



**U.S. Department of Agriculture**

**Office of Inspector General**

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**Fiscal Year 2010  
Farm Service Agency  
Farm Assistance Program Payments**

**Audit Report 03024-1-11  
June 2011**

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United States Department of Agriculture  
Office of Inspector General  
Washington, D.C. 20250



DATE: June 21, 2011

AUDIT  
NUMBER: 03024-1-11

TO: Bruce Nelson  
Administrator  
Farm Service Agency

ATTN: Philip Sharp  
Acting Director  
Operations Review and Analysis Staff

FROM: Gil H. Harden /s/  
Assistant Inspector General for Audit

SUBJECT: Fiscal Year 2010 Farm Service Agency Farm Assistance Program Payments

## Summary

This report presents the results of our review of payments made by the Farm Service Agency (FSA) during fiscal year 2010 through its various farm assistance programs. The work was performed to support our audit of the Department of Agriculture's consolidated financial statements for fiscal years 2010 and 2009 (Audit Report 50401-70-FM, issued November 15, 2010). That report notes that the Office of Inspector General (OIG) identified improper payments<sup>1</sup> that would be reported separately to FSA.

## Background

FSA's mission is to equitably serve all farmers, ranchers, and agricultural partners through the delivery of effective, efficient agricultural programs for all Americans. FSA provides assistance

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<sup>1</sup> An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. ("Improper Payments Information Act of 2002," Public Law 107-300, dated November 26, 2002).

for natural disaster losses, resulting from drought, flood, fire, freeze, tornadoes, pest infestation, and other calamities. These programs include the Supplemental Revenue Assistance Payments (SURE) program, Livestock Forage Disaster Program (LFP), Emergency Conservation Program (ECP), Livestock Indemnity Program (LIP), and Dairy Economic Loss Assistance Program (DELAP).

The SURE program authorizes the Secretary of Agriculture to provide agricultural disaster assistance to producers who suffered qualifying crop production losses, crop quality losses, or both, due to disaster(s), adverse weather, or other environmental conditions, beginning with the 2008 crop year and ending with losses incurred on or before September 30, 2011. The inclusion of a permanent crop disaster program in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) represented a change from the ad hoc crop disaster programs that, up until the 2008 Farm Bill, had served as Congress' primary instrument to disburse crop disaster assistance.

The American Recovery and Reinvestment Act of 2009 (ARRA) added and amended provisions of the 2008 Farm Bill related to the SURE program for the 2008 crop year. ARRA increased the assistance for producers who suffered 2008 crop losses, as well as provided an additional opportunity to participate in the SURE program through "buy-in" provisions.

The 2008 Farm Bill authorized the LFP to provide compensation to eligible livestock producers that have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or is planted specifically for grazing. LFP also provides compensation to eligible livestock producers that have suffered grazing losses on rangeland managed by a Federal agency if the eligible livestock producer is prohibited by the Federal agency from grazing the normal permitted livestock on the managed rangeland due to a qualifying fire.

ECP provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought.

## **Objectives**

The objective of our review was to determine if fiscal year 2010 FSA program payments were properly recorded in the accounting system and adequately supported.

## Scope and Methodology

We obtained the universe of payments from FSA and selected two statistical samples. The two data extracts provided by FSA included program payments for all of fiscal year 2010 and represented five programs,<sup>2</sup> totaling \$2.4 billion. The first extract included payments of about \$1.7 billion, made from October 1, 2009, through June 30, 2010, from which we statistically selected 100 payments. The second extract included payments of about \$681 million, made from July 1, 2010, through September 30, 2010, from which we statistically selected 30 payments. We obtained supporting documentation, such as applications, workbooks, invoices, receipts, and monthly production records for each sample and recalculated each payment. We discussed the samples with FSA officials as we worked to obtain concurrence on exceptions noted.

We conducted our audit in accordance with *Government Auditing Standards*, and believe the evidence obtained provides a reasonable basis for our conclusions.

### **Finding 1: Improper Payments Made for FSA Farm Assistance Program Payments**

We sampled FSA program payments for fiscal year 2010 from a universe of \$2.4 billion. We reviewed 130 payments,<sup>3</sup> and identified errors in 18 of these payments. These errors occurred because FSA did not have effective internal controls over the manual SURE payment calculation process. OIG and FSA have agreed that these 18 errors resulted in improper payments of \$61,714. FSA has initiated or completed appropriate corrective actions. Based on the results of these 130 sampled payments, we estimate the total dollars improperly paid were about \$49 million. We are 95 percent confident that the improper payments did not exceed \$102 million.

In our review, we found that 15 of the 18<sup>4</sup> errors represented SURE payments. The first statistical sample included 51 SURE payments (of the 100 payments sampled) from a SURE payment universe of about \$980 million. The second statistical sample included 29 SURE payments (of the 30 payments sampled) from a SURE payment universe of about \$620 million. We calculated a total of \$60,909 improper payments for the 15 errors. We found the county offices made errors when inputting the data into the manual workbook used to calculate the SURE payments. Specifically, these errors included calculating the Risk Management Agency (RMA) indemnity incorrectly; entering the incorrect Production to Count; not including all correct yields; entering the incorrect Price and National Average Market Price amounts; entering the incorrect Guarantee Basis; entering the incorrect Producer share; not including all units; and improperly merging multi-county workbooks.

