2020
AGENCY FINANCIAL REPORT

USDA United States Department of Agriculture

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(1) Mail:
U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW, Mail Stop 9430
Washington, D.C. 20250-9410;

(2) Fax:
(833) 256-1665 or (202) 690-7442; or

(3) Email:
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Message from Secretary Perdue

The United States Department of Agriculture (USDA) is home to the most professional and dedicated public servants in the entire Federal government who honorably serve the people of American agriculture on a daily basis. As Secretary, I am proud to serve alongside these individuals. My goal is for USDA to be the most efficient, most effective, and most customer-focused agency in the Federal government.

USDA touches the lives of every American and nearly every human being on the globe. We have a lot to be proud of from the work this department does every day, with employees in all 50 states, territories, and around the world. We have accomplished a lot in 2020 and, as a USDA family, have all worked to fulfill our vision to "Do Right and Feed Everyone"—all in the face of the COVID-19 pandemic that wreaked havoc on American agriculture.

2020 started strong with President Donald J. Trump signing the historic Phase One Trade Agreement between the United States and China. China is a market of tremendous potential for U.S. agriculture, and this deal will help U.S. exporters expand their sales. Our Foreign Agricultural Service (FAS), Animal and Plant Health Inspection Service (APHIS), and Food Safety Inspection Service (FSIS) continue to work cooperatively with China on the implementation of Phase One commitments and increases in U.S. exports of all manner of agricultural products. President Trump also signed the United States-Mexico-Canada Agreement, which was great news for America's farmers and ranchers who now have even more market access to our neighbors to the north and the south.

Additionally, USDA launched our Agriculture Innovation Agenda, a department-wide initiative to align resources, programs, and research to position American agriculture to meet future demands. We are mindful of the need for American agriculture to remain environmentally, socially, and economically sustainable, and we are as committed as ever to the continued success of America's farmers, ranchers, foresters, and producers.

This year, USDA also launched the second round of our rural broadband ReConnect program and received additional funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Access to high-speed broadband internet is not merely nice to have—it is a necessity in the 21st century. The COVID-19 pandemic introduced new challenges to our way of life. Social distancing guidelines put in place to help slow the spread of the Coronavirus caused millions to work from home and nationwide school closures. The unfortunate truth is that millions of Americans working, going to school, and living in America's heartland still do not have access to high-speed broadband internet e-Connectivity. At USDA, we are working hard to change that.

The COVID-19 pandemic also forced children out of the classroom, and USDA's Food and Nutrition Service (FNS) acted quickly to waive restrictions and expand flexibilities across our programs to ensure our children continued to receive wholesome meals, safeguarding their wellness during times of need. We joined forces with local providers utilizing a range of innovative feeding programs to ensure children and families practicing social distancing could still receive healthy and nutritious food. Additionally, we collaborated with the Baylor Collaborative on Hunger and Poverty, McLane Global, PepsiCo, and others to deliver millions of meals per week to students of rural schools closed due to COVID-19. This whole of America approach to tackling the Coronavirus leveraged private sector ingenuity with the same federal financing as the Summer Food Service Program, and we are proud of what our FNS team accomplished.

USDA also announced $19 billion in immediate assistance for America's farmers and ranchers under the Coronavirus Food Assistance Program—better known as CFAP. The first $16 billion of this funding was in the form of direct payments to farmers to help them through these tough times. The next $3 billion provided for USDA's Farmers to Families Food Box Program, which delivered millions of food boxes to food banks, community and faith-based organizations, and other non-profits that are serving Americans in need. USDA partnered with national, regional, and local suppliers, whose workforce was impacted by the closure of restaurants, hotels, and other food service businesses to continue to deliver American raised products to American families in need.

I have traveled around the country to see firsthand this program in action, helping people who have fallen on hard times. It is an excellent example of Americans helping Americans, and something of which we should all be proud.

Finally, we saw the best of America come alive in our FSIS employees and those working across the nation at meat and poultry processing plants. Keeping them safely operational during the COVID-19 crisis was critical to the nation's food supply chain. We thank the patriotic and heroic meatpacking facility workers, the companies, and state and local public health authorities for working together to ensure operations resumed or continued safely so they could continue to provide an excellent meat selection to the millions of Americans who depend on them for food.

There is no doubt that it has been a challenging year for American agriculture, and those challenges only intensified during the COVID-19 pandemic—but USDA took creative and decisive action to help our constituents in need. From all my travels—North, South, East, and West—the commodities and landscapes may be different, but the passion, attitude, and spirit of American agriculturalists are much the same.

As we look forward to 2021, USDA will continue to be facts-based and data-focused as we work every day to best serve our customers, both producers and consumers. Making sure Americans who earn their livelihood in the agriculture industry are thriving is near and dear to my heart. USDA will continue to be unapologetic advocates for American agriculture and work tirelessly to solve the issues facing American families. The farmers, ranchers, producers, and foresters are the heart of this country, and they deserve the best we have to offer. I know that is what they receive from our USDA family as we continue to Do Right and Feed Everyone.

Sincerely,

Sonny Perdue
U.S. Secretary of Agriculture

December 8, 2020

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Section I

Management's Discussion and Analysis

About USDA

On May 15, 1862, President Abraham Lincoln signed legislation to establish the United States Department of Agriculture (USDA). Two and a half years later, in his final message to Congress, Lincoln called USDA "The People's Department." Through our work on food, agriculture, economic development, science, natural resource conservation, and other issues, USDA has impacted the lives of generations of Americans.

We would like you to learn more about USDA and the Agencies and Offices that touch every American every day. Information about the Department, our history, and our leaders can be found at www.usda.gov.

Mission Statement

Provide leadership on agriculture, food, natural resources, rural infrastructure, nutrition, and related issues through fact-based, data-driven, and customer-focused decisions.

Vision Statement

"Do right and feed everyone."

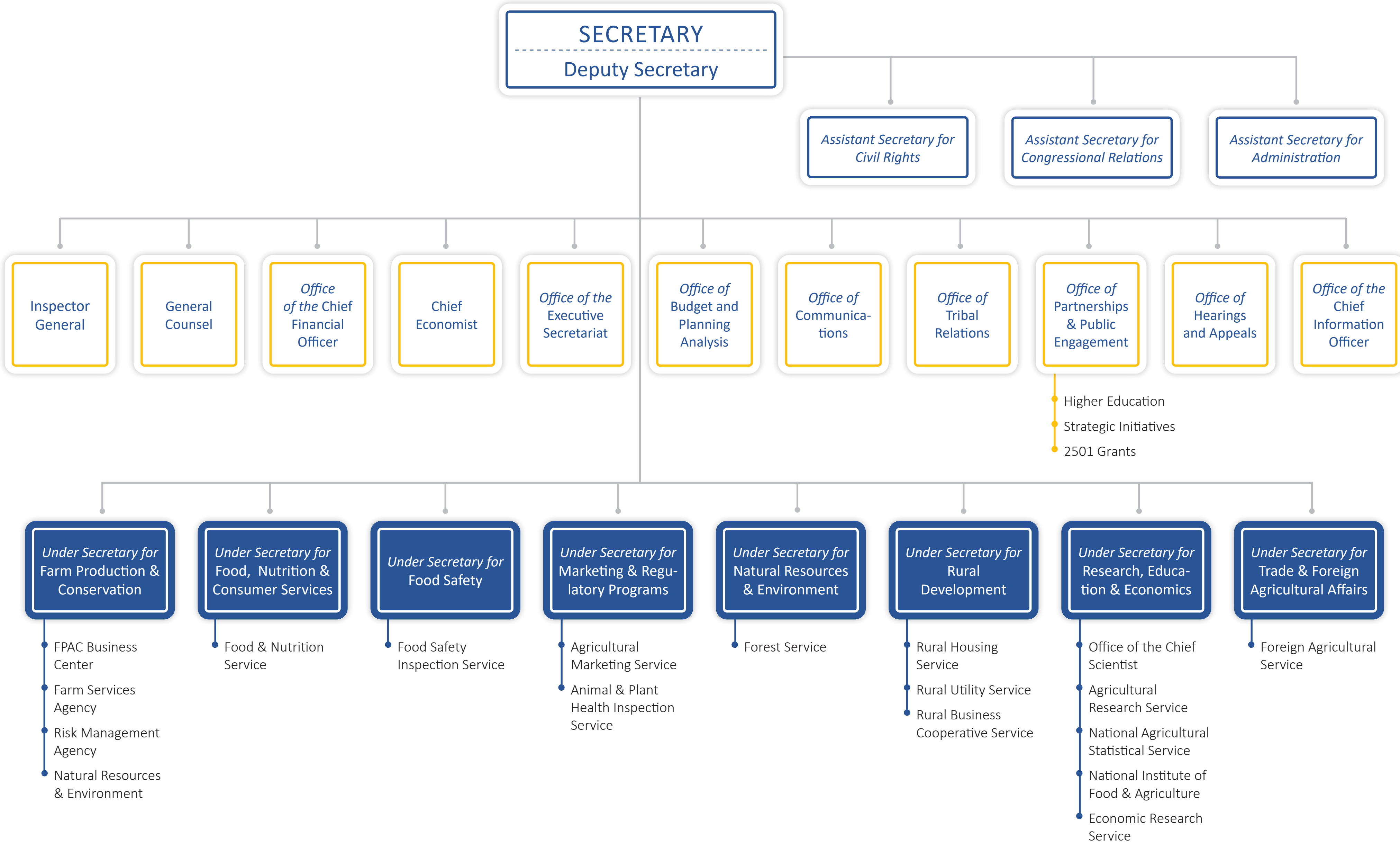
Core Values

We expect and require complete honesty and integrity in all we do.
We make commitments with care and live up to them.
We own up to problems and are always responsive.
We provide service to our customers on time, every time.
We guard, conserve, and preserve USDA resources the taxpayers have entrusted to us.

Stakeholder Engagement

USDA regularly consults with external stakeholders, including State and local officials and Members of Congress, as well as USDA's customers, partners, landowners, policy experts, and industry and consumer groups regarding our programs' effectiveness. Recent examples include the Interagency Task Force on Agriculture and Rural Prosperity Roundtables and the Back to Our Roots Listening Tour. These consultations have been used to validate the strategic goals, objectives, and performance measures outlined in the USDA Strategic Plan.

USDA Organization Chart



USDA Mission Areas

Farm Production and Conservation

Farm Production and Conservation (FPAC) is the Department's focal point for the Nation's farmers and ranchers and other stewards of private agricultural lands and non-industrial 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 Service Agency (FSA)
- Natural Resources Conservation Service (NRCS)
- Risk Management Agency (RMA)

Food, Nutrition, and Consumer Services

Food, Nutrition, and Consumer Services works to harness the Nation's agricultural abundance to end hunger and improve health 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 (FNS)

Food Safety

Food Safety is the USDA public health agency responsible for protecting the public's health by ensuring the safety of the Nation's commercial supply of meat, poultry, and processed egg products. FSIS ensures food safety through the authorities of the Federal Meat Inspection Act (FMIA), 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 (FSIS)

Marketing and Regulatory Programs

Marketing and Regulatory Programs (MRP) facilitates domestic and international marketing of U.S. agricultural products, 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 the 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.

- Forest Service (FS)

Research, Education, and Economics

Research, Education, and Economics is dedicated to the creation of a safe, sustainable, competitive U.S. food, fuel, and fiber system, and to building strong communities, families, and youth through integrated research, analysis, and education.

- Office of the Chief Scientist
- Agricultural Research Service (ARS)
- Economic Research Service (ERS)
- National Agricultural Statistics Service (NASS)
- National Institute of Food and Agriculture (NIFA)

Rural Development

Rural Development fosters opportunity and economic security in rural America by investing in infrastructure, opening doors to better jobs, access to innovation, technology, and the promise of rural prosperity. The mission area is a catalyst for rural prosperity by 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 health care. Through loans, grants, and partnerships with local leaders, Rural Development provides tools and resources that ensure rural families, businesses, and communities have the help they need to prosper today and in the future.

- Rural Business 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 of ensuring USDA speaks with a unified voice on international agricultural 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, D.C., as well as a global network of 93 offices covering 171 countries. Also, within TFAA, the U.S. Codex Office coordinates U.S. participation in the Codex Alimentarius Commission, a United Nations body that sets international food standards while protecting consumer health and ensuring fair trade practices.

- Foreign Agricultural Service
- U.S. Codex Program

▪ USDA Program Performance

USDA Performance and Results for FY 2020

The Government Performance and Results (GPRA) Modernization Act of 2010 requires agencies to update their strategic plan every 4 years. The U.S. Department of Agriculture's (USDA or the Department) 2018—2022 Strategic Plan identifies the Department's strategic goals and objectives. USDA reports annually on its progress toward its strategic objectives using Key Performance Indicators (KPIs) and Agency Priority Goals (APGs) in the Annual Performance Plan and Report published in conjunction with the President's Budget.

USDA follows GPRA guidelines for reporting data quality. The data collected and used by the Department to measure performance utilize a standardized methodology. This methodology has been vetted by Federally employed scientists and policymakers, and, ultimately, the leadership and undersecretaries of each respective mission area. All attest to the completeness, reliability, and quality of the data. Mission Areas within USDA are responsible for certifying that data provided undergo a thorough quality assurance process and provides assurance to the Performance Improvement Officer. Data quality information for the APG-related measures mentioned in this section can be found online at Performance.gov.

For purposes of the Agency Financial Report (AFR), a performance summary is provided using the APGs and KPIs as a mechanism to gauge progress in achieving its mission. In fiscal year (FY) 2020, USDA had 36 key performance measures.

The following tables and discussion provide a high-level description of the Department's key focus areas that are being tracked and managed through USDA's performance management process. The tables provide historical results of KPIs and include a preliminary status in meeting performance targets for FY 2020 based on data gathered through the third quarter, where available. Final performance information and a detailed discussion of the Department's FY 2020 performance results, assessment methodologies, metrics, external reviews, and documentation of performance data will be presented in the FY 2020 USDA Annual Performance Plan and Report. The report is planned to be released with the President's 2022 budget in February and will be available on the USDA Performance Improvement and Accountability website.

Agency Priority Goal:
Increase Utilization of Agriculture Research

USDA introduced the APG Increase Utilization of Agriculture Research (REE-OCS) in FY 2020 with the goal of increasing the utilization of its research results into real-world technology improvements by developing methods to measure research utilization and inform program decision making. To accomplish this goal, USDA launched the process of developing data-driven methods to measure the impact of research in sustainable agricultural intensification, agricultural climate adaptation, food and nutrition translation, and value-added innovations. As a first step, USDA introduced three internal "test-KPIs" in FY 2020 to quantify (1) technology transfer (patents licensed and issued), (2) agriculture workforce development, and (3) influence of USDA research on public policy (citations of REE reports). Lessons learned from these three inaugural KPIs are being used to develop future KPIs and improve on their existing methodologies and data sources.

PRIORITY GOAL

Increasing the utilization of its research results into to real world technology improvements by developing methods to measure research utilization and inform program decision making.

Existing organizational challenges such as identifying meaningful metrics to measure, track, and communicate the impact of USDA research, as well as existing paradigms surrounding the ability to link scientific research to real-world impact, was present. The Office of the Chief Scientist (OCS) took the lead in communicating the importance of research measurement and led efforts to coordinate a cultural shift among the USDA research agencies toward the development of a KPI-performance measurement culture. Strategies to accomplish this goal included not only the launching of the three, new "test-KPIs," but also a first-of-its-kind "KPI Innovation Team" to drive the conversation of measuring the impact of science and research while developing new KPI candidates for future introduction.

As FY 2020 draws to a close, the work of the KPI Innovation Team has not only been successful in reframing the paradigms around measuring research utilization and impact, but it also has unified many solo efforts across the USDA toward a common goal. Looking forward to FY 2021, the work of this APG will further advance the measurement and increase of research utilization into real-world technology improvements to USDA customers, producers, and industry.

Strategic Goal 1:
Ensure USDA Programs are Delivered Efficiently, Effectively, with Integrity, and a Focus on Customer Service

USDA will modernize and consolidate Information Technology (IT) infrastructure and services, as well as strengthen management and oversight of procurement, property, and finance to ensure resources are deployed as effectively and efficiently as possible. USDA will create a safe and modern space within which employees can work and feel empowered to find innovative solutions to serve customers' needs and will promote accountability and professional development. USDA will leverage the strength and talent of its employees and reduce regulatory and administrative burdens to allow agencies to focus on their customers. Improved customer service and employee engagement will create a more effective and accessible USDA for all its stakeholders.

STRATEGIC OBJECTIVES

Objective 1.1

Modernize Information Technology Infrastructure, Facilities, and Support Services to Improve the Customer Experience

Objective 1.2

Maintain a High-Performing Workforce Through Employee Engagement and Empowerment

Objective 1.3

Reduce the Regulatory Burden and Streamline Processes

Objective 1.4

Improve Stewardship of Resources and Utilize Data-Driven Analyses to Maximize

Key Successes and Opportunities

- ***Consolidation of Data Centers:*** USDA has made significant progress in the modernization and consolidation of Information Management. The closure of the tiered data centers in FY 2020 has a reported cost savings of $11.384 million. As of quarter (Q) 4 FY 2020, there has been $62.791 million in cumulative cost avoidance through USDA's Data Center Optimization Initiative (DCOI) program. [Obj. 1.1]
- ***Contact Center:*** USDA's best in class customer contact center was implemented in Q(4) FY 2020. Outcomes from AskUSDA include: enhanced self-service, reduced call volume and costs, improved wait times, personalized inquiries and support, and improved business efficiencies. Over the course of its pilot program, AskUSDA successfully assisted with over 93,000 citizen inquiries, and the AskUSDA website resulted in over 1.4 million knowledge article page views. [1.1]

- ***Agricultural Resources Management Survey Webtool:*** USDA's Economic Research Service (ERS) rolled out a new tool to report relevant and timely financial statistics for U.S. farmers and ranchers. Every year, USDA asks farmers for information on the finances of their farming operations. This information, gathered through the Agricultural Resources Management Survey (ARMS), is USDA's primary source of financial information on farm and farm household well-being and is critical to carrying out the research requested by Congress and other critical stakeholders. The tool provides a presentation-quality chart and table of this data. It includes an Application Program Interface that bypasses the web interface altogether and allows for more rapid access to the summary data for frequent users. [1.1]

- ***Environmental Analysis and Decision-Making Reform:*** USDA's Forest Service is working diligently to improve the efficiency and timeliness of its environmental analysis and decision-making processes. For example, in 2018, the White River National Forest produced four Environmental Assessments approving work at major ski resorts. The documents averaged 51 pages in length and took 130 days to produce using a repeatable, efficient process. This procedure represents more than an 80 percent decrease in planning time compared with the national average. The Forest Service also worked collaboratively with ski resort partners to redesign their Facility Design Review process, going from four review stages requiring 14 weeks to two review stages in 5 weeks, producing more predictable outcomes for partners. [1.1]

- ***Data Analytics:*** USDA developed more than 200 dashboards to provide the latest information to customers and employees. These dashboards have more than 20,000 views monthly. The dashboards not only improve internal decision-making but also maximize the impact of citizen-facing programs across eight mission areas and seven administrative functions. USDA has made more than 1,600 internal datasets available publicly and is safeguarding privacy while also making more information available. [1.1]

- ***End-User Consolidation:*** Instead of having each USDA mission area determine its own IT costs for equipment and services, the USDA has centralized 60 percent of USDA end-user services and closed 26 data centers. This process will be 100 percent complete in Fall 2020. This move saves $10 million in duplicative infrastructure costs, which means USDA can put that toward better serving customers. USDA will have a departmentwide cloud solution for secure, scalable, and efficient services in a fully managed 24/7 environment. [1.1]

- ***Improvements to USDA's Network Service and eMail Accounts for USDA Employees:*** USDA is securing faster and cheaper network services, saving customers $570 million. USDA migrated 100,000 employees to Office 365 and 91 percent of its email accounts to a simpler usda.gov account. [1.1]

- ***Website Modernization:*** USDA websites had more than 700 unique, public, and active domains with more than three million web pages which included numerous broken links. As a result, in partnership with the GSA CoEs, USDA completed a Digital Assessment Report and is modernizing and optimizing USDA websites. USDA is removing broken links and webpages that do not receive traffic with the goal of achieving a best in class customer experience with one USDA look and feel. [1.1]

- ***Specialty Crops Modernization:*** Several USDA programs support the development and use of automation or mechanization in the production and processing of U.S. specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops, including floriculture. At $64.7 billion, specialty crops comprised one-third of U.S. crop receipts and one-sixth of receipts for all agricultural products in 2017. Many specialty crops are labor-intensive in production, harvesting, or processing. USDA has funded $287.7 million toward 213 projects to develop and enhance the use of automation or mechanization in specialty crop production and processing. [1.1]

- ***Human Resource (HR) Task Force:*** USDA has established a task force led by the Deputy Secretary to address the human capital concerns facing the Agency. Leaders across the Department are collaborating to create an action plan to address concerns and to improve recruitment, retention, training, and succession planning. The Department also established risk ownership for Enterprise Risk #1 (People) for mitigation strategies. [1.2]

- ***Investments in Socially Disadvantaged Farmers and Ranchers:*** USDA issued more than $16 million in grants to provide training, outreach, and technical assistance to underserved and veteran farmers and ranchers. This funding is available through the USDA's Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and the Veteran Farmers and Ranchers Program (also known as the 2501 Program), managed by the USDA Office of Partnerships and Public Engagement (OPPE). [1.2]

- ***Regulatory Reform:*** The President signed an executive order that requires agencies to revoke two regulations for every new rule they want to issue. Under Secretary Perdue's leadership, however, USDA has completed 8 deregulatory items for every regulatory item for a total annualized regulatory savings of $199.388 million through FY 2019. (note: this is FY 2017 through FY 2019). In FY 2019, USDA completed 13 deregulatory action. USDA had no regulatory actions in FY 2019. [1.3]

- ***Impact Expo Success:*** The Department held the first-ever Impact Expo with employees to celebrate the effect of its customer-focused IT modernization efforts. This event underlined the connection between modernization, customer experience, and USDA's overall impact. The Expo featured projects from across the CoEs, OCX, USDA's Customer Experience Champions Program, Office of the Chief Information Officer

(OCIO), and every USDA mission area to show how USDA is working together to modernize to best serve its customers. [1.4]

- ***Fleet Services:*** As of Q2, FY 2020, USDA has 37,957 fleet vehicles, an increase from 37,163 in FY 2019 due to the inability to dispose of vehicles as a result of the COVID-19 pandemic. [1.4]

- ***Reducing the Footprint:*** The Department identified 100,000 sq. ft. of office and warehouse space to dispose of in FY 2020 by either lease expiration or declared as excess real property in the case of owned assets. [1.4]

- ***Introduced 3 New Key Performance Indicators (KPI):*** KPIs will measure the impact of USDA research and science investments. [1.4]

Key Challenges and Risks

- To more effectively manage its fleet portfolio, USDA is in the process of selecting and later migrating to an enterprise asset management solution. [1.4]
- To reduce its real property portfolio, USDA is currently in a long-term planning process, which is contingent on collaboration with GSA and USDA mission areas and agencies as well as funding. [1.4]
- The three new research and science KPIs are limited by current data availability and resource constraints causing calculations to be manual and labor-intensive. [1.4]

Planned Actions and Risk Mitigation

- The Department plans to consolidate space in the National Capital Region through USDA's One Neighborhood initiative. [1.4]
- USDA will identify leases and Occupancy Agreements in various metropolitan areas for footage and agreement reductions. Planning is in the initial stages. [1.4]
- USDA will also identify additional space reduction efforts in its draft Capital Plan by identifying reduction projects in owned buildings, GSA-leased offices, and direct leases. [1.4]
- USDA's Office of the Chief Scientist is leading efforts to improve data sources for the new KPIs. The planned strategy should yield more reliable data, automated harvesting, and more frequent reporting in FY 2021 and FY 2022. [1.4]

Exhibit 1: Strategic Goal 1 Key Performance Indicators (KPI)

KPI	Historic Actuals			Strategic Targets		FY 20 Results as of Q3
	FY17	FY18	FY19	FY19	FY20	
Reduce number of Tier 1 data centers across the Department	39	18	6	5	2	2
Reduce the Department's overall real property footprint through effective disposal and consolidation efforts (Million Square Feet).	31.9	31.7	31.3	31.3	31.2	31.2
Reduce the Department's total number of fleet vehicles (Thousand)	29.4	27.7	27.1	27.1	36.5	38.7

FY = fiscal year; Q = quarter.

Notes: Preliminary status is based on progress toward KPI as of the third quarter. The USDA Annual Performance Plan and Report, to be published in February 2021, will show the final FY 2020 results.

Areas for Improvement

USDA will strengthen its efforts in FY 2021 to identify stronger performance measures to support Goal 1. The Department will work closely with the newly established OCX for customer-centric measures, and with the Departmental Administration (DA) for human resources and technology-related measures.

As a result of the pandemic, fleet disposals were delayed. The Department continues to work with the GSA to make progress on disposal schedules and activities.

Strategic Goal 2:

Maximize the Ability of American Agricultural Producers to Prosper by Feeding and Clothing the World

A strong and prosperous agricultural sector is essential to the well-being of the U.S. economy. America's farmers and ranchers ensure a reliable food supply, support job growth, and promote economic development. To maintain a competitive agricultural sector, USDA will support farmers' and ranchers' ability to start and maintain profitable businesses as well as offer financial support to producers affected by natural disasters. Furthermore, USDA's research agencies will continue to introduce high-performance plants, animals, and integrated management options that increase the efficiency of farming practices. Lastly, USDA will also provide tools to producers so that they are well-positioned to secure a share of a growing market for agricultural products.

STRATEGIC OBJECTIVES

Objective 2.1

Provide an Effective Financial Safety Net for Farmers and Ranchers to Sustain Economically Viable Agricultural Production and Support Rural Jobs and Economic Growth

Objective 2.2

Increase Agricultural Opportunities and Support Economic Growth by Creating New Markets and Supporting a Competitive Agricultural System

Objective 2.3

Protect Agricultural Health by Preventing and Mitigating the Spread of Agricultural Pests and Disease

Key Successes and Opportunities

- ***Improved Loan Processing:*** The Department improved processing for new loans by introducing "bot" technology, which automates manual processes. The technology saves time and money by prepopulating forms, while also reducing errors. Plans for introducing more bots are underway. [2.1]

- ***Increased Loan Coverage:*** USDA saw a substantial increase in direct and guaranteed loans. [2.1]

- ***Hurricane Coverage:*** USDA has implemented new loan coverage whereby people can apply for loans to repair hurricane-related losses. This coverage will help stimulate the economy as thousands of people are affected by national disasters each year. [2.1]

- ***Hemp Coverage:*** USDA is also expanding insurance coverage to hemp producers from national disasters in the United States. The pilot program provides coverage against loss of yield due to insurable causes of loss for hemp grown for fiber, grain, or Cannabidiol

(CBD) oil. Additionally, the Noninsured Crop Disaster Assistance Program (NAP) coverage protects against losses associated with lower yields, destroyed crops, or prevented planting where no permanent Federal crop insurance program is available. Hemp offers new economic opportunities for farmers, and they are anxious for a way to protect their product in the event of a natural disaster. [2.1]

- ***Livestock & Poultry (LP) Program Success:*** The Livestock & Poultry (LP) program continues to deliver quality services efficiently, recovering nearly all costs for the service. LP has faced significant staffing challenges in the face of COVID-19 but has implemented strategies to ensure that meat, poultry, and shell egg customers can continue to move USDA-graded products in commerce. These actions resulted in 99.7 percent of the shifts being covered, with all scheduled customers receiving uninterrupted service. [2.2]

- ***National Veterinary Stockpile Responsiveness:*** The National Veterinary Stockpile continued to respond and deploy countermeasures within 24 hours during the responses to virulent Newcastle disease (vND) and low pathogenic avian influenza (LPAI). The program provided logistical support and deployed critical veterinary supplies, depopulation equipment, and contractors to assist with response efforts, which were critical to the success of eradicating vND in California and containing LPAI in the Carolinas. [2.3]

- ***Plant Pest Detection Enhanced Analysis:*** Plant Pest Detection started survey work in all 50 States, 13 tribal areas, and three territories. The program delivered supplies, including traps and lures, to more than 300 field offices across the country. [2.3]

Key Challenges and Risks

- Delays in paper-based processing due to COVID-19 and the majority of administration staff teleworking. [2.1]
- The unpredictable economic climate due to COVID-19 resulting in producer cash flow challenges [2.1]
- Farmers understanding new coverage and utilizing updated systems. [2.1]
- Inclement weather may delay the reporting of data. [2.1]
- Prior to COVID-19, the primary challenge faced by LP included maintaining adequate grading staff to meet the customers’ needs, along with taking actions to promote their safety and health. [2.2]
- Graders perform their duties in meat, poultry, or shell egg processing plants. No options are available for either telework or light duty. [2.2]

- Due to COVID-19, LP leadership anticipated losing approximately 40 percent of its grading staff due to self-certification for Weather and Safety Leave, self-quarantining, and becoming ill. [2.2]

Planned Actions and Risk Mitigation

- Loan-making and servicing flexibilities will be provided to farmers and ranchers as a response to COVID-19. [2.1]
- The Farm Loan Programs (FLP) will enhance data analytics to aid in portfolio risk management. [2.1]
- The Department is planning IT modernization and process reengineering by FLP to implement online customer services such as online loan applications and amortization payments. [2.1]
- USDA will increase and strengthen the training of agents and farmers. [2.1]
- Leadership is leveraging multiple strategies to compensate for staffing challenges and to maintain safe working conditions for staff. [2.2]
- Strategies include using creative staffing schedules (limiting time in plants to only when grading function was required) and implementing contingency plans for reduced grader presence. Additionally, the Department is canceling annual leave for graders to ensure sufficient staffing levels, suspending air travel until late June, and providing financial incentives for staff to work in plants rather than take leave, which would have affected staffing. USDA is addressing safety issues by distributing face masks/shields and hand sanitizer directly to the graders. Relationships among the team are maintained and strengthened by holding three weekly all-hands calls for 700+ staff & weekly calls with 50+ supervisors. [2.2]
- By taking these actions, USDA was able to ensure that meat, poultry, and shell egg customers were able to move USDA-graded products in commerce. [2.2]

Exhibit 2: Strategic Goal 2 Key Performance Indicators (KPI)

KPI	Historic Actuals			Strategic Targets		FY 20 Results as of Q3
	FY17	FY18	FY19	FY19	FY20	
Average number of days to process direct loans	31	30	32	30	32	33
Percentage of direct and guaranteed loan borrowers who are beginning farmers	NA	55	54.5	53	59.9	59.1
The annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance Program ($ Billion)	74.6	76.8	78.2	77.3	77.6	34.2
Percentage of high-risk plant pests for which early detection surveys are conducted	96	96	96	95	96	*Annual Measure update provided in APPR*
Number of hours it takes to mobilize resources once it is determined that a Federal emergency response is needed to manage an agricultural outbreak (target of within 24 hours)	24	24	24	24	24	24
First installment delinquency rate on direct loans	New in FY 2020	New in FY 2020	New in FY 2020	New in FY 2020	8	10
Direct loan delinquency rate	New in FY 2020	New in FY 2020	New in FY 2020	New in FY 2020	7	4.7
Number of USDA Patents Licensed / Number of USDA Patents Granted	New in FY 2020	New in FY 2020	New in FY 2020	New in FY 2020	25	*Annual Measure update provided in APPR*
Agriculture Workforce Development	New in FY 2020	New in FY 2020	New in FY 2020	New in FY 2020	2,437	*Annual Measure update provided in APPR*
Influence of USDA Research on Public Policy	New in FY 2020	New in FY 2020	New in FY 2020	New in FY 2020	119	99
Recover 83 percent of graders' time through customer billings (for meat and poultry livestock)	New in FY 2020	New in FY 2020	New in FY 2020	New in FY 2020	83	94

FY = fiscal year; NA= not available; Q = quarter.

Notes: Preliminary status is based on progress toward KPI as of the third quarter. The USDA Annual Performance Plan and Report (APPR), to be published in February 2021, will show the final FY 2020 results.

Areas for Improvement

USDA will continue to identify methods to maintain adequate grading staff to meet the customers' needs, as well as taking actions to promote their safety and health.

Average Number of Days to Process Direct Loans: As projected in Q2, due to COVID-19 measures requiring telework and limiting the number of staff who can be in a field office at the same time, an increase in the number of days to process direct loans is expected to rise. Loan making and servicing are primarily paper-based, and this process considerably delays the ability to finalize loan applications and other services for customers. The staff is using workarounds as much as possible; however, the duration and severity of the pandemic may cause the end year target to be missed and may carry into FY 2021 if the impact of the pandemic persists and/or there is a backlog of applications to process.

Percentage of Direct and Guaranteed Loan Borrowers This metric has declined each month since January 2020 when it was 63 percent, and the Q3 Actual is slightly below the Q3 Target. The 6-month decline predates the pandemic and may reflect the longer-term stress in the farm economy, but more recently, compounded by the pandemic. Outreach by the Farm Service Agency (FSA) to customers has expanded during the pandemic. Resources are focused on providing assistance to borrowers to mitigate their actual or potential delinquencies, such as through loan restructures and postponing loan payments via a disaster-set-aside option that has been expanded to include Presidential Emergencies such as COVID-19.

First Installment Delinquency Rate on Direct Loans: This KPI is a proxy for credit quality, with the expectation that a loan's first installment will be paid. It is common to see this rate rise in December—April but decline as cash flows improve from commodity sales in the spring through autumn. Rather than this metric declining as it typically does when cash flows improve from commodity sales in the spring through autumn, the rate has increased. FLP is closely monitoring this metric and others due to the added pressures on commodity and livestock prices caused by COVID-19.

Strategic Goal 3:
Promote American Agricultural Products and Exports

Expanding international marketing opportunities for U.S. farmers and exporters is critical to business and income growth across rural America. It is essential for USDA to continue its efforts to promote American agricultural products and exports through promotion activities, development of international standards, removal of trade barriers by monitoring and enforcing existing trade agreements, and negotiation of new trade agreements that benefit the U.S. agricultural economy. USDA will also partner with developing countries to support them along the agricultural market continuum from developing economies to developed economies with promising demand potential. Ultimately, this work will build the foundations for future markets and create long-term international relationships that further advance U.S. agriculture's export.

STRATEGIC OBJECTIVES

Objective 3.1

Expand International Marketing Opportunities

Objective 3.2

Prevent or Resolve Barriers to Trade That Hinder U.S. Food and Agricultural Exports

Objective 3.3

Build Demand in Developing Countries Through Trade Capacity Building

Key Successes and Opportunities

- ***Trade Value Preserved:*** The value of trade preserved in Q3 is $103 million, with $5.89 billion cumulative for FY 2020. This quarter's success total is driven by the $60 million market opening for sorghum to Vietnam and $38 million in facilitating the release of detained shipments world-wide. [3.2]

Key Challenges and Risks

- The COVID-19 pandemic presents challenges to increasing agricultural exports as economies around the world place restrictions on exports during food security concerns, and trade shows are canceled or postponed. [3.1 and 3.2]
- In Q3 of FY 2020, due to cancellations or postponements, USDA-endorsed trade shows and agribusiness trade missions generated $0 in 12-month projected sales. [3.1]

Planned Actions and Risk Mitigation

- USDA is exploring alternative methods to in-person trade shows through the use of virtual technology. [3.1]
- USDA is tracking barriers placed on U.S. agricultural exports and is poised to counter them at every opportunity aggressively. [3.2]

Exhibit 3: Strategic Goal 3 Key Performance Indicators (KPI)

KPI	Historic Actuals			Strategic Targets		FY 20 Results as of Q3
	FY17	FY18	FY19	FY19	FY20	
Value of trade preserved through resolution of foreign market access issues such as U.S. export detainment, restrictive SPS & TBT issues, and trade regulations (Billions)	7.8	12.8	2.5	5.5	6	5.89
Value of agricultural exports resulting from participation in foreign agricultural trade shows and trade missions (Billions)	2.35	2.13	2.2	1.75	2.13	1.15

FY = fiscal year; Q = quarter; SPS =Sanitation Performance Standard; TBT = Technical Barrier to Trade

Notes: Preliminary status is based on progress toward KPI at the time of publication. The USDA Annual Performance Plan and Report, to be published in February 2021, will show the final FY 2020 results.

Areas for Improvement

In Q3, the Foreign Agricultural Service (FAS) began requiring its overseas offices to document the value of detained shipments. The FAS staff facilitated the clearance of these detained shipments through import inspection and customs by resolving issues involving documentation errors, certification errors, or misunderstanding the regulatory requirements of the importing trade partner.

USDA will strengthen its efforts in FY 2021 to develop a measure for Objective 3.3.

Strategic Goal 4:
Facilitate Rural Prosperity and Economic Development

USDA promotes rural prosperity and economic development by financing investments in rural utilities, housing, and businesses. When rural Americans share the same level of infrastructure services as the country's urban areas, rural communities can make even greater economic contributions with healthy businesses and families. With this aim in mind, USDA will leverage funds, stimulate public-private partnerships, and engage in collaboration to build rural infrastructure, including broadband, community facilities, safe and affordable housing, and health services and facilities. It will also provide capacity building to help underserved communities become thriving communities.

Key Successes and Opportunities

- ***Rural eConnectivity Pilot Program (ReConnect):*** Broadband and Next Generation Precision Agriculture are critical components for creating vital access to world-class resources, tools, and opportunities for America's farmers, ranchers, foresters, and producers. ReConnect offers unique Federal financing and funding options in the form of loans, grants, and loan/grant combinations to facilitate broadband deployment in areas of rural America that currently do not have sufficient access to broadband. In Round 1, Rural Development (RD) made 82 awards for $744 million in 34 States. For Round 2, RD received 172 applications from 42 States and funding requests totaling $1.57 billion. RD has approved investments in 39 projects through the second round representing $344,936,231 in grant and loan funding. The funded service areas include a total of 56,435 households. USDA is reviewing applications and announcing approved projects on a rolling basis.

- The funding request breakdown for Round 2: 100 percent grants: 123 applications for $904 million; 50/50 loan grant combos: 42 applications for $603 million; 100 percent loans: 7 applications for $63 million; $100 million of CARES Act funding included in Round 2 applications (11 initially eligible for $110 million). [4.1]

- ***National Telecommunications and Information Administration (NTIA) Memorandum of Understanding (MOU):*** RD is sharing Geographic Information System (GIS)-level mapping data with NTIA for eight pilot States and the State of Georgia through an MOU to assist with underwriting. Additionally, it is coordinating awarded areas for Round 2 with the Federal Communications Commission (FCC) to eliminate overlap with the FCC Rural Digital Opportunity Fund reverse auction this fall. [4.1]

- ***Farm Bill Regulations:*** RD has 23 regulations necessary to implement Farm Bill provisions. Twelve regulations are published or nearing publication. Six of the remaining

11 regulations do not require Office of Management and Budget (OMB) clearance. OneRD Guarantee Loan Initiative has been published. [4.1]

- ***COVID-19 Response:*** Beginning in March of FY 2020, RD implemented 100 percent telework status for its employees. RD staff learned to use existing technology (Microsoft Teams) for improved communication, pivoted to online outreach, facilitated webinars in place of in-person meetings, and continued to obligate funds. RD quickly implemented several actions to mitigate the impact of COVID-19 on the delivery of programs to include enhanced data tools, improved service delivery through COVID-19 resource guides and webinars for customers, and an increased focus on managing the loan portfolio. RD has received over 91,000 loan servicing requests, of which 69,000 represented the Single Family Housing Guaranteed loan program. RD consulted with loan recipients in good faith to alleviate defaults and processed the majority of requests. The deferrals represent a small percentage of the over 1.3 million loans in RD's program portfolio. RD has also successfully implemented required sections of the CARES Act, including Broadband infrastructure and Distance Learning/Telemedicine funding, and funding for working capital loans through our Business and Industry Guarantee Loan Program. Communication with customers and communities needing assistance remains a priority for RD. [4.1]

Key Challenges and Risks

- Key challenges include remote, steep terrain that makes construction and maintenance costlier; fewer potential subscribers per mile of infrastructure to support the cost of service; and higher rates of unemployment, poverty, and outmigration in the subscriber base. Additionally, the relatively low population densities and incomes can mean fewer potential subscribers, making it difficult to recoup deployment costs. These conditions make it less likely that a private service provider will build out or maintain a broadband network. [4.1]

Planned Actions and Risk Mitigation

- Specific areas addressed by the Broadband Program include financing projects to improve telecommunications services in rural areas. [4.1]

Exhibit 4: Strategic Goal 4 Key Performance Indicators (KPI)

KPI	Historic Actuals			Strategic Targets		FY 20 Results as of Q3
	FY17	FY18	FY19	FY19	FY20	
Health Facilities: Percent of customers who are provided access to new and/or improved essential community facilities	6	9.4	2.45	6.8	3	3.3
Number of borrowers' subscribers receiving new and/or improved telecommunication services (thousand)	158	45	68.9	139	160	75
Percent of RD commercial/ infrastructure investments that leverage non-Federal funding	NA	77	83	78	79	66
Percent of RD assistance that went to distressed communities	NA	11	11	12	13	11

FY = fiscal year; NA = not available; Q = quarter; RD =Rural Development.

Notes: Preliminary status is based on progress toward KPI as of the third quarter. The USDA Annual Performance Plan and Report, to be published in February 2021, will show the final FY 2020 results.

Areas for Improvement

Rural Development continued obligating funds in FY 2020 Q3 at a higher rate than previous fiscal years despite moving to 100 percent telework and other limitations of continuing operation during the pandemic.

Table: Rural Development (RD) Obligation Rate Comparison by Fiscal Year Quarter 3

Agency	June 2018			June 2019			June 2020		
	Available	Obligations	%	Available	Obligations	%	Available	Obligations	%
RHS	$28,708,518	$14,190,213	49%	$29,364,472	$11,817,198	40%	$30,125,819	$17,973,968	60%
RUS	13,208,719	2,132,368	16%	11,768,087	2,381,208	20%	13,680,767	4,518,219	33%
RBCS	2,225,222	1,457,746	66%	2,255,197	1,138,591	50%	5,096,321	1,168,639	23%
RD	**$44,142,459**	**$17,780,327**	**40%**	**$43,387,756**	**$15,336,997**	**35%**	**$48,902,907**	**$23,660,827**	**48%**

RBCS = Rural Business-Cooperative Service; RHS = Rural Housing Service; RUS = Rural Utility Service.

While obligation activity and loan making performance has been maintained under COVID-19, RD has experienced continued challenges reaching the targets for two KPIs: (1) percent of RD commercial/infrastructure investments that leverage non-Federal funding, and (2) percent of RD assistance that went to distressed communities

The Leveraging KPI Challenge: Due to COVID-19, the other funds invested alongside RD funds in projects have decreased. This reduction is especially true in rural infrastructure projects—water and electricity.

The Distressed Communities KPI Challenge: Investment percentages in distressed communities increased or remained stable in RD programs. The increased year-over-year obligations in RD's most extensive program, Single Family Housing Guaranteed (SFHG), however, reduced distressed community investment averages for RD as a whole. The SFHG program has obligated 65 percent of the funds obligated thus far by RD. The program is designed to work with private-sector lenders to support mortgages to moderate-income families. Unlike RD's direct lending and grant programs, the Department cannot target where guaranteed obligations originate because the private sector controls these loans. Only 9 percent of the funds obligated under SFHG are in distressed communities. While investments in distressed communities remained stable or increased in the other programs, it was not enough to overcome the lack of investment by SFHG.

Distressed Communities were already vulnerable and became even more vulnerable under COVID-19. The RD Innovation Center (IC) facilitated a webinar discussion for all RD staff that focused on working with Distressed Communities—what works, what are the challenges, and what are new ways to engage and conduct outreach under COVID-19.

Strategic Goal 5:
Strengthen the Stewardship of Private Lands Through Technology and Research

The world population is expected to reach 9.6 billion by 2050. Feeding this population will require the adoption of new science and technologies and the implementation of science-based conservation plans to increase agricultural production sustainability. To ensure U.S. private working lands and public agricultural landscapes are conserved, the Department will provide technical and financial assistance using the latest technology and research available. New and improved practices result from fundamental and applied research to understand the complex interactions between human systems and the environment and transferring the resulting knowledge into the hands of producers and land managers through information, tools, and decision support.

STRATEGIC OBJECTIVES

Objective 5.1

Enhance Conservation Planning with Science-Based Tools and Information

Objective 5.2

Promote Productive Working Lands

Objective 5.3

Enhance Productive Agricultural Landscapes

Key Successes and Opportunities

- ***Farmers.gov Launch:*** USDA implemented the Farmers.gov gateway. The gateway provides farmers, ranchers, and forest landowners with online self-service applications, educational materials, engagement opportunities, and business tools. The Department built the website around the needs of customers, with farmer-focused content, interactive tools, and a business data dashboard that allows producers more time to focus on their farm and less time filling out antiquated and time-intensive paper forms. [5.1]
- ***Recreation.gov:*** This website and mobile app empowers forest enthusiasts along their entire travel journey to dream, plan, and experience national treasures, as well as share their memorable experiences to inspire others. Architects of Recreation.gov began from a foundation of Federal recreation data and valuable user feedback to create a service with instinctive workflows for visitors and Federal recreation managers, enhanced trip-planning and mapping features, and inspirational content for discovery. Since the Recreation.gov site launched in October 2018, it has hosted nearly 20 million users, 41.7 million sessions, and 156 million page views. [5.1].

- ***Customer Service Enhancements:*** USDA improved customer service through inventory assessment and application ranking automation. This revision makes processes more efficient for customers by determining service gaps and reducing labor hours in manually ranking applications. [5.1]
- ***Expanded Conservation Reserve Program (CRP):*** Congress expanded the overall CRP acreage cap for producers in the 2018 Farm Bill. The CRP acreage allocation caps for buffers and wetlands were also removed. In exchange for a yearly rental payment, farmers who enrolled in the program agree to remove environmentally sensitive land from agricultural production and plant species that will improve environmental health and quality. The contracts for land that enrolled in CRP are 10-15 years in length. The long-term goal of the program is to re-establish valuable land cover to help improve water quality, prevent soil erosion, and reduce the loss of wildlife habitat. [5.2 and 5.3]

Key Challenges and Risks

- The variation in producer interest and volatility of uncontrollable and sometimes unpredictable economic changes [5.1]
- The agency streamlining efforts, management and monitoring of federal funds creates obstacles in knowledge transfer and ability to meet goals. [5.1]
- The current economic and logistical obstacles add to the difficulty in Farm Bill implementation, as well as additional challenges caused by severe weather, and agency attrition [5.2 and 5.3]
- Due to working remotely during COVID pandemic, there are added communication and implementation challenges. [5.1, 5.2, 5.3]

Planned Actions and Risk Mitigation

- Increase program outreach to key stakeholders. [5.1]
- Build executive dashboards, scorecards, the status of funds, performance data charts with real-time data, and align process flows for streamlined program delivery. [5.2]
- Key Performance Indicator training automates inventory assessment and application ranking tools, budget/performance integration, and staff training. [5.2 and 5.3]

Exhibit 5: Strategic Goal 5 Key Performance Indicators (KPI)

KPI	Historic Actuals			Strategic Targets		FY 20 Results as of Q3
	FY17	FY18	FY19	FY19	FY20	
Acreage enrolled in CRP riparian and grass buffers (Cumulative, Million Acres)	1.6	1.5	1.43	1.43	1.43	1.37
Cropland with conservation applied to improve soil quality (Million Acres)—Environmental Quality Incentives Program (EQIP)	3	3.1	3.4	3.1	3.1	3.4
Cropland with conservation applied to improve soil quality (Million Acres)—Conservation Technical Assistance (CTA)	5.9	6	5.7	5.9	6	3.3
Tons of sediment prevented from leaving cropland and entering water bodies (Million Tons)	4.8	5.3	6.3	5.7	5.7	3.8
Working land protected by conservation easements (Thousand Acres)	60.7	163	178	140	163	92
Contract Implementation Ratio (CIR, %)	NA	87	87	87	87	*Annual Measure update provided in APPR*
Annual Practice Implementation Rate (PIR, %)	NA	51	55	53	53	45
Restored wetland acreage (Million Acres)	New in FY 2020	New in FY 2020	New in FY 2020	New in FY 2020	2.41	2.35

CPR = Conservation Reserve Program; FY = fiscal year; NA = not available; Q = quarter.

Notes: Preliminary status is based on progress toward KPI as of the third quarter. The USDA Annual Performance Plan and Report (APPR), to be published in February 2021, will show the final FY 2020 results.

Areas for Improvement

The CRP has been impacted by COVID-19 complications, although Q3 actuals still fall within the 10 percent range. Contract offers must be completed remotely, and outreach events are limited to virtual conferences.

Strategic Goal 6:
Ensure Productive and Sustainable Use of the National Forest System Lands New in FY 2020

The Nation's forests and grasslands are a fundamental part of the American landscape and are a legacy that the USDA Forest Service holds in trust for present and future generations. Forests provide clean air and water, forest and rangeland products, mineral and energy resources, jobs, quality habitat for fish and wildlife, recreational opportunities, and memorable experiences.
The National Forest Service (NFS) plays a critical role in making America's forests and grasslands resilient to threats and disturbances while mitigating wildfire risk. The Department also manages the national forests and grasslands to ensure that they are healthy and sustainable—while also allowing rural communities to access and benefit from economic opportunities that the Nation's forests offer. This work is complemented with USDA's research in forestry, ecology, and economics to ensure world-class science guides effective policies and management practices.

STRATEGIC OBJECTIVES

Objective 6.1

Contribute to the Economic Health of Rural Communities Through Use and Access Opportunities

Objective 6.2

Ensure Lands and Watersheds Are Sustainable, Healthy, and Productive

Objective 6.3

Mitigate Wildfire Risk

Key Successes and Opportunities

- ***Visitor Satisfaction:*** In FY 2019, visitor satisfaction was rated at 95 percent due to continued efforts to provide access to quality landscapes, offer a variety of recreation opportunities and settings, and maintain recreation facilities to acceptable standards. [6.1]
- ***Timber Sales:*** Forest product efficiencies and timber sale preparation reduce sale preparation times and will lead to increased production. New guidelines for market-based appraisals for timber sales may reduce the chance for newly offered timber sales having no bids. [6.2]
- ***Hazardous Fuels:*** All regions showed steady accomplishments and were on pace with the 5-year average until mid-March when impacted by COVID-19. [6.3]

Key Challenges and Risks

- Multiple interests in the use of national forest land and resources sometimes lead to conflicts among stakeholders and can present challenges in improving use and access for rural communities. [6.1]
- In early FY 2020, various areas were negatively affected by weak or non-existent timber markets, inadequate timber mill capacity to use timber volume, and tariffs. By mid-March, economic uncertainties significantly affected timber markets, reduced demand, and resulted in no-bids on some advertised timber sales. COVID-19 restrictions delayed contractors and employees from working on sales and contributed to reduced demand. Forest product users are experiencing shutdowns and slowdowns due to waned demand. [6.2]
- A quiet fall fire season contributed to the low treatments, and wet weather in the first quarter limited opportunities for prescribed burns. All regions placed a pause in prescribed fire implementation in March. Regions were looking to employ mechanical treatments for later in the year; however, concerns during the COVID-19 pandemic compelled local officials to restrict incoming resources for mechanical treatments. [6.3]

Planned Actions and Risk Mitigation

- The Department plans to update recreational and permitting tools to maintain a high visitor satisfaction rate and continue to build on pilot programs tested in 2019 to expand these online services to more locations. [6.1]
- NFS is in the process of developing safe work assignments to achieve accomplishments while maintaining safety, implementing the Significant Overriding Public Interest (SOPI), working with regions to identify target timber sale forecasts, and shifting resources to support the additional timber volume. [6.2]
- Hazardous Fuels program leaders are diversifying with mechanical and prescribed fire options and working with regions to assess needs versus capacity limitations to resolve issues. All regions are strongly evaluating shifting some prescribed fire projects to mechanical due to missed prescribed fire opportunities associated with COVID-19. Opportunities for prescribed fire projects may present themselves later in FY 2020 if the COVID-19 epidemic subsides. [6.3]

Exhibit 6: Strategic Goal 6 Key Performance Indicators (KPI)

KPI	Historic Actuals			Strategic Targets		FY 20 Results as of Q3
	FY17	FY18	FY19	FY19	FY20	
Percent of customers satisfied with recreation facilities, services, and settings in National Forests	NA	95	95	95	95	*Annual Measure update provided in APPR*
Timber volume sold (Billion Board Feet)	2.9	3.2	3.27	3.7	3.7	1.87
Annual acreage of NFS lands where final treatment effectively mitigates wildfire risk (Million Acres, Annually)	.348	1.04	.85	1.1	1.1	0.51
Annual acreage treated to reduce or maintain fuel conditions on NFS and non-Federal lands (Million Acres, Annually)	.807	3.4	2.9	3.4	3.4	137

FY =fiscal year; NA = not available; NFS = National Forest Service; Q = quarter.

Notes: Preliminary status is based on progress toward KPI as of the third quarter. The USDA Annual Performance Plan and Report (APPR), to be published in February 2021, will show the final FY 2020 results.

Areas for Improvement

USDA program staff may need to revisit strategies in meeting performance measures for timber volume sold and annual acreage treated to reduce or maintain fuel conditions on NFS and non-Federal lands. Several programmatic changes have occurred since baselines were set, leaving the need to improve the accuracy and feasibility of the measures.

Strategic Goal 7:
Provide All Americans Access to a Safe, Nutritious, and Secure Food Supply

USDA has critical roles in preventing foodborne illness and protecting public health while also ensuring Americans have access to food, a healthful diet, and nutrition education in a manner that supports American agriculture and inspires public confidence. The Department will take several actions to achieve this goal. First, to ensure the food supply is safe, the Department will continue to prevent contamination and limit foodborne illness by expanding its modernization of food inspection systems. USDA's research, education, and extension programs will continue to provide information, tools, and technologies about the causes of foodborne illness and its prevention. Second, USDA will continue to develop partnerships that support best practices in implementing effective programs to ensure that eligible populations have access to programs that support their food needs. These collaborations include research on the nutritional quality of American's food and diets, as well as continuing to discover the drivers of poor diets and nutritional choices. Lastly, USDA will collaborate with partners and stakeholders on strategies to reduce foodborne illness and childhood obesity and to improve diets. USDA ensures agriculture production incorporates the best available science into its modernization efforts to produce food that is safer, more nutritious, and secure.

