b>\$ 1,226</b>	<b>\$ 3,600</b>	<b>\$ 2,380</b>
<b>Disbursements, Net (Total) (Mandatory)</b>			<b>\$ 1,665</b>		<b>\$ (10)</b>						

FY 2024	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
<b>Budgetary Resources:</b>											
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)(Note 22)	\$ 12,062	\$ 16,920	\$ 5,691	\$ 444	\$ 23	\$ 628	\$ 7	\$ 2,533	\$ 1,556	\$ 192,724	\$ 6,343
Appropriations (Discretionary and Mandatory)	10,692	4,916		1,867	188	1,908	90	476	1,704	214,341	49
Borrowing Authority (Discretionary and Mandatory)			12,744							12,263	16,654
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	783	1,317	8,276	279	42	58	4	70	1,827	17,975	10,878
<b>Total Budgetary Resources</b>	<b>23,537</b>	<b>23,153</b>	<b>26,711</b>	<b>2,590</b>	<b>253</b>	<b>2,594</b>	<b>101</b>	<b>3,079</b>	<b>5,087</b>	<b>437,303</b>	<b>33,924</b>
<b>Status of Budgetary Resources:</b>											
New Obligations and Upward Adjustments (Total)	14,642	10,218	18,877	2,170	252	2,159	97	1,754	3,152	255,961	23,588
Unobligated Balance, End of Year:											
Apportioned, Unexpired Accounts	6,378	12,821	7,821	382	1	405		1,254	621	54,115	9,984
Exempt from Apportionment, Unexpired Accounts										75	
Unapportioned, Unexpired Accounts	2,398	7	13	4				6	904	13,267	352
Unexpired Unobligated Balance, End of Year	8,776	12,828	7,834	386	1	405		1,260	1,525	67,457	10,336
Expired Unobligated Balance, End of Year	119	107		34		30	4	65	410	113,885	
Unobligated Balance, End of Year (Total)	8,895	12,935	7,834	420	1	435	4	1,325	1,935	181,342	10,336
<b>Total Budgetary Resources</b>	<b>23,537</b>	<b>23,153</b>	<b>26,711</b>	<b>2,590</b>	<b>253</b>	<b>2,594</b>	<b>101</b>	<b>3,079</b>	<b>5,087</b>	<b>437,303</b>	<b>33,924</b>
<b>Outlays, Net, and Disbursements, Net:</b>											
Outlays, Net (Total) (Discretionary and Mandatory)	11,302	4,933		1,921	196	1,952	97	1,113	1,312	209,339	
Distributed Offsetting Receipts (-)	(868)	(3,076)		(21)		(34)			(1,063)	(5,937)	
<b>Agency Outlays, Net (Discretionary and Mandatory)</b>	<b>\$ 10,434</b>	<b>\$ 1,857</b>		<b>\$ 1,900</b>	<b>\$ 196</b>	<b>\$ 1,918</b>	<b>\$ 97</b>	<b>\$ 1,113</b>	<b>\$ 249</b>	<b>\$ 203,402</b>	
<b>Disbursements, Net (Total) (Mandatory)</b>			<b>\$ 5,455</b>								<b>\$ 7,110</b>

	FPAC Business Center		FSA		CCC		RMA	NRCS	FNS	FSIS	AMS	APHIS
			Non- Budgetary Credit Reform Financing Accounts		Non- Budgetary Credit Reform Financing Accounts							
FY 2023	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
<b>Budgetary Resources:</b>												
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	
<b>Total Budgetary Resources</b>	<b>2,579</b>	<b>14,738</b>	<b>6,847</b>	<b>15,981</b>	<b>754</b>	<b>23,282</b>	<b>18,639</b>	<b>323,569</b>	<b>1,552</b>	<b>7,749</b>	<b>3,988</b>	
<b>Status of Budgetary Resources:</b>												
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	
<b>Total Budgetary Resources</b>	<b>2,579</b>	<b>14,738</b>	<b>6,847</b>	<b>15,981</b>	<b>754</b>	<b>23,282</b>	<b>18,639</b>	<b>323,569</b>	<b>1,552</b>	<b>7,749</b>	<b>3,988</b>	
<b>Outlays, Net, and Disbursements, Net:</b>												
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)	
<b>Agency Outlays, Net (Discretionary and Mandatory)</b>	<b>\$ 306</b>	<b>\$ 3,912</b>		<b>\$ 9,084</b>		<b>\$ 16,576</b>	<b>\$ 4,692</b>	<b>\$ 171,454</b>	<b>\$ 1,193</b>	<b>\$ 2,788</b>	<b>\$ 1,841</b>	
<b>Disbursements, Net (Total) (Mandatory)</b>			<b>\$ 325</b>		<b>\$ 44</b>							



	FS	RD		ARS	NASS	NIFA	ERS	FAS	Staff Offices	Total	
			Non-Budgetary Credit Reform Financing Accounts								Non-Budgetary Credit Reform Financing Accounts
FY 2023	Budgetary	Budgetary		Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	
<b>Budgetary Resources:</b>											
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
<b>Total Budgetary Resources</b>	<u>24,380</u>	<u>25,806</u>	<u>25,433</u>	<u>2,591</u>	<u>268</u>	<u>3,241</u>	<u>112</u>	<u>759</u>	<u>6,012</u>	<u>475,246</u>	<u>33,034</u>
<b>Status of Budgetary Resources:</b>											
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
<b>Total Budgetary Resources</b>	<u>24,380</u>	<u>25,806</u>	<u>25,433</u>	<u>2,591</u>	<u>268</u>	<u>3,241</u>	<u>112</u>	<u>759</u>	<u>6,012</u>	<u>475,246</u>	<u>33,034</u>
<b>Outlays, Net, and Disbursements, Net:</b>											
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)	
<b>Agency Outlays, Net (Discretionary and Mandatory)</b>	<u>\$ 8,066</u>	<u>\$ 4,097</u>		<u>\$ 1,757</u>	<u>\$ 196</u>	<u>\$ 1,766</u>	<u>\$ 105</u>	<u>\$ 454</u>	<u>\$ 600</u>	<u>\$ 228,887</u>	
<b>Disbursements, Net (Total) (Mandatory)</b>			<u>\$ 5,259</u>								<u>\$ 5,628</u>

# Land (Unaudited)

## Forest Service

The Forest Service is steward to over a 193 million acres of PP&E lands and Stewardship lands encompassing national forests and grasslands which provides a wide range of economic, social, and environmental benefits. The Forest Service also administers approximately 1,575,570 acres of permanent land rights. 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 are fee title or less-than-fee interests.

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 391,084 acres of land including 77,885 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, 2024. 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 477 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.

**Estimated Acreage by Predominant Use FY 2024**  
(in Acres)

PP&E Land	Beginning Balance				Current Year Activity				Ending Balance			
	Conservation and Preservation	Operational	Commercial Use	FY 2024 Beginning Balance	Conservation and Preservation	Operational	Commercial Use	Current Year Activity	Conservation and Preservation	Operational	Commercial Use	FY 2024 Ending Balance
Forest Service	358	9,613	—	9,971	(15)	1,355,436	—	1,355,421	343	1,365,049	—	1,365,392
Agricultural Research Service	—	77,504	—	77,504	—	381	—	381	—	77,885	—	77,885
Animal and Plant Health Inspection Service	—	1,162	—	1,162	—	—	—	—	—	1,162	—	1,162
Natural Resources Conservation Service	—	1,900	—	1,900	—	—	—	—	—	1,900	—	1,900
Total Estimated Acreage	358	90,179	—	90,537	(15)	1,355,817	—	1,355,802	343	1,445,996	—	1,446,339
<b>Held for Disposal or Exchange (also included in the balance above)</b>												
Forest Service	—	54	—	54	—	40	—	40	—	94	—	94
Agricultural Research Service	—	70	—	70	—	—	—	—	—	70	—	70
Total Estimated Acreage	—	124	—	124	—	40	—	40	—	164	—	164

Stewardship Land	Beginning Balance				Current Year Activity				Ending Balance			
	Conservation and Preservation	Operational	Commercial Use	FY 2024 Beginning Balance	Conservation and Preservation	Operational	Commercial Use	Current Year Activity	Conservation and Preservation	Operational	Commercial Use	FY 2024 Ending Balance
Forest Service	191,552,875	1,165,796	401,256	193,119,927	238,130	3,063	(5,023)	236,170	191,791,005	1,168,859	396,233	193,356,097
Agricultural Research Service	—	313,199	—	313,199	—	—	—	—	—	313,199	—	313,199
Natural Resources Conservation Service	3,689,002	—	—	3,689,002	46,654	—	—	46,654	3,735,656	—	—	3,735,656
Total Estimated Acreage	195,241,877	1,478,995	401,256	197,122,128	284,784	3,063	(5,023)	282,824	195,526,661	1,482,058	396,233	197,404,952
<b>Held for Disposal or Exchange (also included in the balance above)</b>												
Forest Service	—	522	—	522	—	(32)	—	(32)	—	490	—	490
Total Estimated Acreage	—	522	—	522	—	(32)	—	(32)	—	490	—	490

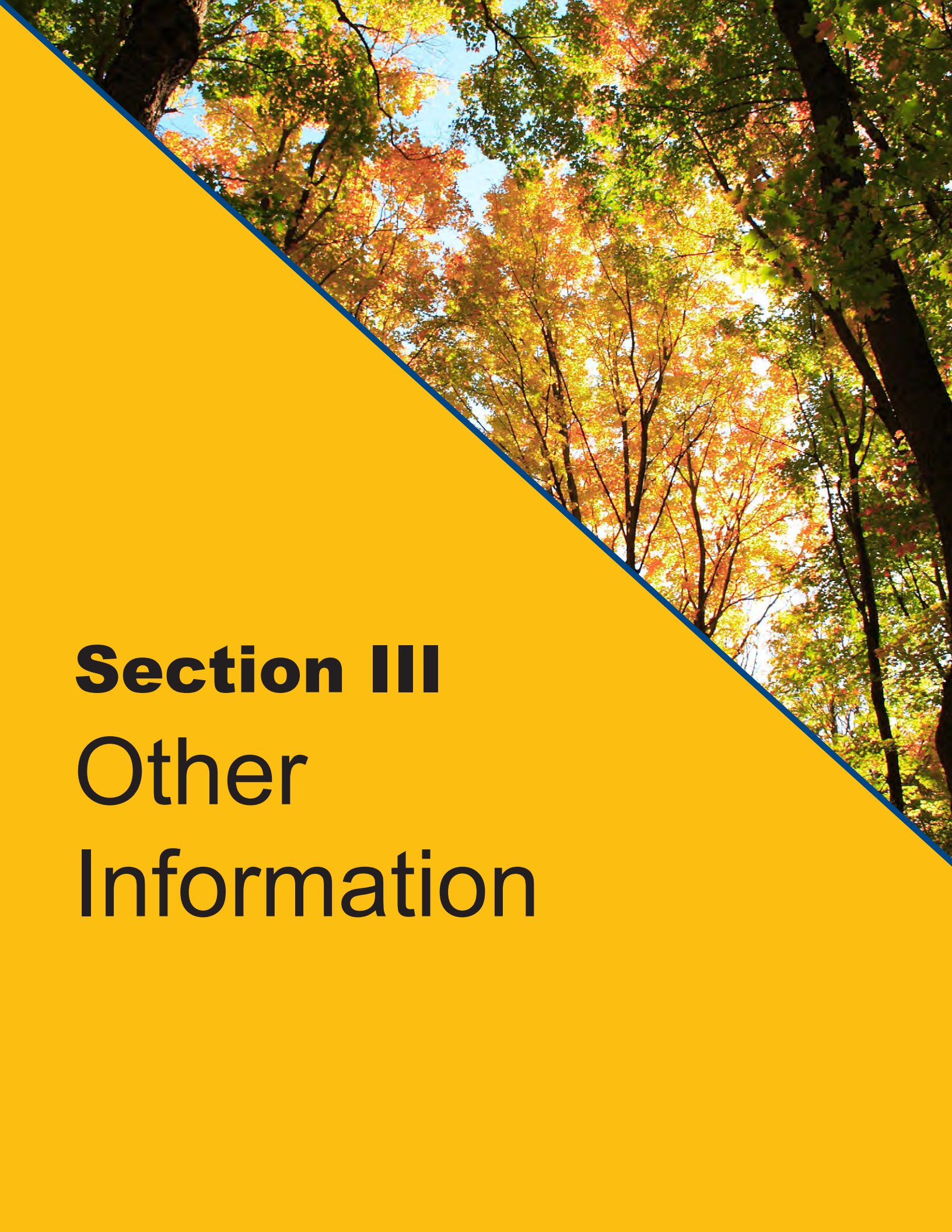
**Estimated Acreage by Predominant Use FY 2023**  
(in Acres)

PP&E Land	Beginning Balance				Current Year Activity				Ending Balance			
	Conservation and Preservation	Operational	Commercial Use	FY 2023 Beginning Balance	Conservation and Preservation	Operational	Commercial Use	Current Year Activity	Conservation and Preservation	Operational	Commercial Use	FY 2023 Ending Balance
Forest Service	349	9,207	—	9,556	9	406	—	415	358	9,613	—	9,971
Agricultural Research Service	—	77,655	—	77,655	—	(151)	—	(151)	—	77,504	—	77,504
Animal and Plant Health Inspection Service	—	1,146	—	1,146	—	16	—	16	—	1,162	—	1,162
Natural Resources Conservation Service	—	1,900	—	1,900	—	—	—	—	—	1,900	—	1,900
Total Estimated Acreage	349	89,908	—	90,257	9	271	—	280	358	90,179	—	90,537
<b>Held for Disposal or Exchange (also included in the balance above)</b>												
Forest Service	—	54	—	54	—	—	—	—	—	54	—	54
Agricultural Research Service	—	70	—	70	—	—	—	—	—	70	—	70
Total Estimated Acreage	—	124	—	124	—	—	—	—	—	124	—	124

Stewardship Land	Beginning Balance				Current Year Activity				Ending Balance			
	Conservation and Preservation	Operational	Commercial Use	FY 2023 Beginning Balance	Conservation and Preservation	Operational	Commercial Use	Current Year Activity	Conservation and Preservation	Operational	Commercial Use	FY 2023 Ending Balance
Forest Service	191,491,750	1,186,627	404,971	193,083,348	61,125	(20,831)	(3,715)	36,579	191,552,875	1,165,796	401,256	193,119,927
Agricultural Research Service	—	313,198	—	313,198	—	1	—	1	—	313,199	—	313,199
Natural Resources Conservation Service	3,649,692	—	—	3,649,692	39,310	—	—	39,310	3,689,002	—	—	3,689,002
Total Estimated Acreage	195,141,442	1,499,825	404,971	197,046,238	100,435	(20,830)	(3,715)	75,890	195,241,877	1,478,995	401,256	197,122,128
<b>Held for Disposal or Exchange (also included in the balance above)</b>												
Forest Service	—	522	—	522	—	—	—	—	—	522	—	522
Total Estimated Acreage	—	522	—	522	—	—	—	—	—	522	—	522

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# **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:** Modified

**Restatement:** No

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

For the FY 2023 AFR, the material weakness associated with the FNS SNAP change in obligation was reported under Effectiveness of Internal Control Over Reporting. FNS recommended through the FY 2024 annual certification statement process that the more appropriate reporting for this material weakness is Effectiveness of Internal Control Over Operations as the weakness was not the result of FNCS A-123 testing.

In FY 2024, OCIO resolved the FY 2023 FISMA audit material weakness; however, a new FY 2024 FISMA audit resulted in a new material weakness for Information Technology in FY 2024.

Exhibit 16: Summary of Management Assurances

A. Effectiveness of Internal Control Over Reporting (FMFIA § 2)<sup>7</sup>

Statement of Assurance: Unmodified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management	0					0
<b>TOTAL MATERIAL WEAKNESSES</b>	<b>0</b>					<b>0</b>

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

Statement of Assurance: Modified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management	1					1
Information Technology	1	1	1			1
<b>TOTAL MATERIAL WEAKNESSES</b>	<b>2</b>	<b>1</b>	<b>1</b>			<b>2</b>

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	0					0
<b>TOTAL NON-CONFORMANCES</b>	<b>0</b>					<b>0</b>

<sup>7</sup> In the FY 2023 Agency Financial Report, the Financial Management material weakness was reported in Exhibit 16.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 2024.



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

\*OCIO's results in the FY 2024 FISMA Audit indicate a lack of substantial compliance with Federal Financial Management System Requirements. This is reported above as part of USDA's material weaknesses.

\*\*CCC continues to work on addressing their noncompliance with the U.S. Standard General ledger at the Transaction Level.





# Management and Performance 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 2024 challenges is a look back into the period of June 1, 2021, through May 31, 2024, 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 2024 management challenges review, two challenges 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

The report mentions the addition of an emerging challenge: Climate Impact. Emerging challenges are potential areas of concern that may develop into challenges in upcoming years.

An example of USDA's success in program process improvements: USDA's 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 helps people and wildlife coexist. APHIS has continued to work vigorously alongside OIG, Federal, State, and local partners to resolve AWA allegations and ensure the individuals participating in this type of animal cruelty are brought to justice. For example, OIG closed approximately 61 investigations involving animal and plant health during this time, obtaining approximately 434 criminal, 5 civil, and 12 administrative outcomes, with more than \$2.8 million in monetary results.<sup>8</sup> As a result, all the APHIS-related recommendations OIG made between June 1, 2021, through May 31, 2024, have been closed.

The following pages include the entire USDA 2024 Top Management Challenges Report for FY 2024

A full copy of the [OIG Report](#) is also available on the [Oversight.gov](#) website.

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<sup>8</sup> Examples of these investigations are included in the "Plant and Animal Health: USDA OIG Highlighted Closed Investigations" section of the 2024 USDA Top Management Challenges Report.



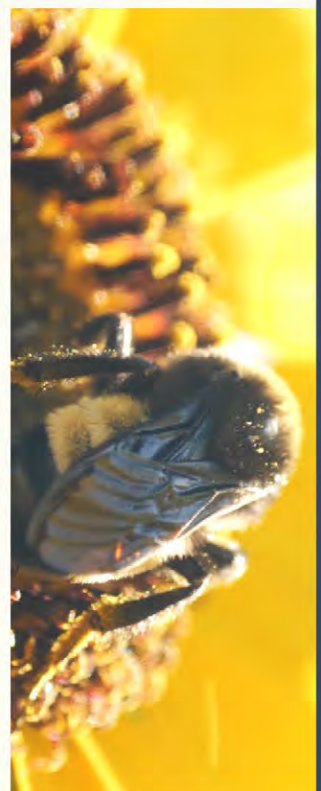


## U.S. Department of Agriculture Office of Inspector General

### 2024 USDA Top Management Challenges



September 2024






UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL  
Washington D.C. 20250



DATE: September 17, 2024

TO: Honorable Thomas J. Vilsack  
Secretary

FROM: Phyllis K. Fong   
Inspector General

SUBJECT: 2024 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 2024 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, as well as the addition of one emerging challenge: Climate Impact. 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 Peter Sima-Eichler, Assistant Inspector General for Analytics and Innovation (202-209-3633).

