GAO Highlights

Highlights of GAO-13-781, a report to the Ranking Member, Committee on the Judiciary, U.S. Senate

September 2013

FARM PROGRAMS

Changes Are Needed to Eligibility Requirements for Being Actively Involved in Farming

Why GAO Did This Study

Agricultural producers receive about $5 billion annually in farm program payments for which being actively engaged in farming is required by the Farm Program Payments Integrity Act. GAO was asked to review FSA's processes for implementing actively engaged in farming regulations to determine payment eligibility.

This report examines, among other things, (1) FSA's compliance reviews of farming operation members' claimed contributions of active personal management and personal labor and (2) FSA state offices' timeliness in completing and reporting compliance reviews and their results. GAO reviewed FSA regulations and procedures, examined compliance review files in five states selected based on the number of assigned 2009 and 2010 compliance reviews (the latest available), analyzed compliance review data for those years, and interviewed FSA officials.

What GAO Recommends

Congress should consider modifying the definition of significant contributions of management activities, either as it did in recent deliberations on reauthorizing the Farm Bill, or in other ways designed to make contributions more clear and objective. GAO recommends that FSA establish a plan and a time frame for using its new database to monitor the status of compliance reviews. FSA concurred with GAO's findings and recommendation.

View GAO-13-781. For more information, contact Anne-Marie Fennell at (202) 512-3841 or FennellA@gao.gov.

What GAO Found

Compliance reviews conducted by the U.S. Department of Agriculture's Farm Service Agency (FSA) to determine if farming operation members (individuals and entities) meet the payment requirements for being actively engaged in farming are hindered by broad and subjective requirements and difficulty in verifying individuals' evidence of claimed contributions. To be actively engaged in farming, an individual is to make significant contributions to that operation in personal labor or active personal management (or both). However, the definition of active personal management in FSA regulations is broad and can be satisfied by an individual performing at least one of eight services representing categories such as supervision of activities necessary in the farming operation. Also, FSA regulations allow farming operation members to make contributions of management without visiting the operation, enabling individuals who live significant distances from an operation to claim such contributions. An FSA state official said that the agency finds problems with management contributions more often for those who live significant distances from an operation. FSA officials have also noted that the requirements for what constitutes a management contribution are subjective. FSA's handbook states that it is difficult to measure what constitutes a management contribution and that such a contribution must be critical to the profitability of a farming operation. FSA officials said that making such a determination is difficult and subject to interpretation. Also, officials from FSA headquarters and state offices GAO visited said that verifying evidence of management contributions is challenging, in part due to the extent to which compliance reviews must rely on interviews with payment recipients. FSA recognizes that it has the authority to change the definition of what constitutes a significant contribution of management in its regulations. However, as FSA stated in 2010 final regulations for farm program eligibility and as a senior FSA official told GAO in August 2013, FSA does not plan to change the regulatory definition of active personal management without direction from Congress. In recent congressional deliberations on reauthorizing the Farm Bill, statutory changes were considered that would allow one person per farming operation to contribute management activities satisfying the criteria for being actively engaged in farming. The timeline for Farm Bill reauthorization is unclear.

Most FSA state offices did not complete and report their assigned 2009 and 2010 compliance reviews within FSA's expected time frame (i.e., within 12 months of being notified by FSA headquarters of which farming operations to review). FSA state offices completed and reported about 24 percent of their assigned 2009 compliance reviews and 14 percent of their 2010 compliance reviews on time. In addition, FSA headquarters did not always know the status and results of the 2009 and 2010 reviews for oversight purposes when GAO discussed this issue with them in November 2012. With a delayed awareness of several years, FSA cannot reasonably assess the level of recipients' compliance with the act and may be missing opportunities to recapture payments that were made to ineligible recipients. To improve its monitoring of compliance reviews, FSA in May 2013 implemented a database for state and county FSA officials to electronically report their assigned compliance reviews' status and results. However, FSA has not developed a time frame or plan for using the database and until the agency does so it cannot fully utilize the database and realize its intended benefits.