



United States Department of Agriculture

Wildfires and Hurricanes Indemnity Program



Audit Report 03702-0002-31

September 2020

OFFICE OF INSPECTOR GENERAL

Wildfires and Hurricanes Indemnity Program

Audit Report 03702-0002-31

OIG evaluated FSA's administration and oversight of WHIP, a USDA disaster assistance program.

OBJECTIVE

Our objective was to evaluate FSA's administration and oversight of WHIP.

REVIEWED

Our review covered WHIP payments issued as of November 20, 2019. This audit report covers the results of our fieldwork in Florida and Georgia. Although we also selected Puerto Rico for review, due to travel restrictions related to the coronavirus disease 2019 (COVID-19) pandemic, we intend to complete our review and report the results for our Puerto Rico work in a future report.

RECOMMENDS

FSA should establish a policy to clearly document and approve deviations from established procedures. FSA should also assess, confirm, and recover \$4.2 million in improper WHIP payments, issue \$96,003 to underpaid producers, and review documentation and take appropriate action for the questioned \$3.7 million in WHIP payments. Finally, FSA should strengthen program guidance and controls in the WHIP handbook concerning second-party reviews.

WHAT OIG FOUND

The Department of Agriculture's (USDA) Farm Service Agency (FSA) administers the delivery of farm loan, commodity, conservation, disaster assistance, and related programs. One such program, the 2017 Wildfires and Hurricanes Indemnity Program (WHIP), provided payments to eligible producers to offset losses from hurricanes and wildfires that occurred in the 2017 calendar year. We found that over 1,160 producers were placed on registers, which allowed applicants to have their applications processed after the deadline, and more than 1,650 producers' applications were initiated in a quasi-register without documented approval to do so. This occurred because the FSA National office reportedly granted a blanket approval to use registers, which deviated from established procedure without adequate documentation. As a result, FSA issued more than \$103 million in WHIP payments to producers in Florida and Georgia who did not submit signed applications by the designated deadline.

During our review, we identified issues on 39 out of 73 sampled applications, including issues with eligibility documentation, payment calculations, and producer certifications. This occurred because of inadequate guidance and oversight. For example, while FSA guidance requires a second-party review on all applications prior to payment, the guidance does not detail what the review should include. As a result, we identified over \$8 million in improper payments in Florida and Georgia. Until FSA improves its guidance and oversight, there is a continued and increased risk that county offices will not be able to properly administer the program.

FSA concurred with our findings and recommendations, and we accepted management decision for two of the five recommendations.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: September 28, 2020

AUDIT
NUMBER: 03702-0002-31

TO: Richard Fordyce
Administrator
Farm Service Agency

ATTN: Gary Weishaar
Branch Chief
External Audits and Investigations

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Wildfires and Hurricanes Indemnity Program

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for Recommendations 1 and 5. However, we are unable to reach management decision on Recommendations 2, 3, and 4. The information needed to reach management decision on the recommendations is set forth in the OIG Position section following each recommendation.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

The Department of Agriculture's (USDA) Farm Service Agency (FSA) administers the delivery of farm loan, commodity, conservation, disaster assistance, and related programs. One such program, the 2017 Wildfires and Hurricanes Indemnity Program (WHIP), provides payments to eligible producers to offset losses from hurricanes and wildfires that occurred in the 2017 calendar year.¹ The Bipartisan Budget Act of 2018 (BBA) provided \$2.36 billion for disaster assistance for necessary expenses related to crop, tree, bush, and vine losses related to the consequences of Hurricanes Harvey, Irma, Maria, and other hurricanes and wildfires that occurred in 2017. Of the \$2.36 billion available under BBA, the Secretary directed FSA to provide nearly \$2 billion in assistance to eligible producers through WHIP.² Approximately \$340 million of the available \$2.36 billion was provided to the State of Florida through a block grant to address the consequences of Hurricane Irma, including losses to citrus production expected during the 2018, 2019, and 2020 crop years.^{3, 4}

Each eligible producer that requested WHIP benefits was subject to either a \$125,000 or a \$900,000 payment limitation, depending upon their average adjusted gross income (AGI). The payment limit was \$125,000 if less than 75 percent of the person's or legal entity's average AGI came from farming. The payment limit was \$900,000 if 75 percent or more of the average AGI of the person or legal entity came from farming. Both insured and uninsured producers were eligible to apply for WHIP. However, all producers receiving WHIP payments were required to purchase crop insurance and/or Noninsured Crop Disaster Assistance Program coverage, at the 60 percent coverage level or higher, for the next 2 available crop years, to meet statutory requirements.⁵

