GAO Highlights

Highlights of GAO-13-741, a report to the Chairwoman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate

Why GAO Did This Study

In light of high farm incomes and constrained federal budgets, the cost of federal farm and conservation programs—about $15 billion annually from 2009 through 2012—has come under scrutiny. Under the 2008 Farm Bill, participants whose incomes exceed specific limits are ineligible for certain program payments. USDA's FSA makes income eligibility determinations for programs it administers and also for conservation programs administered by NRCS. FSA verifies that participants have incomes below the limits by reviewing either tax returns (with consent from participants) or statements from accountants or attorneys. GAO was asked to review FSA's income verification practices. This report examines FSA's (1) review of tax returns and (2) review of accountants' and attorneys' statements and (3) FSA's and NRCS's recovery of payments to participants who exceeded income limits. GAO reviewed 115 tax return files and 163 files with accountants' and attorneys' statements from 18 FSA state offices selected to reflect geographic and program diversity, analyzed agency data, and interviewed agency officials.

What GAO Recommends

To reduce the risk of improper payments to participants whose incomes exceed statutory limits, Congress should consider simplifying those limits. GAO recommends that FSA monitor state office reviews of tax returns and accountants' and attorneys' statements and implement a process to verify that these statements accurately reflect incomes. USDA generally agreed with GAO's findings and recommendations.

View GAO-13-741. For more information, contact Daniel Garcia Diaz at (202) 512-3841 or garciadiazd@gao.gov.

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FARM PROGRAMS

Additional Steps Needed to Help Prevent Payments to Participants Whose Incomes Exceed Limits

What GAO Found

As part of verifying if farm and conservation program participants had incomes below statutory limits—making them eligible to receive certain 2009 and 2010 program payments—reviews of tax returns by the U.S. Department of Agriculture's (USDA) Farm Service Agency's (FSA) state offices varied in quality. GAO's review of 115 tax return files from selected state offices found that some files met agency guidance and had no apparent errors. Other files did not meet agency guidance or contained errors, resulting in some potentially improper payments to participants whose incomes exceeded the limits. For example, GAO found errors in 19 of the 22 tax return files it reviewed from FSA offices in two states; one of these errors led to a potentially improper payment of $40,000. FSA headquarters does not monitor state offices' reviews of tax returns to ensure that the offices are applying program guidance consistently and making accurate eligibility determinations, even though federal standards for internal control direct agencies to monitor and assess the quality of performance over time. Also, 2008 Farm Bill provisions requiring a distinction between farm and nonfarm income make it difficult for agency officials to verify if participants' incomes exceed the limits without making errors. Because the statutory limits for farm and nonfarm income differ, to verify such income, FSA officials must comb through sometimes long and complex tax returns to classify and calculate income—a difficult task for those who are not accountants or tax preparers. Recent bills in the House and Senate have proposed using total adjusted gross income instead of farm and nonfarm income, which would reduce the need for FSA to review tax returns.

When relying on accountants' and attorneys' statements to verify participants' incomes for 2009 and 2010, FSA state offices sometimes accepted statements that did not meet agency guidance or contained errors, resulting in some questionable eligibility determinations and potential payments to participants whose income exceeded statutory limits. GAO's review of 163 files with accountants' and attorneys' statements from selected state offices found that some state offices followed FSA's guidance in full, but others sometimes did not. For example, 14 of the 16 statements GAO reviewed from one FSA state office met agency guidance, whereas 21 of the 39 statements GAO reviewed in two other state offices did not. In addition, some accountants' and attorneys' statements contained errors, such as miscalculations of average income. FSA's headquarters does not monitor its state offices to ensure that they accept only statements meeting agency guidance or verify the accuracy of participants' income in these statements by reviewing supporting documentation. As a result, FSA cannot be assured that the statements are accurate or that payments are being made only to participants whose incomes fall below statutory limits.

FSA and USDA's Natural Resources Conservation Service (NRCS) are each responsible for recovering any payments made by their respective programs to ineligible participants. In May 2012, FSA started to recover about $143 million in overpayments made to its participants in 2009 and 2010, but NRCS has not identified the amount of overpayments made or begun recovering payments it made to ineligible participants, because it had to first update project management software in February 2013. NRCS issued new guidance with procedures for identifying and collecting overpayments that were made and expects to send letters by September 2013 seeking reimbursement of overpayments.