



U.S. Department of Agriculture



Office of Inspector General
Southeast Region

Audit Report

Minority Participation in Farm Service Agency's Programs

Report No. 03601-11-AT
November 2005



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



November 17, 2005

REPLY TO

ATTN OFF: 03601-11-At

TO: Teresa Lasseter
Administrator
Farm Service Agency

ATTN: T. Mike McCann
Director
Operations Review and Analysis Staff

FROM: Robert W. Young /S/
Assistant Inspector General
for Audit

SUBJECT: Minority Participation in Farm Service Agency's Farm Loan Programs

This report presents the results of the subject audit. Your responses, dated October 25, November 2, and November 3, 2005, are included as exhibit D with excerpts and the Office of Inspector General's (OIG) position incorporated in the relevant Findings and Recommendations sections of the report. Based on your response, we have accepted management decisions on Recommendations 1, 2, 3, 4, and 5. Additional information as specified in the OIG position sections is needed before we can accept management decisions for Recommendations 6 and 7.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the action taken or planned and the timeframes for implementation of the recommendations. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us by members of your staff during the audit.

Executive Summary

Minority Participation in Farm Service Agency's Programs (Audit Report No. 03601-11-At)

Results in Brief

As part of the U.S. Department of Agriculture's (USDA) ongoing efforts to improve its relationship with minority farmers and ranchers, this audit revisits the findings of a 1997 report of the Farm Service Agency's (FSA) farm loan program¹. We found that FSA implemented corrective actions on all 13 recommendations from the 1997 report and initiated many substantive changes in its operation (see exhibit B). Though the data gathered demonstrates that FSA has made significant progress towards addressing minority farmers' concerns, we conclude that USDA must continue striving to regain public trust in the fairness of FSA's programs. To that end, USDA must correct additional problems in its departmental and FSA civil rights offices and begin nationwide coordination of local outreach activities.

In our 1997² audit, we found situations in particular locations involving loanmaking, loan servicing, foreclosure actions, and employee conduct which may have adversely affected individual minorities. Since 1997 several high-profile lawsuits alleging FSA discrimination have emphasized the agency's pressing need to improve its relationship with minorities. Producers representing a protected class have filed five lawsuits against USDA claiming racial or gender discrimination in FSA farm loan programs.³ In 1999, *Pigford v. Glickman* was settled with USDA admitting no liability but agreeing to compensate black farmers who demonstrated by substantial evidence that he/she was the victim of race discrimination when applying for Federal farm loans; as of February 14, 2005, more than 13,762 claimants had received compensation totaling more than \$839 million. The negative publicity occasioned by these suits, the number of individuals claiming discrimination, and the high damages involved have helped to foster the public perception that minorities applying for Federal farm loans may not always be treated the same as all other applicants.

In our prior audit, we reported several issues which affected minority participation in FSA loan programs. We stated that (1) FSA had an outstanding backlog of civil rights complaints, (2) applications from minority applicants took more days to process than applications from nonminority applicants, (3) delinquent minority borrowers received a lesser number of loan servicing actions than delinquent nonminority borrowers, and (4) FSA needed to improve its relationship with the minority farming community.

¹ Minority Participation in Farm Service Agency's Farm Loan Programs – Phase II 50801-3-Hq, September 1997.

² Similar to the 1997 audit, we define minorities as a member of a racial group such as Blacks (African American), Hispanics (Latino), American Indians, and Asian Americans.

³ *Pigford v. Glickman*, *Garcia v. Glickman*, *Keepseagle v. Glickman*, *Love v. Glickman*, and the more recent suit by the Black Farms Agriculture Association.

This occurred because of the lack of experienced personnel to conduct investigations of civil rights complaints, lack of technical assistance available to minority applicants and borrowers, and the lack of diversity in FSA offices. FSA had a backlog of 474 civil rights complaints in 1997 (average age of the majority of these complaints were 703 days, with the oldest complaint being filed in 1986), it took 12 days longer to complete minority applications, delinquencies were higher for minority borrowers than nonminority borrowers, and minority borrowers were reluctant to enter into FSA offices to apply for loans.

During this review, we obtained data on open civil rights complaints and compliance reviews from the Departmental Office of Civil Rights (CR) and we evaluated FSA's Office of Civil Rights (FSA/OCR) operations and its role in processing and monitoring complaints. We also visited 5 FSA State offices and 10 FSA loan service centers. The 10 loan service centers process and service direct loans for 65 counties in the 5 States we visited. At the State offices and loan service centers we reviewed loan serving actions, debt settlements, and foreclosure actions for disparate treatment of minority farmers. Also, at the loan service centers we reviewed loan applications and interviewed FSA's borrowers and loan applicants from the 65 counties for disparate treatment. We also interviewed FSA State office and county office employees and evaluated their outreach effects.

We compared the results of this review to the conditions we found in 1997 and concluded, FSA has taken a number of actions that have improved its relations with minority farmers and as a result: (1) the number of complaints have been reduced to 113 (the majority of these complaints were just over 180 days old) as of January 2005; (2) days to process a minority loan application from receipt to loan closing was reduced from 92 days (80 days for nonminorities) to 65 (55 days for nonminorities); and (3) the number of delinquent minority borrowers were reduced from 1,371 (9,323 for nonminorities) to 115 (343 for nonminorities).

Also, the number of minorities on local county committees has increased since 1997. On a nationwide basis, the county office committee (COC) election results showed an 82-percent increase in minority membership in COC, from 191 (2.4 percent) of 8,148 members in 1997 to 348 (4.4 percent) of 7,872 members in 2004.

Although CR and FSA have made significant improvements since 1997, our review identified three areas where further improvements are needed.

CR Does Not Conduct Compliance Reviews

CR has not conducted compliance reviews of FSA programs in over 5 years to determine whether the agency's practices comply with civil rights statutes.

Since 1997, CR has committed most of its resources to reducing the backlog of complaints. Without performing these compliance reviews—a necessary management control for detecting and remedying noncompliance with civil rights policies—CR cannot ensure that FSA programs are free of practices adversely affecting minorities.

Given the judicial scrutiny being directed at FSA programs, it is in the Department's best interest to be meticulous in reviewing FSA, as compliance reviews are a key management control used to detect and remedy noncompliance with civil rights policies.

In 1997, we found that CR's backlog of FSA civil rights complaints had risen to 474. We recommended that CR take immediate steps to reduce the number of outstanding civil rights complaints. As of January 26, 2005, this audit found that the number of unresolved complaints had fallen to 113. Because the number of civil rights complaints filed in FY 2004 had decreased to 51—just 6 percent of its peak filings of 807 in FY 1999—we concluded that CR should commit some of its resources to conducting compliance reviews of FSA's programs.

FSA's OCR Lacks Standard Operating Procedures (SOP) for its Role in Processing Complaints

Management controls at FSA/OCR were ineffective for monitoring of program discrimination complaints. This occurred because of the lack managerial direction and written standard operating procedures and a frequent turnover in management, six directors in 7 years—with tenures as short as 6 months. FSA/OCR staff worked without comprehensive SOPs for tracking program complaints effectively, meeting the Department's 24-day deadline for conducting Fact Finding Inquiries (FFI) and preparing agency position statements, and liaising with FSA field offices. FSA/OCR cannot, as a result, assure the Department that its role in the civil rights program complaints process is performed with due care and in a timely fashion.

FSA's National Outreach Programs Do Not Sufficiently Coordinate Local Outreach Efforts

FSA has improved its outreach greatly since 1996, spending \$17.4 million over 8 years. Our audit found, however, that because FSA has largely focused on nationwide initiatives, local outreach activities vary markedly from county to county, with the result that constituents in different communities are experiencing dissimilar levels of service. FSA's National Office Outreach staff does not evaluate or monitor State office and CO's outreach activities nor does it provide guidance on reaching minority farmers. This occurred because the National Office Outreach staff does not have the authority to direct State's outreach activities. Due to this lack of

coordination, FSA cannot ensure that its COs are doing everything possible to reach all underrepresented farmers and ranchers.

**Recommendations
in Brief**

To ensure that FSA's programs are in full compliance with all civil rights regulations, USDA should direct CR to resume conducting compliance reviews.

FSA should also continue acting to improve its relationship with underserved producers by (1) verifying that its agency's OCR finalizes draft SOPs for the processing of civil rights complaints, (2) developing and implementing policy to authorize the National Office Outreach staff to oversee and direct State and CO's outreach activities and, (3) establishing a nationwide strategy for the coordination of outreach activities at the Federal, State, and local levels.

Agency Response

FSA concurred with five of the report's seven recommendations. FSA did not agree with finding 4, "FSA's National Outreach Program Should Coordinate With County Officials to Reach Local Minority Communities," and Recommendations 6 and 7 to establish a nationwide strategy for outreach activities at all levels. FSA's response to the draft report is included as exhibit D of the audit report.

OIG Position

We agree with the actions taken and planned by FSA in response to Recommendations 1, 2, 3, 4 and 5. Therefore we have accepted management decisions for these recommendations. To reach management decisions on Recommendations 6 and 7, FSA needs to address each recommendation and provide us with its planned corrective actions. FSA in its response to finding 4 mentioned the accomplishments of the national outreach staff such as developing an annual outreach accomplishment report and posting it on the agency's website, which we do give them credit for in this report. However, FSA's response does not address the fact that we found that some COs with high concentration of minority farmers engaged in little or no outreach activities. We interviewed minority farmers located in these COs who stated that they were unaware of agency outreach activities. FSA employees at those COs stated that outreach was not a priority for them. In addition, FSA state outreach coordinators for the five States we visited informed us that they received limited guidance from the national outreach staff and they in turn provided little of no guidance to CO employees,

Abbreviations Used in This Report

CO
County Office..... 1

COC
County Office Committee..... 11

CR
Departmental Office of Civil Rights..... 1

FFI
Fact Finding Inquiries..... 21

FSA
Farm Service Agency..... 1

FSA/OCR
Farm Service Agency/Office of Civil Rights..... 2

FY
Fiscal Year 5

IG
Inspector General..... 2

LAA
Local Administrative Area..... 12

MAC
Management of Agricultural Credit..... 34

MSDA
Minority and Socially Disadvantaged Farmers Assistance 11

NIR
National Internal Review 34

OIG
Office of Inspector General 2

OL
Operating Loan 34

SDA
Socially Disadvantaged..... 11

SED
State Executive Director 12

SOP
Standard Operating Procedures..... 18

USDA
U.S. Department of Agriculture..... 1

Table of Contents

Executive Summary	i
Abbreviations Used in This Report	v
Background and Objectives	1
Findings and Recommendations.....	4
Section 1. Summary of Progress Made Since 1997.....	4
Finding 1 Progress Made in Most Civil Rights Areas, but Additional Emphasis Needed in the Areas of Application Processing and Minority Representation at the County Office Level	4
Recommendation 1	16
Recommendation 2	16
Section 2. Departmental and Agency Civil Rights Offices.....	18
Finding 2 CR Should Conduct Civil Rights Compliance Reviews	18
Recommendation 3 to CR	20
Recommendation 4 to CR	20
Finding 3 FSA/OCR Should Improve Its Procedures for Monitoring Program Discrimination Complaints	21
Recommendation 5	23
Section 3. Outreach Coordination.....	24
Finding 4 FSA’s National Outreach Program Should Coordinate With County Officials to Reach Local Minority Communities	24
Recommendation 6	26
Recommendation 7	27
Scope and Methodology.....	28
Exhibit A – Sites Visited	31
Exhibit B – Status of 13 Recommendations From the Prior Audit Report.....	32
Exhibit C – General Population Statistics for Counties Reviewed.....	36
Exhibit D – Agency Response	39

Background and Objectives

Background

The Farm Service Agency (FSA), an agency of the U.S. Department of Agriculture (USDA), was established under the provisions of the *Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994*, Public Law 103-354, incorporating programs from USDA agencies (the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation (currently Risk Management Agency)) and farm lending activities of the Farmers Home Administration (currently Rural Development).