The deadline to apply for WHIP was November 16, 2018. Due to heavy demand and workload, county offices had the option of using a register to accommodate producers applying for WHIP.⁶ FSA uses registers to list producers who, due to extenuating circumstances, are permitted to be processed after the signup deadline has passed.⁷ FSA guidance allows county offices to send a request to their State office to use a register, which would allow participants who have not

¹ FSA documentation refers to this program as "WHIP" and "2017 WHIP". In this report, we will refer to it as "WHIP".

² 7 C.F.R Part 760 (Background) (July 18, 2018).

³ The scope of our audit work did not include reviewing the block grant program. A review of the Florida Citrus Recovery Block Grant Program (03702-0001-22) will be presented in a separate Office of Inspector General (OIG) audit report.

⁴ 7 C.F.R Part 760 (Background) (July 18, 2018).

⁵ Bipartisan Budget Act of 2018, Pub. L. No. 115-123, tit. I, 132 Stat. 65.

⁶ The register did not extend the November 16, 2018 deadline. It is a means by which customers were determined to have, by the deadline, met the program requirements of contacting FSA and getting on the register.

⁷ USDA FSA, *Common Management and Operating Provisions*, Handbook 1-CM, Revision 3 (May 7, 2018).

completed the signup process to be processed after the deadline.^{8,9} The register was considered closed as of the close of business on November 16, 2018, and producers could not be added to the register after that date.

In order to apply for WHIP, producers had to submit a completed WHIP application to their administrative FSA county office. After a producer submits a WHIP application, the FSA county office ensures that:

- the application fully complies with all WHIP provisions;
- the applicant has initialed and dated all modifications to applicant-provided data;
- a second-party reviews the application before payments are issued; and
- producers receive complete and accurate program information.

Objectives

Our objective was to evaluate FSA’s administration and oversight of WHIP.

Although we originally selected Florida, Georgia, and Puerto Rico for review, due to travel restrictions related to the COVID-19 pandemic, we discontinued our audit work in Puerto Rico. This audit report covers our fieldwork in Florida and Georgia. We intend to complete our review and report the results of our Puerto Rico work in a future audit report.

⁸ The exception to this practice occurs when individual program provisions or FSA directives state that a register is prohibited. For WHIP, the use of registers was permissible.

⁹ While approving registers and establishing guidelines usually falls to State executive directors, they can delegate this authority to a State office employee.

Finding 1: Register Approval and Documentation

We found that over 1,160 producers were placed on registers and more than 1,650 producers' applications were initiated in a quasi-register without documented approval to do so. This occurred because the FSA National office reportedly granted a blanket approval to use registers, which deviated from established procedure; however, the National office did not adequately document its decision. As a result, FSA issued more than \$103 million in WHIP payments to producers in Florida and Georgia who did not submit signed applications by the designated deadline.¹⁰

Handbook 1-WHIP requires that all applications be signed by the signup deadline—which for WHIP was November 16, 2018. Sometimes heavy demand and workload or computer failure can make processing the prescribed forms and applications by the deadline impractical or impossible. To accommodate heavy workload, FSA guidance allows county offices to send a request to their State office to use a register, which would allow participants who have not completed the signup process to be processed after the deadline.^{11, 12} FSA uses registers to list producers who, due to extenuating circumstances, are permitted to be processed after the signup deadline has passed.¹³

We found that none of the county offices we visited had requested approval to use a register from the State office. Despite this, five of the six county offices used a register to document producers who had inquired about WHIP. Additionally, county offices were reportedly told that any WHIP applications initiated in the Salesforce software, which was being used to administer the program, prior to November 16, 2018, did not need to be on the register and their applications could be processed after the deadline.¹⁴ This effectively allowed Salesforce to act as a “quasi-register.” However, we did not identify any established policy or procedure that allows FSA to create a quasi-register allowing producers with applications initiated in the software to be considered as having met the sign-up deadline. Additionally, county offices were not able to demonstrate that they had requested State office approval of their traditional registers, as required by Handbook 1-CM, or of their quasi-registers. State offices confirmed that they had not received any requests from county offices to use registers for WHIP.

