



# COVID-19 - Coronavirus Food Assistance Program - Direct Support

## Inspection Report 03801-0001-31

We determined whether FSA provided timely and accurate CFAP direct payments to eligible recipients.

### OBJECTIVE

Our objective was to determine whether FSA provided timely and accurate CFAP direct payments to eligible recipients.

### REVIEWED

We interviewed FSA officials and reviewed: (1) applicable laws, regulations, agency instructions and notices, and other relevant documentation; (2) producer production data; and (3) producer eligibility information to evaluate FSA's actions on CFAP applications from May 26, 2020, to September 11, 2020.

### WHAT OIG FOUND

The Coronavirus Food Assistance Program (CFAP) is a Farm Service Agency (FSA) program that provided payments to producers of agricultural commodities so they could absorb the sales losses and increased marketing costs associated with the coronavirus disease 2019 (COVID-19) pandemic. FSA issued more than \$11.8 billion in CFAP payments.

We found that FSA made timely CFAP payments to eligible recipients. However, FSA made incorrect CFAP payments to 31 of the 99 sampled producers. In these instances, producers provided inaccurate certifications on their applications or did not provide support for their certifications as required. As a result, FSA issued more than \$1.28 million in questioned CFAP payments for commodities.

FSA concurred with our finding and recommendation. We accepted management decision for the recommendation.

### RECOMMENDS

We recommend FSA review and recover questioned CFAP payments.





## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** September 25, 2023

**INSPECTION**

**NUMBER:** 03801-0001-31

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

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

**FROM:** Janet Sorensen  
Assistant Inspector General for Audit

**SUBJECT:** COVID-19 - Coronavirus Food Assistance Program - Direct Support

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 the inspection recommendation 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 inspection fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>) in the near future.



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# Background and Objectives

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## Background

The United States Department of Agriculture (USDA) Farm Service Agency's (FSA) mission is to equitably serve all producers and agricultural partners by delivering effective, efficient agricultural programs to all Americans. The agency administers farm loan, commodity, conservation, and disaster assistance programs through 50 State offices, an area office in Puerto Rico, and more than 2,100 local and regional service centers to serve producers in the United States and its territories.

On April 17, 2020, USDA announced the Coronavirus Food Assistance Program (CFAP) in response to the coronavirus disease 2019 (COVID-19) pandemic.<sup>1</sup> USDA created CFAP to provide financial assistance to producers of agricultural commodities so they could absorb the sales losses and increased marketing costs associated with the pandemic. USDA authorized FSA to provide up to \$16 billion in direct payments to eligible producers through CFAP.<sup>2</sup>

The CFAP Final Rule<sup>3</sup> established eligibility requirements for CFAP participants.<sup>4</sup> Eligible commodities for CFAP included dairy, livestock (including cattle, pigs, and sheep), non-specialty crops (such as corn, soybeans, and wheat), certain specialty crops (such as strawberries and squash), and other commodities (including aquaculture, cut flowers, and nursery crops).

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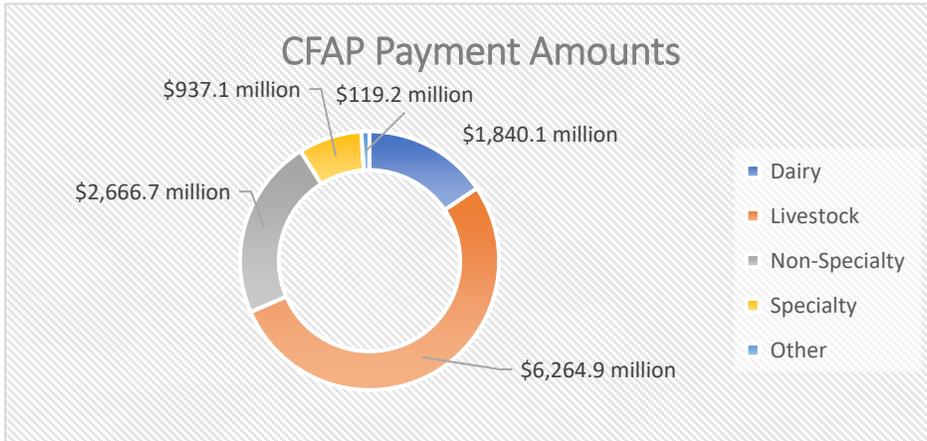
<sup>1</sup> This inspection covers CFAP applications from May 26, 2020, to September 11, 2020. FSA subsequently provided additional CFAP offerings that are not covered by this review.

