



United States Department of Agriculture  
Office of Inspector General





United States Department of Agriculture  
Office of Inspector General  
Washington, D.C. 20250



DATE: March 12, 2012

AUDIT  
NUMBER: 50703-0001-31

TO: Bruce E. Nelson  
Administrator  
Farm Service Agency

ATTN: Philip Sharp  
Director  
Operations Review and Analysis Staff

FROM: Gil H. Harden  
Assistant Inspector General  
for Audit

SUBJECT: Supplemental Revenue Assistance Payments Program – American Recovery  
and Reinvestment Act of 2009

Attached is a copy of the final report on the subject audit. On February 14, 2012, we were notified by the Farm Service Agency that an exit conference was not necessary to discuss the subject draft audit report, nor did the agency desire to submit an official written response to the report. The finding noted in this report has been previously reported; therefore, no recommendation was made. No further response for this audit is necessary.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions.



## **Table of Contents**

<b>Executive Summary .....</b>	<b>1</b>
<b>Background and Objectives .....</b>	<b>3</b>
<b>Scope and Methodology .....</b>	<b>5</b>
<b>Abbreviations .....</b>	<b>7</b>
<b>Exhibit A – Statistical Sample Workbook Calculation Errors .....</b>	<b>8</b>
<b>Exhibit B – Sites Visited .....</b>	<b>10</b>
<b>Exhibit C – Statistical Sampling Plan .....</b>	<b>11</b>



# Supplemental Revenue Assistance Payments Program – American Recovery and Reinvestment Act of 2009

---

## Executive Summary

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009.<sup>1</sup> In enacting the Recovery Act, Congress emphasized the need for accountability and transparency in the expenditure of funds. The Recovery Act increased assistance levels and expanded participation in the Farm Service Agency's (FSA) Supplemental Revenue Assistance Payments (SURE) Program. For the 2008 crop year, FSA paid out over \$2.1 billion in SURE Program benefits to over 103,000 producers. To validate producer eligibility and ensure that eligible producers received proper payments for qualified losses, we reviewed 125 statistically selected producers in 8 States who received approximately \$2.6 million in SURE Program payments. We also selected for review a random sample consisting of 25 of the 300 payments that were part of FSA's internal compliance review. We did not identify any issues with producer eligibility. Nothing else came to our attention that suggested FSA did not have adequate management controls in place to ensure program participants complied with SURE Program provisions.

Our audit found that FSA county offices made errors when inputting data into the manual workbook used to calculate the SURE Program payments. We found that 35 out of the 125 statistically sampled producers' files we reviewed had workbook calculation errors (see exhibit A). For example, these errors included entering the incorrect yield; the incorrect acreage; the incorrect producer share; the incorrect price and/or the National Average Market Price; the incorrect production to count; and the incorrect net indemnity. FSA's own internal review,<sup>2</sup> as well as a previous Office of Inspector General (OIG) audit,<sup>3</sup> identified errors consistent with what we found. FSA has implemented additional automated controls and edits to the SURE Program workbook that will help prevent these errors from recurring when issuing payments for the 2009 and subsequent crop years.<sup>4</sup>

We also reviewed FSA's controls over the Recovery Act requirement of additional insurance purchases for some SURE Program participants. Though we discovered that 205 of 556 applicable producers may not have complied with these requirements, we were unable to definitively determine their compliance without conducting a lengthy review of each individual producer.<sup>5</sup> Because less than one percent of the total SURE Program payments issued in our

---

<sup>1</sup> Public Law (P.L.) 111-5.

<sup>2</sup> A nationwide statistical review of 300 SURE Program payments totaling over \$15.3 million was conducted between April 21, 2010, and May 21, 2010.

<sup>3</sup> Audit Report 03024-1-11, *Fiscal Year 2010 Farm Service Agency Farm Assistance Program Payments*, June 21, 2011.

<sup>4</sup> Legislative authority for the SURE Program ended on September 30, 2011. Producers must meet specific eligibility requirements to receive SURE Program assistance for disasters that occurred on or before September 30, 2011, and affect fall 2011 and 2012 crops.

