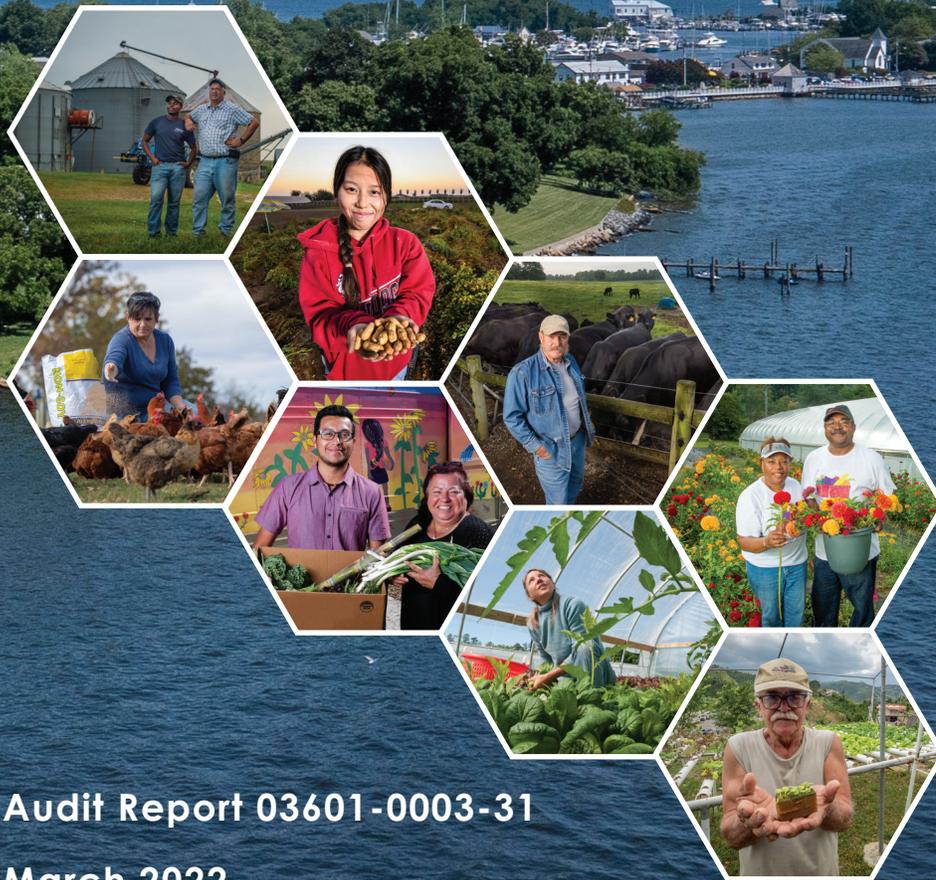




# Market Facilitation Program



Audit Report 03601-0003-31

March 2022

# Market Facilitation Program

## Audit Report 03601-0003-31

We evaluated FSA's administration of MFP. Specifically, we evaluated FSA's oversight of producer eligibility and certifications, as well as the accuracy of MFP payments.

### OBJECTIVE

Our objective was to evaluate FSA's administration of MFP. Specifically, we evaluated FSA's oversight of producer eligibility and certifications, and the accuracy of MFP payments.

### REVIEWED

We reviewed producer file information; analyzed payment accuracy; reviewed laws, regulations, agency instructions and notices, and other relevant documentation; requested and obtained production and acreage data; and interviewed FSA officials.

### RECOMMENDS

FSA should strengthen controls to improve payment accuracy for programs reliant on producer certifications; evaluate whether automated procedures reduce program vulnerabilities; review the 21 producers who received overpayments and take appropriate action; and improve monitoring over its production record standards.

### WHAT OIG FOUND

On July 24, 2018, the United States Department of Agriculture (USDA) announced a trade mitigation package of up to \$12 billion to assist producers impacted by increased tariffs. On May 23, 2019, the Secretary announced a second trade mitigation package to provide up to an additional \$16 billion in support. As part of the trade mitigation packages, the Farm Service Agency (FSA) administered the Market Facilitation Program (MFP). FSA administers farm loan, commodity, conservation, and disaster assistance programs. MFP was a direct payment, temporary assistance program to producers of covered agricultural commodities. We did not identify any issues regarding producer eligibility and certifications, except for issues with certified production and acreage amounts, which affected payment accuracy.

During our review of 100 randomly sampled producers who received MFP payments, we identified that producer records did not always fully support the amounts claimed on producer applications. Based on our sample, we estimated that FSA overpaid an estimated 150,313 producers by more than \$57.2 million total.

We also found that, when performing a spot check of an MFP producer, an FSA county official did not accurately apply updated agency guidance on acceptable forms of production evidence. This reduced the effectiveness of FSA's spot checks and one of the four producers in our sample subject to FSA spot checks received an overpayment that FSA did not identify. FSA concurred with our findings and recommendations and we accepted management decision on all recommendations.





## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** March 9, 2022

**AUDIT**

**NUMBER:** 03601-0003-31

**TO:** Zach Ducheneaux  
Administrator  
Farm Service Agency

**ATTN:** Gary Weishaar  
Branch Chief  
External Audits and Investigation Division

**FROM:** Gil H. Harden  
Assistant Inspector General for Audit

**SUBJECT:** Market Facilitation 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 all four audit recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