<sup>2</sup> USDA used CFAP funding from two sources: \$9.5 billion provided under the Coronavirus Aid, Relief, and Economic Stability Act (15 U.S.C. 116 et seq.), and \$6.5 billion in Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.) funds.

<sup>3</sup> Coronavirus Food Assistance Program, 85 Fed. Reg. 30825 (May 21, 2020).

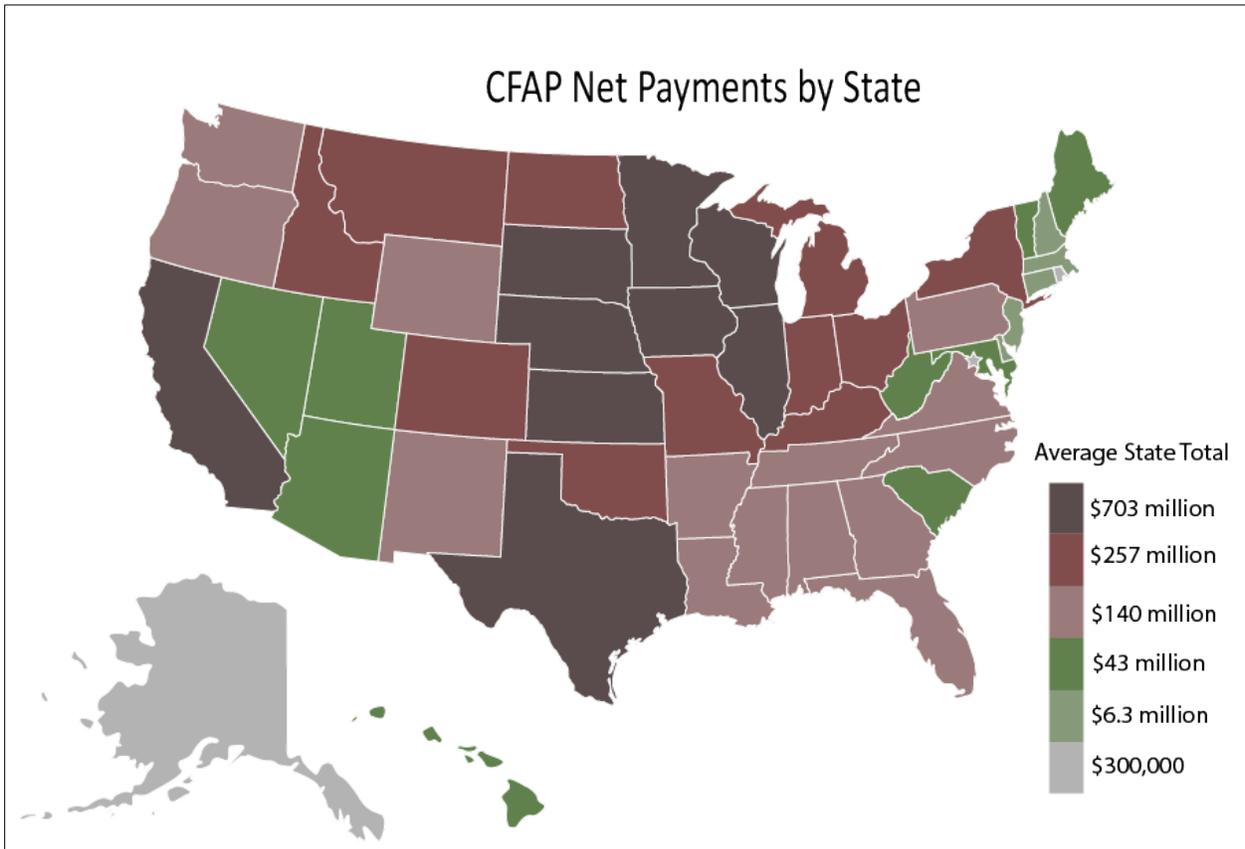
<sup>4</sup> To receive CFAP payments, producers were required to: (1) produce eligible agricultural commodities that suffered a 5-percent or greater price decline as a result of the coronavirus pandemic, or face substantial marketing costs for inventories; (2) have an average adjusted gross income of less than \$900,000 for tax years 2016, 2017, and 2018, or an adjusted gross income of which at least 75 percent derived from farming, ranching, or forestry; and (3) be in compliance with conservation provisions. Coronavirus Food Assistance Program, 85 Fed. Reg. 30825 (May 21, 2020).

