



U.S. Department of Agriculture



Office of Inspector General
Great Plains Region

Audit Report

Hurricane Relief Initiatives: Emergency Conservation Program

Report No. 03601-27-KC
February 2008



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



DATE: February 26, 2008

REPLY TO
ATTN OF: 03601-27-KC

TO: Teresa C. Lasseter
Administrator
Farm Service Agency

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

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

SUBJECT: Hurricane Relief Initiatives: Emergency Conservation Program

In 2005, successive hurricanes devastated farmland throughout the Gulf Coast. As part of its efforts to assist producers, Farm Service Agency (FSA) implemented its Emergency Conservation Program (ECP). This program helped producers rehabilitate farmland damaged by natural disasters by replacing fencing, removing debris, or removing water. This audit evaluated program implementation including eligibility determinations, farmland conditions, and program modifications. To make our assessment, we reviewed 360 ECP applications in 12 of 96 counties, totaling \$3.6 million of \$27.3 million.

To facilitate providing relief to the affected producers, the FSA national office allowed its State offices in Louisiana and Mississippi to modify some administrative rules. Principally, the offices were authorized to increase their ECP approval level limits and to waive the requirement that FSA conduct onsite inspections before approving applications, allowing producers to start their rehabilitation projects without the usual requirement of FSA staff first observing the extent of the damage.

Overall, we concluded that the flexibility provided to State program managers allowed them to assess their needs and better facilitate the producers' timely recovery from hurricane damage. Nothing came to our attention during the audit that caused us to believe that the remaining system of management controls was not functioning as intended, except as discussed herein. We did, however, identify the following issues.

- In 4 county offices, FSA employees improperly approved 12 of 86 ECP applications submitted by other county office employees and county committee members, which could undermine the public's confidence in FSA and ECP.
- To facilitate providing relief to affected producers, the FSA national office allowed its State and county offices to waive its onsite inspection requirements before each ECP application approval with spot checks to be conducted for 25 percent of the applications after approval. Five of the 12 county offices that we reviewed opted to waive the pre-approval onsite inspections; only 2 of the other 7 county offices were able to complete most inspections prior to practice approval. However, we found that these post-approval spot checks did not always provide reasonable assurance that claimed costs were commensurate with the work or services performed for certain types of projects. Once debris has been removed, for example, it is difficult to determine the extent or location of the original damage and the actual expenditures required to rehabilitate the land; thereby increasing the vulnerability to improper payments.
- In addition, we found that nine producers applied for ECP funds to rehabilitate ineligible land. These nine producers were either paid or approved for almost \$64,000 to which they were not entitled. Generally, the land had not been in agricultural production at the time of the hurricane, or the debris had not been removed as certified. Our ECP file reviews also disclosed eight payment calculation errors, which resulted in \$3,907 in overpayments and \$1,341 in underpayments. We discussed each of these discrepancies with the appropriate FSA county staff who said that they would consult with their State office and take corrective action.

In its January 22, 2008, written response to the report (see exhibit A), FSA agreed with the recommendations. The e-mail transmitting the written response provided an estimated completion date of March 15, 2008, for issuance of the ECP notice. The Office of Inspector General (OIG) position to FSA's written response is provided in the OIG Position sections for the recommendations.

The audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of the Federal Government's relief efforts in the aftermath of hurricanes Katrina and Rita. Accordingly, we are forwarding a copy of this report to the PCIE Homeland Security Working Group, which coordinates the Inspectors General review of this important subject.

BACKGROUND

Administered by State and county FSA committees, ECP provides emergency funds to farmers and ranchers to rehabilitate farmland damaged by natural disasters. After hurricanes Katrina and Rita wreaked havoc along the Gulf Coast in August and September 2005, FSA's State offices in Louisiana and Mississippi requested and received permission from the national office to modify several ECP administrative rules. Most significantly, the offices were authorized to: (1) increase

the local (State Committee) approval limit of ECP assistance available for each project from \$100,000 to \$150,000, (2) raise the funding level from 75 percent of project cost to 100 percent, (3) drop the minimum qualifying cost from \$1,000 to \$500, and (4) waive the requirement that FSA conduct onsite inspections before it approved producers' applications.¹ If State or county offices chose to waive onsite inspections before approving applications, they had to conduct spot checks for 25 percent of the applications after approving them.

Initially, ECP application estimates totaled approximately \$28 million in Louisiana and \$61 million in Mississippi. Additional Federal funding was provided on December 30, 2005, when the President signed the Emergency Supplemental Appropriations Act.² This act provided an extra \$199.8 million to the Department of Agriculture (USDA) to use for ECP hurricane recovery efforts. Of this amount, \$13.2 million was allocated for ECP projects in Louisiana, and \$36.3 million for ECP projects in Mississippi.

In Louisiana, five of six county offices we visited waived onsite inspections, but the six county offices we visited in Mississippi did not. Also, producers provided self-certifications of their farmland and damage (e.g., number of acres, size of downed trees, level of floodwater, etc.), which FSA used to estimate how much money was required to effect rehabilitation. After completing the project(s), producers had to bring back evidence of work performed, such as equipment receipts and contractor invoices. FSA then determined how much to pay the producer by comparing the agency's original estimate with the project's actual cost, with the producer receiving the lesser amount.

