



U.S. Department of Agriculture



Office of Inspector General
Southeast Region

Audit Report

Hurricane Relief Initiative - Tree Indemnity Program

Report No. 03601-13-At
March 2008



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250



March 10, 2008

REPLY TO

ATTN OF: 03601-13-At

TO: Teresa C. Lasseter
Administrator
Farm Service Agency

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

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

SUBJECT: Hurricane Relief Initiative-Tree Indemnity Program

This report represents the results of our audit of the Farm Service Agency's implementation and management of the Hurricane Relief Initiative-Tree Indemnity Program. Your December 14, 2007, written response to the official draft report is included as exhibit C with excerpts and the Office of Inspector General's (OIG) position incorporated into the relevant sections of the report.

Based on the information in your written response, we accept management decision for Recommendations 1, 2, 3, and 4. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer. Management decision has not yet been reached on Recommendation 5, which includes the monetary results shown in exhibit A of the report. The information needed to achieve management decision for the open recommendation is described in the OIG Position section of the report following the recommendation.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned and the timeframes for implementation for the recommendation for which a management decision has not yet been reached. Please note that the regulation requires a management decision to be

reached on all findings and recommendations within a maximum of 6 months from report issuance, and final action to be taken within 1 year of each management decision.

We appreciate your timely response and the cooperation and assistance provided our staff throughout the audit.

Executive Summary

Hurricane Relief Initiative - Tree Indemnity Program (Audit Report No. 03601-13-At)

Results in Brief

In 2005, the Department of Agriculture's (USDA) Farm Service Agency (FSA) made available \$250 million to producers who suffered agricultural losses due to Hurricanes Dennis, Katrina, Ophelia, Rita, and Wilma. FSA offered assistance through five separate programs, including the Tree Indemnity Program (TIP). TIP provided payments to eligible owners of commercially grown fruit trees, nut trees, bushes, and vines which produce an annual crop and that were lost or damaged. As of February 2007, FSA had issued TIP payments totaling about \$19.4 million.

The Office of Inspector General (OIG) initiated this audit to evaluate how effectively FSA delivered TIP payments to producers, and if FSA had management controls adequate to minimize or prevent improper payments and fraud. Of \$19.4 million in TIP payments, we reviewed \$1.2 million (see exhibit B).

We reviewed a total of 66 TIP producers' applications, files, and payments and found that FSA generally administered the program in accordance with program regulations. Except as noted in this report, FSA effectively delivered the program to producers based on our interviews with 40 of the TIP applicants. FSA county office (CO) officials made appointments to assist producers with applications to ensure they were within the signup period and also notified producers of the program through newsletters and extension services. Although TIP is essentially a self-certification program, FSA had established controls to minimize improper payments, but those controls were not adequate to ensure claimed costs from hurricane-related damages were supported by documentation. Also, FSA had not implemented its spot check procedures.

We interviewed 40 of the 66 sampled TIP producers and found that 28 of the 40 could not provide documentation to support the replanting, rehabilitation, debris removal, and cleanup costs they claimed to have incurred due to the hurricanes. CO officials informed producers during the application process that they were required to document and maintain support for their expenses and that this documentation would be required in the event they were selected for spot check. However, CO officials did not provide producers with guidance detailing what would constitute adequate documentation. Even when producers had provided documentation to the CO with their requests to "tier-up," i.e., increase their payments, we noted problems. Specifically, we found that two Dade County, Florida, producers included in their documentation invoices dated prior to the hurricanes and/or expenses for the purchase of equipment. These ineligible costs were not detected by the CO because office officials did not review this documentation. The CO also had a

large backlog of applications and had a program technician serving as the County Executive Director for a few years in the absence of a permanent director. Additionally, at the time of our audit, the FSA national office had not issued any spot check procedures to review producers' documentation for TIP-related expenses. As a result, 28 producers could not support hurricane-related costs for \$545,230 in TIP payments.

Because FSA national office officials were concerned with the audit results disclosing that few producers had documentation adequate to support their payments during producer interviews, we provided FSA with a list of all producers who were reviewed and lacked documentation so that FSA could start taking corrective actions prior to the issuance of OIG's report.