County office staff indicated that they used the registers without requesting State office approval because FSA National officials reportedly issued a verbal, blanket approval for the use of

¹⁰ The total WHIP payments to all producers in Florida and Georgia as of November 20, 2019, were more than \$204 million. This is the total payment amount to producers in Florida and Georgia for hurricane and wildfire events, excluding WHIP payments that were approved for extreme cold and for Tropical Storm Cindy. The \$204 million differs from the \$219 million payment total for Florida and Georgia referenced in the Scope and Methodology section of this report because the \$219 million reflects the total WHIP payments issued as of the dates of our sampling as described in footnotes 23 and 24.

¹¹ The exception to this practice occurs when individual program provisions or FSA directives state that a register is prohibited. For WHIP, the use of registers was permissible.

¹² While approving registers and establishing guidelines usually falls to State executive directors, they can delegate this authority to a State office employee.

¹³ USDA FSA, *Common Management and Operating Provisions*, Handbook 1-CM, Revision 3 (May 7, 2018).

¹⁴ FSA Salesforce System is a cloud-based customer relationship management service hosted at Salesforce's facility.

registers and quasi-registers on a conference call. FSA National officials stated that the use of Salesforce as a quasi-register was intended to avoid duplication with the normal register; therefore, producer files initiated in Salesforce should not be listed on the normal register. The National office added that there was no documentation to support the blanket approval, including the date of the approval. While FSA managers could have chosen to bypass or modify the register approval process, such decisions should be documented. The Office of Management and Budget (OMB) guidance requires that management develop and maintain effective internal controls to address significant weaknesses that would hinder the agency's ability to meet its objectives in a timely manner.¹⁵

As evidence of blanket approval for the use of registers, FSA officials referenced Notice WHIP-4, signed by the Deputy Administrator for Farm Programs on November 15, 2018. This notice briefly stated that some county offices were permitted to use a register. However, this notice did not state: (1) which counties were permitted to use registers; or (2) that counties did not need to request approval to use registers from State offices. Therefore, we do not believe that it is adequate documentation of a blanket approval.

Notice WHIP-4 also stated that county offices should send their registers to the State offices which, subsequent to this notice, county offices did do. The Florida and Georgia State offices, in turn, provided these registers to the FSA National office. Florida had 625 producer names recorded on the register for the 53 counties that received a WHIP payment. Georgia had 539 producer names recorded on the register for the 75 counties that received a WHIP payment. While submitting registers to State and National offices is a good step to ensure transparency, because these submissions were not a part of the established approval process, they do not meet the State approval requirements specified in Handbook 1-CM.

The registers can serve as a valuable control. The register approval process helps ensure that producer applications are not inappropriately accepted after the deadline, and that registers are only utilized when necessary in specific, extenuating circumstances. However, Florida and Georgia issued over \$103 million in payments using registers and quasi-registers to producers who did not submit signed applications by the established signup deadline—without FSA adequately documenting that it was appropriate to do so. Had FSA leadership documented their decision to bypass the register approval process, they could have demonstrated that they appropriately consulted and reached consensus in assessing and accepting the risk of waiving the State approval process.

Recommendation 1

Establish a policy whereby any deviations from established procedures are clearly documented and approved by appropriate levels of management.

¹⁵ OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123 (July 15, 2016).

Agency Response

In its September 23, 2020, response, FSA concurred with our recommendation. Any deviations from established procedures will be provided to States by written documentation via notices and/or amendments to handbooks.

In FSA's subsequent email, on September 24, 2020, an official stated that FSA currently performs this action. Any deviation from an established policy or procedure is documented either within a handbook or via a notice that is cleared and approved by the appropriate level of management. As such, this action's estimated completion date is September 23, 2020, the date of the agency response to this recommendation.

OIG Position

We accept management decision for this recommendation.

Finding 2: FSA Needs To Improve WHIP Guidance and Oversight

We identified issues with 39 of our 73 sampled applications, including issues with eligibility documentation, payment calculations, and producer certifications.¹⁶ This occurred because of inadequate guidance and oversight. For example, while FSA guidance requires a second-party review on all applications prior to payment, the guidance does not detail what the review should include. As a result, we identified over \$8 million of improper payments in Florida and Georgia. Until FSA improves its guidance and oversight, there is a continued and increased risk that county offices will not be able to properly administer the program.