<sup>5</sup> The 205 producers received a total of \$3.7 million.

eight sample States was subject to these requirements<sup>6</sup>—and because FSA has since implemented a spot check to verify producers’ compliance with this requirement—we decided not to report on this issue.

Finally, we conducted an analysis of the amount of payments each producer received. We combined all government payments a producer received for crop losses with its actual revenues to determine if a producer had received payments greater than its expected farm revenue for a particular year.<sup>7</sup> After calculating the payment totals, we did not find any producers that received more than their expected farm revenue.

Accordingly, we are not making any recommendations in this report, and no further action or response to us is required.

---

<sup>6</sup> Only \$10.1 million out of \$1.1 billion was subject to the linkage requirement.

<sup>7</sup> Specifically, we combined actual farm revenues, SURE payments, and Risk Management Agency indemnity payments, and contrasted the total with what the producer would have received from its expected farm revenues. Expected farm revenue is calculated by multiplying the acres that the producer has a share in, the RMA weighted adjusted yield, the price, and the percentage share that the producer owns in the acres.

## Background and Objectives

---

### Background

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) created the Agricultural Disaster Relief Trust Fund, which financed five separate programs that comprehensively address agricultural disasters.<sup>8</sup> These programs were intended to create a permanent disaster fund to replace the ad hoc disaster programs that had served as Congress' primary instrument to disburse disaster assistance until the 2008 Farm Bill. One of these programs, the SURE Program, provides agricultural disaster assistance to producers who suffered qualifying crop production losses, crop quality losses, or both, due to disasters, adverse weather, or other environmental conditions. The SURE Program applies to losses incurred between the 2008 crop year and September 30, 2011. The SURE Program is tailored to work in combination with Federal crop insurance and the Noninsured Crop Disaster Assistance Program (NAP)<sup>9</sup> to reduce producers' financial risk.

In order to be eligible for the SURE Program, producers must have produced in a county that received a Secretarial Disaster Declaration (including contiguous counties), and the producer must have suffered at least a 10 percent production loss on at least one crop of economic significance.<sup>10</sup> A producer who did not produce in a disaster county may still be eligible for the program if it suffered at least a 50-percent production loss. Furthermore, producers participating in the SURE Program are required to carry crop insurance for all insurable crops and NAP coverage for all non-insurable crops where NAP coverage is offered. However, for crop year 2008, producers who did not obtain crop insurance or NAP coverage were able to participate in the SURE Program by paying a buy-in fee by September 16, 2008.

The Recovery Act extended the buy-in opportunity from September 16, 2008, to May 18, 2009. The Recovery Act added a condition to the buy-in extension, requiring producers who bought in during the extension to obtain crop insurance and/or NAP coverage for the next year insurance is available for the crops the buy-in applied to.<sup>11</sup> The Recovery Act also increased the assistance for producers that suffered 2008 crop losses.

---

<sup>8</sup> P.L. 110-246, Title XV authorized \$3.8 billion for the Agricultural Disaster Relief Trust Fund that financed five separate programs that comprehensively address agricultural disasters over 4 years (FY 2008-FY 2011). The five programs were the Supplemental Revenue Assistance Payments (SURE) Program, Livestock Indemnity Program (LIP), Livestock Forage Disaster Program (LFP), Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish (ELAP), and the Tree Assistance Program (TAP).

<sup>9</sup> NAP was designed to reduce financial losses that occur when natural disasters cause a catastrophic loss of production, or prevent planting of an eligible crop, by providing coverage equivalent to Risk Management Agency's RMA Catastrophic Risk Protection (CAT) insurance. NAP is limited to each commercial crop or agricultural commodity, except livestock, for which CAT is not available.

<sup>10</sup> A crop of economic significance is a crop that contributes at least 5 percent of the expected revenue for a producer's whole farm.

<sup>11</sup> This requirement was waived for producers who qualified as limited resource or socially disadvantaged farmers.



## **Objectives**

The overall objectives of our audit were to assess whether (1) internal control procedures were established; (2) program participants met eligibility requirements; (3) participants complied with program requirements; and (4) FSA established effective compliance operations. Specifically, we assessed FSA's controls over SURE Program eligibility, Recovery Act buy-in provisions, producers' compliance with subsequent insurance purchase requirements, and SURE Program payment processing.