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

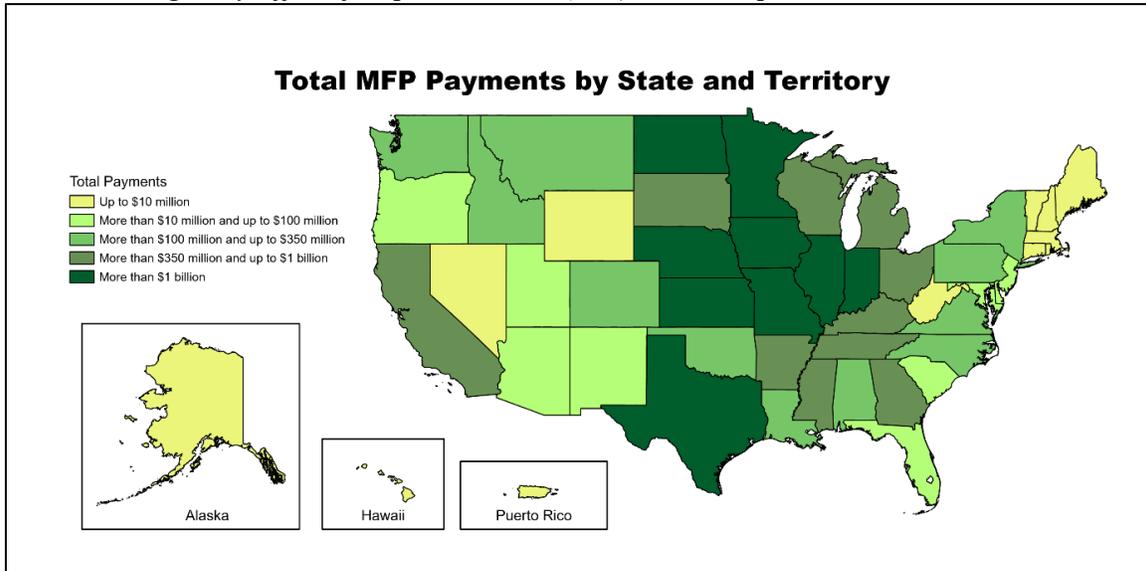
## Background

On July 24, 2018, the United States Department of Agriculture (USDA) announced that, in response to trade damage caused by increased tariffs by foreign trading partners, it would be offering a trade mitigation package of up to \$12 billion to assist impacted producers.<sup>1</sup> As the tariffs continued into the following year, on May 23, 2019, the Secretary announced a second trade mitigation package to provide up to an additional \$16 billion in support.<sup>2</sup>

As part of these trade mitigation packages, the Farm Service Agency (FSA) administered the Market Facilitation Program (MFP). FSA’s mission is to equitably serve all producers and agricultural partners by delivering effective, efficient agricultural programs to all Americans. To fulfill this mission, the agency administers farm loan, commodity, conservation, and disaster assistance programs. MFP was a temporary assistance program by which FSA provided direct payments to producers of covered agricultural commodities.

Across the two program years—2018 and 2019—FSA distributed over \$23 billion in MFP payments to producers in all 50 States and Puerto Rico. These payments were made to more than 715,000 producers of 38 eligible commodities, including non-specialty crops (grains and oilseeds), specialty crops (nuts and fruits), and livestock products (hogs and dairy).

**Figure 1: Geographic Disbursement of Total 2018 and 2019 MFP Payments**  
*Figure by Office of Inspector General (OIG) based on April 27, 2020 FSA data.*



<sup>1</sup> USDA Press Release No. 0151.18, “USDA Assists Farmers Impacted by Unjustified Retaliation” (July 24, 2018).

<sup>2</sup> USDA Press Release No. 0078.19, “USDA Announces Support for Farmers Impacted by Unjustified Retaliation and Trade Disruption” (May 23, 2019).

For producers, the process for receiving an MFP payment involved applying for the program within the required timeframe and demonstrating their eligibility to FSA.<sup>3, 4</sup> FSA made MFP applications available to all producers via its farmers.gov website. Additionally, FSA instructed its county office officials to publicize MFP.<sup>5</sup> Information required from producers on MFP applications included commodities planted, produced, or owned, as well as the amount of production or number of eligible acres. Producers who both completed an MFP application and met the program's requirements were eligible to receive a payment.

The FSA national office established procedures, instructions, and forms used in administering MFP. For 2018 MFP, FSA administered MFP primarily through a series of 15 notices issued between September 4, 2018, and June 21, 2019. For 2019 MFP, FSA developed a handbook issued on August 9, 2019. FSA county offices and county committees were responsible for accepting and processing applications for MFP from producers. Specifically, their responsibilities included reviewing, approving or rejecting MFP applications, and ensuring producers met all program eligibility requirements. The county officials were also responsible for spot checks, which are compliance reviews that look at production evidence and the accuracy of information entered on FSA forms used to determine MFP payments.

### ***2018 MFP***

In program year 2018, producers could receive payments for five non-specialty crops, two specialty crops, and hogs and dairy.<sup>6</sup> To apply for payments, producers self-certified their actual production of crops, dairy, and/or the number of hogs they owned. Producers were not required to provide any form of production evidence upon applying, but were required to provide it in the event of a spot check.

For 2018, MFP payments were capped on a per-person or per-legal-entity basis at a combined \$125,000, separately, for each of the three categories (non-specialty crops, specialty crops, and hogs and dairy), with an overall maximum of \$375,000 per applicant.

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<sup>3</sup> The sign-up period for program year 2018 was September 4, 2018, through February 14, 2019. The sign-up period for program year 2019 was July 29, 2019, through December 20, 2019.

<sup>4</sup> Specifically, to be eligible for an MFP payment, producers had to have met the following criteria: (1) had an ownership interest in an eligible commodity; (2) had an adjusted gross income that did not exceed \$900,000 or an adjusted gross income exceeding \$900,000 with at least 75 percent being derived from farming, ranching, or forestry-related activities; and (3) had compliance with conservation provisions. See 7 C.F.R. §§ 1400 (payment limitation and payment eligibility) and 1409 (amending MFP regulations for 2019 program assistance).

Conservation provisions include highly erodible land and wetland conservation requirements. In addition to these requirements, producers of certain commodities were required to provide significant contributions to the farming operation in order to be considered actively engaged.

<sup>5</sup> One method used to publicize MFP was sending postcards to all producers with a record of an MFP commodity on file with FSA.

<sup>6</sup> The non-specialty crops for program year 2018 were corn, cotton, sorghum, soybeans, and wheat. The specialty crops were fresh sweet cherries and shelled almonds.