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<sup>2</sup> The five programs were ECP, SURE, LIP, LFP, and DELAP.

<sup>3</sup> These samples were selected with probabilities in proportion to their sizes.

<sup>4</sup> The other three errors consisted of two LFP payments and one ECP payment. For the LFP improper payments, we found the county offices used an incorrect drought intensity rating and used incorrect acres and animal units when entering data for the payment. For the ECP improper payment, we found the county office used incorrect fence strand numbers when computing the payment.

In addition to the improper payments mentioned above, we identified other exceptions to SURE payments made during our review. We determined one county office calculated the RMA indemnity incorrectly for all producers. The county office informed OIG that five producers received improper payments, totaling \$54,489. We determined another county office did not include the quality factor, due to low test weights, for corn for many producers. The county office informed OIG that 17 producers received improper payments, totaling \$122,901. We determined one county office entered the incorrect Production to Count for one producer on one unit. The county office informed OIG that the producer received an improper payment, totaling \$9,934.

We found six instances where input errors changed the total amount for the SURE payment calculation; however, the input errors did not affect the actual payment to the producer, due to payment limitations. Therefore, these items were not included in our count of errors.

According to the *FSA Handbook 1-SURE*, Amendment 13, the SURE Interim Workbook process is a completely manual process that includes a series of Excel worksheets used to complete a manual calculation of the SURE payment. The handbook further states the SURE Interim Workbook does not have the capability to check or reference other FSA systems. FSA informed OIG that the automated software for the SURE program would not be in production until after fiscal year 2011.

We discussed these issues and recalculations with members of your staff on several occasions during the course of our review. During those meetings, FSA staff acknowledged that corrective actions were needed and that FSA planned to automate the SURE calculation program payment process. Because of actions taken by FSA addressing the specific improper payments discussed herein, no recommendation is made for those items.

We also discussed our findings with FSA officials during an exit conference. At that time, FSA officials shared that the plans to automate the SURE program payment process had been abandoned due to various factors such as budget constraints and the remaining lifespan of the SURE program. FSA officials also commented on the complexity of the SURE program and the elaborate actions that were needed by field personnel in the first year of executing SURE program payments.

### **Recommendation 1**

We recommend that FSA officials develop and implement effective internal controls over the manual SURE payment calculation process to prevent the continuance of the errors identified in this report.

**Agency Response**

Several additional tools and shortcuts were provided to county office employees to reduce data load errors when completing the workbook for the 2009 SURE program payment application. These additional tools included: a new application on the web, the Compliance Query Tool, which gathered a producer's acreage report data and summarized [it] into a format that is useable by the workbook; incorporating the net indemnity calculation within the workbook; incorporating the Risk Management Agency Blended Yield calculation within the workbook; enhancing the workbook to highlight possible errors/questionable data; allowing for a single entry of prices to reduce data load and possible typos; adding a 10 percent crop loss as a shortcut to determine loss eligibility; and reducing data entry of quality factors to a single entry.

There are more enhancements planned for 2010 SURE payment process. These enhancements will include: a revision to the National Crop Table (NCT) to incorporate SURE specific data, such as county expected yields, subsequent crop expected yields, national average market prices, quality factors, and historical marketing percentages; enhancements to the compliance query tool to capture the SURE data on the NCT and improved sorting options; standardized highlighting of fatal errors and warnings in the workbook; and enhanced sorting of data within the workbook.

The enhancements are expected to be completed by November 30, 2011.

**OIG Position**

We concur with management decision.

**USDA'S  
FARM SERVICE AGENCY  
RESPONSE TO AUDIT REPORT**



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**DATE:** June 9, 2011

**TO:** Gil H. Harden  
Assistant Inspector General  
Office of Inspector General

**FROM:** Philip Sharp, Acting Director  
Operations Review and Analysis Staff

**SUBJECT:** Response to Audit 03024-1-11, Fiscal Year 2010 Farm Service Agency Farm Assistance Program Payments

The Farm Service Agency's Deputy Administrator for Farm Programs has provided the following information to reach management decision on the subject audit.

### **Recommendation 1**

Several additional tools and shortcuts were provided to county office employees to reduce data load errors when completing the workbook for the 2009 Supplemental Revenue Assistance Payments (SURE) program payment application. These additional tools included: a new application on the web, the Compliance Query Tool, which gathered a producer's acreage report data and summarized into a format that is useable by the workbook; incorporating the net indemnity calculation within the workbook; incorporating the Risk Management Agency Blended Yield calculation within the workbook; enhancing the workbook to highlight possible errors/questionable data; allowing for a single entry of prices to reduce data load and possible typos; adding a 10 percent crop loss tool as a shortcut to determine loss eligibility; and reducing data entry of quality factors to a single entry.

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