STRATEGIC OBJECTIVES

Objective 7.1

Prevent Foodborne Illness and Protect Public Health

Objective 7.2

Provide Access to Safe and Nutritious Food for Low-Income People While Supporting a Pathway to Self-Sufficiency

Objective 7.3

Support and Encourage Healthy Dietary Choices Through Data-Driven, Flexible, Customer-Focused Approaches

Key Successes and Opportunities

- ***Modernization Initiatives:*** USDA announced two final modernization initiatives in FY 2020. The final Modernization of Swine Slaughter Inspection Rule established an optional new inspection system for market hog slaughter establishments that has been demonstrated to provide public health protection that is at least equivalent to the existing inspection system. Modernization of egg products inspection amends the egg products inspection regulations by requiring Hazard Analysis and Critical Control Point (HACCP)

Systems for plants that process egg products consistent with the meat and poultry regulations. [7.1]

- *Roadmap to Reducing Salmonella: Driving Change through Science-Based Policy*, outlines programs and policies that are science-based, data-driven, and promote innovation to reduce *Salmonella* in meat, poultry, and egg products. USDA discussed the *Salmonella* roadmap at a virtual public meeting on September 22, 2020. In addition to FSIS, USDA's Agricultural Research Service (ARS), the U.S. Food and Drug Administration (FDA), and the Centers for Disease Control and Prevention (CDC) participated in the meeting.
- ***Food Safety Outreach Plan:*** In FY 2020, USDA developed a high-level food safety outreach plan to drive positive consumer behavior change and reduce foodborne illness. [7.1]
- ***Assistance for Small Scale Meat Processing:*** To assist small and very small meat processors, USDA hosted a webinar to assist small and very small meat processors by explaining the process for obtaining a FSIS grant of inspection and also discussing loans, grants, and loan guarantees offered by USDA Rural Development. Held in FY 2020, a video recording of the webinar and slides presented were made available on the FSIS website. FSIS senior leadership also met with small and very small plant owners and operators at three roundtables in Missouri, Illinois, and Texas. [7.1]
- ***Ensure Safety of New Food Production Techniques:*** USDA and the Food and Drug Administration (FDA) established working groups in FY 2020, tasked with developing processes and procedures for the safe production of human food products derived from the cells of livestock and poultry. The working groups are addressing pre-market food safety assessments by the FDA, inspections, and the transition of oversight from FDA to USDA during the cell harvest stage and USDA labeling oversight. [7.1]
- ***Supporting State Inspection Systems:*** FSIS secured the ability to fund 50 percent of State meat and poultry inspection programs through a $5 million funding increase from Congress. States had previously stated that low reimbursement rates could lead them to eliminate their inspection programs, which would require FSIS to provide inspection coverage for those State establishments and put additional pressure on FSIS inspection personnel and budget. [7.1]
- ***Filling Frontline Positions:*** FSIS implemented a Public Health Veterinarian (PHV) incentive program that included new retention incentives and student loan repayment to improve recruitment and retention of these mission-critical positions. It also used the Direct-Hire Authority to increase and expedite the hiring of Food Inspectors (FI), Consumer Safety Inspectors (CSI), and PHVs. [7.1]
- ***Newly Published Guidance Supporting Self-Sufficiency:*** USDA published the final rule, Supplemental Nutrition Assistance Program: Requirements for Able-Bodied Adults

without Dependents (ABAWD) in December 2019. The rule supported the Agency's commitment to moving SNAP participants forward into work opportunities by modifying States' ability to receive waivers of the ABAWD time limit. [7.2]

- ***Newly Published Rule Supporting Education and Training:*** USDA published the proposed rule, Employment and Training Opportunities in the Supplemental Nutrition Assistance Program (SNAP) in March 2020. The rule codifies change from the 2018 Farm Bill and expands the education and training components allowable under the Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T). [7.2]
- ***Newly Published Rule Supporting Simplifying Meal Patterns:*** USDA published the proposed rule, Simplifying Meal Service and Monitoring Requirements in the National School Lunch and School Breakfast Programs in January 2020. The rule includes provisions to help reduce burden while delivering essential nutrition benefits during the school year through the National School Lunch/School Breakfast Programs. [7.3]
- ***Newly Published Rule to Strengthen Program Oversight:*** USDA published the proposed rule, Streamlining Program Requirements and Improving Integrity in the SFSP in January 2020. The proposed rule codifies statutory requirements, policy improvements, and administrative flexibilities that are designed to strengthen oversight and operational performance in the delivery of essential nutrition benefits to children through the Summer Food Service Program (SFSP). [7.3]
- ***New Grants to Improve Data and Expand Program Capacity in SNAP Employment and Training Programs:*** In September 2020, FNS awarded over $3.2 million in SNAP E&T Data and Technical Assistance (DATA)Grants to support improved E&T data collection and reporting across five SNAP state agencies, and awarded more than $6.7 million in SNAP E&T National Partnership Grants to help four national non-profit organizations expand program capacity to serve SNAP participants. [7.2]
- ***COVID-19 Response:*** The Food and Nutrition Service (FNS) provided over 4,000 program flexibilities in response to COVID-19, including:
  - Over 850 individual statutory and regulatory waiver requests for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from State agencies. [7.2]
  - Child Nutrition waivers across all State agencies and territories, including both State-specific waivers and State election of over 50 nationwide waivers. The suite of waivers provided for the Seamless Summer Option (SSO) and the Summer Food Service Program (SFSP) include, most notably:
    - Allowing SFSP and SSO meals to be served in all areas and at no cost;
    - Permitting meals to be served outside of the typically-required group settings and meal times to support social distancing;

        - Waiving meal pattern requirements as necessary; and
        - Allowing parents and guardians to pick-up meals for their children.[7.3]
    - Certain flexibilities to State SNAP agencies to support social distancing and streamline the application process such as limiting interview requirements, allowing streamlined interviews, easing telephonic signature requirements, providing extensions and flexibilities in conducting Quality Control interviews, extending certification periods and temporarily waiving periodic reporting, and expanding the allowable activities for which states can use vendor/private staff to manage increased workload. [7.2]
    - Emergency supplemental SNAP benefits to bring all eligible SNAP households up the maximum benefit level, totaling more than $2 billion per month. [7.2]
- FNS used its USDA Foods—wholesome, nutritious, 100% American-grown products—in new ways to respond to the pandemic, including:
    - Stepping up when foodbanks were struggling to receive additional outside donations and, through The Emergency Food Assistance Program, provided significantly more food and administrative funding—over $3 billion in total. This included $850 million in Congressional coronavirus relief, though USDA Foods represent only a portion of the resources food banks distribute each year. [7.2]
    - Providing short-term emergency support through Disaster Household Distributions, approving 58 State and Tribal agencies to distribute food to 14.4 million people in the Spring of 2020. [7.2]
    - Supporting participants in the Food Distribution Program on Indian Reservations (FDPIR) with an additional $100 million for COVID-19 response, which went to infrastructure grants, additional food distributions, and additional administrative support. [7.2]
- During the pandemic, USDA has worked with program partners and public and private sector organizations to ensure that all those impacted can get the food they need through innovative means. Key examples include:
    - Working with states to provide benefits (similar to SNAP or “food stamps”) to children who normally receive free or reduced-price school meals through the Pandemic EBT or P-EBT program. P-EBT helps supplement family budgets by replacing the value of those lost school meals. SNAP and Child Nutrition agencies in each of the 50 states, the District of Columbia, and the U.S. Virgin Islands have collaborated to design, build, and administer P-EBT programs to distribute billions of dollars in food assistance to eligible children and their families. [7.2]
    - Expanding USDA’s innovative partnership with the Baylor University Collaborative on Hunger and Poverty, McLane Global, and PepsiCo. What began as a summer pilot project in 2019, was leveraged as Emergency Meals to You to address pandemic-

related nutrition needs in rural areas. Meals to You boxes were delivered directly to children's homes via the U.S. Postal Service or another delivery service. Each box contained 20 nutritious, shelf-stable meals including 10 breakfasts and 10 lunches/ suppers. Between April and August, the program provided over 38 million meals directly to the doorsteps of low-income rural children. [7.2 and 7.3]

- Building on the Summer Site Finder Tool, USDA debuted a new interactive website to help families find meals for children while schools are closed. Throughout the pandemic, meals have been served at more than 87,000 locations (and counting); [7.2]
- Supporting local partnerships such as with Panera and the Children's Hunger Alliance (CHA) to provide freshly prepared and wholesome meals to children in need in the state of Ohio. Panera leveraged its supply chain and bakery-cafes to provide ready-to-eat, freshly prepared meals to CHA for children. Meals included a menu of five different clean, wholesome choices from salad to sandwiches and veggie snack boxes including a new whole grain bread. These meals were offered at extreme discount to align with USDA school food prices. [7.2 and 7.3]

Key Challenges and Risks

- Statutory restrictions on billing for overtime for inspection personnel limits flexibility in scheduling that would improve work-life balance for and retention of FSIS inspection personnel. Changes in statutory restrictions will allow for ease of scheduling and possible restructuring of jobs while remaining cost-neutral for the industry. [7.1]
- Salary, benefits, and other fixed costs represent nearly 94 percent of FSIS's budget, leaving limited flexibility to fund high priority investments such as critical IT modernization investments meant to reduce foodborne illness and protect public health. [7.1]
- Recruitment and retention of employees, particularly veterinarians and other front-line positions in FSIS, continues to be a challenge. [7.1]
- FNS data availability, data quality from States, lag, and antiquated systems for reporting continue to present a challenge for FNS. [7.2]
- COVID-19 has altered the landscape of E&T providers. Some had to suspend or eliminate services due to public health risk factors, while others have seen expansions with online services. Reinvigorating E&T under "new normal" conditions will take renewed commitment, creative thinking, and new approaches. [7.2]
- Due to COVID-19, some WIC State Agencies observed the potential for delayed implementation of WIC Electronic Benefits Transfers (EBT). [7.2]

- School systems closed to help limit the spread of COVID-19 starting in early March for the 2019–2020 school year requiring a massive shift in how millions children were to be fed. [7.3]
- The Department faced lawsuits on the final rule for flexibilities on milk, sodium, and whole grains (School Meals 1.0), which was vacated, and ABAWDs. [7.2 and 7.3]

Planned Actions and Risk Mitigation

- FSIS proposes to mitigate the overtime statutory restriction risk by requesting legislative language changes from Congress, as included in its FY 2021 budget request. [7.1]
- FSIS will continue to advocate for additional funding in annual budget requests for high priority investments meant to reduce foodborne illness and protect public health. [7.1]
- FSIS proposes to mitigate recruitment and retention challenges by continuing to use direct-hire authority to fill front-line positions. While USDA has permanent direct-hire authority to fill PHV positions, the Agency has secured authorization from the U.S. Office of Personnel Management (OPM) to increase its Direct Hire Authority (DHA) allocation of Food Inspector positions by 160 and extend the use of DHA until September 30, 2021. The increased allotment would need to be utilized within the next year. It will also continue to provide recruitment incentives to Veterinarians who choose to join FSIS and offer retention incentives to this target population. FSIS, in partnership with the Office of Personnel Management (OPM), will conduct a redesign of the FI assessment instrument position in Q4 of FY 2020. The redesign will assist FSIS efforts to acquire the highest quality candidates for the FI role, and ensure the personnel are prepared to carry out critical public health tasks in a modernized inspection environment. It will also improve FSIS's ability to manage positions and make clear delineations between the FI and Consumer Safety Inspector positions. [7.1]
- FNS is reengaging States and providing technical assistance on redesigning and reinvigorating their E&T programs. [7.2]
- FNS is hosting the first-ever SNAP Employment and Training National Work Forum in October 2020, which will bring together SNAP E&T stakeholders from across the country to share and learn best practices for promoting and increasing employment among SNAP households through state SNAP E&T programs. [7.2]
- FNS will continue to provide extensive technical assistance to WIC State agencies regarding meeting the EBT mandate of the statewide implementation date of 10/1/20. [7.2]

Exhibit 7: Strategic Goal 7 Key Performance Indicators (KPI)

KPI	Historic Actuals			Strategic Targets		FY 20 Results as of Q3
	FY17	FY18	FY19	FY19	FY20	
Percentage of establishments that meet pathogen reduction performance standards	77	71	84	72	87	85
Percentage of establishments whose Public Health Regulation (PHR) noncompliance rate decreases below the early warning cut point 120 days after receiving an Early Warning Alert (EWA)	73	74	74	73	74	74
Percentage of American households with consistent, dependable access to food	88.2	88.9	89.5	87.9	89	*Annual Measure update provided in APPR*
Percentage of Supplemental Nutrition Assistance Program (SNAP) Employment & Training participants engaged in education and skills-based training	NA	25.5	34.7	27.5	35.5	*Annual Measure update provided in APPR*
Annual percentage of eligible children participating in the National School Lunch Program (NSLP)	55	58	57	59	59	*Annual Measure update provided in APPR*
Annual percentage of eligible children participating in the School Breakfast Program (SBP)	30	30	30	30	31	*Annual Measure update provided in APPR*

FY = fiscal year; NA = not available; Q =quarter.

Notes: Preliminary status is based on progress toward KPI as of the third quarter. The USDA Annual Performance Plan and Report (APPR), to be published in February 2021, will show the final FY 2020 results.

Areas for Improvement

USDA will consider a way in which performance reporting for all Goal 7's KPIs can occur, notwithstanding the lag in annual reporting (for example, use the most recent available actuals).

- The FY 2020 target for the percentage of establishments that meet pathogen reduction performance standards is currently unmet. While variation in this measure is typical, it appears that, in the short term, the trend is leveling off. It is currently undetermined if this leveling is due to the industry possibly reaching its limit on improvements in passing the standard, or if the industry is focused on addressing impacts of the Covid-19 Pandemic that started in Q2 of FY 2020. FSIS is examining trends related to establishments that either consistently or occasionally have failed the performance standard and develop strategies for improvement.

COVID-19 has had a significant impact on FNS program operations, to include:

- State SNAP agencies are adjusting referrals of individuals to E&T providers to accommodate public health requirements. Furthermore, States and E&T providers are being innovative and retooling their operations for a virtual environment and working to find employers or industries that are hiring. [7.2]
- Even with the numerous flexibilities granted by FNS, many CN program operators are challenged to reach the entirety of the population they served pre-pandemic. Additionally, new activities, such as additional sanitation procedures and packaging meals for pick-up and/or delivering them directly to students, frequently incurred expenses. [7.3]
- The pandemic also resulted in numerous program activities being delayed or postponed, including in-person training and conferences, administrative data collection, on-site monitoring activities, collaborative workgroups/partnerships, and grantmaking. Such challenges were also pronounced at the State and local levels, widely impacting program delivery and enrichment. FNS is working to continue as many of these activities as possible virtually. [7.3]

Future Demands, Risks, Uncertainties, Events, Conditions, and Trends

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 the U.S. Department of Agriculture (USDA or the Department). 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 Include the Following:

- Weather-related hardships, including disasters related to the increasing intensity and duration of extreme weather and climate change, both domestically and internationally;
- The risk of catastrophic fire, depending on weather, drought conditions, and the expanding number of communities in the wildland-urban interface;
- Non-weather-related hardships and other uncontrollable events, both domestically and internationally;
- Domestic and international macroeconomic factors, including 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;
- 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;
- The impact of future economic conditions and actions by a variety of Federal, State, and local governments that could influence the sustainability of rural infrastructure;
- 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;
- Potential exposure to hazardous substances, which may threaten human health as well as the environment; and

- The ability of the public and private sectors to collaborate effectively on food safety, security, and related emergency preparedness efforts.

Mitigation Strategies:

USDA has made great strides during fiscal year (FY) 2020 toward its mitigation strategies, under the auspices of its Enterprise Risk Management (ERM) program. Specifically, the Department leads a large-scale effort across mission areas to identify the top 10 enterprise risks, risk drivers, mitigation strategies, and key risk indicators.

A risk owner was assigned to each risk, who prioritized the mitigation strategies into short– and long– term implementation. USDA will continue to advance the strategies in FY 2021, with periodic updates to the Deputy Secretary during Quarterly Strategic Reviews.

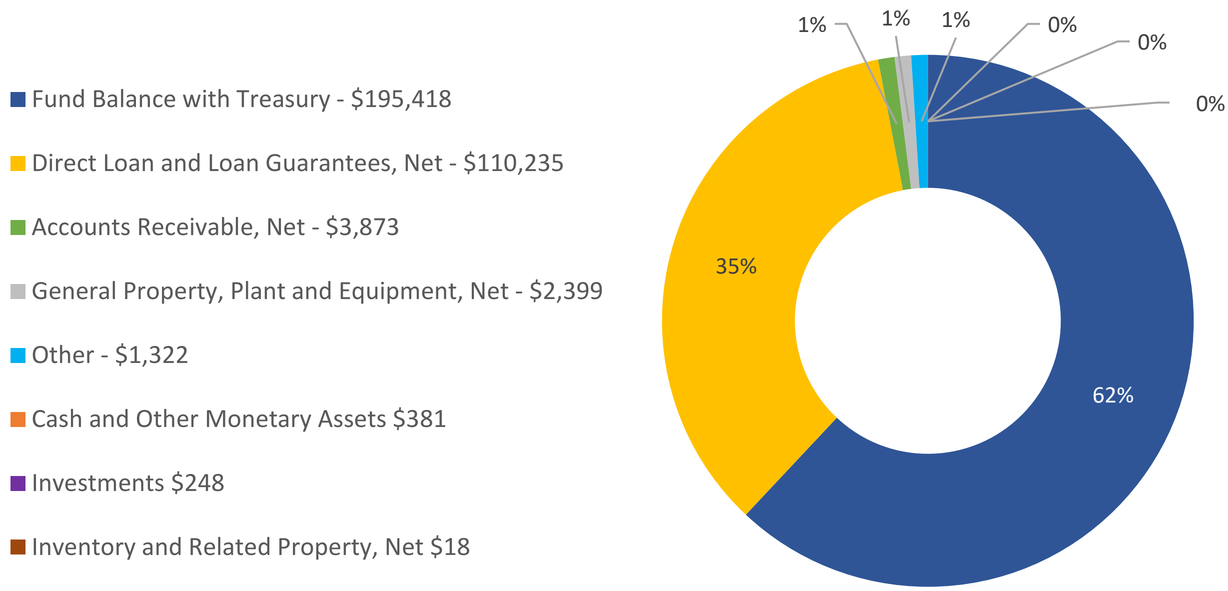
Analysis of Financial Statements and Stewardship Information

Consolidated Balance Sheets

Total Assets

Total assets for FY 2020 were $313,894 million, compared to $265,095 million for FY 2019, an increase of $48,799 million, or 18 percent. The following exhibit presents FY 2020 total assets.

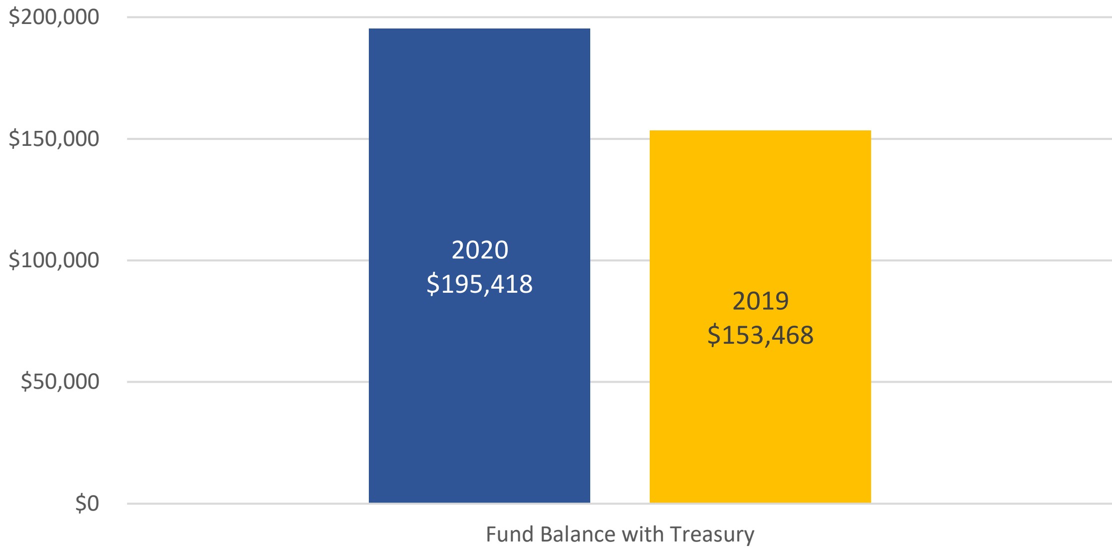
Exhibit 8: Total Assets ($ millions)



Direct Loan 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 86 percent of the total Department loan programs. Loan programs administered by FSA represent 12 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 the 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. The following exhibit presents significant changes in total assets.

The following exhibit presents significant changes in total assets.

Exhibit 9: Significant Changes in Total Assets ($ millions)

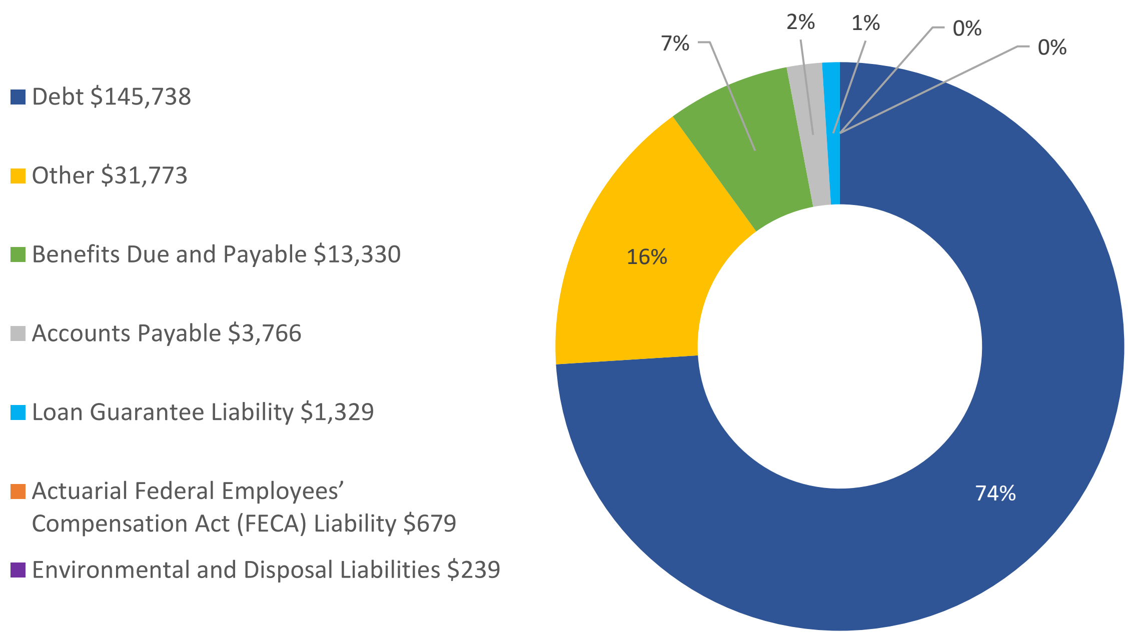


Increase in Fund Balance with Treasury of $41,950 million mainly due to FSA Corona Virus Food Assistance Program (CFAP) and Wildfires and Hurricanes Indemnity Program (WHIP) of $17,737 million; FNS supplemental funding for COVID-19 of $16,313 million; AMS custom receipts from the Department of Homeland Security and COVID-19 Food Box Distribution Program of $9,116 million; Forest Service Wildland Fire Suppression Operations Reserve Fund of $1,598 million; NRCS transfer from CCC for Farm Bill funding of $1,530 million; RD loans and grants of $(2,280) million; and RMA underwriting gain and disaster relief of $(2,069) million.

Total Liabilities

Total liabilities for FY 2020 were $196,854 million, compared to $178,981 million for FY 2019, an increase of $17,873 million, or 10 percent. The following exhibit presents FY 2020 total liabilities.

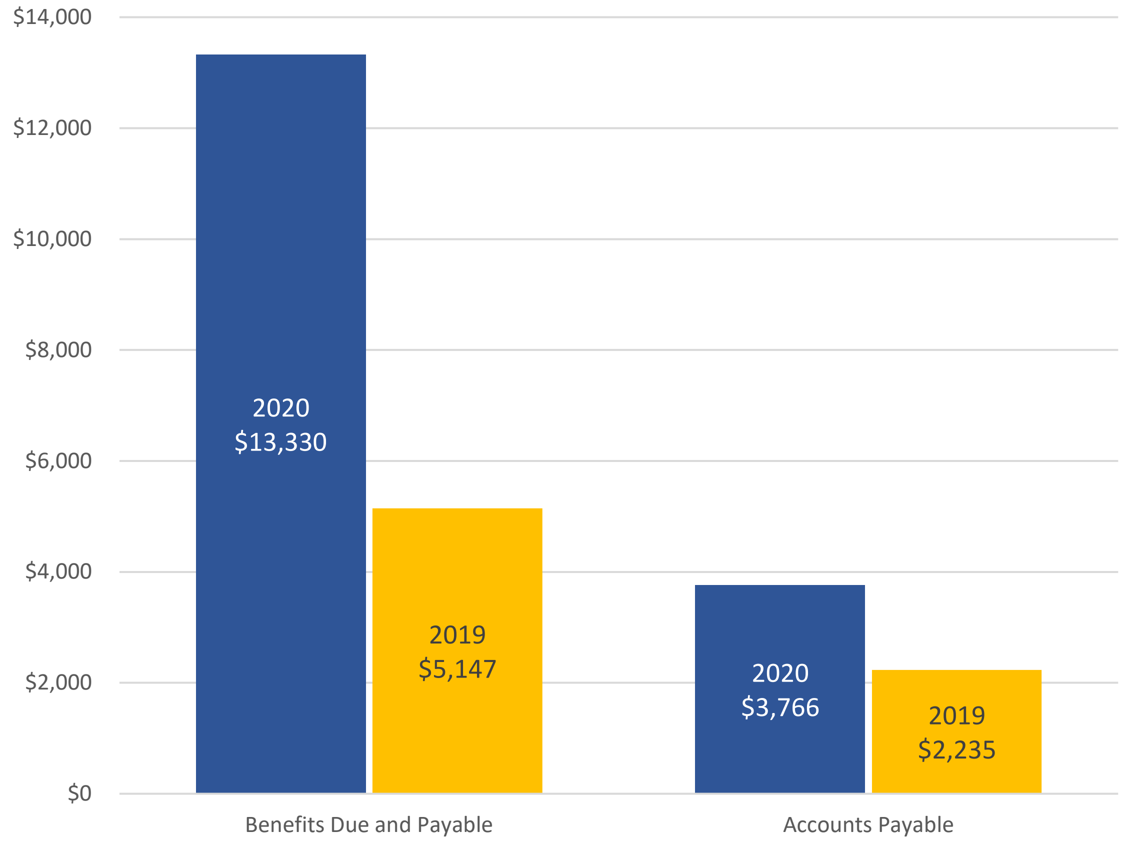
Exhibit 10: Total Liabilities ($millions)



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 68 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 20 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 12 percent of the total debt.

The following exhibit presents significant changes in total liabilities.

Exhibit 11: Significant Changes in Total Liabilities ($ millions)



Increase in Benefits Due and Payable of $8,183 million mainly due to FNS Child Nutrition (CN) and Supplemental Nutrition Assistance Program (SNAP) for COVID-19.

Increase in Accounts Payable of $1,531 million mainly due to FSA CFAP and WHIP of $1,596 million; and CCC Trade Mitigation and Market Facilitation Programs of $(395) million.

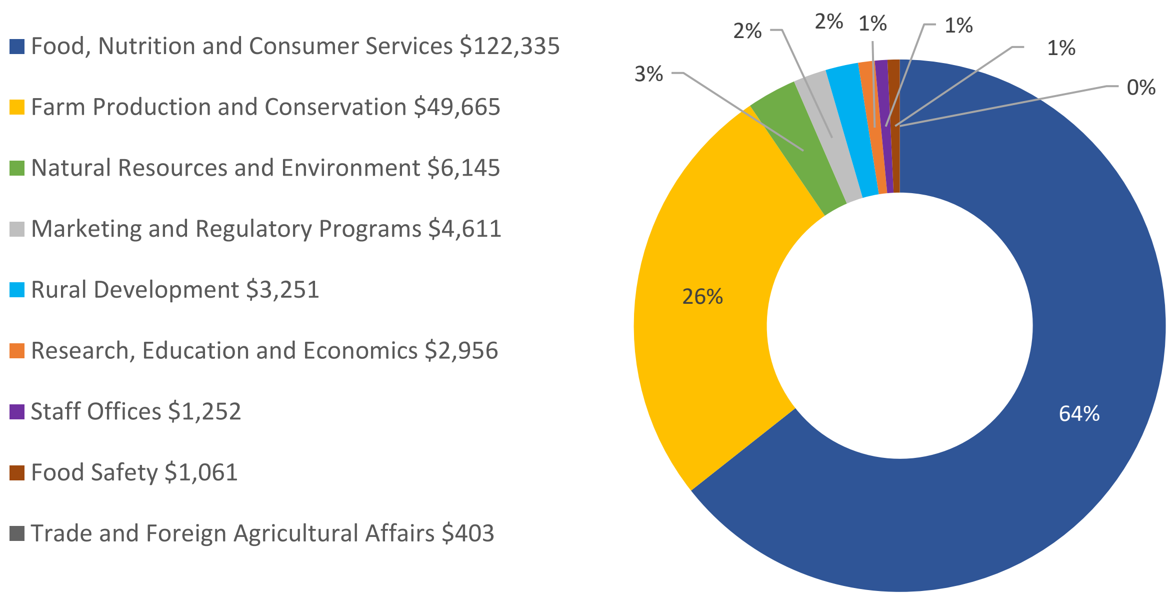
Consolidated Statements of Net Cost

Net Cost of Operations

Net cost of operations for FY 2020 was $191,679 million, compared to $144,647 million for FY 2019, an increase of $47,032 million, or 33 percent.

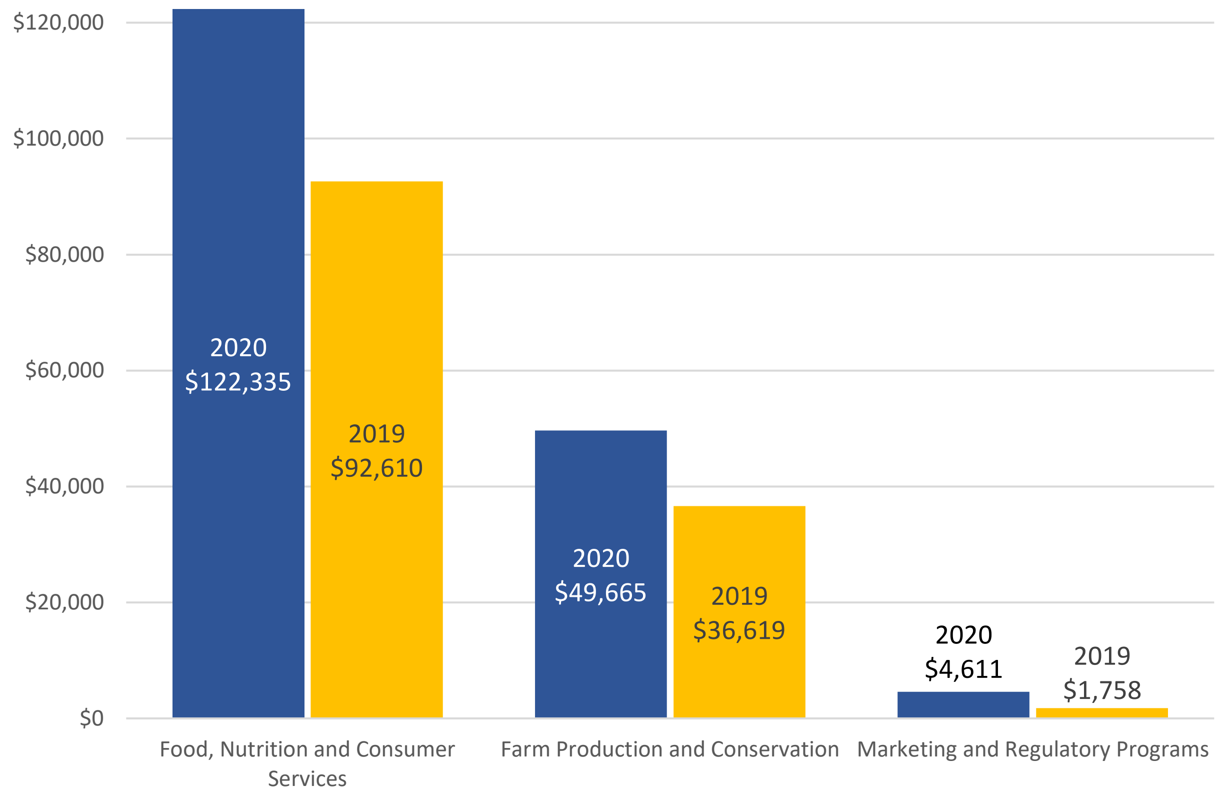
The following exhibit presents FY 2020 net cost of operations by mission area.

Exhibit 12: Net Cost of Operations by Mission Area ($millions)



The following exhibit presents significant changes in net cost of operations.

Exhibit 13: Significant Changes in Net Cost of Operations ($ millions)



Increase in Food, Nutrition and Consumer Services of $29,725 million mainly due to COVID-19 for CN and SNAP.

Increase in Farm Production and Conservation of $13,046 million mainly due to FSA CFAP and WHIP; RMA indemnities and disaster relief; and CCC Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), and Marketing Assistance Loans.

Increase in Marketing and Regulatory Programs of $2,853 million mainly due to COVID-19 Food Box Distribution Program.

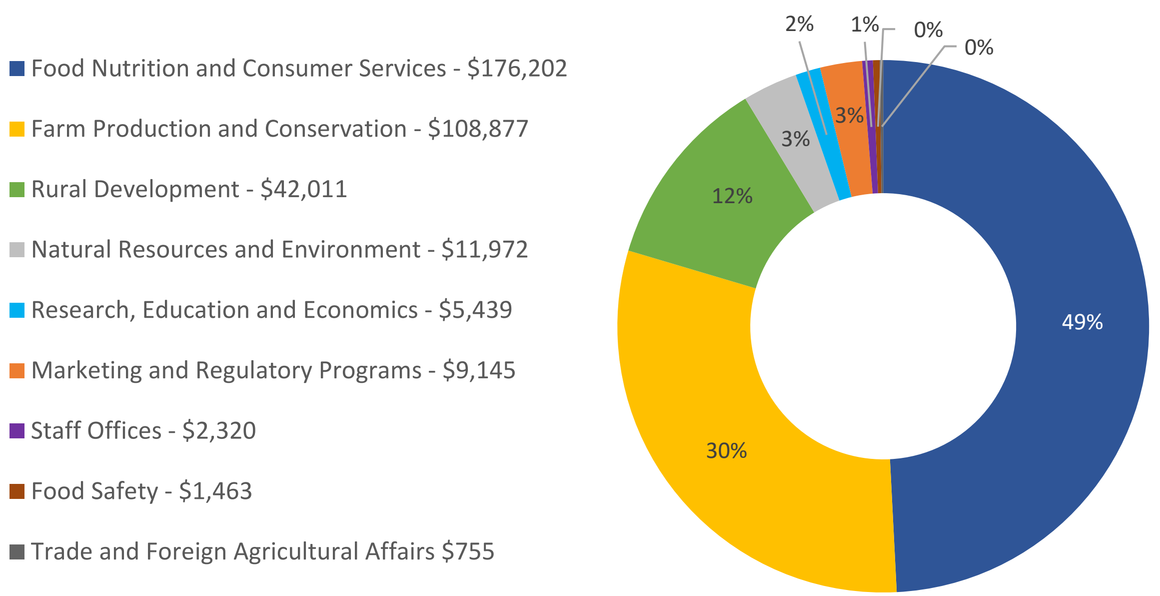
Combined Statements of Budgetary Resources

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, spending authority from offsetting collections, and other budgetary resources.

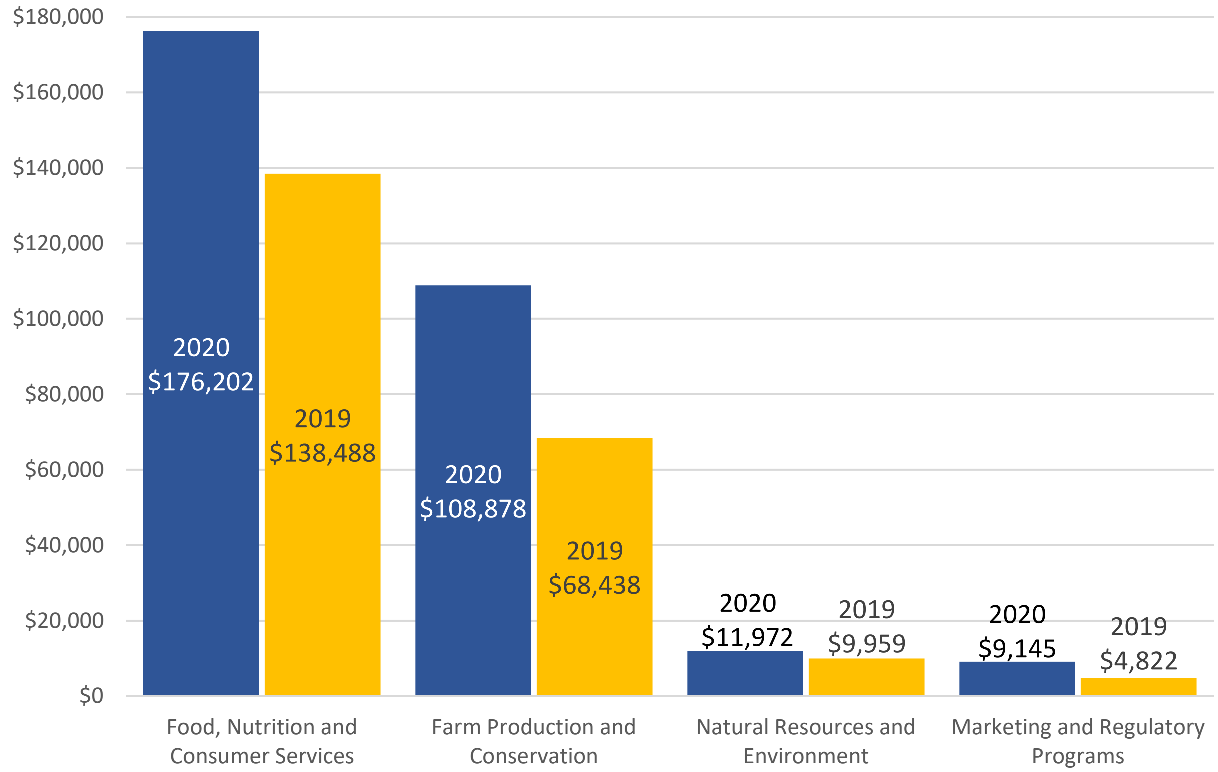
Total budgetary resources were $358,184 million for FY 2020 compared to $271,914 million in FY 2019, an increase of $86,270 million, or 32 percent. The following exhibit presents FY 2020 total budgetary resources by mission area.

Exhibit 14: Total Budgetary Resources by Mission Area ($ millions)



The following exhibit presents significant changes in total budgetary resources.

Exhibit 15: Significant Changes in Total Budgetary Resources ($ millions)



Increase in Food, Nutrition and Consumer Services of $37,714 million mainly due to SNAP.

Increase in Farm Production and Conservation of $40,440 million mainly due to FSA CFAP and WHIP; RMA indemnities and deferred premium; and CCC ARC, PLC, Conservation Reserve Program, and Trade Mitigation Programs.

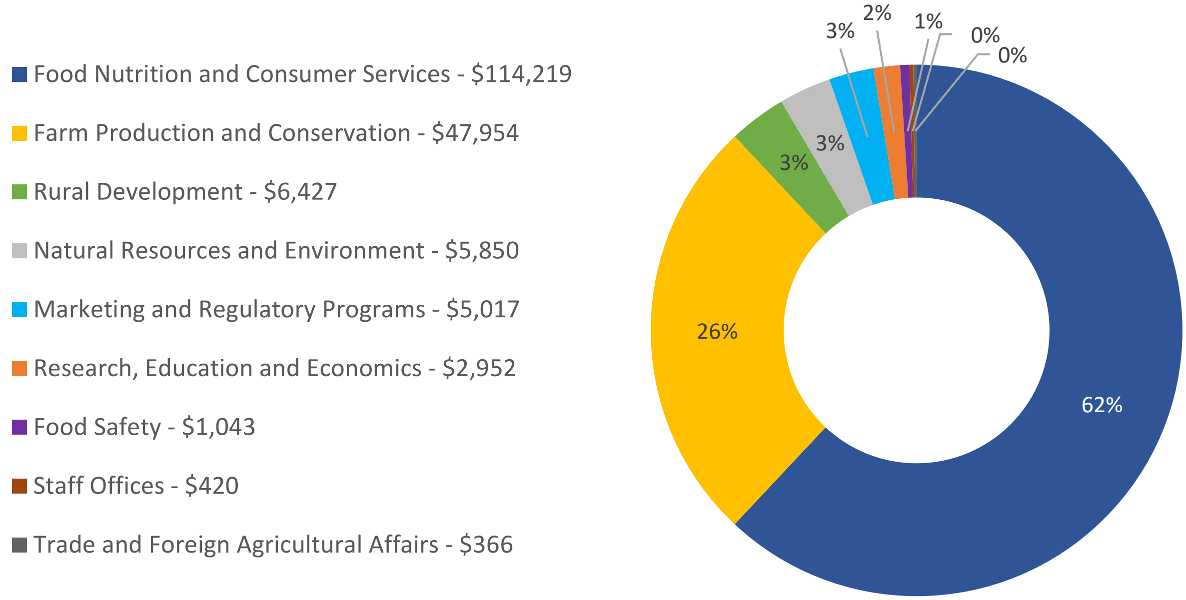
Increase in Natural Resources and Environment of $2,013 million mainly due to Wildland Fire Suppression Operations Reserve Fund.

Increase in Marketing and Regulatory Programs of $4,323 million mainly due to COVID-19 Food Box Distribution Program.

Net Outlays

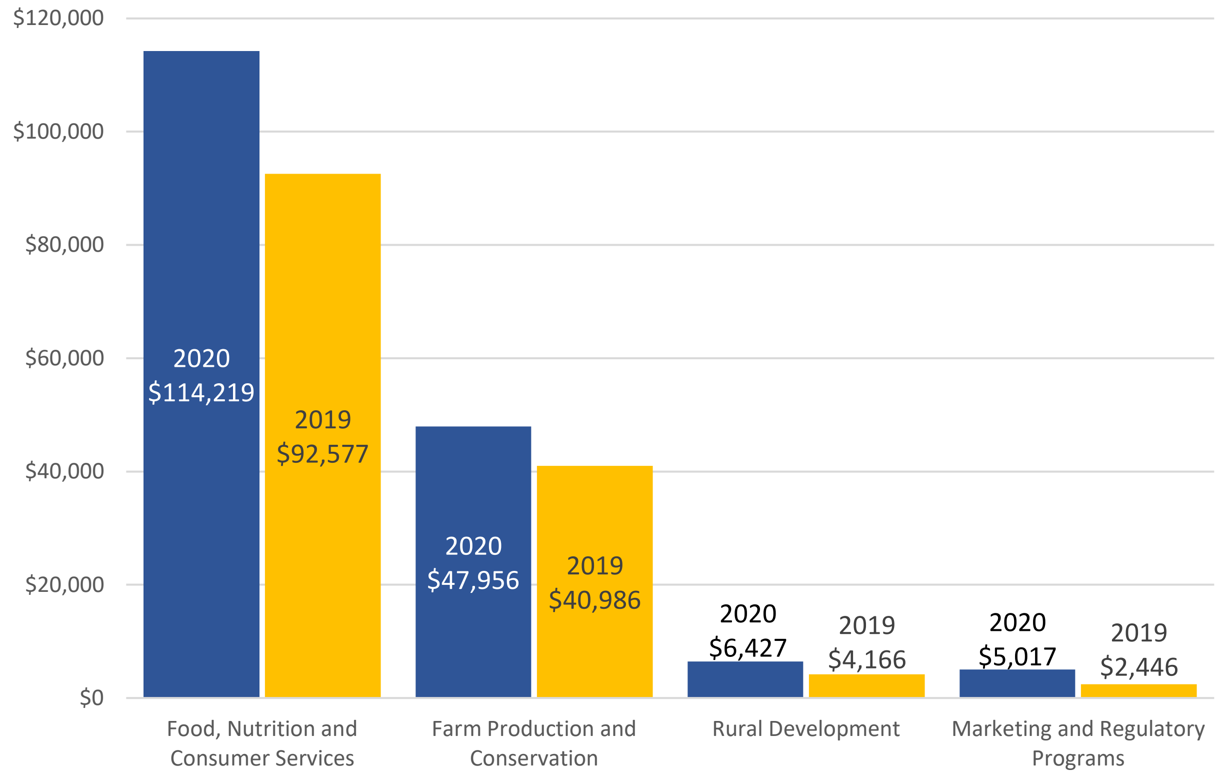
Net Outlays were $184,248 million for FY 2020, compared to $150,152 million in FY 2019, an increase of $34,096 million or 23 percent. The following exhibit presents FY 2020 net outlays by mission area.

Exhibit 16: Net Outlays by Mission Area ($ millions)



The following exhibit presents significant changes in net outlays by mission area.

Exhibit 17: Significant Changes in Net Outlays ($ millions)



Increase in Food Nutrition and Consumer Services of $21,642 mainly due to COVID-19 for CN and SNAP.

Increase in Farm Production and Conservation of $6,970 mainly due to the FSA CFAP and WHIP; RMA indemnities, deferred premium and disaster relief; and CCC Trade Mitigation Programs.

Increase in Rural Development of $2,261 million mainly due to Rural Electric and Telephone and Rural Housing programs.

Increase in Marketing and Regulatory Programs of $2,571 million mainly due to COVID-19 Food Box Distribution Program.

COVID-19

The Coronavirus Aid, Relief, and Economic Security Act or the CARES Act became law in March 2020 in response to the COVID-19 (i.e., coronavirus disease 2019) outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses. Division B, Emergency Appropriations for Coronavirus Health Response and Agency Operations provides FY 2020 supplemental appropriations for federal agencies to respond to the COVID-19 outbreak. USDA received $55,418 million for the following.

Title I provides FY 2020 appropriations to the USDA for agricultural programs, including

- the Office of the Secretary,
- the Office of Inspector General,
- the Animal and Plant Health Inspection Service,
- the Agricultural Marketing Service, and
- the Food Safety and Inspection Service.

The title also provides appropriations to USDA for

- the Farm Service Agency,
- the Rural Business-Cooperative Service,
- the Rural Utilities Service, and
- the Foreign Agricultural Service.

The title provides appropriations for several domestic food programs administered by the Food and Nutrition Service, including

- Child Nutrition Programs;
- the Supplemental Nutrition Assistance Program (SNAP, formerly known as the food stamp program); and
- the Emergency Food Assistance Program (TEFAP).

Title VII provides appropriations to the Forest Service for

- Forest and Rangeland Research,
- the National Forest System,
- Capital Improvement and Maintenance, and
- Wildland Fire Management.

The Families First Coronavirus Response Act also became law in March 2020 in response to the COVID-19 outbreak and provides supplemental appropriations to USDA of $17,800 million. Division A, Second Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 Title 1 provides appropriations to the USDA for

- the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); and
- the TEFAP.

Division B, Nutrition Waivers expands food and nutrition programs of the USDA due to COVID-19 through Title I—Maintaining Essential Access to Lunch for Students Act, Title II—COVID-19 Child Nutrition Response Act, and Title III—SNAP waivers.

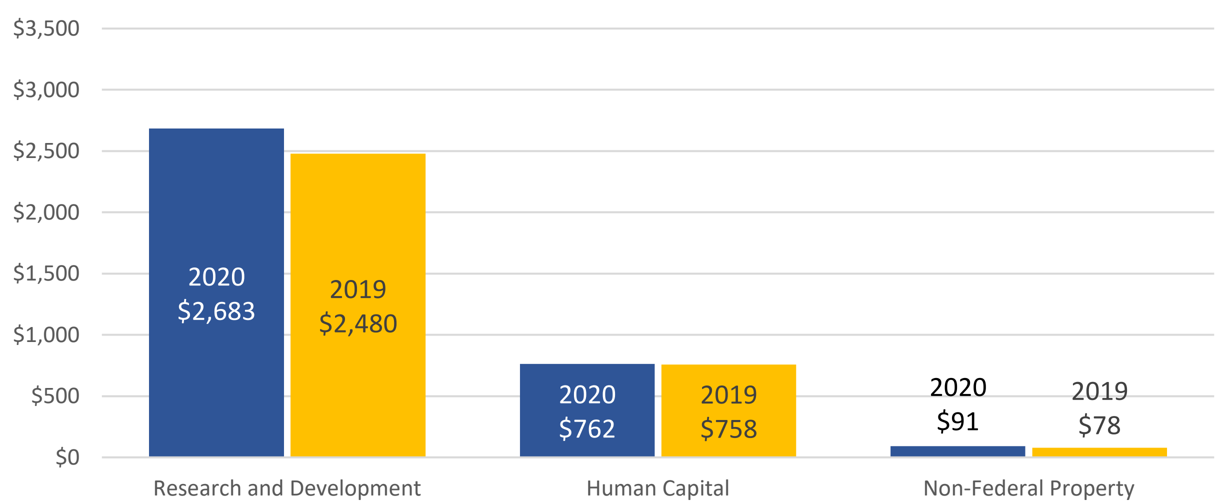
The supplemental appropriations are designated as emergency spending, which is exempt from discretionary spending limits.

See Note 31, COVID-19 Activity for additional information.

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 non-Federal physical property, human capital, and research and development. The following exhibit presents a comparison of stewardship investments.

*Exhibit 18: Comparison of Stewardship Investments ($ millions)**



* Research and Development for 2019 was reduced by $872 million to correct amount previously reported of $3,352 million.

Limitations of Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) 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.

Statement of Assurance

The United States Department of Agriculture (USDA) is providing a modified statement of assurance that the overall adequacy and effectiveness of internal control within the agency comply with Federal requirements. USDA has established and maintained effective internal controls and is providing reasonable assurance that the internal controls over operations are effective. Internal control mechanisms are in place throughout the Department to deter and detect unauthorized and misuse of program funds.

As a result of the assessments conducted, USDA's systems of internal control meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA), with the exception of two material weaknesses in internal control related to (1) information technology (IT) and (2) financial management. There was also one instance of financial system non-conformance, which is also a non-compliance with FFMIA. In addition, USDA identified two other instances of non-compliance with laws and regulations. The details of the exceptions are provided in the FMFIA, FFMIA, and Summary of Financial Statement Audit and Management Assurances sections of this report. No other material weaknesses were found in the design of the internal control over (1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2020, and (2) internal control over reporting as of September 30, 2020. USDA is committed to operating its programs and operations in an effective and efficient manner; and, therefore, is executing plans to improve deficient internal controls.

Sonny Perdue

Sonny Perdue
Secretary of Agriculture

December 8, 2020

Federal Managers' Financial Integrity Act Report on Management Control

Background

The Federal Managers' Financial Integrity Act (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.

The U.S. Department of Agriculture (USDA or the Department) evaluated its internal controls in accordance with Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

The Department operates a comprehensive internal control program. This program ensures compliance with the requirements of FMFIA, the Federal Financial Management Improvement Act (FFMIA), other laws, OMB Circular No. A-123, and its Appendices A through D. 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 conjunction with the Office of Inspector General (OIG) and the Government Accountability Office (GAO), USDA's management works decisively to determine the root causes of its material weaknesses so that it can direct resources to focus on their remediation.

USDA remains committed to reducing and eliminating 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

Fiscal Year (FY) 2020 Results

The Department has two existing material weaknesses in internal controls over financial reporting: Information Technology (IT) and financial management. The material weakness for financial management is due to improvements needed in accounting and internal controls related to the Risk Management Agency, Natural Resources Conservation Service (NRCS), and Commodity Credit Corporation (CCC). USDA also has one existing system non-conformance related to Funds Control Management within the CCC, which will be resolved by the end of fiscal year (FY) 2021.

The Food and Nutrition Service (FNS) and the Farm Service Agency (FSA) are non-compliant with laws and regulations related to the Improper Payments Elimination and Recovery Act (IPERA) of 2010, as amended.

USDA has identified violations or potential violations with the Anti-Deficiency Act (ADA). Nine ADA violations were reported to the President and Congress during the fiscal year. The Office of the General Counsel determined that two potential instances were not ADA violations; however, the occurrences have been referred to GAO for a determination. One instance is pending results from research and investigation for a determination as to whether or not violations occurred; and two are pending submission to the President and Congress. 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

The following exhibit provides FY 2020 accomplishments and FY 2021 planned actions toward resolving the outstanding material weaknesses.

Exhibit 19: Summary of Outstanding Material Weaknesses

1. USDA Information Technology (IT)	
Material Weaknesses Existing	The Department needs to continue its efforts to improve IT security and its overall maturity to an effective level. Additionally, the Department needs to continue remediation of its remaining outstanding audit recommendations.
Overall Estimated Completion Date	FY 2021

FY 2020 Accomplishments:	FY 2021 Planned Actions:
During FY 2020, the Office of the Chief Information Officer (OCIO): • Completed implementation of its Security Operations (SecOps) Consolidation initiative; • Performed security assessments on select mission areas; • Improved the High Vulnerability Assessment Security Domain rating from "At Risk" to "Managing Risk" and the Unprivileged Centralized Access Management capability from "High Risk" to "Managing Risk" as indicated in the third quarter OMB Risk Management Assessment report; • Achieved nine of 10 Cross-Agency Priority Goals in the third quarter of FY 2020; • Refined operational processes to align with Continuous Diagnostics and Mitigation (CDM) Phase 1 (Asset Management) and Phase 2 (Identity and Access Management) tools; • Completed initial planning for the CDM Phase 3 tools; • Implemented six audit recommendations from FY 2018 and FY 2019; and • Achieved above-average scores on the Federal Information Technology Acquisition Reform Act (FITARA) Dashboard, in the categories of Data Center Optimization Initiative, Modernizing Government Technology, and Transparency and Risk Management.	**OCIO will:** • Continue to refine operational processes to align with CDM Phases; • Deploy CDM Phase 3 tools (Network Security Management); • Continue implementing audit recommendations from FY 2018 and FY 2019; • Develop a risk management strategy that will align with USDA's enterprise risk management governance; • Deploy or implement Security Posture Dashboard Report that will incorporate operational and compliance IT risk within one system; and • Publish Departmental Directives related to: Suitability Requirements Permitting Personnel Access to Information Systems; Information Systems Audit and Accountability; Firewall Technical Security Standard; Security Assessment and Authorization; and • Continue to track, monitor, and enforce security configuration baselines for USDA servers.

2. Financial Management—Natural Resources Conservation Service (NRCS)	
Material Weaknesses Existing	NRCS needs improved (1) controls over obligations and undelivered orders (UDO), (2) accounting and controls over expenses, and (3) entity-level controls.
Overall Estimated Completion Date	FY 2022

FY 2020 Accomplishments:	FY 2021 Planned Actions:
During FY 2020, NRCS: • Enhanced Financial Management Modernization Initiative (FMMI) and feeder system processes to produce aged Unliquidated Obligations (ULO) reports with period of performance data for obligations; • Established an ongoing process to maintain, monitor, and certify ULOs by period of performance to ensure ULOs are being closed out promptly to prevent a backlog of aged obligations from developing in the future; • Designed, implemented, and documented policies and procedures that include documented internal controls, which provide support that NRCS has reviewed the transactional data and assumptions used in its entity-wide expense accrual process; • Provided additional guidance and/or training to employees over the recording of transactions with future economic benefits; • Evaluated the results of the FY 2020 financial audit and the lessons learned to ensure the proper controls are in place for those processes; and • Improved communication and coordination agency-wide.	NRCS will: • Continue ongoing process improvements to maintain, monitor, and certify ULOs to ensure the accuracy of reported balances and maintenance of sufficient documentation; • Provide additional guidance and/or training to employees over the recording of transactions with future economic benefits; • Continue to provide guidance and/or training to employees over the recording of expense accruals; • Design, implement, and document policies and procedures to properly analyze and record internal use software expenditures and capitalized costs; and • Evaluate the results of the FY 2021 financial audit and the lessons learned to ensure the proper controls are in place.

3. Financial Management—Commodity Credit Corporation (CCC)	
Material Weaknesses Existing	CCC needs to address material weaknesses related to Accounting for Budgetary Transactions and accrued liabilities.
Overall Estimated Completion Date	FY 2021

FY 2020 Accomplishments:	FY 2021 Planned Actions:
During FY 2020 CCC: • Continued to implement effective manual, compensating UDO (Undelivered Orders) monitoring controls at the program level. These controls assess the accuracy & validity of open obligations on a regular basis; • Created a review and approval process for apportionments that include Budget, Financial Management, Economics and Policy Analysis, and Agency Program leadership to ensure estimates are fully vetted and amounts requested are sufficient; • Implemented continuous monitoring of the relationship between the Conservation Reserve Program (CRP) annual rental contracts and CRP cost share contracts, and the continuous monitoring of CRP cost share data; • Updated Standard Operating Procedure and checklist to include evaluation process for the U.S. Agency for International Development (USAID)'s cash adjustment, validated controls are working effectively, and documented the root cause of the deficiency and implemented corresponding compensating controls; • Continued development of a reconciliation/ analysis process for beginning of year balance for borrowing authority carried forward; • Continued to monitor the process for items requiring resolution and validated balance changes; • Periodically reviewed and updated accounting standards and validated that resulting changes have been tested and implemented; and • Continued with the execution of the existing Office of Management and Budget (OMB) Circular A-123, Appendix A, Corrective Action Plan over Accounting Estimates by further improving and enhancing the analysis, review, and recordation process.	CCC will: • Continue to implement effective UDO monitoring controls at the program level throughout the organization.

4. Financial Management— Risk Management Agency (RMA)	
Material Weaknesses Existing	(NEW) RMA needs to address material weaknesses related to estimated losses on insurance claims calculation.
Overall Estimated Completion Date	FY 2021

FY 2020 Accomplishments:	FY 2021 Planned Actions:
	• Perform a risk assessment to identify critical data inputs within the indemnities estimate model and design procedures to evaluate the completeness and accuracy of critical data inputs. • Review, update, and document policies, procedures, and controls (including reviewing official roles and responsibilities) for any model program or data preparation query changes and validate the appropriateness of the changes. • Perform a risk assessment to identify critical risk points within the indemnities estimate model process and design procedures to respond to the risk of errors within the model execution process. • Perform a risk assessment to identify areas in the model execution process that can be prone to manual error. • Design a review checklist to include a secondary review or validation to ensure completeness and accuracy of files used in the model execution process.