## **2019 MFP**

For program year 2019, producers could receive payments for 26 non-specialty crops,<sup>7</sup> 10 specialty crops,<sup>8</sup> and hogs and dairy. To apply for payments, the process was the same except crop producers certified their acres planted, rather than the production yield. Dairy and hog producers continued to self-certify their production and/or the number of hogs owned. Specialty crops, and hogs and dairy, retained their national MFP payment rates, but at different values than in 2018. Non-specialty crops were handled in an entirely different manner than in 2018. As in 2018, producers were not required to provide any form of production evidence upon applying, but were required to provide it in the event of a spot check.

In 2019, MFP payments for non-specialty crops shifted from commodity-specific payment rates to county-level payment rates; specifically, FSA established a single payment rate per county ranging from \$15 to \$150 per acre for non-specialty crops. USDA made this change, in part, to minimize influencing producer crop choices, since most plantings had not occurred when the Department announced the second year of the program.

To establish county-level payment rates for non-specialty crops, USDA estimated the trade damage and then derived commodity-specific payment rates to establish a single, per-acre MFP payment rate based on historical average county planted acres, yields, and crop mixes. Using FSA systems that routinely capture yearly acres planted by crop, FSA calculated eligible acres planted with all MFP-eligible, non-specialty crops in 2019. This amount could not exceed 2018 planted acres, except in limited circumstances, where FSA was responsible for making the calculation. Each producer was ultimately responsible for the number of non-specialty acres certified on the application.

For program year 2019, a person or legal entity could receive a combined \$250,000, separately, for each of the three categories (non-specialty crops, specialty crops, and hogs and dairy). No producer could receive more than \$500,000 combined across all three commodity groups.

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<sup>7</sup> The 26 non-specialty crops for program year 2019 were: alfalfa hay, barley, canola, chickpeas-large and small, corn, cotton, crambe, dried beans, dry peas, flaxseed, lentils, millet, mustard seed, oats, peanuts, rapeseed, rice-long and medium grain, rye, safflower, sesame seed, sorghum, soybeans, sunflower seed, temperate japonica rice, triticale, and wheat.

<sup>8</sup> The 10 specialty crops for program year 2019 were: almonds, cranberries, cultivated ginseng, fresh grapes, fresh sweet cherries, hazelnuts, macadamia nuts, pecans, pistachios, and walnuts.

## Objectives

Our objective was to evaluate FSA’s administration of MFP. Specifically, we evaluated FSA’s oversight of producer eligibility and certifications, as well as the accuracy of MFP payments.

We did not identify any issues regarding producer eligibility and certifications, except for issues with certified production and acreage amounts, which affected payment accuracy. In addition, we determined the distribution of MFP payments by demographics and geographic area. We issued an interim report with our conclusions regarding the distribution of payments on September 30, 2020.<sup>9</sup>

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<sup>9</sup> Audit Report 03601-0003-31(1), *Market Facilitation Program – Interim Report*, September 2020. This report is available on OIG’s website at: [03601-0003-31\(1\) \(usda.gov\)](https://www.usda.gov/audit-reports/03601-0003-31(1)).

## **Finding 1: FSA Needs to Strengthen Controls Over the Accuracy of Producer Certifications**

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We reviewed 100 randomly sampled MFP producers and identified that producer records did not always fully support the amounts claimed on their applications. Specifically, records for 21 producers supported less production or acreage than the amount certified on the applications.<sup>10</sup> This occurred because FSA controls did not prevent producers from erroneously certifying production levels or eligible acres on their applications. Based on our sample, we estimated that FSA overpaid an estimated 150,313 producers by a total of more than \$57.2 million.<sup>11</sup>

For MFP, in both program years 2018 and 2019, producers certified that all information entered on their application forms was “true and correct.”<sup>12</sup> For 2018 MFP, producers were to certify to their actual production and, for 2019, producers of non-specialty crops were to certify their acreage planted.<sup>13</sup> In both years, when producers applied, they were not required to provide evidence to support their application, but they were required to provide supporting documentation upon request.<sup>14</sup> While each producer was ultimately responsible for the amounts they certified, FSA is responsible for the design, implementation, and operating effectiveness of its internal control systems.<sup>15</sup>

In our analysis of the 100 sampled producers, we requested and reviewed documentation supporting MFP applications. When we compared the information certified on the applications with the supporting documents obtained, we identified differences with 21 of the samples.

For 2018 MFP, while program guidelines state that when production is sold, producers should be paid for net production, we found four instances where producers certified and were paid for their gross production totals.<sup>16</sup> Also, for 2018 MFP, 16 producers provided documentation that supported less production than the producers certified on their applications. Finally, for 2019 MFP, we found one instance where a producer’s supporting records showed less eligible acreage than the producer certified on their application. Since payments were based on the erroneous, higher amounts stated on the applications, we found FSA made overpayments to 21 producers: 17 producers were overpaid for a single commodity, while 4 were overpaid for 2 commodities each. We identified that these 21 producers received a total of \$7,992 in overpayments, ranging from \$1.83 to \$1,992.

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<sup>10</sup> As a percentage of the payment received, the 21 producers were overpaid by between .01 percent and 59.7 percent. The mean overpayment was 6.6 percent.

<sup>11</sup> We are 95 percent confident that that between 96,595 and 216,818 producers (13.495 and 30.291 percent, respectively) were overpaid by between \$24,337,720 and \$119,655,031 (0.105 percent and 0.518 percent, respectively). See Exhibit C for additional information.

