

UNNUMBERED LETTERS ISSUED FOR THE MONTH OF OCTOBER 2004

Dated	Subject	Distribution
10-01-04	Fiscal Year 2005 State Internal Review Handbook Updates	S/D
10-04-04	Personal Property Furnished to Non-Federal Recipients	S/D
10-05-04	Rural Development Audit Program	S/D
10-07-04	Transit Benefit Program	RD Employees
	Security Awareness Bulletin	N.O. Official, St. Louis RD Employees
10-10-04	Changes in Multi-Family Housing Cost Estimating Resources Used by Rural Development	S/D
10-12-04	Business and Industry Guaranteed Loan Program Funding During the Continuing Resolution	S/D
10-14-04	Scheduling of Use-or-Lose Annual Leave	S/D
10-18-04	45-Day Hiring Goal	S/D

October 1, 2004

SUBJECT: Fiscal Year 2005 State Internal Review  
Handbook Updates

TO: Rural Development State Directors

ATTN: Administrative Programs Directors and  
Management Control Officers

The Financial Management Division (FMD) has been working closely with the Inter-Operability (IO) Lab to update the Fiscal Year (FY) 2005 State Internal Review (SIR) Handbook review guides and corresponding spreadsheets for calculating compliance scores.

The Handbook updates have been made and the IO Lab has tested and certified the Handbook software. In addition to the testing, the IO Lab has loaded the updated SIR Handbook on the Internet; provided written installation and removal instructions; and notified the Information Resource Managers (IRMs) of this update and that it can be downloaded from the Internet.

The Management Control Officers should coordinate this effort with the IRMs to ensure they obtain the latest updates to the SIR Handbook.

Beginning with the FY 2005 SIRs; the value of loans/grants reviewed and the loans/grants with deficiencies will be documented and reported on the "Summary of Review Findings." The universe data on total subject reviewed (i.e., employees, files, offices, etc.) and those with deficiency findings will still need to be captured and reported in the Automated Reports Tracking System.

EXPIRATION DATE:  
September 30, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

If you have any questions, or need additional information, please contact Diana Wareham of FMD, at (202) 692-0044.

*(Signed by SHERIE HINTON HENRY)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic mail on 10-01-04 at 8:30a.m. by FMD.

October 4, 2004

SUBJECT: Personal Property Furnished to Non-Federal Recipients

TO: All Rural Development State Directors

ATTN: Administrative Programs Directors

This is a reminder that in accordance with procedures in the Federal Management Regulations (FMR), Subpart 102-36-295, Reports, each agency is responsible for completing an annual report of all personal property furnished to non-federal recipients.

The attached form is to be completed on computer equipment that has been donated by your office. Please complete and forward to the Property, Procurement and Mail Management Branch (PPMMB), Property and Supply Management Division, 1520 Market Street, ATTN: FC-702, St. Louis, Missouri 63103.

The report is due to PPMMB by October 29, 2004. If you have any questions, please contact Sheila Palmer at 314-335-8184.

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachment

EXPIRATION DATE:  
September 30, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on 10-05-04 at 1:00 p.m. by AAPAS.

STATE: \_\_\_\_\_

**United States Department of Agriculture**  
**Computer Equipment Transferred Under E.O. 12999/Stevenson-Wyder Technology Act**

	No. of PC's				No. of Systems				No. of Other ADP Equip.			OAC*	Receipt Information	
	286	386	486	Pentium	286	386	486	Pentium	Monitor	Printer	Other		Name	Location
<b>TOTAL</b>														

\*Original Acquisition Cost

October 5, 2004

**SUBJECT:** Rural Development Audit Program

**TO:** Rural Development State Directors  
National Office Officials

**ATTN:** Management Control Officers  
Administrative Program Directors

The Rural Development Audit Program has been updated in order to provide audit-related guidance for selected Rural Development programs. The Audit Program is effective for audit periods ending on December 31, 2004, and thereafter. The Audit Program also incorporates the latest revisions to Government Auditing Standards issued by the Government Accountability Office. The following Rural Development programs are included in the Audit Program along with the appropriate Catalog of Federal Domestic Assistance (CFDA) number:

CFDA No. 10.415/10.427 – Rural Rental Housing Loans  
CFDA No. 10.766 – Community Facilities Loans and Grants  
CFDA No. 10.768 – Business and Industry Guaranteed Loans  
CFDA No. 10.767 – Intermediary Relending Program  
CFDA No. 10.854 – Rural Economic Development Loans and Grants

Please note that this Audit Program replaces the previous Farmers Home Administration Audit Program dated December 1989. Any copies of the December 1989 Audit Program should be destroyed and the current Audit Program should be provided to Rural Development borrowers, their independent auditors, and appropriate Rural Development staff.

**EXPIRATION DATE:**  
September 30, 2005

**FILING INSTRUCTIONS:**  
Administrative/Other Programs

Copies of the Rural Development Audit Program may be obtained only via the Rural Development internet homepage at: <http://www.rurdev.usda.gov/rd/auditprogram.pdf>. Please provide the internet address to all parties interested in obtaining copies of the Audit Program.

Questions concerning the Rural Development Audit Program may be directed to John Purcell, Director, Financial Management Division, at (202) 692-0080.

*(Signed by SHERIE HINTON HENRY)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic mail on 10-05-04 at 3:30p.m. by FMD.

**U. S. Department of Agriculture**

**Rural Development**

**Audit Program**

**Issued: October 2004**



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UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
WASHINGTON, D. C.

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**AUDIT PROGRAM**

RURAL DEVELOPMENT  
Rural Housing Service  
Rural Business-Cooperative Service

Audits of Recipients of Rural Development  
Grants, Loans, and Loan  
Guarantees

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The attached Audit Program provides important guidance for independent public accountants in conducting financial statement audits of recipients of Rural Development grants, loans, and loan guarantees, except for those audits required to be performed in accordance with Office of Management and Budget Circular A-133. The Audit Program is effective for financial audits of periods ending on December 31, 2004, and thereafter.

*This Audit Program may not be changed, altered, revised, or modified without the concurrence of Rural Development.*

APPROVED BY

\_\_\_\_\_/S/\_\_\_\_\_  
SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

\_\_\_\_\_  
10/25/04

Date

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## Rural Development Audit Program

### **A. PURPOSE**

The following Audit Program provides information for independent, public, Federal, state or local government audit organizations in conducting financial statement audits of recipients of Rural Development loans, grants, and loan guarantees. This Audit Program includes compliance requirements for the Rural Housing Service Rural Rental Housing, and Community Facilities; the Rural Business-Cooperative Service Business and Industry Guaranteed Loans, Intermediary Relending Program, and Rural Economic Development Loan and Grant audits performed in accordance with generally accepted auditing standards (GAAS) and generally accepted government auditing standards (GAGAS). Auditors conducting financial statement audits in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, should refer to the OMB Circular A-133 Compliance Supplement, Appendix B; as it pertains to audits of state and local governments, non-profit organizations, and Indian tribes that expend \$500,000 or more in Federal funds in a fiscal year. This Audit Program is not intended to address audit requirements that are required under the Single Audit Act Amendments of 1996 and OMB Circular A-133.

The suggested audit procedures provided in this Audit Program are the minimum necessary for uniform and consistent coverage.

### **B. ABBREVIATIONS**

AICPA	American Institute of Certified Public Accountants
CFDA	Catalog or Federal Domestic Assistance
CFR	Code of Federal Regulations
CF	Community Facilities
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
IRP	Intermediary Relending Program

OIG	Office of Inspector General
OMB	Office of Management and Budget
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
SAS	AICPA's Statements on Auditing Standards

### **C. BACKGROUND**

Rural Development requires its borrowers to provide annual audited financial statements performed in accordance with GAGAS using the publication, "Government Auditing Standards," 2003 Revision. This publication was developed by the Comptroller General of the United States, GAO. Audits must also be performed in accordance with GAAS.

These financial statement audits are the responsibility of the auditee's management. The financial statements should be prepared in conformance with GAAP unless state statutes or other funding sources require otherwise.

To the extent practicable, the financial statements should be presented on a comparative basis for the current and preceding year. An entity submitting its initial audit report to Rural Development may submit single year financial statements.

### **D. PERTINENT PUBLICATIONS AND REGULATIONS**

#### 1. Pertinent Publications

AICPA Statements on Auditing Standards

GAO Government Auditing Standards (2003 or subsequent revisions)

#### 2. Pertinent Regulations

**7 CFR Part 1942, Subpart A** - Community Facilities Loans

**7 CFR Part 1942, Subpart C** - Fire and Rescue Loans

**7 CFR Part 3570, Subpart B** - Community Facilities Grants

**7 CFR Part 3575, Subpart A** - Community Facilities Guaranteed Loans

**7 CFR Part 4274, Subpart D** - Intermediary Relending Program (IRP)

**7 CFR Part 1951, Subpart R** - Rural Development Loan Servicing (for the IRP program)

**7 CFR Part 1980, Subpart E** - Business and Industrial (B&I) Loan Program

**7 CFR Part 4279, Subpart A** - General (for B&I Loans)

**7 CFR Part 4279, Subpart B** - Business and Industry Loans

**7 CFR Part 1942, Subpart G** - Rural Business Enterprise Grants and Television Demonstration Grants

## **E. STANDARDS FOR CONDUCTING AUDITS**

The Comptroller General of the United States has published GAGAS, 2003 Revision, which contains standards for audits of government organizations, programs, activities, and functions. These standards are to be followed by Federal, state, and independent certified public accountants when auditing entities receiving financial assistance provided by Rural Development.