**Figure 1: CFAP Payments Categorized by Commodity Category. Figure by the Office of Inspector General (OIG), Based on May 3, 2023, USDA Data.**



As of May 3, 2023, FSA issued CFAP payments to more than 646,000 producers across all 50 States and 5 territories.<sup>5</sup>

**Figure 2: CFAP Payments by State. Figure by OIG, Based on May 3, 2023, USDA Data.**



<sup>5</sup> These 5 territories are American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the United States Virgin Islands. Net CFAP payments to these territories totaled more than \$72.7 million.

Producers were able to apply for CFAP with multiple commodities, provided they had a valid share<sup>6</sup> in each commodity. Therefore, many producers received multiple CFAP payments. We present a summary of the number of payments made to producers in our file review sample in Exhibit C and the commodities for which these producers received payments in Exhibit D. A person or legal entity could receive up to \$250,000 in total payments across all eligible CFAP commodities. However, corporate entities<sup>7</sup> could receive up to \$750,000 if at least three of their individual owners or shareholders met certain requirements.<sup>8</sup>

## Objectives

Our objective was to determine whether FSA provided timely and accurate CFAP direct payments to eligible recipients.

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<sup>6</sup> An eligible producer is a person or legal entity who shares in the risk of producing a crop or livestock and who is entitled to a share in the crop or livestock available for marketing or would have shared had the crop or livestock been produced and marketed. USDA FSA, *Coronavirus Food Assistance Program*, §15A, “Eligible Producer,” 1-CFAP (May 2020).

<sup>7</sup> For purposes of CFAP, corporate entities include corporations, limited liability companies, and limited partnerships. *Coronavirus Food Assistance Program*, 85 Fed. Reg. 30825 (May 21, 2020).

<sup>8</sup> *Coronavirus Food Assistance Program*, 85 Fed. Reg. 30825 (May 21, 2020).

## **Objective Part 1: Did FSA Provide Timely CFAP Payments?**

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We found that FSA paid our sampled producers timely in accordance with prompt payment guidance.<sup>9</sup> We identified that FSA did not pay 1 of the 99 producers we reviewed within 30 days after producers provided all required documents;<sup>10</sup> however, we are not taking exception to this single late payment because it was attributed to COVID-19 pandemic restrictions in the office.

## **Objective Part 2: Did FSA Provide CFAP Payments to Eligible Recipients?**

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We found that the 99 producers in our CFAP sample met adjusted gross income limitations and compliance requirements for highly erodible land and wetland conservation.

## **Objective Part 3: Did FSA Provide Accurate CFAP Payments?**

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We found that FSA did not make correct CFAP payments to 31 of the 99 producers that we reviewed. These incorrect payments occurred because producers provided inaccurate certifications on their applications or did not provide support for their certifications as required.<sup>11</sup> As a result, we questioned FSA CFAP payments totaling more than \$1.28 million to these 31 producers.

FSA Handbook 1-CFAP states that producers were responsible for accurately reporting all required information, as applicable, on their CFAP application. In addition, producers were required to retain documentation in support of their application and allow USDA representatives to inspect, examine, and make copies of books, records, or other items for the purpose of confirming the accuracy of the information provided by the producer.<sup>12</sup>

In our review of the 99 sampled producers, we requested and reviewed documentation supporting the producers' CFAP applications. Depending on the commodity, producers certified their production, sales, inventory on hand, and inventory that was unable to be sold due to market disruptions. We identified that 31 of the samples did not provide adequate documentation to substantiate the amount certified on their application. Accordingly, we questioned a portion, or in some cases the entire payments FSA made, to these 31 producers, depending on the documentation provided.

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<sup>9</sup> USDA FSA, *Handling Prompt Payment Interest Penalties*, 61-FI (Revision 2) (June 2017).