Attachment

cc:  
Subcabinet Officials  
Agency Administrators



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Raspberries for sale at a farmers market. USDA  
Photo by Lance Cheung from USDA's Flickr  
account.

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and from Adobe Stock do not depict any specific  
audit or investigation.



# Introduction and Approach

The Office of Inspector General (OIG) provides oversight to the U.S. Department of Agriculture's (USDA) programs and operations to help ensure that USDA provides the best possible service to the public and American agriculture. USDA has 29 agencies and offices, nearly 100,000 employees in 14,000 locations, more than \$200 billion in assets, and \$143 billion in annual spending. These agencies and offices provide specific services to the American people related to food, agriculture, natural resources, rural development, nutrition, and other programs 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 areas—Ensuring Safety and Security, Providing Benefits, and Delivering Efficient Programs—where OIG believes USDA faces challenges in delivering its programs. Each major challenge area contains “key challenge indicators,” areas of focus derived from our findings, that can assist USDA when addressing those challenges. This approach should aid Departmental leadership by providing focus areas to address and resolve both broad and unique challenges that may affect multiple agencies. It also provides the Secretary and other policymakers with a streamlined report that improves clarity and gives significant information greater prominence.

This report is primarily based on our audits, inspections, final action verifications, investigations, and general knowledge in providing oversight of USDA's programs and operations from June 1, 2021, through May 31, 2024.

To determine what qualified as a key challenge indicator, we assessed our open audit and inspection report recommendations and the number of audit and inspection report recommendations closed within this timeframe. We also included criteria such as the Government Accountability Office's (GAO) high-risk list; GAO reports, recommendations, and priority recommendations; and closed OIG investigations.

Our [2023 Management Challenges](#) report identified eight key challenge indicators. This year, two challenge indicators, Food Safety and Data Integrity, were removed because they no longer met the criteria articulated in the preceding paragraph. However, two new indicators were added: Farm Programs and Crop Insurance. This report also includes the addition of one emerging challenge: Climate Impact. Emerging challenges are potential areas of concern that may develop into challenges in upcoming years.

Audit products from the 2023 Management Challenges report that still have open recommendations relevant to the key challenge indicators are included in this year's report and identified with an asterisk.

## Challenge 1: Ensuring Safety and Security



In the food and agriculture sector, USDA plays a critical role in ensuring public health and safety. USDA activities enhance 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; promote the health and

care of animals and plants; and focus on cybersecurity and information technology (IT) in USDA agencies.

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

### Plant and Animal 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 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. In addition, APHIS' Wildlife Services is

responsible for resolving human/wildlife conflicts and protecting agriculture, human health and safety, personal property, and natural resources from wildlife damage and wildlife-borne diseases in the United States, including the management of rabies and other zoonotic diseases caused by various wildlife species.

APHIS works cooperatively with Federal partners, State and local agencies, Tribes and Tribal organizations, industries, private groups, and foreign counterparts to protect the Nation's agricultural and natural resources. In fiscal year (FY) 2024, APHIS received more than \$2.1 billion, with \$397 million to support animal health, \$408 million for plant health, and \$149 million for Wildlife Services.

OIG's work found that APHIS faces challenges with regulatory compliance and emergency preparedness. We also continue to investigate allegations related to animal welfare, including dogfighting and cockfighting. AWA includes provisions 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.



Mexican gray wolf  
on rocks. Courtesy  
Photo/AdobeStock.

## Plant and Animal Health: USDA OIG Highlighted Audit Work

[Animal and Plant Health Inspection Service Wildlife Services' Role in Administering the Mexican Wolf Recovery Program](#) (Report 33801-0001-31, issued 10/19/23)

[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)

Recommendation Progress  
OIG issued 6 audit products with  
43 recommendations, 0 of which  
remain open.

## Example Report Summary



Our 2023 report, *Animal and Plant Health Inspection Service Wildlife Services' Role in Administering the Mexican Wolf Recovery Program*, reviewed APHIS' Wildlife Services' investigations of livestock deaths by Mexican gray wolves. We found that although Wildlife Services used a consistent approach for its depredation reports that attributed livestock deaths to Mexican gray wolves, investigators did not always use consistent support for those reports. Specifically, investigators did not always include photographs to document evidence found at depredation scenes, such as tracks, scat, or hair.

Although the interagency standard operating procedure requires photographing the carcass and surrounding area when conducting an investigation,<sup>1</sup> it did not explicitly state that photographs needed to be attached to the depredation reports. Such formal photograph requirements would ensure consistency in the agency's depredation reports. We recommended that Wildlife Services develop a policy to clearly communicate the requirement for photographic evidence in depredation reports, train investigators and reviewers on that policy, and request that the Mexican Wolf Executive Committee review and make any applicable updates to its procedures. APHIS agreed with our recommendations.

<sup>1</sup>The Interagency Field Team consists of employees of agencies who have regulatory jurisdiction and management authority over Mexican wolves, or regulatory jurisdiction and management over the lands that Mexican wolves occupy in Arizona and New Mexico.



## Plant and Animal Health: USDA OIG Highlighted Closed Investigations

OIG closed approximately 61 investigations involving animal and plant health during this time, obtaining approximately 434 criminal, 5 civil, and 12 administrative outcomes, with more than \$2.8 million in monetary results. Examples of these investigations include:

[Five Georgia Men Sentenced to Federal Prison for Participating in a Dog Fighting Operation](#)

[Ohio Man Sentenced to 11 Years in Prison for Dogfighting and Drug Distribution](#)

[Louisiana Man Sentenced to More Than 3 Years in Prison for Dogfighting](#)

[California Dealer of Guns and Gamecocks Sentenced to Over 7 Years in Prison](#)

[15+ Year Prison Sentence for Georgia Man in Dogfighting, Drug Conspiracy Case](#)

[Missouri Man Sentenced to 32 Years for Cattle Fraud Scheme That Led to Murders](#)

[Ohio Man Sentenced to More Than 10 Years in Prison for Dog Fighting, Drug Trafficking, and Illegal Possession of Firearms](#)

[Seven Alabama Residents Sentenced for Felony Violations of the Animal Welfare Act, Ending One of the Largest Cockfighting Operations in the Country](#)

[Georgia Men Sentenced to Prison for Dogfighting and Drug Distribution](#)

[North Carolina Man Sentenced to 75 Months in Prison for a Dogfighting Offense and Possession of a Firearm by a Prohibited Person](#)



Turbo fladry installed on a ranch. Turbo fladry, a temporary fencing tool consisting of bright flags hung on wire capable of holding an electrical current, is one of the nonlethal tools the Animal and Plant Health Inspection Service's Wildlife Services uses to prevent livestock depredation. USDA photo by Pamela Manns.

## Cybersecurity and Information Technology

Cybersecurity is a foundational shared service and represents a core component of improving digital service delivery and internal systems by ensuring secure, reliable access to USDA products and services. The Office of the Chief Information Officer 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 2024.

The Department strives to fully leverage modern human-centered design, data, technology, and digital services to provide its internal and external customers with easy-to-navigate online tools to increase access to critical USDA programs and services. Both members of the public and USDA employees must be able to access, use, and communicate information, some of it sensitive, through online or mobile portals on a regular basis.

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 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 should develop and implement an effective plan to mitigate security weaknesses identified in the prior fiscal year recommendations. The Department 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.



Courtesy Photo/AdobeStock.

During the period covered by this report, we issued 12 IT security-related reports, which were redacted or partially redacted due to sensitive content and are being withheld from public release due to concerns about the risk of circumvention of law. In general, these reports identified multiple challenges in cybersecurity. OIG's Office of Investigations also conducts reviews in this area and responds accordingly.

### Example Report Summary

According to the *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2023 Federal Information Security Modernization Act* audit, 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; 2 were closed by management, but testing identified deficiencies related to the recommendations; and the remaining 16 closed by management were validated by the contract auditor 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 criteria. The Department and its agencies must develop and implement an effective plan to mitigate security weaknesses identified in the prior fiscal year report. USDA generally concurred with our findings and recommendations.

## Cybersecurity and Information Technology: USDA OIG Highlighted Audit Work



[Fiscal Year 2023 Quarter 3 Security Evaluation](#) (Report 50801-0009-12, issued 4/1/24)

[Fiscal Year 2023 Quarter 3 Security Evaluation – Interim Report](#) (Report 50801-0009-12(1), issued 1/17/24)

[Security Over USDA Mobile Applications](#) (Report 50801-0006-12, issued 9/26/23)

[Independent Service Auditor's Report on the Office of the Chief Information Officer's Description of Its Data Center Hosting and Security Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the Period October 1, 2022 to June 20, 2023](#) (Report 88303-0002-12, issued 9/25/23)

[Security Testing of a Selected USDA Network \(Fiscal Year 2023\)](#) (Report 50801-0005-12, issued 9/15/23)

[USDA's Compliance with Binding Operational Directives 19-02 and 22-01](#) (Report 50801-0007-12, issued 8/17/23)

[U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2023 Federal Information Security Modernization Act](#) (Report 50503-0011-12, issued 7/27/23)

[Security Testing of a Selected USDA Network](#) (Report 50801-0004-12, issued 12/15/22)



## Cybersecurity and Information Technology: USDA OIG Highlighted Audit Work Continued

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

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

[USDA's Consolidated Financial Statements for Fiscal Years 2021 and 2020](#) (Report 50401-0020-11, issued 11/15/21)

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

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

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

Recommendation Progress  
OIG issued 14 reports with  
78 recommendations. To date,  
8 recommendations remain open.

## Cybersecurity and Information Technology: USDA OIG Highlighted Closed Investigations



OIG closed 14 investigations involving cybersecurity and IT during this time, obtaining approximately 12 criminal, 1 civil, and 35 administrative outcomes. These investigations included misuse of IT resources and unauthorized disclosure of sensitive information and resulted in more than \$160,000 in monetary results. No press releases are available for these cases.



Courtesy Photo/AdobeStock.

## 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, crop insurance, nutrition assistance programs, farm commodity programs, and more.

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 lead to the

benefits and assistance not reaching the intended beneficiaries and negatively impact consumer confidence in USDA programs.

Due to the impact of these programs and the large amount of funding they require, 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, farm programs, crop insurance, outreach, and grant oversight.



Apple slices added to a sampler lunch tray for more than 50 students at an elementary school. USDA photo by Lance Cheung.

### Food and Nutrition Assistance Programs

USDA is committed to ensuring that every American has access to affordable and nutritious food. Within USDA, the Food and Nutrition Service (FNS) administers 16 domestic nutrition assistance programs that include the Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and school meal programs. These programs address food insecurity and provide low-income households access to healthy diets and

nutrition education in a manner that supports American agriculture. In addition, USDA's Agricultural Marketing Service (AMS) administered the Farmers to Families Food Box Program during the pandemic. This program provided agricultural products to those in need by partnering with distributors whose workforces were significantly impacted by the closure of restaurants, hotels, and other food service businesses.

For FY 2024, USDA included more than \$161.4 billion in its budget for FNS' major nutrition assistance programs, which represented more than 75 percent of the Department's overall \$213.2 billion budget request. Also, during the coronavirus disease 2019 (COVID-19) pandemic, Congress passed several laws to combat the pandemic's impacts, such as the Families First Coronavirus Response Act (FFCRA), which provided additional funding for nutrition programs. For example, FFCRA authorized FNS' Pandemic Electronic Benefits Transfer (EBT) program, which provided more than \$56.8 billion through September 2021, for SNAP EBT card benefits of households with eligible children to purchase food in lieu of the meals the children would have received in school. It also authorized AMS' Farmers to Families Food Box Program, which distributed more than 173 million food boxes

worth more than \$5 billion. Given the magnitude of USDA's food assistance programs, Departmental agencies must safeguard program integrity and ensure those who qualify are able to participate.



However, we found that USDA continues to have challenges with its administration and oversight of domestic nutrition assistance programs. During the reporting period, OIG found these programs had a variety of weaknesses such as inadequate policies and procedures or a lack of documentation needed to ensure program integrity and compliance. The onset of the COVID-19 pandemic also generated many changes to USDA's food and nutrition assistance programs. Consequently, USDA can do more to strengthen its oversight to effectively manage its domestic nutrition assistance programs and meet performance goals. In addition, USDA loses millions of dollars every year to fraud and crime associated with SNAP and other FNS food assistance programs. Since these programs are vital to Americans, FNS should strengthen its oversight of these programs and remain vigilant against fraud, waste, and abuse.





## Example Report Summary

We reviewed FNS' controls over the SNAP Online Purchasing Pilot in response to the COVID-19 pandemic. FNS initiated the SNAP Online Purchasing Pilot (pilot) in 2014, which allowed households to make online purchases using SNAP benefits. In response to the COVID-19 pandemic, FNS expanded the pilot from 6 States in March 2020 to 46 States by the end of December 2020, and the total value of online SNAP purchase transactions increased from more than \$18.9 million to more than \$1.5 billion cumulatively. We found that FNS used the same approval criteria it used for the original pilot selections when adding additional States and retailers and had not updated its risk assessment of the pilot since creating the pilot in 2014. Without updating its risk assessment to assess new risks in the rapidly evolving e-commerce market, the pilot could be susceptible to fraud and abuse—particularly as FNS rapidly expanded the pilot between March and December 2020. Finally, although we found FNS had established criteria and program requirements for retailers to be eligible to participate in the pilot, FNS did not establish controls to effectively monitor, evaluate, or document how participating retailers protect SNAP participants' online personal information. Instead, the agency relied on retailers' assurance and attestation that online retailers will protect the privacy of SNAP participants' information. In order to proactively ensure that SNAP participants' personal information is not compromised, sold, shared, or given to any third party without authorization, FNS needs to better monitor, evaluate, and document retailers' compliance with safeguarding participants' personal information. FNS generally concurred with our findings and recommendations.

## Food and Nutrition Programs: USDA OIG Highlighted Audit Work



[COVID-19—Food and Nutrition Service's Pandemic Electronic Benefits Transfer—Final Report\\*\\*](#) (27801-0001-23, issued 2/15/24)

[COVID-19—Food and Nutrition Service's Pandemic Electronic Benefits Transfer—Interim Report\\*\\*](#) (27801-0001-23(1), issued 6/24/23)

[COVID-19—Farmers to Families Food Box Program Administration](#) (01801-0001-22, issued 8/15/23)

[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(2), issued 10/18/21)

\*\* These reports were included because they provide important information about the program despite not having any recommendations.

## Food and Nutrition Programs: USDA OIG Highlighted Audit Work Continued

[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 9 reports with  
27 recommendations. To date,  
6 recommendations remain open.

## Food and Nutrition Programs: USDA OIG Highlighted Closed Investigations

OIG closed approximately 416 investigations related to food and nutrition programs during this time, obtaining approximately 2,428 criminal, 7 civil, and 862 administrative outcomes, with more than \$208 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. Examples of these investigations include:

[Owner of Illinois Child Care Centers Sentenced to 4 Years in Prison for Fraudulently Obtaining More Than \\$3.3 Million in State Subsidies](#)

\*A report from the 2023 Management Challenges report with open recommendations relevant to the key challenge indicator.

[Man Sentenced to 20 Years for Stealing \\$2.6M in SNAP Benefits from Needy](#)



[Georgia Meat Market Owner Sentenced to Federal Prison in \\$10 Million Food Stamp Fraud Scheme](#)

[Illinois Man Sentenced to 5 Years' Imprisonment for Taking \\$1.2 Million in SNAP Benefits](#)

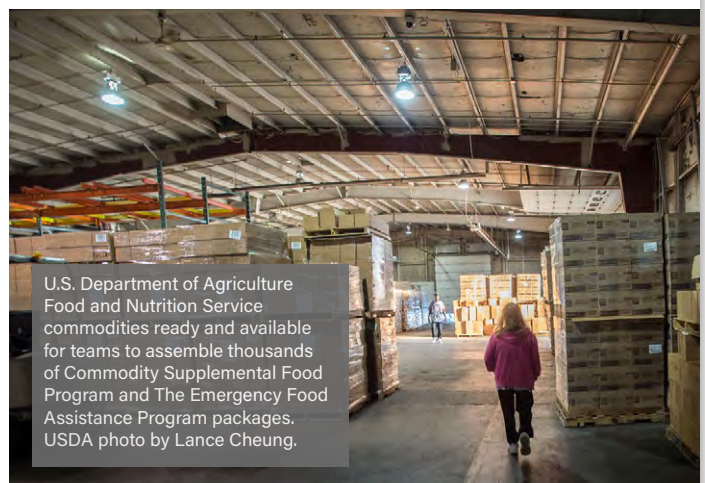
[Man Sentenced for Conning Summer Food Service Program Out of \\$2.3 Million](#)

[Texas Man Sentenced for Fraud And Money Laundering Conspiracies Targeting Federally Funded Meal Programs for Underprivileged Youth](#)

[Pennsylvania Man Sentenced to 24 Months' Imprisonment for Unlawfully Exchanging \\$1.8 Million in Federal Nutrition Assistance Benefits for Cash](#)

[Former Store Owner Sentenced to 42 Months in Federal Prison](#)

[Illinois Man Sentenced and Ordered to Pay Over \\$5 Million in Restitution](#)



## Farm Programs

The Farm Service Agency's (FSA) mission is to equitably serve all farmers, ranchers, and agricultural partners through the delivery of effective, efficient agricultural programs for all Americans. To fulfill this mission, the agency administers farm loan, commodity, conservation, and disaster assistance programs. It delivers its programs through more than 2,100 USDA Service Centers, 50 State offices, and an area office in Puerto Rico.

FSA is responsible for overseeing and implementing policies and procedures that regulate the delivery of federal farm programs. FSA farm programs help agricultural producers manage market risks, recover from disasters, and conserve and protect America's natural resources. FSA makes direct and guaranteed farm ownership and operating loans to family-size farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender.

These loans can be used to purchase land, livestock, equipment, feed, seed, and supplies; they can also be used to construct buildings or make farm improvements.

According to USDA's 2024 Budget Summary, FSA requested more than \$1.6 billion to support almost \$10.7 billion in farm loans. The Budget is projected to support over 30,000 loans to farmers and ranchers by financing operating expenses and providing opportunities to acquire a farm or keep an existing one.

In addition, USDA's AMS administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country and around the world. AMS also administered the Food Purchase and Distribution Program in response to retaliatory tariffs impacting





American agricultural commodity exports. This program's purpose was to assist impacted farmers by using program funds to purchase domestic foods through approved vendors.

OIG's work found that FSA faces challenges with farm program administration. Specifically, OIG audits and inspections identified issues with record-keeping, guidance, and performance tracking. FSA plays a crucial role in supporting America's rural prosperity by providing a strong safety net for America's farmers and ranchers. It should continue to improve its program delivery so it can equitably serve all farmers, ranchers, and agricultural partners.

