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Office of Inspector General
Midwest Region

Audit Report

Improper Payments: Monitoring the Progress of Corrective Actions for High-Risk Programs in the Farm Service Agency

Report No. 03601-0014-Ch
May 2007



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



REPLY TO

ATTN OF: 03601-0014-Ch

TO: Teresa C. Lasseter
Administrator
Farm Service Agency

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

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

SUBJECT: Improper Payments: Monitoring the Progress of Corrective Actions for
High-Risk Programs in the Farm Service Agency

This report presents the results of our audit of the Farm Service Agency's efforts to quantify the extent of improper payments for the Marketing Assistance Loan, Loan Deficiency Payment, and Milk Income Loss Contract Programs and implement corrective actions.

Your agency's response to the draft report, dated May 1, 2007, is included in its entirety as exhibit A, with excerpts from the response and the Office of Inspector General's position incorporated into the relevant sections of the report. Based on the written response, we have reached management decision on Recommendation 2. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer.

We have not reached management decision for Recommendation 1. Management decision on this recommendation can be reached once you have provided us the additional information outlined in the report section titled OIG Position, 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 completing the corrective actions. Please note that the regulation requires a management

decision to be reached on all 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 the courtesies and cooperation extended to us by your staff.

Executive Summary

Improper Payments: Monitoring the Progress of Corrective Actions for High-Risk Programs in the Farm Service Agency

Results in Brief

This report presents the results of our audit of the Farm Service Agency's (FSA) efforts to identify improper payments and implement corrective actions for its three high-risk programs. In 2001, the Office of Management and Budget (OMB) designated FSA's Marketing Assistance Loan (MAL) Program as high-risk.¹ FSA officials determined that its Loan Deficiency Payment (LDP) and Milk Income Loss Contract (MILC) Programs were also high-risk. Our objectives were to evaluate FSA's attempts to estimate the extent of improper payments reported in the fiscal year (FY) 2005 Performance and Accountability Report (PAR). We also assessed the agency's attempt to implement corrective action plans.

We found that FSA personnel, through their contractor, did not properly determine the FY 2004 improper payment estimates for the three high-risk programs. For instance, the universe for the MILC Program's statistical sample did not include all possible payments. Additionally, in all three programs, not all selected payments were reviewed, statistical calculations did not account for payment variables, and results were questionable because of missing or incomplete supporting documents. We attribute these conditions to FSA officials who did not provide sufficient monitoring of the contractor's staff. As a result, agency officials reported an inaccurate and unsupported improper payment amount of \$50.2 million in the FY 2005 PAR.

Although the contractor's staff originally had developed sufficient definitions of improper payments for each of FSA's three high-risk programs, the test for improper payments was drastically reduced. Instead of adhering to the initial criteria, the contractor's staff only reviewed two factors: commodity quantities and payment rates. The initial criteria were eliminated from the contractor's definitions of improper payments because of time constraints; FSA personnel authorized this limitation in scope to meet the Office of the Chief Financial Officer's (OCFO) reporting deadline for the FY 2005 PAR. As a result, FSA's estimates did not represent the actual extent of improper payments in its high-risk programs.

During our audit, we made FSA officials aware of our concerns regarding the contractor's performance of the sampling procedure, and the inaccurate results in the FY 2005 PAR. FSA officials had been apprehensive of the contractor's work and determined that internal FSA review staff could better identify improper payments in the high risk programs. FSA personnel from

¹ The Commodity Loan Program, subsequently renamed MAL, was identified by OMB in Circular No. A-11 (2001), Section 57, and required to provide estimates of improper payments with initial budget estimates.

the Operations Review and Analysis Staff (ORAS) had agreed to play a crucial role in future statistical samplings. In order to provide more accurate estimates in the FY 2006 PAR, ORAS developed a sampling plan, selected the sample, and defined specific criteria to test for improper payments in each high-risk program. Since ORAS performs internal reviews of field office operations, this branch of FSA has comprehensive knowledge of FSA's programs. Consequently, they addressed eligibility requirements that were not considered in the sample for the FY 2005 PAR.

The initial results from the revisions to the sampling process revealed considerably higher improper payment rates. The new methodology showed a FY 2005 rate of 13 percent for the LDP Program; FSA personnel had reported an improper payment rate of one percent for LDP in FY 2004. Also, the modifications disclosed a FY 2005 improper payment rate of 22 percent for the MAL Program while the FY 2004 rate was reported as 0.7 percent. The review for the 2006 PAR was still in process at the time we completed our audit work.

It is clear that the flawed methodologies of FSA's statistical sampling procedures must continue to be addressed. Although we commend FSA officials for their attempts to revise the sampling process, agency personnel should continue improving their efforts to fully assess their improper payment amounts, and advance agency accountability by reporting accurate estimates in each annual PAR.

Recommendations In Brief

We recommend that FSA officials develop and implement controls to assure that statistical sampling processes comply with all OMB and OCFO requirements. These should include using the entire universe, reviewing all payments selected, accounting for payment variables, and maintaining documentation to support the results that are reported in the PAR. Also, we recommend that FSA personnel define the specific criteria and conditions that could result in improper payments for each high-risk program.

Agency Response

In their response dated May 1, 2007, FSA officials generally agreed with the findings and recommendations contained in the report. We have included the entire response as exhibit A of the report and incorporated portions, along with our position, in the Findings and Recommendations section of the report.

OIG Position

We agree with FSA officials' response and have reached management decision on Recommendation 2. Management decision has not been reached on Recommendation 1. We can reach management decision when we receive information on how FSA's Financial Management Division oversees and monitors the statistical sampling process currently in use to identify improper payments.

Abbreviations Used in This Report

CAP	Corrective Action Plan
COTR	Contracting Officer's Technical Representative
FMD	Financial Management Division
FSA	Farm Service Agency
FY	Fiscal Year
IPIA	Improper Payments Information Act of 2002
LDP	Loan Deficiency Payment
MAL	Marketing Assistance Loan
MILC	Milk Income Loss Contract
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
ORAS	Operations Review and Analysis Staff
PAR	Performance and Accountability Report
PSD	Price Support Division
SOW	Statement of Work
USDA	United States Department of Agriculture

Table of Contents

Executive Summary	i
Abbreviations Used in This Report	iii
Background and Objectives	1
Findings and Recommendations.....	4
Section 1. Statistical Sampling Methodology	4
Finding 1 Statistical Sampling Results Were Not Statistically Valid.....	4
Recommendation 1	8
Finding 2 Improper Payment Reviews Limited.....	9
Recommendation 2	12
Scope and Methodology.....	13
Exhibit A – Agency Response	Error! Bookmark not defined.

Background and Objectives

Background

The President's Management Agenda of 2002 emphasized the need to identify erroneous payments and establish goals to reduce them for each Federal program. In November 2002, the President signed Public Law 107-300, the Improper Payments Information Act of 2002 (IPIA), which expanded prior reporting requirements to include all programs that may have significant improper payments. Beginning in the fiscal year (FY) 2004 Performance and Accountability Report (PAR), the act requires agencies to report an annual estimated amount of improper payments, total outlays, and corrective action plans (CAP) for all programs identified as high-risk. In May 2003, the Office of Management and Budget (OMB) issued specific regulations which agencies must abide by when estimating and reporting improper payments, including a provision that agencies base their high-risk program improper payment estimates on valid statistical samples.² In addition, the Office of the Chief Financial Officer (OCFO) has issued substantial guidance to all United States Department of Agriculture (USDA) agencies to assist them in implementing the IPIA requirements.

The Farm Service Agency (FSA) personnel contracted with an outside vendor to perform the statistical sampling required for estimating FY 2004 improper payments in the Loan Deficiency Payment (LDP), Marketing Assistance Loan (MAL), and Milk Income Loss Contract (MILC) Programs for the FY 2005 PAR. FSA's Statement of Work (SOW) detailed the contracting officials' tasks and required deliverables for each program. According to the SOW, the contractor's work was to be monitored by FSA's Financial Management Division's (FMD) Contracting Officer's Technical Representative (COTR).³ The COTR's duties included reviewing required deliverables, issuing written acceptance or rejection of the deliverables, and providing written comments specifying deficiencies if the deliverables were unacceptable. At completion of the work, the contractor issued a report to FSA for each high-risk program that included the improper payment error rates. FSA used the error rates to determine the estimated improper payment amounts for each high-risk program.

Marketing Assistance Loan Program

The MAL Program, originally known as the Commodity Loan Program, was a result of the Agricultural Adjustment Act of 1933.⁴ The program was designed to provide producers with interim financing at harvest time. Eligible producers obtain loans to meet cash flow needs without having to sell their

² OMB Memorandum M-03-13, dated May 21, 2003.

³ FSA's Financial Management Division (FMD) is responsible for assessing and monitoring IPIA requirements, executing statistical samplings of high-risk programs, and reporting the results to the OCFO for inclusion in the PAR.

⁴ Public Law 73-10, signed May 12, 1933.

commodities when market prices are typically at harvest-time lows. Producers pledge their crops as collateral. Since they have nine months to repay the loans, they store their crops during that period. Producers are allowed to store production at harvest time to facilitate more orderly marketing of commodities throughout the year. At producers' discretion, they may either repay the loans, or deliver the pledged collateral to the Federal Government as full payment for the loan at maturity. In the FY 2005 PAR, FSA officials reported an estimated FY 2004 MAL Program improper payment amount of \$45 million, which was based on an estimated improper payment rate of 0.7 percent. The agency reported total outlays of \$6.4 billion.

Loan Deficiency Payment Program

FSA's LDP Program was created in 1985 to boost producers' incomes when prices are low. The program is designed to supplement low market prices at harvest time. Basically, producers receive subsidies to encourage them to sell their crops. The LDP Program provides payments to producers who are eligible for the MAL Program, but instead opt to accept a subsidy when market prices are below the loan rate. Payments are made to producers when market prices fall below a price set by the Federal Government. In the FY 2005 PAR, FSA officials reported an estimated FY 2004 LDP Program improper payment amount of \$5 million, which was based on an estimated improper payment rate of 1.0 percent. Total outlays were \$453 million.

Milk Income Loss Contract Program

The MILC Program was created under the 2002 Farm Bill. The bill authorized FSA to provide the Nation's dairy producers with economic assistance for market losses. Under the program's provisions, payments are issued on a monthly basis to eligible dairy operations. Payments are based on the quantity of eligible production marketed by producers when the domestic milk prices fall below a specified level. To be eligible for payments, producers must provide FSA with evidence of dairy production, such as sales records and production volumes. In the FY 2005 PAR, FSA officials disclosed the estimated FY 2004 MILC Program improper payment rate of 0.09 percent. This equated to a total amount of program improper payments of \$200,000, which was based on total outlays in FY 2004 that were estimated as \$245 million.

The combination of FY 2004 outlays for all three programs total \$7.1 billion, which represents 13.3 percent of the total outlays for all of USDA's high-risk programs. In the FY 2005 PAR, FSA reported a total improper payment amount of \$50.2 million.

Objectives

The objectives of the audit were to evaluate FSA's: (1) actions to quantify the extent of improper payments, and (2) efforts to establish corrective actions.

Findings and Recommendations

Section 1. Statistical Sampling Methodology

We found significant flaws in the methodology the contractor's staff used to conduct the statistical sample. Specifically, a number of elements did not comply with OMB requirements and OCFO guidelines. Such elements included calculations which did not account for payment variables, missing supporting documentation, and a limited scope. The scope was limited because FSA officials authorized the contractor's staff to eliminate substantial criteria to meet the OCFO reporting deadline. Furthermore, FSA's COTR did not provide sufficient monitoring over the contractor's staff to ensure that their work adhered to FSA's SOW. Consequently, the improper payment estimates which FSA reported in the FY 2005 PAR were significantly understated.

Finding 1

Statistical Sampling Results Were Not Statistically Valid

FSA personnel did not properly determine the FY 2004 improper payment estimates for their three high-risk programs. We found that the universe for the MILC Program's statistical sample did not include all possible payments. Additionally, in all three programs, not all selected payments were reviewed, statistical calculations did not account for payment variables, and results were questionable because of missing or incomplete supporting documents. We attribute these conditions to FSA officials who did not provide sufficient monitoring of the contractor's staff. As a result, FSA officials reported inaccurate and unsupported improper payment amounts totaling over \$50 million in the FY 2005 PAR.

OMB requires agencies to utilize a statistically-valid method to estimate improper payment rates, which must be based upon the gross total of both over- and underpayments. The estimates should be generated through the design and selection of a statistically-valid random sample. This sample must be of a sufficient size to yield an estimate with a 90 percent confidence interval of plus or minus 2.5 percent. OMB also requires agencies to maintain documentation supporting the calculation of the annual estimates.⁵ In 2004, OCFO expanded upon existing OMB requirements. It clarified reporting procedures for USDA agencies by requiring agencies to use a template when reporting statistical sampling results. Also, OCFO required statistical samples to track through each phase of payment processing

⁵ OMB, Memorandum M-03-13, May 21, 2003.

procedures.⁶ Thus, agencies must adhere to OMB's requirements as well as OCFO's guidance.

Along with the sampling results, the contractor's staff provided FSA personnel with all documents they reviewed while determining if improper payments had been issued. We reviewed the contractor's determinations to assess the accuracy of the sampled payments based upon the documents they had reviewed. This was done by analyzing the work of the contractor's staff and evaluating supporting documents such as program applications and production evidence

We found that the improper payment error rates determined by the contractor were not statistically valid. In FSA's attempt to estimate its FY 2004 improper payments, we found that the estimates were invalid for the following reasons:

Incomplete Universe for MILC Sample

In the MILC Program, the contractor's staff did not use the entire universe to design their sample. In our review of MILC Program sampling documentation, we found that the contractor excluded about 86 percent of the producers. Although the total universe included approximately 91,000 producers, the contractor limited the selection to counties with seven or more MILC Program applications. This reduced the sampling universe to only 14 percent (12,600) of the total number of producers.

All Selected Transactions Not Reviewed

All transactions the contractor requested from FSA field offices were not reviewed. For example, in the MILC Program, the contractor's staff selected 200 sample transactions, but only reported the results of its review of 158.⁷ In the LDP Program report, the contractor disclosed selecting seven transactions from each county office, but did not review all of them. Instead, for example, the contracting officials only reviewed one transaction from Caldwell County, Louisiana, and 12 transactions from Hidalgo County, Texas. The contractor's staff neglected to explain these discrepancies in the reports sent to FSA officials. Furthermore, the contractor's staff reviewed 17 LDP Program payments that were not shown on the list of selected sample payments that FSA personnel provided to us. Additionally, the contractor's staff did not sample 24 payments on this list.

⁶ USDA, FY 2005 High Risk Plan Guidance, Version 1.0, November 10, 2004.

⁷ One transaction in the MILC Program may include up to four payments.

Variance in Dollar Amount of Payments Not Considered

The improper payment error rates FSA personnel reported in the FY 2005 PAR represent the *entire payments* instead of the proportion of *actual dollar amounts* that were improper. This occurred because the contractor's staff used the total *number* of improper payments found during their sampling of each program's payments and the total *number* of sampled payment transactions tested to calculate the error rate percentage for each program. (FSA personnel then multiplied this percentage by the total program outlays to identify estimated improper payment amounts for each high-risk program.) However, the *value* of the improper payments identified should have been divided by the total *value* of the sampled payments tested. By using the total number of payment transactions to calculate the error rate, rather than the value of actual improper payments, the contractor's results assumed that all transactions were monetarily equal, and the entire payments were improper. Since the contractor did not include the actual value of each sampled payment in its reports or in the supporting documentation, we were unable to apply the correct methodology and calculate an accurate error rate.

Since over- and underpayments are made occasionally in all programs, only a fraction of payments may be improper. For example, a producer could receive a \$100 payment, but could have been eligible for only \$80. In this case, the value of the improper payment should be \$20, and not the entire payment of \$100. Underpayments would also require the contracting officials to make similar adjustments. We found that the contractor incorrectly assumed that the amount of every improper payment was equal to the total dollar amount issued; however, only a part of the payment could be improper.

Missing and Incomplete Supporting Documents

In order to evaluate the contractor's determination of improper payments, we judgmentally selected 36 of 130 LDP Program payments and 15 of 146 MAL Program payments. In addition, we randomly selected 64 of 158 MILC Program payments. We reviewed 115 of the 434 payments sampled by the contractor's staff. The contractor submitted to FSA personnel all documentation it had obtained from FSA field offices. The contractor's conclusions regarding the validity of sampled payments were based upon these documents. We analyzed the documentation to determine if the contractor's staff had sufficient support for their conclusions.

Although the contractor had identified only 4 improper payments in all 3 programs, we discovered 52 additional payments which were

questionable. Supporting documentation for these payments either did not exist, or was incomplete; therefore, the validity of these payments could not have been determined correctly.

We could not locate any supporting documentation for 20 sampled transactions in the LDP and MAL Programs. The contractor reported that only one of the 130 sampled payments was improper for LDP. We evaluated 36 of the 130 to determine if the contractor's conclusions were valid but could not locate any support for 14 of them. In addition, when we evaluated the 15 MAL Program payments, 6 payments, which the contractor's staff determined to be proper, lacked supporting documentation.

In summary, we found incomplete supporting documentation in all three high-risk programs. For example, the contractor determined that an LDP Program payment was valid, but we could not locate a request date on the application in the contractor's supporting documents. An LDP Program request date is an important component of the application, as it is needed to determine the rate per commodity unit to which the producer is entitled. FSA's Price Support Division (PSD) officials agreed that without the LDP Program request date, the rate could not be determined.⁸

FSA officials should have monitored the contractor's adherence to the SOW, which required the contractor's staff to present specific deliverables to FSA, develop a review plan, and determine specific documents to be reviewed. FSA officials wrote the SOW, which stated that FMD's COTR was to monitor the contractor. The SOW also required the contractor to design and select a statistical sample based on OMB's formula and OCFO's guidance, review payments selected for the sample, document the results, and deliver them to the COTR for approval. Since some of the deliverables were questionable, the COTR should have provided the contractor with written comments that identified the deficiencies. The agency had the right to reject and require corrections of any deficient deliverables; however, this was not done because FSA officials did not review all deliverables.

When we interviewed the COTR, he could not explain why the contractor's sampling was not statistically valid. The COTR informed us that he monitored the contractor, which included scheduling regular meetings with the contractor's officials, reviewing all deliverables, and resolving problems related to obtaining information. He arranged a meeting for us with the contractor's officials, but they could not provide any other information that would help explain the sampling results. When we asked them to explain their sampling methodology, they could not provide a reasonable explanation.

⁸ The Price Support Division (PSD) is the branch of FSA which is responsible for loan servicing and compliance with commodity loan program provisions.

Instead, they told us that they had provided all related documentation to FSA in order to support their conclusions and the statistical data included in their reports.

During the audit, we informed FSA officials of our concerns about the contractor's performance regarding the FY 2005 sampling of FY 2004 payments. FSA officials had recognized deficiencies with the sampling performed in FY 2005, and had requested that its Operations Review and Analysis Staff (ORAS) perform the sampling. ORAS contracted with a different statistician to develop a sampling plan, select the sample, and provide FY 2005 estimates for reporting in the FY 2006 PAR.⁹ We commend FMD for revising its statistical sampling process to improve the accuracy of improper payments for the LDP and MAL Programs in the FY 2006 PAR.¹⁰ However, since the FY 2006 sampling process was ongoing at the time of our audit, we could not evaluate the results.

Due to the numerous deficiencies we found in the contractor's statistical sampling of the LDP, MAL, and MILC Programs, we conclude that FSA's FY 2005 PAR did not provide an accurate estimate of improper payments. Although recent improvements have been made to the statistical sampling process, including ORAS performing the sampling and considering producer eligibility criteria in the reviews, we recommend that additional management controls be implemented.

Recommendation 1 Develop and implement controls to help assure that statistical sampling processes comply with all OMB and OCFO requirements. Sufficient monitoring is required to ensure that ORAS personnel and its statistician sample the entire universe, review all payments selected, account for payment variables, and maintain documentation to support the results reported in the PAR.

Agency Response FSA officials generally agreed with the recommendation. The officials stated that FSA developed and tailored a statistical sampling process for each program detailed in its Measurement Plans submitted to USDA's Office of the Chief Financial Officer. FSA's ORAS is performing the sampling process and employed a professional statistician to design the sampling approach, define the sample size, and identify the sample items. Testing is currently being performed by the ORAS County Office Review Program staff in FSA field offices and the results will be summarized and submitted to the statistician, who will determine the improper payment error rate.

⁹ ORAS performs internal reviews of field office operations and staff, and therefore has a comprehensive knowledge of FSA's programs. It is a branch of FSA's Office of Business and Program Integration. ORAS ensures compliance with policies and procedures by identifying issues raised by internal and external reviews, and audits.

¹⁰ The MILC Program was not included in the FY 2006 sample because it was scheduled to expire. The program was terminated at the end of FY 2004, then subsequently re-authorized. However, outlays were estimated at only \$9 million for FY 2005.

OIG Position

The FSA response includes information regarding the sampling process, items being tested to identify improper payments, etc., for each of the high-risk programs by ORAS to ensure OMB sampling requirements are met. The information was provided to OCFO on February 14, 2007. We can reach management decision when FSA officials advise us of the procedures followed by FMD to oversee and monitor ORAS to ensure the process utilized complies with OMB and OCFO requirements. This was evidenced, only in part, in attachment 11 of the FSA response that documented the December 6, 2007, meeting between FMD, ORAS, and OCFO to establish a definition of improper payments for FSA high-risk programs.