Our audit was conducted in conjunction with the President's Council on Integrity and Efficiency as part of its examination of the Federal Government's relief efforts in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the President's Council on Integrity and Efficiency, Homeland Security Working Group, which is coordinating the Inspectors General reviews of this important subject.

Recommendations in Brief

FSA should provide producers with detailed guidance on maintaining acceptable documentation for hurricane-related cleanup costs for future programs. FSA should also finalize and implement spot check procedures for COs to verify documentation supporting TIP payments. In addition, FSA should instruct the Dade County, Florida, FSA office to provide the results of its review of TIP applications and associated payments which were processed prior to the Acting County Executive Director's arrival and to seek recovery of any unsupported payments. Finally, FSA should recover the \$545,230 in unsupported TIP payments.

Agency Response

In FSA's December 14, 2007, written response to the draft report, FSA officials generally agreed with the report's five recommendations. We have incorporated excerpts from FSA's response in the Findings and Recommendations section of this report. FSA's entire response, sans attachments, is included as exhibit C.

OIG Position

Based on FSA's response, we were able to reach management decision on four of the report's five recommendations. Once FSA provides additional information as detailed in the OIG Position of the Findings and Recommendations section of this report, we can accept management decision on the other recommendation.

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Background and Objectives

Background

The Department of Agriculture's Farm Service Agency's (FSA) Tree Indemnity Program (TIP) provided assistance to eligible producers who suffered fruit tree, including nut tree; bush; and vine losses for the commercial production of an annual fruit crop that was attributed to the 2005 hurricanes of Dennis, Katrina, Ophelia, Rita, and Wilma. Funding for TIP was authorized by Section 32 of the Agricultural Adjustment Act of August 24, 1935, which allows the Secretary of Agriculture to use funds to re-establish the purchasing power of affected producers.

FSA administered TIP to provide assistance to eligible producers who suffered hurricane-related losses in Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas. In order to be eligible, losses must have been located within one of the approved Presidential-declared or Secretarial-designated primary hurricane disaster counties.

FSA estimated that TIP payments would total between \$32.3 million and \$64.6 million, with over 90 percent of the program funds going to the Florida citrus industry. As of February 13, 2007, TIP funding had amounted to nearly \$19.4 million.

TIP provided eligible producers with flat payments per acre to clean up, remove debris, replant, and rehabilitate eligible trees, bushes, and vines. An eligible stand¹ must have been (1) physically located in an eligible county, (2) affected by an eligible hurricane during the applicable time (disaster) period, (3) grown for commercial use for human consumption, and (4) fruit bearing. Causes of loss considered directly related to hurricanes included excessive moisture, precipitation, flood, excessive wind, cyclone, tornado, storm surge, salinity due to salt water intrusion, and hurricane/tropical depression. The disaster period was 60 calendar days from the incident date as recorded on the disaster declaration. FSA based payments on the stand's proximity to differing bands of hurricane severity and established four tiers to represent the severity levels, using the maximum sustained wind speeds recorded by the United States weather service stations located in the affected areas.

To calculate TIP payments, FSA multiplied the applicable tier's payment rate by the number of eligible acres in a stand of fruit trees, bushes, or vines, and by the producer's share in the crop. The following are payment rates per acre for each tier.

¹ A stand is contiguous acreage of the same crop of field grown trees, bushes, or vines used for commercial production of an annual fruit crop for human consumption, and excludes container-grown crops.

Tier	Payment Rate Per Acre
I	\$750
II	\$300
III	\$200
IV	\$90

Producers certified to the tier that corresponded to their level of loss. If an applicant's actual expenses exceeded the value associated with the tier based on the stand's location, the applicant could request that the stand be placed in the next lower-numbered tier to receive a higher payment rate (this was known as a request to "tier-up"). In order to tier-up, the producer had to provide acceptable documentation of the costs for cleanup, debris removal, rehabilitation, or replanting, and show that the costs were equal to or greater than the next tier level.² The documentation supporting the request was to be reviewed and approved by the applicable FSA county committee (COC). Regardless of expenses or damage, producers were allowed to tier-up only one level.