FSA's programs are delivered through an extensive network of field offices, including over 2,500 USDA service centers and 51 State offices including Puerto Rico. State and county office (CO) elected committees, comprised of farmers in the local area, are responsible for overseeing FSA services delivered to their local farming communities.

Civil Rights Act of 1964

On July 2, 1964, Congress enacted the *Civil Rights Act of 1964*—the most comprehensive piece of civil rights legislation since Reconstruction. One provision of the Civil Rights Act offers protection to individuals excluded from participation in, denied the benefits of, or otherwise subjected to discrimination under federally funded programs or activities. That provision, Title VI of the Civil Rights Act, provides that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. To enforce Title VI, Congress vested the President with the authority to approve all rules, regulations, and orders issued by Federal agencies. The President delegated his Title VI coordination functions to the Attorney General in a series of executive orders.

Title VI remains the broadest instrument available to eliminate racial and ethnic discrimination. Title VI applies to approximately 27 Federal agencies administering more than 1,000 programs and distributing, annually, an estimated \$900 billion in Federal financial assistance.

Office of Civil Rights (CR)

CR, which reports to the Assistant Secretary for Civil Rights, has responsibility for ensuring compliance with all civil rights and related laws by all agencies and for all programs of the Department; coordinating administration of civil rights laws (including regulations) within the Department for employees of, and participants in, programs of the

Department; and ensuring necessary and appropriate civil rights components are properly incorporated into all strategic planning initiatives of the Department and agencies of the Department.

Farm Service Agency – Office of Civil Rights (FSA/OCR)

FSA/OCR provides overall leadership and direction in the development and implementation of civil rights policy and programs for FSA. FSA/OCR's responsibilities include preparing agency position statements for outstanding civil rights complaints and maintaining liaison with appropriate agencies and USDA field offices. In addition, FSA/OCR evaluates and monitors agency performance relative to compliance with civil rights rules and regulations through reviews, surveys, and studies.

Pigford v. Glickman

Farmers and ranchers representing a protected class have filed five major lawsuits against USDA since 1997, alleging racial or gender discrimination in FSA farm programs. Four of these lawsuits are still pending, but *Pigford v. Glickman* was settled in 1999 when the class action plaintiffs and USDA entered into a 5-year consent decree; as of February 14, 2005, more than 13,762 claimants had received compensation totaling more than \$839 million.

Outreach

The outreach program makes programs and services accessible to all and ensures that all customers receive equal and timely access to all of FSA's programs and services.

FSA places special emphasis on the outreach of underserved customers because they understand and recognize that certain groups have not participated in, or have received limited benefits from, FSA's programs. The goal is to increase the participation of the underserved customers, including limited-resource farmers, in FSA's programs with special emphasis on those who are members of racial minority groups.

Office of Inspector General (OIG) Audit Reports

Beginning in 1996, OIG initiated a review of the Department's processing of program discrimination complaints. This review was based on a congressional request concerning the status of complaints and timeframes for resolving these complaints. Also, in 1996, the Secretary asked the Inspector General (IG) to review the Department's handling of complaints brought by minority farmers concerning FSA's farm loan programs (phase I). The Secretary specifically requested the IG to address (1) the number and status of farm loan complaints; (2) minority participation (national, State, and

county levels); (3) FSA/OCR complaint process; (4) FSA's outreach; and (5) technical assistance. Issues disclosed in phase I led to additional reviews and requests from the Secretary of Agriculture to evaluate CR's performance (phases II-VII). Eight audit reports were issued from 1997 to 2000. The reports contain more than 40 findings and 119 recommendations (13 addressed to FSA). During this review, we followed up on the 13 recommendations addressed to FSA.

Objectives

Our audit was undertaken to assess the progress FSA has made towards repairing its relationship with minority farmers.

We sought to determine (1) if FSA had implemented the 13 recommendations from the prior OIG Audit Report,⁴ (2) if FSA conducts outreach activities and provides sufficient technical assistance to minority farmers for loanmaking and loan servicing, and (3) if more minorities now participate in FSA's farm programs.

⁴ Minority Participation in FSA's Farm Loan Programs – Phase II, Audit Report No. 50801-3-Hq, dated September 1997.

Findings and Recommendations

Section 1. Summary of Progress Made Since 1997

Finding 1

Progress Made in Most Civil Rights Areas, but Additional Emphasis Needed in the Areas of Application Processing and Minority Representation at the County Office Level

In our prior audit, we reported several issues which affected minority participation in FSA loan programs. We stated that (1) FSA had an outstanding backlog of civil rights complaints, (2) applications from minority applicants took more days to complete than applications from nonminority applicants, (3) delinquent minority borrowers received a lesser number of loan servicing actions than delinquent nonminority borrowers, and (4) FSA needed to improve its relationship with the minority farming community. This occurred because of the lack of experienced personnel to conduct investigations of civil rights complaints, lack of technical assistance available to minority applicants and borrowers, and the lack of diversity in FSA offices. As a result, FSA had a backlog of 474 civil rights complaints in 1997 (average age of the majority of these complaints were 703 days, with the oldest compliant being filed in 1986), it took 12 days longer to complete minority applications, delinquencies were higher for minority borrowers than nonminority borrowers, and minority borrowers were reluctant to enter into FSA offices to apply for loans.

During this review, we obtained data on open civil rights complaints from August 1997 to January 2005 and compliance reviews conducted by CR since 1997 and we evaluated FSA/OCR operations and its role in processing and monitoring complaints. We also visited 5 FSA State offices and 10 FSA loan service centers. The 10 loan service centers process and service direct loans for 65 counties in the 5 States we visited. At the State offices and loan service centers we reviewed loan servicing actions, debt settlements, and foreclosure actions for disparate treatment of minority farmers. Also, at the loan service centers we reviewed loan applications and interviewed FSA's borrowers and loan applicants from the 65 counties for disparate treatment. We also interviewed FSA State office and county office employees and evaluated their outreach effects.

We compared the results of this review to the conditions we found in 1997 and concluded that there have been improvements at CR and FSA.

Progress Made in Reducing the Backlog of Program Complaints - Fewer Complaints Filed in 2004

In our 1997 audit, we determined that FSA had an outstanding backlog of 474 unresolved civil rights complaints and a civil rights complaint system that was poorly prepared to handle the backlog. This occurred because there was no accountability within the Department. No fewer than three staff groups in the Department were responsible for segments of the complaints process, but no group exercised overall authority and no group was constrained by a deadline. The FSA staff assigned to review complaints operated from an obsolete handbook; the departmental staff that determines the validity of complaints did not follow up with FSA to ensure the complaint was being investigated; and the departmental agency that oversees civil rights compliance was not monitoring FSA's caseload adequately to report the backlog. Although FSA formed an Office of Civil Rights to monitor complaints and determine their status, the agency continued to experience a large influx of complaints in 1998 and 1999 (1,395).

From January 1997 to March 2000, OIG issued a series of reports critical of CR's operations and its efforts to address the backlog of discrimination complaints. In response to our audit recommendations, CR made reducing the backlog of complaints its foremost priority. Those actions included (1) establishing an ad hoc task force to work on the backlog, (2) hiring contract investigators and its own investigators to conduct field reviews of the complaints and discontinuing the use of FSA employees to investigate complaints, (3) reorganizing CR and hiring experienced managers to run its operations, (4) appointing directors with civil rights experience to lead the agency, (5) redesigning the process for reviewing and resolving complaints, and (6) revising and reissuing Departmental regulations on civil rights activities.

Although we did not evaluate CR's complaint processing operations in this review, we obtained data on civil rights complaints and interviewed CR officials. We found that the number of outstanding complaints for FSA has been greatly reduced as a result of CR's actions.

From fiscal year (FY) 1997 to FY 2004, (including the 474 backlog as of August 1997) 2,765 complaints have been filed against FSA. The number of outstanding complaints stood at 113 as of January 26, 2005 and 107 of these complaints were just over 180 days. Between 1997 and January 2005 the CR resolved about 2,652 complaints (2,765 – 113) and the number of complaints filed has steadily decreased since FY 2000. Eight hundred and seven complaints were filed in FY 1999 while only 51 were filed in FY 2004 (see chart 1).

Number of FSA Program Complaints Filed Between FY 1997 and FY 2004

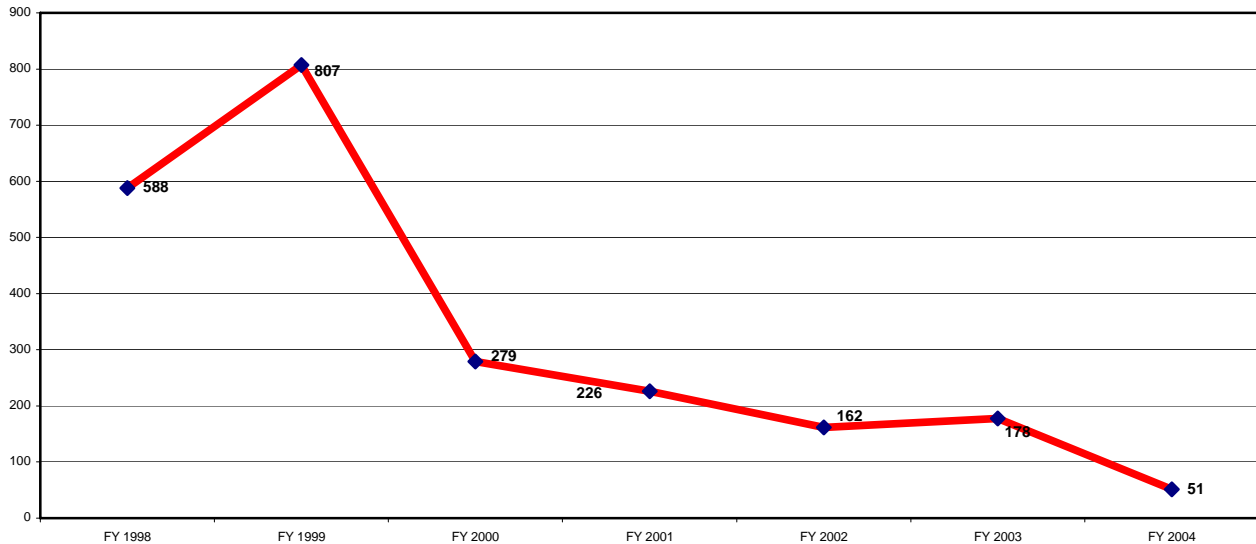


Chart 1

Based on our review of data provided by CR, we concluded the CR has made significant progress in reducing the backlog of FSA discrimination complaints from 1997 to 2005.

Minimal Improvement in Loan Processing Times, but Number of Loans Made to Minority Applicants Increased Since 1997

In 1997, we found that applications of minority applicants took on average 12 more days to complete than applications of nonminority applicants. For FY 2003, loan processing times were reduced but it took on average 10 more days to close on minorities loan applications. For the five States we visited (which were also reviewed in 1997), the number of loan applications from minorities has increased from 13 percent (1996) to 25 percent (2003) of the total applications. Although the approval rates are slightly down for minorities, the number of approved applications has increased.