<sup>12</sup> Forms CCC-910 and CCC-913, the applications for 2018 MFP and 2019 MFP, respectively.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

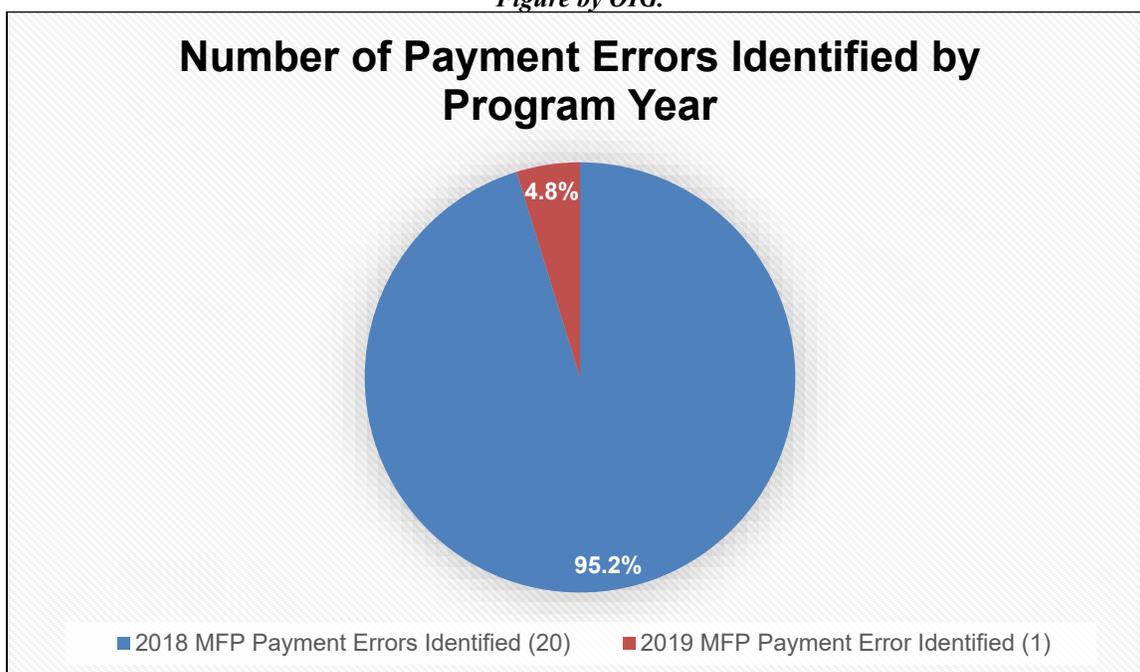
<sup>15</sup> USDA Departmental Regulation 1110-002, Management’s Responsibility for Internal Control (Jun. 17, 2013).

<sup>16</sup> Gross is the total without deductions, while net is the amount remaining after any deductions.

We reached out to officials in each of the affected FSA county offices regarding the 21 producers we determined were overpaid and discussed our calculations, based on the supporting documents we obtained. The county officials agreed the producers were overpaid. County officials emphasized that program guidelines allowed producers to self-certify their production and provide support later upon request, for instance if the producer was selected for review.

We noted that, while the 2018 MFP relied on producers to provide the production totals used in calculating payments, the 2019 MFP used automated processes to calculate most payments.<sup>17</sup> Of the 21 producers we identified with erroneous production levels or eligible acres, 20 of the producers were overpaid as part of 2018 MFP. In contrast, we identified only one producer overpaid as part of 2019 MFP. Based on the lower rate of errors in the more automated program environment, it appears the more automated process FSA used in 2019 may correlate with a reduction in errors. National program officials noted that 2018 MFP allowed for producers to self-certify production, but characterized the systems for 2019 as more seamless and integrated.

**Figure 2: The 21 Payment Errors OIG Identified, by Year**  
*Figure by OIG.*



One of FSA’s strategic goals is to “provide a financial safety net for America’s farmers and ranchers to sustain economically viable agricultural production.” To achieve that goal, FSA is called upon to develop programs such as MFP. Although MFP was a temporary program, FSA may administer future programs that also rely upon producer certifications.<sup>18</sup> Accordingly, when implementing similar programs in the future, FSA should strengthen controls over the accuracy of producer certifications. For example, making it clear on the application when net production,

<sup>17</sup> In 2019, MFP payments for non-specialty crops were based on a single county payment rate multiplied by a farm’s total plantings of eligible crops in aggregate. Planting amounts are regularly captured in FSA systems.

<sup>18</sup> E.g., FSA implemented the Coronavirus Food Assistance Program in 2020, which includes self-certification by producers.

as opposed to gross production, should be entered may prevent instances of producers certifying incorrectly.<sup>19</sup> Finally, FSA should resolve the \$7,992 in overpayments we identified, in accordance with its standard practices.

## **Recommendation 1**

Conduct a review of MFP policies and guidance to identify controls over producer self-certifications that could be strengthened and used in future programs to improve payment accuracy.

### **Agency Response**

FSA stated it agrees with the finding and recommendation. Although FSA's MFP was developed in a manner to not be continued or funded for additional fiscal years, future FSA production loss and disaster programs will utilize self-certification to provide a safety net for America's farmers and ranchers.

To assist in strengthening and mitigating potential risks that are associated with a self-certification process, FSA will complete actions including a review of MFP and similar production self-certified type programs and their policies to determine where adjustments are needed to continue to be inclusive of those who participate in economic market assistance programs while improving controls over payment accuracy and acceptable documentation to support certified ownership share of production for payment. The analysis estimated completion date is September 30, 2022.

### **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 2**

Conduct a review to evaluate the effects of using regularly captured data and automated processes on program vulnerabilities, and document the results for use in designing future programs.

### **Agency Response**

FSA stated it agrees with the finding and recommendation. With the evolution of current and the development of new programs, FSA is continually evaluating how to better utilize automated processes and data collection activities to improve program delivery and manage risk for future programs.

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<sup>19</sup> For 2018 MFP, net production was to be used when production was actually sold, while gross production could be used if the production was used for seed or feed.

In the future, FSA will utilize the Internal Review Document and Tracking System to ensure reviews are being completed timely and results are monitored and evaluated to ensure program policies are being followed. The estimated completion date for future program reviews/spot-checks incorporation into the Internal Review Document and Tracking System will be determined annually by multiple factors to include, but not be limited to, risk vulnerabilities, funding priorities, compliance verifications, etc.

In a subsequent email, the agency confirmed the estimated completion date is March 1, 2023.

### **OIG Position**

We accept management decision for this recommendation.