FSA National Notice DAP-241, "2005 Section 32 Hurricane Provisions for the Hurricane Indemnity Program (HIP) and Tree Indemnity Program (TIP)," dated April 14, 2006, authorizes the implementation of and provides policy and procedures for TIP.³ Signup for TIP began May 17, 2006, and ended on September 29, 2006. Each Form FSA-573, "2005 Hurricane Disaster Programs Application" (Part E of which was specific to TIP), was filed in the FSA county office (CO) where the loss occurred, using FSA's automated system. Producers signed their TIP applications certifying that their crop loss was due to an eligible hurricane, in an eligible county, and during the applicable disaster period. On the TIP application, producers also identified the geographic location, producer share, and number of acres in the disaster affected stand of claimed fruit trees, bushes, or vines. Producers could receive a maximum of \$80,000 under TIP.

Objectives

The objective of our review was to evaluate how FSA officials administered TIP. Specifically, we evaluated how effectively FSA delivered the program, as well as the adequacy of FSA's management controls to prevent and minimize improper payments and fraud.

² Acceptable documentation included purchase records, bank or other loan papers, Federal Emergency Management Agency and National Guard records, Internal Revenue Service records, property tax records, photographs of specific disaster damage, and private insurance documentation.

³ Notice DAP- 241 policy and procedure was later incorporated into *FSA Handbook* 5-DAP (Revision 1), "Crop Disaster Program," by Amendment 10, dated June 2, 2006.

Findings and Recommendations

Section 1. TIP Payments

Finding 1

Producers Could Not Always Provide Documentation to Support TIP Payments

Of the 40 TIP applicants interviewed, we found that 28 producers could not provide documentation to support the replanting, rehabilitation, debris removal, or cleanup costs they claimed to have incurred due to the hurricanes. Even though CO officials informed producers during the application process that they were required to document and maintain support for their expenses, FSA did not provide producers with guidance detailing what would constitute adequate documentation. Without this documentation, these 28 producers could not support their claimed costs or incurred expenses for TIP payments totaling \$545,230.

In order to serve hurricane victims expeditiously, the Office of Management and Budget stated that Federal agencies should have procedures in place to speed the delivery of needed assistance while ensuring that Federal benefits go only to individuals who need and qualify for assistance. To that end, agencies should allow applicants to self-certify that the information they provide is accurate, but take steps to verify this information afterwards. Such steps include increasing post-payment reviews and audit activities.

FSA's TIP allowed producers to self-certify that they suffered hurricane-related damage to fruit trees, bushes, and vines. The program divided the affected area into four "tiers," which correlate to different levels of damage resulting from the hurricanes. Producers who agreed with their tier designation could self-certify the damage they suffered; producers who had suffered more damage than was generally the case in their tier could request to tier-up, but were required to provide acceptable documentation for claimed expenses and show that the costs are equal to or greater than the next tier level.

If producers self-certified, they signed an application stating (1) that the information they provided was true and correct; (2) that they agreed to provide documentation to FSA that supports that the loss was caused by eligible hurricanes; and (3) that their costs for replanting, rehabilitation, debris removal, and cleanup are equal to or greater than their payment. Producers were not required at application to submit documentation of these costs, but FSA national office officials stated producers are required to maintain such documentation and to provide it if FSA requests. By signing the application, producers certify that they are authorizing FSA to review,

verify, and authenticate all information provided on the application and supporting documents.

If producers requested to tier-up, they were required to submit evidence demonstrating incurred expenses or estimated costs for replanting, rehabilitation, cleanup, and debris removal were at least equal to the payment rate per acre for the next lower-numbered tier. This evidence must be reviewed and approved by the COC and maintained in the producer's file.

We found, however, that 28 of the 40 TIP applicants we visited could not produce adequate documentation to support payments for expenses totaling \$545,230—27 of these 28 producers did not request to tier-up when they applied and so were not required to, and did not, provide documentation at application. The 28th producer did request to tier-up, and provided documentation at the time of application. We found, however, that this producer claimed ineligible expenses which resulted in a \$7,200 TIP overpayment.