Application Processing Times

In 1997, we found that both minority and nonminority applicants questioned the length of time it took to process loan applications. Also, loan applicants complained that they were not given the technical assistance needed to complete their application and obtain funds in time to plant their crops and achieve optimum production. Total 1997 state-wide data for the same

five States reviewed in this audit showed that applications from minority farmers took 12 more days on average to process from receipt to loan closing (92 days for minorities and 80 days for nonminorities) for approved applications.

In 1997, at certain locations, we noted that it took minorities longer than nonminorities to complete an approved application with the greatest disparity being from application receipt to completion. Because an applicant's request for loan funds cannot be processed until a completed application is submitted, a delay in completing the application places the applicant lower on the list of expectant borrowers and could, if funds run out, leave the applicant unfunded until the next FY. We concluded that actions were needed to reduce the length of time it takes for farmers to complete their applications.

For FY 2003, we still found that the application processing times for nonminority farmers were lower when compared to minority farmers for the five States in our review. Application processing for nonminority farmers took about 55 days on average to process from receipt to loan closing, and about 65 days for minorities. See table 1 below for the number of days from receipt to loan closing for approved applications for FY 2003.

FY 2003 Statewide Averages of Days From Receipt of Approved Applications to Loan Closing					
STATE	RACE				
	White	African American	American Indian	Asian American	Hispanic
Alabama	43	55	64	N/A	70
Arkansas	43	37	68	28	41
Mississippi	47	61	N/A	N/A	56
Oklahoma	72	70	80	89	105
Texas	69	72	75	N/A	71
Average Days	55	59	72	59	69
Total Avg. for Minorities	65				

Table 1

While application processing times for minority applicants continue to lag behind nonminority applicants, the application processing times for certain minority groups show a greater disparity than others which may indicate a need for more targeted technical assistance.

Although, our reviews of the loan application process at 10 loan service centers did not disclose any systemic discriminatory practices, we did find

that in all 5 States certain minority groups experienced more delays in closing their loans than nonminority applicants.

For example, in Oklahoma where there was a greater disparity in loan processing days for certain minority groups than in the other four States we visited, we found that the majority of the processing days were after the loan was approved by FSA officials. From loan approval to loan closing it took 60 days, 71 days, and 78 days respectively for American Indians, Asian Americans, and Hispanics to close on a loan, as compared to 55 days for nonminorities.

For the two loan service centers visited in Oklahoma, we found three applicants (two minorities and one nonminority) that experienced long delays in closing their loans. One minority applicant was given the opportunity to clear up credit report issues that would have otherwise resulted in a denied loan. Another minority applicant's loan application took 327 days to close because the applicant was waiting on the closing attorney to finish title work for the loan. The nonminority's application was delayed because funds were not available to close the loan.

Overall, we did not find any disparities in FSA's lending practices. To reach this conclusion, we reviewed FY 2003 loan applications for nonminorities and minorities and analyzed the data to determine whether minorities, in comparison to nonminorities, received smaller loan amounts than requested; had numerous "subject to" provisions; received higher interest rates or shorter repayment periods; or endured longer delays in the processing of their loan applications. These applications included those that were approved, rejected, or withdrawn by the applicant. We also interviewed loan applicants to assess whether they received technical assistance when applying for loans and whether they felt they were treated fairly when they visited the loan service center.

Number of Loans to Minorities

The 5 States we visited for this review received 5,607 applications for direct loans in FY 2003. Specifically, minority applicants submitted 1,424 applications (25 percent) and nonminority applicants submitted 3,949 applications (70 percent). The remaining applications (5 percent) were received from applicants who did not indicate a race on the application and, therefore, were not included in our analysis. Of the 1,424 applications from minorities, 803 (56 percent) were approved. Of the 3,949 applications from nonminorities, 2,544 (64 percent) were approved.

In contrast, for FY 1996, the five States received 5,127 applications for direct loans. Minority applicants submitted 642 applications (13 percent) and nonminority applications submitted 4,485 applications (77 percent). Of the

642 applications from minorities, 403 (63 percent) were approved. Of the 4,485 applications from nonminorities, 3,016 (67 percent) were approved. (See table 2.)

FY 1996 and FY 2003 Approved Direct Farm Loan Applications for Minority and Nonminority Applicants at States Visited								
	Minorities				Nonminorities			
	FY 1996		FY 2003		FY 1996		FY 2003	
State	Total Appl	Appr	Total Appl	Appr	Total Appl	Appr	Total Appl	Appr
Alabama	28	16	241	140	170	120	382	236
Arkansas	118	79	166	77	760	514	867	571
Mississippi	122	84	188	88	589	478	537	358
Oklahoma	69	44	559	367	635	455	844	605
Texas	305	180	270	131	2,331	1,449	1,319	774
TOTAL	642	403	1,424	803	4,485	3,016	3,949	2,544

Note: Appl = Applications and Appr = Approved

Table 2

FSA has made significant progress in increasing the number of minority applicants. Improvement in both minority participation and application processing times can be attributed in part to FSA's implementation of our prior recommendation to increase technical assistance to all applicants but more efforts are needed to focus on providing technical assistance to those minority groups that continue to experience delays in greater disproportion than other applicants.

Number of Delinquent Minority Borrowers Has Decreased

In our prior audit, we found a disproportionate number of nonminority borrowers that received two or more loan servicing decisions, whereas, a disproportionate number of minority borrowers received no more than one of these decisions. This occurred because of the lack of followup with minority borrowers who did not respond to notices concerning availability of loan servicing. Borrowers were generally notified of the availability of loan service programs. However, in the absence of specific requirements to followup, the staff did not actively followup with those borrowers who either did not respond or did not actively seek loan servicing. In 1997, we found that minority borrowers did not actively seek loan servicing often because of their negative experiences with FSA. As a result of the lack of loan servicing the percent of accounts that were delinquent was higher for minorities then for nonminorities.

For this review, the number of delinquent minority borrowers for the five States visited had decreased significantly when compared to the number of

delinquent minority borrowers for FY 1996. In FY 2003 the number of delinquent minority borrowers dropped to a low of 110, about 8 percent of the FY 1996 level of 1,371. Likewise, the number of delinquent nonminority borrowers was reduced from 9,323 to 343. (See table 3.)

Number of Delinquent Minority Borrowers for States Visited				
	Minorities		Nonminorities	
State	FY 1996	FY 2003	FY 1996	FY 2003
	Delinquent	Delinquent	Delinquent	Delinquent
Alabama	87	13	432	11
Arkansas	153	17	1,030	61
Mississippi	555	26	1,807	33
Oklahoma	188	24	2,043	67
Texas	388	30	3,615	171
Total	1,371	110	9,323	343

Table 3

At the 10 loan service centers we visited, we reviewed delinquent borrowers (minority and nonminority) case files to determine whether they received or were offered loan servicing. For those borrowers who received loan servicing, we analyzed the data to determine if minorities in greater percentages than nonminorities, had their applications for loan servicing rejected; were not offered mediation, loan preservation servicing, or debt settlement; or experienced long delays in the processing of their servicing requests. We also interviewed minority and nonminority borrowers to access whether they received technical assistance when applying for loan servicing and if felt they were treated fairly when they visited the loan service center. We did not find any disparate treatment in loan servicing for minority borrowers as compared to nonminority borrowers.

Agency officials attribute the decrease in delinquency to several factors. A tracking system developed in response to a prior audit recommendation helps to monitor the servicing of farm loan accounts, but, overall farm loan delinquencies have decreased because of an increase in farm program benefit payments, a shift to commercial lenders, and more emphasis being placed on loan servicing for delinquent borrowers. For minority borrowers, the decrease can also be attributed to better servicing, greater awareness of program entitlements and opportunities, and the need to provide technical assistance to all borrowers. Also, many minority borrowers' loans were canceled or were forgiven as a result of the *Pigford v. Glickman* consent decree.

FSA Initiatives to Improve Relations with Minority Farmers

In our prior audit, we found that FSA needed to improve its relationship with the minority farming community. This occurred because minority advisors to the county office committee (COC), appointed to the committee by COC members in counties that have eligible minority voters of 5 percent or more but do not have minority representation on the committee, were not effective. Although their main duty is to increase awareness within the minority community of FSA activities and to ensure that minority concerns are understood by the county office committee, minority advisors rarely initiated efforts to visit minority farming organizations or minority farmers to inform them about FSA farm programs. Also, minority advisors were not known in their farming communities. In addition, minority farmers attributed the lack of diversity in the FSA county offices as a reason for their diminished relationship with FSA. As a result, minorities were reluctant to enter county offices to apply for loans.

The number of minority COC members has increased since 1997. On a nationwide basis, the COC election results showed an 82-percent increase in minority membership in COC, up from 191 (2.4 percent) in 1997 to 348 (4.4 percent) in 2004.

In addition, FSA has taken a number of actions to improve its relations with minority farmers. Below, are a few of those actions that came to our attention during our review.

- FSA established the Office of Minority and Socially Disadvantaged Farmers Assistance (MSDA) to work with minority and socially disadvantaged farmers who have concerns and questions about loan applications filed with local offices.
- On January 18, 2005, the Secretary of USDA issued guidelines pursuant to the 2002 Farm Bill⁵ to ensure that FSA COCs are fairly representative of the agricultural producers covered by the relevant county or counties, including fair representation of socially disadvantaged (SDA) farmers and ranchers on FSA COCs.
- FSA Notice Farm Loan Program – 362⁶ required States to designate an official to review at least 50 percent of rejected or withdrawn SDA loan applications for each quarter in each office of their jurisdiction. If any improper rejections or withdrawals are found, the official is required to review all rejected and withdrawn SDA loan applications

⁵ Section 10708 of the *Farm Security and Rural Investment Act of 2002* (Public Law 107-171).

⁶ FSA Notice Farm Loans Program – 362 Equitable Treatment in processing loan applications expires on November 1, 2005. FSA has required this review since FY 1999 with the issuance of annual notices.

in the approval official's coverage area and notify the State executive director (SED) of any problems detected.

MSDA

FSA established MSDA to work with minority and socially disadvantaged farmers who have concerns and questions about loan applications filed with local offices.

Since September 2002, MSDA has been responsible for several initiatives to improve relations with minority farmers. These initiatives include USDA's Minority Farm Register, a toll free telephone number to field inquiries about FSA programs, and a FSA customer comment card survey. From September 2002 to November 2004, MSDA's data shows it has received 2,428 calls with an average response time of 1½ days. Many of the 1,126 calls (46 percent) were inquiries for FSA farm loan programs.

FSA literature on USDA's Minority Farm Register states that it is a tool to promote equal access to USDA farm programs and services for minority farmland owners, farmers, ranchers, tenants, and other individuals with an agricultural interest. Participants may receive information or be personally contacted through USDA outreach efforts.

Data provided by MSDA shows that as of December 17, 2004, 672 persons had registered. African Americans, at 45 percent (303 persons), represent the largest participating minority group.

The FSA customer comment card survey is being conducted in 29 States and 43 counties. Data provided by MSDA shows that the majority of customers rate FSA and CO employees very high in customer service (81.9 percent), very high in response time (82.6 percent), and very high in employee courtesy (92.5 percent).⁷

Efforts to Increase Minority Membership in COCs

On January 18, 2005, the Secretary of Agriculture issued guidelines pursuant to the 2002 Farm Bill⁸ to address COC election outreach efforts, procedures for nomination and election of COC members, and reporting and accountability requirements. These guidelines specify that COCs will annually review the local administrative area (LAA) boundaries to ensure fair representation of SDA producers in the area, allowing sufficient time for public input of proposed LAA boundary changes prior to FSA State Committee review. In specific instances, FSA Headquarters in Washington, D.C., may conduct further review of LAA boundary changes if further

⁷ Customers rate FSA employees' performance from 1 to 5, with 5 as very high.

