



Highlights of [GAO-10-548](#), a report to Congressional Requesters

## Why GAO Did This Study

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) provides programs to help farmers recover financially from natural disasters. Congress has historically supplemented these programs with ad hoc programs that pay farmers who experienced crop losses. The 2008 farm bill established a program through 2011 to pay farmers who lose crops. To receive these payments, farmers must purchase coverage under federal crop insurance or the Noninsured Crop Disaster Assistance Program, and receive claims payments for losses.

GAO was asked to evaluate (1) how FSA administered the crop disaster programs for losses from 2001 through 2007 and the results of payments under these programs and (2) what lessons FSA can learn from the previous crop disaster programs to manage its new crop disaster program. GAO reviewed statutes, regulations, and guidance; analyzed USDA data; and interviewed USDA officials.

## What GAO Recommends

GAO recommends that, among other things, USDA implement procedures to notify FSA county officials at the time of crop insurance claims for disaster-related losses so they can verify loss eligibility. In commenting on a draft of this report, USDA disagreed with some findings as well as the wording of this recommendation and provided technical comments. GAO revised the recommendation and made other changes as appropriate.

View [GAO-10-548](#) or [key components](#). For more information, contact Lisa Shames at (202) 512-3841 or [shamesl@gao.gov](mailto:shamesl@gao.gov).

# USDA CROP DISASTER PROGRAMS

## Lessons Learned Can Improve Implementation of New Crop Assistance Program

### What GAO Found

FSA largely used crop insurance data from USDA's Risk Management Agency (RMA) to calculate nearly \$7 billion in crop disaster payments under the 2001 through 2007 ad hoc crop disaster programs. FSA made about \$395 million in payments under these programs to 8,463 farmers who RMA identified as having received suspicious crop insurance claims payments in those same years. Almost half of crop disaster payments for farmers RMA identified as having suspicious crop insurance claims payments were in five states. RMA provides its annual list of suspicious claims payments to FSA state and county offices and to the insurance company selling the policy to the farmer for appropriate follow-up action. However, GAO previously reported that few suspicious claims payments resulted in a conviction for fraud. As reported, the factors considered when accepting a case for investigation and prosecution include sufficiency of the evidence, complexity of the case, whether the fraudulent activity is part of a pattern or scheme, and workload and resources that would be needed to investigate and prosecute the case.

For 2001 through 2007, GAO could not use FSA's electronic data files to determine whether crop disaster payments complied with a statutory cap because the reliability of these files is undetermined for the purpose of assessing whether a crop disaster payment was in compliance with the cap. However, in using hard copy files to determine compliance with the cap, GAO found that payments to selected farmers were in compliance. Furthermore, FSA officials did not provide systems documentation, such as specifications and business rules on how FSA used data in its systems to calculate crop disaster payments.

FSA's experience with ad hoc crop disaster programs shows that a lag—as much as 4 years—between the occurrence of a disaster-related crop loss and the application for a disaster payment for that loss prevented FSA county officials from verifying the cause of the loss. Under the new program, there will still be a lag before farmers can apply for a payment; in contrast, farmers have to file a crop insurance claim immediately after a loss and be subject to insurance verification. Without more timely eligibility determinations for the new crop disaster program, FSA county officials will be unable to verify that applicants experienced losses due to an eligible cause. In addition, insufficient documentation of the data systems FSA used for calculating and issuing payments under the ad hoc programs makes it difficult to validate the accuracy of those payments. A similar lack of documentation under the new program could hamper FSA officials' efforts to track payments and ensure the payments adhere to statutes, regulations, and FSA guidelines.