The AICPA Statements on Auditing Standards (SASs) have been incorporated into GAGAS for financial audits, and must be followed. This audit program is not intended to provide guidance regarding adherence to the SASs.

## **F. ENGAGEMENT LETTER**

The auditor should prepare a written engagement letter for the audited entity, which clearly sets forth the terms, nature, and limitations of the audit engagement. The engagement letter may include terms and conditions that the auditee and the auditor deem appropriate; however, the following provisions should be included in the audit agreement:

- 1. A statement that the auditor will perform and document the audit work in accordance with GAGAS and the professional standards of the AICPA;**
2. A statement that the auditor will submit the completed audit and accompanying audit letters to the entity's governing body 30 days prior to the date the audit is due to Rural Development;

3. A statement that the auditor will make all audit-related documents, including workpapers, available to Rural Development, OIG, or their duly authorized representatives, upon request; and
4. The auditor will report, in writing, all irregularities, as well as indications of fraud, abuse, or illegal acts, whether material or not, to the entity's governing body, Rural Development, and OIG.

## **G. AUDIT OBJECTIVES**

Entities receiving financial assistance from Rural Development are required to submit financial statement audits. The objective of a financial statement audit is to provide reasonable assurance about whether the financial statements present fairly the financial position, results of operations, and cash flows in conformity with GAAP.

## **H. GENERAL STANDARDS**

### **Independence**

In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, should be free both in fact and appearance, from personal, external, and organizational impairments to independence.

### **Professional Judgment**

Professional judgment should be used in planning and performing audits and in reporting the results. This standard requires auditors to exercise reasonable care and diligence and to observe the principles of serving the public interest and maintaining the highest degree of integrity, objectivity, and independence in applying professional judgment to all aspects of their work. This standard also imposes a responsibility upon each auditor performing work under GAGAS to observe GAGAS. In addition, auditors should use professional judgment in determining the type of assignment to be performed and the standards that apply to the work; defining the scope of work; selecting the methodology; determining the type and amount of evidence to be gathered; and choosing the tests and procedures for their work. Professional judgment also should be applied in performing the tests and procedures and in evaluating and reporting the results of the work.

### **Competence**

The audit staff assigned to perform the audit should collectively possess adequate professional competence for the tasks required.

Qualifications for staff members conducting audits include:

1. knowledge of GAGAS applicable to the type of work they are assigned and the education, skills and experience to apply such knowledge to the work being performed.
2. general knowledge of the environment in which the audited entity operates and the subject matter under review;
3. skills to communicate clearly and effectively, both orally and in writing; and
4. skills appropriate for the work being performed.

To meet this standard, auditors performing work under GAGAS, including planning, directing, performing field work, or reporting on an audit under GAGAS, need to maintain their professional competence through continuing professional education (CPE). Each auditor performing work under GAGAS should complete, every 2 years, at least 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any 1 year of the 2-year period.

### **Quality Control and Assurance**

Each audit organization performing audits in accordance with GAGAS should have an appropriate internal quality control system in place and should undergo an external peer review.

An audit organization's system of quality control encompasses the audit organization's structure and the policies adopted and procedures established to provide the organization with reasonable assurance of complying with applicable standards governing audits. An audit organization's internal quality control system should include procedures for monitoring, on an ongoing basis, whether the policies and procedures related to the standards are suitably designed and are being effectively applied.

Audit organizations performing audits in accordance with GAGAS should have an external peer review of their auditing practices at least once every 3 years by reviewers independent of the audit organization being reviewed. The external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was adequate and whether quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance of conforming with applicable professional standards. Audit organizations should take remedial, corrective actions as needed based on the results of the review.

Audit organizations seeking to enter into a contract to perform an assignment in accordance with GAGAS should provide their most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract, to the party contracting for the audit.

## **I. FIELD WORK STANDARDS FOR FINANCIAL AUDITS**

### **General**

The work is to be adequately planned and assistants, if any, are to be properly supervised. A sufficient understanding of internal control is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed. Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

### **Auditor Communication**

Auditors should communicate information regarding the nature, timing, and extent of planned testing and reporting and the level of assurance provided to officials of the audited entity and to the individuals contracting for or requesting the audit.

In communicating the nature of services and level of assurance provided, auditors should specifically address their planned work and reporting related to testing internal control over financial reporting related to compliance with laws, regulations, and provisions of contracts or grant agreements.

### **Considering the Results of Previous Audits**

Auditors should consider the results of previous audits and follow up on known significant findings and recommendations that directly relate to the objectives of the audit being undertaken.

Auditors should use professional judgment in determining (1) prior periods to be considered, (2) the level of work necessary to follow up on significant findings and recommendations that affect the audit, and (3) the effect on the risk assessment and audit procedures in planning the current audit.



## **Detecting Material Misstatements Resulting from Violations of Contract Provisions, or Grant Agreements, or from Abuse**

Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. If specific information comes to the auditors' attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the determination of financial statement amounts or other financial data significant to the audit objectives, auditors should apply audit procedures specifically directed to ascertain whether violations of provisions of contracts or grant agreements have occurred or are likely to have occurred.

Auditors should be alert to situations or transactions that could be indicative of abuse, and if indications of abuse exist that could significantly affect the financial statement amounts or other financial data, auditors should apply audit procedures specifically directed to ascertain whether abuse has occurred and the effect on the financial statement amounts or other financial data.

Auditors should exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, in order not to interfere with potential investigations legal proceedings, or both.

### **Developing Elements of a Finding**

Audit findings, such as deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse, have often been regarded as containing the elements of criteria, condition, and effect, plus cause when problems are found. However, the elements needed for a finding depend entirely on the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are satisfied. When problems are identified, to the extent possible, auditors should plan audit procedures to develop the elements of a finding to facilitate developing the auditors' report.

### **Audit Documentation**

Audit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor who has had no previous connection with the audit to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions. Audit documentation should contain support for findings, conclusions, and recommendations before auditors issue their report.

## **J. REPORTING STANDARDS FOR FINANCIAL AUDITS**

### **General**

The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles. The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's work, if any, and the degree of responsibility the auditor is taking.

### **Reporting Auditors' Compliance With GAGAS**

Audit reports should state that the audit was performed in accordance with GAGAS.

Reporting on Internal Control and on Compliance With Laws, Regulations, and Provisions of Contracts or Grant Agreements

When providing an opinion or a disclaimer on financial statements, auditors should include in their report on the financial statements either a (1) description of the scope of the auditors' testing of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements and the results of those tests or an opinion, if sufficient work was performed, or (2) reference to the separate report(s) containing that information. If auditors report separately, the opinion or disclaimer should contain a reference to the separate report containing this information and state that the separate report is an integral part of the audit and should be considered in assessing the results of the audit.

Reporting Deficiencies in Internal Control, Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, and Abuse

For financial audits, including audits of financial statements in which the auditor provides an opinion or disclaimer, auditors should report, as applicable to the objectives of the audit, (1) deficiencies in internal control considered to be reportable conditions as defined by the AICPA standards, (2) all instances of fraud and illegal acts unless clearly inconsequential, and (3) significant violations of provisions of contracts or grant agreements and abuse. In some circumstances, auditors should report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity.

When reporting deficiencies in internal control, auditors should identify those reportable conditions that are individually or in the aggregate considered to be material weaknesses.

To the extent possible, in presenting audit findings such as deficiencies in internal control, auditors should develop the elements of criteria, condition, cause, and effect to assist management or oversight officials of the audited entity in understanding the need for taking corrective action. In addition, if auditors are able to sufficiently develop the findings, they should provide recommendations for corrective action.

### **Reporting Views of Responsible Officials**

If the auditors' report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions.

### **Reporting Privileged and Confidential Information**

If certain pertinent information is prohibited from general disclosure, the audit report should state the nature of the information omitted and the requirement that makes the omission necessary. Certain information may be prohibited from general disclosure by Federal, State, or local laws or regulations. In such circumstances, auditors may issue a separate limited-official-use report containing such information and distribute the report only to persons authorized by law or regulation to receive it. If auditors make the judgment that certain information should be excluded from a publicly available report, they should state the general nature of the information omitted and the reasons that make the omission necessary in the report.

### **Report Issuance and Distribution**

Government auditors should submit audit reports to the appropriate officials of the audited entity and to appropriate officials of the organizations requiring or arranging for the audits, including external funding organizations such as legislative bodies, unless legal restrictions prevent it. Auditors should also send copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports. Unless the report is restricted by law or regulation, or contains privileged and confidential information, auditors should clarify that copies are made available for public inspection. Nongovernment auditors should clarify report distribution responsibilities with the party contracting for the audit and follow the agreements reached.

ATTACHMENT I  
Rural Rental Housing Loans  
10.415/10.427

**I. PROGRAM OBJECTIVES**

The objective of the RHS Rural Rental Housing (RRH) Loan Program is to provide economically designed and constructed housing suited for independent or congregate living of senior citizens, handicapped persons, and other persons of low and moderate incomes, who live in rural areas.

**II. PROGRAM PROCEDURES**

Loans are provided to state and local public agencies, individuals, trusts, associations, partnerships, consumer cooperatives, and profit and nonprofit corporations upon approval of an application to construct or rehabilitate rural rental housing. Loan funds can only be used for authorized purposes within the prescribed loan limits and use limitations. Most borrowers are required to contribute a certain percentage of the development costs and initial operating capital.

