



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

JUL 16 2015

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

FROM: Thomas J. Vilsack
Secretary

A handwritten signature in black ink, appearing to read "Tom Vilsack", written over the printed name of the Secretary.

SUBJECT: Quarterly High-Dollar Overpayments Report

Executive Order 13520, Reducing Improper Payments, requires the Head of agencies with programs susceptible to significant improper payments under the Improper Payments Information Act to submit to the agency's Office of Inspector General, a quarterly report of identified high-dollar overpayments. High-dollar overpayments are payments in excess of 50 percent of the correct amount. For an individual, the threshold is \$25,000 as a single payment or in cumulative payments for the quarter. For an entity, the threshold is \$100,000 as a single payment or in cumulative payments for the quarter.

Attached is the U.S. Department of Agriculture's High-Dollar Overpayments Report for the third quarter of fiscal year 2015. The information in the report complies with the guidance issued on October 20, 2014, by the Office of Management and Budget in Memorandum M-15-02 "Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments". It includes actions the agencies have taken or plan to take to recover improper payments, the reason for the overpayment and actions the agencies intend to take to prevent improper payments in the future.

Attachment

U.S. Department of Agriculture Executive Order 13520, "Reducing Improper Payments"

3rd Quarter High-Dollar Overpayments Report for FY 2015

Name of Program Responsible for Overpayment	Recipient (Entity or Individual)	Total Dollar Amount of the Payments Identified (Sum of Intended Amount and Overpayment Amount)	Intended Dollar Amount That Should Have Been Paid	Overpayment Dollar Amount	Reason For Overpayments	Actions Taken or Planned to Recover the Overpayment	Overall Actions and Strategies Taken or Planned to Prevent Overpayments in the Future
Farm Services Agency (FSA) Livestock Forage Disaster Program (LFP)	Individual	\$26,569	\$0	\$26,569	The producer applied for the program under his individual name but should have used the corporation's name which was on the lease.	Receivable has been established and demand letters sent to the producer.	The County Office Committee (COC) will review the land leases prior to approving any Livestock Forage Program applications with added emphasis on- verifying if it is an individual or entity.
FSA LFP	Entity	\$125,000	\$0	\$125,000	Producer was not adjusted gross income (AGI) compliant.	Receivable has been established and demand letters sent to the producer.	Continue to inform the producers of the importance of completing AGI certifications correctly. Customers are continually advised of program AGI requirements. The county office (COF) will review AGI requirements with customers and ensure document is loaded correctly.
FSA LFP	Individual	\$26,044	\$6,080	\$19,964	Producer was paid on ineligible grazing acres.	Receivable has been established and demand letters sent to the producer.	The COF will work to review all acres on an application for eligibility to ensure only eligible acres included in the program payment calculation.

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FSA LFP	Entity	\$127,272	\$55,856	\$71,416	Producer was not AGI compliant.	Receivable has been established and demand letters sent to the producer.	Continue to inform the producers of the importance of completing AGI certifications correctly. Customers are continually advised of program AGI requirements. The COF will review AGI requirements with customers and ensure document is loaded correctly.
FSA LFP	Entity	\$125,000	\$0	\$125,000	Producer was not AGI compliant.	Receivable has been established and demand letters sent to the producer.	Continue to inform the producers of the importance of completing AGI certifications correctly. Customers are continually advised of program AGI requirements. The COF will review AGI requirements with customers and ensure document is loaded correctly.
FSA LFP	Individual	\$130,240	\$0	\$130,240	Producer was not AGI compliant.	Receivable has been established and demand letters sent to the producer.	Improve AGI Internal Revenue Service process to meet demand of Agency requirements for program payments in a timely fashion.

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FSA LFP	Entity	\$136,439	\$0	\$136,439	Producer was not AGI compliant.	Receivable has been established and demand letters sent to the producer.	The COF employees will conduct 2nd party reviews to ensure program and eligibility data is accurately entered and reflected on program records and forms prior to issuing program payments.
FSA LFP	Individual	\$110,117	\$0	\$110,117	Producer was not AGI compliant.	Receivable has been established and demand letters sent to the producer.	Continue to inform the producers of the importance of completing AGI certifications correctly. Customers are continually advised of program AGI requirements. The COF will review AGI requirements with customers and ensure document is loaded correctly.
FSA LFP	Individual	\$50,615	\$0	\$50,615	Producer was not AGI compliant.	Receivable has been established and demand letters sent to the producer. Producer had filed appeal but was denied.	End of the year review was completed according to the existing policies. For fiscal year 2016 and forward, AGI compliance will be checked before program payments are issued which will prevent and/or mitigate overpayments in the future.

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FSA LFP	Entity	\$125,000	\$0	\$125,000	AGI was loaded incorrectly and producer was ineligible for payment.	Receivable has been established and demand letters sent to the producer.	The COF employees will conduct 2nd party reviews to ensure program and eligibility data is accurately entered and reflected on program records and forms prior to issuing program payments.
FSA LFP	Individual	\$49,773	\$29,190	\$20,583	Incorrect acreage used to calculate loss/payment.	The COC accepted producers appeal and reversed receivable. Overpayment paid through application adjustments.	The COF employees will conduct 2nd party reviews to ensure program and eligibility data is accurately entered and reflected on program records and forms prior to issuing program payments.
FSA LFP	Entity	\$129,413	\$0	\$129,413	Producer was not AGI compliant.	Overpayment recovered on 5/14/2015. No further action required.	End of the year review was completed according to the existing policies. For fiscal year 2016 and forward, AGI compliance will be checked before program payments are issued which will prevent and/or mitigate overpayments in the future.