Finding 2

Improper Payment Reviews Limited

Although the contractor's staff originally developed sufficient definitions of improper payments for each of FSA's three high-risk programs, the criteria used to determine if sampled payments were improper was drastically reduced. Instead of addressing both producer and crop eligibility requirements, which were elements of the initial criteria, the contractor's staff only reviewed two factors: commodity quantities and payment rates. The initial criteria was eliminated from the contractor's definitions of improper payments because of time constraints; FSA personnel authorized this limitation in scope to meet the OCFO submission deadline for the FY 2005 PAR. As a result, FSA's 2004 estimates did not represent the actual extent of improper payments in its high-risk programs reported in the FY 2005 PAR.

The IPIA defines improper payments as those that should not have been made or that were made in an incorrect amount under statutory, contractual, administrative, or other legally-applicable requirements. The definition includes any payments made to ineligible recipients or for ineligible services. Since administration procedures vary significantly in each program, tests for improper payments must be tailored to address specific conditions and criteria. Furthermore, OCFO guidance informs agencies to explain how the statistical sample will test for improper payments. This explanation should include specific definitions of improper payments for evaluators to use in their determinations.¹¹

To determine if FSA personnel had reported improper payment estimates correctly, we analyzed the contractor's work to assess the adequacy of the improper payment definitions. We found two sets of definitions: those developed by the contractor's staff prior to the sampling, and those that were used during the sampling process to meet OCFO's reporting deadline.

¹¹ OCFO, "USDA FY 2005 High Risk Plan Guidance," Version 1.0, November 10, 2004.

Although the contractor's staff originally identified up to nine different factors to be reviewed in their tests for improper payments, only two requirements were actually considered: the determination of the payment rate and evidence of commodity quantities. We interviewed FSA officials from FMD and PSD to determine if they had provided assistance to the contractor's staff in their efforts to establish quantitative and measurable criteria for improper payments in each program. The officials informed us that they had assisted the contractor's staff.

Eligibility Criteria Reduced

When FSA officials prepared the SOW, they required the contractor's personnel, who were unfamiliar with FSA's numerous eligibility requirements for each program, to specifically define improper payments. Although the contractor developed adequate definitions to test for improper payments in each of FSA's three high-risk programs, these were not the definitions the contractor's staff actually used in their evaluations.

The initial definitions were reduced to only address commodity quantities and payment rates. Commodity quantities were assessed by reviewing forms to verify production evidence. When reviewing documents in the MAL Program, the contractor's staff evaluated loan payment rates to ensure that they were applied to the correct commodity, county, and crop year. If either of the two basic requirements were missing or unsupported, the payments would be considered improper. The COTR told us he granted the contractor permission to eliminate the eligibility requirements from its sampling criteria due to time constraints. However, this action severely limited the criteria used by the contractor's staff, and led to an inaccurate assessment of improper payments.

The original improper payment definitions were sufficient because they addressed both producer and crop eligibility requirements. For example, in the MAL Program, the contractor's initial definition addressed nine requirements that had to be reviewed to test for improper payments. The LDP Program definition addressed elements such as payments to ineligible persons, payments in the wrong amount, and payments for ineligible services.

If these basic definitions had been used, the contractor's staff could have sufficiently reviewed the selected transactions to determine if they met the predetermined requirements. However, the contractor's staff documented in the MAL Program report that "after review of program documents and further discussion with FSA key personnel, the test for improper payments was reduced to only two essential requirements." Similar decisions were made involving the LDP and MILC Programs.

A consequence of the limitations was that various eligibility requirements were not considered while making improper payment determinations. For example, in the MAL Program, the contractor's staff originally established that acreage reports had to be reviewed to determine program eligibility. However, after the definition was limited, compliance with this significant requirement was not considered. According to FSA handbooks, personnel must collect acreage data to determine if producers are eligible for loans and subsidies.¹² Since the contractors neglected to ensure that all producers met this criterion, a number of ineligible payments could have been overlooked.

This limited scope led to an incomplete review of many key conditions which constitute improper payments. Also, this limitation in the scope of the sample was not disclosed in the PAR to inform the reader and provide consistency with other reported USDA improper payments. Beyond this, the limited scope compromised the development of an effective corrective action plan (CAP) to reduce improper payments.

Since FSA personnel authorized the contractor's staff to reduce the criteria in their evaluation of improper payments, FSA personnel could not identify any causes beyond their limited review of payment rates and production evidence. OCFO guidance calls for USDA agencies to take substantial steps to reduce future improper payments, which should include corrective actions that address specific causes identified in the latest statistical sample.¹³ However, the actions reported in the CAP were not adequate to ensure significant reductions in future improper payments because the specific causes of improper payments had not been identified.

Sampling Process Revisions

During our audit, FMD personnel revised their sampling process for FY 2006. When FMD requested that ORAS perform the FY 2006 sampling, ORAS agreed to perform such a function. At that point, FSA officials from FMD, ORAS, and PSD established the requirements that would be used in the FY 2006 PAR.

The revised sampling process addressed eligibility requirements that were not considered in the previous sampling effort, reported in the FY 2005 PAR. We commend FSA personnel of FMD, ORAS, and PSD for their attempts to agree upon revised improper payment criteria for each of FSA's high-risk programs. However, as a result of our interviews with the PSD director and staff, they agreed that, considering the many eligibility requirements for FSA's high-risk programs, the requirements

¹² FSA Handbook 8-LP (Rev. 1) Amendment 8, pg. 1.

¹³ USDA FY 2005 Corrective Action Plan Guidance, Version 1.1, February 9, 2005.

that impact improper payments need to be better defined. The officials admitted that they should focus more on developing additional precise conditions that might cause improper payments.

In preparation for the FY 2006 PAR, FSA officials designated four additional high-risk programs.¹⁴ Although these programs and the timing of the sampling were beyond the scope of our review, specific improper payment criteria should be defined for each.

We conclude that all pertinent aspects of each program must be reviewed to provide accurate improper payment estimates in the PAR and to identify their causes. Precise estimates are vital for determining the actual extent of improper payments. Determinations of their causes are vital for developing effective corrective actions. Furthermore, accurate estimates enable the President and Congress to monitor agencies' attempts to reduce improper payments. This objective continues to be a major priority for Congress, and a primary focus of the President's Management Agenda. Improper payment definitions which neglect to factor in all pertinent eligibility criteria make it difficult to fulfill the objectives of the IPIA.

Recommendation 2 Develop and implement definitions of the specific criteria and conditions that could result in improper payments for each high-risk program. The definitions should be adhered to during the annual improper payment sampling process.

Agency Response FSA officials agreed with the recommendation. Their response included test items, specific to each high risk program, that are currently being reviewed in FSA field offices on the sampled payments to identify whether they were improper. This information was provided to OCFO on February 14, 2007. FSA officials also developed a definition of improper payments, agreed on December 6, 2005, to be provided to OCFO for concurrence.

OIG Position For final action, FSA should provide OCFO with confirmation that the definition has received concurrence.

¹⁴ The four additional high-risk programs are the (1) Direct and Counter-cyclical Payment Program; (2) Conservation Reserve Program; (3) Disaster Programs; and (4) Noninsured Assistance Programs.

Scope and Methodology

We conducted our audit of FSA's three high-risk programs: the MAL Program, the LDP Program, and the MILC Program. We performed audit work at the FSA national offices in Washington, DC; and Alexandria, Virginia. We conducted our audit with the assistance of the Office of Inspector General's (OIG) statistician.

Because the sampling for the FY 2005 PAR had to be completed before the end of the fiscal year, FSA sampled FY 2004 outlays. We judgmentally selected 36 LDP and 15 MAL Program payments for review. We randomly selected and reviewed 64 of the 434 FY 2004 MILC Program payments sampled by FSA's contractor. For the three high-risk programs, FSA officials reported \$50.2 million in improper payments on FY 2004 outlays totaling \$7.1 billion in the FY 2005 PAR.

We conducted our fieldwork from March through October 2006. The audit was performed in accordance with *Government Auditing Standards*.

To accomplish our audit objectives, we performed the following procedures:

- Reviewed applicable laws, regulations, and guidance concerning the IPIA and the MAL, LDP, and MILC Programs.
- Interviewed appropriate FMD, ORAS, and PSD officials.
- Reviewed FSA's policies, procedures, and management controls for the MAL, LDP, and MILC Programs regarding their process for estimating FY 2004 improper payments to be reported in the FY 2005 PAR.
- Reviewed FSA's FY 2005 statistical sampling plan and documentation used to support the statistical sampling, which included the improper payment error rate, and estimated value of improper payments.
- Reviewed each program's corrective action plans for the improper payments.

Exhibit A – Agency Response



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency


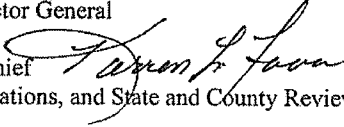
Operations Review
and Analysis Staff

Audits,
Investigations and
State and County
Review Branch

1400
Independence
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20250-0540

MAY 1 2007

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

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

SUBJECT: Response to Request for Information: 03601-14-CH, Monitoring the Progress of Corrective Actions for High-Risk Programs in the Farm Service Agency (FSA)

Attached is a copy of a memorandum and documentation of actions taken in response to the Official Draft of the subject audit from the Farm Service Agency's Chief Financial Officer.

Please address any questions to Karren Fava 720-6152.

Attachments

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Exhibit A – Agency Response



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

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

MAY 01 2007

TO: T. Mike McCann
Director, Operations, Review and Analysis Staff
Office of Business and Program Integration

FROM: *fr* Dennis J. Taitano *Dennis J. Taitano*
Chief Financial Officer
Farm Service Agency *JM*

SUBJECT: Improper Payments: Monitoring the Progress of Corrective Actions for High-Risk Programs in the Farm Service Agency (FSA)

FSA is providing supporting documentation for the recommendations within the subject line item and requests closure.

Recommendation 1: Develop and implement controls to help assure that statistical sampling processes comply with all the Office of Management and Budget (OMB) and the Office of the Chief Financial Officer (OCFO) requirements. Sufficient monitoring is required to ensure that the Operations, Review and Analysis Staff (ORAS) personnel and its statistician sample the entire universe, review all payments selected, account for payment variables, and maintain documentation to support the results reported in the Performance and Accountability Report.

CCC Response: Attachments 1-7 contain the supporting documentation for each high-risk program to substantiate the development and implementation of controls to assure that the statistical sampling process complies with all of the OMB and OCFO requirements to include sufficient monitoring and oversight of the improved process. A statistical sampling process, payment life cycle, program checklist, and test items for the statistical sample have been developed and tailored for each program in Measurement Plans and were submitted to OCFO on February 14, 2007. A High Risk Program Project Plan (Attachment 8) was submitted to OCFO on January 31, 2007. This plan provides OCFO with the deliverables and milestone dates to complete the sampling and corrective action plans for the fiscal year (FY) 2007 Review Cycle.

Testing is being conducted using statistically sound samples drawn from the total population of program payments for each program being tested. A professional statistician under contract to FSA is being used to design the sampling approach, define the sample size and identify the sample items. Sample sizes are be chosen to achieve a 95 percent confidence level.

USDA is an Equal Opportunity Employer

T. Mike McCann
Page 2

Once the universe of program payments is determined for the target FY, a stratified two-stage sampling approach will be used. Agency program delivery organizations (county offices) will be selected in the first stage and individual payments made or contracts reviewed by those organizations will be selected in the second stage.

That sample list of individual contracts or payments will be provided to the members of the County Office Review Program (CORP) staff covering the respective States. The CORP staff will visit each of the county offices shown on the list and review the individual contracts or payments identified in the statistically sound sample. The CORP reviewers will use a list of program division provided criteria that will be drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify improper payments made. The results of that review will be summarized and submitted to the CORP National office staff to be analyzed by the contractor statistician. That contractor will determine the rate of improper payments based on the data provided by the CORP staff that visited the county offices and who conducted the reviews of the documents selected.

In addition, Attachment 9 is an e-mail from the Office of the Inspector General, Richard Peck, to OCFO, Dale Theurer, stating, “We are now visiting county offices and checking on the payments the CORP reviewed to determine if we agree with their determination (of proper or not) and will be reviewing what ORAS is doing with the results. I believe our statistician has no serious problems with the FSA sampling designs used to select payments for review from the seven programs.”

Recommendation 2: Develop and implement definitions of the specific criteria and conditions that could result in improper payments for each high-risk program. The definitions should be adhered to during the annual improper payment sampling process.

CCC Response: Attachment 10 is an e-mail from the Office of the General Counsel providing a more defined definition of an improper payment for FSA.

Attachment 11 contains FSA’s improper payment definition along with correspondence memoranda from FSA’s Administrator Lasseter to State Executive Directors providing improper payment guidance.

FSA has documented and implemented the new processes for the improper payment initiative and requests closure for Recommendations 1 and 2.

Exhibit A – Agency Response

Exhibit A– Page 4 of 93

T. Mike McCann
Page 3

If you have any comments or questions, please contact Elizabeth Russell, Audit Liaison,
Financial Management Division at 703-305-1283.

Attachments

ATTACHMENT 1

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Noninsured Assistance Program
Fiscal Year: 2007

1. **Plan for a valid annual improper payment amount.**
 - a. Statistical Sample
 - b. Who will perform work: Operations Review and Analysis Staff, Farm Service Agency
 - c. Start Date: February 5, 2007
 - d. Estimated Completion Date: August 17, 2007

2. **Corrective action plans to be used in FY 2007 PMA/PAR reporting. (Due to OCFO by 5/25/07)**
 - a. Date Corrective Action Plan will be provided: September 17, 2007.
 - b. Date Improper payment amount will be provided: September 17, 2007.
 - c. Date Improper payment rate will be provided: September 17, 2007.
 - d. Date Future reduction targets that decrease over time will be provided: September 17, 2007.

3. **Statistical Sample steps that will be taken to track sampled payments through each phase of the payment lifecycle.**

(Instructions: Define the payment lifecycle from USDA to the ending program customer. Describe the steps that will be taken in your statistical sample to track payments through each phase).

Statistical Sample Process:

Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).

Testing is conducted using statistically sound samples drawn from the total population of program payments for each program being tested. A professional statistician under contract to FSA is used to design the sampling approach, define the sample size and identify the sample items. Sample size is chosen to achieve a 95 percent confidence level.

Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.

That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that is drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify improper payments made. The results of that review are summarized and submitted to the CORP national office

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Noninsured Assistance Program
Fiscal Year: 2007

staff to be analyzed by the contractor statistician. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.

Payment Lifecycle:

Step 1: NAP Application for Coverage (CCC-471):

Eligible producers must file CCC-471, Noninsured Assistance Program Application, in the Farm Service Agency (FSA) administrative office serving the county or counties where their acreage is located no later than the application closing date established by the State.

Step 2: Review of CCC-471:

County offices review and determine the acceptability of each CCC-471. The review shall ensure that:

- The application is filed by the application closing date.
- The completeness of the application.
- The eligibility of the producer.
- An accurate description and the eligibility of the crop.
- The proper determination of service fees.

If the CCC-471 is determined acceptable, the CED or any permanent County Office employee signs the CCC-471.

Step 3: Supporting Documentation is Reviewed:

- **Acreage Report:** Eligible producers must file a FSA-578 Report of Acreage to identify the location of the crop, type, intended use, planting period, and acreage of the crop grown. The acreage must be reported by the earlier of the acreage reporting date as publicized in 2-CP (Rev. 15) or 15 days before the onset of harvest.
- **Production Yield Report CCC-452:** Eligible producers must certify current year production by the subsequent year's acreage reporting date. This production along with the filed acreage report enables the county office to calculate the individual producer's approved yield for the crop for which they request coverage. The producer's approved yield is the basis for determining the producer's expected production in the year of loss. The certified production provided by the producer is subject to spot check.
- **Notice of Loss:** Once it has been determined that the Application for Coverage has been filed on time, producers are able to submit CCC-576, Part B, Notice of Loss if a loss has occurred. The COC, or CED if delegated authority exists, shall review each CCC-576,

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Noninsured Assistance Program
Fiscal Year: 2007

Part B, Notice of Loss, according to procedure in Handbook 1-NAP (Rev. 1), paragraph 401 D. The COC must:

- Review CCC-576, Part B.
- Complete CCC-576, Part C.
- Document all findings.
- Approve/disapprove, Part B, Notice of Loss, according to 1-NAP (Rev. 1), paragraph 401 F.
- COC or CED shall schedule a field visit according to provisions outlined in Handbook 1-NAP (Rev. 1), paragraph 401 E.

Step 4: Application for Payment:

An application for NAP payment can be filed on CCC-576, Parts D through G according to 1-NAP (Rev. 1), paragraph 502 with the County Office where the units are administered. The COC or delegated representative approves/disapproves the application for payment based on criteria in 1-NAP (Rev. 1), paragraph 502.

Step 5: Compliance Reviews:

Compliance reviews for NAP are required to ensure the accuracy of the information provided by producers. These reviews consist of approved yields which are based on certified production records and acreage reports. Reviews will be either required or random according to 1-NAP (Rev. 1), paragraph 600.

Step 6: Determining Payment Eligibility:

For NAP, the producer is required to meet provisions for; conservation compliance, AD-1026, controlled substance, person determination, NAP adjusted gross income, and NAP Non-Compliance, Fraud, including FCIC.

The payment software reads the producer's eligibility file each time a payment is issued to ensure all eligibility requirements have been submitted by the producer and recorded in the system before a payment can be issued. If the producer or member is ineligible to be paid, the individual or entity will be listed on the nonpayment register with the applicable message.

NAP payments are subject to \$100,000 per "person" per crop year payment limitation. The payment limitation file identifies the amount of the payment limitation exceeded because it monitors the amount of any payment made to a producer in any county office and if a payment is made to the producer as a member of a separate entity.

Eligibility certifications and determinations must be updated in the automated system before the producer or member can be paid. Eligibility information is updated by the County Office which should accurately reflect COC determinations.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Noninsured Assistance Program
Fiscal Year: 2007

Amendment 32 of 1-NAP (Rev. 1), paragraph 11 provides procedure which now requires county offices to complete a CCC-770 NAP Program Checklist (Attachment A) prior to issuing a NAP payment. This checklist is required when an application for payment has been filed and is applicable for each producer, by crop year, unit, and pay group. This checklist is a tool to ensure all eligibility requirements and actions have been properly documented prior to issuing payment.

Step 7: Payment Calculation:

Once all other eligibility requirements have been satisfied, a payment is calculated based on any of the following:

- Loss of production in excess of 50 percent of the producer's expected production.
- For crop acreage intended to be grazed, the loss of AUD in excess of 50 percent of the producer's expected AUD determined on the basis of acreage, carrying capacity and grazing period.
- For Value loss crops, the loss of value in excess of 50 percent of the total value.

In addition, a prevented planting payment may be made for the acreage the producer is prevented from planting because of natural disaster.

The NAP payment amounts are calculated in the System 36 automated software for each producer that applies for NAP benefits. County Offices are not required to manually calculate payments. However, it is recommended that at least some of the payments are verified before payments are issued.

NAP has 3 payment calculations. One for each of the following types of production:

- Yield-Based Crops (See 1-NAP (Rev. 1), paragraph 1280 for calculation).
- Value Loss Crops (See 1-NAP (Rev. 1), paragraph 1281 for calculation).
- Grazing Crops (See 1-NAP (Rev. 1), paragraph 1282 for calculation).

The NAP payment software validates that there is an approved CCC-576, Application for Payment, on file for the producer. On the CCC-576 the producer certifies the crop acreage planted, production harvested, and use of land. The payment software reads this file every time a payment is made to ensure the data reported has been filed.

The earned payment is then provided to the accounting system for issuance or for set-off if the producer has a receivable or claim.

Note: The counties are instructed to run the overpayment process prior to processing payment to ensure that receivables are set up timely to allow for off-set to occur from future payments.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Noninsured Assistance Program
Fiscal Year: 2007

4. Causes of improper payments:

- a. List of currently known causes of improper payments specific to the program:
 - A manual payment is issued outside of the automated software. Cause is related to CRP Statistical Sample test questions 16 and 22 through 24.
 - A payment is made based on inaccurate or fraudulent data provided by producer. Cause is related to NAP Statistical Sample Test questions 4, 8 through 12, 15 – 16, 18, 20 through 22, and 26.
 - An eligible producer is not paid because of fraud, scheme, or device by local office. Cause is related to Statistical Sample Test questions 4, 8, 9 through 13, 15 through 18, 19 through 22, and 26 – 27.
 - The producer's data is incorrectly recorded in the program software causing an over or under payment. Cause is related to Statistical Sample Test questions 1, 4, 5, 7 through 13, 15 – 16, 18 through 22, and 26.
 - The "person" determinations were not accurately made when the Farm Operating Plan for Payment Eligibility Review (CCC-502) was submitted for the program year. Other eligibility requiring a determination was not properly made. Cause is related to NAP Statistical Sample Test questions 9 through 12.
 - A payment is made to a delinquent Federal debtor. Not offset for outstanding non-FSA federal debt. Cause is related to NAP Statistical Sample Test questions 9 through 12.
- b. Date causes of improper payments identified by statistical sampling will be reported: September 17, 2007.

5. Attachment. (Instruction: Attach the Program Statistical Sample Analysis Document). Attachment B shows the Statistical Sample Data Collection Questions that will be used during the statistical sampling process.

Exhibit A – Agency Response

Attachment A

This form is available electronically.