After the RRH facilities become operational, borrowers have ongoing management and reporting responsibilities. In this regard, borrowers are responsible for complying with applicable Agency regulations and conditions of their Loan Agreement which include, but are not limited to, the following:

- (a) Providing for proper and efficient management of the RRH project;
- (b) Renting only to eligible tenants;
- (c) Verifying and certifying tenant income and/or employment;
- (d) Entering into lease agreements with tenants;
- (e) Properly computing rental charges and obtaining Agency approval for any changes in basic or market rental rates;
- (f) Providing for proper maintenance of the RRH property to protect the Agency's security interests;
- (g) Limiting returns on investments and any advances/paybacks of operating funds;
- (h) Properly accounting for RRH project operations and maintaining required accounts;
- (i) Providing accurate monthly and/or annual reports to the Agency; and
- (j) Promptly computing and remitting loan repayments to reflect interest credits, averages and rental assistance.

### **III. COMPLIANCE REQUIREMENTS AND AUDIT PROCEDURES**

Entities receiving RRH loans are subject to the audit requirements contained in 7 CFR Part 3560, Reinvention of the Sections 514, 515, 516, and 521 Multi-Family Housing Programs. In addition, for audit periods ending as of December 31, 2004, auditees should submit audited financial statements conducted in accordance with the requirements of Government Auditing Standards (i.e., a GAGAS yellow book audit).

Please note; however, that for audit periods ending in the year 2005, entities receiving RRH loans will be required to submit audit reports using agreed-upon procedures guidance to be issued by the United States Department of Agriculture (USDA) OIG.

ATTACHMENT II  
Community Facilities Loans and Grants  
10.766

**I. PROGRAM OBJECTIVES**

As authorized by Section 306 of the Consolidated Farm and Rural Development Act of 1972, as amended (7 U.S.C. 1926), the Rural Housing Service Community Facilities (CF) Program provides direct and guaranteed loan and grant assistance to rural communities to construct, enlarge, expand, or improve essential community facilities in rural communities. These funds are made available for the purpose of providing essential services to rural communities when financing is not available from other sources at reasonable rates and terms. CF loans and grants are administered at the state and local level through the USDA Rural Development mission area.

**II. PROGRAM PROCEDURES**

CF is authorized to provide direct and guaranteed loan and grant assistance to eligible applicants for essential community facilities in rural areas with populations not to exceed 20,000. Eligible applicants include:

- (a) A public body, such as a municipality, district, county authority, or other political subdivision of a state, territory or commonwealth;
- (b) A non-profit organization; and
- (c) A Federally recognized Indian Tribe.

Grant funds may be used to assist in the development of essential community facilities in rural areas. The Agency will prioritize grant funds to areas with low Medium Household Income and low population. Eligible applicants located in small communities with lower populations and lower median household incomes may receive a higher percentage of grant funds. The amount of grant funds provided for a facility shall not exceed 75 percent of the cost of developing the facility.

The purpose of CF guaranteed loan assistance is to improve, develop, or finance essential community facilities in rural areas. The purpose is achieved through bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. Guaranteed loans are loans made by the lender and guaranteed by the Rural Housing Service. The processing of the loan and requirements placed on the organization receiving the loan are the lender's responsibility.

7 CFR Part 3575-A, Subpart A, CF Guaranteed Loans, requires the lender to obtain and analyze financial statements as required by the Loan Agreement. It is the lender's responsibility to notify the Agency of any violation of the Loan Agreement with the borrower within 30 days of such violation. The lender is required to submit the borrower's annual financial statements to the Agency servicing official within 120 days of the end of the borrower's fiscal year. The lender must analyze the financial statements and provide a written summary of the entity's trends, strengths, weaknesses, extraordinary transactions, and other financial conditions of the borrower. The lender will require an audit in accordance with the requirements of the OMB Circulars.

7 CFR Part 3570, Subpart B, requires the grantee to submit to the Agency certified documentation to support grant funds expended, as required by the Grant Agreement. Documentation shall include either an audit report, annual financial statements or appropriate documentation in accordance with 7 CFR Part 1942, Subparts A, and C or 7 CFR Part 3570, Subpart B, depending upon the purpose and amount of CF grant funds expended. The auditor shall review Form RD 3570-3, "CF Grant Agreement" for information related to financial reporting requirements.

### **III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

#### **A. Activities Allowed or Unallowed**

##### **Compliance Requirement**

Loan funds may be used to: (1) construct, enlarge, extend or otherwise improve essential community facilities; (2) to construct or relocate public buildings, roads, bridges, fences, and utilities necessary for the successful operation of authorized facilities; (3) to relocate private buildings, roads, bridges, fences, and utilities necessary for the successful operations of authorized facilities and (4) to pay certain other expenses when such costs are a necessary part of the financed facilities (7 CFR Part 1942-A, 1942.17(d)(1)).

Loan funds may not be used to finance: (1) on-site utility systems or business and industrial buildings in connection with industrial parks; (2) facilities used for recreational purposes (this restriction does not apply to guaranteed loans); (3) community antenna services; (4) electric generation or transmission facilities and telephone systems; (5) facilities which are not modest in size, design, or cost; (6) loan or grant finders' fees; (7) packagers' fees; (8) new combined sanitary and storm water sewer facilities (7 CFR Part 1942-A, 1942.17(d)(2)); (9) projects located in coastal barrier resources systems that do not qualify for an exception (7 CFR Part 3575-A, 3575.25); and (10) projects located in a mudslide hazard area.

During the disbursement of Federal assistance, the Agency must concur in all expenditures before they are made. The borrower must also monitor the use of funds in accordance with program regulations (7 CFR Part 1942-A, 1942.17(p)).

## **Suggested Audit Procedures**

- Test the borrower's financial records to ascertain that loan funds were only used for eligible purposes.
- The auditor must ascertain the purpose of the loan/grant funds.
- The auditor must refer to the Project Summary in the case file to determine the cost of the project (7 CFR Part 1942-A, 1942.17(d), 7 CFR Part 3575-A, 3575.24 and 3570-B, 3570.61(b)). The Project Summary is prepared by the USDA Rural Development representative.
- The auditor should refer to the section in the regulation pertaining to activities allowed and unallowed. Unallowed activities are contained in 7 CFR Part 1942-A, 1942.17(d)(2) and 7 CFR Part 3575-A, 3575.25.
- Review the current Balance Sheet (Form RD 442-3) to determine if Form RD 442-3 is in material agreement with the entity's accounting records.
- Ascertain whether the borrower obtained prior Agency concurrence for expenditures.
- Review the "Letter of Conditions" (7 CFR Part 1942-A, 1942.5(a) (1)), Letter of Intent to meet conditions (Form RD 1942-45), and additional documentation in the case file that supports the Agency's approval of expenditures.
- Review the Project Summary (Form RD 1942-47) for appropriate signatures by the Rural Development Manager and State Director. Regulation reference (7 CFR 1942-A, Part 1942.5(a)(i)).
- Test the grantee's financial management system to ensure its adequacy to meet financial reporting requirements.
- Review the borrower's accounting and auditing procedures for grants. Reference 7 CFR Part 3570-B, "Community Facilities Grant Program."
- Based on the audit, ascertain whether the borrower's financial management system is designed to ensure the proper use of loan funds.
- Review the borrower's accounting and auditing procedures for loans. Reference 7 CFR Part 1942-A, 1942.17(q).



## **B. Eligibility**

The auditor is not expected to test for eligibility.

## **C. Matching, Level of Effort, Earmarking**

### **Compliance Requirement**

Borrowers may be required to provide funds from other sources as specified in the Loan Agreement, Grant Agreement or Letter of Conditions issued by Rural Development. (7 CFR Part 1942-A, 1942.5(a)(1)(i), 7 CFR Part 3570-B, 3570.71(f), and 7 CFR Part 3775-A, 3575.28 and 3575.64).

### **Suggested Audit Procedures**

- Examine the Grant Agreement, Loan Agreement and Letter of Conditions to ascertain the amount of funds to be provided by the recipient.
- Test the financial records to determine if matching fund requirements were met.
- The auditor must ascertain the amount and source of funds. Determine whether the funds were from state or other nonfederal sources.

*The CF program does not require matching funds for the CF grant program. CF can use 75 percent CF grant fund in a project. The other 25 percent has to be either CF direct loan, CF guaranteed loan, or other funds.*

- Test to determine if there was a conditional commitment of guarantee.

## **D. Reporting Requirements**

### **Compliance Requirement**

The following financial or management reports must be periodically submitted to Rural Development:

- (1) Annual audited financial statements within 150 days of the entity's fiscal year-end (7 CFR Part 1942-A, 1942.17(q)(4));
- (2) Form RD 442-2, "Statement of Budget, Income and Equity" (7 CFR Part 1942-A, 1942.17(q)(5), and OMB No. 0575-0015). This report covers financial operations relating to the borrower's CF project; or
- (3) Form RD 442-3, "Balance Sheet" (7 CFR Part 1942-A, 1942.17(q)(5) and OMB No 0575-0015). This report presents the financial status of the borrower's CF project.

### **Suggested Audit Procedure**

- Review Forms RD 442-2 and 442-3, and determine whether the information presented is in agreement with the borrower's financial records.
- Review prior period audited financial statements and findings to ascertain whether material deficiencies or significant changes in financial condition exist.

### **E. Special Tests and Provisions**

#### **Compliance Requirement**

A Loan Resolution, Form RD 1942-47 (Loan Resolution, Public Bodies) will be adopted by public bodies. The following sections of the Loan Resolution restrict the financial operations of the borrower: Section 6 (sale, transfer and lease of facility); Section 7 (contacts, agreements and liabilities); Section 8 (depositories); Section 10 (revenues); and Section 12 (books and records) (7 CFR Part 1942-A, 1942.5).