OBJECTIVE

This audit evaluated the implementation of ECP and the impact of administrative rule modifications in Louisiana and Mississippi.

SCOPE AND METHODOLOGY

As part of our fieldwork performed between November 2005 and December 2006, we visited FSA's national office in Washington, D.C., Louisiana State and county offices (in Plaquemines, St. Tammany, Tangipahoa, Terrebonne, Vermillion and Washington parishes), and Mississippi State and county offices (in Forrest, George, Lamar, Pearl River, Perry and Walthall counties).

This review of ECP was performed in conjunction with a review of the Natural Resources Conservation Service's Emergency Watershed Protection Program (EWP).³ Field sites were selected to reflect large allocations of both ECP and EWP funds. At each office, we selected the 10 highest-value applications that had been approved or paid, as well as all other ECP

¹ FSA still required that onsite inspections be conducted for all applications requiring technical assistance, such as grading, shaping, re-leveling, or restoring conservation structures (e.g., a levee).

² Public Law 109-148, Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006, December 30, 2005.

³ Audit Report No. 50601-12-KC, "Hurricane Relief Initiatives: Emergency Watershed Protection Program and Disposal of Dead Animals."

applications from these producers. Last, we examined all applications by county committee members and county office employees. Combined, we reviewed 360 applications, which totaled over \$3.6 million out of a universe of 7,007 applications approved for over \$27.3 million. In addition to a file review, we performed onsite inspections for most sampled ECP applications.

To accomplish our audit objectives, we interviewed FSA program officials at national, State and local levels to ascertain their practices. To develop our understanding of ECP and its administration, we reviewed (1) handbook procedures for ECP, (2) documents pertaining to the ECP rule changes, (3) internal ECP applications from county committee members and county office employees, and (4) a sample of 34, out of 211, canceled or disapproved applications. Last, to evaluate ECP's implementation, we performed field visits on farms and interviewed individual producers.

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

FINDINGS AND RECOMMENDATIONS

County-Level Applications Incorrectly Approved by County Offices

In 4 FSA county offices, employees and county committee members approved 12 of 86 ECP applications submitted by other county employees and county committee members. County office personnel stated that either they were not aware of instructions requiring an FSA State committee representative to review and approve all such applications, or they had made a preliminary approval which would later be subject to a district director review. Nothing came to our attention to indicate that these applications received undue treatment but their improper review risks undermining the public's confidence in ECP and the program's integrity.

ECP rules require an FSA State committee representative to review and approve applications from USDA county level employees, FSA State and county office employees, and county committee members.⁴ Instead of submitting all such applications to the State committee representative for approval, county committee members, county executive directors, and an ECP county program technician approved other county committee members' and employees' applications. In addition, a committee member approved county level USDA employees' applications.

During our interviews with county office personnel, one staff member we spoke with believed that executive directors and program technicians had approval authority. In the other cases, personnel said that they knew State representatives had to review county employee and

⁴ Handbook 1-ECP paragraph 179.

committee member applications, but thought that this came after county approval. To remedy this situation, we recommend that FSA review all applications that did not undergo the required State committee representative review and issue a management notice advising its offices of the relevant rules and procedures for approving ECP applications.

Recommendation 1

Ensure that ECP applications from Mississippi and Louisiana FSA county office employees and county committee members are submitted to the applicable FSA State office for review and approval.

FSA Response

“The Farm Service Agency (FSA) will ensure that all requests from Mississippi and Louisiana County office employees and county committee members are reviewed according to the provisions of 1-ECP, paragraph 179A. FSA will prepare a notice reminding all State and county offices of the provisions in subparagraph 179A.” In the e-mail correspondence transmitting its response, FSA stated that the notice will be provided by March 15, 2008.

OIG Position

We accept FSA’s management decision.⁵

Recommendation 2

Remind both State offices and their respective county offices of the relevant rules and procedures for approving ECP applications for county office employees and county committee members.

FSA Response

“FSA will issue a notice reminding State and county offices about the ECP requirement for State Committee (STC) or STC representative review and the provisions in Handbook 1-ECP, subparagraph 179A.” In the e-mail correspondence transmitting its response, FSA stated that the notice will be provided by March 15, 2008.

OIG Position

We accept FSA’s management decision.⁶

⁵ On January 31, 2008, FSA issued Notice ECP-50 instructing FSA State offices to ensure that a State Committee representative review and approve applicable ECP requests according to 1-ECP, subparagraph 179A.

⁶ Notice ECP-50 also instructed county offices to ensure that they follow instructions in 1-ECP, subparagraph 179A, for handling requests from all USDA employees.