## Scope and Methodology

---

We conducted our audit of the SURE Program at the FSA and RMA national offices, at 8 FSA State offices (located in Iowa, Kansas, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin), as well as at 16 FSA county offices in these States (see exhibit B).

Our audit covered SURE Program payments made to producers for the 2008 crop year that included a Recovery Act component in the payment. As of April 22, 2011, FSA had paid out over \$2.1 billion to over 103,000 producers in SURE Program benefits for the 2008 crop year. These payments consisted of approximately \$812 million in Recovery Act funds and approximately \$1.3 billion from the Agricultural Disaster Relief Trust Fund. Our audit scope included only those producers who received Recovery Act funds as part of their total SURE Program payment.<sup>12</sup>

We identified the top 10 States receiving SURE Program payments which represented over 72 percent of the total Recovery Act funds expended for the SURE Program.<sup>13</sup> From the 10 States, we statistically selected 272 producers located in 30 counties using a two-stage sample design (see exhibit C).<sup>14</sup> We completed our review of States and counties in order of selection, so that at the mid-point of our review, we could evaluate whether to continue or conclude based on the audit results. We completed a review of 125 producers located in 16 counties and 8 States. Based on the results of our review, we decided to conclude the audit.

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

- Reviewed applicable laws, regulations, and agency procedures related to the SURE program.
- Interviewed FSA and RMA national office officials to gain an understanding of the SURE Program's scope, coordination, and data sharing between FSA and RMA, overall program implementation, program requirements, and management controls.
- Interviewed FSA State office officials to ascertain their roles and responsibilities for implementing and monitoring the program, including specific responsibilities related to the Recovery Act's buy-in provisions and granting of equitable relief.
- Interviewed county office personnel to understand their roles and responsibilities for administering the SURE Program.
- Reviewed SURE Program files for each of the 125 selected producers, including the SURE Program application and all supporting eligibility documentation, interim

---

<sup>12</sup> As of April 22, 2011, approximately \$1.9 billion in SURE program payments included approximately \$812 million in Recovery Act funding. About 6,400 producers were paid approximately \$183 million from the Agricultural Disaster Relief Fund and did not receive any Recovery Act funding as part of their SURE Program payment. These 6,400 producers were not included in our sample because they did not receive any Recovery Act funding.

<sup>13</sup> In the 10 States, FSA paid a total of \$1.4 billion in SURE Program payments, of which approximately \$588 million was Recovery Act funds. The 10 States included Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Texas, and Wisconsin.

<sup>14</sup> The sample of 272 producers represented over \$5.5 million in SURE Program payments.

workbook calculations and all supporting documentation, and the 2008 SURE Program Interim Report (RMA download).

In fiscal year 2010, FSA conducted a nationwide statistical review of 300 SURE Program payments that totaled over \$15.3 million. To assess FSA's review results, we randomly selected 25 of the 300 payments that FSA reviewed. The 25 payments were randomly selected from the same 10 States included as part of our two-stage sample design. We reviewed the interim workbook calculations to ensure that FSA county operations review staff identified all applicable discrepancies, and that payments were accurate.

We conducted fieldwork between June 2011 and January 2012. We conducted the 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.

## Abbreviations

---

CAT.....	Catastrophic Risk Protection
FSA .....	Farm Service Agency
NAP.....	Noninsured Crop Disaster Assistance Program
OIG .....	Office of Inspector General
RMA .....	Risk Management Agency
SURE .....	Supplemental Revenue Assistance Payments