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FSA LFP	Entity	\$125,000	\$0	\$125,000	Producer was not AGI compliant.	Overpayment recovered on 5/10/2015. No further action required.	The COF employees will conduct 2nd party reviews to ensure program and eligibility data is accurately entered and reflected on program records and forms prior to issuing program payments.
FSA Non-Insured Assistance Program (NAP)	Individual	\$28,705	\$0	\$28,705	Incorrect acreage used to calculate loss/payment.	Offset of future payments will be taken.	The COF employees will conduct 2nd party reviews to ensure program and eligibility data is accurately entered and reflected on program records and forms prior to issuing program payments.
FSA NAP	Individual	\$37,539	\$17,539	\$20,000	Producer provided incorrect share amounts to the COF which were discovered during a review process.	Receivable has been established and demand letters sent to the producer.	The COF will work with owners and operators to ensure shares are properly reflected.
FSA Supplemental Revenue Assistance Payments Program (SURE)	Individual	\$93,706	\$54,943	\$38,763	SURE workbook data was entered incorrectly by the COF employee.	Receivable has been established and demand letters sent to the producer.	The COF employees will conduct 2nd party reviews to ensure program and eligibility data is accurately entered and reflected on program records and forms prior to issuing program payments.

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Natural Resources Conservation Service (NRCS) Agricultural Water Enhancement Program	Individual	\$42,153	\$0	\$42,153	The participant was not eligible for the program because AGI requirements were not met.	Demand letter has been sent to the payee.	Participants self-certify AGI on forms completed and submitted by the participant to the FSA. Based on this information, FSA determines income eligibility and provides the eligibility determination to NRCS through agency business tools. FSA' working with IRS to validate 2009-2013 income self-certifications. FSA informed NRCS of participants deemed AGI non-compliant. NRCS issued demand letters to collect improper payments made to AGI non-compliant participants. NRCS modified Protracts software to prevent improper payments from being made to participants retroactively determined to be AGI ineligible. NRCS issued guidance, National Bulletins and video teleconferences re: AGI eligibility issues.

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NRCS Conservation Stewardship Program	Individual	\$29,186	\$0	\$29,186	Payment made for a practice that was performed after the participant died.	Demand letter has been sent to the payee.	The field office paid the final payment on the Conservation Stewardship Program contract to a deceased individual. The program manager issued an article in Montana News on the increasing importance on awareness of making improper payments. The Montana State Office training addressed payments to deceased parties.

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NRCS Environmental Quality Incentives Program	Individual	\$100,521	\$0	\$100,521	The participant was not eligible for the program because adjusted gross income (AGI) requirements were not met.	Demand letter has been sent to the payee.	Participants self-certify AGI on forms completed and submitted by the participant to the Farm Services Agency (FSA). Based on this information, FSA determines income eligibility and provides the eligibility determination to NRCS through agency business tools. FSA' working with IRS to validate 2009-2013 income self-certifications. FSA informed NRCS of participants deemed AGI non-compliant. NRCS issued demand letters to collect improper payments made to AGI non-compliant participants. NRCS modified Protracts software to prevent improper payments from being made to participants retroactively determined to be AGI ineligible. NRCS issued guidance, National Bulletins and video teleconferences re: AGI eligibility issues.

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Risk Management Agency (RMA) Federal Crop Insurance Corporation Program Fund	Entity	\$136,095	\$16,837	\$119,258	The insured sold bushels of soybeans that he previously included in a claim.	We presented the finding to the approved insurance provider and they reimbursed RMA for the overpayment.	This was identified through a "spot check list "Actual Production History review then as a result of the policyholder changing his entity status and tax ID. RMA continues with fraud awareness briefings to Approved Insurance Providers and producer groups. RMA also continues with its data mining efforts in search of anomalies.
RMA Federal Crop Insurance Corporation Program Fund	Entity	\$3,126,309	\$0	\$3,126,309	Multiple policyholders conspired to apply RIDX (drain cleaner) to the potatoes while in storage to induce the potatoes to rot.	This case was prosecuted and subjects found guilty in North Dakota Court, December 2014: court ordered restitution. The total restitution will be collected by the forfeiture of assets which is handled by the Department of Justice. There are multiple policies, policy holders, and multiple Approved Insurance Providers involved in this single criminal case.	This investigation initiated from a hot line complaint. The policyholders were placed indefinitely on the suspension and debarment list. RMA continues with fraud awareness briefings to Approved Insurance Providers and producer groups. RMA also continues with its data mining efforts in search of anomalies.

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RMA Federal Crop Insurance Corporation Program Fund	Entity	\$168,457	\$67,383	\$101,074	The approved insurance provider failed to apply the correct productivity factor for the non-irrigated acreage with the intended use of haying, resulting in a premium overstatement and an overpayment of the subsidy by RMA.	We presented the finding to the approved insurance provider and they reimbursed RMA for the overpayment.	This investigation was a referral from RMA's Topeka Regional Office. RMA reminded the approved insurance provider of the Manager's Bulletin and the Special Provisions statement requiring policyholders to use the appropriate production factor when insuring non-irrigated acreage with the intended use of haying.