⁸ Section 10708 of the *Farm Security and Rural Investment Act of 2002* (Public Law 107-171).

review is sought by either the public or otherwise deemed appropriate. FSA COs shall actively locate and recruit eligible candidates identified as SDA farmers and ranchers as potential nominees for the COC elections using any reasonable means necessary, including the development of partnerships with community-based organizations.

Although the uniform guidelines do not contain a provision for the appointment of a SDA voting member (as stated in the proposed guidelines),⁹ the guidelines do state the Secretary may consider whether to issue written provisions providing for such appointments. Table 4 below shows the 1997 COC membership compared to the 2004 COC membership.

COC Membership		
Race	1997 Membership	2004 Membership
White	7,957 (97.6%)	7,524 (95.6%)
African American	37 (.5%)	47 (.6%)
Hispanic	65 (.8%)	179 (2.3%)
Asian-American	21 (.3%)	18 (.2%)
American Indian	68 (.8%)	104 (1.3%)
TOTAL	8,148	7,872

Table 4

On a nationwide basis, COC election results showed an 82-percent increase in minority membership in COC, up from 191 (2.4 percent) in 1997 to 348 (4.4 percent) in 2004. While the election results show overall increase in minority membership in the COC, FSA needs to continue its outreach efforts to emphasis minority participation in the COC election process.

Number of Minority Employees

FSA COs¹⁰ are often less diverse than the communities they serve. In 1997 we recommended that FSA work to increase the number of minority

⁹ This provision was removed due to the large number of negative comments to the proposed guidelines, *Federal Register* Volume 69, No. 158, pg. 51052, Tuesday, August 17, 2004. The comments concerned the Secretary’s option under the 2002 Farm Bill to issue provisions allowing for the appointment of a member representing the interest of SDA farmers and ranchers to particular committees.

¹⁰ FSA CO staff for this review includes CO employees and FSA loan officials. CO employees, unlike FSA loan officials, are not Federal employees and are employed by the local county executive director and the COC.

employees in COs where minority groups are underrepresented. The agency responded by notifying the appropriate groups of employment opportunities as they became available. Despite these efforts, our present audit found that many COs still do not reflect their communities.

Of the 10 COs we reviewed, we found that four were significantly less diverse than the communities they serve¹¹. For instance, the Guadalupe CO in Texas serves nine counties where 49 percent of the population is Hispanic or Latino, yet all of its employees are white. The Monroe CO in Alabama serves 12 counties where the population averages 32-percent African Americans (including three counties where blacks make up more than 50 percent of the population), yet the county employs only one black (one of nine). The Lincoln CO in Mississippi serves 10 counties where the population is 49-percent African American (including two counties where blacks make up more than 80 percent of the population), yet only a single CO employee (1 of 6) is an African American. Finally, the Cross CO in Arkansas serves two counties where the population averages 39-percent African Americans, yet the CO employs only one African American worker (1 of 9). See exhibit C for census data for the county we visited.

Because these COs act as the point of contact for minority farmers inquiring about FSA services (and thus represent the agency's visible face), their lack of diversity has been a sensitive issue for minorities applying for FSA farm loans.

However, FSA has recognized a need for a more diverse workforce, and is using its Career Interning Program to attract candidates with diverse experiences, academic training and competencies for careers in Federal Service. Also, on March 31, 2005, FSA entered into a cooperative agreement with the National Society for Minorities in Agriculture, Natural Resources, and Related Sciences to increase minority students' awareness about career opportunities at USDA.

While FSA's efforts to diversify its workforce are commendable, it still needs to monitor underrepresented groups and develop plans to improve representation.

State Review of Rejected and Withdrawn SDA Applications

FSA Notice Farm Loan Program – 328 required States to designate an official to review at least 50 percent of rejected or withdrawn SDA loan applications for each quarter in each office of their jurisdiction. If any improper rejections or withdrawals are found, the official is required to

¹¹ Analyses were based on the 2000 General Population Census Data.

review all rejected and withdrawn SDA loan applications in the approval official's coverage area and notify the SED of any problems detected.

With the advice of the farm loan chief, the designated official should take action on improperly rejected or withdrawn SDA loan applications to correct any errors and recommend appropriate personnel actions to the SED. These actions may include training or revocation of loan approval authority for approval officials responsible for rejections and withdrawals that appear to reflect a pattern or practice of discrimination against SDA applicants. Also, the designated official is responsible for reviewing the reasons and explanations regarding why decisions have not been made in a timely manner on completed loan applications.

During our review at the five FSA State Offices this recently initiated FSA process to review rejected and withdrawn SDA applications came to our attention. Although our review steps did not include an assessment or verification of this process, we believe it was noteworthy to mention an FSA initiative to ensure SDA applications are processed properly. FSA's FY 2004 reports for the five States in our audit and the States' offices reported the following:

- Alabama reported it reviewed 109 of 111 (98 percent) withdrawn or rejected SDA loan applications and found that no SDA application was improperly rejected or withdrawn.
- Arkansas reported it reviewed more than 50 percent of withdrawn or rejected SDA applications and found no evidence of inequitable treatment in the processing of the applications.
- Mississippi reported it reviewed 100 percent (163) of withdrawn or rejected SDA applications and found that the applications were properly withdrawn or rejected.
- Oklahoma reported that no disparate treatment was found in its review of 27 withdrawn or rejected SDA applications.
- Texas reported it reviewed 47 of 96 rejected or withdrawn SDA loan applications and found no improper withdrawals or rejections.

We conclude that FSA has made many substantive changes and significant progress towards addressing minority farmers' concerns, however, it needs to continue to decrease the disparity in application processing times for minority and nonminority applicants and it needs to track and analyze workforce diversity trends.

Recommendation 1

Develop a strategy to decrease the disparity in application processing times for minority and nonminority applicants for those locations which show the greatest disparity in processing times.

Agency Response. In its November 2, 2005, response, FSA stated:

*FSA Notice FLP-400 "Equitable Treatment in Processing Loan Applications," dated October 10, 2005, has been issued emphasizing the importance of processing loan applications in a timely manner. This notice directs that a minimum of 50 percent of the rejected applications from * * * SDA be reviewed. In addition, FSA Farm Loan Chiefs are directed to monitor loan processing timeframes. * * * SED are instructed to manage staff resources to minimize loan application processing delays. In addition, each SED is required to review the loan application timeframes for both SDA and non-SDA applicants. States are able to monitor the processing times for SDA and non-SDA applicants by use of a web-focus report. Each State is required to submit a summary of findings and corrective actions, if necessary, to the National office. The Loan Making Division will review these summaries and provide guidance to States, as necessary, to ensure that any identified inconsistencies are corrected.*

OIG Position. We accept FSA's management decision on this recommendation.

Recommendation 2

Develop a system at the county office level that tracks and analyzes workforce diversity trends, identifies and monitors any underrepresented groups and implement a plan to improve representation.

Agency Response. In its October 25, 2005, response, FSA stated:

The Agency will review available data sources to track and analyze workforce diversity at the county level. As recommended, the Agency will seek approval from the Department of Civil Rights, and the Office of the Chief Information Officer, to expand USDA enterprise civil rights solution; and, develop a companion analysis tool or leverage another Federal asset as a long-term solution to satisfy this

*audit condition. The long-term solution is subject to the availability of funding in * * * [FY 2006] appropriation in which the Agency may complete this recommendation by August 31, 2006. Therefore, under the fiscal constraints of the FY 2006 continuing resolution, planning and coordination will be started.*

OIG Position. We accept FSA's management decision on this recommendation.

Section 2. Departmental and Agency Civil Rights Offices

Though CR has succeeded in substantially reducing the backlog of complaints identified in our 1997 report, we have identified several additional problems. At present, CR does not regularly perform civil rights compliance reviews to verify that USDA programs comply with civil rights statutes because most of its resources are devoted to processing complaints. Given the litigation currently pending against USDA, performing these reviews should be among the Department's chief priorities. We also found that FSA/OCR management controls were ineffective for monitoring complaints. This is due to the lack of standard operating procedures (SOP) and frequent turnover in management. As a result, FSA cannot assure the Department that its role in the civil rights program complaints process is performed with due care and in a timely fashion.

Finding 2

CR Should Conduct Civil Rights Compliance Reviews

CR has not conducted compliance reviews of FSA programs in over 5 years to determine whether the agency's practices comply with civil rights statutes. Since 1997, CR has committed its resources to reducing the backlog of complaints and has not had personnel and travel funds to simultaneously conduct compliance reviews. Without performing these compliance reviews—a necessary management control for detecting and remedying noncompliance with civil rights policies—CR cannot ensure that FSA programs are free of practices adversely affecting minorities.

Title 7, *Code of Federal Regulations*, Subtitle A, part 15d.3, "Nondiscrimination in Programs or Activities Conducted by the U.S. Department of Agriculture," states that the Director of the Office of Civil Rights shall evaluate each agency's efforts to comply with Federal civil rights policies and shall make recommendations for improving such efforts.¹²

Departmental Manual 4330-001 states that CR is responsible for providing overall leadership and direction for the conduct of compliance reviews.¹³ CR is also responsible for (1) conducting compliance reviews of agencies and their programs and activities, (2) establishing criteria for the selection of agencies and their sub-components that will undergo compliance reviews, (3) establishing criteria for the conduct of compliance reviews by USDA agencies, (4) directing and guiding the implementation of compliance action plans negotiated with agencies found to be in noncompliance,

¹² Part 15d – "Nondiscrimination in Programs or Activities Conducted by the U.S. Department of Agriculture".

¹³ *Departmental Manual* 4330-001, Chapter 5 – "Compliance Reviews", dated October 18, 2000.

- (5) monitoring compliance review activity within the agencies, and
- (6) providing agencies with technical assistance and training.

USDA's recent history has included several serious accusations of noncompliance with Federal civil rights statutes. As a result of *Pigford v. Glickman*, USDA has recompensed black farmers more than \$839 million for civil rights violations. Three other class action lawsuits have been filed alleging racial or gender discrimination in FSA farm programs—*Garcia v. Glickman* on behalf of Hispanic farmers; *Keepseagle v. Glickman* on behalf of American Indians; and *Love v. Glickman* on behalf of women. Dissatisfied with the Pigford settlement, African American farmers have filed a new lawsuit for \$20.5 billion alleging continuing discrimination from 1997 to 2004.¹⁴

In addition, numerous newspaper articles, television news accounts, and congressional hearings have chronicled the plight of the African American farmer and past discriminatory practices by USDA.

Given the attention and scrutiny Department officials and FSA employees have experienced since 1997, it would be in the best interest of the Department for CR to allocate sufficient resources to conduct compliance reviews. Yet since 1995, the Department has conducted reviews only in 1997, 1998, and 1999. No reviews have been initiated more recently, even though these older reviews resulted in some findings of noncompliance. For example, with regard to FSA, CR found that virtually all States reviewed in 1998 and 1999 were lacking or had not implemented outreach plans, particularly one targeted to American Indians; were not collecting and maintaining program eligibility and participation data by race, ethnicity, and gender; and had staff in need of training on civil rights laws, program delivery, and procedures, such as how complaints are filed. The U.S. Commission on Civil Rights has also independently remarked and criticized USDA's history of failing to conduct compliance reviews.¹⁵

Compliance reviews should be used as a management tool to provide assurance to the public that the Department is actively reviewing and monitoring implementation of FSA programs to detect and correct any noncompliance with civil rights policies. Also, compliance reviews should be targeted toward problem areas and used as a proactive tool to ward off future litigation. Criteria such as areas with a history of complaints and areas with a high concentration of minority farming communities should be used to select States and COs for compliance reviews.