Summary of Outstanding System Non-Conformance

Funds Control Management non-conformance is also reported as a system non-compliance and is included in the FFMIA Report on Financial Management Systems (*Exhibit 20*). The weakness involves component agency-specific deficiencies for CCC.

The following exhibit provides FY 2020 accomplishments and FY 2021 planned actions toward resolving the Department's outstanding system non-conformance.

Exhibit 20: Summary of Outstanding System Non-Conformance

<table>
<tr><th colspan="2">1. Funds Control Management— Commodity Credit Corporation (CCC)</th></tr>
<tr><td>System Non-conformance Existing</td><td>CCC system improvements that are needed in recording obligations at the transactional level.</td></tr>
<tr><td>Overall Estimated Completion Date</td><td>FY 2021</td></tr>
<tr><th>FY 2020 Accomplishments:</th><th>FY 2021 Planned Actions:</th></tr>
<tr><td>During FY 2020 CCC:
Continued to evaluate all budgetary general and subsidiary ledgers to ensure they reflect the appropriate accounting and reporting guidance provided by the Office of Management and Budget (OMB) and the U.S. Treasury;
Continued with the execution of the existing OMB A-123, Appendix A, Corrective Action Plan for Funds Control and Budgetary Accounting;
Continued to partner with Deputy Administrator Farm Programs and Information Technology Services Division (ITSD) toward completing software modifications to ensure all program applications were in full compliance with the Funds Control/ Obligation Requirements (such as business events, establishments, liquidations, adjustments downward and upward) related to obligations at the transaction level in order to prepare for Financial Management Modernization Initiative (FMMI) conversion; and
Continued to implement the Farm Service Agency (FSA)/CCC Financial Improvement Program multi-phased, multi-year project; move of all financial management processes from Farm Production and Conservation (FPAC) and its affiliated agencies' accounting and feeder systems to FMMI.</td><td>CCC will:
Continue to evaluate all budgetary general and subsidiary ledgers to ensure they reflect the appropriate accounting and reporting guidance provided by OMB and the U.S. Treasury;
Continue to partner with Deputy Administrator Farm Programs and ITSD toward completing software modifications to ensure all program applications were in full compliance with the Funds Control/Obligation Requirements (such as business events, establishments, liquidations, adjustments downward and upward) related to obligations at the transaction level in order to prepare for FMMI conversion; and
Continue to implement the FSA/CCC Financial Improvement Program multi-phased, multi-year project; move of all financial management processes from FPAC and its affiliated agencies' accounting and feeder systems to FMMI.</td></tr>
</table>

Compliance with Laws and Regulations

The U.S. Department of Agriculture (USDA or the Department) remains noncompliant, or potentially noncompliant with the Anti-Deficiency Act (ADA) identified in the following table. For additional information on noncompliance with laws, refer to the Improper Payments Elimination and Recovery Act of 2010 (IPERA) as amended and Federal Financial Management Improvement Act sections of this report.

The Department has developed strategies to reduce and/or mitigate confirmed violations during FY 2021. The following tables provide further details of each violation.

Anti-Deficiency Act

Exhibit 21: Nine ADA Violations were Reported to the President and Congress During 2020

Agency:	Agricultural Research Service (ARS)	Year Identified
Violation:	Unauthorized work during the shutdown—An employee entered documentation into a contract file during the government shutdown. This infraction resulted in an ADA violation in the amount of $11.03.	FY 2019
Agency:	Commodity Credit Corporation (CCC)	Year Identified
Violation:	Agriculture Risk Coverage-County (ARC-CO): On November 10, 2016, the Office of Management and Budget (OMB) approved an ARC-CO apportionment providing a total of $850,924,690 for crop year 2017 ARC funding. This funding was divided between ARC-CO ($775,924,690) and Agricultural Risk Coverage-Individual Option ($75,000,000). As part of the fiscal year-end close for FY 2017, CCC recorded an obligation of $2,319,369,741.34 for crop year 2017 ARC-CO. This commitment exceeded the apportioned amount by $1,543,445,051.	FY 2017
Agency:	CCC	Year Identified
Violation:	Agriculture Risk Coverage (ARC)—In FY 2018, CCC identified crop year 2017 enrollments for the ARC program that exceeded available funding. The ARC program does not check funds availability at the time of approval. It is checked at the time of payment. When the payment run occurred, the program area identified that there were insufficient funds for all Crop Year 2017 contracts approved in FY 2018. This deficiency resulted in a $1,797,297 funding deficit and ADA violation.	FY 2018
Agency:	Economic Research Service (ERS)	Year Identified
Violation:	Employee training—During the Government Shutdown in January 2019, online training was taken by an employee in furlough status. The training was a benefit to the ERS, and ERS accepted the voluntary services in violation of 31 USC 1342. The ADA violation was approximately $1,503.	FY 2019

Agency:	Farm Service Agency (FSA)	Year Identified
Violation:	FSA identified an ADA violation with the U.S. Warehouse Act in the amount of $4,843,000. FSA business practices dating back to FY 2000 supported Warehouse User Activities with Administrative Salaries and Expenses (S&E) funds for direct and indirect costs. The user fee collections were not adequate to fully fund the costs, and S&E funds were used and not reimbursed; therefore, improperly augmenting the User Fee program. When FSA adjusted its accounts to correct the error, the user fee account was deficient, resulting in an ADA violation.	FY 2018
Agency:	FSA	Year Identified
Violation:	FSA issued a contract for Information Technology (IT) investments, including the Commodity Credit Corporation Budget Formulation (CCC BF) system. The CCC BF was not included in the approved Acquisition Approval Request (AAR). The AAR and the contract will be amended to include $300,000 for CCC BF. The fiscal year (FY) 2018 Consolidated Appropriation Act, Section 706, states, "none of the funds available to the Department of Agriculture for information technology shall be obligated for projects, contracts, or other agreements more than $25,000 prior to written approval by the Chief Information Officer."	FY 2019
Agency:	FSA (previously CCC)	Year Identified
Violation:	Pima Cotton 2—On May 1, 2019, funding in the amount of $123,655 was recorded for Pima Cotton Trust Fund FY 2018 Carryover without being apportioned. This apportionment only requested the new funding of $16,000,000 for FY 2019. It did not request carryover funding to make it available for obligation in FY 2019. Obligating funds that were carried over and not apportioned resulted in an ADA violation.	FY 2019
Agency:	Natural Resources Conservation Services (NRCS)	Year Identified
Violation:	Computer equipment was purchased in the amount of $41,065 without obtaining the requisite information technology acquisition form signed and approved.	FY 2019
Agency:	Office of Advocacy and Outreach (OAO)	Year Identified
Violation:	The OAO identified an ADA violation for FYs 2011 and 2012 under the Food, Conservation, and Energy Act of 2008, Public Law 110-234 (Farm Bill of 2008). OAO awarded more than $19 million for "Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers" (Section 2501) Grants in excess of amounts permitted by the Farm Bill of 2008.	FY 2011

Exhibit 22: ADA Violation Pending Submission to the President and Congress

Newly identified during FY 2020—two ADA violations are pending issuance of letters.

Agency	Description of Violation	Status
CCC	FY 2020 (NEW): Export Credit Guarantees (GSM) is a mandatory program authorized under 7 USC 5622 (program authority overall) and 7 USC 5641(b) (funding level). GSM had an approved apportionment in FY 2017 with a sufficient amount of budgetary resources to cover obligations during FY 2017. The budgetary resources included both the unobligated balance carried forward and a new mandatory appropriation. However, the unobligated balance carried forward consisted of indefinite budget authority which cannot be carried forward per the A-11. The current appropriation for that year was insufficient to cover the total obligations by $1,139,395.58.	After review by OGC, it was determined that a violation occurred. The ADA violation is in the process of being reported to Congress and the President. CCC's Management's Discussion and Analysis states pending; however, the following information was updated for this Consolidated AFR.
OSEC	FY 2017: Two provisions in the Consolidated Appropriations Act, 2017 were violated. USDA obligated and expended funds appropriated by the act to prepare and deliver the Secretary's statements and to develop and publish the associated press release. USDA's obligation and expenditure of appropriated amounts for this prohibited purpose also violated the Antideficiency Act, 31 U.S.C. § 1341(a)(1)(A). The cost associated with the violation is pending.	GAO determined an ADA violation occurred.

Potential ADA Violations—two prior year and one new potential violation were identified. These occurrences are pending results from research and investigation for a determination as to whether or not a violation occurred. This table provides a description and status.

Exhibit 23: Prior Year and Newly Identified Potential ADA Violations

Agency	Description of Violation	Status
CCC	FY 2017: The prior year accounting treatment for obligations related to the Conservation 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.	The Office of the General Counsel (OGC) determined that the error was not an ADA violation; however, the incident has been referred to the Government Accountability Office (GAO) for additional investigation and determination.

Agency	Description of Violation	Status
CCC	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; however, the incident has been referred to GAO for additional investigation and determination.
The Office of the Chief Information Officer (OCIO)	FY 2020 (NEW): OCIO potentially used more than $22.5 million for consulting services that had been mandated for the acquisition of capital investments.	Pending an OGC Determination

Improper Payments Elimination and Recovery Act of 2010 as Amended

The following exhibit provides a summary of agency programs that are not compliant with the Improper Payment Elimination and Recovery Act of 2010 (IPERA) as Amended by the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA). The Office of Inspector General's FY 2019 Compliance with IPERA Requirements (50024-0015-11, dated May 2020) found two sections of non-compliance. The following exhibit identifies the non-compliance related to IPERA and target dates by which the deficiencies will be mitigated. The summary of corrective actions can be found in the Payment Integrity Management Section III of this report.

Exhibit 24: Outstanding Initiative to Achieve Compliance

Initiative: Payment Integrity Information Act of 2019

Section of Non-compliance	Agency/Program	Target Completion Date
Publish and meet annual reduction targets for each program assessed to be at risk and measured for improper payments	Farm Service Agency (FSA) Livestock Forage Disaster Program (LFP)	09/30/2021
	FSA Noninsured Crop Disaster Program (NAP)	07/01/2021
Report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the Agency Financial Report (AFR)	Food and Nutrition Service (FNS) School Breakfast Program	09/30/2021
	FSA LFP	09/30/2021
	FSA NAP	07/01/2021
	FSA Agriculture Risk Coverage (ARC)/Price Loss Coverage (PLC)	08/17/2020
	FSA Harvey – Emergency Conservation Program (ECP)	05/31/2022

Federal Financial Management Improvement Act Report on Financial Management Systems Background

The Federal Financial Management Improvement Act (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.

Failure to resolve prior-year recommendations identified by the U.S. Department of Agriculture's (USDA or the Department) Office of Inspector General (OIG) has prevented the Department from mitigating repeated deficiencies and from receiving 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 *Response to Management Challenges* section of this report.

The following exhibit contains the outstanding initiatives to achieve compliance.

Exhibit 25: Initiatives to be Completed

Outstanding Initiatives to Achieve Federal Financial Management Improvement Act (FFMIA) Compliance

Initiative	Section of Non-Compliance	Agency	Target Completion Date
Information Technology	Federal Financial Management System (FFMS) requirements and information security policies, procedures, and/or practices.	Multiple	12/31/2020
Financial Management	Federal accounting standards and U.S. Standard General Ledger (USSGL) at the transaction level.	Natural Resources Conservation Service	11/30/2021
	Federal accounting standards and USSGL at the transaction level.	Commodity Credit Corporation	9/30/2021

Fiscal Year 2020 Results

During fiscal year (FY) 2020, 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 2019 Agency Financial Report (AFR). USDA is not compliant with Federal accounting standards and the USSGL at the transaction level due to deficiencies identified for the Commodity Credit Corporation (CCC) and the National Resources Conservation Service (NRCS). Additionally, as reported in the FFMIA section of this report, USDA continues to have weaknesses in the information technology (IT) controls and FFMS requirements 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.

Commodity Credit Corporation (CCC)

CCC's non-compliance with Federal accounting standards and USSGL at the transaction level was noted for weaknesses in the accounting for budgetary transactions and accounting estimates. The financial management systems did not record certain accounting events at the transaction level in accordance with the USSGL. CCC continues to make significant progress in performing compensating controls over the accounting for obligation activity. CCC continues implementing its program obligation activity into the Financial Management Modernization Initiative (FMMI) in a phased approach.

Natural Resources Conservation Service (NRCS)

Deficiencies in applicable Federal accounting standards, including the USSGL at the transaction level, were noted for incorrect posting logic being used for recoveries of prior year unpaid obligations.

NRCS continues working to mitigate auditor-identified deficiencies and substantially comply with FFMIA.

Financial Management Systems Strategy

The Financial Management Services (FMS) component of the Office of the Chief Financial Officer (OCFO) is responsible for providing timely, accurate, and complete financial information to U.S. Department of Agriculture (USDA) agencies to enable them to execute the USDA mission. Specifically, FMS provides cloud-based, commercial off-the-shelf (COTS) enterprise resource planning (ERP) software that equips USDA staff offices and agencies with the functionality needed to distribute, obligate, expend, and report on the funds entrusted to them by Congress.

FMS operates as an internal Shared Services Provider (SSP) to USDA staff offices and agencies. FMS offers cost-effective services and support through the consolidation of functions, standard processing, and repeatable processes.

The OCFO is leveraging current financial systems successes to implement future programs that deliver efficient, cost-effective, mission-focused, collaboratively developed, and strategically aligned programs and tools. OCFO's systems' objectives for the future:

- Build Financial System agility and visibility through integrated ERP systems capability and deploying emerging technology.
- Increase the ability of OCFO systems to share, reuse, and integrate business capabilities, technology, and data across the agency and with external partners and stakeholders.
- Increase application and system efficiencies through engagement in Department-wide application rationalization efforts.

The financial systems' future will involve 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 reliable, 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 activities are focused on financial management services. The list of financial management services includes:

- 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; and
- Grants management.

FMS's primary objectives are to provide the following:

- An enterprise financial management service that is continuously enhanced to provide faster, less expensive, and less risky services than ever to customers;
- Integration with the National Finance Center (NFC) payroll processing services;
- Budget status forecasting;
- An enterprise grants management service that enables customers to utilize a full life cycle management tool for grants administration that provides visibility to both the government and the grant recipient;
- A complete audit-compliant financial solution with full documentation meeting financial requirements;
- Continuous process, operational, and organizational improvements for shared services retained in the future state portfolio;
- More powerful and flexible financial management and reporting;
- Administrative payments, collections, and certifications; and
- The best possible customer-focused service and support.

Successes During Fiscal Year (FY) 2020

Robotics Process Automation

The Robotics and Automation Services Management Office (SMO) provides enterprise-wide collaboration, supports automation for enterprise-wide processes, encourages process improvement/ efficiencies, and acts as a mechanism for USDA to realize the benefits of intelligent automation.

Process automation through robotics aligns with the Secretary's top priority, which is to ensure USDA programs are delivered efficiently, effectively, with integrity, and with a focus on customer service. The Robotics and Automation SMO will help achieve the four goals: to "[create] a workforce for the 21st century that is (1) highly-skilled, (2) results-oriented, (3) customer-focused, and (4) nimble."

The project team will work with key stakeholders across OCFO and other partner organizations to promote the procedures required to facilitate critical decision making and establish and maintain organizational control. To achieve this objective, the team will create multiple deliverables required for the SMO to operate efficiently and effectively both now and in the future. In FY 2020, the team accomplished the following:

- Developed and deployed 21 Robotics financial automations into production, saving 24,960 annual hours;
- Supported the President's Management Agenda (PMA) mandate to reduce the "burden through tools like integrated IT [information technology] and automation software" by implementing Robotic Process Automation (RPA);
- Improved the accuracy of budget data entry, reducing keystroke errors;
- Produced initial savings of $75,000 in the first year;
- Conducted the smooth transition of the USDA/RPA/SMO governing body for RPA to the Office of the Chief Information Officer (OCIO) Q2 of FY 2020. OCFO remains as a voting member of the OCIO/RPA/SMO and continues to work closely with the Digital Infrastructure Service Center (DISC) team sharing lessons learned to enhance RPA services within USDA; and
- Established an OCFO Robotics team consisting of graduates of the RPA reskilling program and project managers to analyze, design, and develop financial RPAs with a focus on enterprise applications.

Farm Service Agency/Commodity Credit Corporation Financial Improvement Program

The Farm Service Agency's (FSA) financial accounting, including that of the Commodity Credit Corporation (CCC), which is operated by the FSA, is not integrated with the rest of USDA in the Financial Management Modernization Initiative (FMMI) system, creating reconciliation and other issues which include additional costs to maintain a separate set of systems. Subsequently, the Office of the Secretary directed OCFO to develop a plan to migrate FSA's accounting into the standard FMMI system.

This project will be a multi-phased, multi-year project that will ultimately move all financial management processes from FSA accounting and feeder systems to FMMI. Simultaneously, FSA will be required to align their feeder systems to produce auditable financial data to integrate with FMMI. In FY 2020, the Financial Improvement Program (FFIP) project:

- Successfully established end-to-end outbound connectivity between FMMI and Web-Based Supply Chain Management (WBSCM) for Budget Allotment;
- Successfully established end-to-end outbound connectivity between FMMI and WBSCM for Funds Commitment;
- Converted 78 unique programs consisting of 86 open contracts totaling approximately $78 million into FMMI; and
- Streamlined the FSA business process by eliminating the need for manual, paper-based payment processing and solved a long-outstanding issue related to temporary sequestrations by working with the Office of Management and Budget (OMB). This process resolved a long-standing issue for the FSA to close many lingering account balances and move to FMMI with clean accounts, thereby eliminating a $6 billion abnormal balance condition.

Grants Management

The ezFedGrants (eFG) System is an online system used for managing a grant's entire life cycle. Members of 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, among other actions. The eFG program is designed for servicing grants to organizations such as educational institutions and research organizations.

On behalf of the OCFO's FMS, Grants Management Service (GMS) acts as the eFG system owner whose mission is to provide guidance and leadership in the areas of program management, governance, grants and agreements policy, and IT related to the eFG community. The enterprise grants and agreements management solution encompasses seven USDA agencies and includes more than 50 Financial Assistance Listings while transforming USDA's grants and agreements capabilities. GMS supports myriad Federal initiatives, such as school lunch programs, homeownership opportunities to low-and moderate-income rural Americans, organic agriculture, and numerous other grant and agreement related programs to serve the American public better.

In FY 2020, GMS's initiatives:

- Implemented an upgrade to the grant recipient External Portal (Pega), which includes enhancements, an improved user experience (UX), user interface (UI), and system architecture;
- Completed the National Institute of Food and Agriculture (NIFA) Release 2.0 Upgrade project and implemented backlogged enhancements within the eFG solution that brought NIFA closer to implementing the functionality required to process other forms of grants (for example, cooperative and competitive);
- Provided system training to over 2,459 internal and external users on eFG. The eFG system has 5,274 users (3,960 external users and 1,314 internal users) to date and in FY 2020;
- 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 (FAQs) that received 462 unique visitors in FY 2020;
- Deployed 2,932 new FY 2020 agreements. Over the life of the eFG system, 15,076 agreements have been deployed, and 8,094 are active or in draft status;
- Resolved 5,079 Tier 0 through Tier 1 tickets through the OCFO Grants Helpdesk as a first responder to customer inquiries; and
- Resolved 93 eFG system incidents (42 system defects and 51 enhancements) in FY 2020 via the eFG Post- Production Support Team. Additionally, 1,263 priority one-time system fixes were also resolved in FY 2020.

Agriculture Conference Management System

The current Conference Transparency and Accountability Tool (CTAT), allows USDA to comply with Conference Reporting requirements outlined in the 2018 Farm Bill, the OMB Memorandum 17-08, and the Consolidated Appropriations Act, 2020 (Public Law [PL] 116-93). As the CTAT was custom built, it is not easily maintainable, configurable, and scalable. The tool has been maintained and supported on a limited budget and staffing plan. Users seek a more modern tool with increased user capabilities, including the ability to access the application on a mobile device and more transparency via a robust, drill-in dashboard. This project seeks to streamline the process and reduce the burden of planning conferences. The new tool will be easily configurable to meet mandates and other urgent enhancements promptly.

The proposed scope of work for a new project known as Agriculture Conference Management System (AgCMS) is to provide a prototype to meet USDA specifications and comply with conference requirements in the Farm Bill and OMB Memorandum 17-08. The scope also includes migrating all data from CTAT and ensuring the new system (built on the USDA Salesforce platform) can provide mobile capability, eAuth access, and up to 20 additional reports in addition to the same functionality as CTAT.

In FY 2020, the AgCMS project:

- Analyzed alternatives and determined Salesforce to be the most viable solution platform;
- Established a service agreement with OCIO DISC for the AgCMS Salesforce release and configuration management service delivery;
- Awarded the system implementation contract to Deloitte Touche Tohmatsu Limited;
- Held discovery and master sprint planning sessions with the project stakeholders; and
- Began initial backlog grooming (requirements) and initial iteration/sprint of design/development/testing.

In FY 2021, the AgCMS project:

- Will perform multiple iterations/sprints of design/development/testing;
- Will migrate the existing conference data to the new system and set up user accounts; and
- Will deploy the new system and train its user community.

USDA Budget Modernization: FMMI Budget Enhancements

The purpose of this project is to support the USDA Budget Modernization effort. OCFO's role in this effort is to (1) ensure Budget Object Classification (BOC) code compliance with OMB Circular A-11; and (2) conduct a feasibility study for implementing budget enhancements to FMMI.

The BOC initiative ensured that the use of BOC's in FMMI complied with Section 83 of OMB Circular A-11. This effort includes:

- Continuing analysis of all BOC Series;
- Updating the BOC Manual;
- Initiating incident tickets to ensure corrective actions were taken;
- Performing analysis on other corrective actions to ensure data quality; and
- Adding BOC standards to policy and process flows to maintain compliance with OMB Circular A-11.

The BOC initiative will extend into FY 2021.

The feasibility study:

- Identified and recommended options for enhancing the agency's core financial system, FMMI, to record allotments at Congressional mandated levels (for example, Program, Project, or Activity);
- Addressed opportunities for USDA to better align its end-to-end budget processes with Congressional and agency policy objectives that govern financial management systems.

Enterprise Architecture Program

The OCFO Enterprise Architecture (EA) Program is being implemented to deliver efficient, cost-effective, mission-focused, collaboratively developed, and strategically aligned programs and services to its many stakeholders and the Nation. This ground-up effort has achieved many focused objectives during FY 2020, including:

- Implemented and rapidly matured the EA program during Q3 and Q4 to meet numerous Federal Legal Authorities and Regulatory Drivers, including many from the original Clinger-Cohen Act (CCA), to facilitate the responsible acquisition and management of IT throughout the Federal government.
- Enhanced the oversight and accountability for the OCFO IT infrastructure and the efficient development, implementation, and maintenance of a secure and integrated IT infrastructure among the series of reforms the CCA codified, and which the EA Program helps to satisfy. Notable, among the many other legal authorities the OCFO EA Program satisfies, are the President's Management Agenda, Capital Planning and Investment Control (CPIC), The E-Government Act of 2002, OMB Circular A-11, OMB Circular A-130, OMB policy memorandum M-07-11, H.R.1232—Federal Information Technology Acquisition Reform Act, and the Federal Enterprise Architecture Framework.
- Provide senior leadership with increased transparency and visibility regarding IT Management and Spend-Management as well as a line of sight from strategic goals to business processes and continuing into the technology architecture (for example, data, software, hardware, and technology infrastructure).

Capital Planning and Investment Control Program

CPIC is a systematic approach to selecting, managing, and evaluating IT investments. CPIC is mandated by the Clinger-Cohen Act of 1996, which requires Federal agencies to focus on the results produced by IT investments. The OCFO CPIC Program identifies the processes and activities necessary to ensure that OCFO's IT investments are well-planned, cost-effective, and support the missions and business goals of the Agency and USDA.

The CPIC team continually monitors OCFO's IT portfolio, eliminating weaknesses found and maintaining the health of the portfolio. Accomplished in FY 2020 were the following:

- Improved the health of 67 percent of OCFO's Major & Non-Major Investments, achieving Chief Information Officer (CIO) rating scores of 4-Green or higher;
- Implemented Investment Support Plans (ISPs) to monitor required artifacts for reporting purposes and to eliminate weaknesses found;
- Alongside EA, provided guidance to the OCFO Project Management Office (PMO) with development of its Product Development Life Cycle (PDLC); and
- Integrated the National Finance Center (NFC) into OCFO's operational framework.

Building on its successes in FY 2020, the CPIC team will achieve the following in FY 2021:

- Streamline the OCFO IT Portfolio by removing investments handled by other Agencies;
- Have 100 percent of OCFO's Major & Non-Major Investments achieve CIO rating scores of 4-Green or higher; and
- Incorporate the AgCMS into OCFO's IT Portfolio as a Non-Major Investment.

Other Initiatives

Systems, Applications, and Products (SAP) G-Invoicing: OCFO is working to implement USDA Agencies into Treasury's G-Invoicing initiative by June 30, 2022. This system will address current Buy/Sell activity by implementing a Federal intra-governmental transaction (IGT) Buy/Sell Data Standard and provide transparent access to a shared data repository for brokered transactions in accordance with 31 U.S.C. 3512(b) and 3515.

SAP S/4 High-Performance Analytic Appliance (HANA): With the maturation of the FMMI solution, OCFO looks to SAP's S/4 HANA as the evolution of the USDA financial management solution. The current FMMI solution utilizes siloed data storage that is near real-time. The current FMMI construct is outdated and will no longer be supported in the coming years.

SAP S/4HANA is an ERP financial software that runs on SAP HANA's in-memory platform, which allows users to run real-time reports on operational and financial data. Like other products on the HANA platform, the data is stored and processed so that in-memory users can analyze data quickly with few constraints. For example, users can run a soft close at any time of the day, month, or quarter with up-to-the-minute accuracy. As part of the ERP package, financial data and operational data are pulled from one centralized location, which allows decision makers to examine problems from an organizational view rather than a limited department view.

FMMI Phase 4 Implementation: Rural Development (RD) is the last remaining USDA agency financially operating outside of FMMI. RD is not integrated with the rest of the USDA in the FMMI system, creating reconciliation and other issues, which include additional costs to maintain a separate set of systems. OCFO is developing a plan to migrate RD's accounting into the standard FMMI system. The unique challenges presented by RD centers on its massive loan servicing portfolio. With the work being conducted in support of FFIP, OCFO is striving to build reusable enterprise interfaces to implement RD into FMMI.

This project will be a multi-phased, multi-year project that will ultimately move all financial management processes from RD accounting and feeder systems to FMMI. Simultaneously, RD will remediate their feeder systems to ensure auditable financial data integrates with FMMI.

System for Award Management (SAM) Unique Entity Identifier (UEI): The U.S. Federal government has used services from the Dun and Bradstreet Corporation to both identify (using the DUNS® number) and validate/verify Federal contractors since 1978. In 1998, the Federal Acquisition Regulation (FAR) required entities to obtain a DUNS® number. In 2008, this requirement expanded to Federal financial assistance, affecting over 630,000 public and private entities seeking Federal contracts and/or grants.

At the direction of the General Services Administration (GSA), the change the government is making creates predictability for the cost of entity validation services. By separating the government requirement for a UEI from the government requirement to validate that the entity is unique, competition is introduced into entity validation services. GSA then competed and awarded a new contract for entity validation services, which is not connected to the identifier itself. GSA chose to have the new, non-proprietary identifier both requested in and generated by SAM.gov to reduce the burden of change; the government and entities will transition from using the DUNS® number only once, even if in the future a different entity validation service provider is selected. All USDA systems will be impacted by this change to include FMMI. As a part of this revision, it is imperative that FMMI is at the leading edge of this transition.

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Section II

Financial Information

Message from the Office of the Chief Financial Officer

We are pleased to present the fiscal year 2020 United States Department of Agriculture (USDA) Agency Financial Report.

The year 2020 has been professionally challenging for all USDA personnel. Despite the conditions we all faced, whether it was the Market Facilitation Payments Program that were rapidly deployed to help farmers in recent years, or the additional COVID-19-related programs, the USDA continues to demonstrate how rapidly we can respond to a major change to implement new programs. Not only did the entire USDA respond expeditiously to implement COVID-19-related programs, we did so while simultaneously shifting to an interim workplace arrangement to help protect the safety of our employees and contractors. In addition to fulfilling historical requirements and newly mandated programs, the organization continued to work on incremental change management initiatives.

We are very proud of our employees. They all rose to the challenges of 2020 and demonstrated commitment to continuous improvement. These challenges include not only evaluating what we do but how we do it, with the goal of implementing logical, sustainable improvements that add value to the federal government and American taxpayers.

For the fiscal year 2020, we would call the attention of the readers to the following:

- G. Scott Soles is the Presidential Appointee Nominee for the USDA Chief Financial Officer (CFO) position. If confirmed by a Senate vote, Mr. Soles would hold the title of CFO. Meanwhile, he is working in the lead role of the Office of the Chief Financial

Officer as the Principal Deputy Chief Financial Officer, and therefore is the presenter of this message.

- In the Assurance Statement of this report, the USDA reports two material weaknesses in internal control related to (1) information technology and (2) financial management. Please refer to the Federal Managers' Financial Integrity Act and the Federal Financial Management Improvement Act, as well as the Summary of Financial Statement Audit and Management Assurances sections of this report for more information.
- The Payment Integrity Information Act of 2019 (PIIA) takes effect this year. PIIA reorganized and revised several existing improper payments statutes, which establish requirements for agencies to cut down on improper payments. This act further provided for the Office of Management and Budget to establish pilot programs to test compliance and established an interagency working group on payment integrity. The users of this Agency Financial Report are encouraged to carefully read the "Payment Integrity" section of this report. As part of this reading, we highly encourage the readers to think critically about the testing methods used to estimate improper payments, the description of payments considered to be "improper," and the vast management challenge of administering approximately 300 programs, products, and services designed to benefit a geographically widespread and diverse population, based substantially on individually self-certified applications. Federal agencies have been subject to the requirements of payment integrity-related regulations for many years. Notwithstanding the existence of any regulations, the USDA takes improper payment mitigation seriously. Consequently, we are actively pursuing improved risk identification processes and seeking continuous improvements in processes and controls designed to better mitigate improper payments in a cost-effective manner.

Sincerely,

G. Scott Soles
Principal Deputy Chief Financial Officer

December 8, 2020

Independent Auditors Report

OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture

DATE:	December 8, 2020
AUDIT NUMBER:	50401-0019-11
TO:	G. Scott Soles Principal Deputy Chief Financial Officer Office of the Chief Financial Officer Lynn Moaney Deputy Chief Financial Officer
ATTN:	Annie Walker Director Internal Controls Division
FROM:	Gil H. Harden Assistant Inspector General for Audit
SUBJECT:	U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2020 and 2019

This report presents the results of our audits of the U.S. Department of Agriculture's (USDA) consolidated financial statements for the fiscal years ending September 30, 2020, and 2019. This report contains an unmodified opinion on the 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 appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (http://www.usda.gov/oig) in the near future.

Independent Auditor's Report

G. Scott Soles
Principal Deputy Chief Financial Officer
Office of the Chief Financial Officer

The Department of Agriculture's Office of Inspector General audited the consolidated financial statements of the Department for fiscal years 2020 and 2019. We also considered USDA's internal control over financial reporting and tested USDA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct effect on the determination of material financial statement amounts and disclosures on these consolidated financial statements.

The "Findings" section presents the material weaknesses and significant deficiencies in internal control and instances of noncompliance with laws and regulations, as of and for the year ended September 30, 2020. Exhibit A presents USDA's response in its entirety.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of USDA, which comprise the consolidated balance sheets as of September 30, 2020 and 2019, 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").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the U.S.; and the Office of Management and Budget (OMB) Bulletin 19-03, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin 19-03 require that we plan and perform audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USDA, as of September 30, 2020 and 2019, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the financial statements to provide additional information for the users of its financial statements. Such information is not a required part of the basic 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.

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the FASAB require that the Management's Discussion and Analysis (MD&A), and Required Supplementary Information (RSI)[1] be presented to supplement the consolidated financial statements. Although the RSI is not a part of the consolidated financial statements, FASAB considers this information 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 auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated

[1] The RSI consists of Deferred Maintenance and Repairs and the Combined Statements of Budgetary Resources (by component), which are included with the financial statements.

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The "Message from the Secretary" and "Other Information" sections are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements or the RSI. This information has not been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, accordingly, we express no opinion and provide no assurance on it.

Other Reporting Required by Government Auditing Standards

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2020, we considered UDSA's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of USDA's internal control. Accordingly, we do not express an opinion on the effectiveness of USDA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of USDA's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in overall financial management and information technology (IT) security program, described in "Findings," Section 1, to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiency in internal control over unliquidated obligations (ULO), described in "Findings," Section 2, to be a significant deficiency.

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

As part of obtaining reasonable assurance about whether USDA's consolidated financial statements as of and for the year ended September 30, 2020, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and Governmentwide policy requirements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosure in the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Federal Financial Management Improvement Act of 1996 (FFMIA)

We also performed tests of USDA's compliance with certain provisions referred to in Section 803(a) of FFMIA. 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 Finding 4 in the "Findings," Section 3, of this report, where USDA was not substantially compliant with Federal Financial Management System Requirements (FFMSR), applicable Federal Accounting Standards, and the U.S. Standard General Ledger (USSGL) at the transaction level.

Antideficiency Act (ADA)

Title 31 U.S. Code (U.S.C.) Section 1517 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. Section 1514. In fiscal year 2020, the Department reported 11 confirmed and 3 potential ADA violations in its agency financial report.

Payment Integrity Information Act of 2019 (PIIA)

During fiscal year 2020, we identified instances of noncompliance with the requirements of PIIA[2], regarding the design of program internal controls related to reporting improper payments. A separate report will be issued with further details on the Department's compliance with improper payment requirements.

Management's Responsibility for Internal Control and Compliance

USDA's management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under FMFIA, (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring USDA's financial management systems are in substantial compliance with FFMIA requirements, and (4) ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

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

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether USDA's financial management systems substantially comply with FFMIA requirements referred to above, and (3) testing compliance with certain provisions of laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the consolidated financial statements.

We did not evaluate all internal controls relevant to operating objectives as broadly established by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to USDA. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the consolidated financial statements that we deemed applicable to USDA's consolidated financial statements for the fiscal year ended September 30, 2020. We caution that noncompliance may occur and not be detected by these tests.

Management's Response

Management's response to the report is presented in Exhibit A. We did not audit USDA's response and, accordingly, we express no opinion on it.

Purpose of the Report on Internal Control Over Financial Reporting and the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the "Report on Internal Control Over Financial Reporting" and the "Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements" sections of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of USDA's internal control or on compliance.

These reports are an integral part of an audit performed in accordance with government auditing standards in considering USDA's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

Gil H. Harden

Gil H. Harden
Assistant Inspector General for Audit
Washington, D.C.
December 4, 2020

Findings

Section 1: Material Weaknesses in Internal Control Over Financial Reporting

Finding 1: Improvements are Needed in Overall Financial Management

The material weakness for financial management is due to improvements needed in accounting and internal controls related to the Commodity Credit Corporation (CCC) and Natural Resources Conservation Service (NRCS). In addition, improvements are needed in internal controls over estimating losses on insurance claims related to Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA). In conducting our review, we noted the following areas where improvements are needed in overall financial management. Specifically:

- CCC disclosed material weaknesses related to accounting for budgetary transactions and accrued liabilities.
- NRCS disclosed material weaknesses related to controls over obligations and undelivered orders; controls over expenses; and entity level controls.
- FCIC/RMA disclosed a material weakness related to the insurance loss estimation process.

In its FMFIA Report on Management Control for fiscal year 2020, the Department reported the following corrective action plans to address the outstanding weaknesses from fiscal year 2019 that remain material weaknesses for fiscal year 2020:

- CCC, in fiscal year 2021, plans to continue to implement effective undelivered orders monitoring controls at the program level throughout the organization.
- NRCS, in fiscal year 2021, plans to continue ongoing process improvements to maintain, monitor, and certify ULOs to ensure the accuracy of reported balances and maintenance of sufficient documentation. In addition, NRCS will continue to provide guidance and/or training to employees over the recording of expense accruals.
- RMA, in fiscal year 2021, plans to perform a risk assessment to identify critical data inputs within the indemnities estimate model and design procedures to evaluate the completeness and accuracy of critical data inputs. Additionally, RMA will review, update, and document policies, procedures, and controls for any model program or data preparation query changes and validate the appropriateness of the changes.

Since USDA has actions planned and in progress, we are making no further recommendations herein.

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

As required by the Federal Information Security Modernization Act of 2014 (FISMA), the Office of Inspector General (OIG) reviewed USDA's ongoing efforts to improve its IT security program and practices during fiscal year 2020.[3] USDA continues to take positive steps to improve its IT security posture, but many longstanding weaknesses remain. In fiscal years 2009-2019, there were 14 outstanding recommendations that remain unresolved – 11 recommendations were completed, and 3 recommendations are scheduled for closure after the date of our report. OIG also issued nine new recommendations based on security weaknesses identified in fiscal year 2020.

OMB establishes standards for an effective level of security and considers "Managed and Measurable" as a sufficient level of security. However, OIG found the Department's maturity level to be at the "Consistently Implemented" level. Based on OMB's criteria, the Department's overall score indicates an ineffective level. In detailed testing of the 67 FISMA Reporting Metrics, OIG found the Department increased its maturity level for 5 metrics. Seven metrics' maturity level was downgraded because of a new requirement related to supply chain risk management, and the most recent cyber incidents. The maturity level did not change for 55 metrics. The Department and its agencies must develop and implement an effective plan to mitigate security weaknesses identified in the prior fiscal year recommendations. The Office of the Chief Information Officer (OCIO) generally agreed with the findings in the report.

OIG issued an Independent Service Auditor's Report[4] on the results of the examination of the description of the National Finance Center's (NFC) payroll and personnel system for processing user entities' payroll and human resource transactions throughout the period October 1, 2019 to June 30, 2020 based on the criteria identified in NFC's assertion and the OCIO's assertion. The report also presents the results of the examination of the suitability of the design and operating effectiveness of NFC's and OCIO's controls included in the description to achieve the related control objectives stated in the description. The report contains an adverse opinion based on controls that were not suitably designed and operating effectively to provide reasonable assurance that the control objectives would be achieved.

OIG also conducted an audit of Security Over Select USDA Agencies' Networks and Systems[5]. OIG reviewed relevant laws, regulations, and industry best practices in order to gain sufficient knowledge to evaluate USDA's IT security posture. OIG found that the Department did not fully implement Federally-mandated controls.

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[3] Audit Report 50503-0003-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2020 Federal Information Security Modernization Act*, issued October 2020.

[4] Audit Report 11403-0003-12, *Independent Service Auditor's Report on the National Finance Center's Description of its Payroll and Personnel System and the Suitability of the Design and Operating Effectiveness of its Controls for October 1, 2019 to June 30, 2020*, issued November 2020.

[5] Audit Report 50501-0022-12, *Security Over Select USDA Agencies' Networks and Systems Fiscal Year 2019*, issued September 2020.

Section 2: Significant Deficiency in Internal Control Over Financial Reporting

Finding 3: Controls Over Unliquidated Obligations Can Be Strengthened

Since fiscal year 2012, our reports have identified deficiencies with controls over inactive ULOs.[6] This year, our review disclosed that improvements are still needed.

We reviewed the completeness of obligation certifications submitted to the Department for the first through third quarters of fiscal year 2020; and for those certifications, further reviewed a nonstatistical selection of 145 inactive obligation balances for validity. We found that 64 ULOs were invalid and should have been deobligated prior to the sample date because no future expenditures were expected or because there were adjustments that lacked support and should have been de-obligated (i.e., reversed). In addition, we found that 11 intra-departmental ULOs were valid but should have been liquidated in a prior fiscal year. These ULOs inappropriately remained open in part because USDA agencies did not bill, or submit final payments, to other USDA agencies.

The U.S. Department of the Treasury's annual closing guidance (Treasury Bulletin No. 2020-19, *2020 Year-end Closing*), requires an annual review of ULOs. This ensures that agencies properly record transactions meeting the criteria of valid obligations set forth in 31 U.S.C. 1501.

Departmental Regulation 2230-001, *Reviews of Unliquidated Obligations*, further requires quarterly reviews and certification as to the validity of obligated balances from agency Chief Financial Officers.

Ineffective monitoring and reviewing, as well as inappropriate certifying to the validity of obligation balances, resulted in invalid obligations remaining open. Invalid obligations improperly restrict the availability of funding authority. Overall, this increases the risk of misstating obligations as of yearend.

Management generally agreed with our findings and will continue to implement controls over ULOs. Previously OIG recommended and the Department agreed to revise Departmental Regulation 2230-001, *Reviews of Unliquidated Obligations*, to assist agencies and staff offices in properly identifying and categorizing the current status of ULOs. The regulation was updated in October 2020; therefore, we are not making further recommendations.

[6] An obligation is a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Section 3: Noncompliance with Laws and Regulations

Finding 4: Lack of Substantial Compliance with FFMIA Requirements

FFMIA requires agencies to annually assess whether their financial management systems comply substantially with (1) FFMSR, (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 requires each agency to report significant information security deficiencies, relating to financial management systems, as a lack of substantial compliance under FFMIA.

During fiscal year 2020, USDA evaluated its financial management systems to assess compliance with FFMIA. The Department reported that it was not compliant with FFMSR, applicable accounting standards, USSGL at the transaction level, and FISMA requirements. As noted in its MD&A, USDA continues its work to meet FFMIA and FISMA objectives.

Specifically, in its FFMIA and FMFIA reports, the Department reported an ineffective information security program due to many longstanding weaknesses with outstanding recommendations. See Finding 2 of this report for more details.

Additionally, in its FFMIA report, the Department noted noncompliance with two of its component agencies relating to financial management, described below.

1. CCC noncompliance with Federal accounting standards and USSGL at the transaction level was noted for weaknesses in budgetary transactions and accrued liabilities. The financial management systems did not record certain accounting events at the transaction level in accordance with USSGL. CCC continues to make significant progress in performing compensating controls over the accounting for obligation activity. CCC continues implementing their program obligation activity into Financial Management Modernization Initiative in a phased approach.

2. NRCS' deficiencies in applicable Federal accounting standards, including the USSGL at the transaction level, were noted for incorrect posting logic being used for recoveries of prior year unpaid obligations. FMMI does not allow for updates to the period of performance related to these types of transactions. NRCS continues working to mitigate auditor-identified deficiencies and substantially comply with FFMIA.

See Finding 1 of this report for more details on NRCS and CCC issues.

Due to planned actions, we are making no further recommendations in this report.

Agency Response to Auditors Report

United States
Department of
Agriculture

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

December 8, 2020

TO: Phyllis K. Fong
Inspector General
Office of Inspector General

FROM: G. Scott Soles /S/
Principal Deputy Chief Financial Officer

SUBJECT: U.S. Department of Agriculture's Financial Statements for Fiscal Years 2020 and 2019

The Department is pleased to respond to your audit report on the financial statements for fiscal years 2020 and 2019.

We concur with the findings in the report. We will continue with actions planned and in progress to address the findings.

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

Financial Statements

Consolidated Balance Sheets

As of September 30, 2020 and 2019 ($ in millions)

	2020	2019
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 195,418	$ 153,468
Investments (Note 5)	245	233
Accounts Receivable (Note 6)	61	79
Other (Note 11)	27	12
Total Intragovernmental	195,751	153,792
Cash and Other Monetary Assets (Note 4)	381	550
Investments (Note 5)	3	3
Accounts Receivable, Net (Note 6)	3,812	3,835
Direct Loan and Loan Guarantees, Net (Note 7)	110,235	104,255
Inventory and Related Property, Net (Note 8)	18	23
General Property, Plant, and Equipment, Net (Note 9)	2,399	2,249
Other (Note 11)	1,295	388
Total Assets	313,894	265,095
Stewardship PP&E (Note 10)		
Liabilities (Note 12):		
Intragovernmental		
Accounts Payable	28	1
Debt (Note 13)	145,738	139,678
Other (Note 15)	10,196	9,901
Total Intragovernmental	155,962	149,580
Accounts Payable	3,738	2,234
Loan Guarantee Liability (Note 7)	1,329	434
Actuarial Federal Employees’ Compensation Act (FECA) Liability	679	782
Environmental and Disposal Liabilities (Note 14)	239	218
Benefits Due and Payable	13,330	5,147
Other (Notes 15 & 16)	21,577	20,586
Total Liabilities	196,854	178,981
Commitments and Contingencies (Note 17)		
Net Position:		
Unexpended Appropriations - Funds From Dedicated Collections (Combined) (Note 18)	191	180
Unexpended Appropriations - All Other Funds (Combined)	82,751	71,271
Cumulative Results of Operations - Funds From Dedicated Collections (Combined) (Note 18)	3,283	3,331
Cumulative Results of Operations - All Other Funds (Combined)	30,815	11,332
Total Net Position - Funds From Dedicated Collections (Combined Totals) (Note 18)	3,474	3,511
Total Net Position - All Other Funds (Combined Totals)	113,566	82,603
Total Net Position	117,040	86,114
Total Liabilities and Net Position	$ 313,894	$ 265,095

The accompanying notes are an integral part of these statements.

Consolidated Statements of Net Cost

For the Year Ended September 30, 2020, and 2019 ($ in millions)

	2020	2019
Farm Production and Conservation:		
Gross Costs	$ 54,824	$ 39,653
Less: Earned Revenue	5,159	3,034
Net Costs	49,665	36,619
Food, Nutrition, and Consumer Services:		
Gross Costs	122,391	92,657
Less: Earned Revenue	56	47
Net Costs	122,335	92,610
Food Safety:		
Gross Costs	1,321	1,313
Less: Earned Revenue	260	248
Net Costs	1,061	1,065
Marketing and Regulatory Programs:		
Gross Costs	5,627	3,052
Less: Earned Revenue	1,016	1,294
Net Costs	4,611	1,758
Natural Resources and Environment:		
Gross Costs	7,033	6,180
Less: Earned Revenue	888	842
Net Costs	6,145	5,338
Rural Development:		
Gross Costs	6,842	6,538
Less: Earned Revenue	3,591	3,672
Net Costs	3,251	2,866
Research, Education, and Economics:		
Gross Costs	3,059	3,069
Less: Earned Revenue	103	138
Net Costs	2,956	2,931
Trade and Foreign Agricultural Affairs:		
Gross Costs	475	416
Less: Earned Revenue	72	58
Net Costs	403	358
Staff Offices:		
Gross Costs	1,493	1,343
Less: Earned Revenue	241	241
Net Costs	1,252	1,102
Total Gross Costs	203,065	154,221
Less: Total Earned Revenue	11,386	9,574
Net Cost of Operations (Note 19)	$ 191,679	$ 144,647

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2020 ($ in millions)

	Funds From Dedicated Collections (Combined Totals) (Note 18)	All Other Funds (Combined Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balances	$ 180	$ 71,271	$ -	$ 71,451
Budgetary Financing Sources:				
Appropriations Received	11	212,782	-	212,793
Appropriations Transferred In (Out)	-	(50)	-	(50)
Other Adjustments	-	(8,931)	-	(8,931)
Appropriations Used	-	(192,321)	-	(192,321)
Total Budgetary Financing Sources	11	11,480	-	11,491
Total Unexpended Appropriations	191	82,751	-	82,942
Cumulative Results of Operations:				
Beginning Balances	3,331	11,332	-	14,663
Budgetary Financing Sources:				
Other Adjustments	-	(340)	-	(340)
Appropriations Used	-	192,321	-	192,321
Non-exchange Revenue	134	22,279	-	22,413
Donations and Forfeitures of Cash and Equivalents	1	1	-	2
Transfers In (Out) without Reimbursement	748	(2,326)	1,011	(567)
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	-	1,014	(1,011)	3
Imputed Financing	68	2,916	(2,129)	855
Other	(182)	(3,391)	-	(3,573)
Total Financing Sources	769	212,474	(2,129)	211,114
Net Cost of Operations	(817)	(192,991)	2,129	(191,679)
Net Change	(48)	19,483	-	19,435
Cumulative Results of Operations	3,283	30,815	-	34,098
Net Position	$ 3,474	$ 113,566	$ -	$ 117,040

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2019 ($ in millions)

	Funds From Dedicated Collections (Combined Totals) (Note 18)	All Other Funds (Combined Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balances	$ 168	$ 65,238	$ -	$ 65,406
Budgetary Financing Sources:				
Appropriations Received	12	150,903	-	150,915
Appropriations Transferred In (Out)	-	(51)	-	(51)
Other Adjustments	-	(17,061)	-	(17,061)
Appropriations Used	-	(127,758)	-	(127,758)
Total Budgetary Financing Sources	12	6,033	-	6,045
Total Unexpended Appropriations	180	71,271	-	71,451
Cumulative Results of Operations:				
Beginning Balances	$ 2,243	$ 10,009	$ -	$ 12,252
Budgetary Financing Sources:				
Other Adjustments	-	(280)	-	(280)
Appropriations Used	-	127,758	-	127,758
Non-exchange Revenue	208	21,514	-	21,722
Donations and Forfeitures of Cash and Equivalents	1	1	-	2
Transfers In (Out) without Reimbursement	1,375	(3,086)	1,164	(547)
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	-	1,164	(1,164)	-
Imputed Financing	29	3,081	(2,090)	1,020
Other	(167)	(2,450)	-	(2,617)
Total Financing Sources	1,446	147,702	(2,090)	147,058
Net Cost of Operations	(358)	(146,379)	2,090	(144,647)
Net Change	1,088	1,323	-	2,411
Cumulative Results of Operations	3,331	11,332	-	14,663
Net Position	$ 3,511	$ 82,603	$ -	$ 86,114

The accompanying notes are an integral part of these statements.

Combined Statements of Budgetary Resources

For the Years Ended September 30, 2020 and 2019 ($ in millions)

	2020		2019	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance From Prior Year Budget Authority, Net	$ 69,378	$ 5,958	$ 58,810	$ 4,703
Appropriations (Discretionary and Mandatory)	211,126	1	150,957	84
Borrowing Authority (Discretionary and Mandatory)	35,525	15,654	27,127	14,039
Spending Authority From Offsetting Collections (Discretionary and Mandatory)	8,293	12,249	5,582	10,612
Total Budgetary Resources	324,322	33,862	242,476	29,438
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	239,782	21,913	170,897	18,548
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	47,873	11,257	35,683	10,088
Exempt From Apportionment, Unexpired Accounts	7	-	1	-
Unapportioned, Unexpired Accounts	4,437	692	9,042	802
Unexpired Unobligated Balance, End of Year	52,317	11,949	44,726	10,890
Expired Unobligated Balance, End of Year	32,223	-	26,853	-
Unobligated Balance, End of Year (Total)	84,540	11,949	71,579	10,890
Total Budgetary Resources	324,322	33,862	242,476	29,438
Outlays, Net:				
Outlays, Net (Discretionary and Mandatory)	187,111		153,234	
Distributed Offsetting Receipts (-)	(2,863)		(3,082)	
Agency Outlays, Net (Discretionary and Mandatory)	$ 184,248		$ 150,152	
Disbursements, Net (Total) (Mandatory)		$ 2,547		$ 1,730

Notes to the Financial Statements

As of September 30, 2020, and 2019 ($ in millions)

NOTE 1: Summary of Significant Accounting Policies

Organization

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. See MD&A for listing of the missions and the agencies within each mission.

Consolidation

The financial statements consolidate all of the agencies' results. 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.

Revenue and Other Financing Sources

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.

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

Inventories to be consumed in the production of goods for sale or in the provision of services for a fee are valued on the basis of historical cost using a first-in, first-out method. Commodities are valued at the lower of cost or net realizable value using a weighted average method.

Property, Plant and Equipment

Property, Plant and Equipment (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.

Other Post-Employment Benefits

Other post-employment benefits expense for former or inactive (but not retired) employees is recognized when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. The liability for long-term other post-employment benefits is the present value of future payments.

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 Statement of Federal Financial Accounting Standards (SFFAS) 43, Funds from Dedicated Collections, 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.

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 a number of U.S. Government agencies, including: 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, Technical Bulletin (TB) 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: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32, 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) amends requirements for a reconciliation between budgetary and financial accounting information established by SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting. 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 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 (A&O) expense 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.

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.

Reclassifications

The Statement of Budgetary Resources and related note was reclassified to report disbursements for Non-Budgetary Credit Reform Financing Accounts separately, Investments was reclassified to report investment types for other securities, Direct Loan and Loan Guarantees, Net was reclassified for Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans), Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees), and order of tables presented, Funds from Dedicated Collections was reclassified to present additional line items, and Reconciliation of Net Cost to Net Outlays was reclassified to remove Non-Budgetary Credit Reform Financing Account activity. The order of components presented in the Statement of Net Cost and related note, Funds from Dedicated Collections and Combining Statement of Budgetary Resources were reclassified to align with the organization chart. Distributed offsetting receipts were reclassified from the non-budgetary column to the budgetary column on the Statement of Budgetary Resources and related note to consistently apply credit reform guidance.

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 2020	FY 2019
Intragovernmental:		
Fund Balance with Treasury	$ 319	$ 365
Accounts Receivable	296	246
Total Intragovernmental	615	611
Cash and Other Monetary Assets	46	46
Accounts Receivable	205	196
Total Non-Entity Assets	866	853
Total Entity Assets	313,028	264,242
Total Assets	$ 313,894	$265,095

NOTE 3: Fund Balance with Treasury

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.

	FY 2020	FY 2019
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	$ 59,138	$ 45,772
Unavailable	37,446	36,802
Obligated Balance Not Yet Disbursed	110,813	77,888
Borrowing Authority Not Yet Converted to Fund Balance	(53,640)	(41,658)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(23)	(27)
Non-Budgetary Fund Balance with Treasury	41,684	34,691
Total	$ 195,418	$ 153,468

NOTE 4: Cash and Other Monetary Assets

For FY 2020 and FY 2019, cash and other monetary assets consists of Federal crop insurance escrow of $299 million and $390 million, deposits in transit of $36 million and $114 million, and single-family housing escrow of $46 million and $46 million, respectively.

	FY 2020	FY 2019
Cash	$ 381	$ 550

NOTE 5: Investments

FY 2020	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Other Adjustments	Market Value Disclosure
Intragovernmental Securities:							
Non-marketable - Market-based	$ 243	Straight Line	$ 1	$ 1	$ 245	$ -	$ 245
Total	$ 243		$ 1	$ 1	$ 245	$ -	$ 245
Other Securities:							
Available for Sale	$ 3		$ -	$ -	$ 3	$ -	$ 3
Total	$ 3		$ -	$ -	$ 3	$ -	$ 3

FY 2019	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Other Adjustments	Market Value Disclosure
Intragovernmental Securities:							
Non-marketable - Market-based	$ 232	Straight Line	$ -	$ 1	$ 233	$ -	$ 233
Total	$ 232		$ -	$ 1	$ 233	$ -	$ 233
Other Securities:							
Available for Sale	$ 3		$ -	$ -	$ 3	$ -	$ 3
Total	$ 3		$ -	$ -	$ 3	$ -	$ 3

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

FY 2020	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 61	$ -	$ 61
With the Public	3,872	(60)	3,812
Total	$ 3,933	$ (60)	$ 3,873
Criminal Restitution	$ 7	$ (7)	$ -

FY 2019	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 79	$ -	$ 79
With the Public	3,898	(63)	3,835
Total	$ 3,977	$ (63)	$ 3,914
Criminal Restitution	$ 8	$ (8)	$ -

NOTE 7: Direct Loan and Loan Guarantees, Net

Direct loan obligations and loan guarantee commitments made after fiscal year 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 (FPAC) Mission Area

The FPAC mission area helps keep America's farmers and ranchers in business as they face the uncertainties of weather and markets. FPAC delivers commodity, credit, conservation, disaster, and emergency assistance programs that help strengthen and stabilize the agricultural economy. FPAC contributes to the vitality of the farm sector with programs that encourage the expansion of export markets for U.S. agriculture.