CCC-770 NAP USDA (12-21-06) NONINSURED CROP DISASTER ASSISTANCE PROGRAM CHECKLIST	1. Producer Name		2. ID Number (Last 4 Digits)			
	3. State Name		4. County Office Name			
	5. Crop Year		6A. Unit(s)		6B. Pay Group(s)	
Office Staff Actions:	Handbook or Other References	YES	NO	Initials	Date Completed	
Application for Coverage						
7. Has the CCC-770 Eligibility Checklist been completed?	3-PL, paragraph 3					
8. Was the fee timely paid, or waived because of limited resource producer rules?	1-NAP, paragraph 23					
9. Has proper signature authority been obtained and the application been signed by the producer (unless continuous coverage) and a CCC Representative?	1-CM, Part 25					
10. Has documentation been filed demonstrating control of land (Deeds, Leases, Grazing Permits, etc.)?	1-NAP, paragraph 29					
11. Has the CCC-257 Schedule of Deposit number been entered on the CCC-471 NAP Application for Coverage (if applicable)?	1-NAP, paragraphs 23 and 24					
Notice of Loss						
12. Has automated FSA-578 Crop Report been timely filed and signed by producer for the unit including acreage of the eligible crop?	1-NAP, paragraph 151, 2-CP, Section 7					
13. Does the CCC-576 Notice of Loss, Part B, contain sufficient information relating to the loss, and has it been timely filed including date stamp?	1-NAP, paragraph 401					
14. Has the COC action been recorded on CCC-576 Notice of Loss, Part C, and in the automated system and COC minutes?	1-NAP, paragraph 401					
Production						
15. Have appropriate production records been timely submitted, signed by producer AND date stamped by the County Office?	1-NAP, paragraphs 322, 425, and 426, Exhibit 42					
16. Has a CCC-576-1 Appraisal/Production Report for NAP been completed for unharvested crops?						
17. Has an appraisal been completed if the producer hand harvested crops (if applicable)?						
18. Have inventory records been supplied for value loss crops (if applicable)?						
Application for Payment						
19. Has the automated CCC-576 Part G Certification and Application for Payment been signed by the producer with proper signature authority?	1-NAP, paragraph 502, Exhibit 43					
20. Is CCC-576 Part G Certification and Application for payment signed by Loss Adjuster or FSA Representative?	1-NAP, paragraph 502, Exhibit 43					
21. Has COC action been recorded on CCC-576 Part H of the Application for Payment, entered in system, and recorded in COC minutes?	1-NAP, paragraphs 6 and 401, Exhibit 43					

Exhibit A – Agency Response

Attachment A

22. Has the correct payment data been entered in to the automated system and reviewed by second party before payment is issued?	1-NAP, paragraph 6, Exhibit 43			
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CCC-770 NAP (12-21-06) Page 2

Certification			
23. I, the undersigned, certify the above items have been verified or updated accordingly.			
23A. Signature of Preparer	Date	23B. Signature of Preparer	Date
23C. Signature of Preparer	Date	23D. Signature of Preparer	Date
24. I concur/do not concur the above items have been verified and updated according:			<input type="checkbox"/> Concur
<input type="checkbox"/> Do Not Concur			
24A. CED Signature for Spotcheck		24B. Date	
25. I concur/do not concur the above items have been verified and updated according:			<input type="checkbox"/> Concur
<input type="checkbox"/> Do Not Concur			
25A. DD Signature for Spotcheck		25B. Date	

Exhibit A – Agency Response

Attachment B

Test Item	Test Item Description and Answer Codes
1	CCC-471 is on file for applicable crop.
	1 Yes.
	2 No.
2	Payee or payee's representative (authorized or not) signed CCC-471.
	1 Yes. The signature was not missing at the time of payment.
	2 No. CCC-471 is not signed by payee or payee's representative.
	7 Unknown. CCC-471 is not on file.
3	CCC-471 is signed on behalf of payee with signature authority on file.
	1 Yes. Signature authority received before or after payment.
	2 No.
	6 Not applicable. Representative signature is not applicable.
	7 Unknown. CCC-471 is not on file.
4	CCC-471 for applicable crop is taken manually.
	1 Yes. Critical information on manual CCC-471 matches what has been entered in computer.
	2 Yes. Critical information on manual CCC-471 is different than information entered in computer.
	6 Not Applicable. Automated CCC-471 is on file.
5	CCC-471 was filed after application closing date.
	1 Yes. Relief was granted before payment.
	2 Yes. No relief was granted.
	6 Not Applicable. CCC-471 was filed timely.
6	CCC-471 has been approved by CCC representative.
	1 Yes. CCC-471 is approved before or after payment.
	2 No. CCC-471 is not approved by CCC representative.
7	Required service fee paid.
	1 Yes. Required service fee paid before closing date or paid after closing date and relief was granted before payment.
	2 No. No evidence that service fee is paid.
	3 No. Incorrect service fee amount paid.
8	Acres report for the crop receiving the payment is on file.
	1 Yes.
9	CCC-502 is on file for the payee with sufficient information to allow a proper "person" determination to be made.
	1 Yes. Received before or after payment.
	2 No. CCC-502 is not on file.
	3 No. CCC-502 on file lacks sufficient information to make a proper eligibility determination.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract

Exhibit A – Agency Response

Attachment B

Test Item	Test Item Description and Answer Codes
*	4 Yes. Payee is either ineligible or payment should have been limited based on the determination.
10	AD-1026 is on file for payee with sufficient information to allow a proper determination to be made.
	1 Yes. Received before or after payment.
	2 No. AD-1026 is not on file.
	3 No. AD-1026 on file lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 indicates the payee as ineligible for payment.
11	AD-1026 is on file for each person affiliated with payee with sufficient information to allow a proper determination to be made.
	1 Yes. Received before or after payment.
	2 No. AD-1026 for one or more affiliated persons is not on file.
	3 No. AD-1026 on file for one or more affiliated persons lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 on file for one or more of the affiliated persons makes payee ineligible.
	5 A combination of codes 2, 3, and/or 4 is applicable.
	6 Not Applicable. No affiliated persons applicable.
12	Acceptable CCC-441 Income is on file.
	1 Yes. Received before or after payment.
	2 No.
	3 Yes. CCC-441 Income indicates payee is ineligible for payment.
13	CCC-576, Part B (Notice of Loss) is on file for the crop receiving payment.
	1 Yes.
*	2 No. CCC-576, Part B is not on file for crop receiving payment.
	9 Yes. CCC-576, Part B found misfiled or producer copy was obtained.
14	All required signatures were obtained on CCC-576, Part B.
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided before or after payment.
*	2 No.
	7 Unknown. CCC-576, Part B is not on file.
	8 Yes. Obligation for compliance has NOT ended, all required signatures have been obtained, and COC determined** the correct producer received the payment.
	9 Yes. Obligation for compliance has ended, all missing signatures have been obtained, and COC has determined** the correct producer received the payment but there is no authority for a representative signature.
15	CCC-576, Part B is filed timely.
	1 Yes.
*	2 No. CCC-576, Part B was not filed within acceptable period.
*	7 Unknown. The date of filing cannot be determined because there is nothing recorded on the form to indicate the date it was received.
16	Information reported on CCC-576, Part B supports the payment.
	1 Yes. Information obtained before or after payment.
*	2 No.
	7 Unknown. CCC-576, Part B is not on file.
17	CCC-576, Part C (Approval of Loss) is approved by COC.
	1 Yes. Approved before or after payment.
*	2 No. Part C is not completed.
*	3 No. Part C indicates the loss is disapproved.
*	8 No. Part C is not approved by COC after a review determined the loss should not have been approved.
18	CCC-576, Part D through G is properly filed for payment.
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided

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Exhibit A – Agency Response

Attachment B

Test Item	Test Item Description and Answer Codes
*	before or after payment.
*	2 No.
*	8 Yes. Obligation for compliance has NOT ended, all required signatures have been obtained, and COC determined** the correct producer received the payment.
*	9 Yes. Obligation for compliance has ended, all missing signatures have been obtained, and COC has determined** the correct producer received the payment but there is no authority for a representative signature.
19	Acceptable production evidence on file when required.
*	1 Yes.
*	2 No.
20	Correct crop was used to calculate payment.
*	1 Yes.
*	2 No.
21	Correct crop type is used to calculate payment.
*	1 Yes.
*	2 No.
22	Correct planting period is used to calculate payment.
*	1 Yes.
*	2 No.
23	Correct intended use is used to calculate payment.
*	1 Yes.
*	2 No.
24	Correct practice is used to calculate payment.
*	1 Yes.
*	2 No.
25	Unit's yield is properly calculated.
*	1 Yes.
*	2 No.
26	Correct total production is used to calculate payment.
*	1 Yes.
*	2 No.
27	CCC-576, Part H is approved by COC.
*	1 Yes. Approved before or after payment.
*	2 No. Part H is not completed.
*	3 No. Part H indicates the payment is disapproved.
*	8 No. Part H is not approved by COC after a subsequent review determined the loss should not have been approved.
28	Late payment interest is applicable.
*	1 Yes. Late payment was paid correctly.
*	2 Yes. Late payment was not paid.
*	3 Yes. Late payment amount paid was incorrect.
	6 Not Applicable.

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ATTACHMENT ←

Measurement Plan

AGENCY: Farm Service Agency
PROGRAM: Crop Disaster Program
Fiscal Year: 2007

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Measurement Plan

AGENCY: Farm Service Agency
PROGRAM: Crop Disaster Program
Fiscal Year: 2007

Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the contractor statistician. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.

Payment Life Cycle:

Step 1: Application Process:

Producers interested in applying for CDP are required to complete a Crop Disaster Program Application (CCC-750). In addition to the application, the producer is required to complete a Payment Eligibility Average Adjusted Gross Income Certification Form CCC-526, and a Crop Insurance and/or Noninsured Crop Disaster Assistance Program Coverage Agreement Form CCC-751. The CCC-751 is an agreement in which the producer agrees to purchase crop insurance on that crop for the next two available crop years. This certification is by crop. The producer certifies that he has received crop insurance or NAP coverage, as applicable, for the crops that he is applying for benefits. The CCC-526 and CCC-751 must be signed and dated by the producer.

Additionally, producers must file the Crop Disaster Program for Multiple Crop – Same Acreage Certification CCC-750M. A producer may not receive a 2003-2005 disaster payment for losses on more than one crop on the same acreage for the three year period unless there is an established practice on the farm of planting and harvesting 2 or more crops in the same crop year on the same acreage. For crops planted on acreage not designated as eligible multiple-cropped acreage, all producers having an interest in the acreage shall designate the crop for which assistance is requested. Furthermore, the producer must file the Highly Erodible Land Conservation and Wetland Conservation Certification (AD-1026), Farm Operating Plan for Payment Eligibility Review (CCC-502) and the Report of Acreage (FSA-578) at the County Office before the signup deadline.

The county office enters the application data into the crop disaster application software on the AS400/System 36. An automated CCC-750 is generated.

The program technician manually enters on the hard copy the information supplied by the producer, such as the type of disaster, dates of the planting, dates of the disaster, type of seed, amount of fertilizer, land preparation, chemicals, disposition of crop, etc. This information helps the COC to determine if the loss qualifies under program regulations.

Measurement Plan

AGENCY: Farm Service Agency
PROGRAM: Crop Disaster Program
Fiscal Year: 2007

The program technician will review the producer's application to ensure that all the required forms and production and quality loss documentation have been timely filed, are completed and up to date with current information, and signed and dated by the producer. All required forms, production and quality loss documentation must be submitted before the signup deadline for the application to be considered timely filed. Applications are required to be complete and contain all required information before requesting the producer to sign the application. Any additions or corrections on the CCC-750 must be initialed and dated by the producer.

The completed application is forwarded to the County Office Committee and CED who review it for completeness and accuracy.

Step 2: Review of Production Evidence:

With respect to production evidence, the Risk Management Agency (RMA) production data is used for insured producers unless adjustments to production are made by the COC. RMA data is downloaded to the State and County Offices. Producers with uninsured or noninsured crops are required to provide acceptable production evidence on the CCC-750. Before action on any application for payment, COC shall review production records according to procedure outlined in Handbook 5-DAP (Rev. 1). Requirements for acceptable production records are provided in Handbook 5-DAP (Rev. 1). The producer's signature on the CCC-750 is the producer's certification that production is correct and includes the total crop production for the unit.

Step 3: Review of Quality Loss Documentation:

Some crops are eligible for quality loss benefits in addition to production loss benefits. For quality adjustments, certification statements cannot be accepted from the producer. The producer must substantiate the quality loss with a test from a State university or a STC-approved lab. The affected production must be documented with an actual measurement or appraisal. The COC is required to review quality documentation to determine the low quality was the result of eligible disaster conditions, ensure that the quality is not adjusted by both the buyer and FSA for the same grading factor, and make adjustments for crops having available data. COC shall divide affected production for single market crops, into 1 or more of 5 quality loss levels, and for multiple market crops, into 3 loss levels, as established by the STC, according to the extent of the quality loss.

Step 4: COC Review of CCC-750 Application:

The COC is required to either approve or disapprove all disaster applications. The approved application is then signed and dated by the COC. If COC determines the disaster application should be disapproved, County Offices are required to immediately notify the producer of the disapproval in writing. The letter includes

Measurement Plan

AGENCY: Farm Service Agency
PROGRAM: Crop Disaster Program
Fiscal Year: 2007

notification the disaster application was disapproved, reasons for the disapproval and applicable appeal rights. Applicants have the option of filing an appeal at the county, state, or National level (National Appeals Division), requesting reconsideration of the adverse decision. If the application is approved by the COC, the County Office manually enters the approval date (date at which the COC approved the application) into AS400/System 36, after which, payment may be made through the automated system.

Step 5: CDP Payments:

In order to calculate CDP payments, the producer must first submit an application, CCC-750, applicable forms and required documentation to the County Office. The COC or CED, if authorized to do so, must approve the CCC-750 before payments are issued.

As required by statute, 2003/2004/2005 crop disaster payments are calculated using the same manner as established under the 2000 CDP. The payment calculation includes the following variables:

- Acres.
- Historic Yield.
- Producer share.
- Producer's Actual Production.
- Applicable Payment Rate.
- Applicable Payment Level.

Producer Acres:

RMA provides producer's acres for insured crops via an electronic RMA download. For uninsured and noninsurable crops, FSA-578, Report of Acreage is required to be filed by the producer. County Offices are required to verify that the FSA-578 has been filed by the producer, certifying the producer's acres, if applicable. For uninsurable and noninsurable crops, the County Office enters the producer's acreage in the automated application process.

Producer Yields:

Yields for all crops for which applications are filed must be included in the county disaster crop table before benefits can be calculated and application data uploaded. The yield used for calculating benefits is the higher of the Actual Production History (APH) or county average yield. For insured crops, APH yields are provided through a download from National Information Technology Center in Kansas City, Missouri, based on RMA data. For uninsured crops, the APH yields are zero since producers have no APH-approved yields. For producers that do not have an APH-approved yield calculated for the crop year

Measurement Plan

AGENCY: Farm Service Agency
PROGRAM: Crop Disaster Program
Fiscal Year: 2007

benefits are being requested, the county average yield is used. The State Committee (STC) is required to approve county average yields. STC minutes shall include yield determinations and documentation to support corrections or additions to county average yields. The State Office is required to verify that yields are comparable with yields for adjoining counties and States.

Payment Rates:

Payment rates used to calculate disaster benefits must be established according to provisions outlined in Handbook 5-DAP (Rev. 1). For insured crops, the RMA nationwide or statewide payment rate is used. For noninsurable crops, the STC must establish a 5 year average payment rate according to 5-DAP (Rev. 1).

The National Office Program Manager reviews payment rates and yields on an ongoing process. State Offices are required to submit documentation to support the STC approved yield and/or payment rates to Deputy Administrator for Farm Programs upon request.

Payments will be issued to producers for production losses in excess of 35 percent and/or for quality losses in excess of 20 percent using the following payment levels:

- 65 percent of the established price for insured crops.
- 65 percent of the established price for noninsurable crops.
- 60 percent of the established price for uninsured crops.

The producer specifies the crop status on the CDP application form CCC-750, if the crop is insured, noninsurable or uninsured. The crop status is then selected in the automated application process. Payment levels are hard coded in the automated payment process based on the crop status selected in the automated application process.

Like the 2001/2002 CDP, 2003/2004/2005 CDP payments are reduced if the sum of the following exceeds 95 percent of what the value of the crop would have been in the absence of a loss: 1) disaster payment; 2) the net crop insurance indemnity; and 3) the value of the crop harvested.

For crops insured by FCIC, the value of the crop harvested and the value of the crop in absence of a loss will both be valued at the higher of the APH price election or the USDA Production Per Crop (PPC) National Agricultural Statistics Service season average price. The 95 percent cap is automatically calculated and reduced from the CDP payment in the automated payment calculation process.

Measurement Plan

AGENCY: Farm Service Agency
PROGRAM: Crop Disaster Program
Fiscal Year: 2007

Producers have a choice of receiving payments for the 2003, 2004 or 2005 crops (but not more than one year). The automated payment calculation process will automatically select the most beneficial year for the producer.

CDP payments are subject to a payment limitation of \$80,000 per producer. The automated payment calculation process will take into account payment limitation.

Step 6: Issuing Payment:

After all reviews of all supporting documentation and approval of the application, an approval data is entered in the AS400/System 36. The system determines if the producer meets eligibility requirements. For CDP, the producer is required to meet provisions for; conservation compliance, AD-1026, controlled substance, actively engaged, person determination, and adjusted gross income. If the producer meets all eligibility provisions, the system verifies that a payment limitation allocation is available.

Eligibility certifications and determinations must be updated in the automated system before the producer or member can be paid. Eligibility information is updated by the County Office which should accurately reflect COC determinations.

The County Office should ensure that if the producer owes money to the Government as a result of an earlier overpayment, that the appropriate receivable and/or claims flags have been set in the name and address file. When the payment process is initiated the AS400/System 36 initially goes through a check of producer eligibility. If an eligibility flag is improper, the system will print a nonpayment register, alerting the County Office that the payment can not be made and the eligibility condition, i.e., controlled substance, which will not allow the payment to be made. If the condition is in error, the County Office will correct it, and run the payment cycle again. If the eligibility flag is correct the producer will be notified that the payment will not be issued. If the producer meets all eligibility conditions, the payment is sent to the accounting system which will allow the County Office to offset any amount of the payment to repay a prior debt. The remaining payment will then be issued to the producer. A transaction statement is provided to the producer that will identify any offsets taken against the payment.

4. Causes of improper payments.

- a. List of currently known causes of improper payments specific to the program:
 - A manual payment is issued outside of the automated software. Cause is related to CDP Statistical Sample Test questions 10 and 12.
 - A payment is made based on inaccurate or fraudulent data provided by producer. Cause is related to CDP Statistical Sample Test questions 2 through 4 and 9 through 11.

Measurement Plan

AGENCY: Farm Service Agency
PROGRAM: Crop Disaster Program
Fiscal Year: 2007

- An eligible producer is not paid because of fraud, scheme or device by local office. Cause is related to CDP Statistical Sample Test questions 10 through 13.
 - The producer's data is incorrectly recorded in the program software causing an over or under payment. Cause is related to CDP Statistical Sample Test questions 5 and 7 through 10.
 - A payment is made that exceeds the payment limitation for a producer. Cause is related to CDP Statistical Sample Test questions 6 and 9.
 - A payment is made to a delinquent Federal debtor and not offset for outstanding non-FSA delinquent Federal debt. Cause is related to CDP Statistical Sample Test questions 6 through 9.
- b. Date causes of improper payments identified by statistical sampling will be reported: September 17, 2007.
- 5. Attachment.** (Instruction: Attach the Program Statistical Sample Analysis Document). Attached is the Statistical Sample Data Collection Questions that will be used during the statistical sampling process

Exhibit A – Agency Response

Attachment

Miscellaneous Disaster Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
1	<i>Applicable disaster program application on file.</i>
	1 Yes.
	2 No.
2	<i>Payee or payee's representative (authorized or not) signed disaster application.</i>
	1 Yes. The signature was not missing at the time of payment.
	2 No. Disaster application is not signed by payee or payee's representative.
	7 Unknown. Disaster application is not on file.
3	<i>Disaster application is signed on behalf of payee with signature authority on file.</i>
	1 Yes. Signature authority received before or after payment.
	2 No.
	6 Not applicable. Representative signature is not applicable.
	7 Unknown. Disaster application is not on file or this is an AILFP payment.
	8 No. Obligation for compliance has NOT ended, the payee's signature has been obtained, and COC determined** the correct producer received the payment.
4	<i>All required signatures (other than payee) were obtained on applicable disaster application.</i>
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided before or after payment.
	2 No.
	7 Unknown. Disaster application is not on file.
	8 Yes. Obligation for compliance has NOT ended, all required signatures have been obtained, and COC determined** the correct producer received the payment.
5	<i>Required acreage report is on file.</i>
	1 Yes.
	2 No.
6	<i>CCC-502 is on file for the payee with sufficient information to allow a proper "person" determination to be made.</i>
	1 Yes. Received before or after payment.
	2 No. CCC-502 is not on file.
	3 No. CCC-502 on file lacks sufficient information to make a proper eligibility determination.
7	<i>AD-1026 is on file for payee with sufficient information to allow a proper determination to be made.</i>
	1 Yes. Received before or after payment.
	2 No. AD-1026 is not on file.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the application was initiated and there was timely filed documentation to support the application.

Exhibit A – Agency Response

Attachment

Miscellaneous Disaster Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
8	<i>AD-1026 is on file for each person affiliated with payee with sufficient information to allow a proper determination to be made.</i>
	1 Yes. Received before or after payment.
	2 No. AD-1026 for one or more affiliated persons is not on file.
	3 No. AD-1026 on file for one or more affiliated persons lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 on file for one or more of the affiliated persons makes payee ineligible.
	5 A combination of codes 2, 3, and/or 4 is applicable.
6 Not Applicable. No affiliated persons applicable or AD-1026 is not required to be filed.	
9	<i>Acceptable CCC-526 (s) or other AGI certification(s) is on file.</i>
	1 Yes.
	2 No.
	3 Yes. The certifications(s) indicate payee is ineligible for payment.
6 Not applicable. AGI is not applicable.	
10	<i>Information reported on disaster application supports the payment.</i>
	1 Yes. Information obtained before or after payment.
	2 No.
7 Unknown. No disaster application is not on file.	
11	<i>Required documentation (other than application) has been provided.</i>
	1 Yes.
	2 No.
6 Not applicable. No documentation (other than application) is required to be provided.	
12	<i>Payment amount is correct.</i>
	1 Yes.
2 No.	
13	<i>Disaster application is approved for payment.</i>
	1 Yes. Approved before or after payment.
	2 No.
8 No. Disaster application was not approved before payment and after review it has determined the application should not be approved.	
14	<i>Late payment interest is applicable.</i>
	1 Yes. Late payment was paid correctly.
	2 Yes. Late payment was not paid.
	3 Yes. Late payment amount paid was incorrect.
6 Not Applicable.	