¹⁴ *Keepseagle* case has been certified as a class action, but no finding of liability has been made. Class certification was denied in both the *Garcia* and *Love*.

¹⁵ Draft Report: "Ten-Year Check-Up: Have Federal Agencies Responded to Civil Rights Recommendations," dated June 12, 2003.

In 1997, we found that the CR backlog of FSA civil rights complaints had risen to 474. We recommended that CR take immediate steps to reduce the number of outstanding civil rights complaints. As of January 26, 2005, this audit found that the number of unresolved complaints had fallen to 113. Because the number of civil rights complaints filed in FY 2004 has decreased to 51—just 13 percent of its 1997 level of 380 and 6 percent of its peak filings of 807 in FY 1999—we conclude that CR should commit its resources to conducting compliance reviews of USDA programs including FSA programs.

Recommendation 3 to CR

Commit resources to performing compliance reviews of USDA programs.

Agency Response. In its November 2, 2005, response, FSA stated:

*In accordance with 7 [Code of Federal Regulations] CFR 15D.3 and DM 4330-001, Chapter 5, the Department's Office of Civil Rights has committed adequate resources to ensure that in-depth and comprehensive compliance reviews are conducted. Specifically, a compliance review of Rural Development's [Equal Employment Opportunity] * * * program and Rural Housing Service's program delivery is currently underway. Further reviews are scheduled for the remainder of * * * FYs 2006 and 2007.*

OIG Position. We accept FSA's management decision on this recommendation.

Recommendation 4 to CR

Develop an action plan and establish timeframes for completing compliance reviews of FSA programs.

Agency Response. In its November 2, 2005, response, FSA stated: "The Department's Office of Civil rights' compliance review of FSA and its programs will commence during the first quarter of FY 2007."

OIG Position. We accept FSA's management decision on this recommendation.

Finding 3**FSA/OCR Should Improve Its Procedures for Monitoring Program Discrimination Complaints**

Management controls at FSA/OCR were ineffective for monitoring of program discrimination complaints. This occurred because of a lack managerial direction and written standard operating procedures and a frequent turnover in management. There have been 6 directors in 7 years—some with tenures as short as 6 months. FSA/OCR staff worked without comprehensive SOPs for tracking program complaints, meeting the Department’s 24-day deadline for conducting Fact Finding Inquiries (FFI) and preparing agency position statements, and liaising with FSA field offices. FSA/OCR cannot, as a result, assure the Department that its role in the civil rights program complaints process is performed with due care and in a timely fashion. Since the complaint process is one of FSA’s safeguards to ensure that all people are treated equally, irregularities or inconsistencies in that process could have significant legal consequences.

FSA/OCR’s responsibility with regard to program discrimination complaints includes maintaining a database of FSA complaints filed with the Department, performing FFI¹⁶, and preparing the agency position statement¹⁷. FSA/OCR also conducts State Management Reviews to assess and analyze States’ efforts to meet their internal and external civil rights obligations.

We found that FSA/OCR was not effectively tracking program complaints, meeting its 24-day deadline for FFIs, or liaising with FSA field offices.

Tracking System

Despite receiving fewer program complaints, FSA/OCR could not provide us with an accurate number of outstanding complaints or their status. This occurred because the assigned staff functioned without adequate guidance and was not provided procedures for developing and maintaining a database of complaints. As a result, FSA’s tracking system contained numerous errors, omissions, and inaccuracies, and we could not, in some instances, determine the date of the complaint, the reason it was brought, or its status.

To determine the number of outstanding complaints for farm programs, we obtained a listing of outstanding complaints from the CR tracking system and reconciled it with the agency tracking system. The CR tracking system is the official database of complaints alleging discrimination in USDA. The complaints are first received by the Department and subsequently forwarded

¹⁶ Inquires of agency personnel, review of pertinent agency records and documents; policies, procedures, notices, etc. relating to the allegation.

¹⁷ Agency’s position on the merits of the allegation.

to the agencies to obtain the agency's position statement. The CR tracking system showed a total of 129 FSA program discrimination complaints. While reconciling the 2 tracking systems, we noted 42 cases in which the information in one tracking system differed from the other. FSA had not reconciled its database to CR's database to ensure that CR and FSA records were in agreement.

We determined that FSA's database did not have a record of complaint for 19 open cases and did not reflect the resolution status for 6 others. The remaining 17 cases contained errors, but none that could not be easily resolved. Errors for the 17 cases included differences in the filing date, State and county data or omissions of this data. There were no procedures to validate the information recorded, nor was the information reconciled with the Department's official record of outstanding complaints. FSA did not have procedures for a second party review of the data entered into its database.

CR's SOPs for Reconciliation of CR and USDA Agency Complaints states that the complaint database of the CR, Program Operations, is the official database of complaints alleging discrimination in USDA programs. It is critical that the Department maintain the integrity of its database and ensure that it provides accurate and timely information about all program complaints. Each agency head is responsible for cooperating with CR to accomplish this goal.¹⁸

Deadline for Fact Finding Inquiries

FSA/OCR does not have procedures in place to track the status of complaints as they progress through the complaint review process. With a continuing turnover in directors, six directors in 7 years, FSA had not evaluated the time required to perform fact finding inquiries and prepare agency position statements. Furthermore, FSA/OCR does not have established timeframes for performing FFI and preparing agency position statements. When FSA receives a complaint from CR, it must perform a FFI, prepare agency position statement, and report back to CR. We found that FSA/OCR is not issuing Agency Position Statements on discrimination complaints within 24 days, as required by the Department. Instead, the average processing time in FY 2004 was 119 days.

Although FSA/OCR tracks the dates the complaint is received from CR until the agency position statement is forwarded to CR, it had not evaluated the processing times at each stage to determine why the delays were occurring. Therefore, FSA/OCR was not aware of whether the established 24-day processing time was sufficient. We determined that time delays occurred at

¹⁸ "Standard Operating Procedures: Monthly Agency Reconciliation Meetings," U.S. Department of Agriculture, Office of Civil Rights Program Operations, dated December 15, 1999.

various points throughout the process. Without clear procedures for tracking the complaints received from OCR, cases were not always timely forwarded to the field office to conduct the inquiries. Also, the field office experienced delays in obtaining data from the State and County program offices.

Liaison with FSA Field Offices

We also noted that FSA/OCR did not keep FSA field offices informed of the status of open complaints. This occurred because FSA did not have procedures for when and how the State offices would be kept informed of the status of open complaints. Our review at 5 State offices and 10 service centers revealed that FSA/OCR did not consistently inform the States of the status of open program discrimination complaints. All five States agreed that they were generally notified when a complaint was being investigated but were not kept informed as the complaint process progressed or when the complaint had been resolved or closed.

In October 2004 FSA/OCR named a permanent director. In response to the concerns raised during our audit, the new director drafted changes in the FSA/OCR's operations to improve the office's performance, including new SOPs for each branch, new procedures for conducting State management reviews, and an improved system for tracking and reconciling complaints with CR. The director is also working with CR to determine the sufficiency of the 24-day timeframe from completing the agency position statement and establishing when the 24-day timeframe begins.

We reviewed the draft procedures and found that, when implemented, the procedures will provide FSA/OCR with more effective management controls to ensure timely completing of agency position statements and a more effective monitoring system tracking outstanding complaints.

Recommendation 5

Finalize the draft procedures so that a uniform system is established for FSA's role in the processing and resolution of program complaints.

Agency Response. In its October 25, 2005, response, FSA stated: "We are providing you with a * * * SOP for conducting State Management Reviews and a SOP for processing program complaints. Both SOPs are dated, September 30, 2005, and were signed and approved by the Director of FSA/OCR. These SOPs should closeout recommendation 5."

OIG Position. We accept FSA's management decision on this recommendation.

Section 3. Outreach Coordination

Finding 4

FSA's National Outreach Program Should Coordinate With County Officials to Reach Local Minority Communities

FSA's National Office Outreach staff does not evaluate or monitor State office and CO's outreach activities nor does it provide guidance on reaching minority farmers. This occurred because the outreach staff does not have the authority to direct State's outreach activities. Due to this lack of coordination, FSA cannot ensure that its COs are doing everything possible to reach all underrepresented farmers and ranchers.

Both the Department's and the agency's mission statements emphasize that outreach must serve the goal of providing equal access to USDA programs. The mission statement for the Departmental Outreach Office states that the office shall provide leadership, coordination, facilitation and expertise to internal and external partners to ensure equal and timely access to USDA programs and services for all constituents, with emphasis on the underserved. Likewise, FSA's mission statement for its Outreach Program stresses the need to increase the participation of small or limited resource farmers and ranchers and provide equal access to the programs to acquire and maintain economic viability for family farmers and ranchers.

Although FSA COs should tailor their local outreach efforts to their constituents' needs—needs that will necessarily vary from region to region—USDA's commitment to providing equal access means that in communities with a significant population of minority farmers, FSA COs should all perform outreach that is similar in quality and quantity, if not identical in content. We found, however, that outreach performed in the 10 counties reviewed failed to meet this standard, and that different county service centers offered outreach differing both in quality and quantity.

Outreach activities performed by COs vary from county to county—while some COs actively attempt to reach SDA farmers and ranchers, others engage in little or no outreach. In 1996, FSA launched a nationwide outreach program designed to include historically underserved communities. Since the impetus for this outreach originated at the national level, however, many county and State officials remain unsure of their specific roles and responsibilities within these broader initiatives.

During our review of 10 loan service centers, we interviewed direct loan borrowers and individuals who do not participate in the direct loan programs to solicit comments about the CO outreach program efforts and the treatment they received when, and if, they requested technical assistance from a FSA or CO employee. We spoke to three minority farmers from the FSA loan Service Center of Cross county Arkansas area to obtain there opinion on FSA

outreach activity. All three minority farmers stated that they were unaware of any outreach programs and that knowledge of FSA programs was disseminated informally. FSA officials from loan service center stated that they had not conducted outreach targeting minority farmers and ranchers since 2003.

Both the Choctaw Loan Service Center and the Delaware Loan Service Center in Oklahoma were conducting minimal outreach activities directed at underserved farmers and ranchers. We interviewed eight producers both minority and nonminority farmers and all stated that they were unaware of any FSA outreach activities. FSA officials stated outreach was not a priority for them because the majority of their time was spent providing technical assistance to farmers in loanmaking and servicing areas.

In contrast, employees of the Tuscaloosa Loan Service Center in Alabama participated in an agricultural summit recognizing small and minority farmers, maintained personal contacts with individual producers, and attended community workshops and school activities promoting agriculture. The Panola Loan Service Center in Mississippi held an outreach meeting for minority landowners and farmers, and also mailed letters to community and church leaders encouraging them to participate in loan programs and COC elections. In Arkansas, the Lincoln Loan Service Center held contacts with minority organizations and the local minority newspaper, and also attended a small farmers' conference at the University of Arkansas at Pine Bluff.

We conclude that FSA has done much more to reach SDA and underserved producers in the areas served by the Tuscaloosa, Panola, and Lincoln COs than in those served by the Cross, Choctaw, and Delaware offices. To ensure that knowledge of its programs is equally accessible to all, FSA must coordinate its local outreach efforts much more closely.

Since 1996, FSA has emphasized national efforts in its outreach budget, spending \$17.9 million (\$7.3 million in 2004) on national activities. These initiatives and activities include providing funds via cooperative agreements to groups such as the Arkansas Land and Farm Development Corporation, the Federation of Southern Cooperatives/Land Assistance Funds, and 1862, 1890, and 1994 Land Grant Colleges and Universities to promote agriculture opportunities. For example, in 2004, FSA entered into a \$100,000 cooperative agreement with the National Urban Internet Group to form a partnership with other USDA agencies and the Department of Energy to allow small rural towns' access to e-government.