Six of the 27 producers who did not request to tier-up were small operators (under 110 acres) and explained that they had no documentation because they performed the work themselves. Four of the 27 producers were large operators (over 600 acres) who completed the work with their own equipment and labor, but did not track the portion of payroll expenses applicable to TIP work. Of the remaining 17 producers without adequate documentation: twelve stated that TIP work had not begun or was ongoing and they had not yet (1) purchased the (replacement) trees because the trees were unavailable or (2) rented the equipment needed to finish the work⁴; two producers estimated their costs; two producers said they could have requested a higher payment rate (tiered-up), but chose not to in order to avoid the additional paperwork when applying for TIP; and one producer could not locate any documentation.

Early in the audit, we discussed with FSA national office officials our preliminary finding that producers could not support with documentation their claimed tier levels. The officials were concerned that 28 of the 40 interviewed producers did not have adequate documentation to support their expenses and confirmed that all producers should maintain documentation of their costs (regardless of whether the producers request to tier-up). Officials explained that FSA could request and review such support during subsequent spot checks. At the time of our audit, however, no spot check procedures had been issued. Before performing spot checks, FSA plans to notify producers that CO officials will be conducting these reviews and that they will be asking for documentation for TIP-related expenses.

⁴ Producers were *not* required to replant, rehabilitate, remove debris, or cleanup to receive TIP benefits. Their stands, however, must have incurred damage that would require replanting, rehabilitation, debris removal, and cleanup in an amount at least equal to the TIP payment per acre for the claimed tier.

We also noted problems with documentation submitted by two producers in Dade County, Florida, to support their requests to tier-up. The first Dade County producer included in his expenses a \$1,350 down payment he made on a tractor. FSA national office officials explained that, although producers could claim the rental of such equipment as an allowable expense, the program was not intended to help producers purchase equipment, and therefore, the producer's down payment on the tractor was not an allowable expense. However, after the payment for the tractor was deducted, this producer still met his requested Tier I level and thus, we have not included him in the 28 producers whose payments we questioned.

The second Dade County producer included as part of his documentation for his request to tier-up the purchase of a wood chipper, as well as several invoices dated prior to the hurricane. Although the CO accepted such documentation, FSA national office officials determined such costs are not allowable TIP expenses. After the costs of the ineligible expenses were deducted, the second Dade County producer did not meet the requirements to tier-up to Tier I. We have therefore included \$7,200 this producer was paid in excess of the Tier II level as part of \$545,230 in unsupported TIP payments.

When we asked officials at the Dade County FSA office why they had allowed these ineligible expenses, they explained that they had not reviewed producers' documentation prior to issuing their payments. They stated that the CO had a large backlog of applications and had a program technician serving as the County Executive Director (CED) for a few years in the absence of a permanent director. Under these circumstances, the CO neglected this review. During signup for TIP, FSA appointed an acting CED, who stated that he planned to review all TIP payments processed prior to his arrival to verify the documentation producers submitted as part of their requests to be placed in higher tiers.

During the audit, we provided the FSA national office with a list of all sampled producers who lacked documentation so that FSA could start taking corrective actions prior to the issuance of OIG's report.

We also noted that the language of the TIP certification on the Form FSA-573, "2005 Hurricane Disaster Programs Application," was not consistent with FSA policy and procedure. Specifically, FSA directives state that "[p]roducers are **not** required to replant, rehabilitate, remove debris, or cleanup to receive TIP benefits."⁵ However, the certification that producers are required to sign when submitting the application states that "such losses for commercial trees, bushes, and vines were wholly due to eligible hurricanes and *incurred expenses* [emphasis added] to the stand including

⁵ FSA Handbook 5-DAP (Rev.1), subparagraph 731-A, dated June 2, 2006. Emphasis in original.

replanting, rehabilitation, cleanup, and debris removal were in an amount equal to or greater than the payment per acre for the certified tier.”

We concluded that FSA needs to take steps to improve how it verifies producers’ documentation for their TIP payments, including providing producers with guidance concerning acceptable documentation whether or not they submit that documentation at the time of application. FSA also needs to expedite implementation of its procedures for performing spot checks on producers who receive these payments.