## **Recommendation 3**

Review the 21 producers with overpayments OIG identified as totaling \$7,992, and establish bills for collection or other corrective actions, as appropriate.

### **Agency Response**

FSA stated it agrees with the finding and recommendation. Corrective action was taken by establishing receivables and notifying the producer in writing of the demand for repayment including applicable appeal rights. This corrective action is consistent with all programs administered by FSA when an overpayment or program violation is discovered.

FSA has taken corrective action on (4) of the payments by establishing receivables totaling \$2,058, notifying the producer in writing of the demand for repayment including applicable appeal rights, and resulting in the receivables being collected in full through offsets of other program payments. These actions were completed before the end of fiscal year 2021.

Of the (21) producers overpaid, (10) of the overpayments are less than \$25, totaling \$68, and are eligible to be written off according to the Debt Collection Improvement Act. Receivables will be established for the small balances and subsequently written off for accounting reporting purposes. Receivables will be established for the remaining seven overpayments not previously established prior to the close of the MFP application and payment system. The applicable producers will be notified in writing of the amounts owed and applicable appeal rights. Estimated completion date is June 30, 2022.

### **OIG Position**

We accept management decision for this recommendation.

## Finding 2: FSA Should Improve Communication When Evidence Standards Change

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When performing a spot check of a producer participating in MFP, an FSA county official did not accurately apply updated agency guidance on acceptable forms of production evidence. This occurred because FSA officials did not adequately communicate the policy change made in April 2019, which established more restrictive guidance on what to accept from producers as evidence of their production. This reduced the effectiveness of FSA’s spot checks. One of the four producers in our sample subject to FSA spot checks received an overpayment of more than \$1,900 that FSA did not identify.<sup>20</sup>

In September 2018, FSA issued its first notice regarding MFP (“MFP-1”),<sup>21</sup> which included a list of acceptable forms of production evidence in the event of a spot check. Subsequently, in April 2019, FSA issued detailed instructions for spot checks of MFP applications in notice “MFP-10.”<sup>22</sup> MFP-10 did not repeat the list of acceptable forms of production evidence from MFP-1; rather, it required the use of guidelines in “1-NAP,” an FSA handbook used for a different program.<sup>23</sup> 1-NAP specifically defines what constitutes “verifiable” production records.<sup>24</sup>

In reviewing acceptable forms of production evidence under MFP-1 and MFP-10 (the latter of which incorporates 1-NAP), we noted certain differences. For production that was sold or otherwise disposed of through commercial channels, 1-NAP limited acceptable production records to “commercial receipts, settlement sheets, warehouse ledger sheets, pick records, or load summaries.” In contrast, MFP-1 included additional sources of production evidence not mentioned in 1-NAP, such as crop insurance production records, combine yield monitor records, and “other” (which MFP-1 does not define further). Some of the sources listed in MFP-1 originate with the producer, at the time of planting, and do not show actual production harvested. Under MFP-10/1-NAP, such sources are not verifiable.

While MFP-1 allowed FSA to accept pre-harvest records as production evidence, MFP-10 required records dated to the time of harvest and showing disposition of production. Based on this comparison, we concluded that the standards in MFP-10 were more verifiable and rigorous than those in MFP-1. When we discussed this with FSA county office and national program officials, they agreed that FSA should follow the more rigorous MFP-10 production evidence standards stated in 1-NAP. We determined that, when implementing similar programs in the future, FSA should use the more rigorous production evidence standard from the start.

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<sup>20</sup> This overpayment is included in the amounts discussed in Finding 1.

<sup>21</sup> USDA FSA, *2018 Market Facilitation Program (MFP)*, Notice MFP-1 (Sept. 2018). Hereafter referred to as “MFP-1.”

<sup>22</sup> USDA FSA, *Performing Compliance Reviews of CCC-910, Market Facilitation Program (MFP) Applications*, Notice MFP-10 (Apr. 2019). Hereafter referred to as “MFP-10.”

<sup>23</sup> USDA FSA, *Noninsured Crop Disaster Assistance Program for 2015 and Subsequent Years (1-NAP) Rev.2*, 601, “Records of Production” (Feb. 2015). Hereafter referred to as “1-NAP.”

<sup>24</sup> Verifiable records of production evidence are “contemporaneous records provided by the producer that may be verified [...] through an independent source, are used to substantiate the amount of production reported” and “show disposition of the crop’s production, including both quantity and price” (1-NAP 601.B, “Acceptable Records”).

While MFP-10 does not expressly rescind the production evidence standard in MFP-1, one national program official stated that, when policy appears to be contradictory, the most current notice serves as the prevailing policy. However, when we reviewed the results of the spot checks FSA county office officials conducted regarding 2018 MFP payments, the officials did not always apply the updated standard. Out of the four spot checked producers in our sample,<sup>25</sup> one FSA county office official accepted production evidence, after the updated standard had been established, that did not meet the updated standard. After obtaining and reviewing the more reliable and verifiable actual production evidence documented at the time of harvest or point of sale for this producer, including scale tickets, settlement sheets, and delivery receipts, we identified this producer was overpaid by more than \$1,900.<sup>26</sup>

We determined that FSA did not clearly communicate the change in acceptable evidence standards to staff. Through discussion with the county official, we identified that the county did not have a correct understanding of the updated production evidence standard in place at the time the spot check was conducted. We also noted that, although superseded by MFP-10, the sources listed in MFP-1 remained visible in later notices.<sup>27</sup>

OIG recognizes that MFP has ended. However, we concluded that, if FSA updates any policy during the course of operating a current or future program that requires spot checks, it needs to fully communicate the change to all affected parties. By expressly communicating how to handle evidence that is no longer acceptable when evidence standards change, and not allowing superseded sources to remain visible in later guidance, FSA could better ensure county officials understand how to handle forms of evidence that are less verifiable and acceptable.

## **Recommendation 4**

Propose a plan with reasonable timeframes to periodically monitor whether any new or temporary FSA programs reliant on production evidence use or depart from using 1-NAP production evidence standards. The plan should ensure that departures from 1-NAP are documented and changes in policy are adequately communicated.