## Example Report Summary

In our inspection report, *COVID-19—Coronavirus Food Assistance Program [CFAP]—Direct Support*, we found that FSA did not make correct CFAP payments to 31 of the 99 producers that we reviewed.<sup>2</sup> These incorrect payments occurred because producers provided inaccurate certifications on their applications or did not provide support for their certifications as required. As a result, we questioned FSA CFAP payments totaling more than \$1.28 million to these 31 producers. FSA concurred with our finding and recommendation.

## Farm Programs: USDA OIG Highlighted Audit Work

[COVID-19 - Coronavirus Food Assistance Program—Direct Support](#) (03801-0001-31, issued 9/25/23)

[Food Purchase and Distribution Program](#) (01601-0003-41, issued 8/15/23)

[Beginning Farmers](#) (50601-0010-31, issued 9/26/22)

[Market Facilitation Program](#) (03601-0003-31, issued 3/9/22)



Recommendation Progress  
OIG issued 4 reports with 12 recommendations. To date, 5 recommendations remain open.

## Farm Programs: USDA OIG Highlighted Closed Investigations

OIG closed approximately 107 investigations related to farm programs during this time, obtaining approximately 121 criminal, 18 civil, and 46 administrative outcomes, with more than \$198 million in monetary results. Examples of these investigations include but are not limited to theft, bank fraud, false claims, and conversion of collateral, which are highlighted below:

[New York Man Sentenced to Prison for Stealing Nearly \\$1 Million in Federal Funds](#)

[Former Grass Seed Company Employee Sentenced to Federal Prison for Role in Schemes to Defraud Simplot](#)

[Nebraska Man Sentenced for Bank Fraud](#)

[Livestock Dealer and Four of Its Managers Sentenced in Widespread Pig Fraud Scheme](#)

[Minnesota Farmer Sentenced for \\$1.4 Million USDA Farm Loan Fraud](#)

[Georgia Man Sentenced to Jail for Defrauding the USDA COVID-19 Relief Program](#)

<sup>2</sup> CFAP provided vital financial assistance to producers of agricultural commodities with financial assistance that gave them the ability to absorb sales losses and increased marketing costs associated with the COVID-19 pandemic.



## Crop Insurance

Agriculture is a fundamentally risky enterprise, and farmers and ranchers must be prepared for many uncertainties, including natural disasters, low production, and financial fluctuations. Federal crop insurance assists farmers and ranchers in managing these risks. USDA's Risk Management Agency's (RMA) mission is to secure the future of agriculture by providing world class risk management tools to rural America. To fulfill this mission, RMA works with private insurance companies, or Approved Insurance Providers (AIP), that sell and service the insurance policies in every State through a public-private partnership.

RMA employs approximately 408 people in offices nationwide. The Agency has several program areas: Insurance Services, Product Management, and Compliance. Insurance Services is responsible for program delivery and local program administration and support. Product Management is responsible for overseeing product development and program operations. Lastly, Compliance monitors program integrity and both producer and private insurance companies' adherence to program requirements.

For the 2023 crop year, the Federal Crop Insurance Program provided about \$207 billion in crop and livestock risk protection or about \$100 billion in normalized risk protection.<sup>3</sup> The same crop insurance programs totaled about \$15.4 billion in 2023. Of the 15.4 billion, about \$11.6 billion was for net indemnities to producers. Another \$2.4 billion was paid to private insurance companies for delivery expenses, \$1.4 billion for underwriting gains, and \$19 million for Federal Crop Insurance Act initiatives.

<sup>3</sup> The normalized value of risk protection uses a 5-year baseline to smooth variations caused by commodity price swings or trends.



Carrot seed growing on a farm. Photo by Kirsten Strough.

We found that the Department faces challenges with crop insurance oversight and program administration. These challenges can affect payment accuracy, program eligibility, and program compliance. In addition, our investigative results indicate that USDA loses millions of dollars associated with crop insurance fraud each year. Crop insurance is vital for many farmers and ranchers. For some farming and ranching operations, crop insurance is the difference between staying in business or going out of business after a disaster. For the next generation, crop insurance provides the stability that will allow them to begin farming. To protect these farmers and ranchers, RMA can act to strengthen its oversight and administration of the Federal Crop Insurance Program and remain vigilant against fraud.

payments. This occurred because RMA allows AIPs to use a mathematical process to determine the number of acres eligible for a prevented planting claim. However, without documentation from the AIPs demonstrating eligibility, this process does not identify which specific acres were eligible for prevented planting. We determined that all 9 AIPs related to our sample made prevented planting payments totaling more than \$1.087 billion in crop year 2020 in North Dakota and South Dakota that were not fully supported. RMA agreed with our recommendations.



## Crop Insurance: USDA OIG Highlighted Audit Work

### Example Report Summary

Our 2024 report, *Prevented Planting Followup*, looked at RMA's controls over the prevented planting provisions of the Federal Crop Insurance Program, specifically at how RMA oversaw those provisions in light of prior audit recommendations. We found that since our 2013 report RMA had updated its policy; however, it did not ensure AIPs adequately documented whether producers had planted the acres to a crop in at least 1 of the 4 most recent crop years as required to be eligible for prevented planting

[Whole-Farm Revenue Protection Pilot Program](#) (05601-0005-22, issued 5/6/24)

[Prevented Planting Followup](#) (05601-0008-31, issued 2/9/24)

[RMA Apiculture Pilot Insurance Program](#) (05601-0002-41, issued 5/9/23)

Recommendation Progress  
OIG issued 3 reports with 11 recommendations. To date, 4 recommendations remain open.

Organic pumpkins harvested on a farm. USDA/Farm Production and Conservation photo by Christopher Willis.





## Crop Insurance: USDA OIG Highlighted Closed Investigations

OIG closed approximately 31 investigations related to crop insurance during this time, obtaining approximately 61 criminal, 4 civil, and 33 administrative outcomes, with more than \$18 million in monetary results. Examples of these investigations include but are not limited to submitting false documentation on crop ownership and crop production and tampering with weather equipment, which are highlighted below:

[Tennessee Man Sentenced to Over 3 Years in Federal Prison for Crop Insurance Fraud](#)

[Two Colorado Farmers Sentenced to Federal Prison and Will Pay Over \\$6.5 Million for Defrauding Federal Crop Insurance Programs](#)

[Michigan Farmer Agrees to \\$1.2 Million Settlement to Resolve Allegations of Federal Crop Insurance and Farm Benefit Program Fraud](#)

[Kentucky Man Sentenced to 56 Months for Extensive Crop Fraud Scheme](#)

[Iowa Man Sentenced to Prison for Crop Insurance Fraud](#)

[Former Kentucky Warehouse Owner, Former Crop Insurance Agent Sentenced for Charges Related to Crop Insurance Fraud](#)



A farmer harvesting hay in a field. USDA/ Farm Production and Conservation video still by Preston Keres.

## Grants Oversight

Each fiscal year, grants may represent a significant portion of total USDA awards. [According to USASpending.gov](#), out of over \$210 billion in awards for FY 2023, the Department made grants of over \$59 billion, which accounted for more than 28 percent of total awards. The purposes of these grants were numerous, including large block grants to States, disaster relief, market development programs, research at universities and other institutions, and land conservation.

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 2022 [Inflation Reduction Act \(IRA\)](#) provided more than \$19 billion for conservation programs administered by the Natural Resources Conservation Service (NRCS). Also, the 2021 [American Rescue Plan Act](#) provided more than \$9.5 million in additional funding to address the continued impact of COVID-19 on the economy, public health, State and local governments, individuals, and businesses. Funding from these Acts was used to create grant programs, such as the ReConnect Loan and Grant Program, or enhance existing programs such as the

Conservation Stewardship Program (CSP) or the Agricultural Conservation Easement Program.



Granting agencies (grantors) must ensure that grants are used for their approved purposes and that each grantee complies with all terms and conditions. Some grants are awarded competitively, while others are based on a funding formula. Federal agencies are required to follow [OMB guidance](#) to award, monitor, and assess the success of grants. All grants have requirements for reporting on both financial and performance aspects. This OMB guidance provides consistent and uniform Governmentwide policies and procedures for management of the agencies' grants and agreements.

OIG's oversight work has identified weaknesses in how USDA manages both individual grants and entire grant programs. Some weaknesses related to internal controls, while others pinpointed deficiencies such as inadequate documentation, lack of performance measures, incorrect or unsupported calculations, and post-award monitoring.

Poultry on a farm. The chickens are kept in a two-story chicken house and produce approximately 2.5 million chicks each year. To supplement their electrical needs, the farmers chose a contractor who knew about USDA Rural Energy for America program grants and helped them through the application process. The Rural Energy for America program offers grants and/or loan guarantees for the purchase and installation of renewable energy generating systems and for energy efficiency improvements. Photo by Lance Cheung.





## Example Report Summary

Our FY 2023 report, *Controls Over the Market Access Program* (MAP), determined whether effective policies and procedures have been implemented to evaluate participant eligibility, select proposals, and allocate funding. The Foreign Agricultural Service (FAS) administers MAP, through which it partners with U.S. agricultural trade associations, cooperatives, State regional trade groups, and small businesses to share the costs of overseas marketing and promotional activities to help build commercial export markets for U.S. agricultural products and commodities.

We found that FAS did not develop and document in the Notice of Funding

Opportunity its criteria to make funding determinations and recommend funding levels. Further, FAS did not consistently apply its funding processes to all applicants. Additionally, FAS did not ensure that MAP application reviewers were free from the appearance of a conflict of interest. As a result, FAS cannot support how it consistently, transparently, and fairly recommended and allocated more than \$194 million in FY 2021 MAP funding. FAS officials generally agreed with our findings and recommendations.



Courtesy Photo/AdobeStock.

## Grants Oversight: USDA OIG Audit Highlighted Work

[Controls Over the Meat and Poultry Processing Expansion Program Award Process \(Phase 1\)](#) (34601-0001-21, issued 3/5/24)

[Controls Over the Market Access Program](#) (07601-0001-21, issued 7/5/23)

[Agriculture and Food Research Initiative](#) (13601-0002-22, issued 6/26/23)

[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)

Recommendation Progress  
OIG issued 8 reports with  
48 recommendations. To date,  
14 recommendations remain open.

This dam restoration is an estimated \$1.5 million project that will replace an existing concrete notched weir fishway for herring and reinforce the dam. An approximate \$400,000 grant from the USDA Natural Resources and Conservation Service and a majority share from the Community Preservation Act paid for the project. USDA Photo by Lance Cheung.

## Grants Oversight: USDA OIG Highlighted Closed Investigations



OIG closed approximately 19 investigations involving grant fraud during this time, obtaining approximately 48 criminal, 4 civil, and 18 administrative outcomes, with more than \$8 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 guidelines. Common grant fraud risks include misappropriation and/or misuse of funds, theft of Government funds, misrepresentation to obtain the funds, and unreported conflict of interest to guarantee receipt of the funds. Examples of these investigations include:

[Texas Residents Sentenced for Fraud Schemes](#)

[Maine Woman Sentenced for Wire Fraud and Stealing from Federally Funded Program](#)





## Outreach

Outreach is critical to the effective delivery of USDA programs because without awareness that assistance is available, program access and benefits may not effectively reach their intended recipients. The Department has prioritized outreach efforts in its [Strategic Plan Fiscal Years 2022–2026](#), factoring into 5 of the Department’s 6 strategic goals and 10 of its 21 objectives.

Our prior work shows that to implement effective, efficient agricultural programs that also reach underrepresented groups, USDA must improve its outreach efforts by making improvements to its civil rights complaint process and focusing on outreach to underserved communities. While USDA has made progress in this area, the Department can do more to remove barriers to participation and improve the delivery of its programs.



Fall apples at a farmers market. This market is located in an urban neighborhood where it may be a challenge for some to get to grocery stores and carry purchases home. USDA Photo by Lance Cheung.

## Example Report Summary



A 2021 OIG audit reviewed and evaluated the Office of Partnerships and Public Engagement’s (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.

In the first finding of our report, we identified that 6 of the 18 applications we reviewed in our sample were not eligible to receive 2501 Program grant funds. This occurred because tight deadlines caused 2501 Program officials to forward applications for scoring to the independent review panel while 2501 Program officials simultaneously verified that applicants were eligible. Additionally, OPPE does not have oversight controls to ensure its personnel follow the procedures established to confirm eligibility. Further, OPPE relied on the independent review panel to assess eligibility as part of its process. However, the scoring document the independent review panel used did not include questions to evaluate applicants’ eligibility. As a result, between FY 2018 and FY 2019, OPPE awarded a total of more than \$1.1 million in grant funds to 3 of the 6 ineligible entities we identified in our sample, funds that could have gone to qualified applicants.

Since 2013, OIG has issued audit reports on the 2501 Program that have consistently identified cases where the most meritorious and deserving applicants may not have

received funds from the program. Although OPPE has implemented recommendations from prior OIG audits to prevent ineligible applicants from receiving program funds, we continue to find that OPPE has ineffective oversight controls over its eligibility review process. OPPE officials agreed with all of our recommendations.

## Outreach: USDA OIG Highlighted Audit Work

[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 reports with  
42 recommendations. To date,  
4 recommendations remain open.

\*A report from the 2023 Management Challenges report with open recommendations relevant to the key challenge indicator.

Wall panels with artwork titled "Manos a la obra" (Hands at work) line one side of a community garden plot. The plot is located on a vacant piece of land next to a residential park and community center. USDA Photo by Lance Cheung.

## Outreach: USDA OIG Highlighted Closed Investigations



OIG conducted 1 investigation involving fraud against outreach programs benefiting underrepresented groups during this time, obtaining approximately 14 criminal outcomes and more than \$18 million in monetary results.

[Seven Defendants Sentenced to Federal Prison in \\$11.5 Million Fraud Case](#)



## Challenge 3: Delivering Efficient Programs



The effectiveness and efficiency with which USDA manages its assets are critical. For such a diverse portfolio of programs, the Department must design them well to be a diligent steward of Federal funds. However, designing, developing, and implementing programs that reliably achieve their intended results has been a recurring challenge for the Department. 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.

USDA received significant funding to implement its pandemic-related programs,<sup>4</sup> as well as approximately \$8.3 billion for IJA and approximately \$44 billion for IRA. Due to the influx of additional funding, the Department should focus more of its efforts to strengthen financial management. The following section summarizes USDA's challenges and progress in the area of financial reporting.

### Financial Reporting

Federal agencies rely on financial management systems<sup>5</sup> to initiate, record, process, and report financial transactions. These systems support agency missions in making business decisions and provide transparency to the public. They also help agencies ensure the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations such as the [Federal Financial Management Improvement Act of 1996](#) (FFMIA) and the [Payment Integrity Information Act of 2019](#) (PIIA).

The Office of the Chief Financial Officer (OCFO) serves as the principal advisor for all matters related to USDA's financial management and its related systems, financial control and accounting, internal control and assessment, and financial management training. Ultimately, OCFO is responsible for the overall financial leadership of the Department, which has nearly 100,000 employees, 14,000 offices and field locations, more than \$200 billion in assets, and \$143 billion in annual spending. OCFO also produces the Department's consolidated financial statements that

<sup>4</sup> Since March 2020, Congress has enacted four public laws in response to the COVID-19 pandemic: the CARES Act; FFCRA; the Coronavirus Response and Relief Supplemental Appropriations Act, 2021; and the American Rescue Plan Act of 2021. The first two laws, as of January 2021, provided more than \$54.7 billion to USDA for pandemic relief activities, the third law provided more than \$13.3 billion, and the fourth law provided more than \$9.5 billion in additional funding.

<sup>5</sup> Financial management systems are the organized collection of software, hardware, processes, procedures, and controls necessary to inform and support the core financial systems, including systems necessary to achieve financial management, operational, performance, and reporting objectives.



integrate reporting information from USDA agencies. Given USDA's significant portfolio, it is imperative that the Department and its agencies exercise effective financial management of its resources.

However, USDA continues to face challenges in this area. For example, USDA reported non-compliance with FFMIA financial management system requirements and non-compliance with PIIA improper payment requirements in its Agency Financial Reports. Additionally, OIG has identified a variety of issues related to improper financial accounting and inadequate financial management controls. OIG also reported USDA's noncompliance with PIIA requirements for FYs 2021–2022. Given USDA's historical financial management challenges, continued effort is needed to meet FFMIA and PIIA objectives to provide better information for decision-making, improve financial and program managers' accountability, and improve the efficiency and effectiveness of USDA programs.

### Example Report Summary

USDA received a qualified opinion on the audit of its consolidated financial statements for fiscal years 2023 and 2022. Our consideration of USDA's internal control over financial reporting identified two material weaknesses: (1) improvements are needed in overall financial management; and (2) USDA needs to improve its information technology security and controls, as many weaknesses remained. Additionally, our review of compliance with laws and regulations identified noncompliance with the FFMIA, the Antideficiency Act, and the PIIA. The related agencies agreed with the findings and recommendation.

## Financial Reporting: USDA OIG Highlighted Audit Work



[USDA's Controls Over Departmental Shared Cost Programs and Working Capital Fund](#) (50601-0004-23, issued 3/14/2024)

[USDA's Consolidated Financial Statements for Fiscal Years 2023 and 2022](#) (50401-0022-11, issued 1/16/2024)

[Commodity Credit Corporation's Financial Statements for Fiscal Years 2023 and 2022](#) (06403-0006-11, issued 11/8/2023)\*

[Rural Development's Financial Statements for Fiscal Years 2023 and 2022](#) (85401-0014-11, issued 11/8/2023)

[Agreed-Upon Procedures—Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management for Fiscal Year 2023](#) (11301-0001-23, issued 9/29/2023)

[Independent Service Auditor's Report on Financial Management Services' Description of Its Financial Systems and the Suitability of the Design and Operating Effectiveness of Controls for the Period October 1, 2022, through June 30, 2023](#) (11303-0004-12, issued 9/19/2023)

\* These reports were included because they provide important information despite not having any recommendations.