We also observed coordination problems between FSA national outreach staff, State outreach coordinators, and CO employees. Although each State has an outreach coordinator tasked with reporting that State's outreach programs to the FSA national outreach staff, the national staff does not

evaluate or monitor State and COs performance, nor does it provide guidance on reaching minority farmers. Due to FSA's reorganization, the national outreach staff reports to the Associate Administrator for Operations and Management, who does not have line authority over State and COs. The national staff, therefore, cannot compel States or counties to conduct certain outreach activities. During our fieldwork, State outreach coordinators informed us that they received limited guidance from the national office; they, in turn, provided little or no guidance to county employees.

FSA has recognized a need for a nationwide outreach strategy that reaches the CO level. In 2001, FSA conducted an internal study on outreach and concluded that the agency needed a strategy that would embrace planning at the national, State, and local levels, and formulate State and district outreach objectives. These objectives should be addressed through specific county level actions designed locally to support national and State goals. Such actions would serve as the basis for analyzing, tracking, and monitoring overall outreach progress. It would also provide a blueprint for ensuring that each CO provides its constituents with equal access to information concerning FSA's programs.

Recommendation 6

Develop and implement policy to authorize the National Office Outreach staff to oversee and direct State and CO's outreach activities.

Agency Response. In its November 3, 2005, response, FSA stated:

FSA has the largest USDA footprint in the country. Currently, FSA has over 15,000 employees, 2,400 offices, and some 64 programs to administer. To address issues in an organization of this size, FSA has developed and maintained a long standing policy to administer all programs, policies, and personnel through a multi-tiered management system of National, State, and county offices.

We do not believe OIG obtained an adequate view of FSA's outreach activities during the staff interviews that occurred, therefore, we have provided the detail outlined above on our National Outreach Office activities and efforts. FSA will, however, re-emphasize our current policy, where SEDs and the County Executive Directors are the principal entities responsible for outreach in their respective State and county offices. FSA's National Outreach Office will review current policy and recommend changes, if needed, and look at ways to accumulate meaningful data on outreach efforts.

OIG Position. The Director of FSA national outreach staff informed us that his staff does not evaluate or monitor State and COs performance nor do they provide guidance to COs on reaching minority farmers. The Director also informed us that the national outreach staff reports to the Associate Administrator for Operations and Management, who does not have line authority over State and COs and therefore he cannot compel States or counties to conduct certain outreach activities. In addition, we found that some COs with high concentration of minority farmers engaged in little or no outreach activities. We interviewed minority farmers located in these COs who stated that they were unaware of agency outreach activities. To achieve management decision on this recommendation FSA needs to address how the agency will ensure effective and consistent outreach activities are accomplished in all States and CO's.

Recommendation 7

Develop and implement a nationwide strategy integrating outreach activities at the national, State, and county office levels, including a mechanism for tracking outreach success.

Agency Response. In its November 3, 2005, response, FSA stated that they believe recommendation 7 should be deleted as the elements of the recommendation are already being met.

OIG Position. FSA state outreach coordinators for the five States we visited informed us that they received limited guidance from the national office staff and they in turn provided little or no guidance to CO employees. Employees at the COs visited stated that outreach was not a priority for them. In addition, a FSA internal study on outreach conducted by State and CO employees concluded that the agency needed a strategy that would embrace planning at the national, State, and local levels, and formulate State and district outreach objectives. The study recommended specific county level actions designed locally to support national and State outreach goals. These actions would serve as the basis for analyzing, tracking, and monitoring overall outreach progress. It would also provide a blueprint for ensuring that each CO provides its constituents with equal access to information concerning FSA's programs. To achieve management decision on this recommendation FSA needs to address how the agency will ensure effective and consistent outreach activities are accomplished in all State and CO's.

Scope and Methodology

We judgmentally selected 5 States (Alabama, Mississippi, Arkansas, Texas, and Oklahoma) and 10 counties (2 counties per State). The five States were selected because they were reviewed in the prior audit (50801-3-Hq) and had a high concentration of minority farmers according to the 2002 Census of Agriculture. In selecting the States and loan service centers, we considered one or more of the following criteria:

- Low minority participation as compared to the number of farm operators per 2002 Census of Agriculture.
- High volume of direct loan applications for minority borrowers.
- High delinquency rate or number for minority borrowers.
- Low farm program participation as compared to farm population statistics.
- High farm program participation as compared to loan participation when farm program population statistics are high.
- High number of civil rights complaints filed since 1997.
- High number of claimants under the *Pigford v. Glickman* consent decree.

The audit fieldwork was performed at the FSA National Office in Washington, D.C.; the Program Complaints Inquiry Branch in Montgomery, Alabama; and at 5 State offices and 10 loan service centers. (See exhibit A for a complete listing of States and loan service centers and counties reviewed during this audit). The fieldwork was performed from March 2004 through March 2005.

To accomplish our audit objectives, we performed the following audit steps and procedures:

- Through FSA's Primary Loan Accounting System, we obtained data on FSA's direct loan programs (farm ownership, operating, and emergency loans) as of September 2003, which we used to make a sample selection of State offices and loan service centers. We obtained FY 2003 direct loan application data from FSA's Management of Agricultural Credit database to determine the average processing times for processing loans.

- At the national office, we interviewed FSA officials to determine the method of allocating direct loan program funds to the States, and the controls in place to ensure that direct loan reserve funds and direct loan pooled funds were used or reallocated to the States in accordance with laws and regulations. We also interviewed national office officials to obtain regulations, notices, directives, and guidance to the States for direct loanmaking and loan servicing.
- At the national office, we obtained a listing of claimants under the *Pigford v. Glickman* consent decree to use in selecting State and loan service centers for review. We also selected a sample of claimants whose claims were upheld to determine if FSA complied with the consent decree in providing priority consideration for loanmaking and loan servicing requests of prevailing claimants.
- At the CR, we obtained data on the number of outstanding complaints and their status and how CR conducted agency compliance reviews.
- We obtained Agriculture Census Data of 2002 and General Population Census Data of 2000.
- At the State offices, we reviewed the controls and oversight on loanmaking and loan servicing, outreach, allocation of direct loan program funds to loan service centers, and the order in which loan applications were funded. We interviewed the State Civil Rights Coordinator to determine their role in the program discrimination complaint process, the methods of outreach used to increase minority participation in the direct loan programs, and the CO committee election process. We also reviewed any supplemental regulations, notices, directives, or guidance issued by the State offices to the COs, which pertained to loanmaking, loan servicing, debt settlement, and outreach activities.
- At the State offices, we reviewed loan servicing actions approved by the State offices. We also reviewed debt settlement decisions of adjustment, compromise, cancellation, and charge-off approved by the five State offices. We reviewed the decisions to determine if those that required future collection action for minority borrowers were disproportionate to nonminority borrowers.
- At the State offices, loan service centers, and COs we interviewed FSA farm loan officials and CO employees to determine if they witnessed any unfair treatment of minority farmers or employees. We also determined the racial makeup of the FSA staff at the locations reviewed.

- At the loan service centers, we reviewed FSA's 540 reports. The 540 reports contain the name of each borrower, the date of loan, the type of loan, the number of loans, outstanding principal and interest, date, type of servicing actions, and the status of the loan(s). We reviewed the 540 reports to determine the number of borrowers who received loan servicing. We obtained information from the application database to determine the number of applications for direct loans in FY 2003. The application database contains data on applications approved, rejected, or withdrawn by race.
- At the loan service centers, we reviewed each sampled borrower's case file and analyzed the data to determine whether minorities, in comparison to nonminorities, received smaller loan amounts than requested, had numerous "subject to" provisions, received higher interest rates or shorter repayment periods, or endured longer delays in the processing of their loan applications. For those borrowers who received loan servicing, we analyzed the data to determine whether minorities, in comparison to nonminorities, had their applications for loan servicing rejected; were not offered mediation, loan preservation servicing, or debt settlement; or experienced long delays in the processing of their servicing requests.
- At the loan service centers and COs, we interviewed the CO committees' minority advisors to determine their role on the COC and their efforts to increase participation by minorities in FSA's direct loan programs. We interviewed direct loan borrowers and individuals who do not participate in the direct loan programs to solicit comments about the CO outreach program efforts and the treatment they received when, and if, they requested technical assistance from a FSA or CO employee.

This audit was performed in accordance with generally accepted government auditing standards.

Exhibit A – Sites Visited

STATE	County Where Loan Service Center is Located	Counties Served by Loan Service Center
Alabama	Monroe	Monroe, Wilcox, Lowndes, Dallas, Clarke, Washington, Marengo, Choctaw, Baldwin, Mobile, Escambia, and Conecuh
	Tuscaloosa	Tuscaloosa, Fayette, Lamar, Hale, Greene, Sumter, Perry, Bibb, and, Pickens
Arkansas	Lincoln	Lincoln, Cleveland, Dallas, Desha, Drew, Jefferson, and Arkansas
	Cross	Cross and St. Francis
Mississippi	Lincoln	Lincoln, Claiborne, Franklin, Copiah, Jefferson, Lawrence, Amite, Adams, Pike, and Wilkinson
	Panola	Panola, Tate, DeSoto, and Quitman
Oklahoma	Choctaw	Choctaw and Pushmataha
	Delaware	Delaware and Ottawa
Texas	Guadalupe	Guadalupe, Bee, Bexar, Comal, Goliad, Hays, Karnes, Refugio, and Wilson
	Robertson	Robertson, Brazos, Burleson, Freestone, Grimes, Houston, Leon, and Limestone

Exhibit B – Status of 13 Recommendations From the Prior Audit Report

Followup On Prior Audit Report Recommendations

In our prior audit report, 13 recommendations were directed to FSA. As part of our review, we evaluated corrective actions taken by FSA to implement the recommendations. We found that FSA took the appropriate actions as agreed to resolve the recommendations.

Audit Report No. 50801-3-HQ Recommendation	FSA Management Decision	Final Action Taken	OIG Assessment of Final Action
3a. Develop and implement effective methods of outreach, and establish uniform standards and benchmarks by which to evaluate outreach performance.	Memorandums to SEDs requesting an outreach coordinator and proposed National Outreach Training meet OIG’s requirements. FSA provided a copy of the memorandum sent to the SEDs.	FSA provided a copy of the memorandum sent to the SEDs.	FSA conducted National Outreach Training in 1998 and each State has an outreach coordinator. Final Action taken as agreed to in the management decision.
4a. Appoint minority advisors to the COCs based on recommendations from the underrepresented groups in the county.	FSA responded that soliciting candidates for advisors from the minority community or underrepresented groups is the process that FSA has always intended to follow in appointing the advisors.	FSA instructs COC to obtain recommendations from underrepresented groups -Handbook 16-AO (Rev. 2), paragraph 155. Notice AO-1207 was issued on 11/11/99 to remind COC to continue outreach to increase minority participation on COC.	FSA actions were appropriate to reach final actions.
4b. Provide training so that minority advisors are aware of their responsibilities to inform minority individuals and farmers about FSA’s programs and activities.	FSA does recognize that some States do not include advisors in their annual orientation training of COC. Beginning with the 1997 election year, FSA will instruct the States to ensure that minority advisors are included in the annual orientation training of COCs and that special emphasis will be given to advisors, including outreach.	FSA amended its Handbook 6-PM, Amend. 4 to instruct the State Committee to provide program administration by conducting a basic orientation and training course, using the nationally developed course for new COC members, alternates, and advisors as soon as possible after election. This amendment also instructs the States to submit Report PE-175R to provide the status of the training. The instructions were issued to State and COs on 10/26/00. Also, on 9/12/00, in Handbook 16-AO (Rev. 2), Amendment 4, it states that “newly elected COC members shall receive basic orientation and training course” (Par. 134B) and “newly appointed advisors shall receive basic orientation and training course” (Par. 155B).	FSA actions were appropriate to reach final actions.