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the application was initiated and there was timely filed documentation to support the application.

Exhibit A – Agency Response

ATTACHMENT C

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Conservation Reserve Program
Fiscal Year: 2007

1. **Plan for a valid annual improper payment amount.**
 - a. Statistical Sample.
 - b. Who will perform work: Operations Review and Analysis Staff, Farm Service Agency.
 - c. Start Date: February 5, 2007.
 - d. Estimated Completion Date: August 17, 2007.

2. **Corrective action plans to be used in FY 2007 PMA/PAR reporting. (Due to OCFO by 5/25/07)**
 - a. Date Corrective Action Plan will be provided: September 17, 2007.
 - b. Date Improper payment amount will be provided: September 17, 2007.
 - c. Date Improper payment rate will be provided: September 17, 2007.
 - d. Date Future reduction targets that decrease over time will be provided: September 17, 2007.

3. **Statistical Sample steps that will be taken to track sampled payments through each phase of the payment lifecycle.**

(Instructions: Define the payment lifecycle from USDA to the ending program customer. Describe the steps that will be taken in your statistical sample to track payments through each phase).

Statistical Sample Process:

Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).

Testing is conducted using statistically sound samples drawn from the total population of program payments for each program being tested. A professional statistician under contract to FSA is used to design the sampling approach, define the sample size and identify the sample items. Sample size is chosen to achieve a 95 percent confidence level.

Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.

That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that is drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Conservation Reserve Program
Fiscal Year: 2007

payments in the sample will identify improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.

Payment Lifecycle Process:

Step 1: Producer applies for Conservation Reserve Program (CRP).

- General signup.
- Continuous signup:
 - Regular continuous.
 - Conservation Reserve Enhancement Program (CREP).
 - Farmable Wetlands Program (FWP).

Step 2: FSA Verifies Eligibility:

- Land Eligibility.
 - Cropland.
 - Cropping history.
 - 12 month ownership.
 - Erodibility Index (EI), State or National Conservation Priority Area, Expiring CRP land.
 - Physically/legally capable of being cropped.
 - Marginal Pasture Land.
 - Feasible to farm.
 - Suitable for conservation practices, listed at 7 CFR §1410.6(b)(1), which include permanent wildlife habitat, filter strip, riparian buffer, contour grass strip, grass waterway, field windbreak, shelterbelt, and living snow fence.
 - Or other environmental criteria at 7 CFR §1410.6(b).
- Producer Eligibility.
 - Form CCC-502, Farm Operating Plan for Payment Eligibility Review.
 - Form AD-1026, Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification.
 - Adjusted Gross Income (AGI) (time of approval is life of contract per entity).
 - Permitted entity.
 - Payment limitation of \$50,000 per "person" per year.
 - Crop Insurance Waiver.

NOTE: The automated program application verifies much of the eligibility.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Conservation Reserve Program
Fiscal Year: 2007

Step 3: Acceptable Offers:

- If general signup, the Commodity Credit Corporation (CCC) evaluates offers and accepts the most desirable eligible offers.
- If continuous signup, CREP, FWP, or other initiatives, CCC accepts all acceptable offers due to high environmental importance.
- Approved conservation plan.
- FSA County Office Committee (COC) reviews all eligibility and other requirements, including conservation plan, and then approves contract on Form CRP-1, Conservation Reserve Program Contract.
- County Office (CO) records approval date in program application.

Step 4: First of June - Prepayment Reports:

- Producer certifies compliance with contract on Forms FSA-578, Report of Acreage, or CRP-817U, Certification of Compliance for CRP. That certification covers the following:
 - Producer eligibility.
 - Land eligibility.
 - Prepayment Report.

Step 5: Beginning of FY – Issuing CRP Payments:

Once CRP funds are made available, CRP payments are issued in arrears (i.e., CCC pays annually on prior year contract performance) for the previous program year by:

- Prior to any payments being issued, the employee issuing payment will use the CRP Contract Approval and Payment Checklist, (CCC-770-CRP) (Attachment A)
- Prepayment Processing:
 - Run validation reports.
 - System prints out exception reports for errors, omissions, contract violations, etc.
- Accounting processes claim offsets, receivable offsets, assignments, and joint payments. Payments are issued via direct deposit or check (if direct deposit is waived).
- Payments are issued each year of contract lifespan if:
 - Funds are made available.
 - Eligibility criteria are met.
 - Producer certifies compliance, subject to inspection.

Note: This payment lifecycle process does not include cost-share or incentive payments.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Conservation Reserve Program
Fiscal Year: 2007

4. Causes of improper payments.

- a. List of currently known causes of improper payments specific to the program:
 - A payment is made based on inaccurate or fraudulent data provided by producer. Cause is related to CRP Statistical Sample test questions 1 through 4, 9 through 15, 20, 21, and 24 through 26.
 - An eligible producer is not paid because of fraud, scheme or device by local office. Cause is related to CRP Statistical Sample test questions 14, 18, 21 through 23, and 26.
 - The producer's data is incorrectly recorded in the program software causing an over or under payment. Cause is related to CRP Statistical Sample test questions 5 through 8, 15, 21, 22, and 26.
 - A payment is made that exceeds the payment limitation for a producer. Cause is related to CRP Statistical Sample test questions 9, 12, and 16 through 19.
 - A payment is made to a delinquent Federal debtor and not offset for outstanding non-FSA federal debt. Cause is related to Statistical Sample test questions 9 through 12.
 - A manual payment is incorrectly issued outside of the automated software for a CRP incentive. Cause is related to CRP Statistical Sample test questions 16 and 22 through 24.
- b. Date causes of improper payments identified by statistical sampling will be reported: **September 17, 2007.**

5. **Attachment.** (Instruction: Attach the Program Statistical Sample Analysis Document). Attachment B shows the Statistical Sample Data Collection Questions that will be used during the statistical sampling process.

Exhibit A – Agency Response

Attachment A

This form is available electronically.

CCC-770 CRP U.S. DEPARTMENT OF AGRICULTURE (12-20-06) Commodity Credit Corporation CRP CONTRACT APPROVAL AND PAYMENT CHECKLIST	1. Producer's Name		2. Date Checklist Completed (MM-DD-YYYY)		
	3. State Office Name		4. County Office Name		
	5. Contract Number		6. Crop Year		
7. Prior to Contract Approval	Handbook or Other Applicable References	YES	NO	N/A	Date Completed
A. Is a CRP-1/CRP-2 properly completed for each offer and for practices with different life spans?	2-CRP paragraphs 137 and 139				
B. Has the contract acreage been adjusted, when applicable, after a completed measurement service?	2-CRP paragraph 253				
C. Has a second party review of all eligibility requirements and maximum payment rate calculations been conducted?	2-CRP paragraph 253				
D. Have the multiple county producer lists been reviewed with other County Offices as applicable?	2-CRP paragraph 253				
E. Have the county cropland 25 percent limitation been met?	2-CRP paragraph 253, Part 4				
F. Is a copy of the terminated WBP agreement on file?					
G. Have the first five CREP offers been reviewed by the STC before COC approval?	2-CRP paragraph 253				
H. Has the value of CRP-1 for the acreage being offered been adjusted considering the annual rental payment limitation of \$50,000 per person per FY?	2-CRP paragraph 253				
I. For changing a practice under a general signup, has the original offer been accepted, CRP-1 been approved and EBI score of the new practice equal to or greater than the EBI score of the existing practice?	2-CRP paragraph 253				
J. Have CRP participants obtained the catastrophic level of crop insurance or completed an FSA-570?	2-CRP paragraph 88				
8. Approving Contracts					
A. Is the offer on the list of accepted offers? (general signup only)	2-CRP, paragraph 253				
B. Have all eligibility requirements been met for continuous signup?	2-CRP paragraphs 253 and 112				
C. Have all signatures been obtained on the CRP-1, CRP-2, and the conservation plan?	2-CRP, paragraphs 253 and 198				
D. Have all signatures been obtained on all related CRP forms?	2-CRP, paragraph 253				
E. Has a conservation plan been approved for the acreage offered?	2-CRP, paragraph 253				
F. Is the conservation plan consistent with CRP policy?	2-CRP paragraphs 253 and 236				
G. Do the DCP contract acres and CRP acres meet the requirement not to exceed cropland on the farm?	2-CRP paragraph 225				
H. Have the acreage determinations been made and verified by a paid-for measurement service?	2-CRP paragraph 253				
I. Have all eligibility determinations been made?	2-CRP, paragraph 253				
J. Has the COC or designee signed and dated the CRP-1 for each acceptable offer?	2-CRP paragraph 253				
K. Has the person with approval authority signed the CRP-1 for FSA staff and Conservation District board members?	2-CRP paragraph 253				
L. Has NEPA, NHPA, ESA, and related acts compliance been documented on NRCS-CPA-52 or FSA 850?	2-CRP paragraph 198				
N. Is there a delegation of authority on file if the CED approved the CRP-1?	2-CRP paragraph 34				
9. Making Annual Rental Payments					
A. Is a certification of compliance on file?	2-CRP, paragraph 372				
B. Will the payment be issued after October 1?	2-CRP, paragraph 372				
C. Has DAFP authorized annual rental payments?	2-CRP, paragraph 372				

Exhibit A – Agency Response

Attachment A

D. Will annual rental payments be issued according to 1-FI and 1-CRP?	2-CRP, paragraph 372 1-FI 1-CRP				
E. Was the CCC-770 Payment Checklist completed and verified to ensure the producer(s) are eligible to receive CRP payments?	3-PL paragraph 3				
F. Have maximum annual rates and maintenance rates been calculated correctly?	2-CRP, paragraph 124				

CCC-770 CRP (12-20-06) Page 2

10. Making SIP Payments	Handbook or Other Applicable References	YES	NO	N/A	Date Completed
A. Is a signed and approved CRP-1 on file?	2-CRP, paragraph 372				
B. Will the payment be issued according to 1-FI and 1-CRP using program code "XXCRPSGNI"?	2-CRP, paragraph 372 1-FI 1-CRP				
C. Have SIP payments been calculated correctly?	2-CRP, paragraph 372				
D. Was the CCC-770 Eligibility Checklist completed and verified to ensure The producer(s) are in compliance to receive CRP payments?	3-PL paragraph 3				
11. Making PIP, CP23, CP23A, and CP37 Payments					
A. Is a signed and approved CRP-1 on file?	2-CRP, paragraph 372				
B. Is a completed and signed AD-245, page 2, on file?	2-CRP, paragraph 372				
C. Is a completed and certified AD-862 (certified by NRCS, TSP, or Participant, as applicable) on file?	2-CRP, paragraph 372				
D. Are all necessary documents on file to properly calculate cost-share?	2-CRP, paragraph 372				
E. For PIP, will the payment be issued according to 1-FI and 1-CRP using program code "XXCRPPRI"?	2-CRP, paragraph 372 1-FI 1-CRP				
F. For CP23, CP23A, or CP37, will the payment be issued according to 1-FI and 1-CRP using program code "XXCRPWRI"?	2-CRP, paragraph 372 1-FI 1-CRP				
G. Have PIP, CP23, CP23A, CP37 payments been calculated correctly?	2-CRP, paragraph 372				
H. Was the CCC-770 Eligibility Checklist completed and verified to ensure The producer(s) are in compliance to receive CRP payments?	3-PL paragraph 3				
12. Making Cost-Share Payments					
A. Is a signed and approved CRP-1 on file?	2-CRP, paragraph 496				
B. Is a completed and signed AD-245, page 2, on file?	2-CRP, paragraph 496				
C. Is a completed and certified AD-862 (certified by NRCS, TSP, or Participant, as applicable) on file?	2-CRP paragraph 496				
D. Is the cost-share amount requested authorized according to procedure?	2-CRP paragraphs 496 and 441				
E. Is the person requesting the cost-share eligible to receive cost-share?	2-CRP, paragraph 496				
F. Was the CCC-770 Eligibility Checklist completed and verified to ensure The producer(s) are in compliance to receive CRP payments?	3-PL paragraph 3				
13. Remarks					
14. Certification: <i>I (we) the undersigned, certify the above items have been verified or updated accordingly.</i>					
15A. Signature of Preparer(s)					15B. Date (MM-DD-YYYY)

Exhibit A – Agency Response

Attachment A

16A. I concur/do not concur the above items have been verified and updated. <input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur	
16B. CED Signature for Spotcheck	16C. Date (MM-DD-YYYY)
17A. I concur/do not concur the above items have been verified and updated. <input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur	
17B. DD Signature for Spotcheck	17C. Date (MM-DD-YYYY)

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Exhibit A – Agency Response

Attachment B

CRP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
1	CRP-1 is on file.
	1 Yes.
	2 No.
2	Payee or payee's representative (authorized or not) signed CRP-1.
	1 Yes. The signature was not missing at the time of payment.
	2 No. CRP-1 is not signed by payee or payee's representative.
	7 Unknown. CRP-1 is not on file.
	8 Yes. Missing producer's signature has been obtained after payment was made and COC determined** the correct producer received the payment.
3	CRP-1 signed on behalf of payee with signature authority on file.
	1 Yes. Signature authority received before or after payment.
	2 No.
	6 Not applicable. Representative signature is not applicable.
	7 Unknown. CRP-1 is not on file.
	8 No. CRP-1 contract period has NOT ended, the payee's signature has been obtained, and COC determined** the correct producer received the payment.
4	All required signatures (other than payee) were obtained on CRP-1.
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided before or after payment.
	2 No.
	7 Unknown. CRP-1 is not on file.
	8 Yes. CRP-1 contract period has NOT ended, all required signatures have been obtained, and COC determined** the correct producer received the payment.
	9 Yes. CRP-1 contract period has ended, all missing signatures have been obtained, and COC determined** the correct producer received the payment but there is no evidence of authority for a representative signature.
5	Enrolled acreage listed on CRP-1 is same as entered in computer.
	1 Yes.
	2 No. Enrolled acreage is not entered on CRP-1.
	3 No. Enrolled acreage entered on CRP-1 differs from computer data.
6	Rental rate listed on CRP-1 is the same as entered in computer.
	1 Yes.
	2 No. Rental rate is not entered on CRP-1.
	3 No. Rental rate entered on CRP-1 differs from computer data.
7	Participant's share listed on CRP-1 is the same as entered in computer.
	1 Yes.
	2 No. Share is not entered on CRP-1.
	3 No. Share entered on CRP-1 differs from computer data.
7	7 Unknown. CRP-1 is not on file.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

Exhibit A – Agency Response

CRP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
8	<i>Contract period listed on CRP-1 is the same as entered in computer.</i>
	1 Yes.
	2 No. Contract period is not listed on CRP-1
	3 No. Contract period listed on CRP-1 differs from computer data.
	7 Unknown. CRP-1 is not on file.
9	<i>CCC-502 is on file for the payee with sufficient information to allow proper "person" and "actively engaged" determinations to be made.</i>
	1 Yes. Received before or after payment.
	2 No. CCC-502 is not on file.
	3 No. CCC-502 on file lacks sufficient information to make a proper eligibility determination.
*	4 Yes. Payee is either ineligible or payment should have been limited based on the determination.
10	<i>AD-1026 is on file for payee with sufficient information to allow a proper determination to be made.</i>
	1 Yes. Received before or after payment.
	2 No. AD-1026 is not on file.
	3 No. AD-1026 on file lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 indicates the payee as ineligible for payment.
11	<i>AD-1026 is on file for each person affiliated with payee with sufficient information to allow a proper determination to be made.</i>
	1 Yes. Received before or after payment.
	2 No. AD-1026 for one or more affiliated persons is not on file.
	3 No. AD-1026 on file for one or more affiliated persons lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 on file for one or more of the affiliated persons makes payee ineligible.
	5 A combination of codes 2, 3, and/or 4 is applicable.
	6 Not Applicable. No affiliated person applicable.
12	<i>Acceptable CCC-526(s) or other AGI certification(s) is on file.</i>
	1 Yes. Received before or after payment.
	2 No. Certification is not on file.
	3 Yes. The certification(s) indicates payee is ineligible for payment.
	6 Not applicable. AGI is not applicable to payment.
13	<i>CPO is on file with sufficient information to support payment.</i>
	1 Yes. Received before or after payment.
	2 No. CPO is not on file.
	3 Yes. CPO is on file but lacks sufficient information to support payment.
14	<i>CRP-1 approved by CCC representative.</i>
	1 Yes. Approved before or after payment.
	2 No.
	8 No. CRP-1 was not approved by CCC representative before payment and a subsequent review indicates CRP-1 should not be approved.
15	<i>Compliance is certified on a FSA-578 or CRP-817U.</i>
	1 Yes. Before or after payment.
	2 No. No certification is on file.
	6 Not applicable. Payment is not a rental payment.
16	<i>Applicable payment reduction made to rental payment.</i>
	1 Yes.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

Exhibit A – Agency Response

Attachment B

CRP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
*	2 No.
	6 Not Applicable. Payment is not a rental payment.
17	AD-245, Page 2 is on file for producer receiving cost-share.
*	1 Yes.
	2 No.
	6 Not applicable. Payment is not a cost-share or PIP.
18	Total cost-share for practice is approved on AD-245, Page 2.
*	1 Yes. Approved before or after payment.
	2 No.
	6 Not Applicable. Payment is not a cost-share or PIP.
	7 Unknown. AD-245, Page 2 is not on file.
19	Extent performed is recorded on AD-245, Page 2.
*	1 Yes. Recorded before or after payment.
	2 No.
	6 Not applicable. Payment is not a cost-share or PIP.
	7 Unknown. AD-245, Page 2 is not on file.
20	Producer certified performance on AD-245, Page 2.
*	1 Yes. Certified before or after payment.
	2 No.
	6 Not applicable. Payment is not a cost-share or PIP.
	7 Unknown. AD-245, Page 2 is not on file.
21	Performance is certified on AD-862.
*	1 Yes. Certified before or after payment.
	2 No. AD-862 is not on file or not completed properly.
	6 Not Applicable
22	Payment made to correct payee.
*	1 Yes.
	2 No.
23	Payment amount is correct.
*	1 Yes.
	2 No.
24	Payee meets CRP eligibility requirements.
*	1 Yes.
	2 No.
	6 Not applicable. Producer eligibility determination was made before October 1, 2004. Review of producer eligibility not performed.
25	Land meets CRP eligibility requirements.
*	1 Yes.
	2 No.
	6 Not applicable. Land eligibility determination was made before October 1, 2004. Review of land eligibility not performed.
26	Late payment interest is applicable.
*	1 Yes. Late payment was paid correctly.
	2 Yes. Late payment was not paid.
	3 Yes. Late payment amount paid was incorrect.
	6 Not Applicable.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Direct and Counter-Cyclical Program (DCP)

1. **Plan for a valid annual improper payment amount.**
 - a. Statistical Sample.
 - b. Who will perform work: Operations Review and Analysis Staff, Farm Service Agency.
 - c. Start Date: February 5, 2007
 - d. Estimated Completion Date: August 17, 2007

2. **Corrective action plans to be used in FY 2007 PMA/PAR reporting. (Due to OCFO by 5/25/07)**
 - a. Date Corrective Action Plan will be provided: September 17, 2007.
 - b. Date Improper payment amount will be provided: September 17, 2007.
 - c. Date Improper payment rate will be provided: September 17, 2007.
 - d. Date Future reduction targets that decrease over time will be provided: September 17, 2007.

3. **Statistical Sample steps that will be taken to track sampled payments through each phase of the payment lifecycle.**

(Instructions: Define the payment lifecycle from USDA to the ending program customer. Describe the steps that will be taken in your statistical sample to track payments through each phase).

Statistical Sample Process:

Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).

Testing is conducted using statistically sound samples drawn from the total population of program payments for each program being tested. A professional statistician under contract to FSA is used to design the sampling approach, define the sample size and identify the sample items. Sample-size is chosen to achieve a 95 percent confidence level.

Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.

That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that is drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify improper payments made. The results of that

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Direct and Counter-Cyclical Program (DCP)

review are summarized and submitted to the CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.

Payment Lifecycle:

Step 1: Application Process:

In order to enroll in the DCP Program a producer must first submit a CCC-509, DCP contract, to the County Office. Producers have the option to file via the Web based DCP online application process. County Offices should not be taking manual contracts for DCP. If County Offices are taking manual contracts it is or should be due to an extreme exception because the system is down or some similar factor. Prior to enrollment of the contract, producer information is obtained from the Service Center Information Management System (SCIMS) and the farm records system in order to verify information is accurate. The County Office should review the DCP contract for completeness before it's presented to the COC for a determination.

Step 2: COC Review of CCC-509 Contract:

Before approving a CCC-509, the COC is required to review the DCP division of payment and producers' shares. COC's should consider past history on a farm, whether the producers claiming a DCP payment share have control of DCP cropland to support base acreage, the level of risk in the production of the crop being grown on base acreage, and whether the CCC-509 shares provide equitable treatment to all of the producers on the farm. If the owner's share on the CCC-509 is greater than the owner's share in the previous FY, the COC is required to review the CCC-509 for the current year to ensure that all eligibility requirements and program provisions are met. The eligibility requirements and program provisions can be found in the FSA Direct and Counter Cyclical Program Handbook (DCP-1).