A key FSA internal control for WHIP is a required, second-party review of each application prior to payment. The WHIP handbook states that “a second party review is completed before payments are issued.”¹⁷ According to OMB guidance, Federal managers must establish and maintain internal controls and assess their effectiveness in order to improve accountability and ensure effective Federal program management.¹⁸

However, we found that FSA did not always effectively administer or oversee WHIP. Specifically, we identified issues with 39 of our 73 sampled applications including issues with: (1) eligibility documentation; (2) payment calculations; and (3) producer certifications.

First, we found issues with eligibility documentation. For example, we found that a WHIP application was signed by a person who was not authorized either on the “Member’s Information Form” (CCC-901) or by power of attorney, thereby making the entire payment ineligible. We also found that a person certified a WHIP payment limit increase request even though they were not a certified public accountant or attorney, which is required.

Second, we found issues with payment calculations, such as instances where FSA misapplied producer information when determining the WHIP payment to be issued. Specifically, we found instances in which FSA incorrectly entered information for acres, WHIP factors, production to count, and indemnities, as well as applying the wrong stage for tree, bush, and vine losses.^{19, 20} All of these items directly affect the calculated WHIP payment amount. It is therefore crucial that these items be verified.

Finally, we found issues with producer certifications. We found several instances where producers provided conflicting information on multiple forms. Depending on which information FSA used to calculate the payment, this could lead to an inaccurate payment. For example, a producer provided contradictory planting dates to FSA for the Tree

¹⁶ These 73 sampled application files received a total of \$21,919,091 in WHIP payments.

¹⁷ USDA FSA, *Wildfires and Hurricanes Indemnity Program*, Handbook 1-WHIP, Amendment 7 (Sept. 9, 2019).

¹⁸ OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123 (July 15, 2016).

¹⁹ A WHIP factor is a percentage applied to the payment calculation and is determined based on the level of insurance coverage elected by the producer.

²⁰ Production to count is the actual production or the total amount of harvested and appraised production by unit.

Assistance Program (TAP) and WHIP. The producer applied for TAP and provided supporting documents that the trees were planted after April 15, 2013. To be eligible for WHIP for this type of crop, the trees must have been planted on or before April 15, 2013; therefore, the TAP documentation shows that the trees were too young for WHIP.²¹ However, in WHIP documentation, this producer reported a planting date prior to April 15, 2013, for the same acres—and thus received WHIP payments.

The issues identified above occurred because FSA did not provide sufficiently detailed guidance to individuals reviewing applications and payments. Although the WHIP handbook requires second-party reviews, it does not indicate what actions a second-party review should entail and what producer information county officials should validate.

In the handbook, FSA provides a checklist, CCC-770, which is intended to assist county offices in performing second-party reviews and to ultimately ensure that WHIP payments are properly issued. While the checklist did provide a uniform framework for all county offices, it still did not sufficiently detail the actions expected during a review. For example, the checklist asks “Have correct acres and shares been loaded into the application?” but does not give instruction on how to determine which acres or shares are the correct ones if producers provide conflicting data.

Additionally, FSA does not require county offices to use the checklist, which has resulted in inconsistent use.²² We observed that our sampled county offices conducted and documented their second-party reviews by using a wide variety of methods ranging from signing off on each item on the CCC-770 checklist to providing no documentation of the review. As a result, it was not always clear what actions were actually taken as part of the second-party review or, in some cases, if a review had been performed. Based on these observations, we determined that the second-party reviews were not completed and/or documented consistently across our sampled States and counties because of the inadequate guidance on how to perform and document second-party reviews. We believe that FSA should provide more detailed guidance on how to perform and document second-party reviews.

Ultimately, we identified that over half of our sampled applications had issues—including issues with eligibility documentation, payment calculations, and producer certifications—which resulted in over \$8 million in improper payments. FSA officials agreed that there were some improper payments and that the guidance could be improved to reduce improper payments. These controls are important to ensure that accurate payments go to eligible producers as they recover and rebuild their farming operations from the damage caused by the 2017 hurricanes and wildfires. By taking corrective action on the improper payments, as well as strengthening the program guidance and controls, we believe FSA will be strengthening WHIP administration.