#### **Suggested Audit Procedures**

- Review the Loan Resolution and applicable regulations.
- Review and test the financial and related records to determine compliance with the restrictions placed on CF borrowers by the Loan Resolution.

Note: The financial requirements are contained in the Letter of Conditions applicable Loan Resolution and Grant Agreement.

#### **Compliance Requirement**

A Loan Resolution will be adopted by not-for-profit organizations (Loan Resolution Security Agreement) RD Form 1942-9. The following sections of the Loan Resolution restrict the financial operations of the borrower; Section 4 (protection and disposition of funds); Section 5c (revenues); Section 5e (books and records); Section 5h (contracts, agreements, and liabilities); and Section 5i (sale, transfer or lease of facility) (7 CFR Part 1942-A, 1942.5).

#### **Suggested Audit Procedures**

- Review the Loan Resolution and applicable regulations.
- Review and test the financial and related records to determine compliance with the restrictions placed on CF borrowers by the Loan Resolution.

### **Compliance Requirement**

Section 319 of Public Law (P.L.) 101-121, the Department of Interior and Related Agencies Appropriations Act, prohibits applicants and recipients of Federal contracts, grants, and loans from using appropriated funds for lobbying the Federal Government in connection with a specific award. Section 319 also requires each individual who requests or receives a Federal contract, grant, loan, or a Federal commitment to guarantee a loan, to disclose the expenditure of any funds, other than appropriated funds, for lobbying activities.

RD Instruction 1940-Q, Restrictions on Lobbying, requires that recipients of assistance exceeding certain financial thresholds provide certifications concerning lobbying activities, and submit disclosure statements if nonappropriated funds have been used for certain purposes.

### **Suggested Audit Procedures**

- The auditor will test for compliance with the provisions of Section 319 of P.L. 101-121, by verifying that the required certifications and disclosure statements have been prepared.
- The auditor must check to ensure certifications and disclosure statements are signed and dated by the appropriate officials.

ATTACHMENT III  
Business and Industry Guaranteed Loans  
10.768

**I. PROGRAM OBJECTIVES**

The objective of the Business and Industry (B&I) Guaranteed Loan Program is to improve, develop, or finance business, industry, and employment to improve the economic and environmental climate in rural communities.

**II. PROGRAM PROCEDURES**

Loans by private sector lenders to businesses guaranteed by Rural Development Guaranteed loans can be sold in the secondary market. The lender is responsible for loan servicing. The program is administered through the Rural Development State Director who is the point of contact for all processing and servicing activities. Loans must improve the economic and/or environmental climate of rural communities by bolstering the existing private credit structure through loan guarantees that will provide lasting community benefits.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. Types of Services Allowed or Unallowed**

**Compliance Requirements**

Loans may be used for:

- (1) Business and industrial acquisitions, construction, repair and modernization;
- (2) Purchasing and developing land, easements, buildings, rights-of-way and facilities;
- (3) Purchasing equipment, leasehold improvements, machinery and supplies;
- (4) Pollution control and abatement;
- (5) Transportation services incidental to industrial development;
- (6) Startup costs and working capital;
- (7) Interest subject to certain provisions;
- (8) Feasibility studies;

(9) Debt refinancing; and

(10) Reasonable professional fees and Agency guarantee fees and charges (7 CFR Part 4279-B, section 4279.113).

### **Compliance Requirements**

Loans may not be used for items detailed in 7 CFR Part 4279-B, section 4279.114.

### **Suggested Audit Procedure**

- Test the borrower's financial records to ascertain that loan funds were only used for eligible loan purposes.

#### **B. Eligibility**

The auditor is not expected to test for borrower eligibility.

#### **C. Matching, Level of Effort, and/or Earmarking Requirements**

- Test to verify if the lender has maintained the appropriate level of ownership of guaranteed loan (i.e., 5%).

#### **D. Reporting Requirements**

### **Compliance Requirements**

The following financial reports must be submitted periodically for this program:

Annual audited financial statements prepared by an accountant in accordance with Generally Accepted Accounting Principles will be required (7 CFR Part 4279-B, section 4279.137(a)).

The Agency may require audited financial statements if loan security concerns warrant, and the proposed guaranteed loan will exceed \$3 million (7 CFR Part 4279-B, section 4279.137(b)).

### **Suggested Audit Procedures**

- Ascertain whether the borrower complied with any special financial reporting requirements, as contained in the loan closing documents or subsequent loan covenant modifications.
- Test the accuracy of the financial reports to the borrower's financial records.
- Ascertain whether the borrower submitted audited financial statements.

- Ascertain whether the lender has adhered to all conditions in the Loan Agreement and Conditional Commitment and verify that the lender has submitted a certification to Rural Development that these have been met prior to issuance of the Loan Note Guarantee.

## **E. Special Tests and Provisions**

### **Compliance Requirements**

All fees and charges by the lender and others should be similar to those reasonably and customarily charged borrowers in similar circumstances in the ordinary course of business (7 CFR Part 4279-B, section 4279.120).

A minimum of 10 percent tangible balance sheet equity will be required for existing businesses at the time the Loan Note Guarantee is issued. A minimum of 20 percent tangible balance sheet equity will be required for new businesses at the time the Loan Note Guarantee is issued (7 CFR Part 4279-B, section 4279.131(d)).

Interest rates negotiated between the borrower and lender must not be more than those rates customarily charged borrowers in similar circumstances in the ordinary course of business (7 CFR Part 4279-B, section 4279.125).

The lender is responsible for seeing that the borrower has proper and adequate collateral to protect the interest of the lender, and Rural Development (7 CFR Part 4279-B, section 4279.131(b)).

The loan agreement between the lender and borrower may impose other financial and program requirements (7 CFR Part 4279-B, section 4279.161 (b)(11)(xii)).

### **Suggested Audit Procedures**

- Test lender records to determine whether the lender's fees and other professional fees charged to guaranteed borrowers were reasonable and customary. If packaging services were provided by the lender, ascertain from the lender records whether the fees charged guaranteed borrowers were comparable to fees charged on lender nonguaranteed loans.
- Ascertain whether the interest rate negotiated between the lender and borrower on guaranteed loans was comparable to the rate customarily charged borrowers in similar circumstances on lender nonguaranteed loans, adjustments are proper, and appropriate approvals were obtained.
- Through visual inspection or record of collateral, test whether collateral pledged as security for the loan is being maintained by the borrower.

- Ascertain whether the required appraisal reports were prepared by an independent appraiser and were timely obtained.
- Test loans (loan and lender's agreements) relating to the following requirements for compliance:
  1. Prohibition against assuming liabilities or obligations of others;
  2. Restriction on dividend payments;
  3. Limitation on purchase or sale of equipment and fixed assets;
  4. Limitation on compensation of officers and owners;
  5. Minimum working capital requirements;
  6. Maximum debt to net worth ratio;
  7. Restrictions concerning consolidations, mergers or other circumstances; and
  8. Limitations on selling the business without concurrence of the lender and Rural Development.

### **Compliance Requirement**

Section 319 of Public Law (P.L.) 101-121, the Department of Interior and Related Agencies Appropriations Act, prohibits applicants and recipients of Federal contracts, grants, and loans from using appropriated funds for lobbying the Federal government in connection with a specific award. Section 319 also requires each individual who requests or receives a Federal contract, grant, loan, or a Federal commitment to guarantee a loan, to disclose the expenditure of any funds, other than appropriated funds, for lobbying activities.

RD Instruction 1940-Q, Restrictions on Lobbying, requires that recipients of assistance exceeding certain financial thresholds provide certifications concerning lobbying activities, and submit disclosure statements if nonappropriated funds have been used for certain purposes.

### **Suggested Audit Procedures**

- The auditor will test for compliance with the provisions of Section 319 of P.L. 101-121, by verifying that the required certifications and disclosure statements have been prepared.
- The auditor must check to ensure certifications and disclosure statements are signed and dated by the appropriate officials.

ATTACHMENT IV  
Intermediary Relending Program  
10.767

**I. PROGRAM OBJECTIVES**

The objective of the RBS' Intermediary Relending Program (IRP) is to alleviate poverty and increase economic activity and employment in rural communities. In particular, IRP targets disadvantaged and remote communities, through financing, primarily towards smaller and emerging businesses, in partnership with other public and private resources, and in accordance with state and regional strategy based on identified community needs.

**II. PROGRAM PROCEDURES**

Loans are made by the RBS to intermediaries that establish or recapitalize Revolving Loan Fund programs for the purpose of providing loans to ultimate recipients for business facilities and community development. The intermediary is responsible for determining eligibility, credit quality, and loan documentation for the ultimate recipient's loan. Loans must improve community facilities and employment opportunities and increase economic activity in rural areas by financing business facilities and community development.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. Types of Services Allowed or Unallowed**

**Compliance Requirements**

Loans may be used for:

- (1) Business and industrial acquisitions;
- (2) Business construction, conversion, enlargement, repair, modernization, or development;
- (3) Purchasing and developing land, easements, right-of-ways, buildings, facilities, leases, or materials;
- (4) Purchasing equipment, leasehold improvements, machinery and supplies;
- (5) Pollution control and abatement;
- (6) Transportation services;
- (7) Start-up operating costs and working capital;



- (8) Interest (including interest on interim financing) during the period before the facility becomes income producing, but not to exceed 3 years;
- (9) Feasibility studies;
- (10) Debt refinancing;
- (11) Reasonable fees and charges;
- (12) Hotels, motels, tourist homes, bed and breakfast establishments, convention centers, and other tourist and recreational facilities except as prohibited by 7 CFR Part 4274-D, 4274.319;
- (13) Educational institutions; and
- (14) Revolving lines of credit.