## Financial Reporting: USDA OIG Highlighted Audit Work Continued

[Independent Service Auditor's Report on National Finance Center's Description and Operating Effectiveness of Its Payroll and Personnel Systems for October 2022 Through June 2023](#) (11303-0003-12, issued 9/15/2023)

[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)

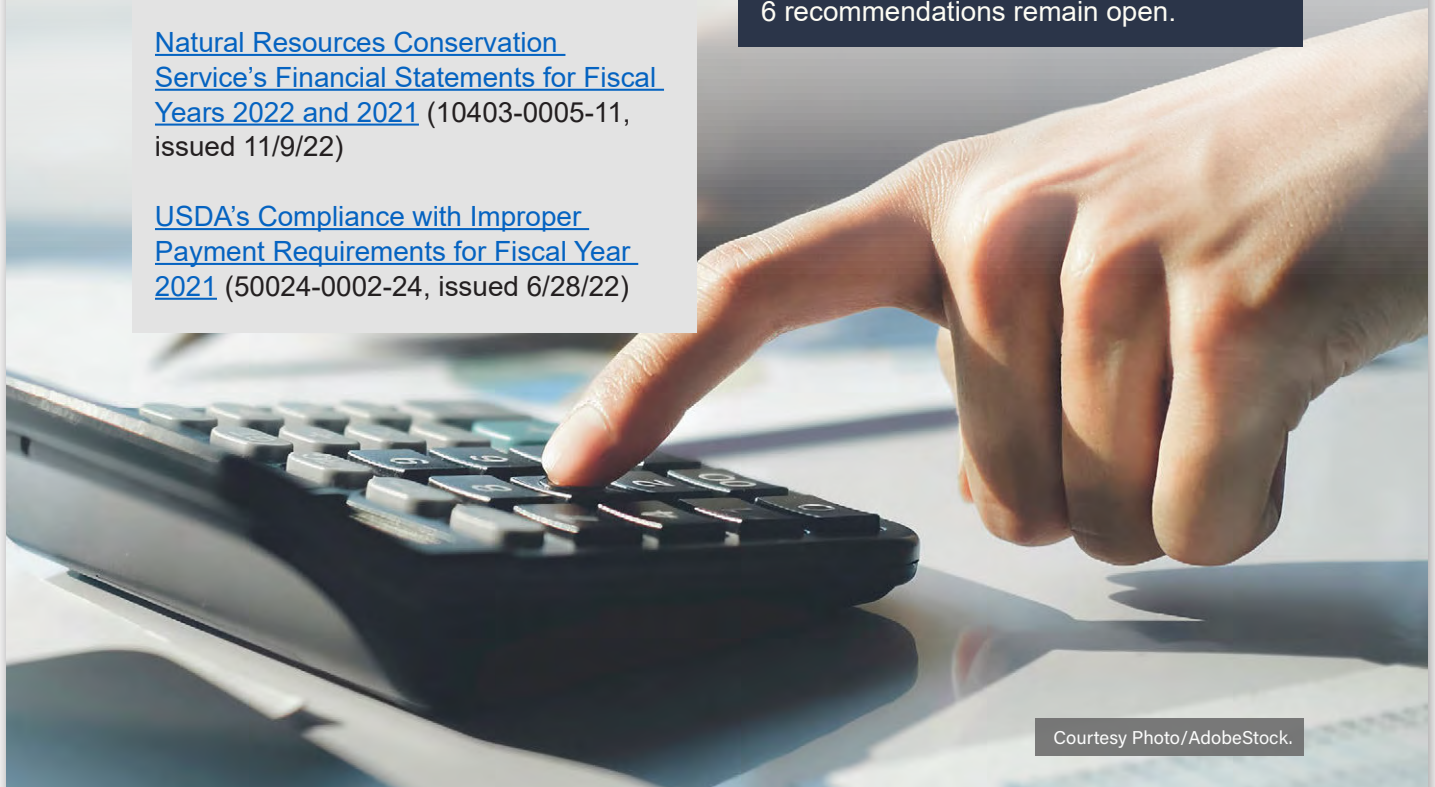


[Commodity Credit Corporation's Financial Statements for Fiscal Years 2021 and 2020](#) (06403-0004-11, issued 11/15/21)

[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)

Recommendation Progress  
OIG issued 16 reports with  
44 recommendations. To date,  
6 recommendations remain open.



Courtesy Photo/AdobeStock.

## Emerging Challenge: Climate Impact

According to the [Fourth National Climate Assessment](#), changes in average weather conditions that persist over multiple decades or longer present numerous challenges to American agriculture, including the rise of natural disasters, the decline of major crop and livestock yields, possible changes in water availability, soil erosion, and disease and pest outbreaks. In calendar year 2020 alone, the United States faced 22 extreme weather and climate-related disaster events with losses exceeding \$1 billion each, which collectively cost nearly \$100 billion. IIJA legislation includes over \$50 billion for USDA to protect against droughts, floods, and wildfires, in addition to a major investment in weatherization. In addition, IRA provided an additional \$19.5 billion over 5 years to USDA for climate smart agriculture through several of the conservation programs NRCS implements.

USDA's [FY 2024 Performance Plan](#) outlines objectives for reaching the goal of combating climate change to support America's working lands, natural resources, and communities. USDA's FY 2024 Performance Plan also provides an FY 2022 assessment report of USDA's progress towards reaching these objectives. For example, NRCS uses the measure "Cropland on Which at least One Conservation Practice was Applied to Improve Soil Quality under the Environmental Quality Incentives Program (EQIP)" as a national indicator of the agency's progress related to soil quality. Per this plan, performance in this area is exceeding expectations and NRCS expects

<sup>6</sup> This audit covered the actions that NRCS took on EQIP from September 24, 2019, through September 30, 2021.

to meet the year-end target. However, the measure "Cropland Conservation Applied to Improve Soil Quality through Conservation Technical Assistance," which is a combination of work in three programs—EQIP, CSP, and the Conservation Technical Assistance program—is not likely to reach its 2022 target.

USDA OIG [completed one audit on EQIP](#) that evaluated NRCS' payment schedule process and issued no recommendations.<sup>6</sup> In addition, USDA OIG [completed an audit of CSP](#) to determine if NRCS ensured participants maintained control of land and found NRCS field officials did not always follow policy requirements for documenting contracting reviews.

Furthermore, in 2023, GAO [reported on USDA's efforts to integrate climate resilience](#) into its planning and activities and noted that some USDA programs may incentivize producers to enhance their climate resistance, though that was not the intent of the programs. GAO issued one climate-related recommendation in the report, which GAO added to [USDA's priority recommendations](#) in 2024.

OIG is currently planning and performing work that will assess FSA's Conservation Reserve Program incentive payments, USDA Climate Hubs, and USDA's Partnership for Climate-Smart Commodities activities.



A pollinator visits a flower on a farm. The farm's owners received assistance through USDA's Natural Resources Conservation Service's Environmental Quality Incentives Program to add a high tunnel and hedgerow to the farm. Natural Resources Conservation Service photo by Brandon O'Connor.



# Acronyms and Abbreviations

2501 Program.....	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program	NRCS .....	Natural Resources Conservation Service
AIP .....	Approved Insurance Provider	OCFO .....	Office of the Chief Financial Officer
AMS.....	Agricultural Marketing Service	OIG .....	Office of Inspector General
APHIS.....	Animal and Plant Health Inspection Service	OMB .....	Office of Management and Budget
AWA.....	Animal Welfare Act	OPPE.....	Office of Partnerships and Public Engagement
CFAP .....	Coronavirus Food Assistance Program	PIIA.....	Payment Integrity Information Act of 2019
COVID-19 .....	coronavirus disease 2019	RMA.....	Risk Management Agency
CSP .....	Conservation Stewardship Program	SNAP .....	Supplemental Nutrition Assistance Program
EBT.....	electronic benefits transfer	USDA.....	U.S. Department of Agriculture
EQIP .....	Environmental Quality Incentives Program	WIC.....	Special Supplemental Nutrition Assistance Program for Women, Infants, and Children
FAS.....	Foreign Agricultural Service		
FFCRA.....	Families First Coronavirus Response Act		
FFMIA.....	Federal Financial Management Improvement Act of 1996		
FNS .....	Food and Nutrition Service		
FSA.....	Farm Service Agency		
FY .....	fiscal year		
GAO.....	Government Accountability Office		
IIJA.....	Infrastructure Investment and Jobs Act of 2021		
IRA.....	Inflation Reduction Act of 2022		
IT .....	information technology		
MAP .....	Market Access Program		

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Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

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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

### PLANT AND ANIMAL HEALTH

#### ***Animal Plant Health and Inspection Service, Plant Pest and Disease Management and Disaster Prevention Program, (33601-0001-21)***

APHIS worked with key partners and developed a process to track all Plant, Pest and Disease Management (PPDM) transactions for each project from approval through closeout, including, Rapid Response.

APHIS worked with key partners and implemented a plan of action to mitigate the risks posed by cooperators with an elevated risk level for both active and future agreements.

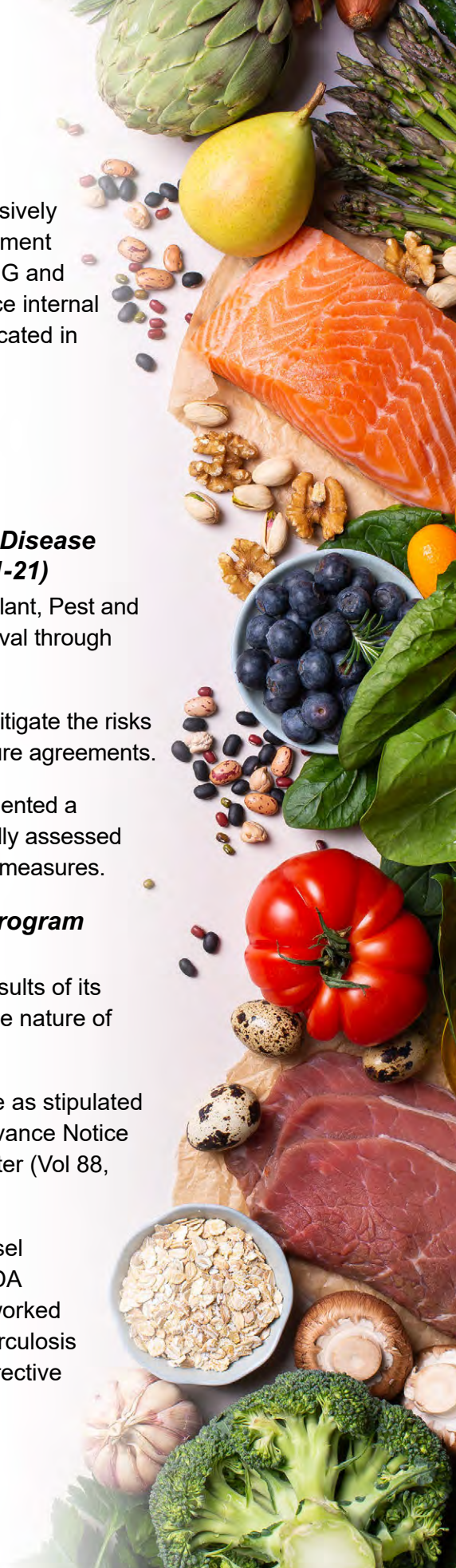
APHIS PPDM and Disaster Prevention Program developed and implemented a process to create related performance goals and measures; and annually assessed whether the program met these goals to create performance goals and measures.

#### ***Animal Plant Health and Inspection Service, Cattle Health Program Disease Incident Response, (33601-0003-41)***

APHIS worked with key partners to develop new policies to provide results of its analysis which considered the impact, likelihood of occurrence, and the nature of the risks.

APHIS worked with key partners and developed a new traceability rule as stipulated in the Animal Disease Traceability Program Assessment 2023 and Advance Notice of Proposed Rulemaking (RIN 0579-AE64) listed in the Federal Register (Vol 88, No.12 January 2023).

APHIS worked with key partners to obtain the Office of General Counsel feedback regarding any potential unauthorized reprogramming and ADA violations. OGC concurred there was no ADA violations. APHIS also worked with key partners to develop Standard Operating Procedures for Tuberculosis Indemnity and for Brucellosis Indemnity. APHIS has completed all corrective actions.





## **CYBERSECURITY AND INFORMATION TECHNOLOGY**

### ***Forest Service, FY 2023 Q3 Security Evaluation, (50801-0009-12 (1))***

FS addresses three vulnerabilities for which one vulnerability involving unsupported Window OS (remote digital voice recorders) has been remediated. The two remaining vulnerabilities are on track to be resolved by October 31, 2024, and January 10, 2025.

### ***Office of the Chief Information Office, Security Testing of a Selected USDA Network FY 2023, (50801-0005-12)***

The Department updated the Enterprise Patch and Vulnerability Group Standard Operating Procedure (SOP) on February 29, 2024. The SOP revision included defining the dissemination process to ensure that parties responsible for vulnerability management are aware of the process for tracking and reporting outstanding vulnerabilities. The SOP also requires agencies to provide a complete inventory of hardware and software assets, including web applications, for when USDA agencies engage OCIO-ISC (now Cybersecurity and Privacy Operations Center for vulnerability scans. Recommendations were implemented, and the corrective actions completed as of July 16, 2024.

### ***Office of the Chief Information Office, Security Over USDA Web Applications, (50801-0002-12)***

Office of Communications is in the process of actively implementing the corrective actions to satisfy the intent of the recommendations.

### ***USDA's Compliance with Binding Operational Directives 19-02 and 22-01, (50801-0007-12)***

The Department's internal working group began in November 2023 to review and update Departmental Regulation (DR) 3530-006, Scanning and Remediation of Configuration and Patch Vulnerabilities to include the requirements outlined in Binding Operational Directives 22-01. The draft DR is undergoing final review for inclusion in the clearance package and obtaining signatures. The Audit management team will continue to consult with the subject matter expert to track the publication of (DR) 3530-006, Scanning and Remediation of Configuration and Patch Vulnerabilities. Upon completion, the audit management team will validate documentation and request final action.

The Department officially kicked off the Service Delivery Modernization (SDM)1.0 effort on July 15, 2024. This project is expected to deliver a USDA centralized configuration management database by the end of the contract Period of Performance in July 2025. The Service Delivery Modernization 1.0 project is currently in the planning phase. A series of workshops have been scheduled and conducted to begin discovery and requirements gathering. The SDM team is working with the vendor to finalize the workshop schedule and organizational change management plan, including a communications strategy, change management plan, program organization, and executive steering committee charter. Additionally, training administrators need to be established to assist with assigning OnDemand training to USDA staff.

## CHALLENGE 2: Providing Benefits

### FOOD AND NUTRITION ASSISTANCE PROGRAMS

#### ***Food Nutrition Service, Supplemental Nutrition Assistance Program Waiver Process, (27601-0006-41)***

As of the second quarter of FY 2024, updates to the waiver handbook were completed to ensure all SNAP waiver policies and procedures are documented, as required. Updates to the waiver handbook also included procedures for maintaining adequate and proper documentation, including records such as policy decisions and regulatory and statutory interpretations, to ensure official agency records comply with applicable requirements.

#### ***Food Nutrition Service, COVID-19 Supplemental Nutrition Assistance Program Online Purchasing in Response to the Coronavirus Disease 2019, (27801-0003-22)***

FNS is working on finalizing updates to the SNAP Online Purchasing risk assessment. In conjunction with finalization of an updated risk assessment, FNS will establish a policy for periodically review and updating the assessment. Estimated completion date of November 30, 2024.

#### ***Food Nutrition Service, Consolidated Report of FNS and Selected State Agencies' Controls Over Summer Food Service Program (SFSP), (27601-0005-41)***

FNS issued a proposed rule that included performance standards for organizations applying to participate as SFSP sponsors and described how SFSP applicants can demonstrate their financial management capabilities and detailed performance standards that will assist State agencies in assessing an applicants financial viability and financial management and determining when they can and cannot approve an application.

As of September 2023, FNS revised guidance to; 1) 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; 2) provide clarification to sponsors and State agencies on how to identify and calculate unused reimbursement amounts, such as outlining timeframes and accounting methods that should be used and the income and costs that should be included; 3) provide instructions to State agencies on how to monitor and verify the sponsors' use of unused reimbursements, including directions for cross-program reviews and sufficient follow-up, and to define what constitutes an "excessive gap" for unused reimbursement corrective action requirements.

As of the 4th quarter of FY 2024, FNS provided State agencies with training and established monitoring procedures to ensure newly issued guidance is implemented and functioning effectively.

FNS issued guidance for State agencies in April 2023 that 1) included best practices for State agencies to review receipts, records, and other documentation to verify the accuracy of sponsor meal claims; 2) expanding the sponsor review when reviewers identify meal claim deficiencies, ensuring sponsor corrective actions address the underlying causes of the noncompliance issues, and maintaining documentation related to the sponsors' meal claims so State agencies can periodically verify the reviewers' determinations; and, 3) emphasized the importance of sponsors with self-prep sites maintaining documentation to facilitate State agency meal claim verification. Additionally, as committed to, FNS met with the FNCS Deputy Undersecretary on whether to pursue rulemaking on these topics.



FNS updated the SFSP Management Evaluation (ME) review guide, including the reviewer tips to describe how to verify State agency responses to ME oversight questions and expand verification to responses as necessary to assess compliance with program requirements and provided ME reviewers with training to ensure its newly issued procedures are correctly implemented. All corrective actions in the audit have been completed.

## **FARM PROGRAMS**

### ***Farm Service Agency, COVID-19 Coronavirus Food Assistance Program – Direct Support, (03801-0001-31)***

FSA completed its review of the Coronavirus Food Assistance Program (CFAP) payments questioned by the OIG. FSA obtained documentation to support that certain producers were accurately paid, and created receivables for amounts due from producers whose payments were based on inaccurate certifications or based on certifications that could not be adequately supported. Work related to the collection and documentation of amounts due is ongoing.

### ***Farm Service Agency, Beginning Farmers, (50601-0010-31)***

To improve success in achieving desired results with its beginning farmer program efforts, the USDA Beginning Farmer and Rancher (BFR) Department-wide Working Group organized subcommittees focused on policy, strategy, and data. The Group's work to develop a strategic plan with outcome-based goals and measures is ongoing. The BFR reporting system designed to track progress and related data is scheduled for implementation during FY 2025.

### ***Farm Service Agency, Market Facilitation Program, (03601-0003-31)***

To strengthen controls over the accuracy of producer certifications and program payments, FSA plans to review programs with production self-certifications similar to the Market Facilitation Program to assess associated program risks and potential controls. FSA will continue to utilize spot-check mechanisms as well as data analytics to identify outliers and potentially problematic certifications. To improve agency communications regarding production evidence standards for new or temporary programs, FSA plans to review applicable standards and document changes in agency directives.

## **CROP INSURANCE**

### ***Risk Management Agency, Whole-Farm Revenue Protection Pilot Program (WFRP), (05601-0005-22)***

RMA is currently working on the following: (1) Study to determine the feasibility and practicality of developing an annual data report that identifies anomalous WFRP policies; (2) Documentation to support that RMA will continue to include WFRP policies randomly selected as part of its annual improper payment review process; and (3) the internal compliance notification requiring Regional Compliance Offices with a heavy concentration of, or who experience increased compliance activities on, WFRP policies to perform an internal assessment of WFRP policies during their annual program review planning process. RMA will continue to work on the Study, Documentation to support that RMA will continue to include WFRP policies randomly selected as part of its annual improper payment review process, and the internal compliance notification for an estimated completion date of November 2024.

### ***Risk Management Agency, Prevented Planting Follow-up, (05601-0008-31)***

RMA is currently working on the following: (1) updating the RMA handbook; and (2) Conducting a review to identify any new or additional technologies that may improve AIP documentation to support and verify accuracy of prevented planting claims. RMA will continue to work on updating the handbook by November 2024 and conducting the review with preliminary results by November 2024.