²¹ Handbook 1-WHIP, Part 3, Paragraph 62, Subparagraph A, states that “only insurable and NAP covered crops are eligible for WHIP”, and RMA stated that the trees had to be planted on or before April 15, 2013, to be insurable.

²² Handbook 1-WHIP, Part 1, Paragraph 14, Subparagraph A, states that “CCC-770 has been developed to assist County Offices to ensure that WHIP payments are issued properly. It may be used to determine if WHIP policies and procedures are being followed before issuing WHIP payments and to fulfill the 2nd party review requirements.”

Recommendation 2

Assess, confirm, and recover the previously issued improper WHIP payments of \$4,268,395 to program participants.

Agency Response

In its September 23, 2020, response, FSA stated it will review improper 2017 WHIP payments and will take appropriate corrective actions. FSA reported that the process has already started and is expected to be completed by November 30, 2020.

OIG Position

We concur with FSA's proposed corrective actions but are unable to reach management decision at this time. In order to reach management decision, FSA needs to provide us the amounts FSA determined as improper and provide evidence that amounts determined as improper have been entered as a receivable on the agency's accounting records or collected. We have provided FSA information on those WHIP payments we determined to be improper under a separate cover.

Recommendation 3

Assess, confirm, and issue \$96,003 in WHIP payments to producers that were determined to be underpaid.

Agency Response

In its September 23, 2020, response, FSA stated that it will review improper WHIP payments and will take appropriate corrective actions. FSA reported that the process has already started and is expected to be completed by November 30, 2020.

OIG Position

We concur with FSA's proposed corrective actions but are unable to reach management decision at this time. In order to reach management decision, FSA needs to provide us the amounts FSA determined as underpaid and provide evidence that amounts determined as underpaid have been paid out to producers. We have provided FSA with information on those WHIP payments we determined to be underpaid under a separate cover.

Recommendation 4

Review supporting documentation for the questioned \$3,703,484 in WHIP payments made based on conflicting certified information, and take appropriate action on any payments that are determined to be improper.

Agency Response

In its September 23, 2020, response, FSA stated it has and will continue to provide training to State and County Offices to ensure they are aware of program eligibility and documentation requirements to ensure payments are proper. FSA has conducted trainings to target some of the issues during August and September 2020. Additional trainings will be scheduled and conducted, as needed, based on observations made by national office staff associated with program delivery and questions received from field staff. A CCC-770 WHIP Checklist has been provided which assists employees to ensure applications are completed thoroughly with less administrative data missing. The CCC-770 WHIP Checklist may be completed prior to issuing WHIP payment and to help fulfill and document 2nd party reviews.

FSA reported that it expected corrective action on improper payments to be completed by November 30, 2020.

OIG Position

We concur with FSA's proposed corrective actions but are unable to reach management decision at this time. In order to reach management decision, FSA needs to provide us the amounts FSA determined to be improper and provide us evidence that the applicable corrective actions have been taken for each payment. We have provided FSA with information on those WHIP payments we determined to be questionable under a separate cover.

Recommendation 5

Strengthen program guidance and controls in the WHIP handbook to ensure that second-party reviews of payments are adequately and consistently performed and documented.

Agency Response

In its September 23, 2020, response, FSA concurred with our recommendation. 1-WHIP subparagraph 4E requires second-party reviews be performed prior to payment. Additional guidance has recently been released to the field to require 1 second-party review per employee per week. The estimated completion date for this is November 30, 2020.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We conducted an audit of FSA’s administration and oversight of WHIP. We performed fieldwork from March 2019 through April 2020 at the FSA National office in Washington, D.C.; two FSA State offices; and six FSA county offices, as noted in Exhibit B.²³

Our review covers all WHIP payments issued as of November 2019. As of November 20, 2019, FSA had issued a total of over \$454 million in WHIP payments.²⁴ We non-statistically selected the two States—Florida and Georgia—for our review based on the highest amount of payments issued. We then selected three counties in each State primarily based on the highest amount of payments issued, as well based on whether as any FSA employees and/or County Committee (COC) members and/or any of their spouses received a WHIP payment. Within each of these counties, we sampled 10 applications based on the highest payments received. We also sampled the applications of any FSA employees and/or COC members and/or any of their spouses that received a WHIP payment within the county. As of the date of our sampling, Florida and Georgia had issued a total of over \$219 million in WHIP payments.^{25, 26, 27} Our six sampled counties comprised a total of over \$80 million in WHIP payments. Using our sampling methodology, we sampled 73 producer WHIP application files that received a total of \$21,919,091 in WHIP payments.

