USDA Needs to Strengthen Controls to Prevent Improper Payments to Estates and Deceased Individuals

USDA has made farm payments to estates more than 2 years after recipients died, without determining, as its regulations require, whether the estates were kept open to receive these payments. As a result, USDA cannot be assured that farm payments are not going to estates kept open primarily to obtain these payments. From 1999 through 2005, USDA did not conduct any eligibility determinations for 73, or 40 percent, of the 181 estates GAO reviewed. Sixteen of these 73 estates had each received more than $200,000 in farm payments, and 4 had each received more than $500,000. Also, for the 108 reviews USDA did conduct, GAO identified shortcomings. For example, from 1999 through 2005, 69 of the 108 estates did not receive annual reviews for every year of payments received, and some USDA field offices approved groups of estates for payments without reviewing each estate. Furthermore, 20 estates that USDA approved for payment eligibility had no documented explanation for keeping the estate open.

USDA cannot be assured that millions of dollars in farm payments are proper. It does not have management controls to verify that it is not making payments to deceased individuals. For 1999 through 2005, USDA paid $1.1 billion in farm payments in the names of 172,801 deceased individuals (either as an individual recipient or as a member of an entity). Of this total, 40 percent went to those who had been dead for 3 or more years, and 19 percent to those dead for 7 or more years. Most of these payments were made to deceased individuals indirectly (i.e., as members of farming entities). For example, over one-half of the $1.1 billion payments went through entities from 1999 through 2005. In one case, USDA paid a member of an entity—deceased since 1995—over $400,000 in payments for 1999 through 2005. USDA relies on the farming operation’s self-certification that the information provided is accurate and that the operation will inform USDA of any changes, such as the death of a member. Such notification would provide USDA with current information to determine the eligibility of the entity to receive the payments. The complex nature of some farming operations—such as entities embedded within other entities—can make it difficult for USDA to avoid making payments to deceased individuals.

Number of Deceased Individuals Receiving Farm Payments through Entities, 1999-2005

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