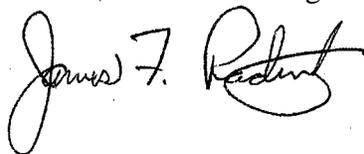


For: State and County Offices

**Continued Action on Internal Control for Supervised Bank Accounts (SBA's)**

Approved by: Acting Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

As a result of the weakness identified in creating and maintaining FLP SBA's, a moratorium (with specific exceptions) was imposed on establishing new SBA's. Although progress has been made in reducing the number and length of SBA's, DAFLP has decided to continue the corrective actions taken to mitigate the identified weaknesses.

**B Purpose**

This notice:

- continues the moratorium on establishing new SBA's for loan funds
- establishes guidelines for States to request exemptions to the moratorium
- provides guidance to States for reviewing and reconciling open SBA's
- obsoletes Notice FLP-669.

**C Contact**

Direct any questions about this notice to Connie Holman at 202-690-0756.

<b>Disposal Date</b>  March 1, 2016	<b>Distribution</b>  State Offices; State Offices relay to County Offices
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## Notice FLP-700

### 2 State and County Office Responsibilities

#### A Moratorium on Establishing New SBA's

DAFLP is continuing the moratorium on establishing new SBA's for loan funds. **The moratorium will remain in effect until further notice.** During the moratorium, DAFLP will continue to evaluate the SBA program to determine the overall functionality as a funds management tool.

States may continue to establish SBA's, without approval from the National Office, for insurance proceeds, the sale of basic security, and loan funds made for construction projects. **SBA's for capital purchases are no longer included as an exception.** Accounts **must** be closely monitored by DD's and State Office's, and closed when funds have been distributed.

**Exceptions to the moratorium may be granted with National Office concurrence.** If a local office determines that an SBA is needed, which needs National Office concurrence beyond those reasons outlined above, an exception may be requested. When requesting an exception the authorized agency official must document the reasons the exception is essential for the successful management of loan proceeds. Once DD concurs with the request it must be submitted to the State Office for review. If the State Office determines that the exception request is justified, the request must be forwarded to the National Office for final determination.

**Note:** State Offices shall submit exception requests to **connie.holman@wdc.usda.gov**.

#### B Reviewing Open SBA's

State Offices or their designee will conduct a review of all outstanding SBA's. During the review, State Office reviewer shall:

- reconcile account balances with bank balances
- initial and date FSA-2142
- document review findings in the borrower case file.

State Offices will determine whether or not to keep the account open. If it is determined that the account is:

- still necessary, then the State Office must provide documentation which will be placed in the case file
- no longer needed, then funds should be disbursed to the borrower or applied to the loan account and SBA closed according to 1-FLP, subparagraphs 104 A and B.

## Notice FLP-700

### 2 State and County Office Responsibilities (Continued)

#### C Reporting Reviews

No later than May 15, 2015, State Offices shall submit a report on SBA reviews according to subparagraph B, and include certification that the reviews have been completed, the number of accounts that will remain open, and the total present balance in all accounts. E-mail the report to Connie Holman at [connie.holman@wdc.usda.gov](mailto:connie.holman@wdc.usda.gov).