To accomplish our objective, we performed the following audit procedures:

- Reviewed applicable laws, regulations, notices, handbooks, and agency procedures pertaining to WHIP administration;
- Interviewed officials at FSA’s National office in Washington, D.C., to gain an understanding of how the agency administered WHIP;
- Interviewed FSA State office officials in each of our sampled States to gain an understanding of how State offices administered WHIP;
- Interviewed FSA county office employees in each of our sampled counties to gain an understanding of how county offices administered WHIP;
- Interviewed and obtained additional documentation from WHIP producers, as necessary, to assist with our review of the applicable sampled application files;
- Analyzed WHIP payment data with the assistance of OIG’s Office of Analytics and Innovation;

²³ The audit team originally sampled three FSA State offices: Florida, Georgia, and Puerto Rico. However, due to the travel restrictions resulting from the COVID-19 pandemic, we discontinued our audit work in Puerto Rico. We intend to complete our review and report the results of our Puerto Rico work in a future audit report.

²⁴ The scope of this audit did not include the Florida Citrus Recovery Block Grant Program. A review of the block grant program will be presented in a separate OIG audit report (03702-0001-22).

²⁵ The audit team selected our samples in Florida based on WHIP payment data as of July 2, 2019.

²⁶ The audit team selected our samples in Georgia based on WHIP payment data as of April 24, 2019.

²⁷ The \$219 million payment total for Florida and Georgia differs from the \$204 million referenced in Finding 1, footnote 8 of this report because the \$204 million reflects the total WHIP payments issued as of November 20, 2019, to producers in Florida and Georgia for hurricane and wildfire events, excluding WHIP payments that were approved for extreme cold and Tropical Storm Cindy.

- Reviewed each of our 73 sampled WHIP files to determine whether: (1) issued payments were accurate; (2) the agency complied with established procedures; and (3) second-party reviews were effective; and
- Discussed the results of sample file reviews, findings, and potential recommendations with FSA officials.

During the course of our audit, we obtained data from the agency information system for selecting our non-statistical sample to review.²⁸ We assessed data reliability by: (1) manually re-calculating WHIP payments for each of our sampled producer files to verify the payment calculation function in the WHIP program software was accurate; (2) interviewing agency officials knowledgeable about the data; and (3) comparing the results of our observations to agency data that captured those results. We determined that the data were sufficiently reliable for the purposes of this report. We also verified whether the Common Payment System was properly tracking individuals' total WHIP payments received and not allowing anyone a payment above their respective payment limitations.^{29, 30} We performed this verification by: (1) reviewing the data to verify that no payments over \$900,000 were issued; and (2) observing within our sampled files where payments were appropriately limited by the system. We did not identify any issues during this verification. However, we did not assess the overall reliability of any FSA information system to carry out WHIP activities, as we did not rely solely on its data to support the reported findings, conclusions, and recommendations. Evaluating the effectiveness of information systems or information technology controls was not part of the audit objective.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

²⁸ The audit team pulled our non-statistical sample using data obtained from the Common Payment System.

²⁹ The Common Payment System is used to apply a standardized process for issuing program benefits and payments to participating producers.

³⁰ Each eligible producer that requested WHIP benefits was subject to a payment limitation of either \$125,000 (if less than 75 percent of their average AGI was derived from farming, ranching, or forestry) or \$900,000 (if at least 75 percent of their average AGI was derived from farming, ranching, or forestry).