### ***Risk Management Agency, Apiculture Pilot Insurance Program, (05601-0002-41)***

RMA provided evidence that producers for three sampled policies had the right to place colonies on insured land. RMA revised the lease certification form to include additional landowner contact information by the August 31, 2023, contract change date for the 2024 crop year. RMA requested the AIPs to conduct a policy file review and quality control review for three sampled policies. The AIPs provided RMA sufficient documentation to substantiate that the policies were sold and serviced in accordance with established apiculture policies and procedures and the quality control reviews performed on the policies were adequate. Our evaluation of these three components during the most recent Approved Insurance Provider Performance Review Cycle disclosed no issues or outcomes related specifically to quality control review process for apiculture policies or our quality control review process as a whole. In view of this, overall, the \$200K Review process is adequate and no revision to current guidance and procedures are required. RMA provided documentation that RMA met with the FCIC Board to request that the submitter conduct research to determine whether differences in moisture levels on irrigated and non-irrigated land impact honeybees' foraging behavior.

RMA is currently working on the final administrative determinations and final action on appeal rights. Estimated completion date scheduled for June 2025.

## **GRANTS OVERSIGHT**

### ***Rural Business Service, Controls Over the Meat and Poultry Processing Expansion Program Award Process (Phase 1) (34601-0001-21)***

The Department's previously problematic area of grant oversight have significantly improved, beginning with, Rural Business Service (RBS) implementation of a three-part strategy for addressing this deficiency by; 1) documenting its current process for establishing new programs; 2) work with available resources through the Department and the Rural Development Business Center's Office of Compliance to identify gaps in the current process as compared to guidance issued by GAO and the Department; and, 3) publish its updated process for establishing new programs through internal communication and provide training (where applicable), actions were completed March 2024.

RBS also made improvements by implementing another three-part strategy for addressing an IT control policy that will carry out the following actions by; 1) assess the needs of staff for document and information sharing when administering a grant program; 2) work with available resources through the Department and the Rural Development Business Center's Technology Office to identify applicable requirements for the use of MS Teams, if necessary, identify an additional or replacement option for document and information sharing necessary to administer grant programs; and, 3) publish its process for the use of MS Teams and any additional or replacement options when administering a grant program through internal communication actions completed March 2024.

***National Institute of Food and Agriculture, Agriculture and Food Research Initiative, (13601-0002-22)***

NIFA implemented a new process to review and monitor grantees' annual and final progress reports. NIFA also completed outstanding compliance reviews. Although great strides have been made in this area NIFA continues to make improvements by working on a system software enhancement that will be used to monitor and track the submission of grantees' federal financial reports. NIFA is also planning to make updates to its award closeout procedures.

***Farm Service Agency, Wildfires and Hurricanes Indemnity Program, (03702-0003-31)***

Currently, FSA is working quickly to improve controls over the development and approval of tree, bush, and vine prices used in the calculation of program payments. FSA will update Handbook 3-ERP (Emergency Relief Program Phase 2) to strengthen controls and expand the application review process. Heightened reviews will be conducted when information or data from an outside entity is utilized for FSA programs. To improve the accuracy of program payment calculations, FSA Handbook 1-CM (Common Management and Operating Provisions) was updated to require national office approval before FSA state or county offices can develop policy or procedure. To reduce the likelihood that FSA state committee members could exert undue influence over the approved amount of their program benefits. FSA updated policy and provided training to FSA state offices on requiring a higher level of approval authority for program applications of FSA employees and FSA state and county committee officials

***Farm Service Agency, 2017 Hurricane Relief Emergency Conservation Program, (03702-0002-23)***

Although the OIG audit of FSA's Emergency Conservation Program (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 an 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 back the overpayment amount.

## **OUTREACH**

***Office of Partnerships and Public Engagement (OPPE) Formerly OAO, Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program (2501 Program) in FY 2018 and FY 2019, (91601-0001-21)***

The final updates to the terms and conditions of the grant agreements have been approved by the Department and published.

Additionally, OPPE explored options of customizing ezFedGrants platform currently used by OPPE or leveraging other external platforms currently used by other USDA agencies. Moving forward, based on current constraints OPPE will continue to explore performance dashboard options and continue to leverage the existing performance reporting platform to measure grantee performance and outcomes.

***Office of the Assistant Secretary for Civil Rights (OASCR), USDA Oversight of Civil Rights Complaints, (60601-0001-21)***

Currently, OASCR is working to update Departmental guidance with new timeframes for processing program complaints based on the analysis performed. Once updated, OASCR will publish the Departmental guidance on its public website.

***Farm Service Agency, Market Facilitation Program – Interim Report, (03601-0003-31) (1)***

FSA completed the corrective actions to address four of the five recommendations made by the Office of Inspector General in its interim audit report of FSA's Market Facilitation Program. Work to resolve the remaining recommendation is ongoing. To improve the collecting of demographic information for programs administered by FSA, the agency updated its customer data worksheet form and provided instructions to field offices on the use of the updated form. The form provided instructions that providing demographic information is voluntary and at the discretion of the customer. The customer management data system used by FSA was updated to correspond with the form and allow for customers to indicate if they decided to not provide demographic information.

## CHALLENGE 3: Delivering Efficient Programs

### FINANCIAL REPORTING

***Office of the Chief Financial Officer, USDA's Controls over Departmental Shared Cost Programs and Working Capital Fund, (50601-0004-23)***

OCFO is working on amending the current Departmental Regulation to include instructions on the IAA process that explain the necessity and timing of having a binding agreement in place before the transfer of funds and provision of services. The amendment will also include instructions to elevate any non-compliance issues. It is currently in the approval process.

The Department is working with Working Capital Fund activity centers' officials to implement a records management process that will require records be maintained in such a manner that information and documents are complete and readily retrievable.

***USDA's Consolidated Financial Statements for FY 2023 and FY 2022, (50401-0022-11)***

FNS has completed an analysis on compliance with U.S. generally accepted accounting principles and prepared a position paper addressing accounting theory and practice that discusses the accounting for the change in obligation recognition implemented in September 2023. The position paper has been shared with the OIG and the two parties have been engaged on a regular basis on this matter. Compensating controls have been implemented to address the change and while the end goal is to automate the work, this cannot be done until completion of a full cycle. FNS is awaiting the results of OIG's current year financial statement audit (OIG 50401-0023-11) as well as GAO weigh-in on the matter to best determine next steps.

***Rural Development's Financial Statements for FY 2023 and FY 2022, (85401-0014-11)***

Currently, RD is working to realign vacant administrative Full-Time Equivalency from the Headquarters organizations to the State and Field Offices operations.

***USDA's Compliance with Improper Payment Requirement for FY 2022, (50024-0003-24)***

FSA completed the corrective actions to address one of the two recommendations made to FSA by OIG in its FY 2022 improper payments audit. Work to resolve the remaining recommendation is ongoing. To improve compliance with requirements of the PIIA, FSA developed and submitted plans according to guidance issued by the Office of Management and Budget describing the actions the agency will take to bring the Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC), Livestock Forage Disaster (LFP) and ECP into compliance.

***Commodity Credit Corporation's Financial Statements for FY 2022 and FY 2021, (06403-0005-11)***

To ensure adequate security and protection of its financial information and to improve general information technology controls over financial system applications, CCC updated the FPAC program boundary System Security Plan to include the access removal process and timeframe requirements for personnel termination/separation. The Employee Separation SOP for accounts removal of personnel with financial systems accounts and roles were also updated. Training was provided to managers and supervisors on financial systems account disabling of personnel separated from the agency. CCC also implemented the periodic review of the FPAC Information Technology Application Audit Logs SOP that was developed and tested for validation.

***USDA's Consolidated Financial Statements for FY 2021 and FY 2020, (50401-0020-11)***

The Department developed the Unliquidated Obligations course and identified appropriate agency officials to offer training through AgLearn pertaining to (DR) 2230-001 to include review and monitoring of valid obligations and acceptable support for valid obligations. Corrective actions completed.

***Natural Resources Conservation Service, Natural Resources Conservation Service's Financial Statements for FYs 2021 and 2020, (10403-0004-11)***

NRCS has completed all corrective actions made by OIG in its audit of NRCS's financial statements for FYs 2021 and 2020. To improve controls over obligations and unfilled customer orders, NRCS developed a process with deadlines and multiple levels of review to monitor obligations that remain static for multiple quarters. Guidance was developed and training was conducted to ensure obligations are posted timely, completely, and accurately. A report of unfilled customer orders was provided on a regular and ongoing basis to responsible personnel and to agency leadership. The reporting requirements were incorporated into agency procedures.

To improve controls over the review and recording of expenditure transactions, NRCS updated its accrual policies and procedures and ensured newly awarded and active contracts were reviewed on a regular basis. Updated guidance and training were provided to applicable agency personnel on the recording of expenditures for real and personal property. To improve controls over journal vouchers, NRCS conducted training and issued an updated journal voucher policy to stakeholders. To improve compliance with Single Audit Act requirements, NRCS developed a process to identify and monitor single audit submissions related to agency agreements. A process on the resolution of entity audit findings was also developed.



# Payment Integrity Information Act Reporting

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.

OMB Circular A-123, Management's Responsibility for Internal Control provides guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correction and reporting on internal control. Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, govern all payment integrity activity and reporting.

In FY 2024, OMB launched a new tool that included information about all domestic federal financial assistance programs called Federal Program Inventory (FPI). USDA has identified the Assistance Listings associated with each program or activity reported under the PIIA of 2019. The FPI makes it easier for applicants and potential recipients to find programs and ensures the effective stewardship of taxpayer funds.

## Overview of USDA Programs

Every program within USDA touch the lives of many families through out America providing natural resources, clean water, food supply and a better quality of life to many Americans. The hard working employees at the field and county offices providing assistance to farmers and after school meals to underserved children in our communities is impactful and necessary for people to live and thrive. The reduction of improper payments is a priority of this Department. We want to ensure that the mission of our programs are implemented in the most effective and efficient manner by establishing controls and processes to deliver services through our many programs. During FY 2024, there were 161 programs administered by 8 component agencies within USDA. Exhibit 1 provides further details on the alignment of USDA programs to the various mission areas.



## Exhibit 1: Number USDA Programs by Mission Area

Mission Area / Agency	# of Programs
<b>Food, Nutrition, and Consumer Services</b> <i>Food and Nutrition Service</i>	17*
<b>Farm Production and Conservation</b> <i>Farm Service Agency, FPAC Business Center, Natural Resources Conservation Service, and Risk Management Agency</i>	58
<b>Food Safety</b> <i>Food Safety and Inspection Service</i>	2
<b>Marketing and Regulatory Programs</b> <i>Agricultural Marketing Service and Animal and Plant Health Inspection Service</i>	8
<b>Natural Resources and Environment</b> <i>Forest Service</i>	15
<b>Rural Development</b> <i>Rural Business-Cooperative Service, Rural Utility Service, and Rural Housing Service</i>	40
<b>Research, Education, and Economics</b> <i>Agricultural Research Service and National Institute of Food and Agriculture</i>	7
<b>Trade and Foreign Agricultural Affairs</b> <i>Foreign Agricultural Service</i>	2
<b>Staff Offices</b> <i>Departmental Administration, Office of Partnership and Public Engagement, Office of the Secretary of the Assistant Secretary of Civil Rights, Office of Budget and Program Analysis, Office of the Chief Economist, Office of the Chief Financial Officer, Office of the Chief Information Officer, Office of the General Counsel, Office of Hearings and Appeals, and Office of Inspector General</i>	12
<b>TOTAL USDA PROGRAMS</b>	<b>161</b>

\*The FNS website ([fns.usda.gov/programs](https://fns.usda.gov/programs)) details the FNS administration of 16 federal nutrition assistance programs. For improper payment purposes, in FY 2024 FNS reported on 17 programs/activities including for example, the Puerto Rico Nutrition Assistance Program. This example is not listed as a Program on the FNS website as it is Puerto Rico's version of SNAP, but it is reported on separately for improper payment purposes.

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 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 \$10 million and 1.5 percent of the program's total annual outlays or above \$100 million regardless of the associated percentage of the program's total annual outlays.

Based on the OMB guidelines:

- 100 programs were categorized as Phase 1 programs;
- 12 programs were categorized as Phase 2; and
- 49 programs had outlays less than \$10 million.

## HIGH-PRIORITY PROGRAM

A program is categorized as "High Priority" when its annual reported monetary loss improper payment estimate is greater than or equal to \$100,000,000, regardless of the improper payment and unknown payment rate. In 2024, USDA reported four programs as High-Priority. This was a slight increase from FY 2023, when USDA had one High-Priority program. 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](https://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 2024, the Department conducted 36 risk assessments of programs in the following agencies:

- Agricultural Marketing Service
- Animal and Plant Health Inspection Service
- Commodity Credit Corporation
- Foreign Agricultural Service
- Food and Nutrition Service
- Forest Service
- Farm Service Agency
- Food Safety and Inspection Service
- National Institute of Food and Agriculture
- Natural Resources Conservation Service
- Rural Business-Cooperative Service
- Rural Housing Service
- Rural Utility Service

After performing risk assessments for these programs, the Department determined none of its Phase 1 programs in FY 2024 were risk-susceptible to making significant improper payments at or above the threshold levels set by OMB. Three of the 36 risk assessments had outlays under \$10 million. Risk assessments were completed for these programs to ensure proper functionality of internal controls.

For all other programs with outlays less than \$10 million 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 2024, 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](http://www.paymentaccuracy.gov) to fulfill multiple statutory reporting requirements.

In addition to the reporting requirements outlined in [OMB Circular A-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 2024 AFR.

The below chart summarizes the 12 Phase 2 programs and provides a brief description of each of the programs:

Exhibit 2: 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.
FNS	Child and Adult Care Food Program (CACFP) Family Day Care Home (FDCH) Tiering Decisions and CACFP Centers	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.

USDA Agency	Phase 2 Program Name	Program Description
<b>FNS</b>	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.
<b>CCC</b>	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.
<b>CCC</b>	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.
<b>CCC</b>	Noninsured Crop Disaster 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.
<b>CCC</b>	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.
<b>FSA</b>	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.
<b>RMA</b>	Federal Crop Insurance Corporation Program Fund (FCIC)*	The FCIC Program Fund is a wholly owned government corporation managed by RMA. The program serves agricultural producers by providing innovative crop insurance products that strengthen the economic stability of agricultural producers and rural communities. Approved Insurance Providers sell and service federal crop insurance policies through a public-private partnership.

\*High-Priority Program



# FY 2024 Phase 2 Program Summaries of Payment Integrity Activities, Results, and Mitigation Strategies

## Improper Payment Estimates - Phase 2 and High-Priority Programs

Improper and Unknown Payment Amount (\$ in billions) by Fiscal Year

2021	2022	2023*	2024
\$1.46	\$1.90	\$13.39	\$1.37

\*includes estimates for programs that were not included in the previous Fiscal Year.

## FNS Women, Infants, and Children

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 estimates improper payments for FY 2023 is \$62.85 million which is a 2 percent decrease from FY 2022 estimate of \$64.21 million. The improper payment rate also decreased from 1.79 percent in FY 2022 to 1.42 percent in FY 2023. FNS makes use of periodic studies to assess the level of error in program payments and applies the error rate estimates from the latest studies to the reporting year's program outlays for WIC food costs.

- **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 Improper Payments.
- **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 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.

For FY 2024, FNS made a change in the payment integrity methodologies:

- **Certification Case Error**

Prior to FY 2024, FNS estimated WIC certification error using data collected in FY 2009 for the National Survey of WIC Participants II Study (NSWP-II) and used an “aging” methodology to produce annual population-adjusted estimates of the incidence of certification errors and dollar impact. This model relied on the assumption that certain participant characteristics were predictive of the likelihood a participant would be certified in error.

FNS fielded an updated study (NSWP-III) in 2019 to produce an updated statistically valid estimate of certification error. Following the publication of the NSWP-III findings in FY 2022, FNS collaborated with a contractor to develop an updated aging model similar to the one previously used to make annual adjustments to the NSWP-II estimates but adapted for the NSWP-III data. However, when attempting to develop the new model FNS determined that the small number of error cases in the sample (31 error cases out of a sample of 1,697 certifications) did not provide sufficient confidence in the relationship between case error and any one participant characteristic to warrant inference to the entire WIC population. There were also no participant characteristics found to be significantly associated with certification error consistently across both NSWP-II in 2009 and NSWP-III in 2019, further calling into question the validity of applying these relationships in an aging model for the NSWP-III data. Finally, none of the potentially relevant participant characteristics correlated with certification error in 2019 are available in an annually updated dataset (e.g., FNS does not annually collect information on language spoken at home), making them unsuitable for an annual adjustment model.

After considering these limitations, FNS determined that the most appropriate approach to estimating improper payments due to WIC certification error with available data is to apply the dollar error rate estimated in 2019 for the NSWP-III study to the WIC program outlays for the current reporting year.

## **FNS Child and Adult Care Food Program (CACFP) Family Day Care Home (FDCH) Tiering Decisions and CACFP Centers**

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.

- **Center-based programs for children and adults**

USDA reimburses center-based providers for the cost of program meals at one of three rates. For most centers, these rates are tied to individual participants' household incomes. USDA reimburses providers at its highest "free" meal rate for meals served to children with incomes at or below 130 percent of the federal poverty guidelines. The agency reimburses providers at lower "reduced-price" and "paid" rates for participants with higher household incomes. FNS reimburses some centers, such as those that participate in CACFP's After School At-Risk program, at the free rate for all meals. These centers, which are located in approved low-income areas, must serve all meals to their participants without charge.

Centers and their sponsors submit meal counts to states for reimbursement each month, using FNS CACFP grant funds. These counts include separate subtotals for meals that qualify for reimbursement at the program's free, reduced-price, and paid rates.

Errors by program sponsors in processing household income applications, and errors in determining whether facilities are located in approved low-income areas, result in certification error – the most significant source of improper payments in CACFP's center-based component. Errors by centers, sponsors, and the states in aggregating and reporting meals for reimbursement, though much less common than certification error, also contribute to the program's improper payments.

FNS conducted a major study of states, CACFP child care sponsors, providers, and households to measure improper payments due to certification and aggregation error. The results of this study have enabled FNS to provide its first estimates of improper payments for CACFP centers. FNS estimates that the program's improper certification error rate in FY 2023 was 6.11 percent and its aggregation error rate was 2.59 percent. This equates to \$201.3 million and \$85.4 million in improper program payments, respectively.

- **Family Day Care Homes**

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. Legislation enacted in 2022 allowed all providers to be reimbursed at the Tier 1 level through June 2023<sup>9</sup>. As a result, FNS applied the most recent study’s improper payment rate of 0.54 percent to just one quarter of FY 2023 FDCH meal claims. This produces an improper payment estimate of \$1.02 million, which corresponds with a 0.13 percent error rate.

FNS continues to explore methodologies to assess error in the number of meals claimed by FDCHs. The agency’s most recent effort 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. Similar to previously tested methodologies, however, this latest methodology has proven inadequate for generating an improper payment estimate consistent with PIIA standards.

During FY 2024, FNS implemented the following actions to address certification and aggregation error in CACFP’s center-based component, and to reduce error in tiering determinations in the program’s FDCH component.