Exhibit B – Status of 13 Recommendations From the Prior Audit Report

Exhibit B – Page 2 of 4

Audit Report No. 50801-3-HQ Recommendation	FSA Management Decision	Final Action Taken	OIG Assessment of Final Action
5a. Work to increase the number of minority employees in FSA COs where minority groups are underrepresented.	A memorandum was issued to all SEDs to ensure all appropriate groups are notified for employment.	FSA is striving to improve diversity in its workforce by ensuring that underrepresented groups are informed of career opportunities. For example, recently, 101 farm loan officer trainee positions were announced nationwide. The Employment Branch identified 17 States for which intensive efforts to recruit minorities were made.	Final action was sufficient based on the management decision that OIG accepted.
6a. Establish pre-application interviews with prospective applicants to determine the nature of their request and help identify information needed to complete the application process.	As part of FSA's Customer Service Training that was scheduled for August 1998 in Cincinnati, Ohio, FSA will emphasize that producers are to be made aware of the fact that the agency must provide assistance in completing loan applications.	As previously reported on December 16, 1999, FSA's Farm Loan Programs national training was held in Cincinnati, Ohio, August 31-September 3, 1998. Special emphasis was given to customer service in which three loanmaking case studies were discussed. One case study addressed application-processing issues. FSA attached a copy of the training agenda and the case study pertaining to application processing.	Final action was sufficient based on the management decision that OIG accepted.
6b. Establish an assistance program that includes provisions for one-on-one attention between the loan officer and the farmer, and for farm visits, if necessary, to help farmers prepare information needed to complete application packages.	Change in Management Decision Agreed to by OIG – In lieu of publishing a regulation in the <i>Federal Register</i> to address the increased assistance to FSA direct farm loan applicants and borrowers, the agency distributed the attached notice (WSC-174).	FSA issued Procedures Notice WSC-174 dated October 15, 2003, to achieve final action on this recommendation.	Final action was sufficient based on the management decision that OIG accepted.
6c. Discontinue COC involvement in determining creditworthiness of farm applicants.	Agency Instruction 1910-A, 1950.5 states that the agency determines credit worthiness. FSA continues to issue annual notices that FSA loan approval officials determine credit worthiness.	Agency Instruction 1910-A, 1950.5 states that the agency determines credit worthiness. FSA continues to issue annual notices that FSA loan approval officials determine credit worthiness.	Final action was sufficient based on the management decision that OIG accepted.

Exhibit B – Status of 13 Recommendations From the Prior Audit Report

Audit Report No. 50801-3-HQ Recommendation	FSA Management Decision	Final Action Taken	OIG Assessment of Final Action
<p><u>7a.</u> Establish and maintain a tracking system to monitor the servicing of farm loan accounts especially in connection with delinquency rates and borrower responses to notification of availability of loan service programs, and to ensure equality in the servicing of all farm loan accounts.</p>	<p>Notice FLP-90 was issued to the field on October 28, 1999. The notice indicated that implementation of Management of Agricultural Credit database (MAC) would take place in November or December of 1999. The input system of the software has been released to field offices.</p>	<p>MAC was implemented on February 29, 2000. Data population of the MAC system is schedule to be completed by June 30, 2000. MAC is still unstable and adjustments are being made. MAC is projected to be stable by August 30, 2000.</p>	<p>Final action was sufficient based on the management decision that OIG accepted.</p> <p>MAC is operational.</p>
<p><u>7b.</u> Make personal contact with those borrowers who do not respond to the notifications or the requests for information within the prescribed timeframes, and ensure that the borrowers fully understand the significance of the notifications and the requirements for acquiring loan servicing.</p>	<p>FSA does not agree with this recommendation as written. Contacting borrowers after they fail to respond to the loan servicing notices within the statutory timeframe will be of no benefit. Instead, FSA proposed issuing a notice and revising the agency handbook to require the agriculture credit manager to contact the borrower within 10 working days after the initial loan servicing notice is sent to: determine if the borrower received the application materials; remind the borrower of the importance of responding with a complete application within the required timeframe, and answer any questions which the borrower might have. A record of this contact will be maintained in the case file.</p>	<p>On December 20, 1999, Farm Loan Programs issued Notice FLP-101 “Contacting Borrowers After the Initial 1951-S Notices Are Sent.” FSA attached a copy of the notice.</p>	<p>Final action was sufficient based on the management decision that OIG accepted.</p>
<p><u>7c.</u> Incorporate a review of civil rights issues in FSA’s formal National Internal Reviews (NIR) and County Operations Reviews, and have district directors address civil rights issues when conducting periodic reviews of loan service centers and COs.</p>	<p>The recommended changes were included in the FY 2000 NIR Guide, pages 86, 87, and 99. Similar questions were issued in the FY 1999 NIR Guide.</p>	<p>The recommended changes were included in the FY 2000 NIR Guide, pages 86, 87, and 99. Similar questions were issued in the FY 1999 NIR Guide.</p>	<p>Final action was sufficient based on the management decision that OIG accepted.</p>
<p><u>8a.</u> Seek legislation to “pool” SDA direct operating loan (OL) funds into the national reserve to redistribute to States with unfunded, approved direct OL applications.</p>	<p>Legislation was introduced to Congress regarding the pooling of SDA funds between States. Congress gave consideration to this proposal but it was not passed. FSA has again submitted a legislative proposal to the Department.</p>	<p>Legislation was introduced to Congress regarding the pooling of SDA funds between States. Congress gave consideration to this proposal but it was not passed. FSA has again submitted a legislative proposal to the Department.</p>	<p>Final action was sufficient based on the management decision that OIG accepted.</p>

Exhibit B – Status of 13 Recommendations From the Prior Audit Report

Audit Report No. 50801-3-HQ Recommendation	FSA Management Decision	Final Action Taken	OIG Assessment of Final Action
<p><u>8b.</u> Develop procedures to establish a recordkeeping system to retain, document, and justify funding of loan applications from the national reserve. Additionally, this recordkeeping system should be used to document loan requests that go unfunded and to determine if reallocation of State allocations is desirable to best utilize available funds.</p>	<p>The FSA responded that FSA’s National Office maintains a listing of the dollar amount distributed from the National Reserve on an annual basis. The national office does not maintain a record of all individual applications receiving reserve funds. The present system utilized by the national office to maintain reserve records provides an adequate management tool to determine the need for a pooling action. FSA agrees that reserve accounts including any lists of applicants, which have been funded with reserve funds, should be maintained for 3 years. This practice has been implemented.</p>	<p>The FSA responded that FSA’s National Office maintains a listing of the dollar amount distributed from the National Reserve on an annual basis. The national office does not maintain a record of all individual applications receiving reserve funds. The present system utilized by the national office to maintain reserve records provides an adequate management tool to determine the need for a pooling action. FSA agrees that reserve accounts including any lists of applicants, which have been funded with reserve funds, should be maintained for 3 years. This practice has been implemented.</p>	<p>Final action was sufficient based on the management decision that OIG accepted.</p>
<p><u>8c.</u> Discontinue the process of informally transferring funds between States and return all unused funds to the national office for redistribution, as appropriate.</p>	<p>FSA responded that the ability of States to trade/transfer loan funds enables applicants whose application would otherwise go unfunded to receive the necessary credit to maintain their farming operations. In situations when National Reserve funding is unavailable, States are empowered to seek funds from sources such as another State where additional funding may be available. FSA intends to continue this type of transaction because it encourages States to utilize every resource and opportunity available to them in their efforts to assist minority farmers.</p>	<p>FSA responded that the ability of States to trade/transfer loan funds enables applicants whose application would otherwise go unfunded to receive the necessary credit to maintain their farming operations. In situations when National Reserve funding is unavailable, States are empowered to seek funds from sources such as another State where additional funding may be available. FSA intends to continue this type of transaction because it encourages States to utilize every resource and opportunity available to them in their efforts to assist minority farmers.</p>	<p>Final action was sufficient based on the management decision that OIG accepted.</p>

Exhibit C – General Population Statistics for Counties Reviewed

State	Loan Service Center	Counties Service by Service Center	White	African American	Hispanic	American Indian	Asian American
Alabama	Monroe	Monroe	14047	9747	190	236	70
		Wilcox	3626	9479	97	19	17
		Lowndes	3484	9885	85	15	16
		Dallas	16496	29332	290	50	160
		Clarke	15589	11989	180	62	45
		Washington	11759	4867	160	1289	10
		Marengo	10657	11655	219	19	41
		Choctaw	8779	7027	107	25	7
		Baldwin	122415	14444	2466	809	537
		Mobile	252199	133465	4887	2682	5628
	Tuscaloosa	Escambia	24754	11837	379	1157	94
		Conecuh	7806	6136	102	28	16
		Tuscaloosa	112320	48327	2130	372	1516
		Fayette	16075	2207	152	38	28
		Lamar	13816	1906	207	18	10
		Hale	6844	10131	157	30	27
		Greene	1904	8013	58	12	8
		Sumter	3836	10827	165	14	15
		Perry	3660	8111	102	9	4
		Bibb	15966	4624	210	49	17
Arkansas	Lincoln	Pickens	11720	8999	147	25	23
		Lincoln	9402	4771	263	58	9
		Cleveland	7267	1133	139	27	12
		Dallas	5246	3774	177	22	21
		Desha	7747	7107	485	54	46
		Drew	13162	5085	329	47	79
		Arkansas	15,602	4,848	157	44	74
		Jefferson	40840	41788	810	202	558
		Cross	14606	4628	181	44	61
	St Francis	14184	14375	1431	73	165	
Mississippi	Lincoln	Lincoln	23010	9839	229	57	81

Exhibit C – General Population Statistics for Counties Reviewed

State	Loan Service Center	Counties Serviced by Service Center	White	African American	Hispanic	American Indian	Asian American
		Claiborne	1796	9951	94	6	17
		Franklin	5305	3064	45	19	6
		Copiah	13747	14653	332	21	45
		Jefferson	1272	8424	64	8	10
		Lawrence	8875	4252	89	22	36
		Amite	7673	5800	113	17	11
		Adams	15809	18117	273	49	85
		Pike	19955	18507	284	74	127
		Wilkerson	3219	7034	45	10	3
	Panola	Panola	17302	16575	384	56	63
		Tate	17211	7870	223	50	25
		DeSoto	91950	12216	2516	297	667
		Quitman	3083	6942	55	13	17
Oklahoma	Choctaw	Choctaw	10517	1678	246	2,295	24
		Pushmataha	9097	96	191	1,819	12
	Delaware	Delaware	26037	50	649	8,273	64
		Ottawa	24612	192	1061	5,488	97
Texas	Guadalupe	Guadalupe	69,122	4,460	87	486	29,561
		Bee	21,957	3,203	11	137	17,450
		Bexar	959,122	100,025	1,452	11,193	757,033
		Comal	69,501	741	23	414	17,609
		Goliad	5,724	334	1	38	2,439
		Hays	77,014	3,588	69	678	28,859
		Karnes	10,588	1,667	9	105	7,324
		Refugio	6,280	530	4	44	3,490
		Wilson	26,311	392	13	188	11,834
	Robertson	Robertson	10,592	3,871	8	68	2,359
		Brazos	113,479	16,333	104	548	27,253
		Burleson	12,199	2,481	4	83	2,411

Exhibit C – General Population Statistics for Counties Reviewed

Exhibit C – Page 3 of 3

State	Loan Service Center	Counties Serviced by Service Center	White	African American	Hispanic	American Indian	Asian American
		Freestone	13,501	3,378	3	67	1,465
		Grimes	16,909	4,700	11	76	3,787
		Houston	15,899	6,476	13	61	1,739
		Leon	12,809	1,593	3	100	1,213
		Limestone	15,602	4,205	3	100	2,859

Exhibit D – Agency Response

Exhibit D– Page 1 of 8

United States
Department of
Agriculture



Farm and Foreign
Agricultural
Services

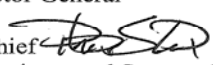
Farm Service
Agency

Operations Review
and Analysis Staff

Audits,
Investigations, and
State and County
Review Branch

1400 Independence
Ave., SW
STOP 0540
Washington, DC
20250-0540

TO: Director, Farm and Foreign Agriculture Division
Office of Inspector General

FROM: Philip Sharp, Chief 
Audits, Investigations, and State and County Review Branch

SUBJECT: Response to - Audit 03601-0011-AT, Minority Participation in Farm
Service Agency's (FSA) Farm Loan Programs

OCT 25 2005

Enclosed is a copy of a memorandum dated October 21 from the FSA's Director, Office of Civil Rights, which responding to your September 30 request for information regarding recommendations 2 and 5 of the official draft report of the subject audit.