### **Agency Response**

FSA stated it agrees with the finding. In the future, when deviating from 1-NAP production evidence standards, the Agency will clearly articulate changes and ensure employees receive training via agency notices, amendments to handbook regulations and assist participants with messaged producer correspondence (i.e., letters, postcards, and tutorials). New or temporary FSA programs will be bi-annually monitored to ensure deviations continue to be communicated properly.

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<sup>25</sup> FSA conducted more than 60,000 spot checks out of the universe of more than 715,000 producers. Our random sample of 100 producers included 4 producers where FSA performed a spot check.

<sup>26</sup> This overpayment is included in the amounts discussed in Finding 1.

<sup>27</sup> See screenshots included in USDA FSA, *Recording Compliance Reviews in Market Facilitation Program (MFP) Application Software*, Notice MFP-13 (May 2019) and USDA FSA, *Recording Compliance Reviews in Market Facilitation Program (MFP) Application Software*, Notice MFP-14 (May 2019).

In a subsequent email, the agency confirmed the estimated completion date is March 1, 2023.

**OIG Position**

We accept management decision for this recommendation.

## Scope and Methodology

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Our audit evaluated FSA's administration of MFP. Specifically, we evaluated FSA's oversight of producer eligibility and certifications, as well as the accuracy of MFP payments.<sup>28</sup> The audit covered MFP program years 2018 and 2019. We initiated fieldwork in April 2020 and completed it in November 2021. Due to health and safety concerns related to the coronavirus disease 2019 pandemic, we conducted the audit remotely using digital copies of files obtained from FSA county office officials. Our audit covered MFP producers in 27 States. See Exhibit B for a listing of the number of producers in our sample, by State.

FSA issued more than \$8.65 billion for 2018 MFP and more than \$14.53 billion for 2019 MFP as of August 23, 2021, for a total of more than \$23.18 billion. In order to evaluate FSA's administration of MFP, we selected a representative random statistical sample of 100 producers from the universe of 715,778 producers who had received an MFP payment by September 8, 2020.<sup>29</sup> As of our sample date, FSA had already issued more than \$23.08 billion in MFP payments, more than 99.5 percent of the total paid as of August 23, 2021.

In order to evaluate FSA's oversight of producer eligibility, certifications, and payment accuracy, we obtained and reviewed the 100 selected producers' MFP information, as applicable. The information included source documents such as applications, production records, FSA payment records, and other related documents. Because producers were able to receive MFP payments for multiple commodities in both years, the data included records for a total of 249 payments. We compared and analyzed the information and data, e.g. calculation worksheets, disbursements, applications, and other related supporting documents for the payments and producers, and evaluated the oversight and payment accuracy.

To accomplish our objectives we also:

- reviewed producer file information provided by FSA county office officials and determined accuracy, completeness, and timeliness of MFP applications;
- analyzed accuracy of payments and noted all discrepancies;
- reviewed laws, regulations, agency instructions and notices, and other relevant documentation;
- requested and obtained production and acreage data, as applicable; and
- interviewed FSA national, State, and county office officials regarding the issues we found during our audit to obtain their position and response.

To conduct this audit, we obtained data from FSA's information system. The Common Payment system contains common processes for payments for FSA program applications. We assessed the reliability of the FSA-provided data by: (1) comparing data regarding total amounts paid for 2018 and 2019 MFP with detailed payment records provided by FSA; (2) manually re-calculating MFP payments for each of our sampled producer files to verify the payment

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<sup>28</sup> We issued an interim report September 30, 2020, that evaluated the distribution of MFP payments by demographic and geographic area. The report provided our results related to FSA's demographic data collection policies.

<sup>29</sup> See Exhibit C for additional description of the sampling methodology.

calculation function in FSA’s system was accurate; (3) interviewing agency officials knowledgeable about the data; and (4) comparing supporting documentation to the information contained in the agency data for accuracy. We determined that the data were sufficiently reliable for the purposes of this report. However, we did not assess the overall reliability of any FSA information systems, as we did not rely solely on system 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 relied on the work of specialists from OIG’s Office of Analytics and Innovation to develop the sampling methodology, select a statistical sample of MFP producers, and project results based on the findings from the statistical sample review, as well as to develop the map presenting the disbursement of MFP payments. We obtained documentation to ensure the specialists were qualified professionally, competent in the work we relied upon, and met independence standards.

We assessed internal controls to satisfy the audit objectives. Our assessment included internal control components and principles of the Standards for Internal Control in the Federal Government.<sup>30</sup> In particular, we assessed the following components and underlying principles:

<b>Component</b>	<b>Principle</b>
<b>Control Activities</b>	Management should design control activities to achieve objectives and respond to risks.
<b>Control Activities</b>	Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
<b>Information and Communication</b>	Management should use quality information to achieve the entity's objectives.
<b>Information and Communication</b>	Management should internally communicate the necessary quality information to achieve the entity's objectives.
<b>Information and Communication</b>	Management should externally communicate the necessary quality information to achieve the entity's objectives.

However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>30</sup> United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

## Abbreviations

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1-NAP .....	USDA FSA, <i>Noninsured Crop Disaster Assistance Program for 2015 and Subsequent Years (1-NAP) Rev.2, 601, “Records of Production”</i> (Feb. 2015).
FSA .....	Farm Service Agency
MFP.....	Market Facilitation Program
MFP-1 .....	USDA FSA, <i>2018 Market Facilitation Program (MFP)</i> , Notice MFP-1 (Sept. 2018)
MFP-10 .....	USDA FSA, <i>Performing Compliance Reviews of CCC-910, Market Facilitation Program (MFP) Applications</i> , Notice MFP-10 (Apr. 2019)
OIG .....	Office of Inspector General
USDA.....	United States Department of Agriculture

## Exhibit A: Summary of Monetary Results

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

<b>Finding</b>	<b>Recommendation</b>	<b>Description</b>	<b>Amount</b>	<b>Category</b>
<b>1</b>	<b>1</b>	Overpayment of MFP Funds to Program Applicants	\$57,199,419 <sup>31</sup>	Questioned Costs, No Recovery
<b>1</b>	<b>3</b>	Overpayment of MFP Funds to Program Applicants	\$7,992	Questioned Costs, Recovery Recommended
<b>Total</b>			\$57,207,411	

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<sup>31</sup> We reduced the \$57,207,411 point estimate for our statistical projection by \$7,992 in order to avoid double counting the amount recommended for recovery.