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 (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 26: Farm Production and Conservation List of Programs

Farm Service Agency	Commodity Credit Corporation
Direct Farm Ownership	General Sales Manager Export Credit Guarantee Program
Direct Farm Operating	Facility Program Guarantee
Direct Emergency Loans	P.L. 480 Title 1 Program
Direct Indian Land Acquisition	Direct Farm Storage Facility
Direct Boll Weevil Eradication	Direct Sugar Storage Facilities
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 (RD) 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 Indian 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 27: Rural Development List of 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 Manufacturing Assistance Program Loan Guarantees	
Community Facilities Direct Loans and Loan Guarantees		

Events and Changes Having a Significant and Measurable Effect on Subsidy Rates, Subsidy Expense, and Subsidy Reestimates

The annual reestimate process updates the budget assumptions with actual portfolio performance, interest rates, and updated estimates for future loan performance. The FY 2020 reestimate process resulted in a $157 million increase in the post-1991 estimated cost of the direct loan portfolio and a $747 million increase in the post-1991 estimated cost of the guaranteed loan portfolio, primarily comprised of the following programs.

Direct Loans

The Direct Farm category had a total reestimate of $114 million that was comprised of the following elements: a net upward 2020 reestimate of $122 million for ACIF farm loans, $17 million accrual for the 2019 ACIF technical reestimate, $16 million interest on the reestimate for ACIF (including accrual); a net downward of $(37) million for the remainder of the Farm category (essentially Farm Storage Facility Loans), and $(4) million interest on the reestimate for Farm Storage.

The total upward reestimate for direct farm was $272 million, and the downward reestimate was $(187) million. The upward reestimate was comprised almost totally of direct ownership $214 million and direct operating $47 million. The downward reestimate split among direct operating $(81) million, direct ownership $(59) million and farm storage facility loans $(44) million.

For the upward reestimate, the largest increase was in the FY 2020 farm ownership cohort. The change is not due to changes in actual or projected borrower performance to any significant extent. However, the actual 2020 cohort borrower interest rate (2.52%) was 1.11 percentage points less than the borrower interest rate assumed in the President's Budget 2020 formulation estimate (3.63%). Since the cohort single effective discount rate of 3.60% remained unchanged from the 2020 budget formulation estimate, this creates an implied negative spread of -1.08% in the FY 2020 reestimate, in contrast to the 0.03 spread assumed in the 2020 budget formulation estimate. As a result, total scheduled interest as a percentage of total disbursements decreased from 61.7% to 48.6% (equates to decrease of $215 million), thereby leading to a large upward reestimate. After an interest rate reestimate is performed and a new single effective rate (SER) is calculated, we assume that this will change significantly in a downward direction at the end of FY 2021.

For direct operating, most of the downward reestimates are concentrated in cohorts 2010 through 2016. The updated default model resulted in a decrease in forecasted defaults (FY 2021 and beyond) ranging from -$18.7 million (61.5%) to -$1.6 million (22.5%) in the 2009-2017 cohorts. Decreases in forecasted defaults were the main driver of the reestimate in these cohorts. For direct ownership, the downward reestimate was all in cohort 2019. This was because the SER decreased by 0.51 percentage points, thereby increasing the present value of net cash inflows, and leading to a large downward reestimate.

For farm storage, there was a downward reestimate in all except one cohort. Fewer prepayments than expected in FY 2020 contribute to the downward reestimate for cohorts 2010 through 2015. The fewer prepayments in FY 2020 are partially offset by increases in forecasted (FY 2021 and beyond) prepayments for cohorts 2010 – 2011, and more than offset by increases in forecasted prepayments for cohorts 2012 – 2015. For cohorts 2016 through 2018, principal payments exceeded expected principal payments by between $641 thousand and $3.7 million. For cohort 2019, the largest downward reestimate, the change in the subsidy rate is due to discount rates (i.e. change due to interest) is -5.84 percentage points, which translates to a -$13.2 million downward subsidy adjustment. Increases in forecasted prepayments partially offset the effect of the SER revision.

The Direct Single-Family Housing program has a downward reestimate of $(138) million. The key drivers of the changes that caused the downward impact were the lag on Foreclosure, Real Estate Owned (REO) Recovery Curve, and the lag on REO. The projected lag on foreclosures decreased, which increased projected prepayments resulting in a downward impact on the total reestimate amount. The REO recovery curve increased from 3% to 4% which increased the projected recoveries, resulting in a downward impact to the total reestimate. The lag on REO increased from 23.94 months to 24.21 months which increased the months for future projections of lag on REO, which had a downward impact on the total reestimate. The FY 2019 and FY 2020 cohorts also had decreases in the SER which results in the net present value of the cash flows increasing and a subsequent downward reestimate.

The Direct Community Facility program has an overall downward reestimate of $(123) million. The downward reestimate was primarily due to a decrease in the principal write off assumption, which decreased from 5.56% in FY 2019 to 4.49% in FY 2020, and a decrease in actual defaults written off. In addition, the more recent cohort years also experienced a decrease in the SER which caused the cost of borrowing for the Agency to decrease as well. This resulted in a downward reestimate as the net present value of cash flows increased due to the lower discount rate.

The Direct FFB Electric Program had an overall upward reestimate of $1,181 million which is comprised of a $816 million upward reestimate in the FFB program, a $300 million upward reestimate in the FFB Underwriter program, and a $68 million upward reestimate in the FFB Note Extension program. One of the main drivers of the upward reestimates in all Direct Electric Programs were the modification costs that were realized in FY 2019 but provided to FFB in FY 2020 as part of an administrative solution. These modification costs were related to the implementation of the 2018 Agriculture Improvement Act language that allowed borrowers to prepay outstanding debt using Cushion of Credit balances. The negative modification cash flows decreased cash balances resulting in an upward impact to the reestimate.

The Direct Water and Environmental Disposal program had an overall downward reestimate of $(867) million. The downward reestimate was primarily attributed to the updated Miscellaneous Inflows curves which are based on actual data and are used to project future cashflows from

Miscellaneous Inflows. The Miscellaneous Inflows curve increased from 0.04% to 5.79% due to FY 2019 actual data from Puerto Rico Aqueduct and Sewer Authority (PRASA) debt restructure. The downward reestimate was also caused by the updated SER which primarily decreased. As the SER decreases, the cost of borrowing for the Agency decreases as well, causing a downward reestimate as the net present value of cash flows increases due to the lower discount rate.

Guaranteed Loans

The Guaranteed Single-Family Housing Program had an overall upward reestimate of $809 million. The change in upward reestimates are attributed to updates to the model with the most recent economic assumptions including unemployment rates, treasury rates, and mortgage rate forecasts. The 2020 national unemployment rate forecast is downward sloping and the average unemployment rate in the next five years is forecasted to be higher than in the prior years. These forecasts in unemployment are also contributing to the five-year default forecast for the 2019 cohort to significantly increase relative to the prior year reestimate model's forecast for the same period. The increase in the five-year default forecast in the short term leads to an increase in the upward reestimate as that would signify additional costs associated with the programs.

Loan Modifications

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, continued through FY 2020. In this program, Rural Development 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.

During FY 2019, the Rural Utilities Program loans experienced a significant increase in loan modifications. The modifications amount for FY 2019 was $898 million while in FY 2018 there was none. The Cushion of Credit (CoC) modifications were a direct result of the enactment of the 2018 Agriculture Improvement Act. The language in the act provided the borrowers the opportunity to prepay outstanding loans, without a penalty, using the CoC balances. Additionally, the Federal Financing Bank Direct Electric Loan Program modifications continued with the refinancing options that were enacted in the FY 2018 Consolidated Appropriations Act as part of a two-year pilot program.

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.

Foreclosed Property

As of September 30, 2020 and 2019, foreclosed property consisted of 1,267 and 2,398 rural single family housing dwellings, with an average holding period of 16 and 15 months, respectively. As of September 30, 2020 and 2019, FSA-Farm Loan Program properties consist primarily of 125 and 110 farms, respectively. The average holding period for these properties in inventory for FY 2020 and FY 2019 was 77 and 67 months. 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 $14,328 million and $14,458 million of Rural Housing borrowers' unpaid loan principal as of September 30, 2020 and 2019 were receiving interest credit. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately $666 million and $682 million higher for FY 2020 and FY 2019, respectively.

At the end of FY 2020 and FY 2019, the RD portfolio contained approximately 48,280 and 51,684 restructured loans with an outstanding unpaid principal balance of $2,584 million and $2,711 million, respectively. At the end of FY 2020 and FY 2019, the farm loan portfolio contained approximately 17,836 and 17,761 restructured loans with an outstanding unpaid principal balance of $1,402 million and $1,343 million, respectively. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2020 and 2019, were $642 million and $825 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 may make advance payments up to their liquidating and financing total Rural Utilities Service debt. To accurately represent the value of Electric and Telecommunication assets, RD reports the CoC amounts as a separate line item in Table 1.

Subsidy rates are used to compute each year's subsidy expenses. The subsidy rates pertain only to the FY 2020 cohorts. These rates cannot be applied to the direct and guaranteed 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 cohorts. The subsidy expense reported in the current year also includes reestimates.

Table 1: Direct Loan and Loan Guarantees, Net

FY 2020 Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Loans
Obligated Pre-1992					
Farm	$ 161	$ 97	$ 7	$ (96)	$ 169
Food Aid	451	7	-	(72)	386
Housing	5,610	763	6	(613)	5,766
Community Facility	8	-	-	-	8
Electric	1,854	2	-	(1,427)	429
Telecommunications	40	-	-	-	40
Water and Environmental	203	2	-	-	205
Intermediary Relending	2	-	-	-	2
Pre-1992 Total	8,329	871	13	(2,208)	7,005
Obligated Post-1991					
Farm	14,026	309	10	(576)	13,769
Food Aid	479	9	-	(80)	408
Housing	17,803	465	77	(2,301)	16,044
Community Facility	10,536	72	-	(120)	10,488
Electric	47,011	27	-	(1,169)	45,869
Telecommunications	2,735	1	-	10	2,746
Water and Environmental	13,204	88	-	590	13,882
Intermediary Relending	342	2	-	(70)	274
Business and Industry	46	-	-	(6)	40
Economic Development	200	-	-	(16)	184
Post-1991 Total	106,382	973	87	(3,738)	103,704
Cushion of Credit	(1,798)	-	-	-	(1,798)
Total Direct Loan Program Receivables	112,913	1,844	100	(5,946)	108,911
Defaulted Guarantee Loans					
Post-1991					
Farm	226	76	-	(277)	25
Export	387	17	-	(238)	166
Housing	126	-	-	(94)	32
Community Facility	8	-	-	-	8
Business and Industry	227	-	-	(43)	184
Post-1991 Total	974	93	-	(652)	415
Total Defaulted Guarantee Loans	974	93	-	(652)	415
Loans Exempt from Credit Reform Act:					
Commodity Loans	902	11	-	(4)	909
Total Loans Exempt	902	11	-	(4)	909
Total Direct Loan and Loan Guarantees, Net					$ 110,235

FY 2019 Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Loans
Obligated Pre-1992					
Farm	$ 192	$ 103	$ 6	$ (102)	$ 199
Food Aid	640	9	-	(90)	559
Housing	5,934	689	20	(610)	6,033
Community Facility	10	-	-	-	10
Electric	2,241	3	-	(1,739)	505
Telecommunications	63	-	-	-	63
Water and Environmental	239	2	-	-	241
Intermediary Relending	4	-	-	-	4
Pre-1992 Total	9,323	806	26	(2,541)	7,614
Obligated Post-1991					
Farm	12,582	293	10	(462)	12,423
Food Aid	545	8	-	(90)	463
Housing	17,560	414	139	(2,158)	15,955
Community Facility	9,755	76	-	(321)	9,510
Electric	47,033	73	-	(577)	46,529
Telecommunications	3,183	1	-	(2)	3,182
Water and Environmental	12,870	89	-	(301)	12,658
Intermediary Relending	355	2	-	(76)	281
Business and Industry	44	-	-	(5)	39
Economic Development	200	-	-	(15)	185
Post-1991 Total	104,127	956	149	(4,007)	101,225
Cushion of Credit	(5,556)	-	-	-	(5,556)
Total Direct Loan Program Receivables	107,894	1,762	175	(6,548)	103,283
Defaulted Guarantee Loans					
Post-1991					
Farm	207	68	-	(256)	19
Export	417	12	-	(219)	210
Housing	110	-	-	(81)	29
Community Facility	6	-	-	-	6
Business and Industry	187	-	-	(48)	139
Post-1991 Total	927	80	-	(604)	403
Total Defaulted Guarantee Loans	927	80	-	(604)	403
Loans Exempt from Credit Reform Act:					
Commodity Loans	565	8	-	(4)	569
Total Loans Exempt	565	8	-	(4)	569
Total Direct Loan and Loan Guarantees, Net					$ 104,255

Table 2: Total Amount of Direct Loans Disbursed (Post-1991)

Direct Loan Programs	**FY 2020**	**FY 2019**
Farm	$ 3,349	$ 2,584
Housing	1,255	1,151
Community Facility	1,278	1,530
Electric	5,177	4,218
Telecommunications	150	114
Water and Environmental	1,271	780
Intermediary Relending	16	18
Business and Industry	5	5
Economic Development	39	53
Total Direct Loans Disbursed	$ 12,540	$ 10,453

Table 3: Subsidy Expense for Direct Loans by Program and Component

FY 2020 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	$ (39)	$ 76	$ (1)	$ 7	$ 43	$ -	$ (73)	$ 187	$ 114	$ 157
Export	-	-	-	-	-	-	-	8	8	8
Food Aid	-	-	-	-	-	-	-	2	2	2
Housing	67	52	-	5	124	7	(71)	(67)	(138)	(7)
Community Facility	(134)	42	-	6	(86)	-	152	(275)	(123)	(209)
Electric	(172)	14	(49)	(25)	(232)	-	(126)	1,307	1,181	949
Telecommunications	-	2	-	(2)	-	-	(30)	10	(20)	(20)
Water and Environmental	70	1	-	(47)	24	-	50	(917)	(867)	(843)
Intermediary Relending	4	-	-	-	4	-	(2)	1	(1)	3
Business and Industry	-	-	-	-	-	-	-	1	1	1
Economic Development	6	-	-	-	6	-	-	-	-	6
Total Direct Loan Subsidy Expense	$ (198)	$ 187	$ (50)	$ (56)	$ (117)	$ 7	$ (100)	$ 257	$ 157	$ 47

FY 2019 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	$ (39)	$ 73	$ (1)	$ 6	$ 39	$ -	$ 97	$ (140)	$ (43)	$ (4)
Export	-	-	-	-	-	-	-	(12)	(12)	(12)
Food Aid	-	-	-	-	-	-	-	22	22	22
Housing	36	46	-	3	85	8	25	186	211	304
Community Facility	(145)	52	-	5	(88)	-	-	217	217	129
Electric	(143)	5	(13)	(32)	(183)	863	(108)	(864)	(972)	(292)
Telecommunications	-	1	-	(2)	(1)	27	20	69	89	115
Water and Environmental	45	1	-	(27)	19	-	9	41	50	69
Intermediary Relending	5	-	-	-	5	-	(1)	(4)	(5)	-
Business and Industry	-	-	-	-	-	-	-	4	4	4
Economic Development	7	-	-	-	7	-	(1)	-	(1)	6
Total Direct Loan Subsidy Expense	$ (234)	$ 178	$ (14)	$ (47)	$ (117)	$ 898	$ 41	$ (481)	$ (440)	$ 341

Table 4: Subsidy Rates For Direct Loans (percentage)

FY 2020	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct Loan Programs					
Farm Ownership	(0.02)	0.18	-	(0.25)	(0.09)
Farm Operating	(3.40)	6.55	-	0.62	3.77
Emergency Disaster	(1.32)	6.52	-	0.16	5.36
Indian Tribe Land Acquisition	(18.62)	-	-	-	(18.62)
Boll Weevil Eradication	0.13	-	-	(0.03)	0.10
Indian Highly Fractionated Land	28.96	0.05	-	(1.56)	27.45
Heirs Property Relending Program	28.96	0.05	-	(1.56)	27.45
Farm Storage Facility Loan	0.06	-	(0.27)	(0.02)	(0.23)
Sugar Storage Facility Loan Program	(0.40)	-	-	0.02	(0.38)
Multifamily Housing Revitalization Seconds	57.99	0.42	-	(0.06)	58.35
Multifamily Revitalization Zero	52.70	0.34	-	(0.18)	52.86
Community Facility Loans	(10.64)	3.63	-	2.05	(4.96)
Section 502 Single-Family Housing	3.40	4.89	-	0.70	8.99
Section 515 Multi-Family Housing	30.83	0.88	-	(1.36)	30.35
Section 504 Housing Repair	21.06	(0.04)	-	(4.31)	16.71
Section 514 Farm Labor Housing	31.62	0.17	-	(0.58)	31.21
Section 524 Site Development	4.70	5.45	-	0.77	10.92
Section 523 Self-Help Housing	6.97	4.52	-	0.05	11.54
Single-Family Housing Credit Sales	(6.78)	2.23	-	2.70	(1.85)
Rural Microenterprise Direct Loans	12.82	2.06	-	-	14.88
Intermediary Relending Program	27.91	1.42	-	(1.69)	27.64
Rural Economic Development Loans	17.16	0.01	-	(0.39)	16.78
Water and Environmental	7.79	0.10	-	(3.33)	4.56
FFB Electric Loans	(3.61)	0.01	-	(0.27)	(3.87)
Treasury Telecommunication Loans	0.25	0.71	-	0.14	1.10
FFB Telecommunications Loans	(0.53)	0.16	-	(2.05)	(2.42)
FFB Guaranteed Underwriting	-	1.39	(1.78)	-	(0.39)
Rural Energy Savings Program	16.24	1.36	-	(0.35)	17.25
Broadband Treasury Rate Loans	0.25	17.45	-	0.19	17.89
Reconnect Direct Loans	13.11	22.17	-	(0.83)	34.45
Reconnect Grant Assisted Loans	-	22.17	-	0.36	22.53

Table 5: Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991) Direct Loans

	FY 2020	FY 2019
Beginning Balance of the Subsidy Cost Allowance	$ 4,611	$ 4,102
Add: Total Subsidy Expense for Direct Loans Disbursed During the Year As Shown in Table 3	(117)	(117)
Adjustments		
Loan Modifications	7	898
Fees Received	78	88
Loans Written Off	(141)	(653)
Subsidy Allowance Amortization	146	649
Other	(350)	84
Total Subsidy Cost Allowance Before Reestimates	4,234	5,051
Add or Subtract Total Subsidy Reestimates As Shown in Table 3	157	(440)
Ending Balance of the Subsidy Cost Allowance	$ 4,391	$ 4,611

Table 6: Guaranteed Loans Outstanding

FY 2020	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
Loan Guarantee Programs						
Farm	$ 1	$ 18,738	$ 18,739	$ 1	$ 16,933	$ 16,934
Export	-	2,182	2,182	-	2,135	2,135
Housing	-	127,859	127,859	-	115,036	115,036
Community Facility	-	1,165	1,165	-	1,035	1,035
Electric	-	146	146	-	147	147
Water and Environmental	-	94	94	-	83	83
Business and Industry	-	8,114	8,114	-	5,900	5,900
Total Guarantees Outstanding	$ 1	$ 158,298	$ 158,299	$ 1	$ 141,269	$ 141,270

FY 2019	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
Loan Guarantee Programs						
Farm	$ 1	$ 17,883	$ 17,884	$ 1	$ 16,130	$ 16,131
Export	-	1,901	1,901	-	1,863	1,863
Housing	1	124,066	124,067	1	111,622	111,623
Community Facility	-	1,168	1,168	-	1,040	1,040
Electric	-	154	154	-	154	154
Water and Environmental	-	77	77	-	68	68
Business and Industry	6	7,819	7,825	5	5,763	5,768
Total Guarantees Outstanding	$ 8	$ 153,068	$ 153,076	$ 7	$ 136,640	$ 136,647

Table 7: Guaranteed Loans Disbursed

	FY 2020		FY 2019	
	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Loan Guarantee Programs				
Farm	$ 3,915	$ 3,538	$ 3,059	$ 2,758
Export	2,232	2,184	1,992	1,951
Housing	22,102	19,892	14,528	13,075
Community Facility	53	47	155	137
Water and Environmental	20	17	9	8
Business and Industry	1,234	942	1,293	990
Total Guaranteed Loans Disbursed	$ 29,556	$ 26,620	$ 21,036	$ 18,919

Table 8: Liability for Loan Guarantees (Present Value Method For Pre-1992 Guarantees)

FY 2020	Liabilities for Losses on Pre- 1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post- 1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	$ -	$ 204	$ 204
Export	-	7	7
Housing	-	679	679
Community Facility	-	43	43
Water and Environmental	-	1	1
Business and Industry	-	395	395
Total Liability for Loan Guarantees	$ -	$ 1,329	$ 1,329

FY 2019	Liabilities for Losses on Pre- 1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post- 1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	$ -	$ 222	$ 222
Export	-	3	3
Housing	-	(232)	(232)
Community Facility	-	52	52
Water and Environmental	-	1	1
Business and Industry	-	388	388
Total Liability for Loan Guarantees	$ -	$ 434	$ 434

Table 9: Subsidy Expense for Loan Guarantees by Program and Component

FY 2020 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	$ -	$ 26	$ (14)	$ -	$ 12	$ -	$ 1	$ (36)	$ (35)	$ (23)
Export	-	-	10	(6)	4	-	(1)	2	1	5
Housing	-	726	(859)	-	(133)	-	(18)	827	809	676
Community Facility	-	2	(1)	-	1	-	-	(11)	(11)	(10)
Business and Industry	-	75	(45)	-	30	-	1	(18)	(17)	13
Total Loan Guarantee Subsidy Expense	$ -	$ 829	$ (909)	$ (6)	$ (86)	$ -	$ (17)	$ 764	$ 747	$ 661

FY 2019 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	$ -	$ 25	$ (13)	$ -	$ 12	$ -	$ (6)	$ (11)	$ (17)	$ (5)
Export	-	-	9	(5)	4	-	-	(6)	(6)	(2)
Housing	-	502	(612)	-	(110)	-	(39)	90	51	(59)
Community Facility	-	6	(1)	-	5	-	-	(5)	(5)	-
Business and Industry	-	87	(47)	-	40	-	(1)	(49)	(50)	(10)
Total Loan Guarantee Subsidy Expense	$ -	$ 620	$ (664)	$ (5)	$ (49)	$ -	$ (46)	$ 19	$ (27)	$ (76)

Table 10: Subsidy Rates for Loan Guarantees (percentage)

FY 2020	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Guaranteed Loan Programs					
Farm Ownership—Unsubsidized	-	0.87	(1.16)	-	(0.29)
Farm Operating—Unsubsidized	-	2.30	(1.24)	-	1.06
Conservation—Guaranteed	-	0.68	(1.13)	-	(0.45)
GSM 102	-	0.28	(0.49)	-	(0.21)
Export Guarantee Program—Facilities	-	1.94	(4.11)	-	(2.17)
Community Facility Loan Guarantees	-	3.84	(4.36)	-	(0.52)
Guaranteed 538 Multi-Family Housing	-	3.27	(7.80)	-	(4.53)
Guaranteed 502 Single-Family Housing	-	3.27	(3.83)	-	(0.56)
Business and Industry Loan Guarantees	-	5.89	(3.85)	-	2.04
Renewable Energy Loan Guarantees	-	5.25	(1.72)	-	3.53
Section 9003 Loan Guarantees	-	19.81	(4.94)	0.06	14.93
Water and Environmental	-	1.02	(0.87)	-	0.15

Table 11: Schedule for Reconciling Loan Guarantee Liability Balances (Post -1991 Loan Guarantees)

	FY2020	FY2019
Beginning Balance of the Loan Guarantee Liability	$ 434	$ 502
Add: Total Subsidy Expense for Guaranteed Loans Disbursed During the Year As Shown in Table 9	(86)	(49)
Adjustments		
Fees Received	625	632
Interest Supplements Paid	(8)	(8)
Foreclosed Property and Loans Acquired	44	109
Claim Payments to Lenders	(410)	(541)
Interest Accumulation on the Liability Balance	10	(8)
Other	(27)	(176)
Ending Balance of the Loan Guarantee Liability Before Reestimates	582	461
Add or Subtract Total Subsidy Reestimates As Shown in Table 9	747	(27)
Ending Balance of the Loan Guarantee Liability	$ 1,329	$ 434

Table 12: Administrative Expenses

	FY 2020	FY 2019
Direct Loan Programs	$ 489	$ 498
Guaranteed Loan Programs	450	532
Total Administrative Expenses	$ 939	$ 1,030

Table 13: Loans Receivable

		FY 2020
Loans Receivable, Gross, Start of Year	$	107,894
Plus: Loans Disbursed		12,770
Less: Principal Payments Received		7,147
Less: Foreclosed Property		1
Less: Loans Written Off		137
Other		(466)
Loans Receivable, Gross, End of Year	$	112,913
Defaulted Guaranteed Loans Receivable, Start of Year	$	927
Plus: Guarantee Payments		209
Less: Principal Payments Received		59
Less: Loans Written Off		103
Defaulted Guaranteed Loans Receivable, End of Year	$	974

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 2020 Beginning Inventory		Acquisitions		Collateral Acquired		Donations		Others		FY 2020 Ending Inventory	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Corn Meal	Pounds	1	$ -	102	$ 22	-	$ -	(103)	$ (22)	-	$ -	-	$ -
Blended Foods	Pounds	14	4	104	63	-	-	(118)	(66)	-	(1)	-	-
Dry Edible Beans	Cwt.	-	1	-	22	-	-	-	(23)	-	-	-	-
Dry Whole Peas	Cwt.	-	2	3	65	-	-	(3)	(65)	-	(1)	-	1
Grain Sorghum	Bushels	-	-	22	118	-	-	(22)	(117)	-	-	-	1
Lentils Dry	Cwt.	-	-	1	25	-	-	(1)	(25)	-	-	-	-
Nonfat Dry Milk	Pounds	-	-	5	100	-	-	(5)	(100)	-	-	-	-
Rice Products	Cwt., Pounds	-	3	1	48	-	-	(1)	(50)	-	-	-	1
Meat	Pounds	-	-	11	731	-	-	(11)	(731)	-	-	-	-
Vegetable Oil	Pounds	4	2	396	186	-	-	(376)	(176)	-	1	24	13
Wheat Products	Bushels, Pounds	-	-	25	214	-	-	(25)	(214)	-	-	-	-
Peanuts	Pounds	26	5	-	-	98	17	-	-	(124)	(22)	-	-
Soybeans	Bushels, Pounds	-	-	137	22	-	-	(137)	(22)	-	-	-	-
Fruit and Nut Products	Pounds	-	-	13	378	-	-	(13)	(378)	-	-	-	-
Cotton	Bales	-	5	-	-	6	1,550	-	-	(6)	(1,555)	-	-
Other	Various	-	1	-	87	-	-	-	(113)	-	27	-	2
Total Commodities			$ 23		$ 2,081		$ 1,567		$ (2,102)		$ (1,551)		$ 18

Commodities:	Unit of Measure	FY 2019 Beginning Inventory		Acquisitions		Collateral Acquired		Donations		Others		FY 2019 Ending Inventory	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Corn Meal	Pounds	1	$ 1	64	$ 13	-	-	(64)	$ (14)	-	$ -	1	$ -
Blended Foods	Pounds	11	4	97	42	-	-	(94)	(43)	-	1	14	4
Dry Edible Beans	Cwt.	-	-	-	36	-	-	-	(35)	-	-	-	1
Dry Whole Peas	Cwt.	-	6	2	39	-	-	(2)	(42)	-	(1)	-	2
Grain Sorghum	Bushels	-	3	10	50	-	-	(10)	(52)	-	(1)	-	-
Lentils Dry	Cwt.	-	-	-	9	-	-	-	(9)	-	-	-	-
Nonfat Dry Milk	Pounds	-	-	3	55	-	-	(3)	(55)	-	-	-	-
Rice Products	Cwt., Pounds	-	-	2	70	-	-	(2)	(67)	-	-	-	3
Meat	Pounds	-	-	39	324	-	-	(39)	(324)	-	-	-	-
Vegetable Oil	Pounds	15	8	335	142	-	-	(346)	(147)	-	(1)	4	2
Wheat Products	Bushels, Pounds	-	-	13	137	-	-	(13)	(137)	-	-	-	-
Peanuts	Pounds	134	24	-	-	194	35	(1)	-	(301)	(54)	26	5
Soybeans	Bushels, Pounds	-	-	88	16	-	-	(88)	(16)	-	-	-	-
Fruit and Nut Products	Pounds	-	-	10	286	-	-	(10)	(286)	-	-	-	-
Cotton	Bales	-	-	-	-	42	122	-	-	(42)	(117)	-	5
Other	Various	-	-	-	29	-	-	-	(31)	-	3	-	1
Total Commodities			$ 46		$ 1,248		$ 157		$ (1,258)		$ (170)		$ 23

NOTE 9: General Property, Plant, and Equipment (PP&E), Net

FY 2020

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 70	$ -	$ 70
Improvements to Land	10 – 50	759	(751)	8
Construction-in-Progress		235	-	235
Buildings, Improvements and Renovations	15 – 30	3,144	(2,148)	995
Other Structures and Facilities	15 – 50	1,868	(1,670)	197
Equipment	5 – 20	1,933	(1,340)	593
Assets Under Capital Lease	3 – 20	22	(19)	3
Leasehold Improvements	10	91	(81)	9
Internal-Use Software	5 – 8	1,305	(1,098)	207
Internal-Use Software in Development		82	-	82
Total		$ 9,509	$ (7,107)	$ 2,399

Total PP&E and Accumulated Depreciation	Net PP&E
Balance Beginning of Year	$ 2,249
Capitalized Acquisitions	491
Dispositions / Revaluations	(64)
Depreciation Expense	(277)
Balance at End of Year	$ 2,399

FY 2019

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 70	$ -	$ 70
Improvements to Land	10 – 50	758	(746)	12
Construction-in-Progress		147	-	147
Buildings, Improvements and Renovations	15 – 30	3,115	(2,067)	1,048
Other Structures and Facilities	15 – 50	1,855	(1,653)	202
Equipment	5 – 20	1,820	(1,309)	511
Assets Under Capital Lease	3 – 20	26	(22)	4
Leasehold Improvements	10	90	(80)	10
Internal-Use Software	5 – 8	1,192	(1,044)	148
Internal-Use Software in Development		97	-	97
Total		$ 9,170	$ (6,921)	$ 2,249

NOTE 10: Stewardship PP&E

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.

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

The Agricultural Research Service (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 (NRHP) on July 2, 1997. The TPMC develops and evaluates native plants and addresses an array of resource issues in the areas of rangeland, mined land, urban lands, cropland riparian areas, and desert lands. The TPMC provides technical assistance to NRCS field offices; Resource Conservation and Development (RC&D) groups; conservation districts; Federal, State, and Tribal agencies; and private landowners through the Southwest. Research centers are considered heritage assets because one or more buildings or structures at these centers is on (or eligible for inclusion on) the NRHP.

Library Collections

The 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 16th 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 (AgNIC) 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.

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.

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 is listed as a grantee of the easement are included in the agency's stewardship land count. Also included are easements that are administered by NRCS on behalf of other USDA agencies.

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.

FY 2020 (In Units)	Beginning Balance	Additions	Withdrawals	Ending Balance
Heritage Assets				
National Forests	154	-	-	154
National Grasslands	20	-	-	20
Other Sites	170	2	(2)	170
Research Centers	34	-	-	34
Library Collections	1	-	-	1
Total	$ 379	$ 2	$ (2)	$ 379
Stewardship Land				
National Forests	154	-	-	154
National Grasslands	20	-	-	20
Research and Experimental Areas	3	-	-	3
National Preserves and Other Areas	2	-	-	2
Conservation Easements	18,641	308	-	18,949
Total	$ 18,820	$ 308	$ -	$ 19,128

FY 2019 (In Units)	Beginning Balance	Additions	Withdrawals	Ending Balance
Heritage Assets				
National Forests	154	-	-	154
National Grasslands	20	-	-	20
Other Sites	173	1	(4)	170
Research Centers	34	-	-	34
Library Collections	1	-	-	1
Total	382	1	(4)	379
Stewardship Land				
National Forests	154	-	-	154
National Grasslands	20	-	-	20
Research and Experimental Areas	3	-	-	3
National Preserves and Other Areas	2	-	-	2
Conservation Easements	18,344	297	-	18,641
Total	18,523	297	-	18,820

NOTE 11: Other Assets

In FY 2019, other assets included investments in trust for loan asset sales of $35 million and cost of loans sold of $2 million.

	FY 2020	FY 2019
Intragovernmental		
Advances to Others	$ 27	$ 12
Subtotal Intragovernmental	27	12
With the Public		
Advances to Others	1,295	351
Other Assets	-	37
Total Other Assets	$ 1,322	$ 400

NOTE 12: Liabilities Not Covered by Budgetary Resources

In FY 2020 and FY 2019, other intragovernmental liabilities not covered by budgetary resources included accruals for Federal Employee Compensation Act (FECA) of $131 million and $137 million, contract disputes claims payable to Treasury's Judgment Fund of $27 million and $26 million, unemployment compensation of $10 million and $15 million, and Technology Modernization Fund of $10 million and $5 million, respectively.

In FY 2020 and FY 2019, other liabilities with the public not covered by budgetary resources included estimated losses on insurance claims of $4,543 million and $4,483 million, underwriting gain of $1,525 million and $1,143 million, contingent liabilities of $521 million and $621 million, unfunded leave of $703 million and $645 million, Payments to States of $250 million and $107 million, single family housing escrow of $46 million and $46 million, loans paid in advance for multi-family housing of $25 million and $25 million, and stewardship contracting product sales of $5 million and $4 million, respectively.

	FY 2020	FY 2019
Intragovernmental		
Other	$ 178	$ 183
Total Intragovernmental	178	183
Actuarial Federal Employees' Compensation Act (FECA) Liability	679	782
Environmental and Disposal Liabilities	237	216
Other	7,618	7,074
Total Liabilities Not Covered by Budgetary Resources	8,712	8,255
Total Liabilities Covered by Budgetary Resources	187,280	169,152
Total Liabilities Not Requiring Budgetary Resources	862	1,574
Total Liabilities	$ 196,854	$ 178,981

NOTE 13: Debt

FY 2020	Beginning Balance	Net Borrowing	Ending Balance
Other Debt			
Debt to the Treasury	$ 93,363	$ 5,696	$ 99,059
Debt to the Federal Financing Bank	46,315	364	46,679
Total Debt	$ 139,678	$ 6,060	$ 145,738
Classification of Debt:			
Intragovernmental Debt			$ 145,738

FY 2019	Beginning Balance	Net Borrowing	Ending Balance
Other Debt			
Debt to the Treasury	$ 72,775	$ 20,588	$ 93,363
Debt to the Federal Financing Bank	46,648	(333)	46,315
Total Debt	$ 119,423	$ 20,255	$ 139,678
Classification of Debt:			
Intragovernmental Debt			$ 139,678

NOTE 14: 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 2020 and FY 2019, FS estimates the liability for total cleanup costs for sites known to contain hazardous waste to be $2 million and $2 million, respectively, based on actual cleanup costs at similar sites. In FY 2020 and FY 2019, CCC estimates the liability for total cleanup costs for sites known to contain hazardous waste to be $47 million and $31 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 $47 million and $380 million. These estimates will change as new sites are discovered, remedy standards change, and new technology is introduced.

In FY 2020 and FY 2019, ARS estimated the liability for cleanup of the Beltsville Agricultural Research Center (BARC) to be $32 million and $28 million, respectively. 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 2020 and FY 2019, the Department estimated its liability for asbestos-related cleanup of real property to be $158 million and $157 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 15: Other Liabilities

In FY 2020, other liabilities with related budgetary obligations with the public included Agricultural Risk Coverage of $1,118 million; Price Loss Coverage of $4,884 million; Grants, Subsidies, and Contributions of $3,434 million; Conservation Reserve Program of $1,796 million; Trade Mitigation Program of $34 million; and other accrued liabilities of $614 million.

In FY 2020, other liabilities without related budgetary obligations with the public included Payments to States of $250 million, single family housing escrow of $46 million, loans paid in advance for multi-family housing of $25 million, and other accrued liabilities of $5 million.

In FY 2019, other liabilities with related budgetary obligations with the public included Agricultural Risk Coverage of $677 million; Price Loss Coverage of $1,868 million; Grants, Subsidies, and Contributions of $3,457 million; Conservation Reserve Program of $1,821 million; Insurance Claims and Indemnities of $501 million; Trade Mitigation Program of $257 million; and other accrued liabilities of $561 million.

In FY 2019, other liabilities without related budgetary obligations with the public included Payments to States of $107 million, single family housing escrow of $46 million, loans paid in advance for multi-family housing of $25 million, and other accrued liabilities of $4 million.

FY 2020	Non-Current	Current	Total
Intragovernmental:			
Other liabilities With Related Budgetary Obligations	$ -	$ 41	$ 41
Employer Contributions and Payroll Taxes	-	123	123
Unfunded FECA Liability	70	61	131
Other Unfunded Employment Related Liability	-	10	10
Liability for Advances and Prepayments	-	9	9
Liability for Clearing Accounts	-	36	36
Custodial Liability	-	72	72
Liability for Non-entity Assets	-	9,737	9,737
Other Liabilities Without Related Budgetary Obligations	27	10	37
Subtotal Intragovernmental	$ 97	$ 10,099	$ 10,196
With the Public:			
Other liabilities With Related Budgetary Obligations	$ -	$ 11,880	$ 11,880
Liability for Unpaid Insurance Claims	-	1,278	1,278
Liability for Unearned Insurance Premiums	-	750	750
Accrued Funded Payroll and Leave	-	472	472
Unfunded Leave	-	703	703
Liability for Advances and Prepayments	-	(531)	(531)
Other Deferred Credits	-	16	16
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	-	512	512
Liability for Clearing Accounts	-	(29)	(29)
Actuarial Liabilities for Federal Insurance and Guarantee Programs	1,526	4,149	5,675
Contingent Liabilities	-	521	521
Capital Lease Liability	3	1	4
Other Liabilities Without Related Budgetary Obligations	25	301	326
Subtotal With the Public	$ 1,554	$ 20,023	$ 21,577
Total Other Liabilities	$ 1,651	$ 30,122	$ 31,773

FY 2019	**Non-Current**	**Current**	**Total**
Intragovernmental:			
Other Liabilities with Related Budgetary Obligations	$ -	$ 89	$ 89
Employer Contributions and Payroll Taxes	-	92	92
Unfunded FECA Liability	75	62	137
Other Unfunded Employment Related Liability	-	15	15
Liability for Advances and Prepayments	-	4	4
Liability for Clearing Accounts	-	71	71
Custodial Liability	-	60	60
Liability for Non-entity Assets	-	9,403	9,403
Other Liabilities Without Related Budgetary Obligations	26	4	30
Subtotal Intragovernmental	$ 101	$ 9,800	$ 9,901
With the Public:			
Other Liabilities with Related Budgetary Obligations	-	9,142	9,142
Liability for Unpaid Insurance Claims	-	4,039	4,039
Liability for Unearned Insurance Premiums	-	674	674
Accrued Funded Payroll and Leave	-	362	362
Unfunded Leave	-	645	645
Liability for Advances and Prepayments	-	126	126
Other Deferred Credits	-	69	69
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	-	586	586
Liability for Clearing Accounts	-	(17)	(17)
Actuarial Liabilities for Federal Insurance and Guarantee Programs	1,143	3,010	4,153
Contingent Liabilities	-	621	621
Capital Lease Liability	3	1	4
Other Liabilities Without Related Budgetary Obligations	25	157	182
Subtotal with the Public	$ 1,171	$ 19,415	$ 20,586
Total Other Liabilities	$ 1,272	$ 29,215	$ 30,487

NOTE 16: Leases

Capital Leases

USDA enters into leasing agreements through leasing authority delegated by the General Services Administration (GSA). USDA acquires use of various general facilities (buildings and plant material centers), equipment, and land with renewal options that range from 0 to 10 years and which are located mainly in urban areas. The portfolio includes leases with escalation clauses based on the Consumer Price Index (CPI), and amortization periods with a range of 8 to 25 years.

Operating Leases

USDA enters into leasing agreements through leasing authority delegated by GSA. USDA leases various land, buildings, and equipment.

Major non-cancelable operating leases consists primarily of office space, most with renewal options that range from 1 to 25 years with escalation clauses based on the CPI, and lease periods with a range of 1 to 30 years.

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 $65 million. This agreement is still in effect and as a result, USDA activities located in the Headquarters complex are not billed for rental costs.

FY 2020

Capital Leases

Summary of Assets Under Capital Leases	Federal	Non-Federal	Total
Land and Building	$ -	$ 22	$ 22
Accumulated Amortization	-	(19)	(19)
Total	-	3	3

Future Payments Due	Land & Buildings		Machinery & Equipment		Totals	
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal
Fiscal Year 2021	-	3	-	-	-	3
Fiscal Year 2022	-	2	-	-	-	2
Fiscal Year 2023	-	2	-	-	-	2
Fiscal Year 2024	-	1	-	-	-	1
Fiscal Year 2025	-	-	-	-	-	-
After 5 Years	-	1	-	-	-	1
Total Future Lease Payments	-	9	-	-	-	9
Less: Imputed Interest	-	4	-	-	-	4
Less: Executory Costs	-	1	-	-	-	1
Net Capital Lease Liability	-	4	-	-	-	4
Capital lease liabilities covered by budgetary resources	-	4	-	-	-	4

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 2021	14	68	-	-	14	68
Fiscal Year 2022	1	47	-	1	1	48
Fiscal Year 2023	1	38	-	-	1	38
Fiscal Year 2024	1	32	-	-	1	32
Fiscal Year 2025	-	25	-	-	-	25
After 5 Years	2	110	-	-	2	110
Total Future Lease Payments	19	320	-	1	19	321

FY 2019

Capital Leases

Summary of Assets Under Capital Leases	**Federal**	**Non-Federal**	**Total**
Land and Building	$ -	$ 26	$ 26
Accumulated Amortization	-	(22)	(22)
Total	0	4	4

Future Payments Due	**Land & Buildings**		**Machinery & Equipment**		**Totals**	
	Federal	**Non-Federal**	**Federal**	**Non-Federal**	**Federal**	**Non-Federal**
Fiscal Year 2020	-	3	-	-	-	3
Fiscal Year 2021	-	3	-	-	-	3
Fiscal Year 2022	-	2	-	-	-	2
Fiscal Year 2023	-	2	-	-	-	2
Fiscal Year 2024	-	1	-	-	-	1
After 5 Years	-	1	-	-	-	1
Total Future Lease Payments	-	12	-	-	-	12
Less: Imputed Interest	-	6	-	-	-	6
Less: Executory Costs	-	2	-	-	-	2
Net Capital Lease Liability	-	4	-	-	-	4
Capital lease liabilities covered by budgetary resources	-	4	-	-	-	4

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 2020	30	77	-	1	30	78
Fiscal Year 2021	25	67	-	1	25	68
Fiscal Year 2022	23	52	-	-	23	52
Fiscal Year 2023	20	39	-	-	20	39
Fiscal Year 2024	14	31	-	-	14	31
After 5 Years	36	125	-	-	36	125
Total Future Lease Payments	148	391	-	2	148	393

NOTE 17: Commitments and Contingencies

The Department is subject to various contingencies related to legal and environmental 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. See Note 14 for discussion of environmental contingencies.

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2020			
Legal Contingencies:			
Probable	$ 521	$ 521	$ 525
Reasonably Possible		130	161
Environmental Contingencies			
Probable	239	239	239
Reasonably Possible		47	380

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2019			
Legal Contingencies:			
Probable	$ 621	$ 621	$ 638
Reasonably Possible		20	30
Environmental Contingencies			
Probable	218	218	218
Reasonably Possible		31	272

Commitments to extend loan guarantees are estimated to be $6,189 million and $4,312 million in FY 2020 and FY 2019, respectively.

NOTE 18: 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 (AMS)

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 (NOAA). 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 Plant Health Inspection Service (APHIS)

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 the Animal and

Plant Health Inspection Service (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 (FS)

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 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 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).

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).

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 (Public Law 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 USC 472(a).

National Institute of Food and Agriculture (NIFA)

Native American Institutions Endowment Fund

The Native American Institutions Endowment Fund was authorized by Public Law 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

- Gifts and Bequests
- Miscellaneous Contributed Funds

Forest Service

- Acquisition of Lands for National Forests, Special Acts
- Administration of Rights-of-Way and Other Land Uses Fund
- Expenses, Brush Disposal
- Gifts and Bequests
- Gifts, Donations and Bequests 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 Tallgrass Prairie Restoration Fund
- MNP Rental Fee Account
- Operation and Maintenance of Forest Service Quarters
- Payment to Minnesota (Cook, Lake and Saint Louis Counties)
- Quinault Special Management Area
- Range Betterment Fund
- Receipts for Construction of Administrative Improvements- Arizona and Taos, New Mexico Land Conveyance
- Reforestation Trust Fund

- Resource Management Timber Receipts
- 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

Economic Research 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 Partnership 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	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 Forest Fund Receipts	National Grasslands Receipts	Payments to States, National Forests Fund
Balance Sheet As of September 30, 2020									
Intragovernmental:									
Fund Balance with Treasury	$ 104	$ 1,285	$ 166	$ 40	$ 366	$ 134	$ 118	$ 73	$ 87
Investments	-	-	-	-	-	-	-	-	-
Total Intragovernmental	104	1,285	166	40	366	134	118	73	87
Investments	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	24	-	30	-	1	-	29	-	-
General Property, Plant, and Equipment, Net	-	1	4	51	9	41	-	-	2
Other	-	-	-	-	-	-	-	-	-
Total Assets	128	1,286	200	91	376	175	147	73	89
Intragovernmental:									
Other	9	1	2	-	1	-	-	-	-
Total Intragovernmental	9	1	2	-	1	-	-	-	-
Accounts Payable	1	12	1	-	2	-	-	-	-
Actuarial Federal Employees' Compensation	31	-	-	-	-	-	-	-	-
Other	26	70	6	-	65	-	-	17	228
Total Liabilities	67	83	9	-	68	-	-	17	228
Unexpended Appropriations	-	-	-	-	-	-	-	-	-
Cumulative Results of Operations	61	1,203	191	91	308	175	147	56	(139)
Total Liabilities and Net Position	128	1,286	200	91	376	175	147	73	89
Statement of Net Cost For the Period Ended September 30, 2020									
Gross program costs	237	837	186	4	107	65	-	18	272
Less Earned Revenue	193	5	521	9	96	-	(3)	42	126
Net Cost of Operations	44	832	(335)	(5)	11	65	3	(24)	146
Statement of Changes in Net Position For the period Ended September 30, 2020									
Net Position Beginning of Period	37	884	389	86	319	163	151	109	7
Non-Exchange Revenue	1	-	-	-	-	-	(1)	(77)	-
Other Financing Sources	67	1,151	(533)	-	-	77	-	-	-
Net Cost of Operations	(44)	(832)	335	5	(11)	(65)	(3)	24	(146)
Change in Net Position	24	319	(198)	5	(11)	12	(4)	(53)	(146)
Net Position End of Period	$ 61	$ 1,203	$ 191	$ 91	$ 308	$ 175	$ 147	$ 56	$ (139)

Funds from Dedicated Collections

	FS					NIFA		
	Recreation Fee Demonstration Program	Restoration of Forest Lands and Improvements	State and Private Forestry	Stewardship Contracting Product Sales	Timber Salvage Sales	Native American Institutions Endowment Fund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections
Balance Sheet As of September 30, 2020								
Intragovernmental:								
Fund Balance with Treasury	$ 133	$ 288	$ 218	$ 72	$ 80	$ 15	$ 324	$ 3,503
Investments	-	-	-	-	-	239	6	245
Total Intragovernmental	133	288	218	72	80	254	330	3,748
Investments	-	-	-	-	-	-	3	3
Accounts Receivable, Net	2	-	-	27	-	-	6	119
General Property, Plant, and Equipment, Net	2	2	-	-	1	-	5	118
Other	-	-	14	-	-	-	-	14
Total Assets	137	290	232	99	81	254	344	4,002
Intragovernmental:								
Other	1	-	-	-	1	-	1	16
Total Intragovernmental	1	-	-	-	1	-	1	16
Accounts Payable	1	1	9	1	-	-	3	31
Actuarial Federal Employees' Compensation	-	-	-	-	-	-	-	31
Other	2	-	-	5	1	-	30	450
Total Liabilities	4	1	9	6	2	-	34	528
Unexpended Appropriations	-	-	-	-	-	190	1	191
Cumulative Results of Operations	133	289	223	93	79	64	309	3,283
Total Liabilities and Net Position	137	290	232	99	81	254	344	4,002
Statement of Net Cost For the Period Ended September 30, 2020								
Gross program costs	96	22	52	43	45	5	181	2,170
Less Earned Revenue	93	1	-	63	34	5	168	1,353
Net Cost of Operations	3	21	52	(20)	11	-	13	817
Statement of Changes in Net Position For the period Ended September 30, 2020								
Net Position Beginning of Period	136	309	211	73	90	242	305	3,511
Non-Exchange Revenue	-	-	-	-	-	-	30	(47)
Other Financing Sources	-	1	64	-	-	12	(12)	827
Net Cost of Operations	(3)	(21)	(52)	20	(11)	-	(13)	(817)
Change in Net Position	(3)	(20)	12	20	(11)	12	5	(37)
Net Position End of Period	$ 133	$ 289	$ 223	$ 93	$ 79	$ 254	$ 310	$ 3,474

Funds from Dedicated Collections	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 Forest Fund Receipts	National Grasslands Receipts	Payments to States, National Forests Fund
Balance Sheet As of September 30, 2019									
Intragovernmental:									
Fund Balance with Treasury	$ 80	$ 1,038	$ 285	$ 36	$ 375	$ 122	$ 147	$ 145	$ 72
Investments	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	-	1	-	-	-	-	-	-	-
Total Intragovernmental	80	1,039	285	36	375	122	147	145	72
Investments	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	23	-	160	1	1	-	4	-	-
General Property, Plant, and Equipment, Net	-	-	4	49	9	41	-	-	2
Total Assets	103	1,039	449	86	385	163	151	145	74
Intragovernmental:									
Other	8	-	2	-	-	-	-	-	-
Total Intragovernmental	8	-	2	-	-	-	-	-	-
Accounts Payable	1	-	1	-	2	-	-	-	-
Actuarial Federal Employees' Compensation	35	-	-	-	-	-	-	-	-
Other	22	155	57	-	64	-	-	36	67
Total Liabilities	66	155	60	-	66	-	-	36	67
Unexpended Appropriations	-	-	-	-	-	-	-	-	-
Cumulative Results of Operations	37	884	389	86	319	163	151	109	7
Total Liabilities and Net Position	103	1,039	449	86	385	163	151	145	74
Statement of Net Cost For the Period Ended September 30, 2019									
Gross program costs	205	1,014	237	6	99	44	-	52	(46)
Less Earned Revenue	180	7	822	14	119	-	(26)	37	150
Net Cost of Operations	25	1,007	(585)	(8)	(20)	44	26	15	(196)
Statement of Changes in Net Position For the period Ended September 30, 2019									
Net Position Beginning of Period	31	768	343	78	64	94	181	110	(189)
Non-Exchange Revenue	-	-	-	-	-	-	(4)	14	-
Other Financing Sources	31	1,123	(539)	-	235	113	-	-	-
Net Cost of Operations	(25)	(1,007)	585	8	20	(44)	(26)	(15)	196
Change in Net Position	6	116	46	8	255	69	(30)	(1)	196
Net Position End of Period	$ 37	$ 884	$ 389	$ 86	$ 319	$ 163	$ 151	$ 109	$ 7

Funds from Dedicated Collections	FS					NIFA		
	Recreation Fee Demonstration Program	Restoration of Forest Lands and Improvements	State and Private Forestry	Stewardship Contracting Product Sales	Timber Salvage Sales	Native American Institutions Endowment Fund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections
Balance Sheet As of September 30, 2019								
Intragovernmental:								
Fund Balance with Treasury	$ 135	$ 307	$ 211	$ 59	$ 91	$ 15	$ 329	$ 3,447
Investments	-	-	-	-	-	227	5	232
Accounts Receivable, Net	-	-	-	-	-	-	-	1
Total Intragovernmental	135	307	211	59	91	242	334	3,680
Investments	-	-	-	-	-	-	3	3
Accounts Receivable, Net	2	-	-	20	-	-	7	218
General Property, Plant, and Equipment, Net	2	2	-	-	1	-	5	115
Total Assets	139	309	211	79	92	242	349	4,016
Intragovernmental:								
Other	-	-	-	-	1	-	1	12
Total Intragovernmental	-	-	-	-	1	-	1	12
Accounts Payable	1	-	-	2	-	-	2	9
Actuarial Federal Employees' Compensation	-	-	-	-	-	-	-	35
Other	2	-	-	4	1	-	41	449
Total Liabilities	3	-	-	6	2	-	44	505
Unexpended Appropriations	-	-	-	-	-	179	1	180
Cumulative Results of Operations	136	309	211	73	90	63	304	3,331
Total Liabilities and Net Position	139	309	211	79	92	242	349	4,016
Statement of Net Cost For the Period Ended September 30, 2019								
Gross program costs	98	29	26	22	39	12	167	2,004
Less Earned Revenue	97	6	-	30	46	5	159	1,646
Net Cost of Operations	1	23	26	(8)	(7)	7	8	358
Statement of Changes in Net Position For the period Ended September 30, 2019								
Net Position Beginning of Period	114	128	155	55	42	237	200	2,411
Non-Exchange Revenue	-	-	-	-	-	-	32	42
Other Financing Sources	23	204	82	10	41	12	81	1,416
Net Cost of Operations	(1)	(23)	(26)	8	7	(7)	(8)	(358)
Change in Net Position	22	181	56	18	48	5	105	1,100
Net Position End of Period	$ 136	$ 309	$ 211	$ 73	$ 90	$ 242	$ 305	$ 3,511

NOTE 19: Suborganization Program Costs

FY 2020	FPAC Business Center	FSA	CCC	RMA	NRCS	FNS	FSIS	AMS	APHIS	FS
Farm Production and Conservation:										
Gross Costs	$ 286	$ 15,770	$ 24,169	$ 11,842	$ 4,476	$ -	$ -	$ -	$ -	$ -
Less: Earned Revenue	21	469	1,596	3,057	60	-	-	-	-	-
Net Costs	265	15,301	22,573	8,785	4,416	-	-	-	-	-
Food, Nutrition, and Consumer Services:										
Gross Costs	-	-	-	-	-	123,345	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	61	-	-	-	-
Net Costs	-	-	-	-	-	123,284	-	-	-	-
Food Safety:										
Gross Costs	-	-	-	-	-	-	1,370	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	264	-	-	-
Net Costs	-	-	-	-	-	-	1,106	-	-	-
Marketing and Regulatory Programs:										
Gross Costs	-	-	-	-	-	-	-	4,044	1,726	-
Less: Earned Revenue	-	-	-	-	-	-	-	307	788	-
Net Costs	-	-	-	-	-	-	-	3,737	938	-
Natural Resources and Environment:										
Gross Costs	-	-	-	-	-	-	-	-	-	7,216
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	905
Net Costs	-	-	-	-	-	-	-	-	-	6,311
Rural Development:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Research, Education, and Economics:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Trade and Foreign Agricultural Affairs:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Staff Offices:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Total Gross Costs	286	15,770	24,169	11,842	4,476	123,345	1,370	4,044	1,726	7,216
Less: Total Earned Revenue	21	469	1,596	3,057	60	61	264	307	788	905
Net Cost of Operations	$ 265	$ 15,301	$ 22,573	$ 8,785	$ 4,416	$ 123,284	$ 1,106	$ 3,737	$ 938	$ 6,311

FY 2020	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Combined Total	Intra-entity Elimination	Consolidated Total
Farm Production and Conservation:										
Gross Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 56,543	$ (1,719)	$ 54,824
Less: Earned Revenue	-	-	-	-	-	-	-	5,203	(44)	5,159
Net Costs	-	-	-	-	-	-	-	51,340	(1,675)	49,665
Food, Nutrition, and Consumer Services:										
Gross Costs	-	-	-	-	-	-	-	123,345	(954)	122,391
Less: Earned Revenue	-	-	-	-	-	-	-	61	(5)	56
Net Costs	-	-	-	-	-	-	-	123,284	(949)	122,335
Food Safety:										
Gross Costs	-	-	-	-	-	-	-	1,370	(49)	1,321
Less: Earned Revenue	-	-	-	-	-	-	-	264	(4)	260
Net Costs	-	-	-	-	-	-	-	1,106	(45)	1,061
Marketing and Regulatory Programs:										
Gross Costs	-	-	-	-	-	-	-	5,770	(143)	5,627
Less: Earned Revenue	-	-	-	-	-	-	-	1,095	(79)	1,016
Net Costs	-	-	-	-	-	-	-	4,675	(64)	4,611
Natural Resources and Environment:										
Gross Costs	-	-	-	-	-	-	-	7,216	(183)	7,033
Less: Earned Revenue	-	-	-	-	-	-	-	905	(17)	888
Net Costs	-	-	-	-	-	-	-	6,311	(166)	6,145
Rural Development:										
Gross Costs	6,930	-	-	-	-	-	-	6,930	(88)	6,842
Less: Earned Revenue	3,601	-	-	-	-	-	-	3,601	(10)	3,591
Net Costs	3,329	-	-	-	-	-	-	3,329	(78)	3,251
Research, Education, and Economics:										
Gross Costs	-	1,508	200	1,428	74	-	-	3,210	(151)	3,059
Less: Earned Revenue	-	156	22	30	4	-	-	212	(109)	103
Net Costs	-	1,352	178	1,398	70	-	-	2,998	(42)	2,956
Trade and Foreign Agricultural Affairs:										
Gross Costs	-	-	-	-	-	506	-	506	(31)	475
Less: Earned Revenue	-	-	-	-	-	119	-	119	(47)	72
Net Costs	-	-	-	-	-	387	-	387	16	403
Staff Offices:										
Gross Costs	-	-	-	-	-	-	1,616	1,616	(123)	1,493
Less: Earned Revenue	-	-	-	-	-	-	1,239	1,239	(998)	241
Net Costs	-	-	-	-	-	-	377	377	875	1,252
Total Gross Costs	6,930	1,508	200	1,428	74	506	1,616	206,506	(3,441)	203,065
Less: Total Earned Revenue	3,601	156	22	30	4	119	1,239	12,699	(1,313)	11,386
Net Cost of Operations	$ 3,329	$ 1,352	$ 178	$ 1,398	$ 70	$ 387	$ 377	$ 193,807	$ (2,128)	$ 191,679

FY 2019	FPAC Business Center	FSA	CCC	RMA	NRCS	FNS	FSIS	AMS	APHIS	FS
Farm Production and Conservation:										
Gross Costs	$ 233	$ 2,603	$ 24,478	$ 10,018	$ 3,920	$ -	$ -	$ -	$ -	$ -
Less: Earned Revenue	17	417	431	2,185	31	-	-	-	-	-
Net Costs	216	2,186	24,047	7,833	3,889	-	-	-	-	-
Food, Nutrition, and Consumer Services:										
Gross Costs	-	-	-	-	-	93,573	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	48	-	-	-	-
Net Costs	-	-	-	-	-	93,525	-	-	-	-
Food Safety:										
Gross Costs	-	-	-	-	-	-	1,355	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	249	-	-	-
Net Costs	-	-	-	-	-	-	1,106	-	-	-
Marketing and Regulatory Programs:										
Gross Costs	-	-	-	-	-	-	-	1,563	1,605	-
Less: Earned Revenue	-	-	-	-	-	-	-	306	1,048	-
Net Costs	-	-	-	-	-	-	-	1,257	557	-
Natural Resources and Environment:										
Gross Costs	-	-	-	-	-	-	-	-	-	6,336
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	858
Net Costs	-	-	-	-	-	-	-	-	-	5,478
Rural Development:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Research, Education, and Economics:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Trade and Foreign Agricultural Affairs:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Staff Offices:										
Gross Costs	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-	-	-	-	-
Total Gross Costs	233	2,603	24,478	10,018	3,920	93,573	1,355	1,563	1,605	6,336
Less: Total Earned Revenue	17	417	431	2,185	31	48	249	306	1,048	858
Net Cost of Operations	$ 216	$ 2,186	$ 24,047	$ 7,833	$ 3,889	$ 93,525	$ 1,106	$ 1,257	$ 557	$ 5,478

FY 2019	RD	ARS	NASS	NIFA	ERS	FAS	Staff Offices	Combined Total	Intra-entity Elimination	Consolidated Total
Farm Production and Conservation:										
Gross Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 41,252	$ (1,599)	$ 39,653
Less: Earned Revenue	-	-	-	-	-	-	-	3,081	(47)	3,034
Net Costs	-	-	-	-	-	-	-	38,171	(1,552)	36,619
Food, Nutrition, and Consumer Services:										
Gross Costs	-	-	-	-	-	-	-	93,573	(916)	92,657
Less: Earned Revenue	-	-	-	-	-	-	-	48	(1)	47
Net Costs	-	-	-	-	-	-	-	93,525	(915)	92,610
Food Safety:										
Gross Costs	-	-	-	-	-	-	-	1,355	(42)	1,313
Less: Earned Revenue	-	-	-	-	-	-	-	249	(1)	248
Net Costs	-	-	-	-	-	-	-	1,106	(41)	1,065
Marketing and Regulatory Programs:										
Gross Costs	-	-	-	-	-	-	-	3,168	(116)	3,052
Less: Earned Revenue	-	-	-	-	-	-	-	1,354	(60)	1,294
Net Costs	-	-	-	-	-	-	-	1,814	(56)	1,758
Natural Resources and Environment:										
Gross Costs	-	-	-	-	-	-	-	6,336	(156)	6,180
Less: Earned Revenue	-	-	-	-	-	-	-	858	(16)	842
Net Costs	-	-	-	-	-	-	-	5,478	(140)	5,338
Rural Development:										
Gross Costs	6,604	-	-	-	-	-	-	6,604	(66)	6,538
Less: Earned Revenue	3,690	-	-	-	-	-	-	3,690	(18)	3,672
Net Costs	2,914	-	-	-	-	-	-	2,914	(48)	2,866
Research, Education, and Economics:										
Gross Costs	-	1,444	205	1,444	88	-	-	3,181	(112)	3,069
Less: Earned Revenue	-	181	21	35	3	-	-	240	(102)	138
Net Costs	-	1,263	184	1,409	85	-	-	2,941	(10)	2,931
Trade and Foreign Agricultural Affairs:										
Gross Costs	-	-	-	-	-	434	-	434	(18)	416
Less: Earned Revenue	-	-	-	-	-	98	-	98	(40)	58
Net Costs	-	-	-	-	-	336	-	336	22	358
Staff Offices:										
Gross Costs	-	-	-	-	-	-	1,422	1,422	(79)	1,343
Less: Earned Revenue	-	-	-	-	-	-	968	968	(727)	241
Net Costs	-	-	-	-	-	-	454	454	648	1,102
Total Gross Costs	6,604	1,444	205	1,444	88	434	1,422	157,325	(3,104)	154,221
Less: Total Earned Revenue	3,690	181	21	35	3	98	968	10,586	(1,012)	9,574
Net Cost of Operations	$ 2,914	$ 1,263	$ 184	$ 1,409	$ 85	$ 336	$ 454	$ 146,739	$ (2,092)	$ 144,647

NOTE 20: 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 Federal Financing Bank (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.