Recommendation 1

For future programs, ensure applications clearly require that producers maintain adequate documentation, as defined by FSA, of expenses incurred or cost estimates that correspond to the payment levels (tiers) to which the producers certify.

Agency Response. In its December 14, 2007, response, the agency stated:

* * * * *

FSA will ensure that future program applications, regulations, and handbook procedure clearly define that producers are required to maintain verifiable documentation of all cost components to support their loss.

OIG Position.

We accept management decision for this recommendation.

Recommendation 2

For future programs, ensure that program requirements relating to the completion of practices, i.e., replanting, rehabilitation, debris removal, and cleanup, consistently and clearly are stated in policy and procedures and on the program application.

Agency Response. In its December 14, 2007, response, the agency stated:

* * * FSA will ensure that regulations and handbook procedure clearly define program requirements relating to the completion of practices.

OIG Position.

We accept management decision for this recommendation.

Recommendation 3

Finalize and implement spot check procedures for COs to verify documentation supporting TIP payments.

Agency Response. In its December 14, 2007, response, the agency stated:

The FSA National Office will issue a directive by December 15, [2007,] providing State and county offices spot check criteria guidelines in reviewing producer applications and documentation for TIP-related expenses.

OIG Position.

We accept management decision for this recommendation.

Recommendation 4

Instruct the Dade County, Florida, FSA office to provide to the national office the results of the CO's review of TIP applications and associated payments which were processed prior to the Acting CED's arrival and to seek recovery of any unsupported payments.

Agency Response. In its December 14, 2007, response, the agency stated:

The National Office instructed the Florida State FSA Office to have the Dade County FSA Office provide the results of the county office's review of the TIP applications and associated payments processed prior to the acting CED's arrival, and to seek recovery of any unsupported payments.

On November 7, 2007, [the National Office] received confirmation that the Florida State FSA Office completed the review of all the TIP applications that were approved prior to the acting CED's arrival. The findings were mailed back to the county office with instructions to the COC to review the applications to determine if the listed expenses could be substantiated either by verifiable documentation or by a "third party," and to seek recovery of any unsupported payments.

The Miami/Dade County FSA Committee meeting minutes of November 20, 2007, show the COC reviewed 25 TIP applications and supporting documentation. Of the 25 applications reviewed, it was determined that three of the applicants were overpaid, and debt collection notification letters will be mailed to seek recovery of the unsupported payments.

OIG Position.

We accept management decision for this recommendation.

Recommendation 5

Recover \$545,230 in unsupported TIP payments.

FSA Response. In its December 14, 2007, response, the agency stated:

For the producers identified by the audit as lacking documentation to support their TIP payments, FSA provided copies of letters sent by FSA to the producers requesting documentation of incurred costs or cost estimates, and copies of the documentation provided by the producers to FSA.

The Alabama State FSA Office submitted copies of the COC minutes from the Baldwin, Escambia, and Mobile County, Alabama, FSA Offices verifying that the cost rates used by the producers to support their TIP applications were reasonable and customary to their respective counties. They further stated that the rates were similar to the rates used for the Tree Assistance Program and the Emergency Conservation Program.

The Florida Indian River/St. Lucie COC was to meet on December 6, 2007, to review the applicable TIP applications. They were instructed to provide the results of the review to the National Office no later than December 30, 2007, and to seek recovery of any unsupported payments. See FSA's response to Recommendation 4 for the results of the Miami/Dade COC review.

The Alabama and Florida State FSA Offices will be instructed to ensure debt collection measures, where applicable, were initiated.

OIG Position.

We did not accept management decision for this recommendation. In order to achieve management decision, FSA needs to complete its review of the applicable TIP applications and provide copies of the bills for collection for amounts owed to the Government, and support that the amounts have been entered as receivables on the agency's accounting records.

