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Highlights

Highlights of GAO-04-861T, testimony before the Committee on Finance, U.S. Senate

FARM PROGRAM PAYMENTS

USDA Should Correct Weaknesses in 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 payments to help produce major crops, such as 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."

This testimony is based on GAO's report, *Farm Program Payments: USDA Needs to Strengthen Regulations and Oversight to Better Ensure Recipients Do Not Circumvent Payment Limitations* (GAO-04-407, April 30, 2004). Specifically, GAO (1) determined how well USDA's regulations limit payments and (2) assessed USDA's oversight of the1987 Act.

What GAO Recommends

GAO recommended, among other things, that USDA (1) develop measurable standards for a significant contribution of active personal management; (2) clarify regulations on what constitutes a scheme or device to effectively evade payment limits; (3) improve its selection method for reviewing farming operations and (4) develop controls to ensure it uses all tools to assess compliance with the act.

USDA agreed to act on most recommendations, but it stated that its regulations are sufficient for determining active engagement in farming and assessing whether operations are designed to evade payment limits. We disagree.

www.gao.gov/cgi-bin/getrpt?GAO-04-861T.

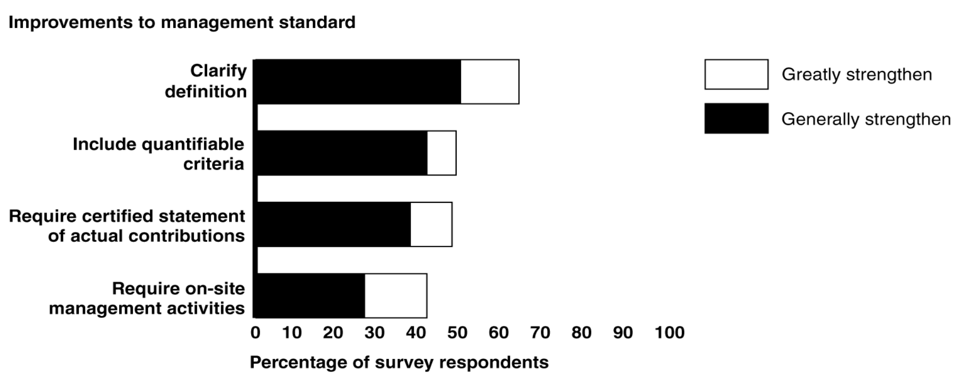
To view the full product, including the scope and methodology, click on the link above. For more information, contact Lawrence J. Dyckman, at (202) 512-3841or dyckmanl@gao.gov.

What GAO Found

GAO's survey of USDA's field offices showed that for the compliance reviews the offices conducted, about 99 percent of payment recipients asserted they met eligibility requirements through active personal management. However, USDA's regulations to ensure recipients are actively engaged in farming do not provide a measurable standard for what constitutes a significant contribution of active personal management. The figure below shows field offices' views on whether regulations describing active personnel management could be improved. By not specifying such a measurable standard, USDA allows individuals who may have limited involvement with the farming operation to qualify for payments. Moreover, 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 purpose 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 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 payment limitation requirements. 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.

Field Offices' Views on Whether Specific Improvements Would Strengthen Active Personal Management



Source: GAO survey results.