### **Compliance Requirements**

Loans may not be used for:

- (1) Payment for administrative costs or expenses for the intermediary;
- (2) Assistance in excess of what is needed to accomplish the purpose of the ultimate recipient's project;
- (3) Distribution or payment to the owner, partners, shareholders, or beneficiaries of the ultimate recipient or members of their families;
- (4) Charitable institutions that would not have revenue from sales or fees to support the operation and repay the loan;
- (5) Assistance to government employees, military personnel, or principals or employees of the intermediary or organizations for which such persons are directors or officers or in which they have ownership of 20 percent or more;
- (6) To an ultimate recipient that has an application pending with a loan outstanding from another intermediary involving an IRP revolving fund;
- (7) Agricultural production;
- (8) Transfer of ownership unless the loan will keep the business from closing or prevent the loss of employment opportunities in the area, or provide expanded job opportunities;

- (9) Community antenna television services or facilities;
- (10) Any illegal activity;
- (11) Any project in violation of either a Federal, state, or local environmental protection law or regulation or an enforceable land use restriction unless the assistance given will result in curing or removing the violation;
- (12) Lending and investment institutions and insurance companies; or
- (13) Golf courses, race tracks, or gambling facilities.

The auditor is not expected to test for types of services allowed or unallowed. (7 CFR Part 4272-D, 4274.319).

**B. Eligibility**

The auditor is not expected to test for borrower eligibility.

**C. Matching, Level of Effort, and/or Earmarking Requirements**

There are no matching level or effort, and/or earmarking requirements.

**D. Reporting Requirements**

**Compliance Requirements**

The following financial reports must be submitted periodically for this program:

- (1) Annual audited financial statements prepared by an independent certified public accountant in accordance with Generally Accepted Government Auditing Standards (CFR Part 4274-D, 4274.338(b)(4)(i)(A));
- (2) Quarterly and semiannual reports (7 CFR Part 42724-D, 4274.338(b)(4)(ii)(A));
- (3) Annual proposed budget for the following year (7 CFR Part 4274-D, 4274.338(b)(4)(iii));  
and
- (4) Other reports as the Agency may require from time to time (7 CFR Part 4274-D, 4274.338(b)(4)(iv)).

### **Suggested Audit Procedures**

- Ascertain whether the borrower complied with any special financial reporting requirements, as contained with the loan closing documents or subsequent loan covenant modifications.
- Test the accuracy of the financial reports to the borrower's financial records.
- Ascertain whether the borrower submitted audited financial statements, as required.

### **E. Special Test and Provisions**

#### **Compliance Requirements**

Loans made by the Agency shall bear interest at a fixed rate of 1 percent per annum over the 30-year term of the loan.

Interest rates charged by intermediaries to ultimate recipients on loans from the IRP revolving fund shall be negotiated by the intermediary and ultimate recipient. The rate must be within limits established by the intermediary's work plan, approved by the Agency (7 CFR Part 4274-D, 4274.325(b)).

Security for all loans to intermediaries must be such that the repayment of the loan is reasonably assured, when considered along with the intermediary's financial condition, work plan, and management ability. It is the responsibility of the intermediary to make loans to ultimate recipients in such a manner that will protect the interests of the intermediary and the Federal Government (7 CFR Part 4274-D, 4274.326(a)).

#### **Suggested Audit Procedures**

- Test intermediary records to determine whether the interest rate charged is the lowest rate sufficient to cover the loan's proportional share of the IRP revolving fund's debt service costs, reserve for bad debts, and administrative costs.
- Test other banks or financial institutions to determine if better interest rates and terms are available (7 CFR Part 4274-D, 4274.325(b)).
- Test to determine if all reserves and other cash in the IRP revolving loan fund not immediately needed for loans to ultimate recipients or other authorized uses will be deposited in accounts in banks or other financial institutions. These accounts should be fully covered by the Federal Deposit Insurance Corporation or fully collateralized with U.S. Government obligations, and must be interest-bearing. Any interest earned thereon remains a part of the IRP revolving fund (7 CFR Part 4274-D, 4274.332(b)(5)).

- Ascertain whether the intermediary maintains a separate ledger and segregated bookkeeping and bank accounts for IRP funds as required in 7 CFR Part 4274-D, 4274.332(b).
- Ascertain whether the Agency's IRP loan funds are placed in the intermediary's IRP revolving fund and used by the intermediary to provide direct loans to eligible ultimate recipients (7 CFR Part 4274-D, 4274.314(a)).

### **Compliance Requirement**

Section 319 of Public Law (P.L.) 101-121, the Department of Interior and Related Agencies Appropriations Act, prohibits applicants and recipients of Federal contracts, grants, and loans from using appropriated funds for lobbying the Federal government in connection with a specific award. Section 319 also requires each individual who requests or receives a Federal contract, grant, loan, or a Federal commitment to guarantee a loan, to disclose the expenditure of any funds, other than appropriated funds, for lobbying activities.

RD Instruction 1940-Q, Restrictions on Lobbying, requires that recipients of assistance exceeding certain financial thresholds provide certifications concerning lobbying activities, and submit disclosure statements if nonappropriated funds have been used for certain purposes.

### **Suggested Audit Procedures**

- The auditor will test for compliance with the provisions of Section 319 of P.L. 101-121, by verifying that the required certifications and disclosure statements have been prepared. The auditor must check to ensure certifications and disclosure statements are signed and dated by the appropriate officials.

ATTACHMENT V  
Rural Economic Development Loans and Grants  
10.854

**I. PROGRAM OBJECTIVES**

The purpose of the Rural Economic Development Loan and Grant (REDLG) Program is to promote rural economic development and job creation projects through electric and telecommunication utilities financed by the Rural Utilities Service (RUS).

**II. PROGRAM PROCEDURES**

Loans and grants are made to RUS electric and telecommunications borrowers to assist in financing a wide range of business and community development projects in rural areas. The program is authorized under the Rural Electrification Act of 1936, as amended, Title III, U.S.C. 930-940c. The program is administered by the Rural Business-Cooperative Service.

**III. COMPLIANCE REQUIREMENTS AND AUDIT PROCEDURES**

RUS borrowers receiving REDLG loans and grants are subject to the audit procedures and requirements contained in 7 CFR Part 1773, *Policy on Audits of RUS Borrowers*.

ATTACHMENT VI  
Office of Inspector General (OIG) Addresses

1.     OIG - Audit - Northeast Region  
5601 Sunnyside Avenue, STOP 5300  
Suite 2-2230  
Beltsville, Maryland 20705-5300  
(301) 504-2100

States Served: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia, Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

2.     OIG - Audit - Southeast Region  
401 W. Peachtree Street, NW., Room 2328  
Atlanta, Georgia 30308  
(404) 730-3210

States Served: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, Puerto Rico, South Carolina, and Tennessee, and Virgin Islands.

3.     OIG - Audit - Midwest Region  
111 N. Canal Street, Suite 1130  
Chicago, Illinois 60606-7295  
(312) 353-1352

States Served: Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

4.     OIG - Audit - Southwest Region  
101 South Main Street, Room 324  
Temple, Texas 76501  
(254) 743-6565

States Served: Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.

5.     OIG - Audit - Great Plains Region  
8930 Ward Parkway, Suite 3016  
Kansas City, Missouri 64114  
(816) 926-7667

States Served: Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wyoming, and Utah.

6.     OIG - Audit - Western Region  
75 Hawthorne Street, Suite 200  
San Francisco, California 94105-3920  
(415) 744-2851

States Served: Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Territory of Guam, Trust Territories of the Pacific, and Washington.

October 7, 2004

SUBJECT: Transit Benefit Program

TO: All Rural Development Employees

The Public Transportation Benefit Program Application (AD-1147) (see attached) has been revised to address the multiple incidents of fraud and abuse of the transit subsidy benefit program that have occurred over the past two years. The Department has revised the AD-1147 to make the employee more accountable for providing accurate information, and to thereby reduce these incidents. The revised form adds a work sheet that must be completed by the employee and provides for the applicant's and their supervisor's signatures attesting that the information provided is accurate.

Implementation of the revised AD-1147 became effective on October 1, 2004. Previous versions of the form are obsolete. All eligible participants (including current participants) must re-certify using the revised form. All re-certifications must be completed by December 10, 2004. Current participants who do not re-certify by December 10, 2004, will be removed from the transit program. Rural Housing Program and Rural Business-Cooperative Program use agency code 07. Rural Utilities Program use agency code 15.

Field employees should return their completed AD-1147 to their local transit coordinator and National Office employees should submit their completed AD-1147 to Judy Steer at Stop 0740. Please print RECERTIFICATION in the block containing the title of the form on the first page. Also, please do not fax re-certification forms.

The Department has cleared the revised AD-1147 through the Office of the General Counsel regarding the propriety of the employee information requested on the AD-1147.

If you have any questions, please contact Judy Steer at (202) 692-0012, or by e-mail at [judy.steer@usda.gov](mailto:judy.steer@usda.gov).

*(Signed by THOMAS HANNAH) for*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachment

EXPIRATION DATE:  
October 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on 10-07-04 at 10:30 a.m. by AAPAS.



**DEPARTMENT OF AGRICULTURE  
PUBLIC TRANSPORTATION BENEFIT PROGRAM APPLICATION**

(Please type or print legibly in blue or black ink)

**ACTION REQUESTED (CHECK ONE):**  **New**  **Change**  **Cancellation**  **Temporary NTE DATE:** \_\_\_\_\_  
**NOTE:** Items 1 through 12, and the reverse side of this form must be completed in full before submitting to your designated Commuter Benefit Coordinator.

