

For: State and County Offices, CMA's, and DMA's

FY 2009 National CORP Review for Improper Payments for MAL's

Approved by: Deputy Administrator, Farm Programs



1 FY 2009 MAL Improper Payments

A Background

The Improper Payment Information Act of 2002 (IPIA) requires agencies to annually review programs and activities administered and identify programs and activities that may be susceptible to significant improper payments.

OMB defines an improper payment as:

“...any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments. An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for the incorrect amount. If the agency is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, the payment must also be considered an error.”

FY 2009 IPIA reviews were designed to do the following:

- estimate the annual amount of improper payments
- identify and report FSA's significant weaknesses in established internal management control processes.

| Disposal Date | Distribution |
|-----------------|---|
| January 1, 2010 | State Offices; State Offices relay to County Offices and FAX to CMA's and DMA's |

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1 FY 2009 MAL Improper Payments (Continued)

A Background (Continued)

During the FY 2009 CORP review, it was determined that MAL's IPIA error rates increased slightly, because of the lack of proper supporting documentation before MAL disbursement. The following provides the error rates.

| Program Type | Year | Error Rate |
|--------------|------|--------------|
| MAL's | 2009 | 2.56 Percent |
| | 2008 | 1.76 Percent |

FSA continues to make eliminating improper payments a top priority and has incorporated this priority into its strategic planning and performance measures.

B Purpose

This notice:

- is being issued according to FSA's corrective action plan (CAP) as required under IPIA
- informs State and County Offices of FY 2009 CORP findings for 2008 MAL disbursements
- directs follow-up action within each State to ensure that all offices review the listed discovered errors and take any needed corrective action.

C Action

SED's shall ensure that:

- applicable State Office program chiefs and specialists review this notice and related CORP reports in detail to develop CAP's as needed, and to ensure that County Offices follow applicable program procedures issued through national notices and program handbooks
- additional internal control procedures are developed to avoid findings indicated by CORP reviews
- applicable State Office program areas provide additional program training where needed and implement CAP to reduce improper payments
- DD's review this notice with CED's and program technicians with their respective districts.

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2 Price Support CORP Findings for FY 2009

A MAL CORP Findings

The following provides MAL CORP findings.

| CORP Findings | |
|----------------------|--|
| Finding | Acceptable acreage report is not on file at time of review. |
| Policy | 8-LP, subparagraph 101 A provides that producers who have not reported acreage on FSA-578 according to 2-CP for the current crop year are ineligible for MAL. Also, 2-CP provides that FSA-578 must be completed properly to report all cropland on the farm to be eligible for MAL's. Exception: 8-LP, paragraph 1516 provides that wool and mohair producers who are not associated with a farm and do not have cropland, are not required to complete an acreage report on FSA-578. |
| Finding | Producer did not have beneficial interest. |
| Policy | 8-LP, paragraph 129 provides beneficial interest policy. A producer is considered ineligible for MAL if the producer does not have beneficial interest in the commodity at the time of MAL request. |
| Finding | Producer did not have risk in producing the commodity. |
| Policy | 8-LP, subparagraph 100 A provides that an eligible producer is a person or entity that shares in the risk of producing the applicable commodity. |
| Finding | Incorrect loan rate was used. |
| Policy | 8-LP, Part 4 provides policy and procedures for MAL's. County Offices must ensure the MAL rate and quantity is accurate before disbursing the MAL. |
| Finding | COC did not review loan quantity for reasonableness when required. |
| Policy | See the following about loan quantity for reasonableness when required: <ul style="list-style-type: none"> • 8-LP, subparagraph 2 A • 8-LP, subparagraphs 132 E and F • 8-LP, subparagraph 536 C • 8-LP, paragraph 1559. |
| Finding | Loan quantity is not supported by acceptable documentation. |
| Policy | 8-LP, paragraph 535 provides production evidence policy. Production evidence is required for loan quantity selected for spot check. Specifically, subparagraph 535 C provides acceptable types of production evidence and subparagraph 535 D provides production evidence requirements. |
| Finding | Required lien search was not conducted before loan disbursement. |
| Policy | 8-LP, subparagraph 403 B instructs County Offices to perform a lien search after each loan request is filed and before the loan is approved. |
| Finding | Required lien waiver was not obtained before loan disbursement. |
| Policy | 8-LP, paragraph 404 provides lien waiver policy. A lien waiver shall be obtained after each loan request and before disbursing the loan. |
| Finding | Required UCC-1 was not filed. |
| Policy | 8-LP, paragraph 423 provides filing UCC policy. County Offices are instructed to file applicable UCC-1's required by State law to protect CCC's security interest. |