## Exhibit A – Statistical Sample Workbook Calculation Errors

Sample Number	State	County	Over (Under) Payment	Description of Error
4	Iowa	Adams	\$15	Incorrect production to count
8	Iowa	Adams	\$96	Incorrect acres and Direct and Counter-Cyclical Program (DCP) Payment
13	Iowa	Adams	\$7,704	Incorrect price, acres, and weighted adjusted yield
47	Iowa	Lucas	(\$39,140)	Incorrect indemnity and production to count
50	Iowa	Lucas	(\$4,521)	Incorrect guarantee basis, indemnity, production to count, and guarantee adjustment codes
52	Iowa	Lucas	(\$1,817)	Incorrect acres
57	Kansas	Bourbon	\$370	Incorrect indemnity
59	Kansas	Bourbon	(\$3,085)	Incorrect acres
64	Kansas	McPherson	(\$2,283)	Incorrect NAMP <sup>15</sup>
66	Kansas	McPherson	\$12,950	Incorrect weighted adjusted yield and counter cyclical (CC) yield
67	Kansas	McPherson	\$827	Incorrect indemnity
68	Kansas	McPherson	\$1,395	Incorrect acres and share
71	Kansas	Neosho	(\$63)	Incorrect acres
72	Kansas	Neosho	\$537	Incorrect indemnity
74	Kansas	Neosho	\$13,066	Incorrect share
81	Minnesota	Hubbard	(\$14,624)	Did not include CC yield data
83	Minnesota	Hubbard	\$585	Incorrect county expected yield
85	Minnesota	Hubbard	\$1,197	Incorrect county expected yield and maximum average loss
123	Nebraska	Dixon	\$172	Incorrect production to count and weighted adjusted yield
124	Nebraska	Dixon	\$172	Incorrect production to count and did not include the weighted adjusted yield or CC yield data

<sup>15</sup> National Average Market Price

## Exhibit A – Statistical Sample Workbook Calculation Errors

---

Sample Number	State	County	Over (Under) Payment	Description of Error
132	North Dakota	McHenry	\$949	Incorrect NAMP
144	North Dakota	Pierce	\$36	Incorrect DCP payment
145	North Dakota	Pierce	(\$1,736)	Incorrect share and maximum average loss
146	North Dakota	Pierce	(\$6,884)	Incorrect share, indemnity, and guarantee basis
149	North Dakota	Pierce	(\$111)	Incorrect NAMP
182	Ohio	Mahoning	(\$1,470)	Incorrect workbook version
184	Ohio	Mahoning	\$5,321	Incorrect acres
199	South Dakota	Brown	(\$39)	Incorrect NAMP
211	South Dakota	Haakon	\$60	Did not include stage code adjustment factor
212	South Dakota	Haakon	(\$12,999)	Incorrect acres and NAMP
213	South Dakota	Haakon	(\$3,476)	Incorrect acres
251	Wisconsin	Door	(\$804)	Incorrect share
252	Wisconsin	Door	(\$4,975)	Incorrect DCP payment
254	Wisconsin	Door	(\$541)	Incorrect share
258	Wisconsin	Door	\$5,290	Incorrect guarantee basis

## Exhibit B – Sites Visited

---

State	Locations Visited
Iowa	State office, Urbandale, IA
	Dallas County office, Adel, IA
	Lucas County office, Chariton, IA
	Adams County office, Corning, IA
Kansas	State office, Manhattan, KS
	Jewell County office, Mankato, KS
	Neosho County office, Erie, KS
	Bourbon County office, Fort Scott, KS
	Jefferson County office, Oskaloosa, KS
	McPherson County office, McPherson, KS
North Dakota	State office, Fargo, ND
	Pierce County office, Rugby, ND
	McHenry County office, Towner, ND
South Dakota	State office, Huron, SD
	Haakon County office, Philip, SD
	Brown County office, Aberdeen, SD
Minnesota	State office, St. Paul, MN
	Hubbard County office, Park Rapids, MN
Nebraska	State office, Lincoln, NE
	Dixon County office, Ponca, NE
Wisconsin	State office, Madison, WI
	Door County office, Sturgeon Bay, WI
Ohio	State office, Columbus, OH
	Mahoning County office, Salem, OH

## **Exhibit C – Statistical Sampling Plan**

---

### Objective:

Our sample was designed to support the audit objective of assessing whether SURE Program participants met eligibility requirements and complied with program requirements.

### Audit Universe:

Our universe for this audit was a list of the 879 counties from the top ten States that received assistance. Over \$1.4 billion in SURE Program benefits was distributed to participants in these counties.

### Sample Design and Modifications:

We observed that the majority of benefits were distributed to ten States.<sup>16</sup> Based on this, we concentrated the sample on these States. We identified 879 counties in these top 10 States that distributed SURE Program benefits to participants. Therefore, we used a two-stage sample to select which producer files were reviewed: Stage One selected which counties were to be reviewed and Stage Two selected which producers from the Stage One counties were to be reviewed.