**APPLICANT INFORMATION**

1. NAME OF APPLICANT (Last, First, Middle Initial)	2. WORK ADDRESS (Street, City, State, Zip Code) (If applicable: Div/Unit, Rm #/ Sub Unit)  E-MAIL ADDRESS (Optional):	3. HOME ADDRESS (Street, City, State, Zip Code)
4. USDA AGENCY CODE (See Codes Below)	5. EMPLOYEE SOCIAL SECURITY NUMBER (last 4 numbers): _____	6. WORK TELEPHONE NUMBER
7. MODE (S) OF TRANSPORTATION TO BE USED DAILY TO COMMUTE TO AND FROM WORK.  <input type="checkbox"/> Bus <input type="checkbox"/> Light Rail <input type="checkbox"/> Subway <input type="checkbox"/> Ferry <input type="checkbox"/> Train <input type="checkbox"/> Authorized Vanpool <input type="checkbox"/> Other (Specify) _____	8. TYPE OF FARE MEDIA YOU USE.  <input type="checkbox"/> Fare card <input type="checkbox"/> Tickets <input type="checkbox"/> Pass <input type="checkbox"/> Tokens <input type="checkbox"/> Voucher <input type="checkbox"/> SmarTrip Card <input type="checkbox"/> Other (Specify) _____	9. TYPE OF REDUCED FARE PUBLIC TRANSPORTATION RATE YOU RECEIVE.  <input type="checkbox"/> Disability <input type="checkbox"/> Senior Citizen
10. Prior to applying for this benefit, how did you commute to work (Check One) <input type="checkbox"/> Drive <input type="checkbox"/> Bus <input type="checkbox"/> Train <input type="checkbox"/> Vanpool <input type="checkbox"/> Ferry <input type="checkbox"/> Other		

**EMPLOYEE CERTIFICATION**

**WARNING:** This certification concerns a matter with the jurisdiction of an agency of the United States and making a false, fictitious, or fraudulent certification may render the maker subject to criminal prosecution under Title 18, United States Code, Section 1001; Civil Penalty Action, providing for administrative recoveries of up to \$10,000 per violation; and/or agency disciplinary actions up to and including removal from Federal Service.

- I certify I am employed by the Department of Agriculture.
- I certify I am eligible for a public transportation fare benefit. I will use it for my daily commute to and from work. I will not give, sell, or transfer it to anyone else.
- I certify I am not a member of a carpool. I do not receive disability or executive parking privileges.
- I certify the monthly transit benefit I am receiving does not exceed my monthly commuting costs.
- I certify that in any given month, I will not use the Government-provided transit benefit in excess of the statutory limit. If my commuting costs per month on public transportation exceed the monthly statutory limit, then I will continue to use public transportation and will supplement those additional costs with my own funds.
- I certify I am responsible for returning ALL partially used and unused fare media to my agency's designated Commuter Benefit Coordinator three working days before my effective date of reassignment, transfer, resignation, retirement, etc.
- I certify my usual monthly public transportation commuting costs (excluding any parking costs) are \$ \_\_\_\_\_ (amount is taken from completed worksheet on back page).

11. SIGNATURE OF EMPLOYEE	12. DATE
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**VERIFICATION – COMMUTER BENEFIT COORDINATOR**

13. NAME OF COMMUTER BENEFIT COORDINATOR  Judy Steer	14. AGENCY MAXIMUM BENEFIT (If applicable – the amount may be lower than the statutory requirement based on Union Negotiations, etc.)  \$100
15. SIGNATURE OF COMMUTER BENEFIT COORDINATOR	16. DATE

**PRIVACY ACT STATEMENT**

This information is solicited under authority of Public Law 101-509. Furnishing the information on this form is voluntary, but failure to do so may result in disapproval of your request for a public transportation transit fare benefit. The purpose of this information is to facilitate timely processing of your request, to ensure your eligibility, and to prevent misuse of the funds involved. This information will be provided to the Department of Transportation to administer this program and to ensure that you are not listed as a carpool participant or a holder of any other form of vehicle work site parking permit with USDA or any other Federal Agency.

**AGENCY CODES**

01 Office of the Secretary	18 Economic Research Svc	38 Office of Chief Economist
02 Agricultural Marketing Svc	20 National Agricultural Statistics Svc	42 Office of Budget and Program Analysis
03 Agricultural Research Svc	22 Cooperative State Research, Education, and Extension Svc	90 Office of the Chief Financial Officer
07 Rural Housing Svc	23 Office of Inspector General	DA Departmental Administration
08 Risk Management Agency	30 Food and Nutrition Svc	EO Office of Civil Rights
10 Foreign Agricultural Svc	32 Rural Business-Cooperative Svc	ES Office of the Executive Secretariat
11 Forest Svc	34 Animal and Plant Health Inspection Svc	FA Farm Service Agency
13 Office of Communications	36 Grain Inspection, Packers, & Stockyards Administration	IT Office of the Chief Information Officer
14 Office of General Counsel	37 Food Safety and Inspection Svc	NA National Appeals Division
15 Rural Utilities Svc		SC National Sheep Industry Improvement Center
16 Natural Resources Conservation Svc		

COMPLETE PUBLIC TRANSPORTATION BENEFIT EXPENSE WORK SHEET ON BACK

AD-1147 (October 2004)  
(Other versions of form obsolete)

<b>PUBLIC TRANSPORTATION BENEFIT EXPENSE WORK SHEET</b>								
<p><b>NOTE:</b> USDA Form AD-1147, Public Transportation Benefit Program Application, requires USDA participants to calculate their usual monthly mass transit commuting cost to the nearest dollar for their <u>daily commute to and from work</u>. This work sheet must be completed to receive transit subsidy benefits.</p> <p><b>INSTRUCTIONS:</b> Calculate your total monthly mass transit expenses by the way you pay for your <u>roundtrip daily commute to and from work</u>. Using the work sheet below, select your mode of mass transportation and identify the <b>roundtrip cost based on how you pay (i.e. daily, weekly, monthly) for your fare media and convert all costs to a total monthly amount.</b> <b>REMINDER:</b> It is possible that an employee may have a combination of daily, weekly or monthly expenses in computing his/her total monthly commuting costs.</p> <p><b>REMEMBER:</b> Parking fees are not allowed and cannot be included when computing monthly transit costs. If you are a person with a disability or a senior citizen receiving reduced rates, you must calculate the reduced fare rate you pay.</p>								
MODE OF TRANSPORTATION	04 16	DEPARTURE LOCATION	NAME OF COMPANY	DAILY EXPENSE	WEEKLY PASS EXPENSE	MONTHLY PASS EXPENSE		
Bus (circle applicable)				\$	\$	\$		
Local - Commuter - County								
Rail (circle applicable)				\$	\$	\$		
Light Rail - Subway								
Commuter Train				\$	\$	\$		
Vanpool (authorized)				\$	\$	\$		
Ferry				\$	\$	\$		
Other (Specify)				\$	\$	\$		
<b>TOTAL COST</b>				\$	\$	\$		
<b>CONVERTING DAILY AND WEEKLY COST TO MONTHLY COST</b>								
<b>40 HOUR WORKWEEK SCHEDULE CONVERSION</b>								
<b>8 HOUR WORK DAY CONVERSION</b>			<b>9 HOUR WORK DAY CONVERSION</b>			<b>10 HOUR WORKDAY CONVERSION</b>		
Daily Cost	No. Days Worked	Total Cost Per Month	Daily Cost	No. Days Worked	Total Cost Per Month	Daily Cost	No. Days Worked	Total Cost Per Month
\$	x's 21	\$	\$	x's 19	\$	\$	x's 17	\$
<b>LESS THAN 40-HOUR WORKWEEK SCHEDULE CONVERSION</b>								
Complete this section if your work schedule has you out of the official duty station location for less than 40 hours per week. (i.e. telework, part-time, regularly scheduled travel, etc.)								
Daily Mass Transit Cost			Number of Days Worked Per Month			Total Daily Cost Per Month		
\$			x			\$		
<b>WEEKLY PASS CONVERSION (If applicable)</b>								
Weekly Mass Transit Cost			Number of Weeks Per Month			Total Weekly Cost Per Month		
\$			x 4			\$		
<b>NOTE:</b> If the scheduled number of hours you work per month changes, see your Commuter Benefit Coordinator for options.								
<b>TOTAL MONTHLY COMMUTING COSTS</b>								
TOTAL DAILY COST PER MONTH (if applicable)						\$		
TOTAL WEEKLY COST PER MONTH (if applicable)						\$		
TOTAL MONTHLY COST PER MONTH (if applicable)						\$		
<b>GRAND TOTAL OF MONTHLY COMMUTING COSTS (rounded to the nearest dollar). Transfer to front page under Employee Certification.</b>						\$		
<b>EMPLOYEE CERTIFICATION</b>								
NAME OF EMPLOYEE (Please print name)			SIGNATURE OF EMPLOYEE			DATE		
<b>SUPERVISOR CERTIFICATION OF WORK SCHEDULE</b>								
NAME OF SUPERVISOR (Please print name)			SIGNATURE OF SUPERVISOR			DATE		

October 7, 2004

SUBJECT: Security Awareness Bulletin

TO: All National Office and St. Louis Rural Development Employees

Two recent events occurred effecting Rural Development and the Service Center Agencies that require Rural Development employees' immediate attention. The first pertains to northwestern field offices being visited by a white male, 5' 10", who identifies himself as being with Information Technology (IT) and asks for employee passwords to resolve existing problems. Fortunately, field personnel did not provide the individual any sensitive information, and advised the Rural Development Information Systems Security Staff (ISSS) and the neighboring counties with USDA offices to alert them in the event the perpetrator(s) decide to increase their range.