All producers, including owners and operators, sharing in base acres on the farm must sign the CCC-509 before COC can approve the contract for payment. In specific situations, outlined in Handbook 1-DCP, the CCC-509 can not be approved without the COC reviewing the contract to determine if it meets the signature requirements. COC shall review all successions-in-interest cases, according to provisions in 1-DCP before approving new CCC-509's.

In order to qualify for program benefits, the producer must have the following forms on file:

- CCC-509 – Direct and Counter Cyclical Program Contract.
- FSA-578- Report of Acreage.
- CCC-502- Farm Operating Plan for Payment Eligibility Review.
- AD-1026- Highly Erodible Land Conservation, and Wetland Conservation Certification.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Direct and Counter-Cyclical Program (DCP)

- Proof that the producer owns/operates the land for at least one year.
- CCC-526- Payment Eligibility Average Adjusted Gross Income Certification - If the entity/person has an adjusted gross income in excess of \$2.5 million, the entity/person may not be eligible for program benefits.
- CCC-515 – Direct and Counter-Cyclical Base and Yield Election Form (Not required after April 1, 2003).

In routine cases, the COC may redelegate authority to approve CCC-509's to the County Executive Director (CED). If the contract is disapproved, county offices are required to notify the producer of that determination in writing and provide the producer with all applicable appeal rights.

County offices are also required to complete form CCC-770DCP (Attachment A), which is a checklist of major contract issues that must be verified prior to approval of the contract.

Step 3: District Directors Review of CCC-509 Contract:

District Directors shall review all CCC-509 contracts when both of the following criteria have been met:

- Tenants, sharecroppers, landowners agree to DCP payment shares.
- CCC-509 contract is disapproved by the COC.

The DD is required to provide SED with a written report of all reviews.

Step 4: Establishing Payment Acres and Yields:

Direct and Counter Cyclical Program (DCP) payments are determined according to the farm owner's payment yield and base acres. "Base acres" means, with respect to a covered commodity on a farm, the number of acres of the crop established by the election of the owner or owners of the farm. The elections by the owners of a farm, as of April 1, 2003, established DCP bases and payment yields for crop years 2002 through 2007, from which program benefits are determined.

Base and yield elections for a farm were required to be submitted to the County Office on CCC-515, Direct and Counter-Cyclical Base and Yield Election Form by April 1, 2003. After all owners of a farm signed CCC-515 in agreement to a base and yield election for the farm, the County Office was required to mail FSA-540, Notification of Bases and Yield For DCP, immediately to the farm operator, each owner, and to all other producers on the farm records at the time FSA-540 was printed. The FSA-540 served as the written appeal rights to the owners of the farm.

With respect to establishing base acres, owners of a farm had 5 options, outlined in DCP Handbook 1-DCP, of which 1 option was selected for all commodities on the farm.

Measurement Plan

AGENCY: Commodity Credit Corporation

PROGRAM: Direct and Counter-Cyclical Program (DCP)

Step 5: Review of Yields:

With respect to establishing a producer's yield, owners of a farm had the opportunity to partially update payment yields for counter-cyclical payments, if Option 4 was selected for establishing bases. If the owners elected to update yields, the owner or producers were required to report the production on Producer's Record of Production Form FSA-658P. The COC was required to review and approve or disapprove producer's production evidence according to provisions in Handbook 1-DCP. Furthermore, reviews were required when yields were established, based on production evidence, and the farm owner or producer is a FSA employee, STC, or COC member, including their spouses or minor children. Additional yield reviews were required in specific situations as outlined in Handbook 1-DCP, paragraph 152.

Step 6: COC and DD Review of Permanent Base Acreage Reductions:

After April 1, 2003, owners may permanently reduce base acreage at any time. When applicable, COC, or representative, shall approve or disapprove all Voluntary Permanent DCP Base Acres Reduction Forms, CCC-505's. Producers may opt to reduce base acres due to enrollment into certain conservation programs or to plant fruit and vegetable crops. District Directors (DD's) are required to review current year base acreage and yield adjustments as often as possible but no less than twice each FY for each County Office.

Step 7: Payment Calculations:

Payment amounts are computed automatically by the automated system. Payments are based on producers' base and yield elections provided on Form CCC-515. It is the responsibility of the PT to review the payment calculations to determine if they seem accurate. After a contract is approved, if it is determined that there is an error, it cannot always be corrected without notifying the producer and going back through the approval process.

For Direct Payments:

Producers may choose to receive their direct payments in two installments per year:

- Advance direct payments are available beginning on December 1 of the contract period for the 2003-2007 crop years. Advance payments are equal to 50 percent of the direct payment for 2002 through 2005, 40 percent for 2006 and 22 percent for 2007. The majority of the producers take this option.
- Final direct payments are issued on or after October 1 following the contract period. Producers who do not elect to receive an advance direct payment will receive the entire direct payment at this time.

The direct payment amount is equal to the result of multiplying the following, for each covered commodity:

- Base acres.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Direct and Counter-Cyclical Program (DCP)

- 85 percent.
- Applicable payment yield.
- Applicable payment rate.
- Producer payment share.
- Other eligibility factors (permitted share, cropland factor, and AGI share).

The direct payment rates are statutory and are downloaded to county offices by the National Office through Kansas City IT Staff. County offices do not have the ability to revise the rates that are downloaded. The direct payments rates are set forth by the 2002 Farm Bill as follows:

Commodity	Payment Rate	Commodity	Payment Rate
Wheat	\$ 0.5200/bu	Rice	\$ 0.0235/lb
Barley	\$ 0.2400/bu	Upland Cotton	\$ 0.0667/lb
Soybeans	\$ 0.4400/bu	Oilseeds	\$ 0.0080/lb
Oats	\$ 0.0240/bu	Peanuts	\$ 0.018/lb
Corn	\$ 0.2800/bu	Flax	\$0.448/bu
Grain Sorghum	\$ 0.3500/bu		

Payment is earned for direct payments at the end of the contract period, which coincides with fiscal year-end (e.g. 9/30/05). A payment limitation of \$40,000 per “person” per year applies to direct payments.

For Counter-Cyclical Payments:

Counter-cyclical payments are authorized only when the effective price for a commodity falls below the target price. The effective price is equal to the sum of the following:

- Higher of the:
 - National Average market price received by producers during the 12-month marketing year for the covered commodity or
 - The rates as provided in 7 CFR Part 1412.503(b) (1) (ii).
- The direct payment rate for the covered commodity as provided in 7 CFR Part 1412.502(d).
- The target prices are specified in 7 CFR Part 1412.503(c).

Measurement Plan

AGENCY: Commodity Credit Corporation PROGRAM: Direct and Counter-Cyclical Program (DCP)

Counter-cyclical payments may be authorized for one or more covered commodities, depending on the projected market prices as follows:

- First partial payment, available on or after October 1 following the contract period. First partial payment is equal to 35 percent of the projected payment rate to be paid. With respect to the 2007 crop year, one partial payment of 40 percent of the projected payment amount may be authorized, to be made after completion of the first 6 months of the marketing year for that crop.

Second partial payment, available after February 1 following the contract period. Second partial payment is equal to 70% of the revised projected payment rate, minus any counter-cyclical payment already issued for the covered commodity.

- Final payment, available after the 12 month marketing year for the crop. Final payment is equal to the difference between the actual calculated counter-cyclical payment and partial counter cyclical payments already issued for the covered commodity. Producers who do not elect to take the first and second advance payments will receive the entire counter-cyclical payment at this time.

The counter-cyclical payment amount is equal to the result of multiplying the following, for each covered commodity:

- Base acres.
- 85 percent.
- Applicable payment yield.
- Applicable payment rate.
- Producer payment share.
- Other eligibility factors (permitted share, cropland factor, and AGI share).

The counter cyclical payment rates downloaded to county offices by the National Office through Kansas City IT Staff. County offices do not have the ability to revise the rates that are downloaded. Computation of the counter-cyclical payment rates are set by the 2002 Farm Bill.

The payment rate used to calculate counter-cyclical payments is equal to the result of:

- Target price of the covered commodity, minus.
- Effective price of the covered commodity.

A payment limitation of \$65,000 per "person" per year is allowed for counter-cyclical payments.

Measurement Plan

AGENCY: Commodity Credit Corporation PROGRAM: Direct and Counter-Cyclical Program (DCP)

Payment is disbursed under DCP according to the payment schedule noted above. In order for payment to be disbursed, the contract must be approved by the County Office Committee or CED, if authorized to do so.

Payment is earned for counter-cyclical payments at the end of the crop-marketing year.

The direct and counter-cyclical payment software validates that there is an approved DCP contract on file for the producer. The crop payment is calculated based on information provided above.

The system determines if the producer meets eligibility requirements. For DCP, the producer is required to meet provisions for; conservation compliance, AD-1026, controlled substance, actively engaged in farming, person, and adjusted gross income. The system also verifies that all acreage has been reported, (determination provided by compliance system), and that issuance of the payment will not result in the producer receiving payment in excess of the prescribed payment limitation applicable for direct and counter-cyclical payments.

Eligibility certifications and determinations must be updated in the automated system before the producer or member can be paid. Eligibility information is updated by the county office which should accurately reflect COC determinations.

The earned payment is then provided to the accounting system for issuance or for set-off if the producer has a receivable or claim.

Note: The counties are instructed to run the overpayment process prior to processing payments to ensure that receivables are established timely and to allow for offset from future payments.

4. Causes of improper payments.

- a. List of currently known causes of improper payments specific to the program:
 - Producers did not comply with applicable FSA program requirements. DCP test questions 1 through 7 and 12 through 14 address this issue for payments issued during the 2006 fiscal year.
 - FSA staff failed to properly follow all policy requirements for administering the program. DCP test questions 1 through 7 and 12 through 18 address this issue for payments issued during the 2006 fiscal year.
 - Determinations for payment eligibility were not made or completed prior to issuance of program benefits. DCP test questions 8 through 11 address this issue for payments issued during the 2006 fiscal year.
- b. Date causes of improper payments identified by statistical sampling will be reported: September 17, 2007.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Direct and Counter-Cyclical Program (DCP)

5. Attachment. (Instruction: Attach the Program Statistical Sample Analysis Document). Attachment B shows the Statistical Sample Data Collection Questions that will be used during the statistical sampling process.

Exhibit A – Agency Response

Attachment A

This form is available electronically.

CCC-770 DCP (12-11-06) DIRECT AND COUNTER-CYCLICAL PROGRAM CONTRACT CHECKLIST <i>County Offices shall ensure that eligibility has been updated according to CCC-770 Eligibility before payments are issued for applicable producers.</i>	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. State Name	2. County Name
		3. Crop Year	4. Farm Number

PART A – FOR DCP DIRECT ADVANCE PAYMENTS

Office Staff Actions:	Handbook or Other Reference	YES	NO	Initials	Date Completed
5. Have all signatures, or other supporting documentation such as a cash lease or cash rent certification statement, been obtained for all tenants and owners associated with the farm?	1-DCP, paragraphs 370-394				
6. Has signature authority been verified for all signatures on the CCC-509?	1-CM, Part 25				
7A. Was the contract enrolled by June 1 of the applicable contract period?	1-DCP, paragraph 390				
7B. If "NO," were all signatures for producers sharing in the base acres obtained by September 30 of the contract period and was the \$100 late-filed fee collected for the farm?					
8A. Have the division of payment provisions been satisfied for all producers sharing in the base acres on the CCC-509?	1-DCP, paragraphs 351-357				
8B. Is the landowner's share on the CCC-509 greater than their share on the CCC-509 for the previous contract period?	1-DCP, subparagraph 6E				
9A. Is the CCC-509 signed, dated, and approved by the COC or an authorized designee?	1-DCP, paragraph 353				
9B. If a cash rent certification was provided by the producer, was the contract approved after June 30 of the applicable contract period?	1-DCP, subparagraph 390E				
10A. Signature of Preparer	Date	10B. Signature of Preparer	Date		
10C. Signature of Preparer	Date	10D. Signature of Preparer	Date		
11. I concur/do not concur the above items have been verified and updated accordingly:		<input type="checkbox"/> Concur		<input type="checkbox"/> Do Not Concur	
11A. CED Signature for Spot Check		11B. Date			
12. I concur/do not concur the above items have been verified and updated accordingly:		<input type="checkbox"/> Concur		<input type="checkbox"/> Do Not Concur	
12A. DD Signature for Spot Check		12B. Date			

PART B – FOR DCP DIRECT FINAL AND COUNTER-CYCLICAL PAYMENTS
 Note: In addition to the items below, the items in Part A must be completed before final direct and any counter-cyclical payments are issued.

Office Staff Actions:	Handbook or Other Reference	YES	NO	Initials	Date Completed
13. Does each producer sharing in the base acreage control enough effective DCP cropland to support their share of the DCP base acres on the CCC-509?	1-DCP, paragraph 354				
14. Are FAV's planted on the farm?	1-DCP, Part 8 4-CP				
14A. If "YES", are the FAV's planted on DCP base acreage?					
14B. If "YES", do any of the FAV exceptions apply?					
14C. Has the acre-for-acre reduction and FAV violation, as applicable, been recorded in the compliance system?					
15. If not approved for advance payments, is the CCC-509 signed, dated, and approved by the COC or an authorized designee?	1-DCP, paragraph 353				
16A. Signature of Preparer	Date	16B. Signature of Preparer	Date		
16C. Signature of Preparer	Date	16D. Signature of Preparer	Date		
17. I concur/do not concur the above items have been verified and updated accordingly:		<input type="checkbox"/> Concur		<input type="checkbox"/> Do Not Concur	

Exhibit A – Agency Response

Attachment A

17A. CED Signature for Spot Check	17B. Date
18. I concur/do not concur the above items have been verified and updated accordingly:	
18A. DD Signature for Spot Check	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur 18B. Date

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Exhibit A – Agency Response

Attachment B

DCP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
1	CCC-509 is on file.
	1 Yes.
	2 No.
2	Payee or payee's representative (authorized or not) signed applicable CCC-509.
	1 Yes. The signature was not missing at the time of payment.
	2 No. CCC-509 is not signed by payee or payee's representative.
	7 Unknown. CCC-509 is not on file.
3	CCC-509 signed on behalf of payee with signature authority on file.
	1 Yes. Signature authority received before or after payment.
	2 No.
	6 Not applicable. Representative signature is not applicable.
	9 No. COC determined** the correct producer received the payment. (Signature authority is not required to be obtained if contract period has ended.)
4	All required signatures (other than payee) were obtained on applicable CCC-509.
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided before or after payment.
	2 No.
	9 Yes. All missing signatures have been obtained and COC has determined** the correct producer received the payment but there is no signature authority for a representative signature.
5	A Late-File fee is applicable.
	1 Yes. Fee was collected before or after payment.
	2 Yes. Fee not collected.
	7 Unknown. CCC-509 is not on file.
6	All required signatures were obtained on CCC-509 on or before September 30 of the applicable year.
	1 Yes.
	7 Unknown. CCC-509 is not on file.
7	Payee has an interest in enough acres on the farm to support the claimed share of base acres.
	1 Yes.
*	2 No.
8	CCC-502 is on file for the payee with sufficient information to allow proper "person" and "actively engaged" determinations to be made.
	1 Yes. Received before or after payment.
	2 No. CCC-502 is not on file.
	3 No. CCC-502 on file lacks sufficient information to make a proper eligibility determination.
*	4 Yes. Payee is either ineligible or payment should have been limited based on the determination.
9	AD-1026 is on file for payee with sufficient information to allow a proper determination to be made.
	1 Yes. Received before or after payment.
	2 No. AD-1026 is not on file.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

Exhibit A – Agency Response

Attachment B

DCP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
	3 No. AD-1026 on file lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 indicates the payee is ineligible for payment.
10	AD-1026 is on file for each person affiliated with payee with sufficient information to allow a proper determination to be made.
	1 Yes. Received before or after payment.
	2 No. AD-1026 for one or more affiliated persons is not on file.
	3 No. AD-1026 on file for one or more affiliated persons lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 on file for one or more of the affiliated persons makes payee ineligible.
	5 A combination of codes 2, 3, and/or 4 is applicable.
	6 Not Applicable. No affiliated person applicable.
11	Acceptable CCC-526(s) or other AGI certification(s) is on file.
	1 Yes. Received before or after payment.
	2 No. Certification is not on file.
	3 Yes. The certification(s) indicates payee is ineligible for payment.
12	Acceptable acreage report for all cropland on the farm is on file before payment.
	1 Yes.
	2 No.
	6 Not Applicable. Payment is an advance Direct Payment.
	9 No. Acceptable acreage report was filed under the late-filed provisions after payment.
13	Acceptable acreage report for all cropland on the farm is on file at time of review.
	1 Yes.
	2 No.
	9 No. Acceptable acreage report has been filed under the late-filed provisions since the review.
14	FAV's or wild rice was planted on base acres and payment was properly reduced.
	1 Yes.
*	2 No.
	6 Not Applicable.
15	Payee is the owner whose share is greater than the payment share received in the previous year.
	1 Yes. COC minutes documents (before or after COR review) the review of the applicable CCC-509 and the payment share is correct.
*	2 Yes. COC minutes do not document that a review of the CCC-509 had been conducted.
*	3 Yes. COC minutes documented the review; however, the payment share conflicts with COC determination.
	6 Not Applicable.
16	CCC-509 was revised.
	1 Yes. The revision was made on or before September 30 of the applicable year.
	2 Yes. The revision was made after September 30 of the applicable year.
	6 Not Applicable.
17	CCC-509 has been approved by CCC representative.
	1 Yes. CCC-509 was approved before or after payment.
	2 No. CCC-509 is not approved by CCC representative.
	8 No. CCC-509 was not approved by CCC representative before payment and a subsequent review indicates CCC-509 should not be approved.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

Exhibit A – Agency Response

Attachment B

DCP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test item	Test Item Description and Answer Codes
18	Late payment interest is applicable.
	1 Yes. Late payment was paid correctly.
*	2 Yes. Late payment was not paid.
*	3 Yes. Late payment amount paid was incorrect.
	6 Not Applicable.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

February 14, 2007

FINAL

Page 13 of 13

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Loan Deficiency Payment Program
Fiscal Year: 2007

1. **Plan for a valid annual improper payment amount.**
 - a. Statistical Sample.
 - b. Who will perform work: Operations Review and Analysis Staff, Farm Service Agency.
 - c. Start Date: February 5, 2007.
 - d. Estimated Completion Date: August 17, 2007

2. **Corrective action plans to be used in FY 2007 PMA/PAR reporting.** (Due to OCFO by 5/25/07)
 - a. Date Corrective Action Plan will be provided: September 17, 2007.
 - b. Date Improper payment amount will be provided: September 17, 2007.
 - c. Date Improper payment rate will be provided: September 17, 2007.
 - d. Date Future reduction targets that decrease over time will be provided: September 17, 2007.

3. **Statistical Sample steps that will be taken to track sampled payments through each phase of the payment lifecycle.**

(Instructions: Define the payment lifecycle from USDA to the ending program customer. Describe the steps that will be taken in your statistical sample to track payments through each phase.)

A statistical sample will be utilized. Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).

Testing is conducted using statistically sound samples drawn from the total population of program payments for each program being tested. A professional statistician under contract to FSA is used to design the sampling approach, sample size and sample items. Sample size is chosen to achieve a 95 percent confidence level.

Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.

That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visit each of the county offices shown on the list and review the individual contracts or payments identified in the statistically sound sample. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the contractor statistician. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Loan Deficiency Payment Program
Fiscal Year: 2007

Payment Lifecycle Process:

Step 1: Requesting LDP Benefits:

The Loan Deficiency Program (LDP) request can be submitted online, by fax, or in person at the FSA county office on or before the applicable final loan availability date. The LDP request, the CCC-633 EZ, consists of a 2-part form. Producers must agree to the terms and conditions by signing the CCC-633 EZ, Page 1, before beneficial interest is lost in the requested LDP quantity. The CCC-633 EZ, Page 2, is submitted at the time the producer requests the LDP benefit.

Step 2: Producer and Commodity Eligibility:

Producers must be eligible for a marketing assistance loan in order to be eligible for an LDP; therefore, the producer and commodity eligibility process is the same for LDP's as for MAL's. LDP's are received in lieu of a marketing assistance loan (market gain). Lien searches and UCC-1's are NOT applicable to LDP's since there is no interest in loan collateral.

For online submissions, the producer and commodity eligibility is validated based on information provided in the producer's customer profile. Customer profiles are updated each crop year to reflect current eligibility status and County Committee established yields (maximum eligible quantities). County Offices must complete the Loan Deficiency Payment & eLDP Program Review Checklist (CCC-770) (Attachment A) to ensure all program eligibility requirements have been verified before approving or disapproving the application.

Step 3: LDP Request Approval and Payment:

Once the producer and commodity eligibility is verified or validated online, the LDP request can be approved and payment is issued. LDP's are issued based on the rate in effect on the date of the request or the date the commodity is marketed/sold in the county where the commodity is stored or marketed. It depends on what option is selected on the LDP request.