Exhibit 3: FNS CACFP FDCH Tiering Decisions and CACFP Centers Key Actions to Address Root Causes of Errors

Key Actions During FY 2024 to Address Improper Payments CACFP FDCH Tiering Decisions and CACFP Centers	
Root Cause	Description of Mitigation Efforts
<div>Internal Process/Policy Change</div> <div></div>	<div><b>Serious Deficiency Proposed Rule</b></div> <div>USDA proposed a revision to the Serious Deficiency (SD) process for CACFP and the Summer Food Service Program in a Proposed Rule. After the Proposed Rule was published in February 2024, USDA hosted webinars and presentations at conferences attended by stakeholders. The Proposed Rule’s public comment period ended May 21, 2024. At that point USDA assessed the comments on the proposed rule and began drafting a Final Rule. In addition, USDA began work on a companion application designed to help State agency users apply the SD process when evaluating the performance of CACFP program sponsors and facilities. Together, these will streamline the SD process and provide a user-friendly method for accurately implementing the process. This will improve our method for identifying and ultimately addressing SDs in CACFP.</div>
	<div><b>CACFP Integrity Studies</b></div> <div>USDA completed work on its Erroneous Payments in Child Care Centers Study in FY 2024. This study developed a set of improper payment rates due to certification and aggregation error in the operation and oversight of CACFP child care centers. USDA is using these child care-specific rates to estimate improper payments across CACFP’s entire center-based component.</div>
	<div>USDA continues to explore feasible methods for assessing meal claiming error at family day care homes.</div>

<sup>9</sup> 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). This had the effect of reducing tiering error to zero for the first 9 months of FY 2023. .

## Key Actions During FY 2024 to Address Improper Payments CACFP FDCH Tiering Decisions and CACFP Centers (Continued)

### Root Cause

### Description of Mitigation Efforts

#### Internal Process/Policy Change (Continued)



#### Child Nutrition Program Integrity Rule

In August 2023, USDA published the Child Nutrition Program Integrity Final Rule, which will require full compliance by August 23, 2024. The Child Nutrition Program Integrity rule included provisions that strengthen program integrity across USDA Child Nutrition programs, including CACFP, but the majority of the provisions in the rule affect State agency oversight of the programs. For CACFP, State agencies are now required to review more often certain high-risk CACFP institutions and annually review bank statements of CACFP sponsors. To help stakeholders effectively implement the rule, USDA staff provided trainings and webinars explaining the rule.

In addition, the rule authorizes USDA to award additional administrative funds to CACFP State agencies that can effectively use them to meet audit or monitoring requirements, or to improve program management under criteria established by USDA. States receive an initial audit fund allocation equal to 1.5 percent of total program funds used by the State; this provision allows USDA to award an additional 0.5 percent, a one-third increase.

#### Child Nutrition Dashboards

On March 26, 2024, USDA made a set of State agency child nutrition data dashboards available to State child nutrition agencies. The tool aims to promote State agency access to performance data for their own analysis. To coincide with publishing the dashboards, USDA launched a child nutrition dashboard user group. Through the user group, USDA will provide support and analytic strategies for users wishing to use the dashboard.

#### Automation/ Non-competitive Technology Innovation Grants (TIGs)



USDA released \$25 million in FY 2023 and \$50 million in FY 2024 in nTIG funds for child nutrition State agencies to improve IT systems. USDA continues its work with grant recipients who are using nTIG funds to develop, improve, maintain child nutrition IT systems.



## FNS: Summer Food Service Program

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. Traditional summer sites provide meals to children for consumption on site. Many of these sites offer enrichment opportunities for children, such as reading, physical activity, or nutrition education. Other sites, located in approved rural areas, can serve meals for multiple days for pick-up or delivery for offsite consumption. .

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 as required by OMB. FNS will collect data over a 5-year period that began in the summer of 2023.

Although this effort to measure improper payments remains a work in progress, FNS has studied the operation of the SFSP to understand the major drivers of program error. The agency completed one such study in 2023.<sup>1</sup> Periodic studies, such as this, as well as routine State agency review of sponsor operations allows FNS and the States to focus their integrity efforts on known areas of program risk. Similar to USDA's National School Lunch Program, the School Breakfast Program, and the Child and Adult Care Food Program, these include non-compliance with program rules governing the identification, counting, and claiming of meals for federal reimbursement.

During FY 2024, FNS undertook and planned the following activities to mitigate SFSP improper payments:

Exhibit 4: FNS SFSP Key Actions to Address Root Causes of Errors

Key Actions During FY 2024 to Address Improper Payments in SFSP	
Root Cause	Description of Mitigation Efforts
<div>Training: State Agencies</div> <div></div>	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.
<div>Training: Sponsor Administrative Staff</div> <div></div>	Training for administrative staff includes: <ul style="list-style-type: none"><li>• Purpose of the program</li><li>• Site eligibility and visit requirements</li><li>• Recordkeeping requirements</li><li>• Meal requirements</li><li>• Reporting procedures</li></ul>
<div>Training: Sponsors' Site Monitors</div> <div></div>	Training for site monitors include: <ul style="list-style-type: none"><li>• Overview of sites for which they are responsible</li><li>• Conducting site visits and reviews</li><li>• Monitoring schedules</li><li>• Reporting</li><li>• Recordkeeping procedures</li></ul>
<div>Training: Site Staff</div> <div></div>	Training for site staff include: <ul style="list-style-type: none"><li>• Purpose of the program</li><li>• Site eligibility</li><li>• Recordkeeping requirements, such as meal counts, delivery receipts, daily forms, daily labor, and meal service forms</li><li>• Adjustments to meals, such as delivered meals, preparation, and inventory procedures</li></ul>
<div>Monitoring</div> <div></div>	FNS conducts regular MEs of State Agency operations. 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

The FY 2024 estimated improper payment amount for ARC/PLC is \$45.42 million (a significant decrease from the \$189.13 million in FY 2023) and the estimated improper payment error rate is 12.78 percent (8.60 percent in FY 2023). The cause of improper payments was related to the County Office not following statutory requirements for payment limitation and eligibility, acreage reporting, and conservation compliance. To address acreage reporting issues, a late filed acreage reporting policy was provided to State office ARC/PLC specialists. An acreage reporting task force was formed to develop solutions and based on the findings, 2-CP amendment 28 was issued. In addition, training (conservation compliance and payment limitation) was provided or is being developed (acreage reporting) and will be available on the Deputy Administrator for Farm Program's (DAFP) ARC/PLC SharePoint page.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

## CCC Livestock Forage Disaster Program

The FY 2024 estimated improper payment amount for LFP is \$237.09 million and the estimated improper payment error rate is 12.90 percent. In FY 2023, the estimates were \$168.55 million and the error rate was 13.66 percent. The causes of improper payments were due to errors primarily related to staff not following established policies in the Acreage and Compliance Determinations FSA Handbook and administrative oversights such as failure to obtain supporting documentation and written leases or form CCC-855 Lease Certification, and failure to ensure the lease complies with the established policies. The following corrective actions have occurred or will take place in FY 2024.

A Crop Acreage Reporting System software enhancement will incorporate an option for the software to read the certification date and determine if it has been timely reported. This will assist all programs that use acreage reporting to decrease the number of findings associated with acreage reporting.

The LFP modified software incorporates reading farm records to properly identify owners, operators, and other tenants and other cross checks to ensure a lease or CCC-855 has been completed for the associated grazed acreage claimed.

The following National trainings on acreage reporting were provided July 2024:

- Payment Limitation Training
- Conservation Compliance Training
- National LFP training for state and county offices

A series of acreage reporting trainings are also being developed for employees. New employees will be required to take these trainings, while all current employees will have access to the trainings at any time.

Monthly livestock disaster calls with state office specialists will continue. These calls will focus on policy review, updates, and commonly asked questions. Monthly calls are recorded and available for state and county office review.

The LFP program is currently part of FSA's Internal Control roadmap to improve program processes. Currently in development is an improper payment trend analysis tool that has FY 2019–2023 improper payment data. The tool will identify staff, county offices and states with continued improper payment findings. The tool will allow the agency to target county offices and staff for targeted training along with holding employees accountable, if warranted, after training has been provided. Standardized training policy for Farm Programs is part of the internal control roadmap for FY 2025. Training guidance will provide standardization for headquarters, state and county level training.

There have been no changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

## CCC Noninsured Crop Disaster Assistance Program (NAP)

The FY 2024 estimated improper payment amount for NAP is \$36.55 million slightly higher than FY 2023 estimate in the amount of \$25.10 million and the estimated improper payment error rate in FY 2024 is 11.61 percent (10.46 percent in FY 2023). There were two primary findings, incorrect grazing acres and production accounting errors, that contributed to statutory requirements not being met. To reduce the improper payments, system enhancements and training for staff is required. FSA's IT budget is not adequately funded to improve acreage reporting to identify late-filed reports and alert County office staff of special processing. FSA will request CCC Section 4 and 11 funding during the FY 2025 CCC budget request and Working Capital Fund request drills.

In addition, to address these findings, the NAP task force met in Kansas City in February 2024, and virtually throughout the spring of 2024. Based on their findings, amendments to policy were presented at national training in July 2024. The training was recorded and posted on DAFP's NAP training SharePoint page.

FY 2023 findings also included acreage reporting. Several actions have been taken to date to reduce improper payments. They include:

- Late filed acreage reporting policy was provided November 2023, during a NAP monthly call with State office NAP specialists. The training was recorded and is available on DAFP's NAP training SharePoint page.
- An acreage reporting task force was formed to develop solutions. Based on the findings, 2-CP amendment 28 was issued April 2024.
- National training was provided July 2024. The training was recorded and is available on DAFP's NAP Training SharePoint page.
- Monthly calls are held with State office NAP specialists providing specific policy training and answering questions. All calls are recorded and posted on DAFP's NAP training SharePoint page.

In addition, NAP is currently part of FSA's Internal Control roadmap to improve program processes. Currently in development is an improper payment trend analysis tool that has FY 2019–2023 improper payment data. The tool will identify staff, county offices and states with continued improper payment findings. The tool will allow the agency to target county offices and staff for targeted training along with holding employees accountable, if warranted, after training has been provided. Standardized training policy for Farm Programs is part of the internal control roadmap for FY 2025. Training guidance would provide standardization for headquarters, state and county level training.

Several payments reviewed resulted in underpayments related to grazing payments, production accounting errors, and incorrect yield. Grazing findings were associated to incorrect data entered in the Grass for Grazing Worksheet which is an excel spreadsheet requiring data to be entered manually. This manual process has been identified as a software enhancement to automate the process preventing many of these specific data entry errors. However, the resources have not been available. Production accounting may include, or be a combination of, harvested, appraised, and assigned production of a crop within a county, which may also include production from multiple farms with multiple fields. If one of the three types are determined incorrectly, the sum of the three will be incorrect, leading to an improper payment. The NAP task force continues to discuss policy issues that may reduce findings associated to calculating production.

There have not been any changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

## CCC Coronavirus Food Assistance Program

The FY 2024 estimated improper payment amount for CFAP is \$34.68 million and the estimated improper payment error rate is 9.71 percent. In FY 2023, the estimates were slightly higher in the amount of \$35.90 million; however the error rate was lower at 6.65 percent. This program has ended but the following corrective actions are currently part of FSA's Internal Control roadmap to improve program processes. Currently in development is an improper payment trend analysis tool that has FY 2019–2023 improper payment data. The tool will identify staff, county offices and states with continued improper payment findings. The tool will allow the agency to target county offices and applicable staff for targeted training along with holding employees accountable, if warranted, after training has been provided. Standardized training policy for Farm Programs is part of the internal control roadmap for FY 2025. Training guidance will provide standardization for headquarters, state, and county level training.

There have not been any changes in payment integrity methodologies, activities, or results that occurred during this reporting period.

## FSA Emergency Conservation Program-Disasters

The FY 2024 estimated improper payment amount for ECP-Disasters is \$45.47 million (in FY 2023 the estimate amount was \$34.37 million) and the estimated improper payment error rate is 45.16 percent which is higher than the FY 2023 rate that was estimated at 40.41percent. The causes of improper payments were due to failure to access data and statutory requirements not met, such as missing eligibility documentation.

FSA has developed new software to process ECP cost share applications and payments more efficiently and reduce administrative errors. The new application software contains validations to prevent many of the common PIIA errors. The new ECP software was released into production in January 2024 and applies to disasters occurring FY 2024 and forward. An introductory training for the ECP software was conducted nationwide in December 2023 and January 2024. Form CCC-770 ECP-3 was issued in February 2024 to accompany the new ECP software. The updated form reflects new software function, validations and follows the same structure as the CCC-770 ECP-2. The new ECP software (released January 2024) will be enhanced as the needs are prioritized and approved for provisioning. Such enhancements will improve the Agency's ability to monitor program implementation.



Additional webinar/virtual training sessions are held on an as-needed-basis as well as the 3rd Thursday of each month, to ensure all State Office staff are aware of updated policy requirements and clarifications to all requirements. Training topics include not only hot topics, but also topics that target PIIA deficiencies.

The integration of ECP into the Internal Review Documentation and Tracking System (IRDTS) is planned for August 2024. FSA is initiating/transitioning the ECP County Executive Director (CED) and District Director (DD) review process and producer spot checks to IRDTS, with full implementation expected in FY 2024. IRDTS will serve as FSA's tool to make certain reviews are timely completed and review results are monitored and evaluated to ensure ECP policies are being followed. FSA's IRDTS is a centralized, automated internal control tracking system that allows users and management at all levels to complete and track program audits and reviews. Utilizing the IRDTS system for the oversight of the CED and DD reviews, will give FSA the ability to plan, sample program records, conduct assessment reviews, monitor reviews, and document the results. The final objective will be analyzing the results to assist in improving processes and policies, identifying areas where additional employee training is needed, and understanding trends and systemic issues occurring at the State and county levels.

A Cost Share Software (CSS) Correction system correction was completed to address incorrect unit cost being automated in the CSS.

In FY 2024, FSA adopted regional scenarios (in addition to state specific scenarios) which will more accurately reflect regional differences in how projects are installed, taking into consideration climate, soil types, and state standards. This will also ensure payment accuracy and reflect local actual costs for practice installation. Payment scenarios were developed and implemented beginning in FY 2021 to ensure ECP payments are computed correctly, documented properly to prevent ineligible costs, and ensure allowable reimbursement rates are used.



## FNS Supplemental Nutrition Assistance Program

The SNAP improper payment rate for FY 2023, nationally, is estimated to be 11.68 percent which is higher than FY 2022 estimate at a rate of 11.54 percent, including over-issuances and under-issuances. For FY 2023, out of a total regular annual issuance of \$90,061,617,868, overpayments are estimated to be approximately \$9,035,386,734 while underpayments are estimated to be \$1,480,509,218. These estimates are also higher than the FY 2022 amount which totaled \$8.733 billion.

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 \(USDA.gov\)](https://www.usda.gov/food-nutrition-service/snap-quality-control).





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 roughly 70 percent of all error dollars 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.

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 5: FNS SNAP Key Actions to Address Root Causes of Errors

Key Actions at the SNAP Federal Level to Address National Root Causes of Error	
Mitigation Strategy or Corrective Action	Description and Impact
<p><b>End of Public Health Emergency (PHE) Training For All States</b></p> 	<p>FNS continues to provide technical assistance to State agencies through webinars, training, technical assistance guides, and memos that cover a range of certification topics to help States manage the end of the PHE and ease the transition to standard case processing. FNS hosted State agency listening sessions to understand better the ongoing challenges and targeted support to address the issues raised. For example, FNS has provided training and guidance (1) on workload management highlighting best practices and (2), where possible, issued guidance aligning specific SNAP policies with Medicaid. Additionally, in May 2024, FNS released updated guidance on strategies for improving and maintaining payment accuracy.</p>
<p><b>Root Cause Analysis and Payment Accuracy Tools for States</b></p> 	<p>FNS published two dashboards for State QC managers and staff to use to analyze causes of payment errors and trends over time. These dashboards are designed to allow State users to perform in-depth data analysis on root causes of payment errors, with the ability to filter based on user-designated time periods, certain characteristics of household cases, or by either cases or dollars in error. The dashboards integrate data daily from the SNAP QC electronic system, allowing State agencies to perform up-to-date analysis on their root causes of error at any time. FNS conducted two training events on the new dashboards for both State and federal users.</p>
<p><b>Monthly Performance Dashboard for FNS Oversight</b></p> 	<p>FNS published a new dashboard that is intended to serve as a tool for FNS staff to quickly review the latest key SNAP State performance metrics available and identify States that may require additional support, technical assistance, or monitoring. The dashboard allows comparison across States and over time, and it includes the latest State data on payment error rates, case and procedural error rates, application processing timeliness, and participation change. FNS conducted two training events on the new dashboards.</p>
<p><b>Contract to Support States</b></p> 	<p>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 has hosted listening sessions with States to encourage peer-to-peer information sharing and to gather information on challenges and opportunities in improving payment accuracy. FNS has also released updated information for States on payment accuracy best practices and provided related training for States and FNS staff. Moving forward, FNS plans to use the resources developed in providing technical assistance to States on improving payment accuracy.</p>

FNS will implement the following action plan at the federal level by the end of FY 2024 to address the national sub-root causes of error:

Exhibit 6: FNS SNAP Key Actions to Address Sub-Root Causes of Errors

Key Actions at the SNAP Federal Level to Address National Sub-Root Causes of Error	
Mitigation Strategy or Corrective Action	Description and Impact
<div><div></div><div><b>Income Verification Support</b></div></div>	<p>In September of 2024, FNS awarded approximately \$38 million in annual funding through a noncompetitive grant to States to support electronic verification of SNAP applicant and recipient employment and earnings. In addition, FNS will continue to provide direct access to a commercial database of employment records to support State efforts to verify wage and salary data at the point of eligibility and benefit determination. These projects help FNS support State agencies in improving wage and salary information, recognizing that this is a long-standing driver of payment errors.</p>

## FNS National School Lunch Program (NSLP) and School Breakfast Program (SBP)

The National School Lunch Program and the School Breakfast Program are federally funded programs that provide low cost and free meals to children who attend participating public and private nonprofit schools and residential child care institutions. The program is administered by the States through agreements with local school food authorities. Participating schools and institutions receive cash reimbursement and in-kind food assistance from USDA for each meal that meets program requirements. Reimbursement levels depend on the income-eligibility of individual children or the socioeconomic profile of the school or school district.

USDA estimates improper payments in the NSLP and the SBP through its Access, Participation, Eligibility, and Certification (APEC) studies. The most recent APEC study, conducted in school year 2017–2018, measured error in two administrative processes. The first is the school and school district-level process of identifying and certifying children for free or reduced price meal benefits. The second is the school, school district, and State agency process of summing and reporting the number and dollar value of school lunches and breakfasts that qualify for federal reimbursement. We refer to these as certification and aggregation error.

USDA measures improper payments through a new study in the APEC series once every 5 years. In between study years, FNS uses administrative data to “age” the study estimates. FNS estimates improper payments for FY 2023 of \$1.44 billion (increase from \$546.36 million in FY 2022) in the NSLP, and \$401.9 million for FY 2023 in the SBP (compared to \$194.4 million in FY 2022), equating to error rates of 7.37 percent and 7.61 percent, respectively. In FY 2022, the error rate was 2.38 in the NSLP and 2.99 in the SBP.