The second event deals with a hoax electronic mail (e-mail) that has been seen throughout the Service Center Agencies with the following subject line: "How one can become a terrorist?" (Please note, this is a direct quote from the e-mail "TO:" line.) If you receive this e-mail, do not be alarmed. Please delete it from your e-mail account and remove it from your e-mail trash. The appropriate Federal officials have been alerted and are investigating this hoax.

The Common Computing Environment (CCE) has notified the appropriate Information Resource Managers who have been asked to educate the field Service Center Agencies. The likelihood of the first instance occurring in the National Office or in St. Louis is slim, but each Rural Development employee should be aware of these situations and the proper steps to take if a suspicious individual either calls or visits asking for sensitive/privileged information. In that event, the best approach is to ask questions of the individual and tell that individual that you will get back to them after asking for authorization from your supervisor. Then report the incident to both your supervisor and the ISSS by calling (314) 335-8814 or by e-mail at [security.mail@stl.rural.usda.gov](mailto:security.mail@stl.rural.usda.gov) so that the incident can be properly investigated.

EXPIRATION DATE:  
October 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Thank you in advance for your cooperation in this matter. Your vigilance will help to protect both Rural Development's physical as well as cyber security. If you have any questions, contact the ISSS at the telephone number or e-mail address listed above.

*(Signed by Thomas E. Hannah) for*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

October 10, 2004

TO: State Directors  
Rural Development

ATTN: Rural Housing Program Directors,  
Multi-Family Housing Program Directors  
and Coordinators, State Appraisers, State  
Architects, Multi-Family Housing Specialists

FROM: Russell T. Davis  
Administrator  
Rural Housing Service

SUBJECT: Changes in Multi-Family Housing Cost Estimating  
Resources Used by Rural Development

Rural Development is discontinuing use of Marshall & Swift's PC-80 (System 84) and IntegriClaim software applications for new construction, rehabilitation, and repair cost estimates. These programs are being replaced with Marshall & Swift's *Marshall Valuation Service* and R.S. Means' *Building Construction Cost Data* and *Repair & Remodeling Cost Data* manuals.

Rural Development's contract with Marshall & Swift has been modified to discontinue quarterly updates of PC-80 (System 84) and IntegriClaim, as of September 30, 2004. These software applications were used for new construction, rehabilitation, and repair cost estimates. Based on surveys of the users of these applications, the programs were difficult to use because of problems with loading, accessing, and acquiring and maintaining the skills to run the programs. Cost estimating manuals that are easier to use and more cost effective have been procured by the Agency.

State Office staff who have been using the PC-80 and IntegriClaim programs (i.e. State Architects, Engineers, Appraisers, and Multi-Family Housing Specialists) should be informed that the quarterly data updates for these programs will no longer be delivered and that Marshall & Swift should not be contacted for anything regarding these programs. Technical support or shipment of a quarterly update by the company would constitute an "unauthorized commitment" for which the Agency would have to compensate Marshall & Swift. The company has been instructed to advise its technical support staff not to provide further support and updates for these programs to Rural Development.

EXPIRATION DATE:  
October 31, 2005

FILING INSTRUCTIONS:  
Housing Programs

The Marshall & Swift contract was further modified to provide State Appraisers with a copy of *Marshall Valuation Service*, with quarterly updates. The *Marshall Valuation Service* is a complete, authoritative appraisal guide for developing replacement costs, depreciated values, and insurable values of buildings and other improvements. It is a resource used by most commercial real estate appraisers. Marshall & Swift will ship copies of *Marshall Valuation Service* directly to the State Appraisers by October 22, 2004. Quarterly updates will follow. The distribution list that will be used by Marshall & Swift for *Marshall Valuation Service* and the updates is attached. Revisions to this distribution list should be e-mailed to Brett Morgan (brett.morgan@usda.gov), the Contracting Officer's Representative (COR).

Marshall & Swift will continue to provide Rural Development with the Residential Cost Handbook quarterly updates and the Housing Model, used by Single Family Housing.

Rural Development has contracted with R.S. Means to provide cost estimating manuals for new construction, rehabilitation, and repair cost estimates for multi-family housing. One copy of the 2005 Edition of *Building Construction Cost Data* and one copy of the 2005 Edition of *Repair & Remodeling Cost Data* will be shipped to each State Office by October 29, 2004. These cost estimating manuals are published annually, and the new editions are not available until mid-October. The distribution list that will be used by R.S. Means for the manuals is attached. Revisions to this distribution list should also be e-mailed to Brett Morgan (brett.morgan@usda.gov), the COR. The manuals should be forwarded to the State Architect or other staff member responsible for Multi-Family Housing cost estimates and evaluations. This staff member should provide feedback during the base year of the contract (October 1, 2004 - September 30, 2005) to the COR regarding the adequacy of these manuals to provide the cost data necessary for the Agency's needs.

Attachments

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**ATTACHMENT II, R.S. Means Distribution List for USDA Rural Development**  
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October 14, 2004

SUBJECT: Scheduling of Use-or-Lose Annual Leave

TO: Rural Development State Directors  
National Office Officials

ATTN: Administrative Programs Directors  
Human Resources Managers

The purpose of this memorandum is to remind everyone of the requirement to plan and schedule end-of-year annual leave, which must be used or forfeited (i.e., use-or-lose). For scheduling and planning purposes, employees are reminded that the 2004 Calendar Year leave year ends the last day of pay period 26, or January 8, 2005. Your projected end of the year annual leave balance can be found on your biweekly Statement of Earnings and Leave or on the Employee Personal Page at [www.nfc.usda.gov](http://www.nfc.usda.gov).

As you know, for GS employees, all annual leave in excess of 240 hours at the end of the leave year is subject to forfeiture. Senior Executive Service members are subject to a 720-hour maximum limitation (or a personal ceiling) on the amount of annual leave that may be carried over to the next year. Employees who have excess annual leave are reminded that they may donate leave to the voluntary leave sharing program.

Forfeited annual leave is not automatically or routinely restored. With proper leave planning by both supervisors and employees, a petition for leave restoration will be necessary only in rare situations. With over two months remaining in the leave year, there is still adequate time for employees to schedule and take use-or-lose leave. However, if you have sufficient documentation and there is no alternative to canceling an employee's leave, the following requirements **must be** fully met:

**Advance Scheduling and Approval** – In order for annual leave to be restored to an employee in the event of forfeiture due to sickness of the employee or an exigency of the public business, the annual leave **must be scheduled by the employee in writing and approved by his/her supervisor by November 26, 2004.**

EXPIRATION DATE:  
October 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

This can be done through approval of a properly executed OPM-71, "Request for Leave or Approved Absence," (Revised June 2001) or by submission and approval of a memorandum requesting annual leave. Either document should schedule the dates for all annual leave over the maximum carryover balance to avoid forfeiture. Annual leave will be restored to a separate leave account if restored due to Administrative Error, Exigency of the Public Business, or Sickness.

**Determination of Exigency** - The determination that an exigency of major importance exists and that annual leave may not be used by employees to avoid forfeiture, must be made by the head of the agency or someone designated to act for him or her on this matter. Except where made by the head of the agency, the determination may not be made by any official whose leave would be affected by the decision. This determination must be approved in writing prior to cancellation of the employee's scheduled leave. Prior approval of the public exigency may only be waived in the event of a bonafide emergency.

The State Directors, Administrators, Deputy Administrators, and Assistant Administrators (in Rural Utilities Service) are authorized to declare public exigencies for all offices under their jurisdiction. This does not, however, include yourself or your immediate staff, i.e., Program Directors, your secretary. The Administrators or the Deputy Under Secretary must make all decisions concerning public exigency declarations for State Directors, Deputy Administrators, Assistant Administrators, Staff Directors and their immediate staffs.

**Cancellation of Scheduled Annual Leave** - In order for forfeited annual leave to be restored, the scheduled leave must be canceled, or disapproved, in writing. Supervisors/managers must approve annual leave requests by **November 26, 2004**, for employees who exceed their maximum carryover balance. Prior to cancellation of annual leave, proper approval must be obtained that a public exigency exists.

**Restoration of Forfeited Annual Leave** - The processing of all annual leave restoration cases will conform to the requirements of the 5 Code of Federal Regulations 630. In order to assist you, a guide for processing restoration of forfeited annual leave is attached. Please note that this is only a guide and that it does not preclude the requirement for submission of written documentation as indicated above, i.e., OPM-71, cancellation of annual leave in writing, etc. An employee's request for restoration of forfeited annual leave must be routed through appropriate supervisory and other approval channels. Annual leave must be scheduled and used not later than the end of the leave year ending 2 years after:

- The dates of restoration of the annual leave forfeited because of administrative error, or



- The date fixed by the head of the agency, or his or her designee, as the termination of the Exigency of Public Business that resulted in forfeiture of the annual leave, or
- The date the employee is determined to be recovered and able to return to duty if the leave was forfeited because of sickness.

All requests (including justification for Exigency of Public Business, copies of the employee's OPM-71 requests, Exigency Guide Form and cancellation of scheduled leave memorandum) for restoration of forfeited annual leave for Administrators, State Directors and their immediate staff, should be forwarded to the Assistant Administrator for Human Resources, Rural Development, Room 1323 South Building, (STOP 0730), 1400 Independence Avenue, SW, Washington, D.C. 20250.