4. Causes of improper payments.

- a. List of currently known causes of improper payments specific to the program:
 - Incomplete/invalid LDP application/request. Producers are required to submit a completed LDP application. LDP applications should include require loan data and signatures. (Cause is related to Statistical Sample Test questions 1, 2, 3, 4, 24, and 25)
 - Producer and Commodity Eligibility Determinations were incorrect or incorrectly certified. Producers who request LDP's are required to meet producer and commodity eligibility requirements according to eligibility requirements provided in Regulations at 7 CFR Part 1421 or the Farm Security and Rural Investment Act of 2002. (Cause is related to Statistical Sample Test questions 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, and 22)

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Loan Deficiency Payment Program
Fiscal Year: 2007

- Production Evidence (Quantity) A producer who receives an LDP can certify the requested LDP quantity or provide acceptable production evidence in accordance to the Commodity Credit Corporation (CCC) requirements. Production evidence includes:
 - Evidence of sales
 - Warehouse receipts
 - Load summary
 - Assembly sheets
 - Paid measurement service

Eligible commodities include: Barley, Small Chickpeas, Corn, Grain Sorghum, Honey, Lentils, Mohair, Oats, Dry Peas, Peanuts, Rice, Soybeans, Upland Cotton, Wheat, Wool, and Other Oilseeds.

If the quantity certified on the applicable LDP request form did not agree with the acceptable production evidence presented, the quantity is considered incorrect; therefore, the payment was considered improper. (Cause is related to Statistical Sample Test questions 21 and 22)

- Loan Deficiency Payment Rate. The CCC determines the local county market price on either a daily, weekly or monthly (honey LDP alternative repayment/LDP rate is announced monthly) basis for commodities eligible for Loan Deficiency Payment. This is referred to as the posted county price (PCP) or alternative repayment rate. The LDP rate equals the amount by which the applicable loan rate where the commodity is stored exceeds the PCP/alternative loan repayment rate for the respective commodity. The loan rate must be for the correct commodity, county, and crop year. The LDP rate information contained on applicable LDP form should agree with the prevailing rate published at the time of payment on the USDA/FSA Price Support website. If not, then the payment is improper. (Cause is related to Statistical Sample Test questions 18 and 23)
 - Administrative Errors/Omissions. In some cases, County Offices may make an error when issuing LDP benefits; therefore resulting in an incorrect payment. (Causes are related to Statistical Sample Test questions: All or any of the test elements.)
- b. Date causes of improper payments identified by statistical sampling will be reported: September 17, 2007.

- 5. Attachment.** (Instruction: Attach the Program Statistical Sample Analysis Document).
Attachment B shows the Statistical Sample Data Collection Questions that will be used during the statistical sampling process:

Exhibit A – Agency Response

Attachment A

This form is available electronically.

CCC-770 LDP/eLDP U.S. DEPARTMENT OF AGRICULTURE (12-14-06) Commodity Credit Corporation Loan Deficiency Payment (LDP) and eLDP Program Review Checklist	1. Producer/Applicant Name		2. Date of Application (MM-DD-YYYY)	
	3. State Office Name		4. County Office Name	
	5. Crop Year		6. LDP or eLDP Number	
	7. Farm Number		8. Commodity/Class/Type	

NOTE: Properly completed forms mean completed according to the applicable procedure. This shall include proper signatures, shares, ID numbers, addresses, date stamp, etc.

9. LDP Request/Application	Handbook or Other Applicable References	YES	NO	Initials	Date Completed
A. Is there a properly completed and signed CCC-633 EZ Page 1 on file? Explain "NO" answer:	8-LP, subparagraph 301.5				
B. Was the CCC-633 EZ Page 1 filed prior to loss of beneficial interest? Explain "NO" answer:	8-LP, subparagraph 301.5				
C. Has the CCC-633 EZ, Page 1 been forwarded to other county offices, if applicable?	8-LP, subparagraph 301.5				
D. Was the completed CCC-633 EZ, Page 1 and applicable LDP benefit request page (page 2, 3 or 4) received in the county office on or before the final loan/LDP availability date?	8-LP, paragraph 127				
E. Are CCC-633 EZ, Page 1 and Pages 2, 3, or 4 date-stamped?	8-LP, subparagraph 301E				
F. Did the producer answer the question, "Are you or any co-applicant delinquent on any Federal non-tax debt?"	8-LP, subparagraph 101B				
G. Have FSA-211 and/or other representative signatures been verified to ensure that the proper signature authority is on file, if applicable?	1-CM, Part 25				
H. Has a second party reviewer verified and initialed the applicable LDP benefits page (CCC-633 EZ, Page 2, 3 or 4) to ensure the applicable LDP request was properly completed and ready for approval and processing?	8-LP, paragraph 136				
10. Producer/Commodity Eligibility					
A. Is there a properly completed and timely filed FSA-578 on file for the applicable crop year, with all cropland reported? Explain "NO" answer:	8-LP, paragraphs 100 and 128				
B. Has producer eligibility been verified on the CCC-770 Eligibility Checklist?	8-LP, paragraph 100				
C. Is the quantity requested for LDP within the COC-established reasonable yield for the commodity? Note: County Office Must Run Price Support Queries.	8-LP, paragraph 132				
D. If the requested quantity exceeded COC established reasonable yield, did the COC determine the quantity was reasonable? Explain "NO" answer:	8-LP, paragraph 132				
E. Did the producer have risk of producing the crop?	8-LP, paragraph 100				
F. If LDP is based upon date beneficial interest is lost, was acceptable production evidence provided and was the LDP rate verified? Explain "NO" answer:	8-LP, paragraph 303				

Exhibit A – Agency Response

Attachment A

G. Is LDP rate correct for request date and county where marketed or stored, if beneficial interest is maintained?	8-LP, paragraph 303				
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CCC-770 LDP/eLDP (12-14-06) Page 2

10. Producer/Commodity Eligibility (Continuation)	Handbook or Other Applicable References	YES	NO	Initials	Date Completed
H. Is LDP rate correct for the date beneficial interest was lost, if on the date of the request the producer no longer has beneficial interest?	8-LP, subparagraph 129A and paragraph 303				
I. Is LDP rate correct for "dates of Delivery", if LDP requested based on date of delivery?	8-LP, paragraph 303				
11. LDP Processing					
A. Has form CCC-674 or SF-LLL been obtained, if applicable? (LDP greater Than \$100,000)	8-LP, paragraph 17				
B. Has the Financial Services System been updated to reflect assignments, if applicable? NOTE: All assignments should be on file and recorded in Financial Services as "LDP" and "LDP Web", for e-mails.	63-FI, Parts 3 and 4				
12. eLDP Processing					
A. Has eLDP customer profile been established?	15-PS, paragraph 251				
B. Has eLDP application been submitted and printed?	15-PS, Part 3				

13. Remarks:

Certification:

I (we) the undersigned certify the above items have been verified or updated accordingly. I also certify that the applicable LDP documents will be filed in accordance with Handbook 25-AS and that the producer will receive the applicable LDP documentation according to policies and procedures found in Handbook 8-LP.

14A. Signature of Preparer(s)	14B. Date (MM-DD-YYYY)

Exhibit A – Agency Response

Attachment A

15A. I concur/do not concur the above items have been verified or updated accordingly. <input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur	
15B. CED Signature for Spotcheck	15C. Date (MM-DD-YYYY)
16A. I concur/do not concur the above items have been verified or updated accordingly. <input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur	
16B. DD Signature for Spotcheck	16C. Date (MM-DD-YYYY)

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1405 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6282 (TDD). USDA is an equal opportunity provider and employer.

Exhibit A – Agency Response

LDP Test Items for 2006 Payments

Attachment B

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
1	LDP application is on file.
	1 Yes.
	2 No.
	9 Yes. Application found misfiled or producer copy was obtained.
2	Payee or payee's representative (authorized or not) signed applicable application.
	1 Yes. The signature was missing at the time of payment.
	2 No. LDP application is not signed by payee or payee's representative.
	7 Unknown. LDP application is not on file.
	8 Yes. Missing producer's signature has been obtained after payment was made and COC determined** the correct producer received the payment.
3	LDP application signed on behalf of payee with signature authority on file.
	1 Yes. Signature authority received before or after payment.
	2 No.
	6 Not applicable. Representative signature is not applicable.
	7 Unknown. LDP application is not on file.
	8 No. Obligation for compliance has NOT ended, the payee's signature has been obtained, and COC determined** the correct producer received the payment.
4	All required signatures (other than payee) were obtained on the application.
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided before or after payment.
	2 No.
	7 Unknown. LDP application is not on file.
	8 Yes. Obligation for compliance has NOT ended, all required signatures have been obtained, and COC determined** the correct producer received the payment.
	9 Yes. Obligation for compliance has ended, all missing signatures have been obtained, and COC determined** the correct producer received the payment but there is no evidence of authority for a representative signature.
5	Acceptable acreage report for all cropland on the farm is on file at the time of review.
	1 Yes.
	2 No.
	7 Unknown. LDP made to CMA.
6	CCC-502 is on file for the payee with sufficient information to allow proper "person" and "actively engaged" determinations to be made.
	1 Yes. Received before or after payment.
	2 No. CCC-502 is not on file.
	3 No. CCC-502 on file lacks sufficient information to make a proper eligibility determination.
	4 Yes. Payee is either ineligible or payment should have been limited based on the determination.
	7 Unknown. LDP made to CMA.
7	AD-1026 is on file for payee with sufficient information to allow a proper determination to be made.
	1 Yes. Received before or after payment.
	2 No. AD-1026 is not on file.
	3 No. AD-1026 on file lacks sufficient information to consider the certification on file.

* If an asterisked answer code is used, the proper payment amount must be entered.

**COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the application was initiated and there was timely filed documentation to support the application

Exhibit A – Agency Response

Attachment B

LDP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
4	Yes. AD-1026 indicates the payee as ineligible for loan.
7	Unknown. LDP made to CMA.
8	AD-1026 is on file for each person affiliated with payee with sufficient information to allow a proper determination to be made.
1	Yes. Received before or after payment.
2	No. AD-1026 for one or more affiliated persons is not on file.
3	No. AD-1026 on file for one or more affiliated persons lacks sufficient information to consider the certification on file.
4	Yes. AD-1026 on file for one or more of the affiliated persons makes payee ineligible.
5	A combination of codes 2, 3, and/or 4 is applicable.
6	Not Applicable. No affiliated persons applicable.
7	Unknown. LDP made to CMA.
9	Producer had beneficial interest in commodity.
1	Yes.
2	No.
7	Unknown. LDP made to CMA.
10	Producer had risk in producing the commodity.
1	Yes.
2	No.
7	Unknown. LDP made to CMA and specific producer eligibility determination cannot be made.
11	Producer certified they had no delinquent Federal non-tax debt.
1	Yes.
2	No. No certification was made.
3	Yes or No. Producer had a delinquent Federal non-tax debt (either certified by producer or discovered after LDP was made) but there is no evidence to indicate the debt has been resolved and the loan availability date has passed.
7	Unknown. LDP made to CMA.
9	Yes or No. Producer had a delinquent Federal non-tax debt (either certified by producer or discovered after LDP was made) and the loan availability date has not passed or the debt was resolved before the loan availability date.
12	LDP exceeded \$100,000 and applicable lobbying forms were obtained.
1	Yes.
2	No.
6	Not applicable. LDP did not exceed \$100,000.
13	Commodity was in existence and in a storable condition.
1	Yes.
2	No.
*	
14	Commodity was merchantable for food, feed, or other uses determined by CCC.
1	Yes.
2	No.
*	
15	The commodity does not contain mercurial compounds, toxin-producing molds, or other substances poisonous to humans.
1	Yes.
2	No.
*	
16	Commodity meets the definition of the commodity.
1	Yes.

* If an asterisked answer code is used, the proper payment amount must be entered.

**COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the application was initiated and there was timely filed documentation to support the application

Exhibit A – Agency Response

Attachment B

LDP Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
*	2 No.
17	The commodity was produced in the applicable crop year.
	1 Yes.
*	2 No.
18	LDP was made on correct commodity.
	1 Yes.
*	2 No.
19	Commodity was not substituted, purchased, bartered, or received as a gift
	1 Yes.
*	2 No.
	7 Unknown. LDP made to CMA.
20	Commodity was not produced on land owned by the Federal Government, if the land is occupied without lease, permit, or other rights of possession.
	1 Yes.
	2 No.
	7 Unknown. LDP made to CMA.
21	LDP quantity is supported by producer certification, measurement service, warehouse receipt, or other acceptable production evidence.
	1 Yes.
*	2 No.
22	LDP quantity is reasonable.
	1 Yes. LDP quantity did not exceed 110% (100% for cotton) of the COC-Established yield or if did exceed, the COC has determined the quantity reasonable before or after payment.
*	2 No. LDP quantity exceeds the 110% (100% for cotton) and COC has not determined quantity reasonable.
	7 Unknown. LDP made to CMA.
23	The correct LDP rate was used.
	1 Yes.
*	2 No.
24	Documentation of a second party review is on file.
	1 Yes.
	2 No.
	6 Not applicable. LDP is an eLDP.
25	The LDP was approved by CCC representative.
	1 Yes. Approved before or after disbursement.
	2 No.
	6 Not applicable. LDP is an eLDP.
26	Late payment interest is applicable.
	1 Yes. Late payment was paid correctly.
*	2 Yes. Late payment was not paid.
*	3 Yes. Late payment amount paid was incorrect.
	6 Not Applicable.

* If an asterisked answer code is used, the proper payment amount must be entered.

**COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the application was initiated and there was timely filed documentation to support the application

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Marketing Assistance Loan Program
Fiscal Year: 2007

1. **Plan for a valid annual improper payment amount.**
 - a. Statistical Sample.
 - b. Who will perform work: Operations Review and Analysis Staff, Farm Service Agency.
 - c. Start Date: February 5, 2007
 - d. Estimated Completion Date: August 17, 2007.

2. **Corrective action plans to be used in FY 2007 PMA/PAR reporting. (Due to OCFO by 5/25/07)**
 - a. Date Corrective Action Plan will be provided: September 17, 2007.
 - b. Date Improper payment amount will be provided: September 17, 2007.
 - c. Date Improper payment rate will be provided: September 17, 2007.
 - d. Date Future reduction targets that decrease over time will be provided: September 17, 2007.

3. **Statistical Sample steps that will be taken to track sampled payments through each phase of the payment lifecycle.**

(Instructions: Define the payment lifecycle from USDA to the ending program customer. Describe the steps that will be taken in your statistical sample to track payments through each phase.)

Statistical Sample Process:

Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).

Testing is conducted using statistically sound samples drawn from the total population of program payments for each program being tested. A professional statistician under contract to FSA is used to design the sampling approach, define the sample size and identify the sample items. Sample size is chosen to achieve a 95 percent confidence level.

Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.

That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that is drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the contractor statistician. That contractor determines the rate of

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Marketing Assistance Loan Program
Fiscal Year: 2007

improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.

Payment Lifecycle Process:

The Marketing Assistance Loan (MAL) Program is composed of an application request, producer/commodity eligibility review, loan servicing, and loan repayment (market gain-payment phase).

Step 1: MAL Request:

The MAL application request must be received in the FSA county office on or before the applicable final loan availability date. Producers can request a farm-stored certified, farm-stored measured or warehouse-stored MAL.

Step 2: Producer and Commodity Eligibility Review:

The MAL application and warehouse receipt is reviewed for completeness and accurate signatures. The local County FSA Office will complete a producer and commodity eligibility determination. Producer eligibility consists of running eligibility files, ensuring DCIA compliance (certification is completed), and commodity eligibility is verified by reviewing FSA-578 data and ensuring requested loan quantity doesn't exceed the COC established maximum eligibility quantity. County Offices must complete the MAL Processing Checklist (CCC-770 as shown in Attachment A) to ensure all program eligibility requirements have been verified before approving or disapproving the application.

Step 3: Approval and Loan Disbursement:

Upon the verification of producer and commodity eligibility and completion of the CCC-770, the MAL application is approved by the COC or designee. For MAL's disbursed for \$25,000 or more, or MAL requests determined to be "high risk" (i.e. producer with multiple violations) by the County Office staff, the County Office staff must first complete a lien search and file a financing statement before the MAL can be approved and disbursed. If it is determined that the commodity has liens, the producer is responsible for obtaining a lien waiver. Lien waivers must be signed by the applicable parties and returned to the County Office before the MAL can be approved and disbursed.

The MAL data is entered in the Automated Price Support System and the loan proceeds are disbursed. Producers are required to sign and date the MAL note and security agreement. Producers are provided a copy of the note and security agreement and a copy of the MAL terms and conditions.

Step 4: Loan Servicing/Repayments:

County Offices service MALs throughout the 9-month loan period. Loan servicing consists of conducting spot checks, processing violations, processing authorizations to move loan collateral, locking in repayment rates, transferring loan collateral from farm-stored to

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Marketing Assistance Loan Program
Fiscal Year: 2007

warehouse stored or warehouse stored to farm-stored, completing settlements and forfeitures, handling commodity certificate exchanges, and accepting and processing repayments. A series of transactions may occur on a single loan over the 9-month period.

Step 5: Releasing Loan Collateral/Terminating Loan Agreement:

County Offices terminate loan agreements when a loan is repaid in full or the commodity is delivered in satisfaction of the outstanding loan. When the loan has been repaid or redeemed in full, County Offices will release the collateral to the producer. County Offices prepare and file necessary documents to release the financing statements at the producer's request and expense.

4. Causes of improper payments:

a. List of currently known causes of improper payments specific to MAL:

- Incorrect Loan Rate used to calculate payment. The correct loan rate must be used to calculate the correct loan disbursement. The loan rate is based on the crop year, location, commodity, type or class (for wheat), and in some cases, quality. The loan rate should agree with the loan rate information contained on form CCC-677. If not, then the payment is considered improper. (Cause is related to MAL Statistical Sample Test Question 28)
- Incomplete or invalid marketing assistance loan application. Producers are required to submit a completed loan application. MAL applications must include required loan data and signatures. (Cause is related to MAL Statistical Sample Test questions: 1, 2, 3, 4, 7, 14, 26, and 30)
- Producer and Commodity Eligibility Determinations were incorrect or incorrectly certified. Producers who request MAL's are required to meet producer and commodity eligibility requirements according to eligibility requirements provided in 7 CFR Part 1421 or the Farm Security and Rural Investment Act of 2002. (Cause is related to MAL Statistical Sample Test questions: 5, 6, 8, 9, 10, 11, 12, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, and 27)

b. Date causes of improper payments identified by statistical sampling will be reported:
September 17, 2007.

5. Attachment. (Instruction: Attach the Program Statistical Sample Analysis Document).

Attachment B shows the Statistical Sample Data Collection Questions that will be used during the statistical sampling process.

Exhibit A – Agency Response

Attachment A

This form is available electronically.

CCC-770 MAL U.S. DEPARTMENT OF AGRICULTURE (proposal 1) Commodity Credit Corporation MARKETING ASSISTANCE LOAN (MAL) PROCESSING CHECKLIST			1. Name of Applicant		
2. Date of Application (MM-DD-YYYY)		3. Loan Type: Warehouse FS- Cert. FS- Measured			
4. State Office Name			5. County Office, DMA or CMA Name		
6. Commodity	7. Class/Type	8. Crop Year	9. Farm Number	10. Warehouse Code	11. No. of Warehouse Receipts: Paper: EWR:

12. MAL Request/Application:	Handbook or Other Applicable References	YES	NO	Initials	Date Completed
A. Is the CCC-666 properly completed and signed?	8-LP, subparagraph				
B. For measured loans, has the CCC-666, FSA-409 and the CCC-677-1 been Completed and signed?	8-LP, Part 4				
C. Is the CCC-10 properly completed and on file?	8-LP, paragraph 414				
D. Was the applicable loan rate for the stored commodity requested for loan verified? Note: Loan rate is based on where the commodity is stored.	8-LP paragraph 405				

13. Producer/Commodity Eligibility Verification:	Handbook or Other Applicable References	YES	NO	Initials	Date Completed
A. Has the FSA-578 been properly completed and filed?	8-LP, subparagraph 100A				
B. Has the CCC-770 Eligibility checklist been completed and verified?	3-PL, paragraph 3				
C. Did the producer answer the question, "Are you or any co-applicant Delinquent on any Federal non-tax debt?"	8-LP, subparagraph 101B				
D. Is the eligible loan commodity in existence and in storable condition?	8-LP, subparagraph 126				
E. Is the storage structure approved for MAL purposes?	8-LP, subparagraph 424				
F. Has the loan been requested on or before the final loan availability date?	8-LP, subparagraph 127C				
G. Did the producer certify to maintaining beneficial interest in the crop? County Offices shall review contracts, if provided.	8-LP, subparagraphs 129, 130, 131				
H. For warehouse-stored loans, has the warehouse receipt been properly endorsed?	8-LP, subparagraph 448				
I. Is the quantity requested within the COC-established reasonable yield for the commodity? County Offices MUST run queries.	8-LP, subparagraph 132				
J. Has a second party review been properly completed? Ensure that the loan application was initialed by the reviewer.	8-LP, subparagraph 136A				
K. Did the producer certify to having risk of producing the crop?	8-LP, subparagraph 100A				
L. Has the CCC-665, Agreement for Grain Pledged as Collateral For CCC Commodity Loans, been properly completed, if applicable.	8-LP, paragraph 429				

14. MAL Processing/Approval:	Handbook or Other Applicable References	YES	NO	Initials	Date Completed
A. Has a lien search been performed, if applicable?	8-LP, paragraph 403				
B. Have lien waivers been obtained, if applicable?	8-LP, paragraph 404				

Exhibit A – Agency Response

Attachment A

C. For DAFP authorized loan deductions, were the deductions submitted on a statement of charges signed by the producer?	8-LP, paragraph 404				
D. Were the deductions made according to lien-holder instructions on CCC-679?	8-LP, paragraph 404				

CCC-770 MAL (proposal 1)

Page 2

14. MAL Processing/Approval (Continuation):	Handbook or Other Applicable References	YES	NO	Initials	Date Completed
E. Has the UCC-1 been properly filed and verification of the filing was received?	8-LP, paragraph 423				
F. Were CCC-683, Commodity Loan Seals provided for farm stored MAL?	8-LP, paragraph 425				
G. Were authorized offsets properly completed and established in the Financial Service System?	8-LP, paragraph 410				

15. Remarks

Certifications:

I (we) undersigned and certify that the above items have been verified or updated accordingly. I also certify that the producer will be provided the applicable Note and Security Agreement and the Note and Security Agreement Terms and Conditions upon the approval of the requested marketing assistance loan and that the policies and procedures were followed according to Handbook 8-LP and other policy handbook, as applicable.