Errors in both certification and aggregation are, at root, errors in reporting, accessing, and managing data:

**Certification error**


The process of certifying children for program benefits requires collecting and reviewing income information on household applications or confirming children’s eligibility through participation in other means-tested programs. Household applicants make mistakes in reporting household size and income; program rules on who to include in the household for school meal benefit purposes, and which income sources to include, are very specific and not necessarily intuitive. In addition to household error, school district officials make mistakes in reviewing applications, summing income amounts, and comparing that information to the program’s income and household size eligibility guidelines. Household reporting and application processing are, by far, the most error prone elements of certification. Nevertheless, there is some error associated with the process of certifying children for school meal benefits through data matching. Both State and school district officials sometimes fail to match an applicant to the dataset of households and/or children who receive benefits through one of several other programs that confer categorical eligibility for free school meals. In some cases, the match process includes a manual component which is necessarily subject to error. But even fully automated match processes can fail due to differences in names or other identifying information on the school program and other benefit program datasets.

**Aggregation error**

Claiming meals for USDA reimbursement requires summing and transmitting reimbursable meal counts by schools to school food authorities, by school food authorities to State agencies, and by State agencies to USDA. Error in this process is uncommon. Nevertheless, to the extent that schools, school food authorities, or States rely on manual input, summation, or review of meal counts, there remains a risk for error.

During FY 2024, FNS undertook and planned the following activities to mitigate NSLP/SBP improper payments:

Exhibit 7: FNS NSLP and SBP Key Actions to Address Root Causes of Errors

Key Actions During FY 2024 to Address the NSLP/SBP Improper Payments	
Mitigation Strategy or Corrective Action	Description and Impact
<div>Internal Process/Policy Change</div> <div></div>	<p><b>(1) Community Eligibility Provision Expansion:</b> Through a rulemaking effective 10/26/2023, USDA lowered the eligibility threshold for school participation in the Community Eligibility Provision (CEP) from an Identified Student Percentage of 40 percent to 25 percent. USDA research shows that schools participating in CEP have notably lower certification error than schools that do not participate. Based on these findings, USDA expects that increased CEP eligibility will correspond with a rise in CEP participation, a reduction in certification error, and a reduction in improper payments. Because the rule was published after the CEP election date for School Year (SY) 2023–2024, we expect that the full magnitude of decreases in improper payments resulting from this change will not fully be observed until SY 2024–2025.</p>



## Key Actions During FY 2024 to Address the NSLP/SBP Improper Payments (Continued)

### Mitigation Strategy or Corrective Action

### Description and Impact

#### Internal Process/Policy Change (Continued)



**(2) Progress on Access, Participation, Eligibility, and Certification IV:** USDA is currently completing data collection for its latest APEC study and will soon move on to analyzing data to establish an updated improper payment rate.

**(3) Child Nutrition Program Integrity Final Rule:** Published in September 2023, strengthens the administration of child nutrition programs through enhanced oversight and enforcement tools designed to help FNS and State administering agencies to strengthen program compliance and reduce program error. Of particular importance to the NSLP and SBP, the rule allows States to adopt a 5-year administrative review cycle for School Food Authorities (SFAs); previously States reviewed SFAs a minimum of once every three years. States that adopt a review cycle longer than three years must establish and apply risk-based criteria to select SFAs for targeted follow-up reviews. This change allows States to direct limited resources where attention is needed most. The rule also formalizes a framework for developing, testing, and introducing integrity-focused process improvements to address improper payment challenges that cannot be remedied through monitoring alone.

**(4) FNS approved 5 new States to participate in the Direct Certification with Medicaid Demonstration (DC-M) Projects for SY 2024–2025.** Once the 5 new States implement the DC-M matching, the total number of States participating in DC-M will be 43. USDA research confirms that participation in DC-M improves program integrity by replacing the traditional household application for school meal benefits with an automated data match against existing household income records.

#### Automation: Non-Competitive Technology Innovation Grants (nTIGs)



In FY 2023, USDA released \$25 million in nTIG funds for child nutrition State agencies to improve IT systems. USDA continues its work with grant recipients who are using funds to develop, improve, maintain Child Nutrition IT systems.

#### Automation: Data Validation Service (DVS)



USDA modified its process of reviewing State agency management of the NSLP to encourage adoption of a USDA-developed tool to reduce error in the reporting of NSLP administrative data. The tool, the DVS is an Application Programming Interface (API) that States can include in their platforms for collecting data from their school districts. The DVS provides real-time edit checks and error messages to school districts as they submit data to their States.

## RMA: Federal Crop Insurance Corporation Program Fund

For FY 2024, RMA reported an estimated error rate of 2.43 percent and improper dollars totaling \$579.36 million. There were two main root causes of the reported improper dollars: failure to access data/information and inability to access data/information.

The improper dollars associated with failure to access data/information resulted from situations where the data/information existed, was obtained, and was 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; updating FCIC policies and procedures to provide additional clarification, conducting annual Approved Insurance Provider Review, performing program reviews, issuance of Manager's Bulletins, etc. Based on the results of the FY 2024 Improper Payment reviews, RMA is currently conducting a program review focused on cotton loss adjustment to ensure loss adjustments are being conducted accurately 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, total premium, and indemnities. 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 managers bulletins, conducting program reviews, etc. For FY 2024, RMA intends to conduct a program assessment of the Spot Check List procedures utilized and corrective actions carried out by AIPs. Improving this process will serve to enhance oversight and further educate producers on certification requirements. The expected result will be increased oversight and more accurate certifications effectively reducing improper payments.

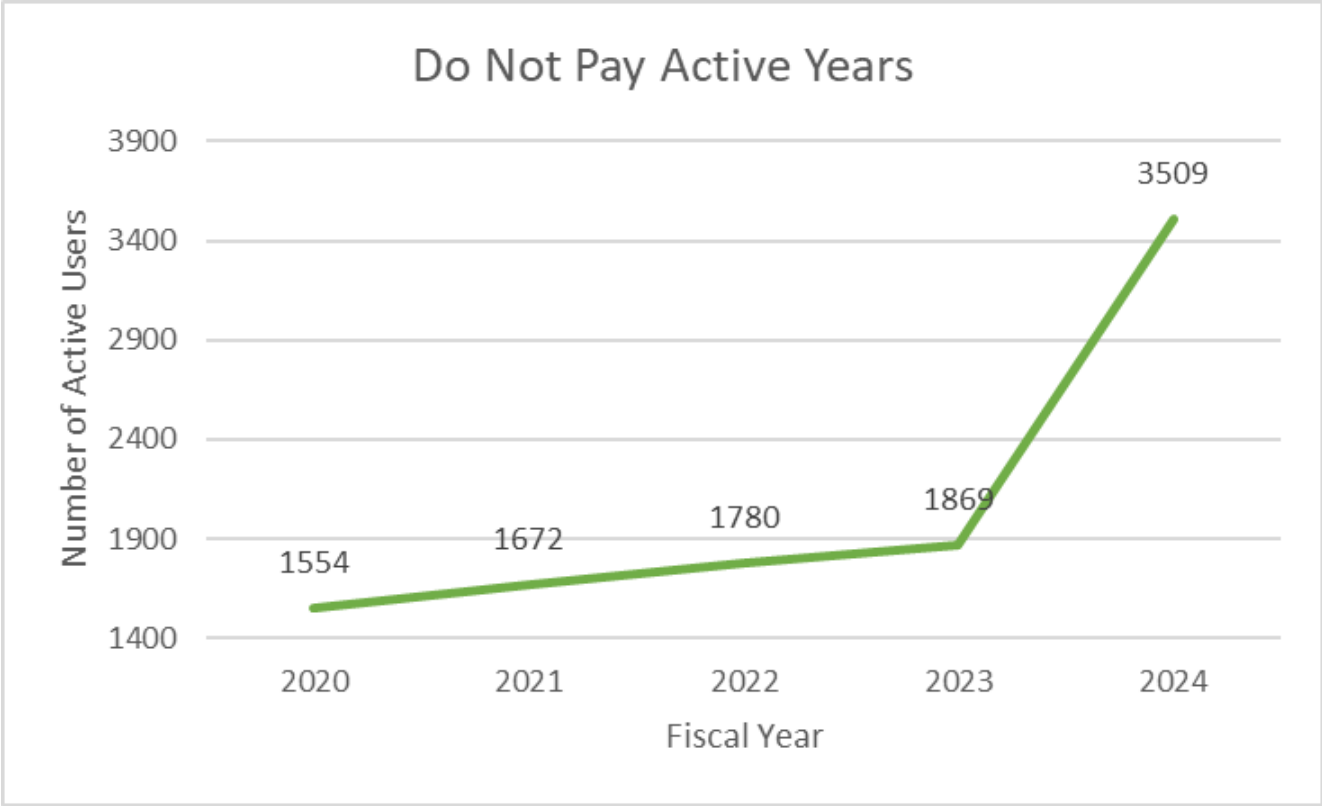
RMA did not have any changes in payment integrity methodologies, activities, or results that occurred during the reporting period.

## Do Not Pay

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. The number of DNP search activities reached over 100 percent increase in FY 2024 (from 5,068 to 10,185); the total dollar amount matched from those search activities also increased by approximately 59 percent (from \$11.68 million to \$18.58 million).

USDA has increased its active users by approximately 88 percent, from 1,869 in FY 2023 to 3,509 in FY 2024. These users span five agencies and multiple programs. USDA consistently increases the number of active users each fiscal year.



USDA will enroll two additional programs for the upcoming fiscal year and explore other options to improve our current services and data search eligibility with Do Not Pay.

## Further Information

Annually, the Department gathers, analyzes, and submits data to OMB to be presented on [www.paymentaccuracy.gov](http://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](http://paymentaccuracy.gov) website for detailed results from the Department’s efforts in 2024 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 (7 CFR 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 June 7, 2024, the Department published the revised penalties for 2024 in the [Federal Register](#).

The penalties, the authorities under which they may be issued, and the current penalty amounts are available in the eCFR's current version of [7 CFR 3.91](#).



# Biennial Review of User Fees

Under 31 U.S.C. § 902, CFOs are required to review on a biennial basis fees, royalties, rents and other charges imposed by the agency for services and things of value it provides and to make recommendations on revising those charges.

USDA reviewed fees from activities for special benefits derived beyond those received by the general public by comparing total revenue generated from these activities against the cost of providing these activities.

The results of fees reviewed indicated that most fees are sufficient to recover the full cost of these activities. When fees charged are less than the cost of providing these activities, recommendations on revising those charges are made through promulgation of regulations or proposed legislation as appropriate. Certain fees for surplus property are collected without associated cost.



# Grants Programs

Pursuant to OMB Uniform Guidance in Section [200.344\(b\)](#) 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 5,387 grants/cooperative agreements with an undisbursed balance of \$176,200,287.74 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, 2024.

Exhibit 24: FY 2024 Grants Program Summary

Category	2–3 Years	>3–5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	127	63	15
Number of Grants/Cooperative Agreements with Undisbursed Balances	4,745	392	45
<b>Total Amount of Undisbursed Balances</b>	<b>\$88,166,341.04</b>	<b>\$78,655,423.70</b>	<b>\$9,378,523.00</b>

In FY 2023, there were 701 grants and cooperative agreements with undisbursed balances. In FY 2024, that number increased to 5,387 grants and cooperative agreements. This underscores a multifaceted set of challenges that have significantly impacted USDA Agencies's grants close out management processes. The following key factors have contributed to this substantial backlog:

- 1. Timely Receipt of Closeout Reports:** A critical issue has been the timely completion and submission of closeout reports required from Agency Program Managers and Signatories. Without these reports, USDA Agencies cannot initiate the formal closeout process, leading to an accumulation of undisbursed grants.
- 2. International Wire Payment Complications:** The complexities involved in international wire payments have further complicated grant closeouts. USDA Agencies have encountered challenges with the completion of these payments due to stringent regulatory requirements and limited enforcement capabilities with foreign governmental entities. Delays in these transactions hinder the finalization of grants, particularly for projects operating in international contexts. This mostly impacts the Foreign Agriculture Service, which account for 11 percent of the awards that were not closed out.
- 3. Compliance Review Delays:** Delays in compliance reviews and pending audits during the award period have also contributed to the backlog. The rigorous evaluation process necessary for ensuring that all program requirements have been met has taken longer than anticipated, delaying the ability to close grants efficiently. Audits are essential to validate that funds were used appropriately, and without their completion, USDA Agencies cannot move forward.

4. **Staff Shortages and Voucher Receipt Delays:** Staff shortages at both county offices and within our organization have exacerbated the situation, leading to delays in the receipt of final vouchers from producers. With fewer personnel available to process these essential documents, the closeout process has been slowed significantly. The delays in receiving these vouchers mean that we are unable to finalize and close grants in a timely manner. This mostly impacts the Commodity Credit Corporation awards, which account for 83 percent of the awards that were not closed out.
5. **Discrepancies in Financial Reporting:** USDA Agencies also faced discrepancies in final financial reporting, which complicated the reconciliation process. The implementation of the small business write-off policy introduced additional layers of complexity, requiring careful review and adjustments. These discrepancies can result in prolonged discussions and negotiations with grantees, further extending the time required to close out grants.
6. **Legacy Systems integration:** USDA Agencies administers grants through multiple systems, but some legacy systems do not integrate with our accounting system of record. This lack of integration necessitates that Agencies's Program Areas manually track, update, and report on grants, which limits oversight by the Agencies' Grants Branches.
7. **Legal Constraints:** Finally, USDA Agencies are currently awaiting litigation outcomes that prevent certain grants from being closed until authorized by the judicial system. This legal uncertainty creates an unpredictable backlog, as USDA Agencies must wait for court decisions before they can finalize these grants.

In conclusion, the increase from 701 to 5,387 grants and cooperative agreements with undisbursed balances from FY 2023 to FY 2024 reflects systemic challenges related to reporting, payment complexities, compliance delays, staffing shortages, financial discrepancies, legacy systems integration, and legal constraints.

USDA Agencies are committed to decreasing the number of expired grants and cooperative agreements by addressing these challenges that will be paramount as USDA Agencies strive to streamline Agency processes and reduce the backlog in the coming fiscal year. OCFO will work with USDA Agencies to review internal controls and procedures to reduce the number of grants and cooperative agreements for which closeout has not yet occurred, but for which the period of performance has elapsed by 2 years as of FY 2024 end.

# Climate-Related Financial Risk

## Required Hyperlinks to Reports

- [USDA Climate Adaptation Plan 2024–2027](#)
- [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
  - Food Safety and Inspection 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](#)
- [USDA Action Plan for Climate Adaptation and Resilience: 2022 Progress Report](#)
- [USDA 2022 Sustainability Plan](#)



## Budget Information

USDA does not currently report data in the structure proposed for Section II.4.10.2 by OMB Circular A-136 but may consider how to do so in the context of future progress reporting on Climate Adaptation Plan implementation. USDA does however compile climate-related expenditures annually in the Budget Summary (e.g., [FY 2024](#)) in a Climate Change Related Funding Crosscut. For example, USDA funding for climate adaptation and resilience implementation and implementation of Executive Order 14057 were a combined \$7,434.8 million enacted in FY 2023 and \$7,377.3 million enacted in FY 2024.

## Governance, Strategy, Risk Management, and Metrics Information

### Governance

As described in USDA's [2024–2027 Climate Adaptation Plan](#), climate change has the potential to impact many aspects of USDA's mission and operations. For this reason, climate change adaptation efforts are coordinated at the Department level, via the Office of the Chief Economist's OEEP. OEEP works with the Office of Budget and Program Analysis (OBPA), the office responsible for USDA's strategic planning; enterprise risk management; performance management and reporting; budget analysis, justification, and control; and legislative and regulatory actions, to integrate and consider climate adaptation and resilience in these management activities.

### Strategy

Section 2 of USDA's [2024–2027 Climate Adaptation Plan](#) provides a detailed description of climate-related risk to USDA's mission, operations, and services, in particular the current and projected impacts of climate change on agriculture, food and nutrition, natural resources protection and management, rural development, and science and innovation. For the first time, this Adaptation Plan included a quantitative assessment of the climate-related risks to USDA facilities and employees.

Section 3B(2) on "Incorporating Climate Risk Assessment into Budget Planning" describes how USDA is fulfilling objectives of Executive Order 14030 *Climate-Related Financial Risk*, including how USDA is conducting programmatic assessments of federal climate risk exposure. The first of these analyses were published in [2022](#) and [2023](#) and, relevant to USDA, included assessments of the potential effects of climate change on crop insurance expenditures, federal wildland fire suppression expenditures, and federal facility flood risk. The [assessments](#) released with the FY 2025 President's Budget include an [evaluation](#) of the financial risk to USDA's LFP, based on recent work by the ERS, and an updated assessment of Wildland Fire Suppression Costs.



## Risk Management

USDA (DR) 1070-001 articulates the need “to integrate climate change adaptation planning, implementing actions, and performance metrics into USDA programs, policies, and operations.” DR 1070-001 directs OEEP to prepare the departmentwide Climate Adaptation Plan as well as issue guidance for USDA Mission Areas, Agencies, and Offices to prepare climate adaptation plans that identify how climate change may affect their ability to achieve their mission and objectives. The guidance prepared by OEEP directs Mission Areas, Agencies, and Offices to (1) define their goals and objectives, (2) assess climate change impacts and vulnerabilities, (3) evaluate goals and objectives given the identified climate risks, (4) identify adaptation approaches and tactics for implementation, and (5) monitor and evaluate the effectiveness of implementation. In July 2022, USDA released 13 Agency-level Climate Adaptation Plans; these plans build off the themes identified in USDA’s 2021 Climate Adaptation Plan and put them into practice via climate adaptation implementation at the agency-level. Most recently, OEEP worked with the Food Safety and Inspection Service to prepare an agency-level Climate Adaptation Plan. OEEP will continue to work with agencies to iteratively update and implement climate adaptation plans that reflect the priorities outlined in the most recent USDA 2024–2027 Climate Adaptation Plan.

USDA systematically considers risk in planning and decision-making at the Departmental level via the ERM Program. Through the ERM process, Mission Areas, Agencies, and Staff Offices identify risks that may impede achievement of Agency objectives and Departmental strategic objectives. As part of ERM guidance, OBPA will direct Mission Areas/Agencies to explicitly consider the climate risk exposure assessments in their ERM risk assessment process. Then, during the budget planning and formulation process, Mission Areas, Agencies, and Staff Offices are required to identify their top enterprise risks and integrate discussion of these risks into their budget justifications.



# Agency Audit Resolution Reports

## Background

The 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.