Please remember that annual leave must be forfeited before it can be restored. This means that an employee may not request restoration of any forfeited annual leave until after the end of the leave year on January 8, 2005. Additionally, you are advised that a request for restoration of forfeited annual leave due to a public exigency **will not be accepted or processed after April 1, 2005.**

If you need specific information concerning the appropriate procedures for restoration of annual leave, please contact your servicing human resources specialist.

*(Signed by William J. Fleming)*

WILLIAM J. FLEMING  
Assistant Administrator  
for Human Resources

Attachment

Sent by electronic mail on 10-15-04 at 12:15 p.m. by Human Resources.

**GUIDE: RESTORATION OF ANNUAL LEAVE FORFEITED DUE TO EXIGENCY OF THE PUBLIC BUSINESS**

Employee Name: \_\_\_\_\_ Leave Year: \_\_\_\_\_  
Social Security No.: \_\_\_\_\_

**PART A Determination of Exigency of the Public Business**

Beginning Date: \_\_\_\_\_ Ending Date: \_\_\_\_\_

**NOTE: Attach a copy of written declaration of exigency.**

Signature \_\_\_\_\_ Date: \_\_\_\_\_  
(Name & Title of Approval Official)

**PART B Cancellation/Disapproval of Scheduled Annual Leave**

Total Hours Cancelled/Disapproved: \_\_\_\_\_

Dates: From: \_\_\_\_\_ To: \_\_\_\_\_

**NOTE: Attach a copy of written cancellation/disapproval**

**PART C Verification of Number of Hours Forfeited**

Numbers of hours of annual leave forfeited by the employee at the end of the leave year: \_\_\_\_\_

If employee was able to use a portion of the canceled/disapproved leave, please indicate the number of hours used:

\_\_\_\_\_

Signature \_\_\_\_\_ Date: \_\_\_\_\_

Supervisor

**OTHER VERIFICATION (IF APPROPRIATE):**

Signature \_\_\_\_\_ Date: \_\_\_\_\_

Name & Title

**PART D Employee Request for Restoration of Forfeited Annual Leave**

**NOTE: Attach a copy of written request from employee; or employee may use this guide to request restoration of forfeited annual leave. The employee must complete the following statement:**

Based on the circumstances above, I am requesting restoration of \_\_\_\_\_ hours of forfeited annual leave.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

October 12, 2004

SUBJECT: Business and Industry Guaranteed Loan Program  
Funding During the Continuing Resolution

TO: State Directors, Rural Development

ATTN: Business Programs Directors

The purpose of this Unnumbered Letter is to provide information regarding the funding process during the Continuing Resolution (CR) period. The CR is providing the Business and Industry (B&I) Guaranteed Loan Program with \$29.5 million of supportable loan level through November 20, 2004; however, we currently have approximately \$60 million in guaranteed loans ready to be obligated at this time. We also have another \$100 million in applications and \$278 million in preapplications in the pipeline. We have requested additional program funds to be apportioned immediately to carry the program through the first quarter of the fiscal year but are not certain that the request will be approved.

Funding requests for projects that are ready to be obligated may be sent to the National Office to be considered for funding. You need not resubmit a funding request for those projects for which funding has already been requested. Requests must be received via email to [andrea.campbell@usda.gov](mailto:andrea.campbell@usda.gov) and [fred.kieferle@usda.gov](mailto:fred.kieferle@usda.gov) no later than October 22, 2004. Requests on hand at that time will be funded, up to a State Office's proposed allocation based on the President's FY 2005 Budget, according to priority score with the \$29.5 million available under the CR. If the Agency's request for additional funds is honored, projects will be funded up to a State Office's proposed allocation on a bi-weekly, competitive basis according to priority score.

It has been decided that no Administrative points will be awarded by the Administrator to projects this fiscal year. Also, please keep in mind that RD AN No. 3984 (4279-B) requires State Offices to provide brief supporting documentation on the priority scoresheet itself when submitting requests for funds to the National Office. This will enable the National Office to better determine compliance with RD Instruction 4279-B, section 4279.155(b).

EXPIRATION DATE:  
October 31, 2005

FILING INSTRUCTIONS:  
Community/Business Programs

While there is no explicit regulatory or statutory provisions prohibiting the refinancing of B&I Guaranteed Loans made in previous fiscal years, program funds are limited this fiscal year, and it is always advisable to maximize the use of available authority. To achieve this objective, strong consideration should be given to executing a substitution of lender, in accordance with RD Instruction 4287-B, section 4287.135, when the borrower wishes to refinance with another lender. There is no prohibition in RD Instruction 4287-B to prevent the loan term from being modified or the interest rate from being reduced coincident with a substitution of lender, and the borrower saves money by not paying a new guarantee fee. In cases where there is a new borrower that wishes to assume a B&I Guaranteed Loan, a transfer and assumption may be performed in accordance with RD Instruction 4287-B, section 4287.134.

If you have any questions, please contact the B&I Division at (202) 690-4103.

*(Signed by Peter J. Thomas)*

PETER J. THOMAS  
Administrator  
Rural Business-Cooperative Service

October 18, 2004

SUBJECT: 45-Day Hiring Goal

TO: Rural Development State Directors  
National Office Officials

ATTENTION: Administrative Program Directors  
Human Resources Managers

During the 2004 Training Conferences, Human Resources presented a breakout session on succession planning. As was presented, Rural Development faces a real challenge over the next few years in replacing a large portion of the workforce due to retirement eligibility. The material presented during the 2004 Training Conferences may be viewed by accessing the Rural Development Intranet at: <http://teamrd.usda.gov/rd/conference04/confhome.htm>.

Recognizing the need to manage our human capital in a manner that will allow us to meet our mission area's performance goals and objectives, we need to fill our critical vacancies in an efficient and timely manner with talented and diverse individuals. It is imperative that Rural Development managers and Human Resources personnel ensure efficiency and effectiveness in carrying out their hiring responsibilities. To that end, I am challenging all Rural Development Human Resources staffing personnel and hiring officials to meet or exceed the 45-day hiring goal set by the Office of Personnel Management and endorsed by the Department of Agriculture's Human Capital Plan and Rural Development's Strategic Plan. During Fiscal Year 2005, I have asked Bill Fleming, Assistant Administrator for Human Resources, to closely measure the time it takes to fill Rural Development vacancies.

The attached document will assist in the measurement of this critical responsibility. Human Resources offices responsible for coordinating the hiring process should maintain this report and submit it monthly to Lorrenda Buckner of the Human Resources Programs Division. Reports should be emailed to [lorrenda.buckner@usda.gov](mailto:lorrenda.buckner@usda.gov), within 5 workdays following the end of the month. The first report being due on November 5, 2004.

EXPIRATION DATE:  
October 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

The report should be completed using the following guidelines:

- Report based on offers made the calendar month preceding the report;
- Data will be reported in workdays (exclude weekends and holidays);
- Calculate from the first business day following the vacancy announcement closing date; or
- For positions filled through an open continuous announcement; calculate from the date OPM certificate is received; or
- For positions not requiring a vacancy announcement, (i.e. Veterans Recruitment Appointments (VRA), student appointments, etc), calculate from the date the SF-52 (Request for Personnel Action) is received from the hiring official.
- Calculate to the date the tentative job offer is extended to the first selectee (multiple job offers and multiple job locations under the same vacancy announcement, should not be included).

I expect many hiring officials and Human Resources Managers are filling jobs more quickly than the 45-day hiring goal. However, where we identify significant delays in hiring, those responsible officials will be contacted so that we can focus on what changes can be made to improve the hiring process.

Please contact Lorrenda Buckner for additional guidance or to address any concerns. You can reach her at (202) 692-0174.

*(Signed by Gilbert Gonzalez)*

GILBERT GONZALEZ  
Acting Under Secretary  
Rural Development

Attachment

## National Office 45 Day Hiring Report

Announcement Number (if applicable) (Complete next Box)	VA#2005-01	Closing Date of Announcement (if applicable) (Complete next Box)	10/5/2004
<b>Action</b>	<b>Owner</b>	<b>Date Accomplished</b>	<b># of Days</b> <i>(exclude weekends and holidays)</i>
1. Evaluate and Rate Applications <sup>1</sup>	HR	10/7/2004	2
2. Issue Referral List (s) <sup>2</sup>	HR	10/9/2004	2
3. Review Referral List(s) and Make	Selecting	11/5/2004	20
4. Extend Tentative Job Offers(s) <sup>4</sup>	HR	11/8/2004	1
5. Total Hiring Time <sup>5</sup>	HR		25
<b>Mark Appropriate Box:</b>			
<input checked="" type="checkbox"/> Position filled through manual process			
<input type="checkbox"/> Position filled through an automated process (Quick Hire Pilot)			
<b>Comments:</b> Selecting official TDY from 10/15-10/25			

*Footnote:*

1. Calculate from the first business day following the vacancy closing date or receipt of OPM certificate; if accomplished same day count as zero days.
2. Calculate from the date evaluate and rate applications (# 1) is accomplished or the OPM certificate is received to the date the referral list is issued; if accomplished same day count as zero days.
3. Calculate from the date you gave the referral list or the OPM certificate to the selecting official to the date returned to HR. For positions not requiring a vacancy announcement, (i.e., VRA, student appointments), calculate from the date the SF-52 is received from the hiring official; if accomplished same day count as zero days.
4. Calculate from the date you received the selection from management to the date you extended the tentative job offer; if accomplished same day count as zero days.
5. Total Hiring Time = Automated total of blocks #1 through # 4 above **(please do not change)**.

# SAMPLE