NOTE 21: Available Borrowing Authority, End of Period

Available borrowing authority at September 30, 2020 and 2019 was $53,640 million and $41,658 million, respectively.

NOTE 22: Undelivered Orders at the End of the Period

FY 2020	Federal	Non-Federal
Paid	$ 52	$ 1,313
Unpaid	4,541	78,440
Total	$ 4,593	$ 79,753

FY 2019	Federal	Non-Federal
Paid	$ 13	$ 356
Unpaid	2,772	58,083
Total	$ 2,785	$ 58,439

NOTE 23: 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, and (4) certain costs associated with FS programs.

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.

The permanent indefinite appropriation for FS programs is used to fund Recreation Fee Collection Costs, Brush Disposal, License programs, Smokey Bear and Woodsy Owl, Restoration of Forest Lands and Improvements, Roads and Trails for States, National Forest Fund, Timber Roads, Purchaser Elections, Timber Salvage Sales and Operations, and Maintenance of Quarters. Each of these permanent indefinite appropriations is funded by receipts made available by law and is available until expended

NOTE 24: 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.

NOTE 25: Explanation of Differences Between the SBR and the Budget of the U.S. Government

The differences between the FY 2019 Statement of Budgetary Resources and the FY 2019 actual numbers presented in the FY 2021 Budget of the United States Government (Budget) are summarized below.

FY 2019

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 271,914	$ 189,445	$ (3,082)	$154,964
Reconciling Items:				
Expired accounts	(27,133)	(277)	-	-
APHIS Backdated Imputed Cost not Recorded on SBR	-	-	-	(7)
Milk Market Orders Fund	58	58	-	-
Rounding	(11)	(13)	-	4
Budget of the United States Government	$ 244,828	$ 189,213	$ (3,082)	$154,961

A comparison between the FY 2020 SBR and the FY 2020 actual numbers presented in the FY 2022 Budget cannot be performed as the FY 2022 Budget is not yet available. The FY 2022 Budget is expected to be published in February 2021 and will be available from the U.S. Government Publishing Office.

NOTE 26: 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 2020	FY 2019
Revenue Activity:		
Sources of Collections:		
Miscellaneous	$ 167	$ 193
Total Cash Collections	167	193
Accrual Adjustments	10	8
Total Custodial Revenue	177	201
Disposition of Collections:		
Transferred to Others:		
Treasury	(150)	(184)
(Increase)/Decrease in Amounts Yet to be Transferred	(27)	(17)
Net Custodial Activity	$ -	$ -

NOTE 27: Fiduciary Activities

The department is responsible for one fiduciary fund. The Rural Housing Insurance Fund (RHIF) was established by Public Law 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 period ending September 30, 2020 and 2019

	Rural Housing Insurance Fund FY 2020	Rural Housing Insurance Fund FY 2019
Fiduciary Net Assets, Beginning of Year	$ 123	$ 124
Contributions	461	439
Disbursements To and On Behalf of Beneficiaries	(469)	(440)
Increases/(Decrease) in Fiduciary Net Assets	(8)	(1)
Fiduciary Net Assets, End of Year	$ 115	$ 123

Fiduciary Net Assets
As of September 30, 2020 and 2019

	Rural Housing Insurance Fund FY 2020	Rural Housing Insurance Fund FY 2019
Fiduciary Assets:		
Cash and Cash Equivalents	$ 115	$ 123
Total Fiduciary Net Assets	$ 115	$ 123

NOTE 28: Reconciliation of Net Cost to Net Outlays

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.

Other components of net operating cost not part of the budgetary outlays include primarily interest revenue – investments, cost capitalization offset and bad debt expense.

Other components of the budget outlays that are not part of net operating cost includes primarily accounts receivable, interest revenue, penalties and fines revenue, donated revenue, other revenue, collections for others, and financing sources transferred in from custodial statement collections.

FY 2020	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 4,019	$ 187,660	$ 191,679
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	(277)	(277)
Property, Plant, and Equipment Disposal & Reevaluation	-	17	17
Year-End Credit Reform Subsidy Reestimates	2,737	-	2,737
Other	-	301	301
Increase/(Decrease) in Assets:			
Accounts Receivable	731	465	1,196
Loans Receivable	-	3,489	3,489
Other Assets	40	867	907
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	(1,413)	(9,198)	(10,611)
Salaries and Benefits	(31)	(110)	(141)
Insurance and Guarantee Program Liabilities	-	1,163	1,163
Environmental and Disposal Liabilities	-	(21)	(21)
Other Liabilities (Unfunded Leave, Unfunded Federal Employees Compensation Act (FECA), Actuarial FECA)	(62)	(2,566)	(2,628)
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(855)	-	(855)
Total Components of Net Operating Cost Not Part of the Budget Outlays	1,147	(5,870)	(4,723)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	116	116
Acquisition of Inventory	-	(5)	(5)
Transfers Out (In) Without Reimbursement	(2,748)	-	(2,748)
Other	(238)	167	(71)
Total Components of Budgetary Outlays That Are Not Part of Net Operating Cost	(2,986)	278	(2,708)
Net Outlays	2,180	182,068	184,248
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			187,111
Distributed Offsetting Receipts			(2,863)
Agency Outlays, Net			$ 184,248

FY 2019	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 4,138	$ 140,509	$ 144,647
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	(277)	(277)
Property, Plant, and Equipment Disposal & Reevaluation	-	9	9
Year-End Credit Reform Subsidy Reestimates	2,162	-	2,162
Other	6	178	184
Increase/(Decrease) in Assets:			
Accounts Receivable	455	3,385	3,840
Loans Receivable	-	852	852
Other Assets	3	(108)	(105)
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	(208)	(425)	(633)
Salaries and Benefits	(8)	(19)	(27)
Insurance and Guarantee Program Liabilities	-	(2,901)	(2,901)
Environmental and Disposal Liabilities	-	(17)	(17)
Other Liabilities (Unfunded Leave, Unfunded Federal Employees Compensation Act (FECA), Actuarial FECA)	(53)	5,788	5,735
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(1,020)	-	(1,020)
Total Components of Net Operating Cost Not Part of the Budget Outlays	1,337	6,465	7,802
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	116	116
Acquisition of Inventory	-	(23)	(23)
Transfers Out (In) Without Reimbursement	(2,227)	-	(2,227)
Other	(197)	34	(163)
Total Components of Budgetary Outlays That Are Not Part of Net Operating Cost	(2,424)	127	(2,297)
Net Outlays	3,051	147,101	150,152
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			153,234
Distributed Offsetting Receipts			(3,082)
Agency Outlays, Net			$ 150,152

NOTE 29: 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 2020, 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 $5.8 million. Industry boards collect and manage assessments from industry members to conduct program activities.

Foundation for Food and Agricultural Research (FFAR)

The Secretary of Agriculture (Secretary) was authorized by the Agricultural Act of 2014 (Act), to establish a nonprofit corporation known as the Foundation for Food and Agriculture Research. FFAR was established by the Secretary on July 23, 2014. 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 only to the extent that the FFAR secures an equal amount of non-federal matching funds for each expenditure. None of the funds made available may be used for construction.

FFAR is governed by a Board of Directors (Board) which consists of appointed and ex-officio, nonvoting members. The ex-officio members of the Board consist of the following:

(1) The Secretary
(2) The Under Secretary of Agriculture for Research, Education, and Economics
(3) The Administrator of the Agricultural Research Service
(4) The Director of the National Institute of Food and Agriculture
(5) The Director of the National Science Foundation

The ex-officio members by majority-vote appoint 15 individuals to the Board. The Board elects from among the members of the Board, an individual to serve as Chair of the Board. The Board 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 purposes of FFAR shall be (1) to advance the research mission of the USDA by supporting agricultural research activities focused on addressing key problems of national and international significance; and (2) 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. The activities of the FFAR shall be supplemental to any other activities at USDA and shall not preempt any authority or responsibility of USDA under another provision of law.

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—

(1) the individual;
(2) a relative (as defined in section 109 of the Ethics in Government Act of 1978 (5 U.S.C. App.)) of that individual; or
(3) 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, subsistence, and other necessary expenses incurred in carrying out the duties of the Board.

The FFAR provides annual audits of its financial condition to the Secretary of Agriculture and the Comptroller General of the United States for examination or audit.

In 2016, USDA and FFAR agreed to a Memorandum of Understanding defining in general terms the basis on which the parties will cooperate and to articulate the nature of the relationship between USDA and FFAR. The MOU will be effective for a term of five years, which term shall be renewable by mutual agreement of the Parties.

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 the Agricultural Marketing Service (AMS). Most of these funds are collected and deposited in checking and savings accounts in local banks and disbursed directly for direct disbursement 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, TSP contributions and all other federal benefits are paid by the marketing order funds and as a result there are no costs to the Federal government. As a result, corresponding dollars are reported for presentation purposes only.
In FY 2020, the non-Federal costs of administrating Federal milk marketing orders, including salaries and expenses, travel, and rent for office space were estimated to be $77 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 30: Insurance Programs

In crop year 2020, there were approximately 1.1 million standard reinsurance and livestock policies totaling approximately $127,000 million insurance protection in force.

The AIPs for Fiscal Year 2020 are as follows:

- Ace American Insurance Company
- American Agri-Business Insurance Company
- American Agricultural Insurance Company
- CGB Insurance Company
- Church Mutual Insurance Company
- Country Mutual Insurance Company
- Farmers Mutual Hail Insurance Company of Iowa
- Great American Insurance Company
- Guide One Insurance Company
- Hudson Insurance Company
- NAU Country Insurance Company
- Producers Agriculture Insurance Company
- Rural Community Insurance Company
- Stratford Insurance Company
- XL Reinsurance America Inc.

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 of the program for 2020 and 2019.

Federal Crop Insurance Program Resource and Resources Used

Resource	Fiscal Year 2020	Uses	Fiscal Year 2020
Producer Premiums Collected	$ 3,891	Obligations for Delivery Costs	$ 1,686
Producer Fees Collected	23	Obligations for Indemnities	9,886
Underwriting Loss Collected from AIPs	35	Obligations for Underwriting Gain	533
Appropriations	8,217	Obligations for Initiatives & Other Costs	38
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	584	Unobligated Balance End of Year	594
Total	**$ 12,737**	**Total**	**$ 12,737**

Federal Crop Insurance Program Resource and Resources Used

Resource	Fiscal Year 2019	Uses	Fiscal Year 2019
Producer Premiums Collected	$ 1,246	Obligations for Delivery Costs	$ 1,567
Producer Fees Collected	43	Obligations for Indemnities	9,315
Underwriting Loss Collected from AIPs	2	Obligations for Underwriting Gain	2,143
Appropriations	11,787	Obligations for Initiatives & Other Costs	34
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	578	Unobligated Balance End of Year	584
Total	**$ 13,643**	**Total**	**$ 13,643**

In addition to the mandatory FCIC fund, RMA obligated $66 million in S&E funds to administer the Federal Crop Insurance Program in 2020. 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.

In order to provide COVID-19 relief, RMA allowed additional time for policyholders to make payment of premium and administrative fees for the August 15 premium billing date, representing most of the year's premium due. The estimated deferred collections in fiscal year 2020 is $2,500 million.

In Fiscal Year 2019 there were widespread severe flooding and excess moisture conditions in many parts of the nation, causing catastrophic damage to crops. In order to provide relief, RMA deferred collection of any unpaid producer premium without interest, by two months. The total amount of deferred collections was approximately $2,500 million.

FCIC collects administrative fees from producers in return for catastrophic risk protection coverage and additional levels coverage. The rates are set by statute. For reinsurance year 2020, the catastrophic risk protection fees were $655 per crop per county and $30 for additional levels coverage per crop per county.

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 are in excess of 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. This misalignment between the government's fiscal year and the inherent business cycle of the crop insurance program results in significant uncertainty for the end-of-fiscal-year estimates of claims. Estimates can often vary by 20% or more from final 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 similar to levels observed historically.

The estimate model assumes that 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 calculated 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.

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 unearned insurance premiums in Note 15, Other Liabilities.

	2020	2019
Liability for Unearned Insurance Premiums	$ 750	$ 674

Liability for Unpaid Insurance Claims

Liability for unpaid insurance claims are claims for adverse events that occurred before the end of the reporting period. Per 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.

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 in excess of 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 less actual losses reported, IBNR, and losses associated with unearned premium.

Estimated Losses on Insurance Claims.

The following tables show information for changes in the liability for estimated losses on insurance claims classified as liability for unpaid insurance claims and actuarial liabilities for federal insurance and guarantee programs in Note 15, Other Liabilities.

Changes in Estimated Losses on Insurance Claims	2020	2019
Beginning Balance	$ 4,923	$ 6,091
Claims Expenses	9,886	9,313
Payments to Settle Claims	(9,974)	(9,001)
Adjustment of Accruals for Estimated Losses	(56)	(1,480)
Ending Balance	$ 4,891	$ 4,923

The Claims Expenses represents actual claims reported. In fiscal year 2020 the actual claims reported were $573 million more than fiscal year 2019. This was a result of higher losses related to reinsurance year 2019. Payments to Settle Claims are the actual payments to producers.

The Adjustment of Accrual for Estimated Losses is the reversal of the prior year accrual combined with the current 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. Again, this is subject to uncertainty due to fluctuations in markets.

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 SRA, 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.

Underwriting Gain	2020	2019
Current Year Estimated Gains	$ 1,525	$ 1,143
Actual Underwriting Gains	533	2,127
Total Underwriting Gain Liability	$ 2,058	$ 3,270

The underwriting gain liability for fiscal year 2020 includes amounts for reinsurance year 2019 and 2020. The reinsurance year 2020 estimated underwriting gain of $1,525 million was based on an estimated loss ratio of .81. The actual reinsurance year 2019 underwriting gain of $533 million was based on an actual loss ratio of 1.03 and will be paid in fiscal year 2021.

At the end of fiscal year 2019, the underwriting gain liability includes amounts for reinsurance years 2018 and 2019. The reinsurance year 2019 estimated underwriting gain was $1,143 million and was based on a loss ratio of .92. The actual reinsurance year 2018 underwriting gain of $2,127 million was based on an actual loss ratio of .74 and was paid in fiscal year 2020.

NOTE 31: COVID-19 Activity

The tables below summarize supplemental funding for COVID-19 and its financial statement impact.

COVID-19 Activity
For the Year Ended 9/30/2020

Account Name	Treasury Account Symbol	Purpose	Total Supplemental	Total Obligations	Amounts Remaining to be Obligated	Total Outlays
FSA- Processing, Research and Marketing, Office of the Secretary	12X0115	CARES Act	$ 30,000	$ 13,521	$ 16,479	$ 10,689
FSA-Salaries and Expenses	120/10600	CARES Act	3	3	-	3
FNS-Supplemental Nutrition Assistance Program (SNAP)	120/13505	Families First Coronavirus Response Act	100	100	-	96
FNS-SNAP	120/13505	CARES Act	15,810	15,750	60	15,688
FNS-SNAP	1203505	Families First Coronavirus Response Act	12,800	11,718	1,082	8,425
FNS-Commodity Assistance Program (CAP)	120/13507	Families First Coronavirus Response Act	400	214	186	96
FNS-CAP	120/13507	CARES Act	450	391	59	161
FNS-Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	120/13510	Families First Coronavirus Response Act	500	-	500	-
FNS-Child Nutrition Programs (CN)	120/13539	CARES Act	8,800	7,039	1,761	5,511
FSIS-Food Safety and Inspection Service	120/13700	CARES Act	33	17	16	12
AMS- Processing, Research and Marketing, Office of the Secretary	1200115	Families First Coronavirus Response Act	4,000	3,907	93	2,464
AMS- Marketing Services	120/12500	CARES Act	45	13	32	12
APHIS- Salaries and Expenses	120/11600	CARES Act	55	55	-	55
Forest Service-Capital Improvement and Maintenance	120/11103	CARES Act	27	8	19	2
Forest Service-Forest and Rangeland Research	120/11104	CARES Act	3	-	3	-
Forest Service-National Forest System	120/11106	CARES Act	34	16	18	7
Forest Service-Wildland Fire Management	120/11115	CARES Act	7	5	2	4
Rural Development- Distance Learning, Telemedicine, and Broadband Program	12X1232	CARES Act	25	1	24	1
Rural Development-Distance Learning, Telemedicine, and Broadband Program	120/11232	CARES Act	100	88	12	3
Rural Development-Rural Business Program Account	120/11902	CARES Act	21	7	14	2
FAS- Salaries and Expenses	120/12900	CARES Act	4	2	2	2
OIG-Office of Inspector General	120/10900	CARES Act	1	1	-	1
Total			**$ 73,218**	**$ 52,856**	**$ 20,362**	**$ 43,234**

COVID-19 Activity
As of and For the Period Ended 9/30/2020

Account Name	FSA- Processing, Research and Marketing, Office of the Secretary	FSA- Salaries and Expenses	FNS-Supplemental Nutrition Assistance Program (SNAP)	FNS-SNAP	FNS-SNAP	FNS-Commodity Assistance Program (CAP)	FNS-CAP	FNS-Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
Treasury Account Symbol	12X0115	120/10600	120/13505	120/13505	1203505	120/13507	120/13507	120/13510
Purpose	CARES Act	CARES Act	Families First Coronavirus Response Act	CARES Act	Families First Coronavirus Response Act	Families First Coronavirus Response Act	CARES Act	Families First Coronavirus Response Act
Intragovernmental:								
Fund Balance with Treasury	$ 19,312	$ -	$ 4	$ 122	$ 4,375	$ 304	$ 289	$ 500
Total Intragovernmental Assets	19,312	-	4	122	4,375	304	289	500
Accounts Receivable, Net	3	-	-	-	-	-	-	-
Total Assets	19,315	-	4	122	4,375	304	289	500
Accounts payable	1,560	-	-	-	-	2	4	-
Benefits due and payable	-	-	4	62	3,293	-	-	-
Other liabilities	-	-	-	-	-	54	65	-
Total liabilities	1,560	-	4	62	3,293	56	69	-
Unexpended appropriations	4,217	-	-	60	1,082	248	220	500
Cumulative results of operations	13,538	-	-	-	-	-	-	-
Total Liabilities and Net Position	19,315	-	4	122	4,375	304	289	500
Gross program costs	12,245	3	100	15,750	11,718	152	230	-
Net Cost of Operations	12,245	3	100	15,750	11,718	152	230	-
Net position beginning of period	-	-	-	-	-	-	-	-
Other financing sources	30,000	3	100	15,810	12,800	400	450	500
Net cost of operations	(12,245)	(3)	(100)	(15,750)	(11,718)	(152)	(230)	-
Change in Net Position	17,755	-	-	60	1,082	248	220	500
Net Position End of Period	$ 17,755	$ -	$ -	$ 60	$ 1,082	$ 248	$ 220	$ 500

Account Name	FNS-Child Nutrition Programs (CN)	FSIS-Food Safety and Inspection Service	AMS-Processing, Research and Marketing, Office of the Secretary	AMS-Marketing Services	APHIS- Salaries and Expenses	Forest Service-Capital Improvement and Maintenance	Forest Service-Forest and Rangeland Research	Forest Service-National Forest System
Treasury Account Symbol	120/13539	120/13700	1200115	120/12500	120/11600	120/11103	120/11104	120/11106
Purpose	CARES Act	CARES Act	Families First Coronavirus Response Act	CARES Act	CARES Act	CARES Act	CARES Act	CARES Act
Intragovernmental:								
Fund Balance with Treasury	$ 3,289	$ 21	$ 1,536	$ 33	$ -	$ 24	$ 3	$ 27
Total Intragovernmental Assets	3,289	21	1,536	33	-	24	3	27
Total Assets	3,289	21	1,536	33	-	24	3	27
Accounts payable	-	-	117	-	-	2	-	-
Benefits due and payable	1,528	-	-	-	-	-	-	-
Other liabilities	-	1	-	-	-	-	-	-
Total liabilities	1,528	1	117	-	-	2	-	-
Unexpended appropriations	1,761	20	1,419	33	-	22	3	27
Cumulative results of operations	-	-	-	-	-	-	-	-
Total Liabilities and Net Position	3,289	21	1,536	33	-	24	3	27
Gross program costs	7,039	13	2,581	12	55	5	-	7
Net Cost of Operations	7,039	13	2,581	12	55	5	-	7
Net position beginning of period	-	-	-	-	-	-	-	-
Other financing sources	8,800	33	4,000	45	55	27	3	34
Net cost of operations	(7,039)	(13)	(2,581)	(12)	(55)	(5)	-	(7)
Change in Net Position	1,761	20	1,419	33	-	22	3	27
Net Position End of Period	$ 1,761	$ 20	$ 1,419	$ 33	$ -	$ 22	$ 3	$ 27

Account Name	Forest Service-Wildland Fire Management	Rural Development-Distance Learning, Telemedicine, and Broadband Program	Rural Development-Distance Learning, Telemedicine, and Broadband Program	Rural Development-Rural Business Program Account	FAS-Salaries and Expenses	OIG-Office of Inspector General	Total
Treasury Account Symbol	120/11115	12X1232	120/11232	120/11902	120/12900	120/10900	
Purpose	CARES Act	CARES Act	CARES Act	CARES Act	CARES Act	CARES Act	
Intragovernmental:							
Fund Balance with Treasury	$ 3	$ 24	$ 97	$ 19	$ 2	$ -	$ 29,984
Total Intragovernmental Assets	3	24	97	19	2	-	29,984
Accounts Receivable, Net	-	-	-	-	-	-	3
Total Assets	3	24	97	19	2	-	29,987
Accounts payable	-	-	-	-	-	-	1,685
Benefits due and payable	-	-	-	-	-	-	4,887
Other liabilities	-	-	-	-	-	-	120
Total liabilities	-	-	-	-	-	-	6,692
Unexpended appropriations	3	24	97	19	2	-	9,757
Cumulative results of operations	-	-	-	-	-	-	13,538
Total Liabilities and Net Position	3	24	97	19	2	-	29,987
Gross program costs	4	1	3	2	2	1	49,923
Net Cost of Operations	4	1	3	2	2	1	49,923
Net position beginning of period	-	-	-	-	-	-	-
Other financing sources	7	25	100	21	4	1	73,218
Net cost of operations	(4)	(1)	(3)	(2)	(2)	(1)	(49,923)
Change in Net Position	3	24	97	19	2	-	23,295
Net Position End of Period	$ 3	$ 24	$ 97	$ 19	$ 2	$ -	$ 23,295

RMA took numerous actions to provide relief in the face of the pandemic to ensure crop insurance continued to provide a farm safety net under such unprecedented times. RMA did not receive direct budgetary resources to respond to COVID-19 and most of the actions provided reporting flexibilities to AIP's and producers. The most significant action involving financial resources was to allow additional time for policyholders to make payment of premium and administrative fee. The amount of this deferral is estimated to be $2,500 million.

In accordance with the CARES Act, CCC received an appropriation for its Realized Loss Reimbursement based on financial results as of June 30, 2020, to reimburse FY 2020 losses up to $14,000 million. The reimbursement was meant to ensure that CCC had adequate funding to support producers affected by the COVID-19 pandemic. CCC typically receives the appropriation for reimbursement of realized losses in the first quarter of the following fiscal year. In addition, CCC transferred $6,500 million to the Office of the Secretary to provide additional funding for the Coronavirus Food Assistance Program.

NOTE 32: Subsequent Events

Hurricane Delta struck southern United States in October 2020 after the balance sheet date but prior to the release of the financial statements. The hurricane resulted in significant flooding impacting crops covered in the Federal Crop Insurance program; however, the full impact is not yet known.

NOTE 33: Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position For FR Compilation Process

To prepare the Financial Report of the U.S. Government (FR), 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 Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS.

Treasury eliminates all 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 2019 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2020 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 results 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, non-profit entities, and State, local, and foreign governments.

Reclassification of Balance Sheet to Line Items Used for the Government-wide Balance Sheet as of September 30, 2020

FY2020 USDA Balance Sheet		Line Items Used to Prepare FY 2020 Government-wide Balance Sheet				
Financial Statement Line	**Amounts**	**Dedicated Collections**	**All Other Amounts**	**Eliminations**	**Total**	**Reclassified Financial Statement Line**
Assets						
Intragovernmental:						
Fund Balance with Treasury (Note 3)	195,418	3,503	191,915		195,418	Fund Balance with Treasury (Note 3)
Investments (Note 5)	245	244			244	Federal investments (Note 5)
		1			1	Interest receivable - investments (Note 5)
Accounts Receivable, Net (Note 6)	61		7,654	(7,654)	-	Accounts receivable, capital transfers
			5,290	(5,229)	61	Accounts receivable, net
Other (Note 11)	27		52	(25)	27	Advances to others and prepayments
Total Intragovernmental	195,751	3,748	204,911	(12,908)	195,751	**Total Intra-governmental**
Cash and Other Monetary Assets (Note 4)	381		381		381	Cash and other monetary assets (Note 4)
Investments (Note 5)	3	3			3	Securities and investments (Note 5)
Accounts Receivable, Net (Note 6)	3,812	119	3,693		3,812	Accounts receivable, net (Note 6)
Direct Loan and Loan Guarantees, Net (Note 7)	110,235		110,235		110,235	Direct loan and loan guarantees receivable, net (Note 8)
Inventory and Related Property, Net (Note 8)	18		18		18	Inventory and related property, net (Note 9)
General Property, Plan, and Equipment, Net (Note 9)	2,399	118	2,281		2,399	General property, plant, and equipment, net (Note 10)
Other (Note 11)	1,295	14	1,281		1,295	Other assets (Note 12)
Total Assets	313,894	4,002	322,800	(12,908)	313,894	**Total assets**
Stewardship PP&E (Note 10)						
Liabilities (Note 12):						
Intragovernmental:						
Accounts Payable	28		29	(1)	28	Accounts payable
			7,654	(7,654)	-	Accounts payable, capital transfers
Debt (Note 13)	145,738		26		26	Interest payable - loans and not otherwise classified
			143,102		143,102	Loans payable
			2,610		2,610	Other Liabilities (Note 17)
Other (Note 15)	10,196		233		233	Benefit program contributions payable (Note 15)
			5,305	(5,228)	77	Accounts payable
			34	(25)	9	Advances from others and deferred credits (Note 17)
		16	51		67	Other liabilities (without reciprocals) (Note 15)
			9,810		9,810	Liability to the General Fund of the U.S. Government for custodial and other non-entity assets (Note 17)
Total Intragovernmental	155,962	16	168,854	(12,908)	155,962	**Total Intra-governmental**
Accounts Payable	3,738	31	3,707		3,738	Accounts payable
Loan Guarantee Liability (Note 7)	1,329		1,329		1,329	Loan guarantee liability (Note 8)
Actuarial Federal Employees' Compensation Act Liability	679	31	648		679	Federal employee and veteran benefits payable (Note 15)
Environmental and Disposal Liabilities (Note 14)	239		239		239	Environmental and disposal liabilities (Note 16)
Benefits Due and Payable	13,330		13,330		13,330	Benefits due and payable
Other (Note 15 & 16)	21,577		7,703		7,703	Insurance and guarantee program liabilities
			703		703	Federal employee and veteran benefits payable (Note 15)
		450	12,721		13,171	Other liabilities (Notes 17, 18, and 19)
Total Liabilities	196,854	528	209,234	(12,908)	196,854	**Total liabilities**

FY2020 USDA Balance Sheet		Line Items Used to Prepare FY 2020 Government-wide Balance Sheet				
Financial Statement Line	**Amounts**	**Dedicated Collections**	**All Other Amounts**	**Eliminations**	**Total**	**Reclassified Financial Statement Line**
Commitments and Contingencies (Note 17)						
Net Position:						
Unexpended Appropriations - Funds from Dedicated Collections (Combined Totals) (Note 18)	191	191			191	Unexpended appropriations - Funds from Dedicated Collections
Unexpended Appropriations - All Other Funds (Combined Totals)	82,751		82,751		82,751	Unexpended appropriations - Funds other than those from Dedicated Collections
Cumulative Results of Operations - Funds from Dedicated Collections (Combined Totals) (Note 18)	3,283	2,033			2,033	Cumulative results of operations - Funds from Dedicated Collections
		1,250			1,250	Reconciling Item - GTAS Presents This Line as a Consolidated Total
Cumulative Results of Operations - All Other Funds (Combined Totals)	30,815		32,065		32,065	Cumulative results of operations - Funds other than those from Dedicated Collections
			(1,250)		(1,250)	Reconciling Item - GTAS Presents This Line as a Consolidated Total
Total Net Position - Funds from Dedicated Collections	3,474	3,474			3,474	**Total net position - Funds from Dedicated Collections (Note 20) (Combined or Consolidated)**
Total Net Position - All Other Funds	113,566		113,566		113,566	**Total net position - Funds other than those from Dedicated Collections (Combined or Consolidated)**
Total Net Position	117,040	3,474	113,566		117,040	**Total Net Position**
Total Liabilities and Net Position	313,894	4,002	322,800	(12,908)	313,894	**Total Liabilities and Net Position**

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2020

FY 2020 USDA SNC		Line Items Used to Prepare FY 2020 Government-wide SNC				
Financial Statement Line	**Amounts**	**Dedicated Collections**	**All Other Amounts**	**Eliminations**	**Total**	**Reclassified Financial Statement Line**
Gross Costs						**Gross Cost**
		1,882	192,645		194,527	**Non-federal gross cost**
						Federal gross cost
		79	1,813		1,892	Benefit program costs (RC 26)/2
		68	2,916	(2,129)	855	Imputed costs (RC25)/2
		118	3,648	(2,472)	1,294	Buy/Sell Cost (RC24)/2
			14		14	Purchase of assets (RC 24)/2
			3,986		3,986	Borrowing and other interest expense (RC05)/2
		23	488		511	Other expenses (without reciprocals) (RC 29)
			(14)		(14)	Reconciling - Purchase of assets
		288	12,851	(4,601)	8,538	**Total federal gross cost**
Total Gross Costs	203,065	2,170	205,496	(4,601)	203,065	**Department total gross cost**
Earned Revenue						**Earned revenue**
		1,234	8,834		10,068	**Non-federal earned revenue**
						Federal earned revenue
		19	3,040	(2,472)	587	Buy/sell revenue (exchange) (RC24)/2
			14		14	Purchase of assets offset (RC 24) / 2
		5	1		6	Federal securities interest revenue including associated gains and losses (exchange) (RC 03)/2
			640		640	Borrowing and other interest revenue (exchange) (RC 05)/2
		95			95	Collections Transferred in to a TAS Other Than the General Fund of the U.S. Government - Exchange (RC 13)
			(5)		(5)	Accrual of Custodial Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Exchange (RC 14)
			(5)		(5)	Reconciling - Custodial revenue
			(14)		(14)	Reconciling - Purchase of assets offset
		119	3,671	(2,472)	1,318	**Total federal earned revenue**
Less: Total Earned Revenue	11,386	1,353	12,505	(2,472)	11,386	**Department total earned revenue**
Net Cost of Operations (Note 19)	191,679	817	192,991	(2,129)	191,679	**Net cost of operations**

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, 2020

FY 2020 USDA SCNP		Line Items Used to Prepare FY 2020 Government-wide SCNP				
Financial Statement Line	**Amounts**	**Dedicated Collections**	**All Other Amounts**	**Eliminations**	**Total**	**Reclassified Financial Statement Lines**
Unexpended Appropriations:						
Beginning Balances	71,451	180	71,271		71,451	Net position, beginning of period
Budgetary Financing Sources:						
Appropriations Received	212,793	11	212,782		212,793	Appropriations Received as Adjusted (Rescissions and Other Adjustments) (RC 41)/1
			4,033	(4,033)	-	Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08) /1
Appropriations Transferred In (Out)	(50)		(4,083)	4,033	(50)	Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08) /1
Other Adjustments	(8,931)		(8,931)		(8,931)	Appropriations Received as Adjusted (Rescissions and Other Adjustments) (RC 41)/1
Appropriations Used	(192,321)		(192,321)		(192,321)	Appropriations Used (RC 39)
Total Budgetary Financing Sources	11,491	11	11,480		11,491	**Total Budgetary Financing Sources**
Total Unexpended Appropriations	82,942	191	82,751		82,942	**Total Unexpended Appropriations**
Cumulative Results of Operations:						
Beginning Balances	14,663	3,331	11,332		14,663	Net position, beginning of period
Budgetary Financing Sources:						
Other Adjustments	(340)		(340)		(340)	Revenue and Other Financing Sources - Cancellations (RC 36)
Appropriations Used	192,321		192,321		192,321	Appropriations expended (RC 38)/1
Non-exchange Revenue	22,413	1	4		5	Other Taxes and Receipts
		133	22,275		22,408	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
Donations and Forfeitures of Cash and Equivalents	2	1	1		2	Other Taxes and Receipts
Transfers In (Out) without Reimbursement	(567)	15,266	76	(15,199)	143	Appropriation of unavailable special or trust fund receipts transfers-in (RC 07)/1
		(75)	(15,124)	15,199	-	Appropriation of unavailable special or trust fund receipts transfers-out (RC 07) /1
		6	80,486	(80,485)	7	Non-expenditure Transfers-In of Unexpended Appropriations and Financing Sources (RC 08)/1
		(14,435)	(66,767)	80,485	(717)	Non-expenditure Transfers-Out of Unexpended Appropriations and Financing Sources (RC 08)/1
		2	154	(156)	-	Expenditure transfers-in of financing sources (RC 09) /1
			(156)	156	-	Expenditure transfers-out of financing sources (RC 09)/1
		(16)	(995)	1,011	-	Non-expenditure Transfers-Out of Financing Sources - Capital Transfers (RC 11)
Other Financing Sources (Non-Exchange):						
Transfers In (Out) without Reimbursement	3		1,011	(1,011)	-	Non-expenditure Transfer-In of Financing Sources - Capital Transfers (RC 11)
			2,793	(2,791)	2	Transfers-In Without Reimbursement (RC 18)/1
			(2,790)	2,791	1	Transfers-Out Without Reimbursement (RC 18)/1
Imputed Financing	855	68	2,916	(2,129)	855	Imputed Financing Sources (RC 25)/1
Other	(3,573)	(182)	(3)		(185)	Other Taxes and Receipts
			129		129	Reconciling - Custodial Revenue - Other taxes and receipts
			(3,016)		(3,016)	Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
			(129)		(129)	Reconciling - Custodial Revenue - Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
			(372)		(372)	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC 48)
			(5)		(5)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)
			5		5	Reconciling - Custodial Revenue - Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)
Total Financing Sources	211,114	769	212,474	(2,129)	211,114	**Total Financing Sources**
Net Cost of Operations	(191,679)	(817)	(192,991)	2,129	(191,679)	**Net Cost of Operations**
Net Change	19,435	(48)	19,483		19,435	**Net Change**
Cumulative Results of Operations	34,098	3,283	30,815		34,098	**Cumulative Results of Operations**
Net Position	117,040	3,474	113,566		117,040	**Net Position**

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 general PP&E, including nearly 40,000 administrative, recreation, and research buildings and approximately 30,000 recreational sites, such as campgrounds, picnic areas, trailheads, and interpretive sites.

Across the NFS, the agency also manages over 370,000 miles of roads, of which 65,000 miles are for passenger vehicles; over 159,000 miles of trails for motorized and non-motorized use; nearly 13,400 road and trail bridges; and over 1,700 Forest Service owned and Special Use Permitted dam structures.

ARS owns/manages approximately 15 million gross square feet of facility space in 3,098 buildings on 403,307 acres of land. APHIS operates approximately 28 facilities, which includes 378 buildings, in the United States and 14 facilities/buildings internationally. The NRCS portfolio of owned assets encompasses 28 sites, including 12 parcels of owned land, 223 buildings, and about 222 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

Policies for ranking and prioritizing 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 is determined every other year from random sample surveys providing a moderate level of confidence in the accuracy of the data reported. DM&R is not reported for roads that are not part of the passenger-car system. Bridge class assessments occur on a 2-year or 4-year revolving schedule. To-date, surveys of all administrative buildings, dams, bridges, roads open to passenger cars, and recreation sites have been accomplished.

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 condition surveys and ranked based on PP&E and heritage assets that pose serious threats to public health or safety, a natural resource, or the ability of the agency to implement its mission.

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 shall 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, revised November 19, 2004.

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 2020 Ending Balance	FY 2020 Beginning Balance	FY 2019 Ending Balance	FY 2019 Beginning Balance
General PP&E	$ 6,343	$ 5,663	$ 5,663	$ 5,648
Heritage Assets	223	210	210	180
Total	$ 6,566	$ 5,873	$ 5,873	$ 5,828

DM&R costs increased mainly due to the estimate for passenger car roads within the NFS. The remaining increase is spread across all categories within General PP&E including bridges, buildings, dams, minor constructed features, trails, trail bridges, wastewater systems, and water systems.

Combining Statement of Budgetary Resources (Unaudited)

	FPAC Business Center	FSA		CCC		RMA	NRCS	FNS	FSIS	AMS	APHIS
FY 2020	**Budgetary**	**Budgetary**	**Non-Budgetary Financing Accounts**	**Budgetary**	**Non-Budgetary Financing Accounts**	**Budgetary**	**Budgetary**	**Budgetary**	**Budgetary**	**Budgetary**	**Budgetary**
Budgetary Resources:											
Unobligated balance from prior year budget authority, net	$ 8	$ 5,146	$ 226	$ 1,175	$ 111	$ 626	$ 6,340	$ 40,053	$ 91	$ 856	$ 719
Appropriations (discretionary and mandatory)	257	32,383	-	1,769	-	8,331	5,871	136,090	1,105	5,732	1,425
Borrowing authority (discretionary and mandatory)	-	-	4,012	35,525	432	-	-	-	-	-	-
Spending authority from offsetting collections (discretionary and mandatory)	22	314	2,106	18	117	3,948	140	59	267	196	217
Total budgetary resources	287	37,843	6,344	38,487	660	12,905	12,351	176,202	1,463	6,784	2,361
Status of Budgetary Resources:											
New obligations and upward adjustments (total) (Note 23)	266	18,142	4,081	37,985	436	12,303	6,219	130,168	1,348	5,984	1,761
Unobligated balance, end of year:											
Apportioned, unexpired accounts	14	19,573	1,958	49	41	599	3,483	16,501	105	354	545
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	-	7	-
Unapportioned, unexpired accounts	-	73	305	452	183	-	7	334	-	421	2
Unexpired unobligated balance, end of year	14	19,646	2,263	501	224	599	3,490	16,835	105	782	547
Expired unobligated balance, end of year	7	55	-	1	-	3	2,642	29,199	10	18	53
Unobligated balance, end of year (total)	21	19,701	2,263	502	224	602	6,132	46,034	115	800	600
Total budgetary resources	287	37,843	6,344	38,487	660	12,905	12,351	176,202	1,463	6,784	2,361
Budget Authority and Outlays, Net											
Outlays, net (discretionary and mandatory)	251	14,540		18,636		10,490	4,278	114,224	1,061	3,830	1,390
Distributed offsetting receipts (-)	-	(217)		(23)		-	(1)	(5)	(18)	(195)	(8)
Agency outlays, net (discretionary and mandatory)	$ 251	$ 14,323		$ 18,613		$ 10,490	$ 4,277	$ 114,219	$ 1,043	$ 3,635	$ 1,382
Disbursements, net (total) (mandatory)			$ 1,452		$ (58)						

FY 2020	FS	RD		ARS	NASS	NIFA	ERS	FAS	Staff Offices	Total	
	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:											
Unobligated balance from prior year budget authority, net	$ 3,146	$ 8,103	$ 5,621	$ 826	$ 17	$ 727	$ 6	$ 301	$ 1,238	$ 69,378	$ 5,958
Appropriations (discretionary and mandatory)	8,052	6,232	1	1,628	180	1,745	85	437	(196)	211,126	1
Borrowing authority (discretionary and mandatory)	-	-	11,210	-	-	-	-	-	-	35,525	15,654
Spending authority from offsetting collections (discretionary and mandatory)	774	818	10,026	174	21	24	6	17	1,278	8,293	12,249
Total budgetary resources	11,972	15,153	26,858	2,628	218	2,496	97	755	2,320	324,322	33,862
Status of Budgetary Resources:											
New obligations and upward adjustments (total) (Note 23)	7,692	11,316	17,396	2,390	218	1,807	91	324	1,768	239,782	21,913
Unobligated balance, end of year:											
Apportioned, unexpired accounts	2,279	2,580	9,258	217	-	751	4	340	479	47,873	11,257
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	-	7	-
Unapportioned, unexpired accounts	2,000	1,187	204	-	-	(85)	1	10	35	4,437	692
Unexpired unobligated balance, end of year	4,279	3,767	9,462	217	-	666	5	350	514	52,317	11,949
Expired unobligated balance, end of year	1	70	-	20	-	23	1	81	39	32,223	-
Unobligated balance, end of year (total)	4,280	3,837	9,462	237	-	689	6	431	553	84,540	11,949
Total budgetary resources	11,972	15,153	26,858	2,627	218	2,496	97	755	2,321	324,322	33,862
Budget Authority and Outlays, Net											
Outlays, net (discretionary and mandatory)	6,346	8,351		1,348	165	1,395	69	366	371	187,111	
Distributed offsetting receipts (-)	(496)	(1,924)		(20)	-	(5)	-	-	49	(2,863)	
Agency outlays, net (discretionary and mandatory)	$ 5,850	$ 6,427		$ 1,328	$ 165	$ 1,390	$ 69	$ 366	$ 420	$ 184,248	
Disbursements, net (total) (mandatory)			$ 1,153								$ 2,547

FY 2019	FPAC Business Center	FSA		CCC		RMA	NRCS	FNS	FSIS	AMS	APHIS
	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:											
Unobligated balance from prior year budget authority, net	$ -	$ 2,807	$ 209	$ 1,035	$ 82	$ 582	$ 5,606	$ 34,903	$ 77	$ 518	$ 768
Appropriations (discretionary and mandatory)	263	4,348	-	1,777	-	12,381	5,434	103,536	1,064	1,607	1,526
Borrowing authority (discretionary and mandatory)	-	-	2,792	27,127	334	-	-	-	-	-	-
Spending authority from offsetting collections (discretionary and mandatory)	20	347	1,847	30	86	1,292	39	49	241	181	222
Total budgetary resources	283	7,502	4,848	29,969	502	14,255	11,079	138,488	1,382	2,306	2,516
Status of Budgetary Resources:											
New obligations and upward adjustments (total) (Note 23)	278	2,382	3,107	29,392	351	13,627	5,155	94,763	1,295	1,563	1,669
Unobligated balance, end of year:											
Apportioned, unexpired accounts	5	4,939	1,516	215	38	621	3,247	16,742	74	221	779
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	-	1	-
Unapportioned, unexpired accounts	-	115	225	361	113	3	(2)	3,268	-	500	4
Unexpired unobligated balance, end of year	5	5,054	1,741	576	151	624	3,245	20,010	74	722	783
Expired unobligated balance, end of year	-	66	-	1	-	4	2,679	23,715	13	21	64
Unobligated balance, end of year (total)	5	5,120	1,741	577	151	628	5,924	43,725	87	743	847
Total budgetary resources	283	7,502	4,848	29,969	502	14,255	11,079	138,488	1,382	2,306	2,516
Budget Authority and Outlays, Net											
Outlays, net (discretionary and mandatory)	177	2,035		22,827		11,995	4,017	92,579	1,052	1,324	1,311
Distributed offsetting receipts (-)	-	(27)		(49)		-	11	(2)	(15)	(180)	(9)
Agency outlays, net (discretionary and mandatory)	$ 177	$ 2,008		$ 22,778		$ 11,995	$ 4,028	$ 92,577	$ 1,037	$ 1,144	$ 1,302
Disbursements, net (total) (mandatory)			$ 880		$ (19)						

FY 2019	FS	RD		ARS	NASS	NIFA	ERS	FAS	Staff Offices	Total	
	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:											
Unobligated balance from prior year budget authority, net	$ 1,518	$ 9,198	$ 4,412	$ 443	$ 20	$ 620	$ 3	$ 319	$ 393	$ 58,810	$ 4,703
Appropriations (discretionary and mandatory)	7,766	6,005	84	1,703	176	1,730	87	428	1,126	150,957	84
Borrowing authority (discretionary and mandatory)	-	-	10,913	-	-	-	-	-	-	27,127	14,039
Spending authority from offsetting collections (discretionary and mandatory)	675	1,111	8,679	141	21	23	2	75	1,113	5,582	10,612
Total budgetary resources	9,959	16,314	24,088	2,287	217	2,373	92	822	2,632	242,476	29,438
Status of Budgetary Resources:											
New obligations and upward adjustments (total) (Note 23)	7,152	8,114	15,090	1,477	217	1,674	88	541	1,510	170,897	18,548
Unobligated balance, end of year:											
Apportioned, unexpired accounts	2,786	4,025	8,534	791	-	738	2	138	360	35,683	10,088
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	-	1	-
Unapportioned, unexpired accounts	20	4,099	464	(1)	-	(61)	-	9	727	9,042	802
Unexpired unobligated balance, end of year	2,806	8,124	8,998	790	-	677	2	147	1,087	44,726	10,890
Expired unobligated balance, end of year	1	76	-	20	-	22	2	134	35	26,853	-
Unobligated balance, end of year (total)	2,807	8,200	8,998	810	-	699	4	281	1,122	71,579	10,890
Total budgetary resources	9,959	16,314	24,088	2,287	217	2,373	92	822	2,632	242,476	29,438
Budget Authority and Outlays, Net											
Outlays, net (discretionary and mandatory)	6,444	5,926		1,208	170	1,412	82	327	348	153,234	
Distributed offsetting receipts (-)	(871)	(1,760)		(19)	(4)	(35)	-	(6)	(116)	(3,082)	
Agency outlays, net (discretionary and mandatory)	$ 5,573	$ 4,166		$ 1,189	$ 166	$ 1,377	$ 82	$ 321	$ 232	$ 150,152	
Disbursements, net (total) (mandatory)			$ 869								$ 1,730

Section III

Other Information

Response to Management Challenges

The Office of Inspector General (OIG) provides oversight to U.S. Department of Agriculture (USDA or the Department) programs and operations to help ensure that USDA can provide the best possible service to the public and American agriculture. OIG focuses its efforts to advance the value, safety and security, and integrity of USDA programs. In providing such oversight, OIG makes recommendations to address agency programs and core management functions that may be vulnerable to waste, fraud, abuse, and mismanagement. These vulnerabilities can affect USDA's ability to achieve its mission. Since the Reports Consolidation Act of 2000, OIG has annually reported on the Department's progress in addressing its most critical management challenges.

OIG has begun a process to improve how it presents USDA's management challenges. The goal is to develop a more forward-looking approach for identifying and reporting these challenges, one that will emphasize new challenges on the horizon.

No challenges have been removed or added to this year's report. Each challenge includes a discussion of the Department's progress in addressing it and what remains to be done, if applicable.

The following narratives summarize:

- OIG identified management challenges;
- USDA's fiscal year (FY) 2020 agency accomplishments; and/or
- FY 2021 planned actions to address these management challenges.

CHALLENGE 1:
USDA Needs to Improve Oversight and Accountability for its Programs

USDA managers are responsible for establishing an effective internal control system, ensuring a culture of compliance with those controls, and holding employees accountable for implementing those controls. Managers use these controls to ensure programs achieve intended results efficiently and effectively; they provide for program integrity and proper stewardship of resources. Since systemic control flaws can yield systemic program weaknesses, managers must continuously assess and improve their internal control systems.

OIG Key Elements Identified:

- Rural Housing Service (RHS)'s Multi-Family Housing (MFH) tenant certification files from selected States contained either inadequate documentation, errors in calculations, or both.
- Natural Resources Conservation Service (NRCS) needs to improve the effectiveness of the Environmental Quality Incentives Program (EQIP)'s payment schedule process, including developing and implementing a process to validate component prices and ensuring the National Cost Team follows the improved payment schedule process.
- NRCS did not annually review the component prices as required, and also did not consistently utilize a process for States to submit component price reconsiderations, which help ensure component prices more accurately reflect producer costs.

Corrective Actions Completed and Planned:

Rural Housing Service

The overall issue is the property management's lack of oversight for its programs, which can impair the agency's efforts to verify tenant eligibility and provide accurate benefits to MFH tenants. MFH is in the process of organizing and implementing the required training for property management by December 31, 2020.

Natural Resources Conservation Service

The administration of payment schedules was transferred from the Office of the Regional Conservationists to the Policy and Program Analysis Division housed under the Management and Strategy Deputy Area. To mitigate the risk of improper payments, errors, and invalid scenarios, a direct data feed from the Payment Schedule Application (PSA) tool was integrated with the Program Contracts System (ProTracts). All component statuses in the PSA were changed from "Released" to "Auto Price Review" to ensure accuracy. Management streamlined the number of scenarios, components, and payment schedules required to be updated annually, resulting in less maintenance and oversight. A data dump of all vendor information and component price data was provided by the Client Experience Center (CEC), formerly Client Technology Services. Once all component prices are completed and reviewed in the external format, data will be transferred into the PSA. The National Core and Cost Teams streamlined the number of payment schedule scenarios and components requiring price updates. Annual technical review of all components and scenarios will continue to be performed by subject matter experts to ensure compliance with policy, conservation practice standards, and agency statutory and regulatory authorities. Internal audits were performed on financial data and documentation developed by the National Cost Team.

CHALLENGE 2: Information Technology Security Needs Continuous Improvement

Like other Departments, USDA faces threats to its information technology (IT) security, including threats from bad actors with the goal to exploit information system vulnerabilities. Despite efforts to strengthen its IT security posture, the Department still has not fully complied with the standards for safeguarding IT systems.

In order to provide benefits and services to the American public, USDA must efficiently manage vast amounts of data. Some of this information is sensitive, and its inappropriate release could cause significant problems. Members of the public apply for and access many USDA programs, benefits, and other services through online or mobile portals, which can require the transfer of personal information. USDA employees must be able to access, use, and communicate this information reliably and timely. The Department thus faces a significant challenge in safeguarding this information by protecting the security, confidentiality, and integrity of its IT infrastructure, even as it allows authorized users to access and use this information.