Scope and Methodology

The audit originally covered fiscal year 2005 Section 32 Disaster Payments under both TIP and FSA's Hurricane Indemnity Program (HIP).⁶ In consideration of the availability of staff, and to be more cost-effective and better ensure the prudent use of resources, we had assigned the same staff to audit both HIP and TIP and determined to cover both programs at the same audit sites under a single audit number. After we selected our sample(s) and began fieldwork, we determined we needed to expand our review of HIP to include a review of the integrity and reliability of crop insurance indemnity payment data provided by the Risk Management Agency (RMA) to FSA for HIP purposes. We completed our review of TIP using the original sample. To facilitate reporting and corrective action on the different issues identified for TIP and for HIP, we determined to report to FSA on TIP under the original audit number (03601-13-At) and to report to FSA and RMA on HIP, including our expanded coverage of the RMA data, under audit number 50601-15-At.

This report covers our review of TIP. Our review was conducted at the FSA national office in Washington D.C., two State offices, and six COs (see exhibit B). We conducted our fieldwork from August 2006 through May 2007.

We judgmentally selected FSA State offices and COs for review based on data provided to us on the allocations and payments made under HIP and TIP. We selected Florida because it received the highest allocation for both HIP and TIP funding and issued the majority of the payments to producers. In addition, the national office suggested visiting Florida. Alabama was selected because it had the second highest HIP allocation, and because Alabama had several counties that issued a number of both HIP and TIP payments.

In Florida, we selected the Dade, St. Lucie, and Indian River COs for review based on the numbers of applications, dollar values, and numbers of requests for tier level changes in these offices. These COs were also suggested by the national office. In addition, to ensure that we reviewed both HIP and TIP, we chose counties that made both types of payments. These three counties included three TIP tier levels in Florida.

⁶ HIP provided funds to eligible agricultural producers who suffered 2005 or 2006 crop losses attributable, in whole or in part, to 2005 Hurricanes Dennis, Katrina, Ophelia, Rita, and Wilma. Generally, HIP payments were calculated to be 30 percent of the producer's USDA Risk Management Agency Federal Crop Insurance Corporation indemnity payment or FSA Noninsured Crop Disaster Assistance Program payment for eligible crop losses.

In Alabama, we selected the Baldwin, Escambia, and Mobile COs for review based on the number of applications and dollar values.⁷ In addition, to ensure that we reviewed both HIP and TIP payments, we selected three of the top four counties with TIP payments (Baldwin, Escambia, and Mobile). The selection of these three counties covered all four tier levels in Alabama.

Our selection of applications/files to review in each CO consisted of required, judgmental, and random samples. The required sample included FSA State and county committee members and any FSA employees. We did not find any deficiencies in our required sample, which consisted of three TIP producers who were COC members. We judgmentally selected up to five TIP applications in each CO using the following criteria: (1) Applications at or near the \$80,000 payment limitation; (2) multi-county producers; (3) producers spot checked by the county office; and (4) producers who received both a HIP and TIP payment. The random sample was performed using a random number generator. Additionally, in Dade County, Florida, we expanded the sample because the CO was under a funding freeze. FSA had detailed an Acting CED to ensure that programs were being administered in accordance with regulations. This resulted in numerous applications being left unpaid and waiting for the release of funds. We therefore expanded our TIP samples to include unpaid applications along with the paid applications. In total, we reviewed 66 TIP applications, files, and payments and interviewed 40 applicants (see exhibit B).

To accomplish the audit objectives relative to TIP, we performed the following audit procedures:

- We reviewed applicable laws, regulations, and FSA guidance concerning TIP.
- We interviewed national office officials in the Production, Emergencies, and Compliance Division and Operations Review and Analysis Staff to determine the national office's role in administering, monitoring, and reviewing TIP.
- We obtained data regarding the number of applicants and funding allocations to States administering the program.
- We interviewed State office officials to determine the State office's role in funding and monitoring the COs' administration of TIP.

⁷ We also selected Houston County because it had the highest HIP participation in the State, but it made no TIP payments. Thus, our work in Houston County was not applicable to our review of TIP.

