



Highlights of [GAO-09-67](#), a report to the Ranking Member, Committee on Finance, U.S. Senate

## FEDERAL FARM PROGRAMS

### USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits

#### Why GAO Did This Study

Farmers receive about \$16 billion annually in federal farm program payments. These payments go to about 2 million recipients, both individuals and entities. GAO previously has reported that the U.S. Department of Agriculture (USDA) did not consistently ensure that these payments went only to those who meet eligibility requirements.

GAO was asked to evaluate (1) how effectively USDA implemented 2002 Farm Bill provisions prohibiting payments to individuals or entities whose income exceeded \$2.5 million and who derived less than 75 percent of that income from farming, ranching, or forestry operations, (2) the potential impact of the 2008 Farm Bill's income eligibility provisions on individuals who receive farm payments, and (3) the distribution of income of these individuals compared with all 2006 tax filers. GAO compared USDA data on individuals receiving payments with the latest available Internal Revenue Service (IRS) data on these individuals.

#### What GAO Recommends

GAO recommends that USDA work with IRS to develop a system for verifying the income eligibility for all recipients of farm program payments. If USDA determines that it needs authority to work with IRS, it should seek this authority from Congress, as appropriate. In commenting on a draft of this report, USDA agreed with these recommendations but disputed some of the findings. GAO believes that the report is fair and accurate.

To view the full product, including the scope and methodology, click on [GAO-09-67](#). For more information, contact Lisa Shames at (202) 512-3841 or [shamesl@gao.gov](mailto:shamesl@gao.gov).

#### What GAO Found

USDA does not have management controls, such as reviewing an appropriate sample of recipients' tax returns, to verify that payments are made only to individuals who do not exceed income eligibility caps and therefore cannot be assured that millions of dollars in farm program payments it made are proper. GAO found that of the 1.8 million individuals receiving farm payments from 2003 through 2006, 2,702 had an average adjusted gross income (AGI) that exceeded \$2.5 million and derived less than 75 percent of their income from farming, ranching, or forestry operations, thereby making them potentially ineligible for farm payments. Nevertheless, USDA paid over \$49 million to these individuals. According to USDA officials, a number of factors—such as resource constraints that hamper its ability to examine complex tax and financial information as well as a lack of authority to obtain and use IRS tax filer data for such purposes—contribute to the department's inability to verify that each individual who receives farm program payments complies with income eligibility provisions. However, USDA does not routinely sample individuals receiving farm payments to test for income eligibility; instead, its annual sample selected for review is based primarily on compliance with eligibility requirements other than income. The 2008 Farm Bill directs USDA to use statistical methods to target those individuals most likely to exceed income eligibility caps.

The 2008 Farm Bill will increase the number of individuals likely to exceed the income eligibility caps. That is, with lower income eligibility caps under the 2008 Farm Bill, the number of individuals whose AGI exceeds the caps will rise, increasing the risk that USDA will make improper payments to more individuals. For example, had the new Farm Bill been in effect in 2006, as many as 23,506 individuals who received farm program payments would likely have been ineligible for crop subsidy and disaster assistance payments totaling as much as \$90 million.

Compared with all tax filers, individuals who participated in farm programs in 2006 are more likely to have higher incomes. For example, as shown in the figure below, 12 of every 1,000 individuals receiving farm program payments reported AGI between \$500,000 and \$1 million compared with about 4 of all tax filers who reported income at this level.

**Distribution of Income of Individuals Receiving Farm Program Payments and All Tax Filers, 2006**