Although Department leadership has emphasized overcoming these challenges and eventually reaching full compliance, the Department faces challenges in complying with the Federal Information Security Modernization Act (FISMA).

OIG Key Elements Identified:

- The Department and its agencies must also develop and implement an effective plan to mitigate security weaknesses identified in recommendations from prior fiscal years.

- The Department and agencies did not fully implement the Federally-mandated controls to encrypt data. Until USDA is able to comply with Federal requirements and best practices, its systems and the sensitive data they contain could be at risk.

Corrective Actions Completed and Planned:

Office of the Chief Information Officer

The draft policy titled "Privacy Policy and Compliance for Personally Identifiable Information (PII)" is currently progressing through the Department's directives adjudication process.

CHALLENGE 3:
USDA Needs to Strengthen Program Performance and Performance Measures

Each of USDA's agencies should design, develop, and implement programs that reliably achieve their intended results. OIG has found that agencies do not always have adequate reviews or controls in place to supply the metrics necessary to evaluate programs.

The Food Distribution Program on Indian Reservations (FDPIR) found that neither of the two Indian Tribal Organizations (ITO)— the organizations that distribute FDPIR locally— we reviewed had submitted financial and participation reports by the required deadlines.

OIG Key Elements Identified:

- Food Nutrition Service (FNS) needs to put controls or processes in place to ensure that ITOs submitted required reports in a timely manner.
- Without the necessary controls in place to ensure the reports are submitted on time, the metrics from those reports, such as expenses and participation levels, are unavailable to stakeholders. Additionally, without those metrics, FNS cannot timely and effectively assess program data to ensure program compliance and address any potential issues that may arise.
- Agricultural Marketing Service (AMS) storage and handling of commodities for international food assistance programs found that warehouse operators did not consistently apply sanitation and safety standards to safeguard export food aid.
- Language in the Export Food Aid Commodity (EFAC) Licensing Agreement for warehouse operators is too broad and can be left open to interpretation, leading to discrepancies in the application of standards by operators.

- AMS should update the relevant guidance for sanitation and safety standards and the regulations for repairing EFAC bags.

Corrective Actions Completed and Planned:

Food Nutrition Service

FNS updated its Risk-Based Management Evaluation Tool in April 2019 for FY 2020 assessments to include new criteria on the timely submission of required reports. Additionally, the FNS' Food Distribution Division (FDD) is finalizing guidance for all FNS Regional Offices that administer FDPIR to lay out follow-up and escalation procedures for untimeliness and noncompliance of reports related to the administration of FDPIR (for example, financial reports and monthly inventory reports).

Agricultural Marketing Service

A new notice has been drafted to inform the terminals and transload facilities of the permissible methods for mitigating losses due to damaged packaging for the food aid commodities. The draft notice is going through the internal review process and should be completed by November 30, 2020. The new notice will be distributed to all relevant personnel when finalized.

CHALLENGE 4:
USDA Needs to Strengthen Controls Over Improper Payments and Financial Management

USDA continues to be noncompliant with Federal requirements for improper payments. Also, the Department needs to address internal control deficiencies to resolve ongoing problems with financial management and reporting.

The Department's annual financial reports provide the public, Congress, and the President with information regarding the funds spent on public services every year. These reports account for USDA's costs and revenues, assets and liabilities, and other information. OIG reviews the Department's financial reports annually, as required by law, to verify accuracy and compliance with Federal rules regarding high-dollar overpayments and improper payments.

The Department has been making progress towards fully complying with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended. In its eighth year of reporting, USDA identified nine programs as susceptible to significant improper payments (high-risk) in FY 2018, which is one fewer than the year before. Additionally, five of USDA's nine high-risk programs were fully compliant in FY 2018, compared with three in 2017.

Finally, the Department substantially complied with four of the six improper payment requirements in FY 2018 compared with three in 2017.

OIG Key Elements Identified:

- Two USDA component agencies need to improve their overall financial management.
- USDA needs to improve its IT Security and controls.
- USDA needs to improve its controls over unliquidated obligations.

Corrective Actions Completed and Planned for Financial Reporting:

Food Nutrition Service

FNS prepared a report to the necessary Congressional committees and the Office of Management and Budget (OMB) detailing the activities the agency has taken to complete the required actions for each consecutive year of noncompliance for the School Breakfast Program (SBP), as well as any new corrective actions the agency plans to take. The report to Congress and OMB was signed by the Office of the Secretary (OSEC) and delivered in late August 2020. The formal final action request is now being finalized.

Farm Service Agency

A notice was issued identifying causes of improper payments and reiterating applicable program policies. Deputy Administrators will reiterate the importance of following existing policies regarding signing and approving contracts before indicating approval in the applicable software system. Internal reviews will be conducted to enable earlier identification of errors that are occurring and the underlying reasons. Reviews will prompt communications on how policies and procedures should be applied.

Livestock Forage Program (LFP) refresher training will be held for applicable states and counties. The root causes of improper payments will be stressed throughout several presentations. The Farm Service Agency (FSA) is identifying areas where software can be enhanced to mitigate errors, clarify policy, and provide training. This approach will enable earlier identification of errors and the underlying reasons, and prompt communications on how policies and procedures should be applied. A request for funding has been submitted to enhance LFP software with the ability to interface with farm record data to automatically generate a CCC-855, if needed, for owners/operators to complete to meet eligibility requirements. Software enhancements are contingent on budget availability.

An updated Noninsured Crop Disaster Assistance Program (NAP) Checklist (CCC-770 NAP) has been issued that will assist NAP specialists to complete applications thoroughly with less administrative data errors The checklist is now required to be completed when an application for payment is filed.

The Safety Net Division's Disaster Assistance Section plans to complete additional NAP training for states with high error rates. The root causes of improper payments will be stressed throughout several presentations.

Software enhancements were discussed that would require the Business File records to be read during the NAP payment process. Software enhancements are contingent on budget availability.

Office of the Chief Financial Officer

During FY 2020, the Department continued its efforts to reissue Unliquidated Obligations (ULO) Directive 2230-001 under the Directives Reform initiative. The report is a tool that reconciles to the general ledger and ensures that the ULO population is consistent, accurate, and complete. The ULO Directive was updated to (1) require the review of obligations inactive for 12 months and more than $100; (2) ensure internal ULO Aging Reports reconcile to the general ledger; and (3) ensure ULOs are categorized based on the nature of the activity to be researched..

CHALLENGE 5:
USDA Needs to Improve Outreach Efforts

USDA has emphasized its efforts to improve outreach, stressing that the Department must make significant progress to address past civil rights issues. Due to public attention concerning how USDA has treated members of socially disadvantaged groups, the Department faces challenges in earning those groups' trust.

OIG Key Elements Identified:

- Florida State Agency sponsors of the Summer Food Service Program (SFSP) did not consistently ensure that all sites complied with FNS requirements and guidance related to outreach, promoted the program effectively, or served meals as announced in the State media campaign.
- Florida State Agency should provide additional sponsor training on SFSP site-level outreach and strengthen its enforcement actions during site reviews.
- Rural Development did not document their outreach activities for the Water and Environmental Programs in their designated system of record, Resource One.

USDA has made progress to improve its outreach efforts. USDA has emphasized its efforts to improve outreach to new and beginning farmers and ranchers, local and regional food producers, women, and veterans. For example, the AMS Farmers Market and Local Food Promotion Program provides a competitive grants process to expand access to locally-produced agriculture products and develop new market opportunities for farmers, ranchers, and local and regional food businesses. In a recent audit of this program, we found that AMS officials effectively conducted program outreach and appeared cognizant of grant requirements. OIG's review of Food Safety and Inspection Service's (FSIS) Interstate Shipment (CIS) Program provides another example of the Department improving outreach for local and regional food producers. This program provides the opportunity to eligible State-inspected establishments with 25 or fewer employees in participating States to ship meat and poultry products across State lines and export them to foreign countries. In a recent audit of the CIS program, one of OIG's objectives was to determine whether FSIS provides adequate enforcement and outreach; we found that FSIS's enforcement and outreach for the CIS Program were adequate, and we had no reportable findings for this objective.

Corrective Actions Completed and Planned for Financial Reporting:

Food Nutrition Service

FNS updated its Risk-Based Management Evaluation Tool in April 2019 for FY 2020 assessments to include new criteria on the timely submission of required reports. Additionally, FNS' Food Distribution Division is finalizing guidance for all FNS Regional Offices that administer FDPIR to lay out follow-up and escalation procedures for untimeliness and noncompliance of reports related to the administration of FDPIR (for example, financial reports and monthly inventory reports).

Rural Utilities Service

The overall finding identified areas where the Rural Utilities Service (RUS) can better track efforts to administer rural infrastructure programs that assist eligible Native American governments and communities. The agency provided enhancements where reports can be generated to identify which applications received Substantially Underserved Trust Areas (dependent of funding) and issued guidance requiring all Rural Development State offices to enter their outreach activities into Resource One. This audit was closed, and all corrective actions were implemented.

CHALLENGE 6: Food Safety Inspections Need Improved Controls

Food safety is vital to protecting the public health. Despite progress, FSIS continues to need improved controls in order to ensure the Nation's supply of meat, poultry, and egg products is correctly handled, processed, labeled, and packaged.

OIG Key Elements Identified

- FSIS inspections need improved controls to ensure that imported meat and poultry products are safe, wholesome, and correctly labeled and packaged.
- Inspection Program Personnel (IPP) did not verify all labels on imported meat and poultry products.
- Lot unit count related to shipments of imported meat and poultry products did not match the numbers listed on the corresponding official foreign inspection certificates for those shipments.
- Required label application packages were either incomplete, inaccurate, or unsupported.
- FSIS' Labeling and Program Delivery Staff (LPDS) should enhance its outreach efforts to establishments to ensure they are aware of all applicable mandatory labeling features for generic labels.

Corrective Actions Completed and Planned:

Food Safety and Inspection Service

FSIS is developing virtual refresher training that focuses on the performance of the label verification procedure and verification of lot counts. FSIS will provide this training to IPP currently assigned to an import inspection establishment. In FY 2021, FSIS will create the schedule to begin providing training to the IPP.

FSIS is revising Directive 9900.1, Imported Product Shipment Presentation, to clarify expectations and include clear instructions for verifying the unit counts of imported lots. Upon approval, in FY 2021, FSIS will issue the revised Directive 9900.1.

FSIS is in the process of making the necessary corrections for the labels that FSIS has determined are missing information and updating the application in the Labeling Submission and Approval System (LSAS). FSIS has already begun its outreach to establishments through developing and revising labeling guidance on the FSIS website. FSIS will also schedule generic labeling webinars for its stakeholders that will include training on the mandatory labeling features.

FSIS continues to send staff to meetings for various stakeholders (such as consulting firms and trade associations) to present information on various labeling subject matter. These presentations include general labeling requirements, including all mandatory features.

In FY 2021, FSIS will continue to include entries in the Agency's Constituent Update (which provides weekly FSIS updates on the FSIS web page) on a biweekly basis to help the industry understand and comply with FSIS labeling requirements. These entries provide information on various topics to help establishments comply with labeling requirements, such as information on completing the label application form, information on the label submission requirements for using special statements and claims, and information on label records that must be maintained by establishments. FSIS will continue its outreach efforts.

FSIS is revising Directive 7221.1, Prior Labeling Approval, stating that IPP will select generically approved labels when conducting label verification activities scheduled for their assigned establishment(s). In addition, this updated directive needs to state that IPP will document noncompliance and require establishments to update its labels that are not in compliance with FSIS's labeling regulations and policies. In FY 2021, FSIS will continue revising FSIS Directive 7221 and circulate the revised FSIS Directive 7221.1 for Agency-wide review and clearance. FSIS will issue FSIS Directive 7221.1.

CHALLENGE 7:
FNS Needs to Strengthen SNAP Management Controls

SNAP is a critical safety net for many families and individuals in financial need. FNS needs to improve its oversight and quality control processes, or else taxpayer-funded assistance may not be delivered or used as intended.

OIG Key Elements Identified:

Although FNS has endeavored to improve management controls for SNAP, weaknesses continue to exist in controls over benefit distribution and quality control (QC) processes. The potential exists for billions of dollars of taxpayer-funded assistance not to be delivered or used as intended.

Given SNAP's size and significance, fraud, waste, and abuse are critical concerns. USDA loses hundreds of millions of dollars every year to fraud and crime associated with SNAP and other FNS food assistance programs.

- FNS needs to strengthen its oversight of States' administration of SNAP.
- FNS did not have sufficient oversight of States' spending to identify that 6 of the 10 State offices may have inappropriately replaced more than $27.5 million of State funds with Federal funds.
- FNS and Puerto Rico's Administration for Socioeconomic Development of the Family (ADSEF) were unable to plan before the hurricanes adequately and did not effectively coordinate funding distribution with other agencies.
- Significant eligibility and payment issues were identified, including more than $2.9 million in overpayments and underpayments, and more than $1.2 million that went to deceased recipients.

Corrective Actions Completed and Planned:

Food and Nutrition Service

FNS reviewed each State's expenditures during the period of performance of the grant and asked States to substantiate that the reductions in expenditures in their regular Employment and Training (E&T) program occurred for reasons other than the receipt or expected receipt of the Federal Pilot funds. Some States were delayed in responding due to the timing of the request coinciding with COVID-19 work.

Based on the SNAP review and the responses of the respective States, FNS concluded that each of the States complied with the legislative requirements and the terms of the grants. Therefore, no recovery of funds needs to occur.

Puerto Rico submitted a NAP Disaster Plan to FNS on July 24, 2020. The FNS Mid-Atlantic Regional Office (MARO) is finishing their review of the plan to ensure that it accounts for varying funding levels and timelines. It is also reviewing how the eligibility criteria and NAP regulations will be adjusted following a disaster to identify better and assist those who are most impacted.

FNS MARO instructed Puerto Rico via a letter dated November 15, 2019, to correct any inaccurate case data in the eligibility system. Puerto Rico has indicated that all identified benefit discrepancies have been corrected, and FNS MARO was scheduled to validate the corrections on-site in March 2020. This visit was canceled due to COVID-19, but FNS MARO has worked on a solution to validate remotely.

The OIG *USDA Management Challenges Report,* issued September 2020, may be viewed in its entirety at the following website: https://www.usda.gov/oig/management-challeges/2020-management-challenges.

Summary of Financial Statement Audit and Management Assurances

Summary of Existing Material Weaknesses

The U.S. Department of Agriculture's (USDA or the Department) material weaknesses and financial system non-conformance, as related to management's assurance for the Federal Managers' Financial Integrity Act (FMFIA) and the certification for the Federal Financial Management Improvement Act (FFMIA), are listed in *Exhibit 28* and *Exhibit 29.*

Exhibit 28: Summary of Financial Statement Audit

Audit Opinion: Unmodified 2020 Consolidated Financial Statement Audit
Restatement: No

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

Exhibit 29: Summary of Management Assurances

Effectiveness of Internal Control Over Reporting (Federal Managers' Financial Integrity Act [FMFIA] § 2)
Statement of Assurance: Modified

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

Effectiveness of Internal Control Over Operations (FMFIA § 2)
Statement of Assurance: Unmodified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
TOTAL MATERIAL WEAKNESSES	0					0

Conformance with Federal Financial Management System Requirements (FMFIA § 4)
Statement of Assurance: Systems do not conform to Financial Management System requirements

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1					1
TOTAL NON-CONFORMANCES	1					1

Compliance with Section 803 (A) of the Federal Financial Management Improvement Act (FFMIA)

Item	Agency	Auditor
1. Federal Financial Management System Requirements	Lack of compliance noted	Lack of compliance noted
2. Applicable Federal Accounting Standards	Lack of compliance noted	Lack of compliance noted
3. U.S. Standard General Ledger at Transaction Level	Lack of compliance noted	Lack of compliance noted

Payment Integrity Information Act of 2019 – Improper Payments Overview Payment Integrity

The Improper Payment Elimination and Recovery Act of 2010 (IPERA) expanded requirements for identifying programs and activities susceptible to improper payments by requiring the head of each agency to review and identify programs and activities that may be susceptible to significant improper payments. It also revised requirements for estimating improper payments to require agency heads to: (1) produce a statistically valid estimate for the improper payments in their agencies; and (2) include such estimates in their annual financial statements. In addition to many other obligations, it also requires agency heads to conduct recovery audits for agency programs that expend $1 million or more annually if such audits would be cost-effective.

IPERA was subsequently amended with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). This act required the Director of the Office of Management and Budget (OMB) to: (1) identify, annually, a list of high-priority federal programs for greater levels of oversight and review in which the highest dollar value or highest rate of improper payments occur or for which there is a higher risk of improper payments, and (2) coordinate with agencies to establish annual targets for reducing improper payments.

The Payment Integrity Information Act of 2019 (PIIA) then reorganized and revised several existing improper payments statutes, which establish requirements for agencies to cut down on improper payments. This act allowed OMB to establish pilot programs to test compliance and established an interagency working group on payment integrity.

These successive acts resulted in comprehensive and sophisticated reporting on improper payments, many of which are included and detailed in the following sections of the Agency Financial Report (AFR). In this report, the U.S. Department of Agriculture (USDA) provides a summary of any non-compliance findings and target dates for correction, a listing of all high-risk programs as well as corresponding risk assessments and sampling and estimation plans, payment integrity outlook tables, monetary loss, root causes, corrective actions plans, recovery audit data, and more.

Reducing improper payments is a challenging but critical endeavor, noting there are many components of improper payments that do not always result in monetary loss to the Federal Government (that is, if approvals were not properly documented, but the correct amount of money was disbursed, USDA would still report the payment as improper).

USDA is reporting the following major accomplishments with respect to improper payments:

- Decreased total outlays of High-Risk Programs of $7 billion compared with fiscal year (FY) 2019
- Increased total recovered dollars by $201.92 million compared with FY 2019
- Recovered an additional $27.75 million through Internal Programs compared with FY 2019
- Four of the 15 identified High-Risk Programs had $0 in improper payments
- Approximately 25 percent of improper payments reported were not monetary losses
- Natural Resources Conservation Service (NRCS) Farm Security and Rural Investment Act Program (FSRIP) is no longer considered a High-Risk Program

Payment Integrity

USDA—through its diverse portfolio of approximately 300 programs, products, and services—touches the daily lives of nearly every American. These diverse USDA programs provide for the following: the fighting of forest fires, feeding school children, preserving our Nation's natural resources, improving water quality, enhancing private working lands' health, and providing agricultural producers with disaster recovery assistance. Collectively, USDA efforts promote a healthy American agricultural industry, providing food, feed, fiber, and timber to meet the expanding needs of America and the world at large.

As a result, USDA's inherent responsibility to properly steward our taxpayer resources is a top financial management priority. USDA managers work diligently to ensure that the right payment is made to the right individual or entity at the right time and for the approved purposes. USDA financial managers test transactions to determine which programs are susceptible to payment errors or making "improper payments."

Getting Payments Right is a Federal Government-wide Cross-Agency Priority (CAP) goal to demonstrate stewardship of taxpayer dollars by reducing monetary loss and making payments correctly the first time. Although improper payments may compromise citizens' trust in government, they are not always indicative of fraud, nor do they necessarily represent payments that should not have been made. Having the right information and the capacity to address root causes are critical components. The USDA continues to demonstrate a commitment to payment integrity through active participation in CAP Goal 9 Working Group, led by the Office of Management and Budget (OMB). This workgroup's goal was to identify mitigation strategies that could be leveraged across Federal agencies. The workgroup identified multiple mitigation strategies and hopes to roll out a pilot program on behavioral insights utilizing the General Service Administration's (GSA) Office of Evaluation Studies.

During fiscal year (FY) 2020, USDA had 15 programs identified as susceptible to significant improper payments with outlays of approximately $89.97 billion, a reduction of approximately $7 billion from FY 2019. These programs are statistically sampled every year to ensure that the corrective actions effectively reduce improper payments while still allowing program participants to get the access they need.

USDA received reporting relief by OMB for the following two programs:

- Natural Resources Conservation Service (NRCS) Farm Security and Rural Investment Act Program (FSRIP): NRCS has demonstrated and documented a minimum of 2 consecutive years where both improper payments and statutory thresholds were not exceeded.
- Food and Nutrition Service (FNS) Summer Food Service Programs (SFSP): Due to the impact of COVID-19, FNS requested and received a 1-year extension from OMB to execute the Sampling Plan.

What are Improper Payments?

OMB Memorandum M-18-20 defines an improper payment as:

- *Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements;*
- *Any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for good or services not received (except for such payments authorized by law); and*
- *Any time an agency's review is unable to discern whether a payment was proper due to insufficient or lack of documentation.*

Are Improper Payments Required to be Reported?

Yes, the Payment Integrity Information Act of 2019 (PIIA), as well as the preceding legislation (the Improper Payment Elimination and Recovery Act of 2010 [IPERA] amended by the Improper Payment Elimination and Recovery Improvement Act of 2012 [IPERIA]), require executive agencies to identify programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments, and submit those estimates through the Agency Financial Report (AFR).

A program that is determined to be susceptible to significant improper payments is referred to as a high-risk program within the USDA's AFR. A high-risk program has a 1.5 percent improper payment rate and at least $10 million in improper payments or exceeds $100 million in improper payments (regardless of rate). Readers can obtain more detailed information on improper payments and information published in past AFRs at PaymentAccuracy.gov.

Risk Assessments Section

USDA has approximately 300 programs. Similar programs were grouped together to help identify and report improper payments. This method resulted in a USDA program inventory list of 161 programs to ensure compliance with OMB Circular A-123, Appendix C, PIIA reporting. Fifteen of these programs are considered by OMB to be susceptible to making significant improper payments (hereinafter referred to as high-risk programs), and 146 programs are considered at low-risk for the potential in making improper payments.

Risk assessments for low-risk programs are completed on a 3-year rotation cycle to monitor their susceptibility to improper payments. During FY 2020, 64 programs completed risk assessments. Two of these programs conducted quantitative risk assessments, while the other 62 used the Office of the Chief Financial Officer (OCFO)'s qualitative risk assessment process.

A.1. Low-Risk Program Risk Assessment Process

Within each risk assessment, the program is required to document its mitigating factors that address the following risk factors:

1. Whether the program or activity reviewed is new to the Agency;
2. The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
3. The volume of payments made annually;
4. Whether payments or payment eligibility decisions are made outside of the Agency, for example, by a State or local government, or a regional Federal office;
5. Recent major changes in program funding, authorities, practices, or procedures;
6. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; and
7. Significant deficiencies in the audit reports of the Agency including, but not limited to, the Agency's Inspector General or the Government Accountability Office (GAO) audit report findings, or other relevant management findings that might hinder accurate payment certification.

A.2. Quantitative Risk Assessments

In FY 2020, the Farm Service Agency's (FSA) Market Facilitation Program (MFP) and Trade Mitigation Program (TMP) expended more than $5 billion and were required to do a Quantitative

Risk Assessment, per OMB Circular A-123, Appendix C. The results of the Quantitative Risk Assessments, in millions, are provided below:

Exhibit 30: Quantitative Risk Assessments

Program	CY Outlays	CY Improperly Paid %	CY Improperly Paid $	Result
MFP	$8,560.90	5.58%	$477.59	Program exceeds threshold for a high-risk program. MFP will report as a high-risk program in the FY 2021 AFR.
TMP	$5,403.10	5.70%	$308.01	Program exceeds threshold for a high-risk program. TMP will report as a high-risk program in the FY 2021 AFR.

B. High-Risk Programs

USDA has 15 high-risk programs. Five of these programs (denoted with an asterisk) were appropriated under the Bi-Partisan Budget Act of 2018 and deemed susceptible to improper payments per OMB M 18-14:

Exhibit 31: Programs Determined to be High-Risk

Agency Name	Program Name
Food and Nutrition Service (FNS)	Supplemental Nutrition Assistance Program (SNAP)
	National School Lunch Program (NSLP)
	School Breakfast Program (SBP)
	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
	Child and Adult Care Food Program (CACFP)
	Summer Food Service Program (SFSP)
	Emergency Food Assistance Program (TEFAP)*
Forest Service (FS)	Hurricane Harvey-Capital Improvement and Maintenance (Harvey-CIM)*
Farm Service Agency/ Commodity Credit Corporation (FSA/CCC)	Livestock Forage Disaster Program (LFP)
	Noninsured Crop Disaster Assistance Program (NAP)
	Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC)
	Hurricane Harvey-Emergency Conservation Program (ECP)*
	Wildfires and Hurricanes Indemnity Program (WHIP)*
Natural Resources Conservation Service (NRCS)	Emergency Watershed Protection- Disaster Relief Program*
Risk Management Agency (RMA)	Federal Crop Insurance Corporation (FCIC)

Sampling and Estimation

Programs deemed high-risk are required to conduct an annual sample that complies with OMB Circular A-123, Appendix C. OMB categorizes sampling plans into three groups, which are summarized below:

1. Statistically Valid and Rigorous:
   a. Based on unbiased randomized sampling and produce valid point estimates and confidence intervals around those estimates.
   b. Obtain a plus or minus 3 percent or better margin of error at the 95-percent confidence level for the improper payment percentage.
2. Statistically Valid:
   a. Based on unbiased randomized sampling and produce valid point estimates and confidence intervals around those estimates.
   b. Obtain a broader than plus or minus 3 percent or better margin of error at the 95-percent confidence level for the improper payment percentage.
3. Non-Statistically Valid:
   a. Uses an approach other than what was described previously.
   b. Requires approval by the Director of OMB.

The following are USDA's high-risk programs and a brief description of the sampling processes used to conduct a statistically valid and/or rigorous sample or a justification for utilizing an OMB approved non-statistically valid sampling methodology:

1. Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP)

a. Utilizes a statistically valid and rigorous sampling process. Cases, not payments, are the source of the sample. FNS requires states to pull a monthly random sample from the population of households receiving SNAP benefits for that given month. Most states draw the samples systematically (that is, using a constant sampling interval); however, some states employ simple random or stratified sampling techniques. The sample universe represents all cases receiving benefits for the fiscal year under review. FNS sample utilizes a 95-percent confidence interval resulting in a margin of error of plus or minus 0.24 percent.

b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

2. FNS National School Lunch Program (NSLP)

a. Utilizes a non-statistically valid sampling process for NSLP and the School Breakfast Program (SBP). The Access, Participation, Eligibility, and Certification Study-II (APEC-II) established estimates of erroneous payments for school year (SY) 2012–2013. FNS generates an annual update for the improper payment measurements using statistical techniques based on the findings of this study. The payment estimates generated by the model represents SY 2018–2019.

b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

c. Justification: FNS must rely on periodic nationally representative studies to produce estimates of erroneous payments. Estimates of improper payments for SY 2012–2013 were produced in the NSLP/SBP's APEC-II. Because of the scope and cost of such a study, it is more prudent to repeat it on a multi-year cycle. Contingent on available funding, FNS will produce an erroneous payment measurement through this type of study every 5 years. The next APEC Study is collecting data in SY 2017–2018 and will be released in 2020. As part of this same project, FNS will continue to refine estimation models that use administrative data from other sources in conjunction with the study data to "age" the data to annual estimates.

3. FNS School Breakfast Program (SBP)

See the NSLP narrative previously described.

4. FNS Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

a. Utilizes a non-statistically valid sampling process. Estimates of improper payments in WIC focus on two components: certification error and vendor error. FNS makes use of periodic studies to assess the level of error in program payments and then "ages" the data to produce updated estimates for each reporting year. The National Survey of WIC Participants-II Study, published in April 2012, established estimates of erroneous payments due to certification error. The 2013 WIC Vendor Management Study established the most recent national estimates of erroneous payments due to vendor error. FNS generates an annual update for the improper payment measurements of both components using statistical techniques based on the findings of these bookend studies. The sampling universe for:

   - Certification error is made up of estimates for FY 2019 obtained from an econometric model that uses FY 2009 survey data augmented with FY 2019 food dollars and WIC Participant and Program Characteristics (PC) 2016 certification data.
   - Annual vendor errors rates after FY 2012 use the error rate from the most recent statistically valid bookend WIC Vendor Management Study as the annual estimate of vendor error.

b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

c. Justification: Using the OMB-approved alternative methodology is currently the only way to report an improper payment rate for this program.

5. FNS Child and Adult Care Food Program (CACFP)

a. Utilizes a non-statistically valid sampling process. In lieu of producing a program-wide improper payment measure, FNS has identified the Family Day Care Home (FDCH) component of this program as potentially high-risk. USDA estimates the error rate in CACFP FDCH reimbursement status through periodic sample-based studies. In years between studies, USDA updates the most recent study's sample-based estimate with administrative data. FNS is working to develop an econometric model to improve its error estimates in non-study years. For the current year, however, USDA will apply the most recent study's error rate to the current year's reimbursement total. The latest CACFP study used sample payments made in October 2014 through August 2015. The improper payment measures presented do not include improper payments associated with the Adult Day Care component or Child Care Centers, nor do they include meal claiming error at this time.

b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

c. Justification: A plan was initially explored to develop a program-wide study that would examine reimbursements for meals served and develop program error measurements that complied with the requirements of the PIIA. Because of the complexities of the program, FNS estimated that it would cost $20 million to measure improper payments at the precision required by PIIA. This amount has not been provided.

6. FNS Summer Food Service Program (SFSP)

a. USDA has developed a study plan that will take advantage of USDA's existing annual series of administrative monitoring visits. These visits offer the opportunity for USDA to collect the on-site data needed for the meal counting component of the SFSP improper payment estimate during their previously planned monitoring visits. Because USDA does not conduct enough monitoring visits each year to satisfy the sample size requirement for a nationally representative study that meets IPERA requirements, USDA proposes to combine data collected during 5 years to fulfil the study requirements (using a model similar to the Census Bureau's American Community Survey). This approach will generate a high quality nationally representative study at reasonable cost. After the fifth year, USDA will maintain a 5-year moving average error rate and a dollar value of program error by replacing the oldest year's data with data collected in the current year. USDA will begin the data collection in 2021.

b. Changes in sampling process: Not available (N/A). This is the first year the program is reporting.

c. Justification: Onsite observation of a decentralized national program is an expensive process. While the cost may be justified in large programs such as NSLP and SBP, SFSP's outlays are much smaller. For this reason, FNS chooses to perform the necessary onsite data collection during previously scheduled onsite monitoring visits. The cost for a truly random sample at the site level would be excessive, and for this reason, FNS will visit an estimated 10 geographically clustered sites in each of the 35 different sponsors each year. Due to the size and decentralized nature of SFSP, FNS will collect data for 5 years.

7. **FNS Hurricane Harvey - Commodity Assistance Program (also known as The Emergency Food Assistance Program [TEFAP])**
   a. Utilizes a full census review and reconciliation of funds received by each State, using USDA's Web-based Supply Chain Management System (WebSCM). The seven states that accepted administrative funds through this disaster program were also required to submit supplemental reports through FNS' Food Programs Reporting System. This prerequisite was required until funds were expended.
   b. Changes in sampling process: N/A. This is the first year the program is reporting.
   c. Justification: Due to the small number of States receiving administrative funds and food through this program, FNS found it more efficient and cost-effective to conduct a full census review and reconciliation of all funds received by each State.

8. **Forest Service (FS) Hurricane Harvey-Capital Improvement and Maintenance (CIM)**
   a. Utilizes a statistically valid sampling process. A sample was determined from payments made during FY 2019 using a 95-percent confidence level with a margin of error of plus or minus 10 percent.
   b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

9. **Farm Service Agency (FSA)/Commodity Credit Corporation (CCC) Livestock Forage Disaster Program (LFP)**
   a. Utilizes a statistically valid and rigorous sampling process. A sample was determined from the payments made in the prior fiscal year using a 95-percent confidence interval of plus or minus 3 percent. A stratified simple random sampling is used to select payments for the sample.
   b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

10. **FSA/CCC Noninsured Crop Disaster Assistance Program (NAP)**
   a. Utilizes a statistically valid and rigorous sampling process. A sample was determined from the payments made in the prior fiscal year using a 95-percent confidence interval of plus or minus 3 percent. A stratified simple random sampling is used to select payments for the sample.
   b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

11. FSA/CCC Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC)

a. Utilizes a statistically valid and rigorous sampling process. A sample was determined from the payments made in the prior fiscal year using a 95-percent confidence interval of plus or minus 3 percent. A stratified simple random sampling is used to select payments for the sample.

b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

12. FSA Hurricane Harvey-Emergency Conservation Program (ECP)

a. Utilizes a statistically valid and rigorous sampling process. A sample was determined from the payments made in the prior fiscal year using a 95-percent confidence interval of plus or minus 3 percent. A stratified simple random sampling is used to select payments for the sample.

b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

13. FSA Wildfires and Hurricanes Indemnity Program (WHIP)

a. Utilizes a statistically valid and rigorous sampling process. A sample was determined from the payments made in the prior fiscal year using a 95-percent confidence interval of plus or minus 3 percent. A stratified simple random sampling is used to select payments for the sample.

b. Change in sampling process: N/A. This is the first year this program is reporting.

14. Natural Resources Conservation Service (NRCS) Emergency Watershed Protection-Disaster Relief Program

a. Utilizes a statistically valid and rigorous sampling process. A sample was determined from payments made during FY 2019 using a 95-percent confidence level with a margin of error of plus or minus 3 percent. Stratified random sampling is used to select payments for the sample.

b. Change in sampling process: N/A. This is the first year this program is reporting.

15. Risk Management Agency (RMA) Federal Crop Insurance Corporation (FCIC)

a. Utilizes a statistically valid and rigorous sampling process. A sample determined from payments made during Reinsurance Year 2018 (July 2017 to June 2018) using a 95-percent confidence level with a margin of error of plus or minus 2.5 percent. Stratified random sampling is used to select payments for the sample.

b. Change in sampling process: No changes from what was reported in the FY 2019 AFR.

Payment Integrity Outlook Section

The following table outlines USDA's high-risk programs sampling and estimation results. Please refer to the *Sampling and Estimation Section* for additional information on the sampling timeframe of each high-risk program.

Exhibit 32: Payment Integrity Outlook Table ($ in millions)

Program	Current Year (CY) Outlays $	CY Properly Paid		CY Improperly Paid (IP)				CY +1 Estimated		
		Total %	Total $	Total %	Total $	Over Payment $	Under Payment $	Outlays $	IP %	IP $
Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) [Note #1]	55,459.55	92.64	51,378.53	7.36	4,081.02	3,424.70	656.32	55,459.55	7.36	4,081.02
FNS National School Lunch Program (NSLP)	12,868.37	90.86	11,691.86	9.14	1,176.51	826.63	349.88	12,997.05	8.86	1,152.00
FNS School Breakfast Program (SBP)	4,545.66	89.70	4,077.30	10.30	468.36	295.24	173.12	4,591.11	10.40	460.88
FNS Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	3,139.03	98.04	3,077.51	1.96	61.52	61.52	0.00	3,154.73	2.03	64.04
FNS Child and Adult Care Food Program (CACFP)	654.47	99.46	650.94	0.54	3.53	2.66	0.87	634.83	0.54	3.43
FNS Summer Food Service Program (SFSP) [Note #2]	481.03	100.00	481.03	0.00	0.00	0.00	0.00	482.00	0.00	0.00
FNS Emergency Food Assistance Program (TEFAP) (Disaster) [Note #3]	17.06	100.00	17.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Program	Current Year (CY) Outlays $	CY Properly Paid		CY Improperly Paid (IP)				CY +1 Estimated		
		Total %	Total $	Total %	Total $	Over Payment $	Under Payment $	Outlays $	IP %	IP $
Forest Service (FS) Capital Improvement and Maintenance (Hurricane Harvey-CIM)	10.74	100.00	10.74	0.00	0.00	0.00	0.00	30.51	0.00	0.00
Farm Service Agency (FSA) Livestock Forage Disaster Program (LFP)	279.64	89.28	249.66	10.72	29.98	29.45	0.53	492.00	9.99	49.13
FSA Noninsured Crop Disaster Assistance Program (NAP)	155.10	86.65	134.40	13.35	20.70	20.47	0.23	182.00	9.99	18.18
FSA Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC)	1,091.90	95.28	1,040.39	4.72	51.51	51.51	0.00	2,591.00	4.62	119.60
FSA Hurricane Harvey-Emergency Conservation Program (Harvey-ECP)	43.20	81.26	35.11	18.74	8.09	8.03	0.06	35.00	9.99	3.50
FSA Wildfires and Hurricanes Indemnity Program (WHIP)	447.28	49.79	222.71	50.21	224.57	224.55	0.02	43.91	9.99	4.39
Natural Resources Conservation Services (NRCS) Harvey Watershed	70.50	100.00	70.50	0.00	0.00	0.00	0.00	189.00	0.00	0.00
Risk Management Agency (RMA)Federal Crop Insurance Corporation (FCIC) Program Fund	10,710.28	97.69	10,463.30	2.31	246.98	152.02	94.96	8,733.00	2.31	201.73
USDA Total	**89,973.81**	**92.92**	**83,601.04**	**7.08**	**6,372.77**	**5,096.78**	**1,275.99**	**89,615.69**	**6.87**	**6,157.90**

Note #1: NRCS's Farm Security and Rural Investment Program (FSRIP) was considered non-compliant with the Improper Payment Elimination Reduction Act (IPERA) in Fiscal Years 2013, 2014, and 2015, with improper payment estimates not meeting targets and/or exceeding the 10% statutory threshold. Through a series of corrective actions and internal control enhancements, NRCS's FSRIP program has remained in compliance with IPERA since FY 2016. The Office of Management and Budget (OMB), granted NRCS relief from IPERA reporting for FSRIP on March 9, 2020. This IPERA reporting relief was realized after the NRCS started payment integrity testing in FY 2020. In FY 2020, NRCS followed an OMB approved Sampling Methodology, and statistically sampled and tested Farm Bill transactions based on FY 2019 outlays. Improper payments totaling $0 were identified in the samples and the results were extrapolated to the entire Farm Bill population, resulting in an estimated $0 of improper payments. As a result, the NRCS is relieved of IPERA reporting requirements and Corrective Actions are no longer required by OMB.

Note #2: Due to the impact of COVID-19, FNS has requested and received a 1-year extension from OMB to execute the Sampling Plan for SFSP. As a result, FNS will be unable to report additional information until the next fiscal year.

Note #3: TEFAP disaster supplemental funds provided to States affected by Hurricanes Harvey, Irma, and Maria or wildfires in 2017 were allocated in July of 2018. Outlays totaled $5,243,224.08 in FY 2018 and $17,061,940.19 in FY 2019. A full census review and reconciliation of funds provided to each State was conducted on these funds, and no improper payments were identified.

The following table provides information on the estimated amount of improper payments made directly by the Government and the amount of improper payments made by recipients of federal money.

Exhibit 33: Improper Payment Additional Breakdown Table ($ in millions)

Program	Federal Government	Recipients of Federal Money
FNS SNAP		4,081.02
FNS NSLP		1,176.51
FNS SBP		468.36
FNS WIC		61.52
FNS CACFP		3.53
FNS SFSP		0.00
FNS TEFAP		0.00
FS Harvey-CIM	0.00	
FSA LFP	29.98	
FSA NAP	20.70	
FSA ARC/PLC	51.51	
FSA Harvey-ECP	8.09	
FSA WHIP	224.57	
NRCS – Harvey Watershed	0.00	
RMA FCIC		246.98
Total	**334.85**	**6,037.92**

Exhibit 34: Monetary Loss Breakdown Table ($ in millions)

Monetary loss to the Federal Government is an amount that should not have been paid and, in theory, should/could be recovered. Non-Monetary loss to the Federal Government is either an underpayment or a payment to the right recipient for the correct amount where the payment process fails to follow applicable regulations and/or statutes. Unknown, also referred to as Insufficient Documentation to Determine, is the estimated amount within the improper payment estimate that could either be proper or improper, but the Agency is unable to discern.

	Monetary Loss				Non-Monetary Loss		Unknown/Insufficient Documentation to Determine		
Program	Total $	Total %	Within Agency Control $	Outside Agency Control $	Total $	Total %	Total $	Total %	Total $
FNS SNAP	3,424.70	83.92	0.00	3,424.70	656.32	16.08	0.00	0.00	4,081.02
FNS NSLP	826.63	70.26	0.00	826.63	349.88	29.74	0.00	0.00	1,176.51
FNS SBP	295.24	63.04	0.00	295.24	173.12	36.96	0.00	0.00	468.36
FNS WIC	0.00	0.00	0.00	0.00	61.52	100.00	0.00	0.00	61.52
FNS CACFP	2.66	75.35	0.00	2.66	0.87	24.65	0.00	0.00	3.53
FNS SFSP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FNS TEFAP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FS Harvey-CIM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FSA LFP	4.29	14.31	4.29	0.00	25.69	85.69	18.25	60.87	29.98
FSA NAP	10.70	51.69	10.70	0.00	10.00	48.31	9.87	47.68	20.70
FSA ARC/PLC	2.35	4.56	2.35	0.00	49.16	95.44	31.53	61.21	51.51
FSA Harvey-ECP	2.07	25.57	2.07	0.00	6.02	74.43	3.92	48.45	8.09
FSA WHIP	70.49	31.39	70.49	0.00	154.08	68.61	101.69	45.28	224.57
NRCS Harvey Watershed	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RMA FCIC	152.02	61.55	0.00	152.02	94.96	38.45	0.00	0.00	246.98

High-Priority Programs Section

The criteria for determining when a program is high-priority are found in the Office of Management and Budget (OMB) Circular A-123, Appendix C. High-priority programs are programs that report more than the $2 billion threshold in improper payments. USDA currently has one program designated as a high priority, and the following narrative addresses the additional reporting requirements that come with that designation.

Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP)

The following narrative describes how SNAP's corrective actions were specifically tailored to reflect better 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 https://fns-prod.azureedge.net/sites/default/files/media/file/USDA_SNAPQC_Infographic-1.pdf.

Results of the case reviews are entered into SNAP's quality control 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 more than 60 percent of all errors nationwide are: (1) wage and salary errors, (2) household composition errors, and (3) shelter deduction 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 quality control 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, wages 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 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 (TOP) to collect unpaid claims. FNS requires SNAP State agencies to collect all over-issuance claims identified by the Quality Control system.

Improper Payment Root Cause Categories Section

Exhibit 35: Improper Payments Root Causes Table ($ in millions)

Reason for Improper Payment		FNS SNAP Over-payments	FNS SNAP Under-payments	FNS NSLP Over-payments	FNS NSLP Under-payments	FNS SBP Over-payments	FNS SBP Under-payments
Program design or Structural Issue				445.5	252.92	149.36	115.54
Inability to Authenticate Eligibility	Inability to Access Data						
	Data Needed Does Not Exist						
Failure to Verify	Death Data						
	Income Data						
	Excluded Party Data						
	Prisoner Data						
	Other Eligibility						
Administrative or Process Error Made By	Federal Agency						
	State and Local Agency	3,424.70	656.32	381.13	96.96	145.88	57.58
	Other Party						
Medical Necessity							
Insufficient Documentation to Determine							
Other Reason							
TOTAL		**3,424.70**	**656.32**	**826.63**	**349.88**	**295.24**	**173.12**

Exhibit 35: Improper Payments Root Causes Table ($ in millions) Continued

Reason for Improper Payment		FNS WIC		FNS CACFP		FNS SFSP	
		Over-payments	Under-payments	Over-payments	Under-payments	Over-payments	Under-payments
Program design or Structural Issue							
Inability to Authenticate Eligibility	Inability to Access Data						
	Data Needed Does Not Exist						
Failure to Verify	Death Data						
	Income Data						
	Excluded Party Data						
	Prisoner Data						
	Other Eligibility						
Administrative or Process Error Made By	Federal Agency						
	State and Local Agency	61.52		2.66	0.87		
	Other Party						
Medical Necessity							
Insufficient Documentation to Determine							
Other Reason							
TOTAL		**61.52**	**0.00**	**2.66**	**0.87**	**0.00**	

Exhibit 35: Improper Payments Root Causes Table ($ in millions) Continued

Reason for Improper Payment		FNS TEFAP		FS – Harvey – CIM		FSA LFP	
		Over-payments	Under-payments	Over-payments	Under-payments	Over-payments	Under-payments
Program design or Structural Issue							
Inability to Authenticate Eligibility	Inability to Access Data						
	Data Needed Does Not Exist					6.5	
Failure to Verify	Death Data						
	Income Data						
	Excluded Party Data						
	Prisoner Data						
	Other Eligibility [Note # 1]					0.33	
Administrative or Process Error Made By	Federal Agency					4.37	0.53
	State and Local Agency						
	Other Party						
Medical Necessity							
Insufficient Documentation to Determine [Note # 2]						18.25	
Other Reason							
TOTAL		**0.00**	**0.00**	0.00	0.00	**29.45**	**0.53**

Exhibit 35: Improper Payments Root Causes Table ($ in millions) Continued

Reason for Improper Payment		FSA NAP		FSA ARC/PLC		FSA Harvey-ECP	
		Over-payments	Under-payments	Over-payments	Under-payments	Over-payments	Under-payments
Program design or Structural Issue							
Inability to Authenticate Eligibility	Inability to Access Data						
	Data Needed Does Not Exist					0.17	
Failure to Verify	Death Data						
	Income Data						
	Excluded Party Data						
	Prisoner Data						
	Other Eligibility [Note # 1]	0.99					
Administrative or Process Error Made By	Federal Agency	9.61	0.23	19.98		3.94	0.06
	State and Local Agency						
	Other Party						
Medical Necessity							
Insufficient Documentation to Determine [Note # 2]		9.87		31.53		3.92	
Other Reason							
TOTAL		20.47	0.23	51.51		8.03	0.06

Exhibit 35: Improper Payments Root Causes Table ($ in millions) Continued

Reason for Improper Payment		FSA WHIP		NRCS Watershed		RMA FCIC	
		Over-payments	Under-payments	Over-payments	Under-payments	Over-payments	Under-payments
Program design or Structural Issue							
Inability to Authenticate Eligibility	Inability to Access Data					126.70	24.45
	Data Needed Does Not Exist	1.55					
Failure to Verify	Death Data						
	Income Data						
	Excluded Party Data						
	Prisoner Data						
	Other Eligibility [Note # 1]	3.30					
Administrative or Process Error Made By	Federal Agency	118.03					
	State and Local Agency						
	Other Party					25.32	70.51
Medical Necessity							
Insufficient Documentation to Determine [Note # 2]		101.67	0.02				
Other Reason							
TOTAL		**224.55**	**0.02**	**0.00**	**0.00**	**152.02**	**94.96**

Note # 1: Failure to verify other eligibility includes program eligibility not being verified.

Note # 2: USDA uses the OMB Circular A-123, Appendix C root cause matrix in the AFR, which considers insufficient documentation to determine an overpayment. In OMB Circular A-136, insufficient documentation to determine is considered “unknown” rather than an overpayment. Please go to the Monetary Loss Breakdown Table to see the amount of USDA’s improper payments attributed to the “unknown” category.

Improper Payment Corrective Actions Section

In the spring of 2020, USDA agencies analyzed transactions from previous years, as described in the Agency Financial Report (AFR)'s sampling section, and the results are published in the FY 2020 AFR. Because USDA reports improper payments 1 year in arrears, corrective actions taken to reduce improper payments in FY 2020 have not been reflected in improper payment amounts of this report. USDA continues to enact specific corrective actions to resolve the root causes of improper payments and strategically strengthen program integrity while ensuring access to programs and activities.

Programs and activities determined to have improper payments exceeding the susceptible to significant improper payment threshold (as required by OMB Memorandum M-18-20) must take a corrective action plan to prevent and reduce the improper payment amount. The following tables describe the actions taken and planned for each high-risk program that is more than the aforementioned reporting threshold. Beginning in FY 2019, USDA required high-risk programs reporting more than the statutory threshold to categorize improper payments into "sub-root causes," which provide an additional breakdown of the OMB root causes of error. The goal of the sub-root cause is to help USDA obtain a clearer understanding of what actually caused the improper payments to occur and assist with mitigating the error from reoccurring.

Current corrective action plans are outlined in this section of the AFR, except for the Farm Service Agency's (FSA). Corrective action plans for FSA's high-risk programs reporting payment integrity results that exceed IPERA statutory thresholds, are located at https://www.fsa.usda.gov/programs-and-services/financial-management-info/index.

OMB Memorandum M-18-20, states: "Agencies should also describe the results of actions taken to address the root causes and the planned or actual completion date of the actions taken to address each root cause." Some of the corrective actions offer an indication of the impact it will have on addressing a root cause; however, in most cases, a series of corrective actions have cumulative impacts in improving payment accuracy.

Exhibit 36: Program Corrective Actions Table ($ in millions)

PROGRAM: FNS SNAP		
Root Cause (See Root Causes Table)	➔	Administrative or Process Error made by State or Local Agency
USDA's Sub-Root Cause	➔	Certification Eligibility
Amount Associated with the Root Cause (See Root Causes Table)	➔	$4,081.02
Estimated Completion Date	➔	September 2020

The following are corrective actions FNS has implemented at the Federal level to address this root cause:

- In January 2020, FNS issued revised payment accuracy guidance to States called the "Keys to Payment Accuracy", which shares general best practices for how States can establish an organization and culture designed to achieve payment accuracy.
- In February 2020, FNS issued revised internal payment accuracy guidance that categorizes States into tiers based on data-driven risk, ensuring FNS technical assistance efforts are targeted.
- FNS issues payment error rates annually, and States with poor performance are assessed financial liabilities. In FY 2020, FNS assessed roughly $43 million in penalties to State agencies.
- FNS requires States to enter into corrective actions to address management evaluation findings or poor payment error rate performance. FNS also reviews and validates States' corrective actions.
- FNS conducts regular meetings and conference calls to promote States sharing best practices. Monthly payment error data are shared to ensure that results are monitored continuously throughout the year.

The following are corrective actions FNS will implement at the Federal level by the end of FY 2020 to address the sub-root causes:

- FNS will award Process, Technology, and Innovation Grants (PTIG) to States. These are awarded annually to help fund State operational improvements, which can lead to payment error reductions.
- FNS will award State agencies grant funds to evaluate the effectiveness of using commercial data sources to verify the income of SNAP applicants.
- FNS will award State agencies grant funds to fund projects that support their implementation of the SNAP Fraud Framework.
- FNS will issue recommendations to select States to improve client notices in order to improve client reporting.
- FNS will implement a newly revised corrective action process for State agencies to ensure States use data-driven analysis to develop more robust correction action plans, that progress is monitored more frequently, and that actions are taken promptly to address payment error reduction strategies.
- FNS also notified Congress that USDA, pursuant to applicable legal authorities, will withhold the usual 50% reimbursement of state SNAP agency administrative funds for those states who fail to comply with their corrective action plans. The Secretary also called on Congress to fund an FY 2021 budget proposal for electronic income verification.

PROGRAM: FNS NSLP		
Root Cause (See Root Causes Table)	➔	Program Design or Structural Issue
USDA's Sub-Root Cause	➔	Household error on application that leads to certification error.
Amount Associated with the Root Cause (See Root Causes Table)	➔	$698.42

Corrective Actions	Completion Date
FNS worked with States that were awarded Administrative Review and Training (ART) grant funding to improve schools' operational and oversight efforts in NSLP and SBP. Three States received ART grants to plan, develop, or adopt integrity-focused school meal applications consistent with the model application developed by USDA.	FY 2020
FNS continued management of a contracted research portfolio to measure and study the underlying causes of improper payments in the school meals programs. This includes the latest in the Access, Participation, Eligibility, and Certification Study (APEC) Series that is the basis for USDA's official improper payment estimates that FNS will publish by early FY 2021.	FY 2021

PROGRAM: FNS NSLP		
Root Cause (See Root Causes Table)	➔	Administrative or Process Errors Made by State or Local Agency
USDA's Sub-Root Cause	➔	Administrative certification error and error in aggregating meal counts for reimbursement.
Amount Associated with the Root Cause (See Root Causes Table)	➔	$478.09

Corrective Actions	Completion Date
Worked with States that received 2019 ART grants to build statewide online NSLP application systems.	September 2020
Promoted State Agency use of FNS Data Validation Service, a USDA created and maintained set of edit checks for the School Food Authority Verification Collection Report (FNS-742) to improve data integrity of the FNS-742 that annually provides FNS with school district-level certification verification results.	September 2020
Conducted analysis and correction where needed of the School Year 2018-2019 FNS-742 School Food Authority (SFA) Verification Collection Report data & FNS 834 State Agency (NSLP/SNAP) Direct Certification Rate Data Element Report to ensure accuracy of States' SY 2018-2019 SNAP-DC performance rate and identify opportunities associated with under-reported direct certifications.	September 2020
Annually conduct on-site direct certification technical assistance site visits and reviews and approve State Agency direct certification Continuous Improvement Plans to improve the effectiveness of their direct certification processes.	September 2020

PROGRAM: FNS SBP		
Root Cause (See Root Causes Table)	➔	Program Design or Structural Issue
USDA's Sub-Root Cause	➔	Household error on applications that leads to certification error.
Amount Associated with the Root Cause (See Root Causes Table)	➔	$264.9
SBP's corrective actions and completion dates are the same as NSLP's across types of payment errors. To avoid repetition of the same corrective actions, please refer to NSLP's corrective actions in the Program Design or Structural Issue root cause, previously described.		

PROGRAM: FNS SBP		
Root Cause (See Root Causes Table)	➔	Administrative or Process Errors Made by State or Local Agency
USDA's Sub-Root Cause	➔	Administrative certification error and error in aggregating meal counts for reimbursement.
Amount Associated with the Root Cause (See Root Causes Table)	➔	$203.46
SBP's corrective actions and completion dates are the same as NSLP's across types of payment errors. To avoid repetition of the same corrective actions, please refer to NSLP's corrective actions in the Program Design or Structural Issue root cause, previously described.		

PROGRAM: FNS WIC		
Root Cause (See Root Causes Table)	➔	Administrative or Process Errors Made by State or Local Agency
USDA's Sub-Root Cause	➔	Certification/Vendor error: Improper payment rates in WIC are calculated based on two types of errors: (1) improper certification of participants, and (2) incorrect payments to retail vendors. FNS continues to take proactive measures to help WIC State agencies reduce improper payments.
Amount Associated with the Root Cause (See Root Causes Table)	➔	$61.52
Estimated Completion Date	➔	FY 2020 - 2023

WIC Corrective Actions:

- WIC Certification. Currently, FNS is revising the *WIC Certification Handbook* for State agencies, expected to be released in FY 2021. FNS is also conducting the National Survey of WIC Participants-III Study, which is designed to provide nationally representative estimates of improper payments in the WIC Program arising from errors in the certification or denial of WIC applicants, and to investigate potential State and local agency characteristics that may correlate with these errors.
- WIC Oversight. In FY 2020-2023, FNS's management evaluation (ME) target area for WIC is Nutrition Services. Delivering high-quality nutrition services is essential to carrying out the Program's mission and ensures WIC continues to support self-sufficiency through healthy outcomes for pregnant and postpartum mothers, infants, and young children. The Nutrition Services ME examines how State agencies plan for and deliver nutrition services, including nutrition and breastfeeding education. The FY 2020-2023 Target Area will also include a focus on updating existing ME materials and technology. The FY 2020 target area supports USDA and FNS priorities related to providing high-quality customer service to WIC State agency partners and ensuring integrity in the WIC Program through the timely resolution of issues identified through MEs. FNS continues to analyze ME data to identify opportunities to assist State agencies with improving program administration and integrity while reducing improper payments.
- WIC Vendor Management. In FY 2017, FNS released the *WIC Vendor Management and Food Delivery Handbook*, a comprehensive, user-friendly summary of regulations, policy, and guidance related to WIC Vendor Management and Food Delivery. It also includes topical guidance designed to help State agencies effectively develop, assess, and implement vendor management and cost containment requirements. In FY 2019, FNS issued a new toolkit on assessing and developing WIC Vendor Peer Group Systems, and an updated tool for assessing WIC Vendor Cost Neutrality. FNS is working on the first update to the Handbook, including an additional chapter (*Monitoring and Audits*) and several new tip sheets designed to help WIC State agencies implement key requirements. A future release will include an additional chapter, *Vendor Cost Containment,* which will update and expand on existing guidance and technical assistance This will ultimately be provided to State agency partners to support their efforts administering the Program in accordance with WIC regulations with a focus on financial integrity.