## Exhibit B: Sampled Producers by State

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State	Number of Statistically Sampled Producers
Alabama	2
Arkansas	2
California	3
Georgia	1
Idaho	1
Illinois	8
Indiana	5
Iowa	15
Kansas	8
Kentucky	1
Louisiana	1
Maryland	2
Michigan	2
Minnesota	3
Mississippi	1
Missouri	5
Montana	1
Nebraska	12
North Carolina	3
Ohio	7
Oklahoma	4
Oregon	1
Pennsylvania	3
South Dakota	2
Texas	5
Washington	1
Wisconsin	1
<b>TOTAL</b>	<b>100</b>

## Exhibit C: Sampling Methodology for Market Facilitation Program Audit

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### Objective

This statistical sample was designed to support OIG Audit 03601-0003-31. The objective of the audit was to evaluate FSA’s administration of MFP. Specifically, we evaluated FSA’s oversight of producer eligibility and certifications, as well as the accuracy of MFP payments.<sup>32</sup>

To help achieve this objective, we selected a representative random statistical sample of 100 producers who received MFP payments.

### Audit Universe

The universe comprised all 715,778 producers who received MFP payments as of September 8, 2020.

### Sample Design<sup>33</sup>

We considered various sample designs and ultimately chose to audit 100 producers randomly selected without replacement from those in the audit universe.<sup>34</sup>

The sample size was determined based on the following factors:

- audit universe: 715,778 producers;
- confidence level: we wanted to report two-tailed, 95 percent confidence intervals;
- precision: we wanted to report confidence intervals no wider than 20 percent (for example, average precision of 10 percent or less); and
- expected exception rate: we did not have reliable historical information to help estimate this. So, to be conservative, we assumed the exception rate might be near or equal to 50 percent since the closer to 50 percent, the less precise the confidence interval for a given sample (or alternatively, the larger the sample needed to achieve a given precision).

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<sup>32</sup> An additional objective of the original audit was to determine the distribution of MFP payments by demographic and geographic area. A report addressing this objective was issued as Audit Report 03601-0003-31(1) *Market Facilitation Program—Interim Report* (September 2020) and did not involve a sample.

<sup>33</sup> This statistical design is provided as evidence of the statistical sample and projections. It is simply an explanation of statistics involved with the audit work and results. This is not a reflection of the monetary results of this audit report. See Exhibit A and the related findings for the actual monetary results.

<sup>34</sup> Audit Command Language was used to select this simple random sample “on record” with sample parameters “random” and the Mersenne Twister algorithm (with a random seed of 34315).

## Results

Since the portion of producers overpaid was significantly less than 50 percent, the confidence interval for the number of producers overpaid was based on the hypergeometric distribution.<sup>35</sup> Due to high levels of kurtosis and skewness,<sup>36</sup> the confidence interval for dollars overpaid was based on empirical likelihood with a Bartlett correction.<sup>37</sup>

### Statistical Estimates

100 producers who were paid \$3,618,613 selected from a universe of 715,778 who were paid \$23,086,958,215 through MFP as of September 8, 2020						
Actual number of producers & dollars overpaid in sample	In the audit universe:				Based on sample observations	
	Estimate	95% confidence limits		Average precision (U – L) ÷ 2	Kurtosis	Skewness
		Lower (L)	Upper (U)			
21	150,313	96,595	216,818		0.09165	1.44576
21.000%	21.000%	13.495%	30.291%	8.398%		
\$7,992	\$57,207,411	\$24,337,720	\$119,655,031		24.68103	4.87504
0.221%	0.248%	0.105%	0.518%	0.206%		

<sup>35</sup> The hypergeometric distribution describes the probability of choosing objects with a certain feature without replacement from a finite population that contains objects with that feature.

<sup>36</sup> In contrast, a normal distribution's kurtosis is 3 and its skewness is 0. Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the center point. Kurtosis is a measure of whether the data are heavy-tailed or light-tailed relative to a normal distribution. Data sets with high kurtosis tend to have heavy tails, or outliers. Data sets with low kurtosis tend to have light tails, or lack of outliers.

<sup>37</sup> For dollar related projections, we used an empirical likelihood method consistent with that described by Alan H. Kvanli and Robert Schauer in endnote 15 of "Is Your Agency Too Conservative? Deriving More Reliable Confidence Intervals," *Journal of Government Financial Management*, Vol. 54, Summer 2005, pages 30–37. In addition, we incorporated the following adjustments, which caused the limits on dollar amounts to be slightly more conservative (i.e., widened the confidence interval).

- The 2.7055 (chi-square for 90 percent) was replaced with 3.937116911 (F for 95 percent, with 1 and 99 degrees of freedom).
- Bartlett correction for kurtosis ( $k$ ) and skewness ( $s$ ):  $1/(1 - \alpha/n)$  with  $\alpha = (k + 3)/2 - s^2/3$ .

In combination, these adjustments result in calculations consistent with Kvanli and Schauer (2005, endnote 15) except each 2.7055 is replaced with  $4.184794077 = 3.937116911 \times 1/(1 - \alpha/100)$ . With R's *emplik* package installed and loaded, the following code produces the confidence interval for dollars overpaid.

```
sam1<- c(116.86,11.64,881.68,690.37,29.76,195.07,1992.87,1.83,1848.30,5.56,154.57,95.40,209.
31,8.87,6.61,8.55,429.92,1222.65,3.24,14.49,64.79, rep(0,79))
mul<-mean(sam1)
myfun<-function(theta,x){el.test(x,mu=theta)}
l1<- 4.184794077
confidence interval 1<-findUL(fun=myfun,MLE=mean(sam1),level=l1,x=sam1)
c(ci1$Low, ci1$Up)*715778
```

## **Interpreting the results**

Based on our sample, we estimate 150,313 of the 715,778 producers (21 percent) in the audit universe were paid for more production than producers supported, causing FSA to overpay an estimated \$57,207,411 (0.248 percent of the total paid). We are 95 percent confident between 96,595 and 216,818 producers (13.495 and 30.291 percent, respectively) were overpaid between \$24,337,720 and \$119,655,031 (0.105 and 0.518 percent, respectively).