16A. Signature of Preparer(s)	16B. Date (MM-DD-YYYY)

17A. I concur/do not concur the above items have been verified or updated accordingly.	<input type="checkbox"/> Concur	<input type="checkbox"/> Do Not Concur
17B. CED Signature for Spotcheck	17C. Date (MM-DD-YYYY)	

Exhibit A – Agency Response

Attachment A

18A. I concur/do not concur the above items have been verified or updated accordingly. <input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur	
18B. DD Signature for Spotcheck	18C. Date (MM-DD-YYYY)

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

Exhibit A – Agency Response

Attachment B

MAL Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
1	Note or copy of original note is on file.
	1 Yes.
	2 No.
2	Payee or payee's representative (authorized or not) signed note.
	1 Yes. The signature was not missing at the time of payment.
	2 No. Note is not signed by payee or payee's representative.
	7 Unknown. Note is not on file.
	8 Yes. Missing producer's signature has been obtained after payment was made and COC determined** the correct producer received the payment.
3	Note signed on behalf of payee with signature authority on file.
	1 Yes. Signature authority received before or after payment.
	2 No.
	6 Not applicable. Representative signature is not applicable.
	7 Unknown. Note is not on file.
	8 No. Loan is still outstanding, payee's signature has been obtained, and COC determined** the correct producer received the payment.
4	All required signatures (other than payee) were obtained on the note.
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided before or after payment.
	2 No.
	7 Unknown. Note is not on file.
	8 Yes. Loan is still outstanding, all required signatures have been obtained, and COC determined** the correct producer received the payment.
5	Loan is still outstanding.
	1 Yes. Market gain is applicable.
	2 Yes. Market gain is not applicable.
	3 No. Market gain is applicable.
6	Acceptable acreage report for all cropland on the farm is on file at time of review.
	1 Yes.
	2 No.
	7 Unknown. Loan made to CMA.
7	CCC-666 is on file with sufficient information to support the farm-stored loan.
	1 Yes.
	2 No. CCC-666 is not on file.
	3 No. CCC-666 on file lacks sufficient information to support loan.
	6 Not applicable. Loan is not a farm-stored loan.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the note was initiated and there was timely filed documentation to support the note.

Exhibit A – Agency Response

Attachment B

MAL Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
8	<i>AD-1026 is on file for payee with sufficient information to allow a proper determination to be made.</i>
	1 Yes. Received before or after loan disbursement.
	2 No. AD-1026 is not on file.
	3 No. AD-1026 on file lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 indicates the payee as ineligible for loan.
9	7 Unknown. Loan made to CMA.
	<i>AD-1026 is on file for each person affiliated with payee with sufficient information to allow a proper determination to be made.</i>
	1 Yes. Received before or after loan disbursement.
	2 No. AD-1026 for one or more affiliated persons is not on file.
	3 No. AD-1026 on file for one or more affiliated persons lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 on file for one or more of the affiliated persons makes payee ineligible.
	5 A combination of codes 2, 3, and/or 4 is applicable.
6 Not Applicable. No affiliated persons applicable.	
10	7 Unknown. Loan made to CMA.
	<i>Producer had beneficial interest in commodity.</i>
	1 Yes.
11	2 No.
	7 Unknown. Loan made to CMA.
	<i>Producer had risk in producing the commodity.</i>
12	1 Yes.
	2 No. No certification was made.
	3 Yes or No. Producer had a delinquent Federal non-tax debt (either certified by producer or discovered after LDP was made) but there is no evidence to indicate the debt has been resolved and the loan availability date has passed.
	7 Unknown. Loan made to CMA.
	9 Yes or No. Producer had a delinquent Federal non-tax debt (either certified by producer or discovered after LDP was made) and the loan availability date has not passed or the debt was resolved before the loan availability date.
13	<i>Loan exceeded \$150,000 and applicable lobbying forms were obtained.</i>
	1 Yes.
	2 No.
	6 Not applicable. Loan did not exceed \$150,000.
14	<i>CCC Cotton A-5 is on file with sufficient information to support the cotton loan.</i>
	1 Yes.
	2 No. No CCC-Cotton A-5 is on file.
	3 No. CCC Cotton A-5 on file lacks sufficient information to support the loan.
14	6 Not applicable. Loan is not a non-recourse cotton loan.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the note was initiated and there was timely filed documentation to support the note.

Exhibit A – Agency Response

Attachment B

MAL Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
15	Commodity was in existence and in a storable condition.
	1 Yes.
	2 No.
*	
16	Commodity was merchantable for food, feed, or other uses determined by CCC.
	1 Yes.
	2 No.
*	
17	The commodity does not contain mercurial compounds, toxin-producing molds, or other substances poisonous to humans.
	1 Yes.
	2 No.
*	
18	Commodity meets the definition of the commodity.
	1 Yes.
	2 No.
*	
19	The commodity was produced in the applicable crop year.
	1 Yes.
	2 No.
*	
20	The correct commodity was placed under loan.
	1 Yes.
	2 No.
*	
21	Commodity was not substituted, purchased, bartered, or received as a gift
	1 Yes.
	2 No.
*	7 Unknown. Loan made to CMA.
22	Commodity was not produced on land owned by the Federal Government, if the land is occupied without lease, permit, or other rights of possession.
	1 Yes.
	2 No.
*	7 Unknown. Loan made to CMA.
23	Required lien search was conducted.
	1 Yes.
	2 No.
*	6 Not applicable. Lien search was not required.
24	Required lien waiver was obtained.
	1 Yes.
	2 No.
*	6 Not applicable. Lien search not required or no liens were applicable. 7 Unknown. Required lien search was not conducted.
25	Required UCC-1 is filed.
	1 Yes.
	2 No.
*	6 Not applicable. UCC-1 is not required to be filed.
26	Loan quantity is supported by producer certification, measurement service, or warehouse receipt.
	1 Yes.
	2 No.
*	

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the note was initiated and there was timely filed documentation to support the note.

Exhibit A – Agency Response

Attachment B

MAL Test Items for 2006 Payments

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
27	<i>Loan quantity is reasonable.</i>
	1 Yes. Loan quantity did not exceed 110% (100% for cotton) of the COC-Established yield or if did exceed, the COC has determined the quantity reasonable before or after payment.
	* 2 No. Loan quantity exceeds the 110% (100% for cotton) and COC has not determined quantity reasonable.
	7 Unknown. Loan made to CMA.
28	<i>The correct loan rate was used.</i>
	1 Yes.
* 2	No.
29	<i>Documentation of a second party review is on file.</i>
	1 Yes.
	2 No.
30	<i>The note was approved by CCC representative.</i>
	1 Yes. Approved before or after disbursement.
* 2	No.
31	<i>Late payment interest is applicable.</i>
	1 Yes. Late payment was paid correctly.
	* 2 Yes. Late payment was not paid.
	* 3 Yes. Late payment amount paid was incorrect.
	6 Not Applicable.

* If an asterisked answer code is used, the proper payment amount must be entered.

** COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the note was initiated and there was timely filed documentation to support the note.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Milk Income Loss Contract
Fiscal Year: 2007

1. **Plan for a valid annual improper payment amount.**
 - a. Statistical Sample
 - b. Who will perform work: Operations Review and Analysis Staff, Farm Service Agency
 - c. Start Date: February 5, 2007
 - d. Estimated Completion Date: August 17, 2007

2. **Corrective action plans to be used in FY 2007 PMA/PAR reporting.**
(Due to OCFO by 5/25/07)
 - a. Date Corrective Action Plan will be provided: September 17, 2007
 - b. Date Improper payment amount will be provided: September 17, 2007
 - c. Date Improper payment rate will be provided: September 17, 2007
 - d. Date Future reduction targets that decrease over time will be provided: September 17, 2007

3. **Statistical Sample steps that will be taken to track sampled payments through each phase of the payment lifecycle.**

(Instructions: Define the payment lifecycle from USDA to the ending program customer. Describe the steps that will be taken in your statistical sample to track payments through each phase).

Statistical Sample Process:

Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).

Testing is conducted using statistically sound samples drawn from the total population of program payments for each program being tested. A professional statistician under contract to FSA is used to design the sampling approach, define the sample size and identify the sample items. Sample size is chosen to achieve a 95 percent confidence level.

Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.

That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that is drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the

Measurement Plan

AGENCY: Commodity Credit Corporation

PROGRAM: Milk Income Loss Contract

Fiscal Year: 2007

sample will identify improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.

Payment Lifecycle Process:

Step 1: Producer applies for the Milk Income Loss Contract Extension (MILCX) Program:

- Interim signup (March 13, 2006 through May 17, 2006)
- Extended signup (May 18, 2006 through September 30, 2007)

FSA determines what production start month selection options are available to the producer based on when the producer submits an application (CCC-580X) for benefits.

Step 2: FSA verifies Eligibility:

- Dairy Operation eligibility:
 - Must produce fluid milk for the commercial market during the program period.
 - Production facilities must be located in the U.S.
 - Must have evidence of monthly commercial milk marketing from all producers in the dairy operation.
- Producer eligibility:
 - Submit application form CCC-580X.
 - Agree to prescribed terms and conditions on CCC-580X Appendix.
 - Submit monthly production evidence to local FSA County Office.
 - Be actively engaged in the business of producing and marketing agricultural products.
 - Certify compliance with HELC/WC provisions on AD-1026
- Eligible Production:
Commercially marketed production up to 2.4 million pounds per dairy operation.

Note: System verifies much of the eligibility. FSA further uses checklist CCC-770 Eligibility (Attachment A) to verify that each producer meets eligibility requirements and CCC-770 MILCX (Attachment B) to verify each dairy operation meets contract requirements.

Step 3: FSA Approves or Disapproves Application:

- Applications disapproved are provided appeal rights.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Milk Income Loss Contract
Fiscal Year: 2007

- Applications approved are forwarded for payment processing.

Step 4: Payment Processing:

- Evidence of production submitted to the County Office for applicable payment months is entered into the eMILCX software for payment processing. Production evidence is reviewed against data entered in eMILCX software. Verification of production evidence and second party review before payment is issued is certified on CCC-770 MILCX Checklist. The program application software passes the payment to NPS for further processing.
- County Offices have 60 days from receipt of production evidence to issue a payment.
- Funds available for the program are allocated through eFunds Control from the National Office to the State level who in turn allocates funds to the County level for payment processing to dairy operations.

Step 5: Issuing MILCX payments:

- Payments will begin with the production start month selected by the dairy operation and continue consecutively every month that there is a payment rate in effect and evidence of production is provided to the County FSA Office, through the earlier of the production cap being reached or the end of the FY.
- Payments are issued via direct deposit or check (if direct deposit is waived).

4. Causes of improper payments:

- a. List of currently known causes of improper payments specific to the program:
 - A payment is made based on inaccurate or fraudulent data provided by producer. Cause is related to MILC Statistical Sample Test question 12.
 - An eligible producer is not paid because of fraud, scheme or device by the local office or the producer. Cause is related to MILC Statistical Sample Test questions 2, 3, 5, 8 – 9, and 11.
 - Producer data is incorrectly recorded in the program software causing an over or under payment. Cause is related to MILC Statistical Sample Test question 18.
 - A producer was paid that did not meet all eligibility requirements. Cause is related to MILC Statistical Sample Test questions 1 through 11, 13 – 14.
 - A payment is made that exceeds the payment limitation for a producer. Cause is related to MILC Statistical Sample Test question 17.
 - Payments were made to two dairy operations that were determined to be one dairy operation according to State criteria. Cause is related to MILC Statistical Sample Test question 6.
 - Payment was issued beginning with incorrect production start month. Cause is related to MILC Statistical Sample Test questions 10, 13, and 17.
- b. Date causes of improper payments identified by statistical sampling will be reported:
September 17, 2007.

Measurement Plan

AGENCY: Commodity Credit Corporation
PROGRAM: Milk Income Loss Contract
Fiscal Year: 2007

5. Attachment. (Instruction: Attach the Program Statistical Sample Analysis Document).
Attachment C shows the Statistical Sample Data Collection Questions that will be used during the statistical sampling process.

Exhibit A – Agency Response

Attachment A

This form is available electronically.

CCC-770 Eligibility (02-01-07)	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. Producer Name		2. ID Number (Last 4 Digits)			
		3. State Name		4. County Office Name			
		5. Subsidiary Year					
ELIGIBILITY CHECKLIST							
Office Staff Actions:		Applicable Handbooks	YES	NO	Initials	Date	
6. Does this office serve as the recording county for this producer? If "YES", complete Items 7 through 11 and sign where applicable in Item 12. If "NO", and determinations have not been updated then contact the recording county using a CCC-527.		3-PL, paragraph 11 and 2-PL, paragraph 107					
7. Person/Actively Engaged Determination		1-PL, Part 2, Section 6, and Part 4					
a. Have the applicable CCC-502 (A, B, C, D, EZ), requisite CCC-501A and/or CCC-501B, and CCC-503A been completed in their entirety and signed by an authorized individual?							
b. Have the correct dates/ determinations been entered into the actively engaged and person determination sections of the web based eligibility system?		3-PL, paragraphs 25 and 26					
8. Cash Rent Tenant Rule Determination		1-PL, paragraph 172 and subparagraph 394D					
a. Has the County Committee determined the applicability of the cash rent tenant rule on the CCC-503A and applied the percent of cropland factor if necessary?							
b. Has the correct information been loaded into the cash rent tenant section of the web based eligibility system?		3-PL, paragraph 27					
9. AD-1026 Certification		6-CP, paragraphs 401, 402 and subparagraph 429C					
a. Have AD-1026s been completed in their entirety for the program applicant and all affiliates with farming interests? Have all AD-1026s been signed by an authorized individual? If there are no affiliates, has "None" been entered in Item 8?							
b. Have the correct dates/certification been entered into the AD-1026 section of the web based subsidiary files?		3-PL, paragraph 29					
10. Adjusted Gross Income Certification		1-PL, Part 6.5					
a. Has the CCC-526 been completed in its entirety and signed by an authorized individual?							
Notes: <ul style="list-style-type: none"> For entities, a CCC-526 must be received to reach the individual level. FSA-211s executed after March 18, 2003 must specifically allow execution of CCC-526 (see 1-CM). 							
b. Have the correct dates/certification been entered into the Adjusted Gross Income section of the web based eligibility system?		3-PL, paragraph 31					
11. Gross Revenue for NAP Certification		1-NAP, paragraph 33					
a. Has the CCC-441 Income been completed in its entirety and signed by an authorized representative?							
b. Has the correct information been entered into the Gross Revenue for NAP section of the web based eligibility system?		3-PL, paragraph 33					
Certification							
12A. Signature of Preparer(s)		12B. Date (MM-DD-YYYY)		12A. Signature of Preparer(s)		12B. Date (MM-DD-YYYY)	
13A. I concur/do not concur the above items have been verified and updated.						<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur	
13B. CED Signature for Spotcheck						13C. Date (MM-DD-YYYY)	

Exhibit A – Agency Response

Attachment A

14A. I concur/do not concur the above items have been verified and updated.		<input type="checkbox"/> Concur	<input type="checkbox"/> Do Not Concur
14B. DD Signature for Spotcheck		14C. Date (MM-DD-YYYY)	

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

Exhibit A - Agency Response

Attachment B

This form is available electronically.
CCC-770 MILCX
 (12-14-06)

U.S. DEPARTMENT OF AGRICULTURE
 Commodity Credit Corporation

**MILK INCOME LOSS CONTRACT PROGRAM
 EXTENDED (MILCX) CHECKLIST**

1. Name of Dairy Operation	2. Fiscal Year	YES	NO	N/A	Date Complete
3. Date of Contract (MM-DD-YYYY)	4. Contract Number				
5. County Office	6. State				
Handbook or Other Applicable References					
3-PL, paragraph 3					
11-LD, paragraph 10					
11-LD, paragraph 10					
7. DAIRY OPERATION:					
A. Was checklist CCC-770 Eligibility completed and eligibility verified for each producer receiving a payment?					
B. Does the dairy operation meet the definition of an eligible dairy operation in accordance with your State's					
C. If this is a new dairy operation, do they meet the requirements of a new dairy operation?					
8. CONTRACT REQUIREMENTS:					
A. Do all producers in the dairy operation meet the definition of an eligible producer as					
B. To the best of your knowledge has any producer in the dairy operation been convicted under Federal and State law of a controlled substance violation?					
C. Was CCC-580X (03-15-06) signed by someone in a representative capacity? If "YES", was the correct indicator such as by or for used?					
D. If signed in a representative capacity, is proper signature authority on file? If "YES", was the entity ID number, date, and entity share percentage provided on CCC-580X?					
E. If CCC-580X was not signed in a representative capacity, have all producers who share in the risk of the dairy					
F. Was the CCC-580X approved by COC or designee that has been granted authority to approve all					
G. Has the producer been made aware of the requirement to notify the County Office if there is any change in his					
H. If a change has been made to the operation or the start month, was a CCC-580M properly completed, signed by the producer and approved by the COC or designee?					
I. Did the County Office obtain written authorization from the producer requesting the dairy cooperative or					
If "YES", did the written authorization comply with procedure guidelines?					
11-LD, paragraph 11					
11-LD, paragraph 12 1-CM					
1-CM, Part 25					
1-CM, Part 25					
11-LD, paragraph 40					
11-LD, paragraph 40					
11-LD, paragraph 46					
11-LD, paragraph 47					
11-LD, paragraph 44					

Exhibit A – Agency Response

Attachment B

J. Has CCC-580X Appendix, dated 03-15-06 been provided to applicant?	11-LD, subparagraph 43C			
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February 14, 2007

FINAL

Page 8 of 13

Exhibit A - Agency Response

Attachment B

F. Was a second party review completed before payment was issued?	11-LD paragraph 40		YES	NO	Initial	DATE	COMPL	ETED
10. Remarks:								
11A. Signature of Preparer								11B. Date (MM-DD-YYYY)
12. <i>I Concur/Do not concur the above items have been verified and updated accordingly:</i>								12B. Date (MM-DD-YYYY)
12A. CED Signature for Spot Check			<input type="checkbox"/> Concur	<input type="checkbox"/> Do not concur				
13. <i>I Concur/Do not concur the above items have been verified and updated accordingly:</i>								13B. Date (MM-DD-YYYY)
13A. DD Signature for Spot Check			<input type="checkbox"/> Concur	<input type="checkbox"/> Do not concur				

Exhibit A – Agency Response

MILC Test Items for 2006 Payments

Attachment C

Record _____ Payment \$ _____ *Calculated \$ _____

Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
1	Applicable Milk Income Loss contract is on file.
	1 Yes.
	2 No.
2	Payee or payee's representative (authorized or not) signed contract.
	1 Yes. The signature was not missing at the time of payment.
	2 No. Contract is not signed by payee or payee's representative.
	7 Unknown. Contract is not on file.
	8 Yes. Missing producer's signature has been obtained after payment was made and COC determined** the correct producer received the payment.
3	Contract is signed on behalf of payee with signature authority on file.
	1 Yes. Signature authority received before or after payment.
	2 No.
	6 Not applicable. Representative signature is not applicable.
	7 Unknown. Contract is not on file.
	8 No. Obligation for compliance has NOT ended, the payee's signature has been obtained, and COC determined** the correct producer received the payment.
4	All required signatures (other than payee) were obtained on the contract.
	1 Yes. No missing signatures and all representative signatures are supported by documentation provided before or after payment.
	2 No.
	7 Unknown. Contract is not on file.
	8 Yes. Obligation for compliance has NOT ended, all required signatures have been obtained, and COC determined** the correct producer received the payment.
5	Sufficient information is on contract to support payment eligibility.
	1 Yes.
	2 No.
6	Dairy operation meets eligibility requirements.
	1 Yes.
7	Other than HELC/WC provisions, the producer meets eligibility requirements.
	1 Yes.
8	AD-1026 is on file for payee with sufficient information to allow a proper determination to be made.
	1 Yes. Received before or after payment.
	2 No. AD-1026 is not on file.
	3 No. AD-1026 on file lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 indicates the payee as ineligible for payment.

* If an asterisked answer code is used, the proper payment amount must be entered.

**COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

Exhibit A – Agency Response

MILC Test Items for 2006 Payments

Attachment C

Record _____ Payment \$ _____ *Calculated \$ _____
 Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
9	AD-1026 is on file for each person affiliated with payee with sufficient information to allow a proper determination to be made.
	1 Yes. Received before or after payment.
	2 No. AD-1026 for one or more affiliated persons is not on file.
	3 No. AD-1026 on file for one or more affiliated persons lacks sufficient information to consider the certification on file.
	4 Yes. AD-1026 on file for one or more of the affiliated persons makes payee ineligible.
	5 A combination of codes 2, 3, and/or 4 is applicable.
10	Contract received before end of applicable deadline.
	1 Yes.
	2 No.
11	Contract approved by CCC.
	1 Yes. Before or after payment.
	2 No.
12	Verifiable production evidence is on file.
	1 Yes. Before or after payment.
	2 No.
13	Changes to the contract were allowable changes.
	1 Yes.
	2 No.
14	MILC agent has a properly executed FSA-211 on file.
	1 Yes.
	2 No.
15	MILC agent has a properly executed CCC-582 on file.
	1 Yes.
	2 No.
16	Payment made to MILC Agent is supported by a properly executed CCC-36.
	1 Yes.
	2 No.
17	Payment based on eligible production.
	1 Yes.
	2 No.
18	Payee's share is correct.
	1 Yes.
	2 No.
19	Late payment interest is applicable.
	1 Yes. Late payment was paid correctly.