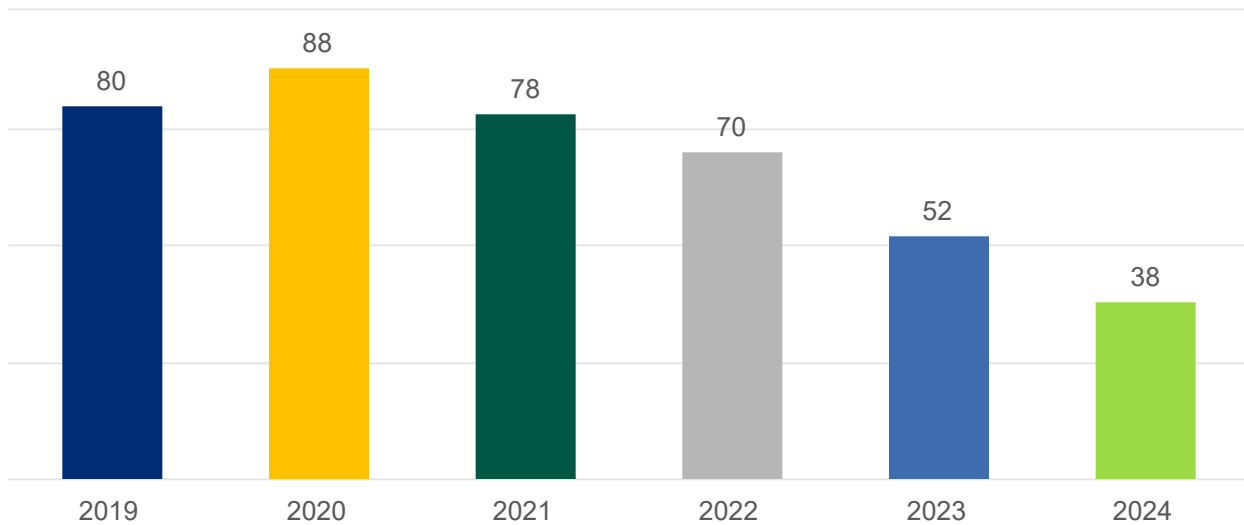




# Fiscal Year Results

As of September 30, 2024, USDA agencies closed 35 audits during FY 2024. OIG and USDA agencies also reached management decisions on 21 audits. As shown in the following exhibit, the Department's inventory of open audits decreased in FY 2024 by 27 percent, from 52 to 38.<sup>10</sup>

Exhibit 25: Open Audit Inventory



Note: Open audit inventory for FY 2023 corrected to 52.

## 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;
- 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.

<sup>10</sup> This report and information was generated on 09/30/2024, and updated 10/10/2024. Percentage decreased was calculated using the percentage decrease formula.

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 35 audits that achieved final action during the fiscal year, eight OIG audits originally contained DC. The number of audits with DC remaining in the inventory at the end of the fiscal year was 9, with an outstanding balance of \$7,246,674.92 (see Exhibit 27). For DC audits that achieved final action in FY 2024, OIG and management agreed to collect \$24,601.87. A further \$192,930.38 was collected from audits that otherwise remain open. Of the 13 audits listed in the beginning balance, 2 closed out their DC balances entirely through write offs, agency discoveries, appropriate documentation to change a cost from disallowed to allowed, or other balance change mechanisms. One audit closed out their DC balance through a combination of fund recovery and write-offs. Four additional audits also decreased their DC balances through change mechanisms but otherwise remain open DC audits. In total, during FY 2024, open DC balances decreased by \$4,109,938.49 through balance change mechanisms.

Exhibit 27: Inventory of Audits with DC<sup>11</sup>

Audits with DC	# of Audits	Amount (\$)
Beginning of the Period (October 1, 2023)	13*	\$ 11,574,147
Plus: New Management Decisions		\$ —
Total Audits Pending Collection of DC	13	\$ 11,574,147
Less: Adjustments <sup>[1]</sup>		\$ 4,302,869
Revised Subtotal		\$ 7,271,278
Less: Final Actions (Recoveries) <sup>[2]</sup>	1	\$ 24,602
Audits with DC Requiring Final Action at the End of the Period (September 30, 2024) <sup>[3]</sup>	9	\$ 7,246,675

\*This total includes audit 03801-0001-31 which achieved Management Decision Agency Response in November 2023, but whose management decision date was backdated to 9/25/2023. This number has been adjusted from the FY 2023 Ending Balance.

[1] This include monetary actions that close out the DC balances of audits that otherwise remain open [\$192,930.38], as well as the write offs, agency discoveries or supplied documentation for balance change mechanisms [\$4,109,938.49]

[2] This total only includes audits with an Audit Agreed Amount DC, where the entire audit has been closed.

[3] This final total reflects the audits that remain open with active DC balances. Two of the starting balance audits closed out their DC balances with write offs, agency discoveries or new documentation with no fund recovery and closed. One audit from the starting balance closed through a combination of fund recovery and write-offs. One audit from the starting balance closed out their DC and remains open.

<sup>11</sup> This exhibit was generated on 09/30/2024 and updated 10/10/2024.

Three of the OIG audits that achieved final action in FY 2024 contained FTBU. One audit closed out its FTBU balance as Not Implemented and then achieved final action. Two other audits which closed in FY 2024 involved FTBU balances which were closed out in FY 2023 while the audits remained open into FY 2024. Two audits with unresolved FTBU balances remain in the inventory as of September 30, 2024, with an outstanding audit balance of \$19,944,208. (See Exhibit 28).

#### Exhibit 28: Inventory of Audits with FTBU<sup>12</sup>

<b>Audits with FTBU</b>	<b># of Audits</b>	<b>Amount (\$)</b>
Beginning of the Period (October 1, 2023)	4*	\$ 6,107,822
Plus: New Management Decisions	1	\$ 19,925,665
Total Audits Pending	5	\$ 26,033,487
Less: Adjustments		—
Less: Final Actions <sup>[1]</sup>	3	\$ 6,089,279
Audits with FTBU Requiring Final Action at the End of the Period (September 30, 2024) <sup>[2]</sup>	2	\$ 19,944,208
<b>Disposition of FTBU:</b>		
FTBU Implemented	0	—
FTBU Not Implemented	1	\$ 6,089,279
Total FTBU Amounts for Final Action Audits	1	\$ 6,089,279

\*This number includes two audits: 10702-0001-23 and 33601-0003-41, whose FTBU balances were closed in FY 2023 but which otherwise remained open at the start of FY 2024.

[1] Two audits closed out their FTBU recommendations as implemented in FY 2023 but had remained open in FY 2024. Both audits have since closed: 10702-0001-23 and 33601-0003-41.

[2] This number was adjusted to remove one audit, 27601-0001-31, whose FTBU balance was resolved prior to FY 2023 in FY 2017. All subsequent audit counts have been adjusted to reflect this removal.

The number of audits open for more than 1 year at the beginning of FY 2024 decreased from the previous fiscal year starting balance of 52 to FY 2024's starting balance of 37. During FY 2024, nine audits became 1-year-after-Management Decision Date (MDD). Of those, 4 closed and the ending inventory includes the remaining 5 audits that became 1-year-after-MDD during FY 2024. These audits were offset by the 19 audits that were previously 1-year-after-MDD but closed during FY 2024. 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 14 (see Exhibit 29).

#### Exhibit 29: The Number of Audits Open 1 or More Years After MDD<sup>13</sup>

<b>Audits 1 Year or More After MDD</b>	<b># of Audits</b>
Beginning of the period*	37
Plus: Audits that reached 1 year after MDD during FY 2024	9
Subtotal FY 2024 audits 1 year or more after MDD	46
Less: Audits closed**	23
<b>Ending balance as of September 30, 2024</b>	<b>23</b>

\*One audit was added this last fiscal year in FY 2024 with a management decision date set prior to the beginning of the fiscal year in FY 2023.

\*\* Includes the 19 closed audits from the beginning balance and the 4 audits that became 1 year or more past MDD and closed this year.

<sup>12</sup> This exhibit was generated on 09/30/2024 and updated 10/10/2024

<sup>13</sup> This exhibit was updated on 09/30/2024 and updated 10/10/2024



Exhibit 30: Distribution of Audits Open 1 Year or More After MDD<sup>[1] 14</sup>

Audits on Schedule			Audits Behind Schedule			Audits Under Collection		
#	DC (\$)	FTBU (\$)	#	DC (\$)	FTBU (\$)	#	DC (\$)	FTBU (\$)
1	\$847,058	\$0	9	\$6,399,617	\$18,543	6	\$5,063,251	\$0

DC = Disallowed Cost. FTBU = Funds to be Put to Better Use.

\*5 of the 6 audits Under Collections are also listed under Audits Behind Schedule. There are currently no overlapping audits which have both DC and FTBU. Two of the audits included above have not yet reached 1 year or more past MDD but will do so before the end of the fiscal year. One FTBU audit is not included because it will not reach MDD this year.



<sup>14</sup> This exhibit was generated on 8/28/2024, and updated 10/10/2024

# 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 9/30/2024 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.

Exhibit 31: Audits Open 1 Year or More After MDD and Behind Schedule

## Food and Nutrition Service

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
27601-0003-10	9/27/2016	11/30/2024	New Mexico’s Compliance with SNAP Certification of Eligible Households Requirements	\$9,621	\$0	Receipt and/or processing of Final Action
27702-0001-22	10/18/2019	11/30/2024	Review of FNS Nutrition Assistance Program Providing Disaster Funding to Puerto Rico	\$1,258,308	\$0	Administrative Action
27801-0003-22	8/25/2021	11/30/2024	COVID 19 – Supplemental Nutrition Assistance Program Online Purchasing in Response to the Coronavirus Disease 2019	\$0	\$0	Administrative Action
FNS Subtotal (3)				\$1,267,929	\$—	



## Farm Service Agency

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
03702-0003-31	3/4/2023	12/31/2024	Hurricanes Indemnity Program—Puerto Rico	\$0	\$0	Receipt and/or Processing of Final Action Documentation; In Collections
50601-0010-31	9/26/2022	12/31/2024	Beginning Farmers	\$0	\$0	Results of Internal Monitoring or Program Review.
03601-0003-31	3/9/2022	11/30/2024	Market Facilitation Program	\$0	\$0	Receipt and/or Processing of Final Action Documentation; Results of Agency Request for Change in Management; In Collections
50601-0003-22	1/27/2017	1/10/2025	Coordination of USDA—Farm Service Agency—Risk management Agency, and Natural Resources Conservation Service	\$0	\$0	Receipt and/or processing of Final Action Documentation
03702-0002-23	6/9/2021	12/31/2024	2017 Hurricane Relief Emergency Conservation Program	\$0	\$0	Issuance of Policy/Guidance; Receipt and/or Processing of Final Action Documentation; Results of Internal Monitoring or Program Review; In Collections
03601-0003-31(1)	9/30/2020	2/24/2025	Market Facilitation Program – Interim Report	\$0	\$0	Issuance of Policy/Guidance; Receipt and/or processing of Final Action Documentation
<b>FSA Subtotal (6)</b>				<b>\$0</b>	<b>\$0</b>	

## National Institute of Food And Agriculture

NIFA	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
13601-0002-22	6/26/2023	12/31/2024	Agriculture and Food Research Institute	\$0	\$18,543	Issuance of Policy/Guidance
<b>NIFA Sub Total (1)</b>				<b>\$0</b>	<b>\$18,543</b>	

## Office of Advocacy and Outreach (OAO)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
91601-0001-21	11/10/2021	1/16/2025	Outreach and Assistance for Socially Disadvantaged Farmers, Ranchers, and Veteran Farmers	\$0	\$0	Issuance of Policy/Guidance
<b>OAO Subtotal (1)</b>				<b>\$0</b>	<b>\$0</b>	

## Office of the Assistant Secretary for Civil Rights

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
60601-0001-21	9/22/2021	1/30/2025	USDA Oversight of Civil Rights Complaints	\$0	\$0	Issuance of Policy/Guidance
<b>OASCR Subtotal (1)</b>				<b>\$0</b>	<b>\$0</b>	

## Office of the Chief Financial Officer

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
11601-0001-12	11/8/2019	12/31/2024	USDA FY 2019 First Quarter Data Act Submission	\$0	\$0	Issuance of Policy/Guidance
50024-0003-24	5/20/2023	11/20/2024	USDA Compliance with improper Payment for FY 2022	\$0	\$0	Issuance of Policy / Guidance
<b>OCFO Subtotal (2)</b>				<b>\$0</b>	<b>\$0</b>	

## Office of Chief Information Officer

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
50501-0020-12(1)	6/26/2018	12/31/2024	Improper Usage of USDA's Information Technology Resources	\$0	\$0	Receipt and/or processing of Final Action Documentation
50801-0002-12	10/27/2021	1/10/2025	Security Over USDA Web Applications	\$0	\$0	Issuance of Policy/Guidance
<b>OCIO Subtotal (2)</b>				<b>\$0</b>	<b>\$0</b>	

## Office of Small and Disadvantaged Business Utilization (OSDBU)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
50601-0003-23	9/28/2018	11/30/2024	OSDBU's Control Over the Eligibility of Contract Recipients	\$0	\$0	Issuance of Policy/Guidance
<b>OSDBU Subtotal (1)</b>				<b>\$0</b>	<b>\$0</b>	

## Risk Management Agency

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC (\$)	FTBU (\$)	
05601-0002-41	5/9/2023	6/30/2025	RMA Agriculture Pilot Insurance Program	\$864,374	\$0	Issuance of Policy Guidance–Negotiation in Appeal
<b>RMA Subtotal (1)</b>				<b>\$864,374</b>	<b>\$0</b>	

# Non-Discrimination Statement

In accordance with federal civil rights law and USDA 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](mailto:ProgramComplaints@usda.gov)

Please attach a signed AD-3027 complaint form or letter to the email.



# Abbreviations — Acronyms

— A —

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AARCC .....	Agricultural Research and Commercialization Corporation
ADA .....	Anti-Deficiency Act
AFR .....	Agency Financial Report
AgPay XP .....	AgPay Xpress
AIPs .....	Approved Insurance Providers
AMS .....	Agricultural Marketing Service
APEC .....	Access, Participation, Eligibility, and Certification Study
APGs .....	Agency Priority Goals
APHIS .....	Animal and Plant Health Inspection Service
APP .....	Annual Performance Plan
APR .....	Annual Performance Report
AQI .....	Agricultural Quarantine Inspection
ARC .....	Agriculture Risk Coverage
ARS .....	Agricultural Research Service
AWA .....	Animal Welfare Act

— B —

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BAR .....	Budget and Accrual Reconciliation
BARC .....	Beltsville Agricultural Research Center
BFR .....	Beginning Farmer and Rancher





— C —

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CACFP .....	Child and Adult Care Food Program
CARES Act .....	Coronavirus Aid, Relief, and Economic Security Act
CBOs .....	Certificates of Beneficial Ownership
CCC .....	Commodity Credit Corporation
CEP .....	Community Eligibility Provision
CFAP .....	Coronavirus Food Assistance Program
CFR .....	Code of Federal Regulations
CIO .....	Chief Information Officer
CLM .....	Contract and Lease Management
CoC .....	Cushion of Credit
COVID-19 .....	Coronavirus Disease 2019
CPI .....	Consumer Price Index
CRBG .....	Citrus Recovery Block Grant
CRS .....	Centralized Receivables Service
CSS .....	Cost Share Software
Cwt. ....	Hundredweight

— D —

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DAFP .....	Deputy Administrator for Farm Program
DC .....	Disallowed Costs
DC-M .....	Direct Certification with Medicaid Demonstration
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
DVS .....	Data Validation Service

— E —

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EBT .....	Electronic Benefits Transfer
ECD .....	Estimated Completion Date
ECP .....	Emergency Conservation Program
eFG .....	ezFedGrants
ERM .....	Enterprise Risk Management
ERP .....	Enterprise Resource Planning
ERS .....	Economic Research Service

## — F —

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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
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
FMFIA .....	Federal Managers' Financial Integrity Act
FMMI .....	Financial Management Modernization Initiative
FMS .....	Financial Management Services
FNCS .....	Food, Nutrition, and Consumer Services
FNS .....	Food and Nutrition Service
FPAC .....	Farm Production and Conservation
FPAC-BC .....	Farm Production and Conservation Business Center
FPI .....	Federal Program Inventory
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
FTF .....	Financial Training Forum
FY .....	Fiscal Year

## — G —

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GAO .....	Government Accountability Office
GAOA .....	Great American Outdoors Act
GSA .....	General Services Administration
GTAS .....	Government-wide Treasury Account Symbol Adjusted Trial Balance System

## — H —

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HANA .....	High-Performance Analytic Appliance
HHS .....	Health and Human Services

— I —

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IAA .....	Interagency Agreement
IBNR .....	Incurred but Not Reported
IG .....	Inspector General
ILM .....	Information Lifecycle Management
IPIA .....	Improper Payments Information Act of 2002
IRDTS .....	Internal Review Documentation and Tracking System
IRB .....	Investment Review Board
IT .....	Information Technology

— K - L —

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KPIs .....	Key Performance Indicators
L&WCF .....	Land and Water Conservation Fund
LFP .....	Livestock Forage Disaster Program
LFPA .....	Local Food Purchase Assistance Cooperative Agreement Program

— M —

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MAR .....	Maximum Allowable Reimbursement
MDD .....	Management Decision Date
ME .....	Management Evaluation
MRP .....	Marketing and Regulatory Programs

— N —

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NAL .....	National Agricultural Library
NAP .....	Noninsured Crop Disaster Assistance Program
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
NSWP-II .....	National Survey of WIC Participants II Study
NTE .....	Not-to-Exceed
nTIG .....	Non-Competitive Technology Innovation Grants

## — O —

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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
OEEP .....	Office of Energy and Environmental Policy
OGC .....	Office of the General Counsel
OIG .....	Office of Inspector General
OMB .....	Office of Management and Budget
OMS .....	Overseas Maintenance System
OPPE .....	Office of Partnership and Public Engagement
OSDBU .....	Office of Small and Disadvantaged Business Utilization

## — P - Q —

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PB .....	President's Budget
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
PO .....	Process Orchestration
PPDM .....	Plant, Pest and Disease Management
PP&E .....	Property, Plant and Equipment

## — R —

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RBS .....	Rural Business Service
RD .....	Rural Development
REE .....	Research, Education, and Economics
RMA .....	Risk Management Agency
RTU .....	Right-to-use

## — S —

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SAC .....	SAP Analytics Cloud
SAP .....	Systems, Applications, and Products
SBP .....	School Breakfast Program
SBR .....	Statement of Budgetary Resources
SD .....	Serious Deficiency
SDM .....	Service Delivery Modernization
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
SOC .....	System and Organization Controls
SOP .....	Standard Operating Procedure
SSAE .....	Statement on Standards for Attestation Engagements
SSP .....	Shared Services Provider
SY .....	School Year
S/4HANA .....	Suite 4 High-performance SAP Analytic Appliance

## — T —

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TAS .....	Treasury Account Symbol
TFAA .....	Trade and Foreign Agricultural Affairs
TPMC .....	Tucson Plant Materials Center

## — U —

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U.S.C. ....	U.S. Code
USDA .....	U.S. Department of Agriculture
USSGL .....	U.S. Standard General Ledger

## — V - W —

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WFRP .....	Whole-Farm Revenue Protection Pilot Program
WIC .....	Women, Infants, and Children





U.S. DEPARTMENT OF AGRICULTURE