Abbreviations

AGI	Adjusted Gross Income
BBA	Bipartisan Budget Act of 2018
COC	County Committee
COVID-19.....	coronavirus disease
FSA	Farm Service Agency
OIG	Office of Inspector General
OMB	Office of Management and Budget
TAP	Tree Assistance Program
USDA.....	Department of Agriculture
WHIP	Wildfires and Hurricanes Indemnity Program

Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

Finding	Recommendation	Description	Amount	Category
1	1	WHIP payments to producers who did not submit signed applications by the established deadline.	\$98,244,146 ³¹	Questioned Costs, No Recovery Recommended
2	2	Overpayments to producers due to eligibility, calculation, and certification issues.	\$4,268,395	Questioned Costs, Recovery Recommended
2	3	Underpayments to producers due to calculation issues.	\$96,003	Underpayments and Over Collections
2	4	WHIP payments to producers based on conflicting certified information.	\$3,703,484	Questioned Costs, Recovery Recommended
Total			\$106,312,028	

³¹ The total amount of \$103,164,407 referenced in Finding 1 was reduced by \$4,920,261 to reflect that amount of overlap between the payments identified in Finding 1 and the questioned amounts of payments identified in Finding 2. The \$4,920,261 represents the questioned payment amounts for some of the samples we reviewed with \$1,963,467, \$92,450, and \$2,864,344 contained within the totals for Recommendations 2, 3, and 4 respectively.

Exhibit B: Sites Visited

This exhibit shows the name and location of FSA sites OIG visited.

Name	Location
FSA National Office	Washington, D.C.
Florida State FSA Office	Gainesville, Florida
Georgia State FSA Office	Athens, Georgia
Highlands County Field Office	Okeechobee, Florida
Miami-Dade County Field Office	Florida City, Florida
Polk County Field Office	Bartow, Florida
Coffee County Field Office	Douglas, Georgia
Colquitt County Field Office	Moultrie, Georgia
Worth County Field Office	Sylvester, Georgia

**AGENCY'S
RESPONSE TO AUDIT REPORT**



United States Department of Agriculture

Farm Production
and Conservation

Farm Service
Agency

Farm Programs

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DATE: September 23, 2020

TO: Gil H. Harden
Assistant Inspector General for Audit, OIG

FROM: Richard Fordyce /s/ **Richard Fordyce**
Administrator

SUBJECT: OIG Audit 03702-0002-31 – 2017 Wildfires and Hurricanes Indemnity Program

OIG's official draft report of the 2017 Wildfires and Hurricanes Indemnity Program audit provides two findings and corresponding OIG recommendations. Listed below are OIG's findings, recommendations and FSA's responses.

OIG FINDING 1: Register Approval and Documentation

OIG Recommendation 1:

Establish a policy whereby any deviations from established procedures are clearly documented and approved by appropriate levels of management.

FSA Response to Recommendation 1:

FSA concurs with this recommendation. Any deviations from established procedures will be provided to states by written documentation via notices and/or amendments to handbooks.

OIG Finding 2: FSA Needs to Improve WHIP Guidance and Oversight

Recommendation 2:

Assess, confirm, and recover the previously issued improper WHIP payments of \$4,268,395 to program participants.

FSA's Response to Recommendation 2:

FSA will review improper 2017 WHIP payments and will take appropriate corrective actions. The process has already started and is expected to be completed by November 30, 2020.

Recommendation 3:

Assess, confirm, and issue \$96,003 in WHIP payments to producers that were determined to be underpaid.

FSA's Response to Recommendation 3:

FSA will review improper WHIP payments and will take appropriate corrective actions. The process has already started and is expected to be completed by November 30, 2020.

Recommendation 4:

Review supporting documentation for the questioned \$3,703,484 in WHIP payments made based on conflicting certified information and take appropriate action on any payments that are determined to be improper.

FSA's Response to Recommendation 4:

FSA has and will continue to provide training to State and County Offices to ensure they are aware of program eligibility and documentation requirements to ensure payments are proper. FSA has conducted trainings to target some of the issues during August and September 2020. Additional trainings will be scheduled and conducted, as needed, based on observations made by national office staff associated with program delivery and questions received from field staff. A CCC-770 WHIP Checklist has been provided which assists employees to ensure applications are completed thoroughly with less administrative data missing. The CCC-770 WHIP Checklist may be completed prior to issuing WHIP payment and to help fulfill and document 2nd party reviews.

Corrective action on improper payments is expected to be completed by November 30, 2020.

Recommendation 5:

Strengthen program guidance and controls in the WHIP handbook to ensure that second-party reviews of payments are adequately and consistently performed and documented.

Response to Recommendation 5:

FSA concurs with recommendation 5. 1-WHIP subparagraph 4E requires second party reviews be performed prior to payment. Additional guidance has recently been released to the field to require 1 second party review per employee per week. The estimated completion date for this is November 30, 2020.

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