Please address any questions to Cindy Foister at 720-5463.

Enclosure

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Exhibit D – Agency Response



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Ave., SW
Stop 0509
Washington, DC
20250-0509

TO: T. Mike McCann
Director
Operations Review and Analysis Staff

FROM: Johnny R. Toles, Jr.
Director
Office of Civil Rights

SUBJECT: Minority Participation in Farm Service Agency's (FSA) Farm
Loan Programs – Audit 03601-0011-AT

*W. J. [unclear]
10-21-05*

Johnny R. Toles, Jr.

OCT 21 2005

This is in response to your letter dated October 5, 2005, regarding the subject audit, requesting the Farm Service Agency, Office of Civil Rights (FSA/OCR) response to the Office of the Inspector General (OIG) recommendations # 2 and # 5.

Set forth below are the recommendations and the Agency's responses:

- OIG recommendation # 2 – “Develop a system at the county office level that tracks and analyzes workforce diversity trends, identifies and monitors any underrepresented groups and implement a plan to improve representation.”

Agency Response # 2 – The Agency will review available data sources to track and analyze workforce diversity at the county level. As recommended, the Agency will seek approval from the Department of Civil Rights, and the Office of the Chief Information Officer, to expand the USDA enterprise civil rights solution; and, develop a companion analysis tool or leverage another federal asset as a long-term solution to satisfy this audit condition. The long-term solution is subject to the availability of funding in the fiscal year 2006 (FY06) appropriation in which the Agency may complete this recommendation by August 31, 2006. Therefore, under the fiscal constraints of the FY06 continuing resolution, planning and coordination will be started.

- OIG recommendation # 5 – “Finalize the draft procedures so that a uniform system is established for FSA's role in the processing and resolution of program complaints.”

Agency Response # 5 – We are providing you with a Standard Operating Procedure (SOP) for conducting State Management Reviews and a SOP for processing program complaints. Both SOPs are dated September 30, 2005

Exhibit D – Agency Response

T. Mike McCann
Page 2

and were signed and approved by the Director FSA OCR. These SOPS should close out recommendation #5.

I am pleased to offer my responses to you. Should you have any questions or need additional clarification, please contact me at (202) 401-7220.

cc: Michael Yost, Acting FSA Administrator (No Attachment)
Thomas Hofeller, Associate Administrator for Operations and Management (No Attachment)
Carolyn Cooksie, Deputy Administrator for Farm Loan Programs (No Attachment)
John Johnson, Deputy Administrator for Farm Programs (No Attachment)
John Williams, Deputy Administrator for Management (No Attachment)
Steve Sanders, Acting Director, ITSD (No Attachment)

Attachments:

State Management Review SOP
Program Complaint SOP

Exhibit D - Agency Response

United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

Operations Review
and Analysis Staff

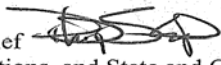
Audits,
Investigations, and
State and County
Review Branch

1400 Independence
Ave., SW
STOP 0540
Washington, DC
20250-0540



NOV 2 2005

TO: Director, Farm and Foreign Agriculture Division
Office of Inspector General

FROM: Philip Sharp, Chief 
Audits, Investigations, and State and County Review Branch

SUBJECT: Response to Audit 03601-0011-AT, Minority Participation in Farm
Service Agency's (FSA) Farm Loan Programs

Recommendation 1

FSA Notice FLP-400 "Equitable Treatment in Processing Loan Applications", dated October 10, 2005, has been issued emphasizing the importance of processing loan applications in a timely manner. This notice directs that a minimum of 50 percent of the rejected applications from Socially Disadvantaged Applicants (SDA) be reviewed. In addition, FSA Farm Loan Chiefs are directed to monitor loan processing timeframes. State Executive Directors (SED) are instructed to manage staff resources to minimize loan application processing delays. In addition, each SED is required to review the loan application time frames for both SDA and non-SDA applicants. States are able to monitor the processing times for SDA and non-SDA applicants by used of a webfocus report. Each State is required to submit a summary of findings and corrective actions, if necessary, to the National Office. The Loan Making Division will review these summaries and provide guidance to States, as necessary, to ensure that any identified inconsistencies are corrected.

Recommendation 3

In accordance with 7 C.F.R. §15d.3 and DM 4330-001, Chapter 5, the Department's Office of Civil Rights has committed adequate resources to insure that in-depth and comprehensive compliance reviews are conducted. Specifically, a compliance review of Rural Development's EEO program and Rural Housing Service's program delivery is currently underway. Further reviews are scheduled for the remainder of Fiscal Years 2006 and 2007.

Recommendation 4

The Department's Office of Civil Rights' compliance review of FSA and its programs will commence during the first quarter of FY 2007.

Response to recommendations 2 and 5 was provided to your office on October 25, 2005. Response to recommendations 6 and 7 will be provided under separate cover.

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Exhibit D – Agency Response



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
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Washington, DC
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TO: T. Mike McCann
Director
Operation Review and Analysis Staff

THROUGH: Thomas B. Hofeller
Associate Administrator for
Operations and Management

NOV 3 2005

Steven N. Mikkelsen
Acting Director
Office of Business and Program Integration

NOV - 3 2005

FROM: Cliff J. Herron
Director
Outreach Staff

SUBJECT: Minority Participation in the Farm Service Agency's (FSA) Farm Loan Programs-Audit 03601-0011-AT

This replies to your letter dated October 5, 2005, concerning your request that the Outreach Staff respond to Recommendations 6 and 7 of the subject audit.

As requested, we have reviewed the draft report from the Office of Investigator General (OIG), dated September 13, 2005. We found that Section 3, Finding 4, "FSA's National Outreach Program Should Coordinate With County Officials (CO) to Reach Minority Communities," and "FSA National Office Outreach Staff does not evaluate or monitor State office and CO's outreach activities nor does it provide guidance on reaching minority farmers," on page 23 to be an inaccurate finding. Also, the statements on pages 23 and 25, "due to this lack of coordination, FSA cannot ensure that its COs are doing everything possible to reach all underrepresented farmers and ranchers...the National staff does not evaluate or monitor State and CO's performance, nor does it provide guidance on reaching minority farmers." These statements are simply not accurate and are dismissing most of the National Outreach Staff's activities and accomplishments. As such, we cannot agree with the overall findings and offer the following to ensure that actual outreach efforts are adequately addressed so a proper evaluation and assessment can be accomplished/considered:

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T. Mike McCann
Page 2

- Soon after the National outreach office was established in 1996, we established an outreach report for each State to complete and submit to us, on a bi-annual basis, which is still in place today. These reports are reviewed and analyzed and we provide feed-back to the States on our findings and provide any needed recommendations.
- FSA established State Outreach Coordinators (SOCs) positions in each of our 51 State offices in FY 1997 and provided them, along with their State Executive Directors (SED), National outreach training in 1998 and 2002.
- The National Outreach Staff established a comprehensive National Web-site for outreach with specific outreach sites for each targeted/minority underserved groups in FY 2003.
- Since 1996, the National Outreach Staff developed an annual National Outreach Accomplishment Report, which is placed on the Web-site, to ensure all States have access to all our National outreach efforts and successes.
- In 1999, the National Outreach Staff developed a “model” Outreach Plan and provided it to all the State offices and required them to complete their State Outreach Plan and submit them each year to the National Outreach Staff for review. The National Outreach Office in turn completed an Agency Outreach Plan and submitted it to the Department for its review. Also, in the past, each State office prepared a separate Statewide outreach plan for the National Food and Agriculture Council. Many of these State plans included several Department of Agriculture (USDA) agencies within the State.
- FSA, through a contractor, has developed an Agency Outreach Handbook and a separate guide on outreach to women, which was recommended by the SOCs as a critical tool they needed to carry out successful outreach functions within their States. These handbooks were developed to assist the SOCs and county offices in understanding the needs and methods to perform successful outreach efforts within their States, which can also be used by the SOCs to train their county offices. These guides are currently in the clearance process.

T. Mike McCann
Page 3

- The National Outreach Staff develops and publishes a quarterly Outreach Newsletter that is submitted to each SED and SOC.
- FSA does not have a separate budget line item for outreach functions and must utilize the Agency's appropriated salaries and expense budget to fund outreach projects and support functions. For the past 2 years we also utilized these limited funds to provide each State with a small budget for their outreach functions.
- Members of the Outreach Staff attend all Deputy Administrator's staff meetings to ensure outreach presence and information is provided as necessary.
- The National Outreach Staff processes National outreach initiatives involving many of the State offices. For example, the National FSA American Indian Credit Outreach Initiative involves 29 different States, which FSA provided \$1.44 million dollars in FY 2005. This staff also processes numerous outreach conference support request for many nonprofit community-based groups, operating at the National, regional, State, and local levels.
- The National Outreach Staff has, on various occasions, worked with States in developing and obtaining overall outreach success stories that have been published and reported to various offices.

The following are the recommendations made and our response to each:

Recommendation 6: Develop and implement policy to authorize the National office Outreach Staff to oversee and direct State and CO's outreach activities.

Response: FSA has the largest USDA footprint in the country. Currently, FSA has over 15,000 employees, 2,400 offices and some 64 programs to administer. To address issues in an organization of this size, FSA has developed and maintained a long standing policy to administer all programs, policies and personnel through a multi-tiered management system of National, State, and county offices.

We do not believe OIG obtained an adequate view of FSA's outreach activities during the staff interviews that occurred, therefore, we have provided the detail outlined above on our National Outreach Office activities and efforts. FSA will, however, reemphasize

T. Mike McCann
Page 4

our current policy, where the SEDs and the County Executive Directors are the principal entities responsible for outreach in their respective State and county offices. FSA's National Outreach Office will review current policy and recommend changes, if needed, and look at ways to accumulate meaningful data on outreach efforts.

Recommendation 7: Develop and implement a Nationwide strategy integrating outreach activities at the National, State, and county office levels, including a mechanism for tracking outreach success.

Response: Given the above, we believe that Recommendation 7 should be deleted as the elements of the recommendation are already being met.

Finally, effective outreach to limited resource and minority farmers and ranchers is a critical need. FSA will continue to expel all available resources to be proactive in extending equal opportunities to all eligible program participants.