In Stage One, we drew a random number for each county in the universe.<sup>17</sup> The 879 counties were ordered based on the random numbers, from lowest to highest; the sample for this stage was the first 30 of the 879 counties.

The universe for Stage Two was the 2,783 participants that received SURE Program benefits in the 30 counties selected in Stage One. Within each county selected at Stage One, we drew a random number for each producer and ordered them based on the random numbers, from lowest to highest. Our sample included 272 producers from the 30 counties.

We decided to use a stop or go approach, using the first 16 randomly-selected counties as a pilot sample. We planned to review the selected producer files in the first 16 counties (125 producers) and analyze the results of our findings at that point. This approach allowed us to make a statistically-supportable decision of whether to continue the review for the remaining 14 counties in the original sample.

The preceding design is summarized in the tables below:

---

<sup>16</sup> Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Texas, and Wisconsin.

<sup>17</sup> Random numbers were drawn using the Excel “Randbetween” function.



## Exhibit C – Statistical Sampling Plan

Stage One	
Universe: Counties	Sample of Counties
879	30

Stage Two		
Counties Selected in Stage One, in Order of Random Selection	Number of Producers in Universe by County	Number of Producers Selected for Review
Haakon County, South Dakota	14	4
Jewell County, Kansas	2	2
Mahoning County, Ohio	3	3
Pierce County, North Dakota	176	13
Hubbard County, Minnesota	6	5
Lucas County, Iowa	100	13
Neosho County, Kansas	8	6
Door County, Wisconsin	30	11
Dallas County, Iowa	81	13
Dixon County, Nebraska	2	2
Adams County, Iowa	146	13
Bourbon County, Kansas	12	7
McHenry County, North Dakota	228	13
Jefferson County, Kansas	1	1
Brown County, South Dakota	452	13
McPherson County, Kansas <sup>18</sup>	10	6
Keokuk County, Iowa	187	13
Anoka County, Minnesota	3	3
Blue Earth County, Minnesota	3	3
Gentry County, Missouri	159	13
Platte County, Missouri	31	11
Colfax County, Nebraska	113	13
Richland County, North Dakota	260	13
Henry County, Ohio	62	13
Lawrence County, Ohio	5	5
Preble County, Ohio	86	13
Goliad County, Texas	17	8
Wharton County, Texas	360	13
Columbia County, Wisconsin	125	13
Shawano County, Wisconsin	101	13
Total	2,783	272

<sup>18</sup> We reviewed the first 16 counties listed in the table. The last county we reviewed was McPherson County, Kansas. The remaining 14 counties were not reviewed based on our stop or go decision.

## **Exhibit C – Statistical Sampling Plan**

---

### Results:

To support the audit objectives, we reviewed producer files and determined the number of SURE Program participants that were non-compliant. However, after reviewing producer files in the first 16 counties, we concluded that the only issues being found were previously identified by an FSA review as well as a prior OIG audit. Based on these findings, we decided to end fieldwork and issue a report without recommendations. Therefore, we did not run statistical projections as they are not required for the report.

Informational copies of this report have been distributed to:

Administrator, Farm Service Agency (2)  
Attn: Director, Operations Review and Analysis Staff

Administrator, Risk Management Agency (1)  
Attn: Deputy Administrator, Compliance

Government Accountability Office (1)

Office of Management and Budget (1)

Office of the Chief Financial Officer (1)  
Director, Planning and Accountability Division

To learn more about OIG, visit our website at  
[www.usda.gov/oig/index.htm](http://www.usda.gov/oig/index.htm)

## How To Report Suspected Wrongdoing in USDA Programs

### Fraud, Waste, and Abuse

In Washington, DC 202-690-1622

Outside DC 800-424-9121

TDD (Call Collect) 202-690-1202

### Bribes or Gratuities

202-720-7257 (Monday–Friday, 9:00 a.m.– 3 p.m. ET)



The U.S. Department of Agriculture (USDA) prohibits discrimination in all of its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex (including gender identity and expression), marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, 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). USDA is an equal opportunity provider and employer.