PROGRAM: RMA FCIC		
Root Cause (See Root Causes Table)	➔	Administrative or Process Errors Made By Other Party
USDA's Sub-Root Cause	➔	The Standard Reinsurance Agreement (SRA) requires Approved Insurance Providers (AIPs) to conduct Actual Production History (APH) verification reviews. APH reviews are conducted to verify the accuracy of the approved APH yield, which is used to determine the amount of insurance on a policy. As farming operations continue to grow in size, APH reviews consequently consist of a larger amount of data that must be verified by the AIPs to assure the accuracy of the crop insurance policy. APH keying errors, such as those found as the result of IPERIA, are inevitable with the amount of data transcribed to run a $105 billion program.
Amount Associated with the Root Cause (See Root Causes Table)	➔	$94.96
Completion Date	➔	August 2021

FCIC Corrective Actions:

Nearly one-half of the Administrative or Process Errors were related to Actual Production History (APH). These errors range from unacceptable production evidence to the accuracy of production certification. To clarify the APH procedures and corrective action when conducting an APH review, RMA issued Manager's Bulletin MGR-19-005. The procedures outlined in MGR-19-005 were incorporated into the *Crop Insurance Handbook* for report year (RY) 2020. To address concerns specific to the Apple program, RMA entered into a contract to assess the program, address program vulnerabilities, and provide proposed program changes. As part of this review and specific to production reporting, RMA is in the process of developing guidelines for production reporting to include identifying the types of records and required entries on records for reporting apple production. The policy is expected to be updated to address these and other concerns for the 2022 crop year (August 31, 2021).

PROGRAM: RMA FCIC		
Root Cause (See Root Causes Table)	➔	Inability to Authenticate Eligibility: Data Needed Does Not Exist
USDA's Sub-Root Cause	➔	Nearly one-third of the improper dollars associated with APH errors resulted from the policyholder's inability to support the selected unit structure. A majority of these policies dealt with enterprise unit (EU) structures certified below the EU level. The Basic Provisions of Insurance (BPOI) require producers to support their production certification when selected for APH Review, and *The Crop Insurance Handbook* (CIH) outlines the required consequences when unit structure cannot be supported.
Amount Associated with the Root Cause (See Root Causes Table)	➔	$152.02
Completion Date	➔	January, 2021

FCIC Corrective Actions:

Based on IPERIA results, RMA will issue an Informational Memorandum reminding policyholders of the requirement to keep production separate by unit and to certify to the accuracy of their production evidence. Additionally, RMA will conduct and present an analysis of APH data to the Product Management division as a proactive measure to spearhead future APH issues.

Internal Control Over Payment Integrity Section

USDA programs have implemented internal controls to prevent improper payments. USDA programs are:

- Enhancing communication of updated policies and guidance to the field offices;
- Encouraging managers to build an atmosphere in which reducing improper payments is a top priority;
- Establishing accountability through performance standards;
- Examining root causes of error;
- Developing appropriate corrective actions; and
- Engaging critical stakeholders through communication and educational efforts.

Accountability Section

Programs reporting more than the statutory improper payment threshold (per OMB-18-20) must complete the Accountability, Agency Information Systems and Other Infrastructures, and Barriers sections of the AFR. The following steps were taken to ensure that agency managers are held accountable for reducing and recovering improper payments:

Food and Nutrition Service (FNS)

These accountability mechanisms apply to the following programs: (1) Supplemental Nutrition Assistance Program (SNAP), (2) National School Lunch Program (NSLP), (3) School Breakfast Program (SBP), and (4) Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):

> FNS's goals and priorities include standards for meeting reduction targets, establishing and maintaining internal controls, improving stewardship of Federal funds, and using data-driven strategies to improve program integrity. Within these priorities are specific goals that (1) apply to programs at high risk for erroneous payments with a focus on continuing management improvements, and (2) strengthening controls over improper payments and financial management within FNS programs. Standards for meeting these targets are incorporated into each FNS manager's performance plan.
>
> FNS strives to improve nutrition assistance program management, including measures to improve the accuracy of administrative processes, while meeting its goal of providing food to vulnerable populations in the United States. Actions to advance this goal include setting annual priority goals and initiatives, especially for those programs that are at high risk for erroneous payments.

Farm Service Agency (FSA)

These accountability mechanisms are applicable to the following programs: (1) Hurricane Harvey- Emergency Conservation Program, (2) Livestock Forage Disaster Program, (3) Noninsured Crop Disaster Assistance Program, (4) Agriculture Risk Coverage and Price Loss Coverage, and (5) Wildfires and Hurricanes Indemnity Program:

> FSA is creating a performance Oversight Review Process which will be used to improve individual and organizational effectiveness in accomplishing the Agency's mission and goals. Although lacking in the past, improvement is possible with documentation of individual and organizational performance, enabling each organization to compare its performance over time. It also allows management to hold low-performing employees accountable and award and recognize high-performing employees. This new Oversight Review Process requires the scoring of states and counties due to National and State program reviews. Training of pilot States was completed December 10-11, 2019, and the remaining States were trained in August of 2020. This new process was fully functioning and documenting performance on September 1, 2020.
>
> The Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s *Leveraging COSO across the Three Lines of Defense* defines the three lines of defense of integrity oversight. In the current Farm Production and Conservation (FPAC) policy, FSA will be completing the first two lines of defense, with the new Oversight Review Process as the second line. The FPAC Business Center's Performance, Accountability, and Risk Division will be completing an internal audit as the third line of defense on behalf of FSA.

The following steps were completed for the 2020 performance plans and are ongoing:

1. The requirement to improve improper payments is included in the State Executive Director's *Performance Plan, Element 5*, titled *Program Management.*
2. Within the time constraints required by the Department, National Office and State Office (STO) managers are held accountable for ensuring that program policies and procedures are provided to the STO and County Office (COF) employees accurately and on a timely basis. National Office managers are also held accountable, as reflected in the performance-based rating measures, for overall program administration at the National level.
3. County office-level employees, including the County Executive Director, are responsible for making payments to producers and following all administrative steps. Employees will be evaluated on program delivery and their compliance with regulations, policies, and procedures through their performance plans.
4. The Deputy Administrator of Field Operations facilitated meetings with the program areas to discuss any additional action necessary for senior management to address accountability

as accountability issues arise. Such is the case with an ongoing Office of Inspector General (OIG) investigation resulting in fraudulent claims and employee involvement where fraud has been discovered.

Risk Management Agency (RMA)

These accountability mechanisms apply to the following program: Federal Crop Insurance Corporation (FCIC):

1. RMA senior accountable officials' annual performance plans are tied to USDA's Strategic Goal 1: Ensure USDA programs are delivered efficiently, effectively, and with integrity and a focus on customer service, and RMA Strategic Goal 4: Safeguard the Integrity of the Federal Crop Insurance Program.
2. RMA incorporated standards in the FY 2020 annual performance plans to ensure compliance personnel conduct Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA) reviews to measure the Federal Crop Insurance Program (FCIP) improper payment error rate and perform data mining reviews to identify, reduce, and collect improper payments. RMA Regional Compliance Offices (RCOs) conducted IPERIA reviews between April 2019–March 2020 using statistical sampling and data mining reports.

Agency Information Systems and Other Infrastructure

The following narratives describe whether an agency has internal controls, human capital, information systems, and other infrastructure it needs to reduce improper payments:

FNS

The following agency information systems and other infrastructure mechanisms apply to the following program: Supplemental Nutrition Assistance Program (SNAP):

> Each fiscal year, the Food and Nutrition Service (FNS) determines SNAPs State and National error rates and any potential liabilities based on error rate performance. States with a 95-percent statistical probability that their error rates exceed 105 percent of the national performance measure for 2 consecutive fiscal years, and the State's error rate is above 6 percent, are subject to financial liabilities for poor performance. In FY 2020, based on FY 2019 performance, FNS issued roughly $43 million in financial penalties to State agencies for poor payment accuracy performance. Additionally, as the 6 percent standard is statutory, FNS has a regulatory process that requires State agencies to enter into corrective action plans if their payment error rate exceeds 6 percent. In FY 2020, based on FY 2019 performance, 36 State agencies are required to conduct a root cause data analysis and submit corrective action plans to FNS with activities designed to reduce payment errors.

The following agency information systems and other infrastructure mechanisms apply to the following programs: (1) National School Lunch Program (NSLP), and (2) School Breakfast Program (SBP):

> NSLP and SBP do not have an administrative infrastructure for producing yearly estimates of improper payment rates and dollar values. Therefore, FNS uses its Access, Participation, Eligibility, and Certification (APEC) studies to provide baseline error rate estimates for NSLP and SBP. In non-study years, FNS provides annual estimates using the baseline data from APEC, program administrative data, and macroeconomic indicators. Periodic updates to the APEC study series ensure that FNS has the necessary data to estimate and measure changes in erroneous payments over time. The FNS FY 2020 Budget requested a change in funding for the following program integrity line items to establish and maintain effective internal controls to reduce improper payments.

Child Nutrition (CN) Training and Technical Assistance—an increase of $20,233,000 was requested ($13,702,000 estimated in FY 2019). Effective and continual training and technical assistance are necessary to help States properly administer the CN program to ensure that States are equipped to identify and prevent fraud and abuse. This change reflects $233,000 to match State and local index trends and an increase of $20 million per year above the funding previously provided for technology grants as part of the current law proposal. These additional grant funds will provide reliable dedicated funds for technology and enable States to begin to modernize basic systems to improve program operations, oversight, and overall program integrity.

CN Payment Accuracy—an increase of $187,000 was requested ($11,016,000 estimated in FY 2019). This funding supports FNS's robust Federal oversight, monitoring, and technical assistance, which are essential to the identification, prevention, and resolution of erroneous payments. The change consists of $187,000 to match State and local index trends.

CN Studies—a decrease of $6,278,000 was requested ($21,277,000 was estimated in FY 2019). FNS conducts a variety of studies, evaluations, and related activities that respond to the needs of policymakers and managers and help ensure that nutrition assistance programs achieve their goals effectively. This line supports the critical evaluations needed for the CN Programs, including the Federal staff needed to oversee this vital work. The change consists of a current law proposal to make CN Studies funds available until expended to allow for more efficiency and flexibility in conducting research and evaluation studies.

CN Administrative Reviews—$10 million was provided for training and technical assistance for State agencies responsible for reviewing local school food authorities participating in the school meal programs. Local administrative reviews help ensure that school children are offered meals that meet regulatory standards and that the financial claims associated with those meals are appropriate.

The following agency information systems and other infrastructure mechanisms apply to the following programs: Child and Adult Care Food Program (CACFP):

> CACFP does not have an infrastructure or methods for producing yearly estimates of improper payment rates and dollar values. FNS has developed a measurement methodology for one component of the program and is in the process of measuring errors or determining the feasibility of measuring errors in the remaining components. Because requirements vary significantly for each different type of program sponsor and site, a full and rigorous assessment of the rate of improper payments is extremely complex.
>
> FNS continues to explore alternative methodologies for developing a reliable measurement for the Family Day Care Home meal claims component. FNS has also completed data collection on a study to measure program error in childcare centers. Publication of these two studies is expected in 2020 and 2021, respectively.

The following agency information systems and other infrastructure mechanisms apply to the following programs: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):

> WIC program integrity is a priority for FNS. FNS has the administrative infrastructure for meeting reduction targets, establishing and maintaining sufficient internal controls, and producing yearly estimates of WIC improper payment rates and dollar values. Management evaluations (MEs) are FNS's primary oversight mechanisms. MEs include onsite reviews of State and local agency operations, and reviews of program-specific documentation. FNS focuses WIC MEs on key areas related to program integrity and analyzes the resulting ME data to identify opportunities to improve program administration and integrity. FNS has also recently released several resources for WIC State agencies that target improvement in the areas of vendor management and certification. These resources include the *WIC Vendor Management and Food Delivery Handbook*, a new toolkit on assessing and developing WIC Vendor Peer Group Systems, and an updated tool for assessing WIC Vendor Cost Neutrality. FNS is working to develop the *WIC Certification Handbook*, which is expected to be released in FY 2021. Additional resources will be developed as needed.
>
> The most cost-effective way for FNS to produce yearly estimates of WIC improper payments is by using periodic studies to estimate WIC certification and vendor payment errors. FNS uses the National Survey of WIC Participants and the WIC Vendor Management Study to estimate and report payment errors. The results of these studies are also used to inform FNS' program integrity work—including the development of additional guidance, training, and resources for WIC State agencies—and to provide information to Congress and other stakeholders.

Additionally, FNS continues to look for innovative ways to leverage technology to improve WIC program integrity. FNS is working with WIC State agencies to implement WIC Electronic Benefits Transfer (EBT) nationwide by October 1, 2020. EBT provides WIC State agencies with more accurate and timely data that they can use to monitor food costs and identify suspect transactions, in turn reducing the risk of payment errors.

FSA

The following agency information systems and other infrastructure mechanisms are applicable to the following programs: (1) Noninsured Crop Disaster Assistance Program (NAP), (2) Hurricane Harvey – Emergency Conservation Program (HH-ECP), (3) Livestock Forage Disaster Program (4) Agriculture Risk Coverage and Price Loss Coverage and (5) Wildfires and Hurricanes Indemnity Program:

FSA has operated with the understanding that the internal controls, human capital, information systems, and other infrastructure needed to reduce improper payments is in place and active. With the recent results from the International Programs in Agriculture (IPIA) reviews and the Agricultural Adjustment Act of 2018 paragraph 1705 language, FSA is documenting findings from the reviews of employees' work nationwide. With this performance documentation in place, organizational performance should improve.

In the FY 2020 IPIA reviews, we examined FY 2019 payments (October 2018 through September 2019). The reviews identified FSA policy did not clearly outline the difference between improper payments according to the Improper Payment Elimination and Recovery Act of 2010 (IPERA) standards versus non-compliance based on FSA policy. FSA implemented the following to address these issues.

Market Facilitation Program

The Price Support Division (PSD) updated questions used by reviewers to clearly define common program errors identified by mismatched payment reports generated weekly by the MFP Team Lead.

The MFP payment system used for the 2018 crop year required the user to enter the calculated payment in a separate system and select the correct commodity. However, for the 2019 crop year, the MFP application system automatically created a payable record upon the County Office Committee approval date being recorded, which dramatically decreased the number of improper payments.

For both program years, the MFP payment system checked payment eligibility before obligating funds and made applicable reductions as necessary.

In July 2020, the PSD issued a notice to all State and County offices summarizing MFP's FY 2019 improper payment rates and provided guidance on how to address common errors.

Noninsured Crop Disaster Assistance Program (NAP)

On December 17, 2019, NAP Amendment 16 was published, requiring the completion of a CCC-770 NAP Checklist before all NAP payments are processed. In addition, a representative from each State Office, commonly the District Director, must review the first five applications for payment filed in each county office for each crop year.

The Safety Net Division updated payment questions used by reviewers to define program error questions clearly and to align with the CCC-770 NAP checklist.

In May 2020, the Safety Net Division issued a Notice to all State and county offices summarizing NAP's FY 2019 improper payment (IP) rates and provided guidance on how to address common errors.

Hurricane Harvey - Emergency Conservation Program (HH-ECP)

The Conservation Division conducted a National Conservation Training in October of 2019 that provided an overall program review for State Offices (STO) and was further provided to County Offices (COF).

In December of 2019, the Conservation Division reviewed the questions reviewers use when investigating payments. The questions were re-written for 2020 and now are direct and focused on common program errors.

Each month, the Conservation Division, along with the Program Delivery Division, hosts dial-in conferences with State office staff to provide additional clarification, answer questions, and give updated feedback on policy and other issues related to ECP.

The Conservation Division has updated and revised *Handbook 1-ECP*. This handbook sets forth policy regarding ECP program management and provides for updates of new requirements and clarification of previous existing requirements. The Handbook is currently awaiting formal clearance and will be published and distributed in late Summer 2020.

FSA implemented a new internal review system, the Internal Review Documentation and Tracking System (IRDTS). In December of 2019, FSA trained nine pilot states on the system. The pilot training included practice reviews to ensure that reviews will be completed in accordance with policy. The remaining States were trained in July of 2020.

The IRDTS software also included an automated function for the first five reviews required by State Office. This system was used in the implementation of the Coronavirus Food Assistance Program (CFAP).

RMA

The following agency information systems and other infrastructure mechanisms apply to the Federal Crop Insurance Corporation (FCIC) program:

> One of RMA's primary tools for assessing approved insurance providers' (AIPs) compliance with all crop insurance program requirements is the AIP Performance Review (APR). During Fiscal Year 2020, RMA completed APRs of five AIPs to evaluate their internal controls to identify and address program vulnerabilities.
>
> Discretionary Funding, including Salaries and Expenses (S&E): Discretionary funds for the Federal crop insurance program cover most Federal salaries and related expenses to manage the program. The 2019 Budget includes approximately $58.361 million in discretionary appropriations for these costs, in which $1,000 of those funds shall be available for official reception and representation expenses. In addition, the Federal Crop Insurance Act authorizes the transfer of up to $7 million each fiscal year from mandatory funding to the RMA S&E account for program compliance and integrity reviews.

Barriers Section

FNS[1]

The following barriers apply to the Supplemental Nutrition Assistance Program (SNAP) program:

> SNAP benefits are processed and administered by State agencies, with FNS oversight. State policy options, organizational structures, and use of technology vary from State to State, resulting in different root causes contributing to payment errors. The Food and Nutrition Act of 2008, as amended, provides disincentives in the form of financial penalties to encourage States to accurately issue SNAP benefits and maintain low improper payment rates. The liability process to establish financial penalties against State agencies is statutory. In addition, FNS has a regulatory process that requires States to enter into corrective actions at the State level to address payment error rates that exceed six percent, a standard established by law. FNS provides oversight and technical assistance, to States in measuring and reporting improper payments. Because FNS does not provide benefits directly to recipients, the Program must work through its State administering agencies to measure, monitor, and address improper payments. In

[1] FNS' Special Supplemental Nutrition Program for Women, Infants, and Children currently has no statutory or regulatory barriers that limit the Agency's corrective actions in reducing improper payments.

FY 2020, FNS shared payment accuracy best practices among States, revise internal guidance, and to implement a more robust corrective action process.

The following barriers are applicable to the following programs: (1) National School Lunch Program (NSLP) and (2) School Breakfast Program (SBP):

FNS is committed to ensuring that eligible individuals and families have access to the nutrition assistance they need while it works to reduce the risk of improper payments. That said, program administration in CN programs in general, and NSLP and SBP in particular, is highly decentralized. In the school meal programs alone, there are nearly 97,000 schools and institutions that serve meals to 30 million children, and each one of those meals must follow meal pattern requirements.

Federal appropriations fund the entire cost of program benefits and a significant portion of administrative expenses incurred by State agencies. While Federal funding strengthens the nutrition safety net with national eligibility standards and rules to ensure program access, it also means that USDA relies on States and localities to ensure the proper management of billions of dollars in federal funds.

Approaches to reducing school meals improper payments must:

1. Improve accuracy without compromising access for low-income families. A process that keeps eligible children from participating undermines the program;
2. Not unduly increase the burden on schools and other partner institutions. Many schools now consider the program burdensome, especially the reporting requirements. Increasing the burden could discourage schools from participating, decreasing access for some low-income children; and
3. Be cost-effective. Improving accuracy is potentially resource-intensive, and policymakers must not create processes that increase net program costs.

The following barriers apply to the Child and Adult Care Food Program (CACFP):

FNS is committed to ensuring that eligible individuals and families have access to the nutrition assistance they need in their child and adult care food programs while still working to reduce the risk of improper payments. The decentralized nature of CACFP is structurally similar to the school meal programs in that there are more than 66,900 childcare centers and 630 sponsors, and more than 90,900 Family Day Care Homes (FDCH) that provide CACFP benefits to children. Many of these organizations simply do not have the capacity to develop robust accountability processes, which puts an additional burden on Federal and State oversight and technical assistance systems.

The approach to reducing CACFP improper payments is similar to that identified for school meals:

1. Improve accuracy without compromising access for low-income families; and
2. Not unduly increase the burden on sponsors, daycare centers, family daycare homes, and other partner institutions.
3. Adopt integrity-focused measures that are cost-effective. This approach is especially important in child and adult care settings that have limited resources.

FSA

The following barriers are applicable to the following programs: (1) Noninsured Crop Disaster Assistance Program, (2) Hurricane Harvey – Emergency Conservation Program, (3) Livestock Forage Disaster Program, (4) Agriculture Risk Coverage and Price Loss Coverage, and (5) Wildfires and Hurricanes Indemnity Program:

> The FSA is charged with managing more programmatic work resulting in more complex program oversight than in prior years. With the reductions in staffing, FSA's capacity to do integrity reviews has diminished.
>
> In addition, FSA payment limitation software does not allow for multiple payment limits between different payment groups under the same program. This limitation has led to long delays and increased manual hours in order to disburse payments accurately.

RMA

RMA is not subject to any critical statutory or regulatory barriers to reducing improper payments.

Recapture of Improper Payments Reporting

OMB Circular A-123, Appendix C, requires agencies to conduct payment recapture auditing on all programs with more than $1 million in annual expenditures or provide justification that a payment recapture audit program would not be cost-effective. USDA utilized FY 2019 actual outlay information to determine which programs meet the $1 million payment recapture auditing requirement. The following results highlight the payment recapture activities completed in FY 2020:

1. USDA utilizes two methods for payment recapture auditing: Supplier Credit Recovery Audit contractor and USDA program's Internal Recovery Audit Plans. Most overpayments recovered are from sources other than payment recapture audits; including, improper payments identified through statistical samples, agency post-payment reviews or audits, OIG reviews, Single Audit reports, self-reported overpayments, or reports from the public. The following chart shows the amounts and percent of recoveries using each method.

Results are shown in the Overpayments Recaptured through Payment Recapture Audit Table and the Overpayment Recaptures Outside of Recapture Audit Programs Table.

2. USDA distributed $223.18 million in recovered funds in accordance with the Payment Integrity Information Act of 2019 (PIIA), as shown in the Disposition of Funds Recaptured Table. This amount is an increase of distributed recovered funds from FY 2019 of $31.5 million.

3. Sixty-five programs participated in the Supplier Credit Recovery Audit, and 46 programs executed internal payment recapture plans, which were approved by the Office of the Chief Financial Officer (OCFO). These internal plans identify and recover improper payments. Activities include data mining-initiated reviews, limited scope reviews, special investigations, eligibility verification, agency-wide audits, in addition to other methods. As outlined in OMB Circular A-123 Appendix C Part III Section C. 5 and 6, 79 programs submitted a cost-effective waiver to OMB. Note that a few programs utilize more than one of the previously described methods to meet payment recapture requirements. A list of programs categorized by recovery auditing activity is provided in the following table:

Exhibit 37: Recoveries ($ in millions)

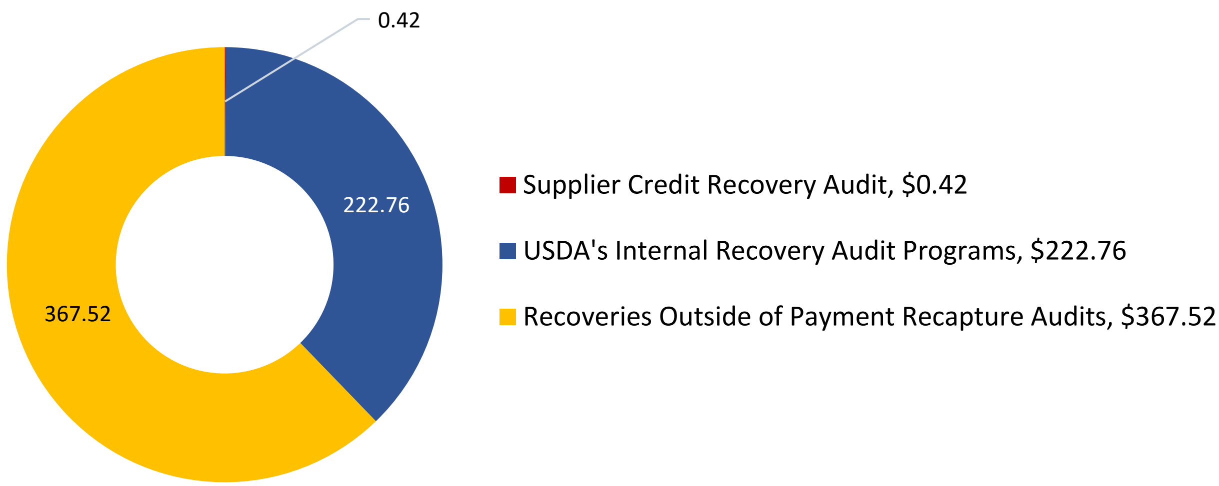


Exhibit 38: List of Programs Categorized by Recovery Auditing Activity Table

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
1.	Agricultural Marketing Service (AMS) Commodity Purchase Programs	✓	✓		
2.	AMS Salaries and Expenses	✓		✓	
3.	AMS Grants Programs	✓	✓		
4.	Animal and Plant Health Inspection Service (APHIS) Indemnity Program	✓	✓*		
5.	APHIS Salaries and Expenses	✓		✓	
6.	APHIS Buildings and Facilities	✓	✓*		
7.	APHIS Trust Funds	✓	✓*		
8.	APHIS Cooperative Agreements		✓		
9.	Agriculture Research Service (ARS) Building and Facilities	✓		✓	
10.	ARS Hurricane Harvey – Buildings and Facilities	✓		✓	
11.	Commodity Credit Corporation (CCC) Marketing Assistance Loan Program		✓		
12.	CCC Administrative Contracts		✓		
13.	CCC Farm Storage Facility Loan		✓		
14.	CCC Hazardous Waste Activities		✓		
15.	CCC Dairy Indemnity		✓		
16.	CCC Biomass Corp Assistance Program		✓		
17.	CCC Emergency Forestry Conservation Reserve		✓		
18.	CCC Upland Cotton Economic Adjustment Assistance Program		✓		

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
19.	CCC Feedstock Flexibility Program		✓		✓
20.	CCC Marketing Programs		✓		
21.	CCC Food for Progress Program	✓	✓		
22.	CCC Export Guarantee Program Level		✓		
23.	CCC Export 416 Ocean Transportation	✓			✓
24.	CCC Trade Adjustment Assistance Program		✓		✓
25.	CCC Tree Assistance Program		✓		
26.	CCC Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish		✓		
27.	CCC Conservation Reserve Program		✓		
28.	CCC Livestock Forage Disaster Program		✓		
29.	CCC Livestock Indemnity Program		✓		
30.	CCC Supplemental Revenue Assistance Payments Program		✓		
31.	CCC Pima Agriculture Cotton Trust Fund		✓		
32.	CCC Agricultural Wool Apparel Manufacturers		✓		
33.	CCC Agriculture Risk Coverage & Price Loss Coverage		✓		
34.	CCC Dairy Margin Coverage Program		✓		
35.	CCC Market Facilitation Program		✓		
36.	CCC Trade Mitigation Program		✓		
37.	CCC Noninsured Assistance Program		✓		
38.	CCC Loan Deficiency Payments		✓		

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
39.	Conservation Research (CR) Salaries and Expenses			✓	
40.	Departmental Administration (DA) Agriculture Building and Facilities	✓		✓	
41.	DA Hazardous Materials Management	✓		✓	
42.	DA Biobased Markets Program	✓			
43.	Foreign Agricultural Service (FAS) McGovern-Dole Food for Education Grants	✓			
44.	FAS Salaries and Expenses	✓		✓	
45.	Food and Nutrition Service (FNS) Hurricane Harvey – Women, Infants, and Children			✓	
46.	FNS Supplemental Nutrition Assistance Program			✓	
47.	FNS Hurricane Harvey – Nutrition Assistance Program			✓	
48.	FNS Commodity Supplement Food Program	✓		✓	
49.	FNS Emergency Food Assistance Program			✓	
50.	FNS Food Distribution Program on Indian Reservations	✓		✓	
51.	FNS Farmers Market Nutrition Program			✓	
52.	FNS Special Milk Program			✓	
53.	FNS Senior Farmers Market Nutrition Program			✓	
54.	FNS Commonwealth of the Northern Marianas Islands			✓	
55.	FNS American Samoa			✓	
56.	FNS National School Lunch Program	✓		✓	
57.	FNS School Breakfast Program			✓	
58.	FNS Women, Infants & Children			✓	

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
59.	FNS Child & Adult Care Food Program	✓		✓	
60.	FNS Nutrition Assist – Puerto Rico			✓	
61.	FNS Summer Food Service Program	✓		✓	
62.	FNS The Emergency Food Assistance Program			✓	
63.	FNS Program Administration			✓	
64.	Forest Service (FS) Wildland Fire Management – Suppression	✓	✓		
65.	FS Land Acquisition	✓	✓		
66.	FS Working Capital Fund	✓	✓		
67.	FS Management of National Forest Lands for Subsistence Uses	✓	✓		
68.	FS Range Betterment Fund	✓	✓		
69.	FS Hurricane Sandy – Emergency Forest Restoration Program	✓	✓		
70.	FS National Forest System	✓	✓		
71.	FS Disaster Supplemental – National Forest System	✓	✓		
72.	FS Wildland Fire Management	✓	✓		
73.	FS Disaster Relief-Wildland Fire Management	✓	✓		
74.	FS Capital Improvement and Maintenance	✓	✓		
75.	FS Disaster Supplemental – Capital Improvement and Maintenance	✓	✓		
76.	FS State and Private Forestry	✓	✓		
77.	FS Disaster Supplemental – State and Private Forestry	✓	✓		

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
78.	FS Forest and Rangeland Research	✓	✓		
79.	FS Forest and Rangeland Research – Disaster Relief		✓		
80.	FS Stewardship Contracting Product Sales	✓	✓		
81.	FS Forest Service Permanent Appropriations	✓	✓		
82.	FS Forest Service Trust Funds	✓	✓		
83.	Farm Service Agency (FSA) Agricultural Credit Insurance Fund – Program Act		✓		
84.	FSA Reforestation Pilot Program		✓		✓
85.	FSA Wildfires and Hurricanes Indemnity Program		✓		
86.	FSA Salaries and Expenses	✓		✓	
87.	FSA Public Law 480	✓	✓		
88.	FSA Emergency Conservation Program		✓		
89.	FSA Hurricane Harvey – Emergency Conservation Program		✓		
90.	FSA State Mediation Grants		✓		
91.	FSA Grassroots Source Water Protection		✓		
92.	FSA Reimbursement Transportation Cost Payment Program		✓		
93.	FSA Emergency Forest Restoration Program		✓		
94.	FSA Hurricane Mic & Flo Emergency Forest Restoration Program		✓		
95.	FSA Hurricane Mic & Flo Emergency Conservation Program		✓		

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
96.	Food Safety and Inspection Service (FSIS) Salaries and Expenses	✓		✓	
97.	FSIS Cooperative State Food Safety and Inspection			✓	
98.	National Institute of Food and Agriculture (NIFA) Research and Education Activities		✓		
99.	NIFA Extension Activities		✓		
100.	NIFA Integrated Activities		✓		
101.	NIFA Community Foods Project		✓		
102.	Natural Resources Conservation Service (NRCS) Farm Bill Financial Assistance	✓		✓	
103.	NRCS Conservation Technical Assistance (non-Farm Bill)	✓		✓	
104.	NRCS Watershed Programs	✓		✓	
105.	NRCS Emergency Watershed Protection – Disaster Relief	✓		✓	
106.	NRCS Soil Surveys	✓		✓	
107.	NRCS Plan Materials Centers	✓		✓	
108.	NRCS Snow Survey and Water Supply Forecasting	✓		✓	
109.	NRCS Water Bank/Damage Assessment	✓		✓	
110.	NRCS PL 116-20 Disasters	✓		✓	
111.	Office of Budget & Program Analysis (OBPA) Salaries and Expenses	✓		✓	
112.	Office of the Chief Economist (OCE) Salaries and Expenses	✓		✓	
113.	Office of Chief Financial Officer (OCFO) Salaries and Expenses	✓		✓	

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
114.	Office of the Chief Information Officer (OCIO) Salaries and Expenses	✓		✓	
115.	Office of the General Counsel (OGC) Salaries and Expenses	✓		✓	
116.	Office of Hearings and Appeals (OHA) Salaries and Expenses	✓		✓	
117.	Office of Inspector General (OIG) Salaries and Expenses	✓		✓	
118.	OIG Disaster-Related Appropriations	✓			
119.	Office of Partnerships and Public Engagement (OPPE) Outreach for Socially Disadvantaged Farmers	✓		✓	
120.	Office of the Secretary (OSEC) Salaries and Expenses	✓		✓	
121.	Rural Business-Cooperative Service (RBCS) Grant Programs and Cooperative Agreement			✓	
122.	RBCS Relending Programs			✓	
123.	RBCS Payment Programs			✓	
124.	RBCS Guaranteed Loan Programs			✓	
125.	Rural Development (RD) Salaries and Expenses	✓		✓	
126.	Research, Education, and Economics Resources (REE) Salaries and Expenses	✓		✓	
127.	Rural Housing Service (RHS) Rental Assistance Program		✓		
128.	RHS Community Program Grants			✓	
129.	RHS Rural Community Development Initiative Grants			✓	
130.	RHS RD Voucher Program	✓	✓		

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
131.	RHS Multi-Family Housing Preservation & Revitalization Demo Program: 514/516 Loans/Grants & 515 Loans			✓	
132.	RHS Direct Community Facility Loans			✓	
133.	RHS Direct Single Family Housing		✓		
134.	RHS Guaranteed Community Facility Loans			✓	
135.	RHS Guaranteed Multi-Family Housing Loans (Section 538 Loans)			✓	
136.	RHS Guaranteed Single Family Housing Loans		✓		
137.	RHS Housing Loans and Grants – Other			✓	
138.	RHS Rural Rental Housing Loans (Section 515 Direct Rural Rental Housing Loans)			✓	
139.	RHS Rural Rental Housing Loans (Section 515 Direct Rural Rental Housing Loans)			✓	
140.	RHS Rural Rental Housing Loans (Section 515 Direct Rural Rental Housing Loans) - Hurricane Harvey				✓
141.	Risk Management Agency (RMA) Federal Crop Insurance Corporation Program Fund		✓		
142.	Rural Utilities Service (RUS) Electric Loan Programs (CFDA 10.850) — Federal Financing Bank (FFB) Guaranteed			✓	
143.	RUS Grants – Other Electric – Telecom – Water and Environmental Programs (WEP)			✓	
144.	RUS Congressional Earmarked Funds			✓	
145.	RUS Electric Loan Programs [Catalog of Federal Domestic Assistance (CFDA) 10.850]—Direct Treasury Rate			✓	
146.	RUS Water and Waste Guaranteed Loans			✓	

No.	Program Name	Supplier Credit Recovery Audit	Internal Payment Recapture Audit	Programs with Approved Waivers Based Cost-Effectiveness [Note #1]	Programs with less than $1 million in FY 2019 Expenditures [Note #2]
147.	RUS Rural Utilities Electric Program – Municipal			✓	
148.	RUS Revolving Loan Fund Program			✓	
149.	RUS Community Connect Grants			✓	
150.	RUS Public Television Digital Transition Grants			✓	
151.	RUS Water and Waste Disposal Systems for Rural Communities – Loans	✓		✓	
152.	RUS Rural Energy Savings Program			✓	
153.	RUS Broadband Telecom. Loans – Treasury Rate			✓	
154.	RUS Rural Telecommunications – Loans – Federal Financing Bank (FFB) Telecom			✓	
155.	RUS Water and Waste Disposal Systems for Rural Communities – Grants – Disaster			✓	
156.	RUS Water and Waste Disposal Systems for Rural Communities – Grants - Hurricane Harvey				✓
157.	RUS Water and Waste Disposal Loans & Grants Section 306C (Native Tribes & Colonials)			✓	
158.	RUS Rural Telecommunications Loans – Treasury Telecom Loans			✓	
159.	RUS Rural Telecommunications Hardship Loans – Direct Telecom. Loans			✓	
160.	RUS Rural Utilities Electric Program Direct 5%			✓	
161.	RUS Rural Telecommunications Distance Learning and Telemedicine			✓	

* All items with an Asterix (*) were granted an extension.

Note #1: The FSIS justification for the State Inspection Program was provided in the FY 2016 AFR. The Waiver for the FSIS Salaries and Benefits was submitted December 2019.

Note #2: These programs or activities had less than $1 million in FY 2019 expenditures. Outlay levels can vary year to year, which is why some of these programs are currently conducting recovery auditing despite being under the $1 million Improper Payments Elimination and Recovery Act of 2010 (IPERA) threshold.

Overpayment Recaptures with and without Recapture Audit Programs

USDA had mechanisms in place to collect overpayments, even prior to the establishment of official payment recapture audits. For the FY 2020 AFR Recapture reporting period, USDA recovered $590.69 million out of the identified $613.38 million through methods outside of Recapture Audit Programs (see *Overpayment Recaptures Outside of Recapture Audit* Table for additional breakout). This amount represents an increase of $201.92 million in recaptured funds from FY 2019. The following table provides detailed information regarding the recoveries collected through official payment recapture audits.

Exhibit 39: Overpayments Recaptured Through Payment Recapture Audits Table ($ in millions) [Note #1]

Program or Activity	Amount Identified $	Amount Recaptured $	Current Year (CY) Recapture Rate %	CY +1 Recapture Rate Target %
Supplier Credit Recovery Audit Program	0.42	0.42	100.00	100.00
APHIS Internal Program	0.00	0.00	0.00	0.00
FSA/CCC Internal Program	218.10	205.90	94.41	95.34
NIFA Internal Program	6.72	4.22	62.80	62.95
RD Internal Programs	5.09	4.97	97.64	98.81
RMA-Internal Program	9.53	4.77	50.01	50.03
TOTAL	**239.86**	**220.28**	-	-

Note #1: The FY 2020 AFR Recapture Reporting Period consists of 4th quarter FY 2019, 1st quarter FY 2020, 2nd quarter FY 2020, and 3rd quarter FY 2020.

Exhibit 40: Overpayment Recaptures Outside of Recapture Audit Programs ($ in millions) [Note #1]

Program or Activity	Amount Identified $	Amount Recaptured $	Recapture Rate %
AMS	0.00	0.00	N/A
APHIS	0.04	0.04	100.00
DA	0.00	0.00	N/A
FAS	0.00	0.00	N/A
FNS	342.59	342.59	100.00
FS	9.43	9.22	97.77
FSA	14.21	14.04	98.80
FSIS	0.00	0.00	N/A
OHA/OPPE	0.00	0.00	N/A
NRCS	2.11	1.52	71.91
OBPA	0.00	0.00	N/A
OGC	0.00	0.00	N/A
OIG	0.00	0.00	N/A
OSEC/OCFO	0.00	0.00	N/A
OCIO/OCE	0.00	0.00	N/A
RCBS	0.00	0.01	1.00+[2]
REE	0.15	0.09	54.98
RHS	0.01	0.01	1.00
RMA	0.00	0.00	N/A
RUS	0.00	0.00	N/A
OCR	0.00	0.00	N/A
Total	**368.54**	**367.52**	**99.72**

Note #1: The FY 2020 AFR Recapture Reporting Period consists of 4th quarter FY 2019, 1st quarter FY 2020, 2nd quarter FY 2020, and 3rd quarter FY 2020.

[2] The amount recaptured can be higher than the amount identified within a specific time period given the nature of collections. Collections of overpayments occur after the identification of the overpayment which can lapse into other reporting periods and there may be instances that require multiple collections (such as a payment plan for individuals who have a lower income) in order to return the overpayment in full.

Exhibit 41: Disposition of Funds Recaptured Through Payment Recapture Audit Programs Table ($ in millions)

Program or Activity	Amount Recovered $	Agency Expenses to Administer the Program $	Payment Recapture Auditor Fees $	Financial Management Improvement Activities $	Original Purpose $	To OIG $	Returned to Treasury $	Other $	Justification for "Other" Amounts
APHIS Internal Program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A
FSA/CCC Internal Program	205.90	0.00	0.00	0.00	6.76	0.00	199.14	0.00	Funds have not been distributed
NIFA Internal Program	4.22	0.00	0.00	0.00	0.00	0.00	0.00	4.22	Collection of disallowed award costs
RD Internal Program	4.97	0.00	0.00	0.00	0.00	0.00	1.96	3.01	Funds have not been distributed
RMA-Federal Crop Insurance Corporation	4.77	0.00	0.00	0.00	4.77	0.00	0.00	0.00	N/A
Supplier Credit Recovery Audit Program	0.42	0.00	0.01	0.00	0.00	0.00	0.00	0.41	Insufficient information to categorize
TOTAL	**220.28**	**0.00**	**0.01**	**0.00**	**11.53**	**0.00**	**201.10**	**7.64**	

Exhibit 42: Aging of Outstanding Overpayments Identified in the Payment Recapture Audits Table ($ in millions)

Program or Activity	FY 2020 Remaining Uncovered	Amount Outstanding (0–6 months) $	Amount Outstanding (6 months to 1 year) $	Amount Outstanding (more than 1 year) $	Amount determined not to be collectable $	Justification for amounts determined not to be collectable
Supplier Credit Recovery Audit Program	0.00	0.00	0.00	0.00	0.00	N/A
APHIS Internal Program	0.00	0.00	0.00	0.00	0.00	N/A
FSA/CCC Internal Program	12.20	25.73	18.54	7.10	51.37	Relief granted, finality rule, and small balance write-off
NIFA Internal Program	2.50	0.00	0.00	0.00	0.00	N/A
RD Internal Program	0.12	1.41	1.13	6.77	0.00	N/A
RMA-Federal Crop Insurance Corporation	4.76	1.94	0.00	0.33	0.00	N/A
TOTAL [Note #1]	**19.58**	**29.08**	**19.67**	**14.20**	**51.37**	

Note #1: USDA has $62.95 million (not including FY 2020 Remaining Uncovered) in amounts outstanding (that is, 17.08 percent of the total overpayments identified through payment recapture audits). USDA has $51.37 million in amounts determined not to be collectable (that is, 13.94 percent of the total overpayments identified through payment recapture audits). The amount outstanding may not match the overpayments identified minus the overpayments recovered for FY 2020 because many USDA agencies recover money from previous years.

Agency Reduction of Improper Payments with the Do Not Pay Initiative Section

USDA continues to expand its use of Do Not Pay (DNP) services to include the DNP Portal. USDA has incorporated DNP advanced services (that is., continuous monitoring and batch matching) to ensure that verification eligibility processes are conducted pre-award and pre-payment in accordance with the Payment Integrity Information Act of 2019 (PIIA).

The Payment Integrity Information Act of 2019 was signed and became Public Law: 116-117 on 03/02/2020. Subsection 3354, The Do Not Pay Initiative provides guidance to agencies regarding the use of DNP.

Enrollment

As of FY 2020, USDA has more than 1,600 active users spanning more than 65 program areas. In addition, the USDA DNP Authorizing Official has developed processes that support the use of DNP during the pre-award, pre-payment, and post-payment phases of the payment life cycle.

In support of reducing improper payments from October 2019 through August 2020, the USDA conducted more than 123,000 online pre-award/pre-payment searches.

USDA continues its partnership with DNP into FY 2021. The Office of the Chief Financial Officer is engaged in the DNP computer matching implementation process to utilize continuous monitoring to allow their finance system, Financial Management Modernization Initiative (FMMI), to verify payments directly within the DNP Portal.

USDA Data and Do Not Pay Shared Data

USDA incorporated the DNP Portal databases in the following ways:

1. USDA utilizes the Death Records provided by the Social Security Administration, American InfoSource, the Department of Defense, and the Department of State to check Guaranteed Loans and Direct Loans Divisions during pre-award and post-payment activities.
2. USDA utilizes the System for Award Management (SAM) database managed by the General Services Administration to check the status of an entity and the excluded parties list before awarding contracts, grants, cooperative agreements, and insurance programs. USDA payments made through Treasury are checked against this data source pre-payment.
3. USDA utilizes the Credit Alert Verification Reporting System (CAIVRS), with information from the Department of Housing and Urban Development (HUD), Small Business Association (SBA), Department of Justice (DOJ), and Department of Veterans Affairs (VA) to determine if a loan applicant has any federal debt that is currently in default or foreclosure or has had a claim paid by the reporting agency within the past 3 years before awarding loans.

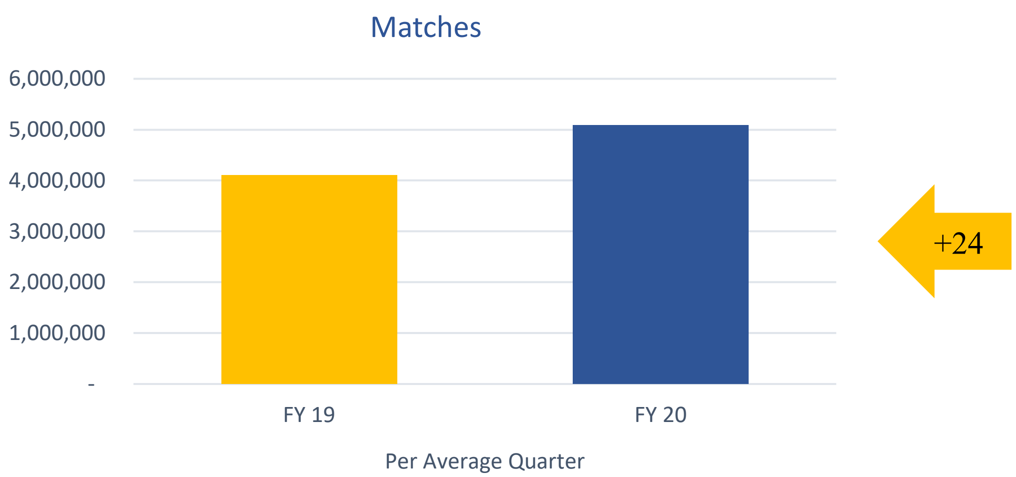
4. USDA's Rural Development utilizes the Treasury Offset Program, a centralized offset program which collects delinquent debts owed to Federal agencies and States, for pre-award verifications.

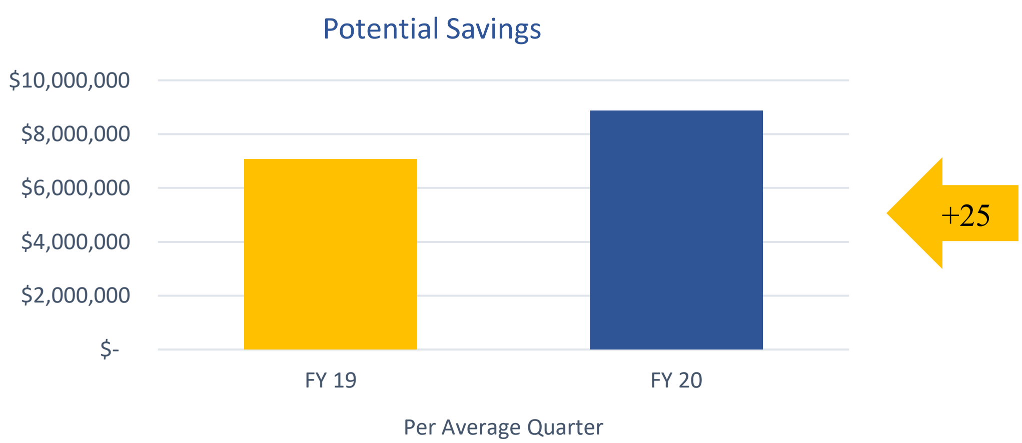
USDA State Level Funds and Improper Payments

USDA Office of the Chief Financial Officer (OCFO) is committed to the partnership with DNP's effort to engage agencies that have federally funded, state-administered programs. USDA OCFO anticipates active participation for the Food Nutrition Services and Farm Service Agencies in FY 2021.

Payment Activity Report Current Reporting and Use

USDA incorporated the use of the Payment Activity Report for FY 2020. USDA funding resources and projections occur at year-end and begins the verification checks to payees regarding entity loans, with an occasional event during the year. Most single searches are conducted for applications for programs, to include loans (housing, food, farming, utilities).





USDA Do Not Pay initiatives are having an impact; for the average fiscal quarter, matching has increased 24 percent from FY 2019 to FY 2020, with potential savings from those matches increasing 25 percent per quarter from FY 2019 to FY 2020.

DNP FY 2021

USDA plans to increase payment tracking for FY 2021 to include further analysis of root causes within our program areas, specifically looking at payment processing methods, duplication of payments, pre-payment verifications, and adjudication actions. The Department identified the need for analysis regarding payment verification through the scope of programs that are currently enrolled in DNP. The USDA will work with OMB, through the DNP Business Center, to provide analytics into the root causes of USDA improper payments.

Fraud Reduction Report

Overview

As required by the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (OMB Circular No. A-123), the U.S. Department of Agriculture (USDA or the Department) continues to implement fraud risk management into its Departmentwide Enterprise Risk Management (ERM) program to effectively identify, assess, analyze, prioritize, document responses to, and monitor fraud risks.

As the Department continues to implement the requirements of OMB Circular A-123, it will identify and implement best practices to identify and minimize risks and vulnerabilities to prevent fraud. The Department's annual risk assessment process, performed in conjunction with Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk (A-123 Appendix A), assesses internal and external fraud risk. This assessment requires the respondent to rate the susceptibility of the agency's significant business processes to fraud.

Outlined below are specific actions the Department is taking to integrate fraud risk prevention and monitoring into the management of internal controls.

Technology:

USDA continuously monitors financial system controls. These controls are configured in the USDA financial system to identify exceptions for further analysis of potential fraud/misuse.

Configuration changes are immediately reported as exceptions to responsible control owners and first-line supervisors. An oversight workflow is established for approving the actions proposed by the control owner to correct any exception issues, assigning remediation tasks when needed, and closing the exception after the control owner completes the proposed actions. Reports are available to monitor exception activity by responsible personnel.

Access Controls:

The USDA consolidated financial systems' access controls are managed through the Governance Risk and Compliance Access Control module. Access controls are configured to prevent conflicting accounting roles unless there is an immediate need that is fully documented, mitigated, and supported by compensating controls. There is a standard process for the review and approval of mitigating controls to ensure that control strategies are properly documented and carried out by the requesting agency.

Segregation of Duties:

USDA's combined financial system is configured so that conflicting roles are prohibited, ensuring proper segregation of duties (SOD). Those who initiate a transaction in the financial system are not allowed to approve that same transaction. There are also financially significant, agency-specific SOD controls documented and tested annually during the A-123, Appendix A assessment. The strict prohibition of conflicting roles reduces the risk of fraud.

Entity Level Controls:

USDA agencies and staff offices are required to complete an annual Entity Level Control (ELC) assessment. The ELC assessment tool complies with the Government Accountability Office (GAO)—Standards for Internal Control in the Federal Government ("Green Book"). As such, the assessment tool includes GAO Principle 8, which assesses fraud risk. Key objectives for this assessment include: (1) identifying fraud risks based on fraud risk factors, (2) assessing identified fraud risks for significance, and (3) properly responding to identified fraud risks.

Additional Fraud Risk Integration Efforts:

To support OMB Circular No. A-123 compliance efforts, fraud assertions are included in each component agencies' Certification Statements that support the Secretary's Annual Management Assurance Statement. All component agency and staff office reports are reviewed to ensure that financial and administrative controls are established to identify and assess fraud risks. The design and implementation of control activities are specifically developed to prevent, detect, and respond to fraud, including improper payments identified as high risk. Component agencies continually review internal control processes to assist in improving the overall mission and operation.

USDA component agencies and staff offices reported specific fraud risk management activities to curb fraud. These efforts continue in USDA's payroll, beneficiary payment, grant, large contract, and purchase and travel charge card programs and operations. The following provides information related to the management of fraud risk in some of these areas of operation.

Payroll:

In accordance with the Statement on Standards for Attestation Engagements No. 18, an annual examination is completed on the internal control environment to assess and evaluate the time and attendance, personnel, payroll, and master data business process controls, as well as information technology controls that support payroll and personnel services. Systems and controls are designed with the expectation that customer agencies implement their own system of internal controls. The National Finance Center (NFC) is responsible for the "processing" controls. The NFC's processing controls related to its systems that support the delivery of payroll/personnel processing services cover a portion of overall internal controls for each customer agency. It is not feasible for the control objectives related to NFC's services to be achieved solely by NFC. Therefore, each customer agency's internal controls should be evaluated in conjunction with NFC's controls, and these controls must work in tandem for the overall control to be effective.

Beneficiary Payments:

USDA's Food, Nutrition, and Consumer Services (FNCS) has established appropriate policies and controls to track and report funding and expenditures. It has implemented corrective actions to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to emergency supplemental relief funding for the various agency programs. Through the collections process, FNCS Regional office staff perform a reconciliation of the amounts on the Treasury Offset Program (TOP) Collection/Payment worksheet and the TOP information submitted on each State agencies' FNS-209 (Status of Claims against the Supplemental Nutrition Assistance Program [SNAP] Household).

Grants:

FNCS utilizes what is known as the "Draws and Expenditures" process. FNCS Regional offices perform a data reconciliation to ensure State agency expenditures do not exceed allocations by more than 5 percent. Also, a reconciliation is performed on the source documentation, and Automated Standard Application for Payment reports to USDA's financial system reports to verify the validity of obligations and expenditures in the Financial Management Modernization Initiative (FMMI).

Large Contracts:

Large contracts are reported in the Federal Procurement Data System-Next Generation (FPDS-NG). This system is the current central repository for information on Federal contracting. The system contains detailed information on contracting actions that are more than the micro-purchase threshold. In fiscal year (FY) 2021, the FPDS reports' transition to beta.SAM.gov will be complete. The FPDS reports module will retire, and beta.SAM.gov will be the only place to create and run reports on contract data.

Travel Charge Cards:

The primary fraud risk management method USDA uses to mitigate travel charge card misuse is the blocking of 922 Merchant transactions with unauthorized vendors. Additionally, USDA uses Oversight Insights on Demand (IOD) compliance management tool, through a partnership with MasterCard Inc. and U.S. Bank, to identify and detect possible travel charge card misuse. IOD is a cloud-based system used to analyze 100 percent of cardholder transaction data from multiple sources to assist travel managers in improving their operations. This tool applies complex predictive analytics, combined with Transaction analysis, to uncover possible misuse and compliance violations that could lead to fraud.

USDA worked with Oversight to configure IOD to meet their needs. IOD delivers easy to understand dashboards and reports, with detailed findings and recommendations that can be used to make decisions and take action.

Purchase Cards:

The Office of Contracting and Procurement (OCP) established the USDA Charge Card Service Center (CCSC) to provide overall charge card management and oversight of the program. As a part of that management and oversight, the CCSC routinely monitors agency charge card transactions through a series of oversight and compliance reporting. These reports are created in the bank's system Access Online Database and then distributed to USDA program offices for compliance review. As part of the transition to SmartPay3®, all U.S. Federal Government agencies were required to implement audit or data mining functionality to reduce improper payments to comply with the Improper Payments Elimination and Recovery Act (IPERA) and other laws and regulations. USDA selected MasterCard for SmartPay3®, which utilizes Insights on Demand (IOD) to provide audit capability, replacing various legacy systems. IOD fully automates the audit process, maintaining an electronic audit trail of all records, and eliminating the need to maintain paper records. The tool maintains audit information in a secure FedRAMP environment, ensuring against data loss and providing efficient workflow in the IOD Workbench paired with the business intelligence Dashboard. USDA anticipates fully implementing this tool by March 2021.

Operations:

USDA's Farm Service Agency (FSA) assesses all applicable security controls and vulnerability scans as part of an Authority to Operate (ATO) process. All systems also go through the mandated IT Risk Management Framework process by third party assessors every 36 months.

Inspector General Act Amendments of 1988: Management's Report on Audit Follow-Up

Background

The Inspector General Act Amendments of 1988 (Public Law [P.L.] 100–504) require that each agency head submit semi-annual reports to Congress on the actions taken in response to the Office of Inspector General (OIG) audit, evaluation, and inspection reports. Consistent with the Reports Consolidation Act of 2000 (P.L. 106–531), the U.S. Department of Agriculture's (USDA or the Department) Office of the Chief Financial Officer (OCFO) consolidates and annualizes the required semi-annual Inspector General Act Amendments' reporting elements for inclusion in the annual Agency Financial Report (AFR).