* If an asterisked answer code is used, the proper payment amount must be entered.

**COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

Exhibit A – Agency Response

MILC Test Items for 2006 Payments

Attachment C

Record _____ Payment \$ _____ *Calculated \$ _____

Note: Shaded Answer Codes will result in the payment being identified as improperly made.

Test Item	Test Item Description and Answer Codes
*	2 Yes. Late payment was not paid.
*	3 Yes. Late payment amount paid was incorrect.
	6 Not Applicable.

* If an asterisked answer code is used, the proper payment amount must be entered.

**COC may determine the correct producer received the payment if the payment is not in dispute and the producer is in compliance with all program provisions. Determination must be documented in COC minutes. In the case of a missing signature or when signature authority cannot be obtained, there must be evidence that the contract was initiated and there was timely filed documentation to support the contract.

February 14, 2007

FINAL

Page 13 of 13

Prepared by Robert L. Conrad
Reviewed by David Nichols

**Improper Payment Information Act
Fiscal Year 2007 Review Cycle
Project Plan for High Risk Programs
As of January 31, 2007**

Second Quarter – FY 2007:

- **February 5, 2007** – County Office Review Program (CORP) staff begins statistical sample testing of high risk programs in Farm Service Agency (FSA) county offices.
- **February 14, 2007** – Measurement Plans for the following high risk programs are provided to the Office of the Chief Financial Officer (OCFO):
 - Conservation Reserve Program
 - Milk Income Loss Contract Program
 - Marketing Assistance Loan Program
 - Loan Deficiency Payment Program
 - Noninsured Assistance Program
 - Direct & Counter Cyclical Program
 - Crop Disaster Program

Third Quarter – FY 2007:

- **Early June** – CORP staff completes the statistical sample testing of high risk programs in FSA county offices and provides preliminary reports to Operations Review and Analysis Staff (ORAS) for analysis.
- **Early June** – County office staffs review results of CORP testing and make corrections to documentation based on errors detected during the review.

Fourth Quarter – FY 2007:

- **Early July** – Updated sample testing results are provided to ORAS by FSA county offices.
- **August 17, 2007** – ORAS provides results of statistical sample testing to FSA program divisions and national office.
- **September 17, 2007** – Corrective Action Plans for high risk programs are provided to the OCFO.

Exhibit A - Agency Response

ALL INFORMATION IS UNCLASSIFIED

Russell, Elizabeth - Alexandria, VA

From: Theurer, Dale (CFO)
Sent: Tuesday, April 10, 2007 1:11 PM
To: Conrad, Robert - Alexandria, VA
Cc: Faulkner, Matthew (CTGPD); Prose, Aaron (CFO); Baumgartner, Joyce (CFO)
Subject: FW: FSA IPIA Process for 2007 Reporting

Attachments: OGC_Signature email.pdf; V-J-1 Lasseter 12-14-06 Letter.pdf



OGC_Signature
email.pdf (176 K...



V-J-1 Lasseter
12-14-06 Letter...

Below is Richard Peck's email regarding incomplete documentation and reporting issues with the referenced attachments. His earlier version did not contain the attachments.

Dale Theurer
USDA/OCFO
Credit, Travel, and Grants Policy Division Telephone (202) 720-1167 Fax (202) 690-1529

-----Original Message-----

From: PECK, RICHARD -OIG
Sent: Tuesday, April 10, 2007 12:09 PM
To: Theurer, Dale
Cc: VONK, ED -OIG; MARTIN, CHARLES -OIG; BLUST, DIANA -OIG
Subject: FSA IPIA Process for 2007 Reporting

Hi Dale,

Hope the meeting went well. I glanced through the handouts. At the training session March 6, I thought Aaron said that tests of transactions in the future would have to be done statistically? Now agencies have a choice.

Anyway, I think I mentioned some of this on the phone week before last but if you have any information on some or all of the following, could you let me know?
Attached are two items you may or may not have:
- the Dec. 14, 2006 letter from the FSA Administrator to State Directors re. the COR review of 2006 payments (with 30 days to correct errors) and signature authority, and
- an email from FSA's John Johnson that includes an email from OGC regarding signature authority and the draft of the Dec. 14 memo.

[

The FSA Dec. 14 letter gives States (and county offices) instructions on what to do about missing signatures and give 30 days to take corrective actions on COR findings. This relates to missing documentation. If a form or information is required but is not there in the county office, they have 30 days to get it. If they do, what was reported by the COR as an improper payment will be changed to a proper payment by FSA hdqts (ORAS).

What is OCFO's position on the signature and 30 day issues?
Were you consulted?
Did you agree?
Would this be in line with OMB's guidance?
Was OMB consulted?

I believe FSA based the Dec. 14 letter on their interpretation of OMB A-123, App. C guidance in Part I, A, that states "...In addition, when an agency's review is unable to

Exhibit A – Agency Response

Exhibit A– Page 81 of 93

discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error.”

The missing documentation relates to eligibility items where something like an application or contract missing some information or a signature, or a form missing, etc. If that can be found or the producer's copy obtained, or missing information or signature obtained, or a new form obtained based on conditions appropriate at the time of the payment, etc., and confirmed that the right person got the right amount. But if the wrong person was paid or the wrong amount was paid, that cannot be corrected and would remain an improper payment.

What was the intent of OMB when they added (the quote above) to their guidance? Did they intend to let agencies try to obtain information identified as missing or insufficient before calling payments improper?

Should FSA be reporting (in the PAR) payments as improper that were improper at the time they were made because all the documentation that should have been present was not? Explaining that it was confirmed to be only because of missing or incomplete documentation, and that the right person got the right amount. Then reporting actual improper payments, where a wrong person or wrong amount was paid. I believe they only intend to report the latter. What does OCFO think?

We are now visiting county offices and checking on the payments the COR reviewed to determine if we agree with their determination (of proper or not) and will be reviewing what ORAS is doing with the results. I believe our statistician has no serious problems with the FSA sampling designs used to select payments for review from the seven programs.

Re. attachments- the email containing the OGC comments is not a formal opinion and should be used for information and kept within the Department. Thanks

Exhibit A - Agency Response

McCann, Mike - Washington, DC

From: Johnson, John - Washington, DC
Sent: Thursday, December 14, 2006 11:29 AM
To: Trimm, Craig - Washington, DC; Karmen, Brad - Washington, DC; Bilberry, Grady - Washington, DC; Sharp, Diane - Washington, DC; Stephenson, Robert - Washington, DC; Linsenbiger, Mike - Washington, DC; Erickson, Raellen - Washington, DC; McGlynn, Dan - Washington, DC; Jones, Misty - Washington, DC; McCann, Mike - Washington, DC; Sharp, Philip - Washington, DC; Adams, Larry - Washington, DC
Subject: FW: SED IPIA Guidance on Signatures dec12 (5).doc

Attachments: SED IPIA Guidance on Signatures dec12 (6).doc



SED IPIA
Guidance on Signatures

See attached with Ralph's edits and e-mail below from Steve Gusky. We should all file this away for future reference. We will distribute Ralph's memo when we receive it.

John Johnson
Deputy Administrator for Farm Programs
USDA Farm Service Agency
Phone: 202-720-3175
Fax: 202-720-4726

-----Original Message-----

From: GUSKY, STEVEN [mailto:STEVEN.GUSKY@OGC.USDA.GOV]
Sent: Thursday, December 14, 2006 10:40 AM
To: Johnson, John - Washington, DC
Cc: Johnson, John - Washington, DC; LINDEN, RALPH
Subject: RE: SED IPIA Guidance on Signatures dec12 (5).doc

John,

I am replying to your previous email and also sent this to your wdc email address, so you may receive this email twice.

I spoke to Ralph regarding the signature issue this morning. Larry Adams was present as well. Ralph cleared off on the memo, but made a few minor changes. Larry is bringing back to your office.

As far as the Improper Payments Information Act of 2002 is concerned, it is a requirement for agencies to review their programs and report "improper payments" which is defined quite broadly and identify those which are susceptible to significant erroneous payments and implement a plan to reduce such payments. Part of the definition of "improper payment" includes "any payment to an ineligible recipient". As Ralph and I discussed, payments made to producers or entities which lacked a signature on an application, contract, 502 or otherwise, are not considered ineligible, so long as they otherwise met all eligibility requirements for that program. Because the agency made the payment and the producer accepted the payment, the contract or agreement is essentially ratified and the fact that the signature is missing is not fatal, so long as the contract or agreement is not repudiated prior to the ratification. The agency would be estopped, or prevented, from claiming that the contract or agreement is invalid.

Exhibit A – Agency Response

I am trying to flesh this concept out for you in greater detail. However, you can go forward with the memo that you intend to send to the field, with the changes that Ralph made.

Thanks,

Steve

-----Original Message-----

From: John.Johnson2@one.usda.gov [mailto:John.Johnson2@one.usda.gov]
Sent: Tuesday, December 12, 2006 5:23 PM
To: LINDEN, RALPH; GUSKY, STEVEN
Cc: Brad.Karmen@one.usda.gov; larry.adams@one.usda.gov; Craig.Trimm@wdc.usda.gov
Subject: SED IPIA Guidance on Signatures dec12 (5).doc

Please see attached memo that the Administrator is planning to send to the field. Let us know tomorrow if you have any concerns and again, thanks for all your help on this issue.

<<SED IPIA Guidance on Signatures dec12 (5).doc>>

Exhibit A – Agency Response

The Improper Payments Information Act (PIA) of 2002 requires Federal agencies to reduce the number of improper payments. I have initiated a national campaign to reduce and hopefully eliminate our improper payments.

The following programs have been identified as susceptible to significant improper payments: CDP, CRP, DCP, LDP, MAL, and NAP. As a result of CORP reviews, improper payments were estimated to be \$2.8 billion, or 11 percent, of the \$25.5 billion in program outlays issued in fiscal year 2005. The improper amount is further divided into 2 categories: incorrect disbursement which represents 1 percent of the total outlays and incomplete paperwork which represents 10 percent of total outlays.

County offices have already begun the process to reduce and/or eliminate improper payments by updating subsidiary eligibility records and initiating reviews to ensure that program requirements are met. We have provided checklists for each major program and general eligibility requirements, that once completed, will ensure that procedures have been followed, resulting in payments issued to the correct participant for the correct amount.

You have been given several tasks relating to improper payments, including setting 2007 subsidiary eligibility flags, preparing for a CORP review of fiscal year 2006 programs, and ensuring that all program and payment eligibility requirements are met before disbursing future program payments. The CORP review for fiscal year 2006 will begin in February in selected counties. Once the CORP review is complete, 30 business days have been given to take the necessary corrective actions. In light of this timeframe, I recommend that setting 2007 eligibility flags and completing the checklists be made a priority so that 2007 payments may be issued without undue delays.

When reviewing 2006 files, either before the February CORP review or during the 30 business days following the review, pay special attention to signature authority. Failure to meet signature authority requirements, which are required by FSA Handbook procedures, has been one of the main findings of the CORP review.

To maintain program integrity and to expedite the review of signature authorities, I am authorizing the COC's to take the following actions for payments or proceeds disbursed in FY 2006 and previous years that did not have proper signature authority, specified in applicable FSA Handbooks, if all of the following conditions are met:

- the participant is in compliance with all applicable program provisions
- the correct participant has received the correct payment
- the payment is not in dispute.

1/25/2007

11:09:48 AM

Exhibit A – Agency Response

If the producer's obligation for compliance has ended (for example 2006 DCP Contract period ended on September 30, 2006), the COC shall:

- document the above items in the COC Meeting Minutes
- take no further action.

If the producer's obligation for compliance has NOT ended (for example CRP-1 contract period ends September 30, 2010), the COC shall:

- obtain the required signature authority or evidence of authority. If the required signature authority or evidence of authority cannot be obtained, handle these cases as a missing signature.

If a missing signature is noted during a review process pertaining to a contract or application in which payments were issued in FY 2006 or previous years, the COC's are authorized to obtain the missing signature if all of the following conditions were met:

- the participant is in compliance with all applicable program provisions
- the correct participant has received the correct payment amount
- the payment is not in dispute
- an application or contract was initiated AND documentation was submitted timely to support the application or contract
- document the above items in the COC minutes
- take no further action

Missing eligibility certifications for matters such as CCC-502's, AD-1026's, Adjusted Gross Income, or Gross Revenue for NAP must be obtained to meet applicable program provisions in all cases when discovered.

This authority expires when the reviews have been completed of payments or proceeds disbursed in FY 2006 and prior years. This authority does not apply to 2007 programs.

Please ensure this guidance is distributed to all the County Offices within your state.

Please ensure this guidance is distributed to the County Offices in your state. I realize that this will be a major undertaking and will be time consuming. However, I believe that as a result of this effort the Farm Service Agency will become one of the lead agencies in reducing improper payments.

1/25/2007

11:09:48 AM

Improper Payment Information Act Improper Payment Definition

On December 6, 2006, the Operations Review and Analysis Staff (ORAS) met with representatives of the office of the Chief Financial Office (OCFO) (Aaron Prose and Dale Theurer) and Farm Service Agency's (FSA) Financial Management Division (David Nichols and Robert Conrad) to discuss improper payments. FSA agreed to define improper payments and provide the definition to OCFO for concurrence. OCFO informed us that they would meet with the Office of the Inspector General (OIG) so that OIG would be aware of the definition used by FSA. The definition proposed to forward to OCFO is as follows:

An improper payment is a payment (or disbursement) for which payment amount was incorrect. The payment amount can be incorrect because of calculation errors, payment limitation provisions, or late payment interest payment amounts. The improper payment amount will be the amount in error including both overpayment and underpayment amounts.

An improper payment is also a payment (or disbursement) for which FSA cannot determine that the proper producer was paid.

If a contract or application is on file, but was signed by a person whose authority to sign on behalf of the payee is in question, FSA can determine that the proper producer was paid if the payee otherwise is in compliance with applicable program provisions, the payment is not in dispute and, for programs for which the payee's obligation for compliance has:

- Ended, such as for annual contracts, the local county committee can determine that the payment was made to the proper payee.
- Not ended, such as for multi-year contracts, the county committee can determine that the payment was made to the proper payee once the required signature authority or evidence of authority is obtained to support the signature on the contract or application.

If a contract or application is on file but lacks a signature, FSA can determine the proper producer was paid if the county committee obtains the missing signature, and all of the following conditions are met:

- The payee otherwise is in compliance with applicable program provisions
- The payment is not in dispute
- A contract or application was initiated and other, previously provided documentation was timely filed that would support the application or contract.

Exhibit A – Agency Response

Russell, Elizabeth - Alexandria, VA

From: Sharp, Philip - Washington, DC
Sent: Tuesday, April 10, 2007 6:51 AM
To: Conrad, Robert - Alexandria, VA
Subject: Memos

Attachments: Keppy - Lien Search Memo - IA 03-29-07.pdf; Administrator Memo 03-28-07 LAP.pdf;
Administrator Memo 12-14-06 Signatures.pdf

Bob,

Attached are 3 official memos that have been issued regarding the IPIA reviews.



Keppy - Lien Search/Administrator Memo/administrator Memo
Memo - IA ... 03-28-07 LA... 12-14-06 Sl...

Philip

Exhibit A – Agency Response

MAR 29 2007

Derryl McLaren
State Executive Director
Farm Service Agency
10500 Buena Vista Court
Des Moines, IA 50322-3732



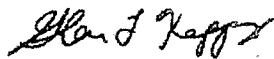
Dear Mr. McLaren:

This responds to your letter dated March 9, 2007, regarding the interpretation of lien search policy between the Iowa County Office Reviewers (COR's) and the Operations Review and Analysis Staff (ORAS). Your letter expressed concerns with Farm Service Agency (FSA) County Offices having to conduct multiple lien searches within the same crop year on a specific commodity that is covered by a signed lien waiver representing the entire crop. Also, the Office of General Counsel legal advice was over-ruled by program policy resulting in an improper payment determination by COR. We understand your concerns; however, current policy provides that a lien search be conducted for all requests: (1) disbursed for \$25,000 or greater; or (2) considered a high risk by the Commodity Credit Corporation.

We understand the method of conducting a lien search, recording and perfecting security interest in agricultural commodities vary from State to State depending on the applicable State law. FSA State Offices are instructed to contact the Regional Attorney when advice is needed to ensure the proper method is executed within the State. If legal advice is provided and it's contrary to existing program policy, the FSA State Office should request the advice in writing to support the legal or procedural action taken.

With regards to the ORAS-COR finding of an improper payment determination as a result of the lien searches not being conducted for marketing assistance loans disbursed for \$25,000 or greater, the FSA County Office did not follow program procedure. Noncompliance of program procedure is considered an improper payment according to the Improper Payment Information Act of 2002. However, if the written documentation is on file or can be obtained from the Regional Attorney to support the FSA State Office's action to follow State law, the program payment will be considered proper and no further action will be necessary. If written documentation cannot be obtained, from the Regional Attorney, this program payment will be considered improper and ORAS will determine the applicable corrective action necessary to satisfy the COR finding.

Sincerely,



Glen L. Keppy
Associate Administrator

Exhibit A – Agency Response



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Ave, SW
Stop 0510
Washington, DC
20250-0510

TO: All State Executive Directors

FROM: Teresa C. Lasseter *Teresa C. Lasseter* MAR 28 2007
Administrator

SUBJECT: Improper Payments for the Livestock Assistance Program

The Improper Payments Information Act of 2002, P.L. 107-300 (IPIA), requires Federal agencies to reduce the number of improper payments. I have initiated a national campaign to reduce and hopefully eliminate our improper payments.

The CORP review for fiscal year 2006 has identified discrepancies between the CCC-740 (LAP Application) and the FSA-578 (Acreage Report). Paragraph 12C of the 4-DAP (Rev. 1) handbook required the number of grazing acres for each type of grazing that supported eligible livestock be obtained from the FSA-578. Paragraph 12K of the 4-DAP handbook provided that if a FSA-578 is already on file for 2003 or 2004, then one is not required. There were instances where a FSA-578 was already on file to account for all the cropland on the farm, but not necessarily for grazing acres pertaining to native grasses. Late filed acreage reports for 2003 and 2004 LAP purposes expired on the application period deadline. Paragraph 20E of the 4-DAP handbook did not require the County Committee to determine that the grazing acres obtained on the CCC-740 were the same as reported on the FSA-578 before approval. Even though the FSA-578 acreages for grazing do not equal the same amount of grazing acres reported on the CCC-740, this discrepancy does not necessarily represent an improper payment, under the IPIA. The CCC-740 in most cases is the document that most accurately reflects the number of acres.

Once the CORP review is complete, 30 business days have been given to take the necessary corrective actions. The County Committee on a case by case basis will review the CCC-740 identified in the review with conflicting grazing acres and obtain additional documentation to support the acres utilized in the computation of the LAP payment.

Documentation obtained should support that:

- The producer was correct in certifying the acres on the CCC-740;
- The County Committee determines the acres on the CCC-740 support the LAP payment;
- No other FSA programs such as NAP are affected;
- The participant is in compliance with all applicable program provisions;
- The correct participant has received the correct payment; and
- The payment is not in dispute.

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Exhibit A – Agency Response

All State Executive Directors
Page 2

Please ensure this guidance is distributed to the County Office Reviewers in your state to ensure that acreage differences between the CCC-740 and the FSA-578 will not necessarily result in an improper payment.

Exhibit A – Agency Response



United States
Department of
Agriculture

December 14, 2006

Farm and Foreign
Agricultural
Services

TO: All State Executive Directors

Farm Service
Agency

FROM: Teresa C. Lasseter 
Administrator

1400 Independence
Ave, SW
Stop 0510
Washington, DC
20250-0510

SUBJECT: Improper Payments Information Act (IPIA) of 2002 Guidance

The IPIA of 2002 requires Federal agencies to reduce the number of improper payments. I have initiated a national campaign to reduce and hopefully eliminate our improper payments.

The following programs have been identified as susceptible to significant improper payments: CDP, CRP, DCP, LDP, MAL, and NAP. As a result of CORP reviews, improper payments were estimated to be \$2.8 billion, or 11 percent, of the \$25.5 billion in program outlays issued in fiscal year 2005. The improper amount is further divided into 2 categories: incorrect disbursement which represents 1 percent of the total outlays and incomplete paperwork which represents 10 percent of total outlays.

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When reviewing 2006 files, either before the February CORP review or during the 30 business days following the review, pay special attention to signature authority. Failure to meet signature authority requirements, which are required by FSA Handbook procedures, has been one of the main findings of the CORP review.

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Exhibit A – Agency Response

All State Executive Directors

Page 2

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- the payment is not in dispute
- an application or contract was initiated AND documentation was submitted timely to support the application or contract
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Missing eligibility certifications for matters such as CCC-502's, AD-1026's, Adjusted Gross Income, or Gross Revenue for NAP must be obtained to meet applicable program provisions in all cases when discovered.

Exhibit A – Agency Response

All State Executive Directors
Page 3

This authority expires when the reviews have been completed of payments or proceeds disbursed in FY 2006 and prior years. This authority does not apply to 2007 programs.

Please ensure this guidance is distributed to all the County Offices within your state.

Please ensure this guidance is distributed to the County Offices in your state. I realize that this will be a major undertaking and will be time consuming. However, I believe that as a result of this effort the Farm Service Agency will become one of the lead agencies in reducing improper payments.

Informational copies of this report have been distributed to:

Administrator, FSA, ATTN: Director, Operations Review and Analysis Staff	10
U.S. Government Accountability Office	1
Office of the Chief Financial Officer Director, Planning and Accountability Officer	1
Office of Management and Budget	1