- We interviewed CO officials to obtain an understanding of the administration of TIP at the county level and to ensure that officials followed established procedures.
- We reviewed COC meeting minutes to assess the reasonableness of the committee's actions.
- We reviewed each CO's pending payment, nonpayment, and overpayment registers to ensure their accuracy.
- We reviewed TIP applications to ensure that producers met eligibility requirements and that supporting documentation was complete.
- We interviewed producers to verify loss information and evaluate program delivery.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit A – Summary of Monetary Results

Finding No.	Recommendation	Description	Amount	Monetary Category
1	5	Producers Were Unable to Provide Adequate Documentation of Expenses Incurred or Cost Estimates that Correspond to the TIP Payment Levels (Tiers) to Which the Producers Certified	\$545,230	Unsupported Costs, Recovery Recommended

Exhibit B – TIP Universe and Sample Data for Counties Visited⁸

ALABAMA ⁹	BALDWIN COUNTY	NO.	PAYMENTS
	Applications	9	\$68,976
	File Reviews	9	\$68,976
	Interviews	9	\$68,976
	Exceptions	9	\$68,976
	ESCAMBIA COUNTY	NO.	PAYMENTS
	Applications ¹⁰	7	\$14,120
	File Reviews	7	\$14,120
	Interviews	6	\$11,660
	Exceptions	4	\$8,660
	MOBILE COUNTY	NO.	PAYMENTS
	Applications	12	\$118,410
	File Reviews	10	\$99,230
Interviews	9	\$85,030	
Exceptions	8	\$79,710	
FLORIDA ¹¹	DADE COUNTY	NO.	PAYMENTS
	Applications	30	\$234,316
	File Reviews ¹²	20	\$233,868
	Interviews	5	\$58,065
	Exceptions	1	\$7,200
	INDIAN RIVER COUNTY	NO.	PAYMENTS
	Applications	92	\$1,255,355
	File Reviews	10	\$376,231
	Interviews	5	\$291,647
	Exceptions	3	\$140,684
	ST. LUCIE COUNTY	NO.	PAYMENTS
	Applications	125	\$1,915,715
	File Reviews	10	\$451,680
Interviews	6	\$417,000	
Exceptions	3	\$240,000	
TOTAL	REVIEW TOTALS	NO.	PAYMENTS
	Applications	275	\$3,606,892
	File Reviews	66	\$1,244,105
	Interviews	40	\$932,378
	Exceptions	28	\$545,230

⁸ The file reviews represent the number of producer's files sampled and reviewed; the interviews represent the number of sampled producers interviewed, and the exceptions represent the number of producers interviewed who could not support their claimed level of damage with documentation.

⁹ Application data are as of August 21, 2006, except as noted.

¹⁰ Data are as of September 14, 2006.

¹¹ Application data are as of October 3, 2006.

¹² Both paid and unpaid files were reviewed in the CO as noted in the Scope and Methodology.

Exhibit C – Agency Response

Exhibit C – Page 1 of 4



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

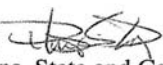
Farm Service
Agency

Operations Review
and Analysis Staff

1400 Independence
Ave, SW
Stop 0540
Washington, DC
20250-0501

DEC 14 2007

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

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

SUBJECT: Response to Audit 03601-13-AT, Hurricane Relief Initiatives - 2005 Tree Indemnity Program

Enclosed is a copy of a memorandum dated December 14 for the Deputy Administrator for Farm Programs which responds to your request for information regarding the subject audit.

Please address any questions to Lisa Goree at 720-3583.

Enclosures

USDA is an Equal Opportunity Employer

Exhibit C – Agency Response



12-14-07

DEC 14 2007

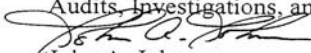
United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

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Washington, DC
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TO: Philip Sharp, Chief
Audits, Investigations, and State and County Review Branch

FROM: 
John A. Johnson
Deputy Administrator for Farm Programs

SUBJECT: Hurricane Relief Initiatives - 2005 Hurricane Indemnity Program
Tree Indemnity Program (TIP) - Audit 03601-13-AT

Recommendation 1

For future programs, ensure applications clearly require that producers maintain adequate documentation, as defined by FSA, of expenses incurred or cost estimates that correspond to the payment levels (tiers) to which the producers certify.

FSA Response

As you are aware, OMB, in an effort to expedite assistance to hurricane victims, stated that Federal agencies should have procedures in place to speed the delivery of assistance while ensuring that benefits go only to individuals who need and qualify for assistance.