**FSA's  
Response to Audit Report**





Farm Production  
and Conservation

Farm Service  
Agency

1400 Independence  
Ave., SW  
Washington DC  
20250-0510

**DATE:** March 1, 2022  
**TO:** Gil H. Harden  
Assistant Inspector General for Audit, OIG  
**FROM:** Zach Ducheneaux /s/  
Administrator, Farm Service Agency

**SUBJECT:** Official Draft Response for OIG Audit 03601-0003-31, Market Facilitation Program

The U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) appreciates the opportunity to respond to the USDA Office of Inspector General (OIG) draft report of the Market Facilitation Program (MFP) 03601-0003-31 dated December 10, 2021. The purpose of the audit was to examine USDA's administration of MFP, for program years 2018 and 2019.

In addition to technical comments previously provided to OIG by e-mail, FSA has addressed the four OIG recommendations which will be implemented for future ad hoc assistance programs and, if necessary, existing programs.

**Finding 1: FSA Needs to Strengthen Controls Over the Accuracy of Producer Certifications**

**Recommendation 1:** Conduct a review of MFP policies and guidance to identify controls over producer self-certifications that could be strengthened and used in future programs to improve payment accuracy.

**FSA Response:** FSA agrees with the finding and recommendation, as stated in the report. Although FSA's MFP was developed in a manner to not be continued or funded for additional fiscal years, future FSA production loss and disaster programs will undoubtedly utilize self-certification to provide a safety net for America's farmers and ranchers.

To assist in strengthening and mitigating potential risks that are associated with a self-certification process, FSA will complete the following:

- a review of MFP and similar production self-certified type programs and their policies to determine where adjustments are needed to continue to be inclusive of those who participate in economic market assistance programs while improving controls over payment accuracy and acceptable documentation to support certified ownership share of production for payment. The analysis estimated completion date is September 30, 2022.

- continue to collaborate with supporting farm program divisions to identify and assess risk characteristics that may include payment eligibility, as well as program eligibility, for a more complete risk-based approach in selecting samples (i.e., compliance activities in the Safety Net Division and automated activities in Program Delivery Division).
- continue to annually utilize spot-check mechanisms and data analytics and employ automated system processes to identify potential self-certification outliers and other possible risks.
- continue to annually review program guidance and forms to ensure they are streamlined and clearly identify the information required by the applicant (i.e., gross production vs. net production).

**Recommendation 2:** Conduct a review to evaluate the effects of using regularly captured data and automated processes on program vulnerabilities and document the results for use in designing future programs.

**FSA Response:** FSA agrees with the finding and recommendation, as stated in the report.

With the evolution of current and the development of new programs, FSA is continually evaluating how to better utilize automated processes and data collection activities to improve program delivery and manage risk for future programs.

In the future, FSA will utilize the Internal Review Document and Tracking System (IRDTS) to ensure reviews are being completed timely and results are monitored and evaluated to ensure program policies are being followed. FSA's IRDTS is a centralized automated internal control tracking system that allows management at all levels to complete and track program audits and reviews. Utilizing the IRDTS solution to document program reviews enables FSA to plan, sample program records, conduct assessment reviews, monitor review follow-up, and document the results.

Additional objectives will be:

- to make our policies more flexible and inclusive for producer eligibility and participation, to assist in improving processes,
- to identify areas where additional employee training and producer education and awareness is needed,
- to understanding trends and system issues occurring at the county and state levels.

The estimated completion date for future program reviews/spot-checks incorporation into IRDTS will be determined annually by multiple factors to include, but not be limited to, risk vulnerabilities, funding priorities, compliance verifications, etc.

**Recommendation 3:** Review the 21 producers with overpayments OIG identified as totaling \$7,992 and establish bills for collection or other corrective actions, as appropriate.

**FSA Response:** FSA agrees with the finding and recommendation, as stated in the report. Corrective action was taken by establishing receivables and notifying the producer in writing of the demand for repayment including applicable appeal rights. This corrective action is consistent with all programs administered by FSA when an overpayment or program violation is discovered.

FSA has taken corrective action on (4) of the payments by establishing receivables totaling \$2,058, notifying the producer in writing of the demand for repayment including applicable appeal rights, and resulting in the receivables being collected in full through offsets of other program payments. These actions were completed before the end of FY2021.

Of the (21) producers overpaid, (10) of the overpayments are less than \$25, totaling \$68, and are eligible to be written off according to the Debt Collection Improvement Act. Receivables will be established for the small balances and subsequently written off for accounting reporting purposes. Receivables will be established for the remaining seven overpayments not previously established prior to the close of the MFP application and payment system. The applicable producers will be notified in writing of the amounts owed and applicable appeal rights. Estimated completion date is June 30, 2022.

## **Finding 2: FSA Should Improve Communication When Evidence Standards Change**

**Recommendation 4:** Propose a plan with reasonable timeframes to periodically monitor whether any new or temporary FSA programs reliant on production evidence use or depart from using 1-NAP production evidence standards. The plan should ensure that departures from 1-NAP are documented and changes in policy are adequately communicated.”

**FSA Response:** As stated in the report, the agency agrees with the finding. In the future, when deviating from 1-NAP production evidence standards, the Agency will clearly articulate changes and ensure employees receive training via agency notices, amendments to handbook regulations and assist participants with messaged producer correspondence (i.e., letters, postcards, and tutorials). New or temporary FSA programs will be bi-annually monitored to ensure deviations continue to be communicated properly.

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