



Highlights of [GAO-04-407](#), a report to the Chairman, Committee on Finance, U.S. Senate

# FARM PROGRAM PAYMENTS

## USDA Needs to Strengthen Regulations and Oversight to Better Ensure Recipients Do Not Circumvent Payment Limitations

### Why GAO Did This Study

Farmers receive about \$15 billion annually in federal farm program payments to help produce major commodities, including corn, cotton, rice, and wheat. The Farm Program Payments Integrity Act of 1987 (1987 Act) limits payments to individuals and entities—such as corporations and partnerships—that are “actively engaged in farming.” GAO (1) determined how well USDA’s regulations limit payments, (2) assessed USDA’s oversight of the act, and (3) summarized the distribution of farm payments by type of entity.

### What GAO Recommends

GAO recommends that USDA (1) develop measurable requirements defining a significant contribution of active personal management; (2) clarify regulations and guidance as to what constitutes a scheme or device to effectively evade payment limitations; (3) improve its sampling method for selecting farming operations for review; and (4) develop controls to ensure all available tools are used to assess compliance with the act.

In commenting on this report, USDA agreed to act on most of our recommendations. However, USDA stated that its current regulations are sufficient for determining active engagement in farming and assessing whether operations are schemes or devices to evade payment limitations. We still believe measurable standards and clarified regulations would better assure the act’s goals are realized.

[www.gao.gov/cgi-bin/getrpt?GAO-04-407](http://www.gao.gov/cgi-bin/getrpt?GAO-04-407)

To view the full product, including the scope and methodology, click on the link above. For more information, contact Lawrence J. Dyckman, (202) 512-3841 or [dyckmanl@gao.gov](mailto:dyckmanl@gao.gov).

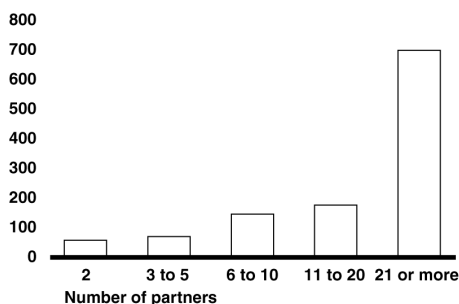
### What GAO Found

USDA’s regulations to ensure recipients are actively engaged in farming do not specify a measurable standard for what constitutes a significant contribution of active personal management. By not specifying such a measurable standard, USDA allows individuals who may have limited involvement with the farming operation to qualify for payments. According to GAO’s survey of USDA’s compliance reviews, about 99 percent of payment recipients asserted they met eligibility requirements through active personal management. USDA’s regulations lack clarity as to whether certain transactions and farming operation structures that GAO found could be considered schemes or devices to evade, or that have the effect of evading, payment limitations. Under the 1987 Act, if a person has adopted such a scheme or device, then that person is not eligible to receive payments for the year in which the scheme or device was adopted or the following year. Because it is not clear whether fraudulent intent must be shown in order to find that a person has adopted a scheme or device, USDA may be reluctant to pursue the question of whether certain farming operations, such as the ones GAO found, are schemes or devices.

According to GAO’s survey and review of case files, USDA is not effectively overseeing farm program payments. That is, USDA does not review a valid sample of farm operation plans to determine compliance and thus does not ensure that only eligible recipients receive payments, and compliance reviews are often completed late. As a result, USDA may be missing opportunities to recoup ineligible payments. For about one-half of the farming operations GAO reviewed for 2001, field offices did not use available tools to determine whether persons were actively engaged in farming.

Of the \$17 billion in payments USDA distributed to recipients in 2001, \$5.9 billion went to about 140,000 entities. According to GAO’s analysis of USDA’s data, corporations and general partnerships represented 39 and 26 percent of these entities, respectively. General partnerships received 45 percent of the payments to entities, or \$2.7 billion; these entities receive more payments if they have more partners.

**Average Farm Program Payments to General Partnerships, by Number of Partners, 2001**  
Dollars in thousands



Source: GAO analysis of FSA data.