



Highlights of [GAO-07-818](#), a report to the Ranking Member, Committee on Finance, U.S. Senate

FEDERAL FARM PROGRAMS

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

Why GAO Did This Study

Farmers receive about \$20 billion annually in federal farm program payments, which go to individuals and “entities,” including corporations, partnerships, and estates. Under certain conditions, estates may receive payments for the first 2 years after an individual’s death. For later years, the U.S. Department of Agriculture (USDA) must determine that the estate is not being kept open for payments.

As requested, GAO evaluated the extent to which USDA (1) follows its regulations that are intended to provide reasonable assurance that farm program payments go only to eligible estates and (2) makes improper payments to deceased individuals. GAO reviewed a nonrandom sample of estates based, in part, on the amount of payments an estate received and compared USDA’s databases that identify payment recipients with individuals the Social Security Administration listed as deceased.

What GAO Recommends

GAO recommends that USDA conduct all required annual estate eligibility determinations, implement management controls to verify that an individual receiving program payments has not died, and determine if these payments have been made to deceased individuals or to entities that failed to disclose the death of a member, and if so, recover the appropriate amounts. USDA agreed with these recommendations and has begun actions to implement them.

www.gao.gov/cgi-bin/getrpt?GAO-07-818.

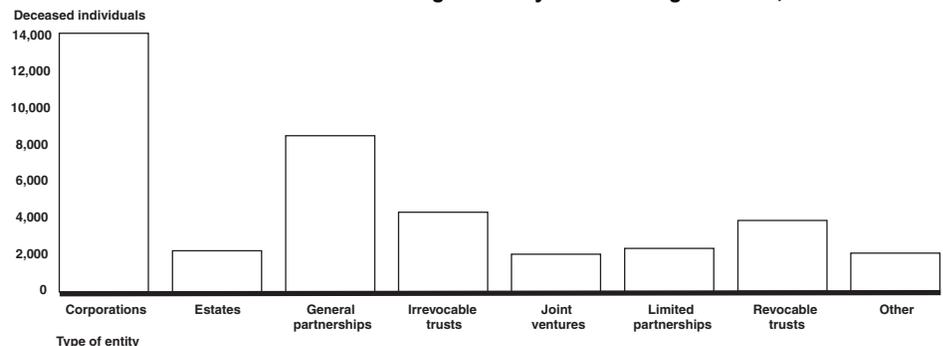
To view the full product, including the scope and methodology, click on the link above. For more information, contact Lisa Shames at (202) 512-3841 or shamesl@gao.gov.

What GAO Found

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



Source: GAO’s analysis of USDA’s data.