Post-Approval Spot Checks Not Always an Effective Control To Verify Services Performed Were Commensurate With Claimed Costs

FSA allowed the waiving of pre-approval onsite inspections for ECP applications but required 25 percent of approved applications to be checked after the practice was completed. However, these post-approval spot checks for certain types of projects, such as debris removal, precluded or effectively reduced effective verification that costs claimed were commensurate with the services performed. Once debris had been removed, for example, it was difficult to gauge the extent or location of the original damage, and therefore, the effort and costs required to rehabilitate the land. FSA accepted spot checks as a reduced control so that producers could begin rehabilitating their land rather than wait for FSA to work through the post-hurricane ECP applications. Without the waiver, FSA would have been required to visit each site and make an accurate determination of the size and number of damaged trees or depth of water to be removed prior to ECP application approval. As a result, FSA reduced its control over some types of ECP projects and, thereby, correspondingly increased its vulnerability to improper payments for those projects.

FSA's ECP handbook allows FSA's national office ECP program manager to waive administrative program rules. With the increase in applications after the hurricanes, FSA State offices requested and received permission to waive onsite inspections before approving applications. FSA's national office agreed but stipulated that 25 percent of the applications that had not been pre-inspected would have to be randomly spot checked after payment and that producers would have to self-certify the extent of the damage, rehabilitation work required, and other requirements. In Louisiana, five of six county offices we visited waived onsite inspections, but the six county offices we visited in Mississippi did not. Of the 7 county offices that did not waive the pre-approval onsite inspections, 2 completed most inspections prior to practice approval; 3 completed inspections after approval; and 2 completed onsite inspections when they had the time, which included some before and some after approval. For the five parishes in Louisiana which waived onsite inspections, FSA conducted spot checks which included a visit to the farm and a determination of whether the practice was completed correctly and the payment was accurate.

Because spot checks are performed after the practice completion, the original extent of the land's damage or the work performed to rehabilitate it for some types of projects, such as those requiring water or debris removal, was difficult to accurately determine. Debris at sites we visited, for example, had been burned (see photo 1) or piled (see photo 2) at various locations which made it impractical to verify the extent of the damage.



OIG Photo 1



OIG Photo 2

Since ECP benefits are only to be used to rectify damage to eligible land, and rates are determined partly on the size and quantity of trees removed, we were unable to determine the appropriateness of ECP funds disbursed to effect rehabilitation. Also, for water removal, ECP reimbursement rates are based on the depth of the water to be drained from a field. Similarly, once water has been removed, it is difficult to determine the depth of the flood water and, consequently, the extent of work necessary to drain the land. In the case of fence repair, we found that verification of repairs is easily determined after installation (for example, distance completed or type of materials installed, etc.). Therefore, post-approval spot checks might be an effective control to verify services performed were commensurate with claimed costs for some practices such as fence repair.

Recommendation 3

Determine the types of ECP practices that are least capable of being accurately evaluated after rehabilitation work has been performed, and develop guidance to limit waivers for pre-approval site inspections for those practices in future exigencies.

FSA Response

“ECP policies and procedures are currently being reviewed. As part of the programmatic review, ECP practices are being reviewed to determine whether it can be accurately determined if the extent of damage or rehabilitation work performed can be determined after the fact. As part of this review, FSA will consider the possibility of providing, based on the magnitude of the disaster event and the availability of resources, a waiver of the on-site inspection requirements that a post-approval spot check can verify that the claimed costs are commensurate with the service provided. FSA shall review the policy which allows for a waiver of the on-site inspection requirement for all practices.” In the e-mail correspondence transmitting its response, FSA stated that the notice will be provided by March 15, 2008.

OIG Position

We accept FSA's management decision.

We appreciate the courtesies and cooperation extended to us by your staff during this review.

Exhibit A – FSA Response



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United States
Department of
Agriculture

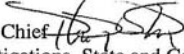
Farm and Foreign
Agricultural
Services

Farm Service
Agency

Operations Review
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20250-0501

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

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

SUBJECT: Response to Audit 03601-17 - KC, Hurricane Relief Initiatives –
Emergency Conservation Program (ECP)

Recommendation 1

The Farm Service Agency (FSA) will ensure that all requests from Mississippi and Louisiana County office employees and county committee members are reviewed according to the provision of 1-ECP, paragraph 179A. FSA will prepare a notice reminding all State and county offices of the provisions in subparagraph 179A.

Recommendation 2

FSA will issue a notice reminding State and county offices about the ECP requirement for State Committee (STC) or STC representative review and the provisions in Handbook 1- ECP, subparagraph 179A.

Recommendation 3

ECP policies and procedures are currently being reviewed. As part of the programmatic review, ECP practices are being reviewed to determine whether it can be accurately determined if the extent of damage or rehabilitation work performed can be determined after the fact. As part of this review, FSA will consider the possibility of providing, based on the magnitude of the disaster event and the availability of resources, a waiver of the on-site inspection requirement for practices that a post-approval spot check can verify that the claimed costs are commensurate with the services provided. FSA shall review the policy which allows for a waiver of the on-site inspection requirement for all practices.

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Informational copies of this report have been distributed to:

Administrator, FSA

Attn: Agency Liaison Officer

(10)

Government Accountability Office

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Office of Management and Budget

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Office of the Chief Financial Officer

Director, Planning and Accountability Division

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