Four-tier levels were established to represent the levels of loss sustained by tree producers. Payment rates were assigned to represent the expected costs associated for replanting, rehabilitation, debris removal, and cleanup. Recognizing the severe damage that occurred, it was expected that producers may not have data to support costs incurred. Also, this program did not require producers to actually complete the practices; however, it was assumed producers could justify expected expenses. TIP allowed producers to self-certify that they suffered hurricane-related damage. By signing the FSA-573, producers certified: (1) that the information they provided was true and correct; (2) they agreed to provide documentation to FSA supporting that the loss was caused by an eligible hurricane(s); and (3) that their costs for replanting, rehabilitation, debris removal, and cleanup were equal to or greater than their payment.

We further note that the regulations at 7 CFR §760.503 state, "The quantity and kind of fruit trees, bushes, or vines that died or were damaged as a result of the applicable disaster may be documented by purchase records, bank or other loan papers, Federal Emergency Management and National Guard records, IRS records, property tax records, private insurance documents, and any other verifiable documents available to confirm the presence and subsequent loss or expenses incurred of said fruit trees, bushes, or vines."

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FSA Response (Continued)

FSA will ensure that future program applications, regulations, and handbook procedure clearly define that producers are required to maintain verifiable documentation of all cost components to support their loss.

Recommendation 2

For future programs, ensure that program requirements relating to the completion of practices, i.e., replanting; rehabilitation; debris removal; and cleanup, consistently and clearly are stated in policy and procedures and on the program application.

FSA Response

As specified in the response to Recommendation 1, FSA will ensure that regulations and handbook procedure clearly define program requirements relating to the completion of practices.

Recommendation 3

Finalize and implement spot check procedures for COF's to verify documentation supporting TIP payments.

FSA Response

The FSA National Office will issue a directive by December 15 providing State and county offices spot check criteria guidelines in reviewing producer applications and documentation for TIP-related expenses.

Recommendation 4

Instruct the Dade County, Florida FSA Office to provide to the National Office the results of the COF's review of TIP applications and associated payments which were processed prior to the acting CED's arrival and to seek recovery of any unsupported payments.

FSA Response

The National Office instructed the Florida State FSA Office to have the Dade County FSA Office provide the results of the county office's review of the TIP applications and associated payments processed prior to the acting CED's arrival, and to seek recovery of any unsupported payments.

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FSA Response (Continued)

On November 7, 2007, we received confirmation that the Florida State FSA Office completed the review of all the TIP applications that were approved prior to the acting CED's arrival. The findings were mailed back to the county office with instructions to the COC to review the applications to determine if the listed expenses can be substantiated either by verifiable documentation or by a "third party," and to seek recovery of any unsupported payments.

On November 27, 2007, we received the COC minutes from the Miami/Dade County Committee meeting of November 20, 2007. The COC reviewed 25 TIP applications and supporting documentation. Of the 25 applications reviewed, it was determined that three of the applicants were overpaid, and debt collection notification letters will be mailed to seek recovery of the unsupported payments. See COC meeting minutes of November 20, 2007.

Recommendation 5

Recover \$545,230 in unsupported TIP payments.

FSA Response

The Alabama State FSA Office submitted copies of the COC minutes from the Baldwin, Escambia, and Mobile County FSA Offices verifying that the rates used for TIP were reasonable and customary to their respective counties. They further state that the rates were similar to the rates used for TAP and ECP.

The Florida Indian River/St. Lucie County COC will meet on December 6, 2007, to review the applicable TIP applications. They have been instructed to provide the results of the review to this office no later than December 30, and to seek recovery of any unsupported payments. See FSA's response to Recommendation 4 for the results of the Miami/Dade County COC review.

The Alabama and Florida State FSA Offices will be instructed to ensure debt collection measures, where applicable, were initiated. Depending on each applicable situation, FSA may pursue equitable relief as authorized by the Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171).

Attachments

Informational copies of this report have been distributed to:

Administrator, FSA, **ATTN:** Agency Liaison Officer (10)

General Accountability Office (1)

Office of Management and Budget (1)

Office of the Chief Financial Officer (1)

Director, Planning and Accountability Division