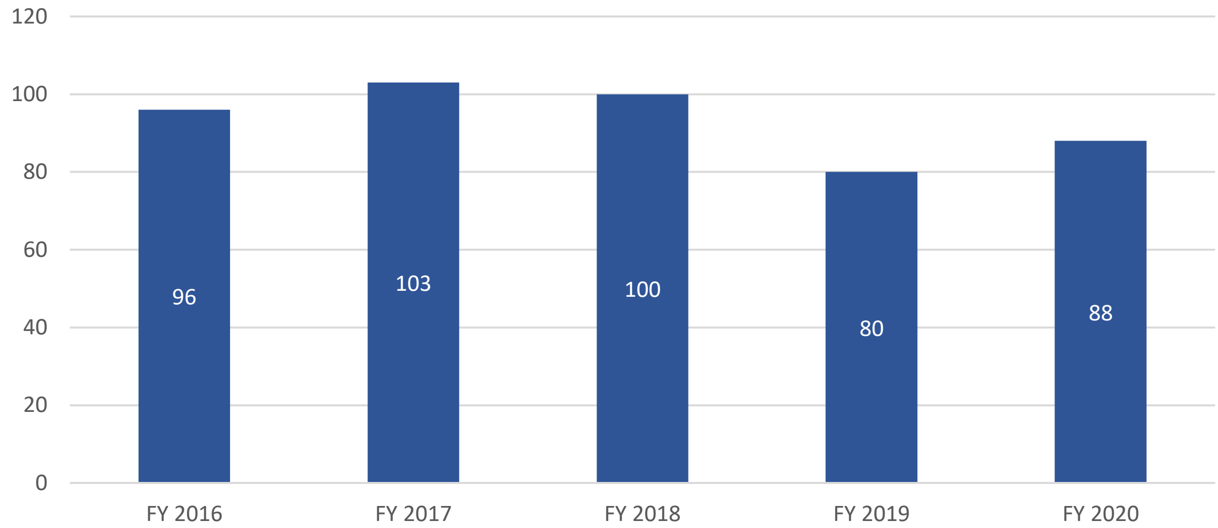
OIG audits USDA's programs, systems, and operations. It then recommends improvements to management based on its findings. USDA management may agree or disagree with the audit's findings or recommendations. An agreement is reached during the management-decision process. If management agrees with a recommendation, a written plan for corrective action with a target completion date is developed. The plan is then submitted to OIG for concurrence. If both OIG and management agree that the proposed corrective action will correct the weakness, a management decision is concluded for that recommendation.

Audit follow-up ensures that prompt and responsive action is taken. USDA's OCFO oversees audit follow-up for the Department. An audit remains open until all corrective actions for each recommendation are completed. As agencies complete planned corrective actions and submit closure documentation, OCFO reviews the submitted documentation for sufficiency and determines if final action can be completed.

Fiscal Year Results

USDA agencies closed 19 audits during fiscal year (FY) 2020. As of September 18, 2020, OIG and USDA agencies reached management decisions on 26 audits. As shown in the following exhibit, the Department's inventory of open audits increased in FY 2020 by 8 percent from 80 to 88.

Exhibit 43: Open Audit Inventory



Notes: The final FY 2019 ending balance was revised from 77 to 80 to include two audits transmitted by OIG after the close of the reporting period and one audit previously closed that was reopened during the fiscal year. These adjustments are also reflected in the beginning balances for audits with disallowed costs (DC) and/or Funds to Be Put to Better Use (FTBU) shown in Exhibit 46 and Exhibit 4

Audit Follow-Up Process

The Inspector General Act Amendments of 1988 require an annual report to Congress providing the status of resolved audits that remain open. Resolved audits are those for which management decision has been reached for all recommendations. Reports on resolved audits must include the elements listed in the following bullet points (see *Exhibit 44* 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 audits with final action; and
- Resolved audits that remain open 1 year or more past the management decision date require additional reporting elements. These elements include date issued, revised estimated completion date, the original dollar value of DC or FTBU, and an explanation as to why final action has not been taken.

Exhibit 44: Audit Follow-Up Definitions

Term	Definition
Disallowed Cost (DC)	An incurred cost questioned by the Office of Inspector General (OIG) that management has agreed should not be chargeable to the Government.
Final Action	Actions that management has taken to address the audit findings and recommendations.
Funds to Be Put to Better Use (FTBU)	An OIG recommendation that funds could be used more efficiently if management completes the recommendation, including: • Reductions in outlays or other savings; • Deobligation of funds from programs or operations, or the withdrawal of subsidy costs on loans, guarantees, or bonds; and • 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 Disallowed Costs and Funds to be Put to Better Use

Of the 19 audits that achieved final action during the fiscal year, six contained DC. The number of DC audits remaining in the inventory at the end of the fiscal year is 33, with a monetary value of $95,933,743 (see *Exhibit 45*).

Exhibit 45: Inventory of Audits with Disallowed Costs (DC)

Audits with DC	# of Audits	Amount ($)
Beginning of the Period (October 1, 2019) *	28	$ 59,822,538
Plus: New Management Decisions	6	$ 36,112,677
Total Audits Pending Collection of DC	34	$ 95,935,215
Less: Adjustments		$ 1,472
Revised Subtotal		$ 95,933,743
Less: Final Actions (Recoveries)	1	$ 0
Audits with DC Requiring Final Action at the End of the Period (September 18, 2020)	33	$ 95,933,743

**One audit was inadvertently identified as disallowed costs, and two additional audits with monetary amounts not tracked by OCFO.*

Exhibit 45Exhibit 45 and Exhibit 46: include only those open audits with DC and FTBU, respectively. Additionally, some audits contain both DC and FTBU amounts. For this reason, the number of audits shown as the ending balances in Exhibit 45Exhibit 45 and Exhibit 46 does not equal the total resolved audit inventory balance in Exhibit 43.

For DC audits that achieved final action in FY 2020, OIG and management agreed to collect $1,472. Final action occurred on three audits that involved FTBU amounts. Six FTBU audits remain in the inventory as of September 18, 2020, with a monetary value of $76,710,921. (See *Exhibit 46*).

Exhibit 46: Inventory of Audits with Funds To Be Put To Better Use (FTBU)

Audits with FTBU	# of Audits	Amount ($)
Beginning of the Period (October 1, 2019)	9	$ 81,617,411
Plus: New Management Decisions	0	$ 0
Total Audits Pending	9	$ 81,617,411
Less: Final Actions	3	$ 4,906,490
Audits with FTBU Requiring Final Action at the End of the Period (September 18, 2020)	6	$76,710,921
Disposition of FTBU:		
FTBU Implemented	3	$ 4,906,490
FTBU Not Implemented		$0
Total FTBU Amounts for Final Action Audits	3	$ 4,906,490

The number of audits open 1 or more years without final action in FY 2020 increased from the previous fiscal year from 56 to 64. The ending inventory includes 14 audits that reached 1 year past the management decision date during FY 2020. USDA agencies continue to pursue remediation and/or compensating controls to address many of the underlying issues identified in these older audits.

Exhibit 47: The Number of Audits Open 1 or More Years Past the Management Decision Date (MDD) Remains the Same as the Previous Fiscal Year.

Audits 1 Year or More Past MDD	# of Audits
Beginning of the period*	56
Plus: Audits that reached 1 year past MDD during FY 2020	14
Subtotal FY 2020 audits 1 year or more past MDD	70
Less: Audits closed	6
Ending balance as of September 30, 2020	64

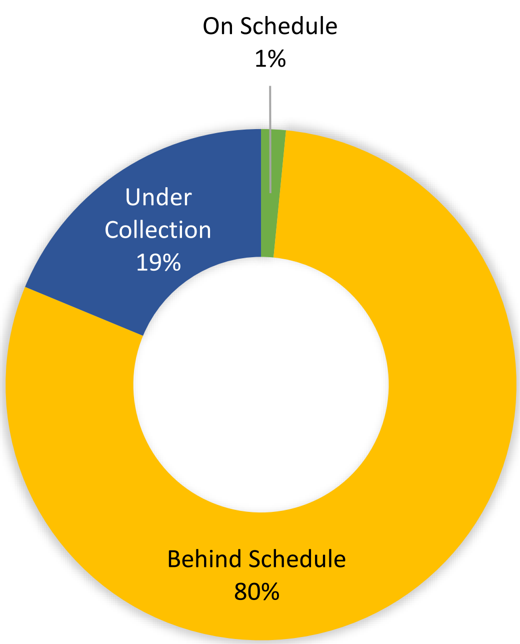
**Includes two audits that reached management decision (MD) after the close of the period and one audit that was reopened during the fiscal year.*

Agencies have completed planned corrective actions with the exception of 12 audits under collection for DC and the resolution of FTBU amounts. One audit is on schedule for completion. (See *Exhibit 48*).

Exhibit 48: Distribution of Audits Open 1 Year or More Past the Management Decision Date (MDD)

Audits on Schedule			Audits Behind Schedule			Audits Under Collection		
#	DC ($)	FTBU ($)	#	DC ($)	FTBU ($)	#	DC ($)	FTBU ($)
1	$0	$0	51	$53,047,236	$4,618,351	12	$6,594,535	$72,092,570

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



Management's Report on Audit Follow-Up

Audits without final action 1 year or more past the Management Decision Date (MDD) and behind schedule (excluding collections) are listed individually in *Exhibit 49*. The audits are categorized by agency and reason why final action has not occurred. More detailed information on audits under collection is available from OCFO.

Exhibit 49: Audits Open 1 Year or More Past the Management Decision Date (MDD) and Behind Schedule

Animal and Plant Health Inspection Service (APHIS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
33601-0001-41	12/09/2014	10/31/2020	Oversight of Research Facilities	$0	$420,299	Issuance of policy/guidance
50601-0001-32	09/22/2015	03/31/2021	Controls Over APHIS's Introduction of Genetically Engineered Organisms	$0	$0	Issuance of policy/guidance
50601-0008-TE	01/28/2005	10/31/2020	Controls over APHIS's Issuance of Genetically Engineered Organisms Release Permits	$0	$0	Legislation Required
50701-0001-21	09/21/2018	12/31/2020	USDA Agency Activities for Agroterrorism Prevention, Detection and Response	$0	$0	Pending receipt and/or processing of final action documentation
APHIS Subtotal (4)				**$0**	**$420,299**	

Agricultural Research Service (ARS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
50601-0006-TE	03/04/2004	12/31/2020	ARS's Controls Over Plant Variety Protection and Germplasm Storage	$0	$0	Administrative Action
50601-0010-AT	03/8/2004	12/31/2020	ARS's Follow-Up Report on the Security of Biological Agents at USDA Laboratories	$0	$0	Administrative Action
ARS Subtotal (2)				**$0**	**$0**	

Commodity Credit Corporation (CCC)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
06403-0001-11	11/9/2018	12/31/2020	CCC's Financial Statements for FY 2018	$0	$0	Receipt and/or processing of final action documentation
CCC Subtotal (1)				**$0**	**$0**	

Foreign Agricultural Service (FAS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount		Reason Pending
				DC ($)	FTBU ($)	
07601-0001-22	03/31/2014	12/31/2020	Private Voluntary Organization Grant Fund Accountability	$242,676	$8,481	Receipt and/or processing of final action documentation
07601-0001-41	07/13/2018	12/31/2020	Controls Over the Export Credit Guarantee Program	$0	$0	Receipt and/or processing of final action documentation
07601-0002-23	12/05/2016	12/31/2020	FAS's Monitoring of the Administration's Trade Agreement Initiatives	$0	$0	Receipt and/or processing of final action documentation
50601-0001-22	03/28/2013	12/31/2020	Effectiveness of FAS's Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals	$0	$0	Receipt and/or processing of final action documentation
50601-0002-16	02/06/2014	12/31/2020	Section 632(a) Transfer of Funds from the U.S. Agency for International Development (USAID) to USDA for Afghanistan	$0	$0	Issuance of policy/guidance
FAS Subtotal (5)				**$242,676**	**$8,481**	

Food and Nutrition Service (FNS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
27004-0001-23	09/24/2018	10/31/2020	New York's Controls Over Summer Food Service Program	$95,759	$0	Receipt and/or processing of final action documentation
27004-0001-31	8/26/2019	12/31/2020	Florida's Control Over Summer Food Service Program	$495,907	$0	Conclusion of external action
27004-0001-41	11/05/2018	11/15/2020	California's Controls Over Summer Food Service Program	$377,190	$0	Receipt and/or processing of final action documentation
27004-0003-21	3/14/2019	12/31/2020	Summer Food Service Program in Texas Sponsor Costs	$737,605	$0	Receipt and/or processing of final action documentation
27004-0004-21	3/14/2019	10/31/2020	Texas Controls Over Summer Food Service Program	$281,771	$0	Receipt and/or processing of final action documentation
27601-0002-41	09/23/2015	12/31/2020	FNS Quality Control Process for Supplemental Nutrition Assistance Program (SNAP) Error Rate	$0	$0	Administrative Action
27601-0003-10	09/27/2016	11/30/2020	New Mexico's Compliance with SNAP Certification of Eligible Households Requirements	$9,784	$0	Administrative Action
27601-0010-10	08/09/2017	12/31/2020	Pennsylvania's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	$968	$0	Issuance of policy/guidance

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
27601-0011-10	09/14/2017	12/31/2020	South Carolina's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	$26,209	$0	Issuance of policy/guidance
27601-0012-10	09/28/2017	9/4/2020	Washington's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	$0	$0	Administrative Action
27601-0013-10	12/19/2017	12/31/2020	Compilation Report of States' Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	$0	$0	Issuance of policy/guidance
27601-0019-10	9/28/2018	7/31/2021	Compilation Report of States' Compliance with Requirements for the Issuance and Use of Supplemental Nutrition Assistance Program Benefits	$0	$0	Administrative Action
FNS Subtotal (12)				**$2,025,193**	**$0**	

Farm Service Agency (FSA)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
03601-0001-22	07/31/2014	12/31/2020	Compliance Activities	$0	$0	Issuance of policy/guidance
03601-0002-22	07/31/2014	12/31/2020	Economic Adjustment Assistance to Users of Upland Cotton	$1,518,068	$0	Administrative Action
03601-0002-31	9/20/2018	12/31/2020	Agriculture Risk Coverage Price Loss Coverage Programs	$107,794	$0	Issuance of policy/guidance
03702-0001-32	12/10/2014	3/31/2021	FSA Livestock Forage Program	$208,374	$0	Pending systems development, implementation, or enhancement
06401-0005-11	2/12/2016	10/30/2020	Commodity Credit Corporation's (CCC) Financial Statements for FY 2015 and FY 2014	$0	$0	Receipt and/or processing of final action documentation
50024-0014-11	5/31/2019	12/31/2020	USDA's FY 2018 Compliance with Improper Payment Requirements	$0	$0	Receipt and/or Processing of final action documentation
50601-0003-22	01/27/2017	12/31/2020	Coordination of USDA Farm Program Compliance—FSA, Risk Management Agency, and Natural Resource Conservation Service	$0	$0	Administrative Action
FSA Subtotal (7)				**$1,834,236**	**$0**	

Food Safety and Inspection Service (FSIS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
24016-0001-23	02/18/2017	12/31/2021	FSIS Follow-up on the 2007 and 2008 Audit Initiatives	$0	$0	Issuance of policy/guidance
FSIS Subtotal (1)				**$0**	**$0**	

Natural Resources Conservation Service (NRCS)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
10099-0001-23	9/11/2018	3/31/2021	Controls Over Conservation Innovation Grants	$5,637,749	$0	Issuance of policy/guidance
10401-0009-11	11/13/2017	3/31/2021	NRCS's Balance Sheet for FY 2017	$0	$0	Issuance of policy/guidance
10403-0001-11	11/15/2018	3/31/2021	NRCS's Balance Sheet for FY 2018	$0	$0	Issuance of policy/guidance
10601-0001-32	9/27/2016	3/31/2021	Controls Over the Conservation Stewardship Program	$0	$4,189,571	Receipt and/or processing of final action documentation
10601-0002-31	07/30/2014	3/31/2021	NRCS Conservation Easement Compliance	$0	$0	Issuance of policy/guidance
10601-0004-31(2)	11/13/2017	3/31/2021	NRCS Regional Conservation Partnership Program Controls	$267,410	$0	Administrative action
10601-0005-31	9/24/2019	3/31/2021	Environmental Quality Incentives Program Payment Schedules	$0	$0	Receipt and/or processing of final action documentation
10601-0007-31	9/26/2019	3/31/2021	Agricultural Conservation Easement Program—Application Process and Selection Priorities	$0	$0	Issuance of policy/guidance
NRCS Subtotal (8)				**$5,905,159**	**$4,189,571**	

Office of the Chief Financial Officer (OCFO)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
50016-0001-23	09/28/2017	12/31/2020	Implementation of Suspension and Debarment Tools in USDA	$0	$0	Issuance of policy/guidance
50401-0013-11	11/15/2017	9/30/2021	USDA's Consolidated Balance Sheet for FY 2017	$0	$0	Issuance of policy/guidance
OCFO Subtotal (2)				**$0**	**$0**	

Office of Chief Information Officer (OCIO)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
50501-0018-12	10/12/2018	3/31/2021	FY 2018 Federal Information Security Modernization Act Audit	$0	$0	Issuance of policy/guidance
50501-0020-12	6/27/2019	3/31/2021	Improper Usage of USDA's Information Technology Resources	$0	$0	Issuance of policy/guidance
50501-0020-12(1)	6/26/2018	12/30/22	Improper Usage of USDA's Information Technology Resources	$0	$0	Receipt and/or processing of final action documentation
OCIO Subtotal (3)				$0	$0	

Office of Homeland Security and Emergency Coordination (OHSEC)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
61701-0001-21	03/27/2017	12/31/2020	Agroterrorism Prevention, Detection, and Response	$0	$0	Issuance of policy/guidance
OHSEC Subtotal (1)				**$0**	**$0**	

Office of Property and Fleet Management (OPFM)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
50099-0003-21	09/18/2018	10/30/2020	USDA's Management Over the Misuse of Government Vehicles	$0	$0	Issuance of policy/guidance
OPFM Subtotal (1)				**$0**	**$0**	

Office of Small and Disadvantaged Business Utilization (OSDBU)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	FTBU ($)	Reason Pending
50601-0003-23	9/28/2018	12/31/2020	OSDBU's Control Over the Eligibility of Contract Recipients	$0	$0	Issuance of policy/guidance
OSDBU Subtotal (1)				**$0**	**$0**	

Office of the Assistant Secretary for Civil Rights (OASCR)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
50099-0001-12	9/14/2015	9/30/2020	Review of Expenditures Made by the Assistant Secretary for Civil Rights	$0	$0	Administrative Action
OASCR Subtotal (1)				**$0**	**$0**	

Risk Management Agency (RMA)

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC ($)	Monetary Amount FTBU ($)	Reason Pending
05601-0005-31	12/19/2017	12/31/2020	RMA's Utilization of Contracted Data Mining Results	$0	$0	Pending systems development, implementation, or enhancement
05601-0006-31	7/26/2019	6/30/2021	Annual Forage Program and Follow-Up on Pasture , Rangeland, and Forage Program Recommendations	$43,039,972	$0	Issuance of policy/guidance
RMA Subtotal (2)				$43,039,972	$0	
Total Number Audits (51)			**Total**	**$53,047,236**	**$4,618,351**	

Real Property

The United States Department of Agriculture (USDA) Federal Real Property Profile (FRPP) submission to the U.S. General Services Administration (GSA) for fiscal year 2019 has 44,061 real property assets in its inventory for USDA. Of these, 23,313 assets are buildings. Approximately 86 percent of USDA's buildings are owned, and 13 percent are leased.

USDA has 19,558 structures, the overwhelming majority (99%) of which are owned. USDA occupies 55,309,564 square feet (SF) of space. Of this, owned assets comprise 39,981,165 SF and leased assets comprise 14,863,663 SF.

USDA's direct lease costs total $253,640,562 and of this, USDA pays $249,954,868 in total annual rent and $3,685,694 in total annual operating and maintenance costs. USDA also owns about 193 million acres of land and occupies over 1,000 General Services Administration (GSA) space assignments. GSA-controlled space costs USDA about $225 million in annual rental and is comprised of approximately 12 million SF of space.

A complete federal listing of real property can be accessed via the GSA website listed below. https://www.gsa.gov/policy-regulations/policy/real-property-policy/asset-management/federal-real-property-profile-frpp/federal-real-property-public-data-set.

Civil Monetary Penalties

The U.S. Department of Agriculture (USDA or the Department) maintains regulations regarding civil monetary policies at Title 7 of the Code of Federal Regulations § 3.91. The Department has reviewed and updated the penalties in accordance with the Civil Monetary Penalties Inflation Act of 2015. On December 5, 2017, the Department published the revised listing of penalties in the Federal Register (https://www.federalregister.gov/documents/2017/12/05/2017-26194/inflation-catch-up-adjustment-of-civil-monetary-penalty-amounts).

Each year, the Department must update its civil monetary penalties to account for annual inflation. On June 17, 2020, the Department published the revised penalties for 2020 in the Federal Register (https://www.federalregister.gov/documents/2020/06/17/2020-09447/debt-management).

The table below briefly describes the penalty, under which authority it pertains, and the anticipated current penalty amount.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Improper record keeping	7 U.S.C. 136i-1(d)	Insecticides and Environmental Pesticide Control	06/17/2020	Maximum of $964 in the case of the first offense, and a minimum of $1,872 in the case of subsequent offenses, except that the penalty will be less than $1,872 if the Secretary determines that the person made a good faith effort to comply.
Agricultural Marketing Service.	Violation of the unfair conduct rule	7 U.S.C. 499b(5)	Perishable Agricultural Commodities Act	06/17/2020	Maximum of $5,246.
Agricultural Marketing Service.	Violation of the licensing requirements	7 U.S.C. 499c(a)	Perishable Agricultural Commodities Act	06/17/2020	Maximum of $1,675 for each such offense and not more than $418 for each day it continues, or a maximum of $418 for each offense if the Secretary determines the violation was not willful.
Agricultural Marketing Service.	Civil penalty in lieu of license suspension	7 U.S.C. 499h (e)	Perishable Agricultural Commodities Act	06/17/2020	Maximum penalty of $3,348 for each violative transaction or each day the violation continues.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Violation	7 U.S.C. 586	Export Apple Act	06/17/2020	Minimum of $151 and a maximum of $15,300.
Agricultural Marketing Service.	Violation	7 U.S.C. 596	Export Grape and Plum Act	06/17/2020	Minimum of $293 and a maximum of $29,276.
Agricultural Marketing Service.	Violation of an order issued by the Secretary	7 U.S.C. 608c(14)(B)	Agricultural Adjustment Act	06/17/2020	Maximum of $2,928. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to file certain reports	7 U.S.C. 610 (C)	Agricultural Adjustment Act	06/17/2020	Maximum of $293.
Agricultural Marketing Service.	Violation of a seed program	7 U.S.C. 1596(b)	Federal Seed Act	06/17/2020	Minimum of $100 and a maximum of $1,996.
Agricultural Marketing Service.	Failure to collect any assessment or fee	7 U.S.C. 2112(b)	Cotton Research and Promotion Act	06/17/2020	Maximum of $2,928. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee for a violation	7 U.S.C. 2621(b)(1)	Potato Research and Promotion Act	06/17/2020	Minimum of $1,312 and a maximum of $12,104.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 2621(b)(3)	Potato Research and Promotion Act	06/17/2020	Maximum of $1,312. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 2714(b)(1)	Egg Research and Consumer Information Act	06/17/2020	Minimum of $1,517 and a maximum of $15,174.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 2714(b)(3)	Egg Research and Consumer Information Act	06/17/2020	Maximum of $1,517. Each day the violation continues is a separate violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Failure to remit any assessment or fee or for a violation of a program	7 U.S.C. 2908(a)(2)	Beef Research and Information Act	06/17/2020	Maximum of $11,837.
Agricultural Marketing Service.	Violation	7 U.S.C. 1596(b)	Federal Seed Act	06/17/2020	Minimum of $100 and a maximum of $1,996.
Agricultural Marketing Service.	Failure to collect any assessment or fee for a violation	7 U.S.C. 2112(b)	Cotton Research and Promotion Act	06/17/2020	Maximum of $2,928. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee for a violation of a program	7 U.S.C. 2621(b)(1)	Potato Research and Promotion Act	06/17/2020	Minimum of $1,312 and a maximum of $12,104.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 2621(b)(3)	Potato Research and Promotion Act	06/17/2020	Maximum of $1,312. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 2714(b)(1)	Egg Research and Consumer Information Act	06/17/2020	Minimum of $1,517 and a maximum of $15,174.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 2714(b)(3)	Egg Research and Consumer Information Act	06/17/2020	Maximum of $1,517. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to remit any assessment or fee or for a violation of a program	7 U.S.C. 2908(a)(2)	Beef Research and Information Act	06/17/2020	Maximum of $11,837.
Agricultural Marketing Service.	Failure to remit any assessment or for a violation of a program	7 U.S.C. 3410(b)	Wheat and Wheat Foods Research	06/17/2020	Maximum of $2,928.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 4314(b)(1)	Floral Research and Consumer Information Act	06/17/2020	Minimum of $1,378 and a maximum of $13,777.
Agricultural Marketing Service.	Failure to obey a cease and desist order under	7 U.S.C. 4314(b)(3)	Floral Research and Consumer Information Act	06/17/2020	Maximum of $1,378. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Violation of an order	7 U.S.C. 4510(b)	Dairy Promotion Program	06/17/2020	Maximum of $2,547.
Agricultural Marketing Service.	Pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 4610(b)(1)	Honey Research, Promotion, and Consumer Information Act	06/17/2020	Minimum of $765 and a maximum of $7,846.
Agricultural Marketing Service.	Failure to obey a cease and desist order under	7 U.S.C. 4610(b)(3)	Honey Research, Promotion, and Consumer Information Act	06/17/2020	Maximum of $785. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Violation of a program	7 U.S.C. 4815(b)(1)(A)(i)	Pork Promotion, Research, and Consumer Information Act of 1985	06/17/2020	Maximum of $2,368.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 4815(b)(3)(A)	Pork Promotion, Research, and Consumer Information Act of 1985	06/17/2020	Maximum of $1,184. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 4910(b)(1)	Watermelon Research and Promotion Act	06/17/2020	Minimum of $1,184 and a maximum of $11,837.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 4910(b)(3)	Watermelon Research and Promotion Act	06/17/2020	Maximum of $1,184. Each day the violation continues is a separate violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 6009(c)(1)	Pecan Promotion and Research Act of 1990	06/17/2020	Minimum of $1,928 and a maximum of $19,268.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 6009(e)	Pecan Promotion and Research Act of 1990	06/17/2020	Maximum of $1,926.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 6107(c)(1)	Mushroom Promotion, Research, and Consumer Information Act of 1990	06/17/2020	Minimum of $937 and a maximum of $9,365.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 6107(e)	Mushroom Promotion, Research, and Consumer Information Act of 1990	06/17/2020	Maximum of $937. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 6207(c)(1)	Lime Research, Promotion, and Consumer Information Act of 1990	06/17/2020	Minimum of $937 and a maximum of $9,365.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 6207(e)	Lime Research, Promotion, and Consumer Information Act of 1990	06/17/2020	Maximum of $937. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 6307(c)(1)(A)	Soybean Promotion, Research, and Consumer Information Act	06/17/2020	Maximum of $1,928.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 6307(e)	Soybean Promotion, Research, and Consumer Information Act	06/17/2020	Maximum of $9,593. Each day the violation continues is a separate violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation	7 U.S.C. 6411(c)(1)(A), & 7 U.S.C. 6411(c)(1)(B)	Fluid Milk Promotion Act of 1990	06/17/2020	Minimum of $18,405 and a maximum of $187,296.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 6411(e)	Fluid Milk Promotion Act of 1990	06/17/2020	Maximum of $9,639. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Knowingly labeling or selling a product as organic	7 U.S.C. 6519(c)	Organic Foods Production Act of 1990	06/17/2020	Maximum of $18,730.
Agricultural Marketing Service.	Failure to pay, collect, or remit any assessment or fee or for a violation of a program	7 U.S.C. 6808(c)(1)(A)(i)	Fresh Cut Flowers and Fresh Cut Greens Promotion and Information Act of 1993	06/17/2020	Minimum of $883 and a maximum of $8,831.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 6808(e)(1)	Fresh Cut Flowers and Fresh Cut Greens Promotion and Information Act of 1993	06/17/2020	Maximum of $8,831. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Violation of a program	7 U.S.C. 7107(c)(1)(A)	Sheep Promotion, Research, and Information Act of 1994	06/17/2020	Maximum of $1,722.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 7107(e)	Sheep Promotion, Research, and Information Act of 1994	06/17/2020	Maximum of $860. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Violation of an order or regulation issued	7 U.S.C. 7419(c)(1)	Commodity Promotion, Research, and Information Act of 1996,	06/17/2020	Minimum of $1,625 and a maximum of $16,257 for each violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 7419(e)	Commodity Promotion, Research, and Information Act of 1996	06/17/2020	Minimum of $1,625 and a maximum of $16,257. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Violation of an order or regulation issued	7 U.S.C. 7448(c)(1)(A)(i)	Canola and Rapeseed Research, Promotion, and Consumer Information Act,	06/17/2020	Maximum of $1,625 for each violation.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 7448 (e)	Canola and Rapeseed Research, Promotion, and Consumer Information Act	06/17/2020	Maximum of $8,128. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Violation of an order or regulation issued	7 U.S.C. 7468(c)(1)	National Kiwifruit Research, Promotion, and Consumer Information Act	06/17/2020	Minimum of $813 and a maximum of $8,128 for each violation.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 7468 (e)	National Kiwifruit Research, Promotion, and Consumer Information Act	06/17/2020	Maximum of $813. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Violation of an order or regulation	7 U.S.C. 7487(a)	Popcorn Promotion, Research, and Consumer Information Act	06/17/2020	Maximum of $1,625 for each violation.
Agricultural Marketing Service.	Violation	21 U.S.C. 1041(c)(1)(A)	Egg Products Inspection Act	06/17/2020	Maximum of $9,365 for each violation.
Agricultural Marketing Service.	Violation of an order or regulation issued	7 U.S.C. 7807(c)(1)(A)(i)	Hass Avocado Promotion, Research, and Information Act of 2000	06/17/2020	Minimum of $1,478 and a maximum of $14,790 for each violation.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 7807(e)(1	Hass Avocado Promotion, Research, and Information Act of 2000	06/17/2020	Maximum of $14,790 for each offense. Each day the violation continues is a separate violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Violation of certain provisions	7 U.S.C. 1636b(a)(1)	Livestock Mandatory Reporting Act of 1999	06/17/2020	Maximum of $15,300 for each violation.
Agricultural Marketing Service.	Failure to obey a cease and desist order	7 U.S.C. 1636b(g)(3)	Livestock Mandatory Reporting Act of 1999	06/17/2020	Maximum of $15,300 for each violation. Each day the violation continues is a separate violation.
Agricultural Marketing Service.	Failure to obey an order	7 U.S.C. 1637b(c)(4)(D)(iii)	Dairy Product Mandatory Reporting Program	06/17/2020	Maximum of $14,790 for each offense.
Agricultural Marketing Service.	Willful violation	7 U.S.C. 1638b(b)(2)	Country of Origin Labeling Program	06/17/2020	Maximum of $1,188 for each violation.
Agricultural Marketing Service.	Violation	7 U.S.C. 4535 and 4510(b)	Dairy Research Program	06/17/2020	Maximum of $2,547 for each violation.
Agricultural Marketing Service.	Violation by a packer or swine contractor	7 U.S.C. 193(b)	Packers and Stockyards	06/17/2020	Maximum of $29,270.
Agricultural Marketing Service.	Failure for a livestock market agency or dealer to register	7 U.S.C. 203	Packers and Stockyards	06/17/2020	Maximum of $1,995 and not more than $100 for each day the violation continues.
Agricultural Marketing Service.	Operating without filing, or in violation of, a stockyard rate schedule, or of a regulation	7 U.S.C. 207(g)	Packers and Stockyards	06/17/2020	Maximum of $1,996 and not more than $100 for each day the violation continues.
Agricultural Marketing Service.	Stockyard owner, livestock market agency, or dealer, who engages in or uses any unfair, unjustly discriminatory, or deceptive practice	7 U.S.C. 213(b)	Packers and Stockyards	06/17/2020	Maximum of $29,270.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Agricultural Marketing Service.	Stockyard owner, livestock market agency, or dealer, who knowingly fails to obey any order	7 U.S.C. 211, 212, or 213, codified at 7 U.S.C. 215(a)	Packers and Stockyards	06/17/2020	Maximum of $1,996.
Agricultural Marketing Service.	Live poultry dealer violations	7 U.S.C. 228b-2(b)	Packers and Stockyards	06/17/2020	Maximum of $85,150.
Agricultural Marketing Service.	Violation	7 U.S.C. 86(c)	Grain Standards	06/17/2020	Maximum of $286,049
Agricultural Marketing Service.	Failure to comply with certain provisions	7 U.S.C. 254	U.S. Warehouse Act	06/17/2020	Maximum of $36,975 per violation if an agricultural product is not involved in the violation.
Animal and Plant Health Inspection Service	Violation	7 U.S.C. 1596(b)	Federal Seed Act	06/17/2020	Minimum of $100 and a maximum of $1,996.
Animal and Plant Health Inspection Service	Violation	7 U.S.C. 2149(b)	Animal Welfare Act	06/17/2020	Maximum of $11,883, and knowingly fail to obey a cease and desist order has a civil penalty of $1,782.
Animal and Plant Health Inspection Service	Penalty for any person that causes harm to, or interferes with, an animal used for the purposes of official inspection by USDA	7 U.S.C. 2279e(a)	Farming Opportunities Training and Outreach	06/17/2020	Maximum of $14,790.
Animal and Plant Health Inspection Service	Violation	7 U.S.C. 3805(a),	Swine Health Protection Act	06/17/2020	Maximum of $29,726.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Penalty for any person that violates or that forges, counterfeits, or, without authority from the Secretary, uses, alters, defaces, or destroys any certificate, permit, or other document	7 U.S.C. 7734(b)(1)	Plant Protection Act (PPA)	06/17/2020	Maximum of the greater of: $73,950 in the case of any individual, except that the civil penalty may not exceed $1,479 in the case of an initial violation of the PPA by an individual moving regulated articles not for monetary gain, $369,749 in the case of any other person for each violation, $594,129 for all violations adjudicated in a single proceeding if the violations do not include a willful violation, and $1,188,259 for all violations adjudicated in a single proceeding if the violations include a willful violation; or twice the gross gain or gross loss for any violation, forgery, counterfeiting, unauthorized use, defacing, or destruction of a certificate, permit, or other document provided for in the PPA that results in the person deriving pecuniary gain or causing pecuniary loss to another.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Penalty for any person that violates or that forges, counterfeits, or, without authority from the Secretary, uses, alters, defaces, or destroys any certificate, permit, or other document	7 U.S.C. 8313(b)(1)	Animal Health Protection Act (AHPA)	06/17/2020	Maximum of the greater of: $70,972 in the case of any individual, except that the civil penalty may not exceed $1,420 in the case of an initial violation of the AHPA by an individual moving regulated articles not for monetary gain, $354,860 in the case of any other person for each violation, $594,129 for all violations adjudicated in a single proceeding if the violations do not include a willful violation, and $1,188,259 for all violations adjudicated in a single proceeding if the violations include a willful violation; or twice the gross gain or gross loss for any violation, forgery, counterfeiting, unauthorized use, defacing, or destruction of a certificate, permit, or other document provided under the AHPA that results in the person's deriving pecuniary gain or causing pecuniary loss to another person.
Animal and Plant Health Inspection Service	Penalty for any person that violates certain regulations regarding transfers of listed agents and toxins or possession and use of listed agents and toxins	7 U.S.C. 8401(i)(1)	Agricultural Bioterrorism Protection Act of 2002	06/17/2020	Maximum of $354,860 in the case of an individual and $709,721 in the case of any other person.
Animal and Plant Health Inspection Service	Violation	15 U.S.C. 1825(b)(1)	Horse Protection Act	06/17/2020	Maximum of $5,856.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Failure to obey Horse Protection Act disqualification	15 U.S.C. 1825(c)	Horse Protection Act	06/17/2020	Maximum of $11,444.
Animal and Plant Health Inspection Service	Knowingly violating, or, if in the business as an importer or exporter, violating, with respect to terrestrial plants, any provision	16 U.S.C. 1540(a)(1), section 9(a)(1)(A) through (F), (a)(2)(A) through (D), (c), (d) (other than regulations relating to record keeping or filing reports), (f), or (g)	Endangered Species Act of 1973	06/17/2020	Maximum of $53,525 for each violation.
Animal and Plant Health Inspection Service	Knowingly violating, or, if in the business as an importer or exporter, violating, with respect to terrestrial plants, any other regulation	16 U.S.C. 1540(a)(1)	Endangered Species Act of 1973	06/17/2020	Maximum of $25,632 for each violation.
Animal and Plant Health Inspection Service	Violating, with respect to terrestrial plants or any regulation, permit, or certificate	16 U.S.C. 1540(a)(1)	Endangered Species Act of 1973	06/17/2020	Maximum of $1,351 for each violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Animal and Plant Health Inspection Service	Knowingly and willfully violating with respect to the transportation of animals by any rail carrier, express carrier, or common carrier (except by air or water), a receiver, trustee, or lessee of one of those carriers, or an owner or master of a vessel	49 U.S.C. 80502(d)	Transportation of Animals	06/17/2020	Minimum of $168 and a maximum of $860.
Animal and Plant Health Inspection Service	Violation and its implementing regulation	7 U.S.C. 1901 note, as specified in 9 CFR 88.6	Commercial Transportation of Equine for Slaughter Act	06/17/2020	Maximum of $812.
Animal and Plant Health Inspection Service	Knowingly violating or for violating any other provision provided that, in the exercise of due care, the violator should have known that the plant was taken, possessed, transported, or sold in violation of any underlying law, treaty, or regulation	16 U.S.C. 3373(a)(1)	Lacey Act Amendments of 1981	06/17/2020	Maximum of $26,615 for each violation, as specified in 16 U.S.C. 3373(a)(1) (but if the plant has a market value of less than $356, and involves only the transportation, acquisition, or receipt of a plant taken or possessed in violation of any law, treaty, or regulation of the United States, any Indian tribal law, any foreign law, or any law or regulation of any State, the penalty will not exceed the maximum provided for violation of said law, treaty, or regulation, or $26,615, whichever is less).
Animal and Plant Health Inspection Service	Violation	16 U.S.C. 3373(a)(2)	Lacey Act Amendments of 1981	06/17/2020	Maximum of $665.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Food and Nutrition Service	Violating a provision or a regulation under the Act, by a retail food store or wholesale food concern	7 U.S.C. 2021(a) and (c)	Food and Nutrition Act of 2008 (Act)	06/17/2020	Maximum of $118,826 for each violation.
Food and Nutrition Service	Trafficking in food coupons	7 U.S.C. 2021(b)(3)(B)	Food and Nutrition Act of 2008 (Act)	06/17/2020	Maximum of $42,819 for each violation, except that the maximum penalty for violations occurring during a single investigation is $77,106.
Food and Nutrition Service	Sale of firearms, ammunitions, explosives, or controlled substances for coupons	7 U.S.C. 2021(b)(3)(C)	Food and Nutrition Act of 2008 (Act)	06/17/2020	Maximum penalty for violations occurring during a single investigation is $77,106.
Food and Nutrition Service	Any entity that submits a bid to supply infant formula and discloses the amount of the bid, rebate, or discount practices in advance of the bid opening or for any entity that makes a statement prior to the opening of bids for the purpose of influencing a bid	42 U.S.C. 1786(h)(8)(H)(i)	Special Supplemental Nutrition Program for Women, Infants, and Children	06/17/2020	Maximum of $181,484,308.
Food and Nutrition Service	Vendor convicted of trafficking in food instruments	42 U.S.C. 1786(o)(1)(A) and 42 U.S.C. 1786(o)(4)(B)	Special Supplemental Nutrition Program for Women, Infants, and Children	06/17/2020	Maximum of $15,692 for each violation, except that the maximum penalty for violations occurring during a single investigation is $62,767.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Food and Nutrition Service	Vendor convicted of selling firearms, ammunition, explosive, or controlled substances in exchange for food instruments	42 U.S.C. 1786(o)(1)(B) and 42 U.S.C. 1786(o)(4)(B)	Special Supplemental Nutrition Program for Women, Infants, and Children	06/17/2020	Maximum of $15,692 for each violation, except that the maximum penalty for violations occurring during a single investigation is $62,767.
Food Safety and Inspection Service	Violation	21 U.S.C. 1041(c)(1)(A)	Egg Products Inspection Act	06/17/2020	Maximum of $9,365 for each violation.
Forest Service.	Willful disregard of the prohibition against the export of unprocessed timber originating from Federal lands	16 U.S.C. 620d(c)(1)(A)	Federal Lands	06/17/2020	Maximum of $963,837 per violation or three times the gross value of the unprocessed timber, whichever is greater.
Forest Service.	Violation	16 U.S.C. 620d(c)(2)(A)(i)	Forest Resources Conservation and Shortage Relief Act	06/17/2020	Maximum of $144,576 per violation.
Forest Service.	Penalty for a person that should have known that an action was a violation regardless of whether such violation caused the export of unprocessed timber originating from Federal lands	16 U.S.C. 620d(c)(2)(A)(ii),	Forest Resources Conservation and Shortage Relief Act	06/17/2020	Maximum of $96,384 per violation.
Forest Service.	Willful violation	16 U.S.C. 620d(c)(2)(A)(iii)	Forest Resources Conservation and Shortage Relief Act	06/17/2020	Maximum of $963,837.
Forest Service.	Violation involving protections of caves	16 U.S. C. 4307(a)(2)	Federal Cave Resources Protection	06/17/2020	Maximum of $21,065.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Federal Crop Insurance Corporation.	Willfully or intentionally providing any false or inaccurate information	7 U.S.C. 1515(h)(3)(A)	Federal Crop Insurance Act	06/17/2020	Maximum of the greater of the amount of the pecuniary gain obtained as a result of the false or inaccurate information or the noncompliance; or $12,502.
Rural Housing Service.	Violation of section 536 of Title V of the Housing Act of 1949	42 U.S.C. 1490p(e)(2)	Housing Act of 1949	06/17/2020	Maximum of $204,891 in the case of an individual, and a maximum of $2,048,915 in the case of an applicant other than an individual.
	Penalty for equity skimming	42 U.S.C. 1490s(a)(2)	Housing Act of 1949	06/17/2020	Maximum of $36,975.
Rural Housing Service.	Submitting false information, submitting false certifications, failing to timely submit information, failing to maintain real property in good repair and condition, failing to provide acceptable management for a project, or failing to comply with applicable civil rights laws and regulations	42 U.S.C. 1490s(b)(3)(A)	Housing Act of 1949	06/17/2020	Maximum of the greater of twice the damages USDA, guaranteed lender, or project that is secured for a loan under Title V suffered or would have suffered as a result of the violation; or $73,950 per violation.
Commodity Credit Corporation.	Penalty for willful failure or refusal to furnish information, or willful furnishing of false information under Section 156	7 U.S.C. 7272(g)(5)	Federal Agricultural Improvement and Reform Act of 1996	06/17/2020	Maximum of $16,257 for each violation.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Commodity Credit Corporation.	Willful failure or refusal to furnish information or willful furnishing of false data by a processor, refiner, or importer of sugar, syrup, and molasses	7 U.S.C. 7272(g)(5)	Federal Agriculture Improvement and Reform Act of 1996	06/17/2020	Maximum of $16,257 for each violation.
Commodity Credit Corporation.	Filing a false acreage report that exceeds tolerance	7 U.S.C. 7272(g)(5)	Federal Agriculture Improvement and Reform Act of 1996	06/17/2020	Maximum of $16,257 for each violation.
Commodity Credit Corporation.	Knowingly violating any regulation of the Secretary of the Commodity Credit Corporation pertaining to flexible marketing allotments for sugar	7 U.S.C. 1359hh(b)	Agricultural Adjustment Act of 1938	06/17/2020	Maximum of $11,883 for each violation.
Commodity Credit Corporation.	Knowingly violating regulations promulgated by the Secretary pertaining to cotton insect eradication	7 U.S.C. 1444a(d)	Agricultural Act of 1949	06/17/2020	Maximum of $14,638 for each offense.
Office of the Secretary.	Making, presenting, submitting, or causing to be made, presented, or submitted a false, fictitious, or fraudulent claim	31 U.S.C. 3802(a)(1)	Program Fraud Civil Remedies Act of 1986	06/17/2020	Maximum of $11,666.

Program Office	Penalty (Name of Penalty)	U.S.C. Citation	Statutory Authority; Positive Law and Section Authority (Statute)	Date of Current Adjustment	Anticipated Current Penalty Level ($ Amount)
Office of the Secretary.	Making, presenting, submitting, or causing to be made, presented, or submitted a false, fictitious, or fraudulent written statement	31 U.S.C. 3802(a)(2)	Program Fraud Civil Remedies Act of 1986	06/17/2020	Maximum of $11,666.

Grants Program

Agencies and Staff Offices with grant and cooperative agreement programs must submit a brief high-level summary of expired awards which have not been closed. In the table below, they are to report the total number of Federal grant and cooperative agreement awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2020.

USDA is providing the below table as required by OMB Circular A-136. This data will be the base for comparison in the FY 2021 Agency Financial Report. A brief narrative of the progress made over the next year will compared to the previous year's report. The narrative will also address challenges preventing closeout of awards reported, and actions to be taken to close awards reported. Currently, this narrative is optional if the entity did not report on expired grants in FY 2019. USDA did not report expired grants in FY 2019 and therefore does not have any action to report.

Exhibit 50: Grants Program Summary

Category	2–3 Years	>3–5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	492	156	52
Number of Grants/Cooperative Agreements with Undisbursed Balances	1,772	480	63
Total Amount of Undisbursed Balances	**$43,352,775.47**	**$22,121,102.35**	**$9,867,362.64**

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Abbreviations–Acronyms

2501 Program	Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers Program

— A —

A&O	Administrative and Operating Subsidy
AAR	Acquisition Approval Request
ABAWD	Able-Bodied Adults without Dependents
ADA	Anti-Deficiency Act
ADSEF	Administration for Socioeconomic Development of the Family
AFR	Agency Financial Report
AgCMS	Agriculture Conference Management System
AgNIC	Agriculture Network Information Collaborative
AHPA	Animal Health Protection Act
AIP	Approved Insurance Providers
AMS	Agricultural Marketing Service
APEC	Access, Participation, Eligibility, and Certification Study
APEC-II	Access, Participation, Eligibility, and Certification Study-II
APG	Agency Priority Goal
APH	Actual Production History
APHIS	Animal and Plant Health Inspection Service
APPR	Annual Performance Plan and Report
AQI	Agricultural Quarantine Inspection
ARC	Agriculture Risk Coverage
ARC CO	Agriculture Risk Coverage-County
ARMS	Agricultural Resources Management Survey

ARS .... Agricultural Research Service
ART .... Administrative Review and Training
ASCR .... Assistant Secretary for Civil Rights
ATO .... Authority to Operate

— B —

BAR .... Budget and Accrual Reconciliation
BARC............................ Beltsville Agricultural Research Center
BOC .... Budget Object Classification
BPOI .... Basic Provisions of Insurance

— C —

CACFP .... Child and Adult Care Food Program
CAIVRS .... Credit Alert Verification Reporting System
CAP .... Cross-Agency Priority
CARES Act .... Coronavirus Aid, Relief, and Economic Security Act
CBD .... Cannabidiol
CBOs .... Certificates of Beneficial Ownership
CCA .... Clinger-Cohen Act
CCC .... Commodity Credit Corporation
CCC BF .... Commodity Credit Corporation Budget Formulation
CCSC .... Charge Card Service Center
CDM .... Continuous Diagnostics and Mitigation
CEC .... Client Experience Center
CFAP .... Coronavirus Food Assistance Program
CFDA .... Catalog of Federal Domestic Assistance
CFO .... Chief Financial Officer
CFR .... Code of Federal Regulations
CHA .... Children's Hunger Alliance
CIH .... Crop Insurance Handbook
CIM .... Capital Improvement and Maintenance
CIO .... Chief Information Officer
CIR .... Contract Implementation Ratio
CIS .... Interstate Shipment
CN .... Child Nutrition
CoC .... Cushion of Credit
CoEs .... Centers of Excellence
COF .... County Office

COSO .... Committee of Sponsoring Organizations of the Treadway Commission
COTS .... Commercial Off-The-Shelf
COVID-19 .... Coronavirus Disease 2019
CPI .... Consumer Price Index
CPIC .... Capital Planning and Investment Control
CR .... Conservation Research
CRP .... Conservation Reserve Program
CTA .... Conservation Technical Assistance
CTAT .... Conference Transparency and Accountability Tool
CSI .... Consumer Safety Inspectors
CY .... Current Year

— D —

DA .... Departmental Administration
DATA .... Data and Technical Assistance
DC .... Disallowed Costs
DCOI .... Data Center Optimization Initiative
DHS .... U.S. Department of Homeland Security
DISC .... Digital Infrastructure Service Center
DM&R .... Deferred Maintenance & Repairs
DNP .... Do Not Pay
DOJ .... U.S. Department of Justice
DOL .... U.S. Department of Labor

— E —

E&T .... Employment and Training
E-Board .... Executive Information Technology Investment Review Board
EA .... Enterprise Architecture
EBT .... Electronic Benefits Transfers
ECP .... Emergency Conservation Program
EFAC .... Export Food Aid Commodity
eFG .... ezFedGrants
ELC .... Entity Level Control
EQIP .... Environmental Quality Incentives Program
ERM .... Enterprise Risk Management
ERS .... Economic Research Service
EU .... Enterprise Unit
EWA .... Early Warning Alert

— F —

FAQs .... Frequently Asked Questions
FAR .... Federal Acquisition Regulation
FAS .... Foreign Agricultural Service
FCC .... Federal Communications Commission
FCIC .... Federal Crop Insurance Corporation
FDA .... Food and Drug Administration
FDCH .... Family Day Care Home
FDD .... Food Distribution Division
FDPIR .... Food Distribution Program on Indian Reservations
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
FI .... Food Inspectors
FISMA .... Federal Information Security Modernization Act
FITARA .... Federal Information Technology Acquisition Reform Act
FLP .... Farm Loan Programs
FMFIA .... Federal Managers' Financial Integrity Act
FMIA .... Federal Meat Inspection Act
FMMI .... Financial Management Modernization Initiative
FNCS .... Food, Nutrition, and Consumer Services
FNS .... Food and Nutrition Service
FPAC .... Farm Production and Conservation
FPDS NG .... Federal Procurement Data System-Next Generation
FR .... Financial Report of the U.S. Government
FRPP .... Federal Real Property Profile
FS .... Forest Service
FSA .... Farm Service Agency
FSFL .... Farm and Sugar Storage Facilities
FSH .... Forest Service Handbook
FSIS .... Food Safety Inspection Service
FSM .... Forest Service Manual
FSRIP .... Farm Security and Rural Investment Act Program
FTBU .... Funds to Be Put to Better Use
FY .... Fiscal Year

— G —

GAO .... Government Accountability Office
GIS .... Geographic Information System
GMS .... Grants Management Service
GPRA .... Government Performance and Results
GSA .... General Services Administration
GTAS .... Governmentwide Treasury Account Symbol Adjusted Trial Balance System

— H —

HACCP .... Hazard Analysis and Critical Control Point
HANA .... High-Performance Analytic Appliance
HH .... Hurricane Harvey
HR .... Human Resources
HUD .... U.S. Department of Housing and Urban Development

— I —

IAA .... Interagency Agreements
IBNR .... Incurred but Not Reported
IC .... Innovation Center
IGT .... Intra-Governmental Transaction
IOD .... Insights on Demand
IP .... Improper Payment
IPERA .... Improper Payments Elimination and Recovery Act of 2010
IPERIA .... Improper Payment Elimination and Recovery Improvement Act of 2012
IRDTS .... Internal Review Documentation and Tracking System
ISPs .... Investment Support Plans
IT .... Information Technology
ITO .... Indian Tribal Organizations

— K —

KPIs Key .... Performance Indicators

— L —

L&WCF .... Land and Water Conservation Fund
LFP .... Livestock Forage Disaster Program

LP .... Livestock & Poultry
LPAI .... Low pathogenic avian influenza
LPDS .... Labeling and Program Delivery Staff
LSAS .... Labeling Submission and Approval System

— M —

MARO .... Mid-Atlantic Regional Office
MD .... Management Decision
MDD .... Management Decision Date
ME .... Management Evaluation
MFH .... Multi-Family Housing
MFP .... Market Facilitation Program
MOU .... Memorandum of Understanding
MRP .... Marketing and Regulatory Programs

— N —

N/A .... Not Available
NAL .... National Agricultural Library
NAP .... Noninsured Crop Disaster Assistance Program
NASS .... National Agricultural Statistics Service
NFC .... National Finance Center
NFS .... National Forest Service
NIFA .... National Institute of Food and Agriculture
NRCS .... Natural Resources Conservation Service
NRHP........................... National Register of Historic Places
NSLP .... National School Lunch Program
NTIA .... National Telecommunications and Information Administration

— O —

OAO .... Office of Advocacy and Outreach
OASCR .... Office of the Assistant Secretary for Civil Rights
OBPA .... Office of Budget & Program Analysis
OCE .... Office of the Chief Economist
OCFO .... Office of the Chief Financial Officer
OCIO .... Office of the Chief Information Officer
OCP .... Office of Contracting and Procurement
OCS .... Office of the Chief Scientist
OCX .... Office of Customer Experience

OFS .... Office of Food Safety
OHA .... Office of Hearings and Appeals
OHSEC .... Office of Homeland Security and Emergency Coordination
OIG .... Office of Inspector General
OGC .... Office of the General Counsel
OMB .... Office of Management and Budget
OPFM .... Office of Property and Fleet Management
OPM .... Office of Personnel Management
OPPE .... Office of Partnerships and Public Engagement
OSDBU .... Office of Small and Disadvantaged Business Utilization
OSEC .... Office of the Secretary

— P —

PC .... Program Characteristics
PDLC .... Product Development Life Cycle
PHA .... Priority Heritage Assets
PHR .... Public Health Regulation
PHV .... Public Health Veterinarian
PII .... Personally Identifiable Information
PIIA .... Payment Integrity Information Act of 2019
PIR .... Practice Implementation Rate
PL .... Public Law
PLC .... Price Loss Coverage
PMA .... President's Management Agenda
PMO .... Project Management Office
PP&E .... Property, Plant and Equipment
PPA .... Plant Protection Act
ProTracts .... Program Contracts System
PSA .... Payment Schedule Application
PTIG .... Process, Technology, and Innovation Grants

— Q —

Q .... Quarter
QC .... Quality Control

— R —

RBCS .... Rural Business-Cooperative Service
RC&D .... Resource Conservation and Development

RCOs .... Regional Compliance Offices
RD .... Rural Development
ReConnect .... Rural eConnectivity Pilot Program
REE .... Research, Education, and Economics Resources
REE-OCS .... Agency Priority Goal Increase Utilization of Agriculture Research
RHIF .... Rural Housing Insurance Fund
RHS .... Rural Housing Service
RMA .... Risk Management Agency
RPA .... Robotic Process Automation
RUS .... Rural Utility Service
RY .... Report Year

— S —

S&E .... Salaries and Expenses
SAM .... System for Award Management
SAP .... Systems, Applications, and Products
SBA .... Small Business Association
SBP .... School Breakfast Program
SBR .... Statement of Budgetary Resources
SecOps .... Security Operations
SFA .... School Food Authority
SFFAS .... Statement of Federal Financial Accounting Standards
SFHG .... Single Family Housing Guaranteed
SFSP .... Summer Food Service Program
SMO .... Services Management Office
SNAP .... Supplemental Nutrition Assistance Program
SOD .... Segregation of Duty
SOPI .... Significant Overriding Public Interest
SMO .... Services Management Office
SPS .... Sanitation Performance Standard
SRA .... Standard Reinsurance Agreement
SSO .... Seamless Summer Option
SSP .... Shared Services Provider
STO .... State Office
SY .... School Year

— T —

TB .... Technical Bulletin
TBT .... Technical Barrier to Trade
TEFAP .... The Emergency Food Assistance Program
TFAA .... Trade and Foreign Agricultural Affairs
TMP .... Trade Mitigation Program
TOP .... Treasury Offset Program
TPMC .... Tucson Plant Materials Center

— U —

UDO .... Undelivered Orders
UEI .... Unique Entity Identifier
UI .... User Interface
ULO .... Unliquidated Obligations
USAID .... U.S. Agency for International Development
USDA .... U.S. Department of Agriculture
USSGL .... U.S. Standard General Ledger
UX .... User Experience

— V —

VA .... U.S. Department of Veterans Affairs
vND .... Virulent Newcastle Disease

— W —

WebSCM .... Web-based Supply Chain Management System
WEP .... Water and Environmental Programs
WHIP .... Wildfires and Hurricanes Indemnity Program
WIC .... Special Supplemental Nutrition Program for Women, Infants, and Children