<sup>10</sup> Required documents include Form AD-3114, Coronavirus Food Assistance Program (CFAP) Application; Form CCC-941, Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information; Form AD-1026, Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification; and Form CCC-902, Farm Operating Plan for Payment Eligibility (if applicable).

<sup>11</sup> CFAP producers were paid based on self-certified production, sales, inventories, and/or acreage, as applicable, and were to submit documentation to substantiate amounts only if requested. USDA FSA, *Coronavirus Food Assistance Program*, §51B, "Reviewing and Acting on AD-3114's," 1-CFAP (May 2020).

<sup>12</sup> USDA FSA, *Coronavirus Food Assistance Program*, §3G, "Producer Responsibilities," 1-CFAP (May 2020).

Among the sampled producers, for example, we found a producer that claimed sales of more than 200 head of cattle sold during the subject period, but supported less than 50 percent of those claimed, resulting in an overpayment of more than \$23,000. Another producer overstated their strawberry sales by more than 19 percent while also overstating their strawberry and squash production not sold by more than 95 percent, for a total overpayment of more than \$28,000. Seven other producers received a total of more than \$1.1 million, yet provided no documentation to support the amounts claimed on their applications.

We discussed the payments and related supporting documentation for all 31 producers with FSA and reached agreement on the identified issues. We referred all of these questioned producers to FSA for review and establishing bills for collection.

## **Recommendation 1**

Review and recover the questioned CFAP payments of \$1,286,786 resulting from inaccurate and/or unsupported producer certifications.

### **Agency Response**

FSA concurs with the recommendation. On April 13, 2023, FSA held a conference call with State Office CFAP Specialists with responsibility for the thirty-one (31) producers identified as inaccurate. The specialists were instructed to work with the local county office staff to conduct a full review of the CFAP applications and establish collections for producers with unsupported claims. Reviews have been completed for the CFAP applications in question. Based on these reviews, twenty-eight (28) out of thirty-one (31) producers did not have adequate documentation to substantiate the amounts certified on their applications. State Specialists were instructed to work with local county office staff to establish collections for the twenty-eight (28) unsupported claims. The account receivables were established for the total amount of approximately \$985,228.80. The review of the supporting documentation for the additional three (3) producers in the amount of \$301,557.24 is accurate. These producers were not overpaid. The three (3) cases (Louisiana, South Carolina, and Tennessee), that the local county committee reviewed demonstrating all supporting evidence provided by the producer determined no overpayment of CFAP funds.

### **OIG Position**

We accept management decision for this recommendation.

## Scope and Methodology

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We conducted this inspection to determine if FSA provided timely and accurate CFAP payments to eligible participants. The inspection covered CFAP applications from May 26, 2020, to September 11, 2020. We performed this inspection remotely, and we conducted fieldwork from October 2020 to July 2023.

To evaluate FSA's administration of CFAP, we relied on the work of specialists from OIG's Office of Analytics and Innovation to develop the sampling methodology and select a statistical sample of CFAP producers from the universe of more than 637,000 producers who had received a CFAP payment. See Exhibit B for our sampling methodology. As noted in Exhibit B, the sample selected did not meet the parameters of the sample design; therefore, we did not project the results of the sample to the population. We concluded that our sample was sufficient to meet the inspection objectives.

As of October 26, 2020, FSA had issued more than \$10.3 billion in CFAP payments of the \$11.8 billion total paid as of May 3, 2023. We reviewed 99 randomly selected CFAP producers from 35 States, with total payments of more than \$15.6 million. See Exhibit C for a map of sampled producers by State. We obtained documentation to ensure that the specialists were qualified professionally and competent in the work we relied on, and that they met independence standards.

To accomplish our objective, we:

- Reviewed laws, regulations, agency instructions and notices, and other relevant documentation, as well as gained an understanding of the program through discussions with FSA officials;
- Obtained and reviewed production data, as applicable;
- Reviewed producer file information provided by FSA county officials and/or producers to determine eligibility of recipients, and the timeliness and accuracy of payments; and
- Discussed issues found during our inspection with FSA national and county office officials to obtain their position and response.

To conduct this inspection, we obtained data from FSA's information system. We assessed the reliability of the FSA-provided data by comparing: (1) the data obtained with publicly available CFAP data for completeness, and (2) the data obtained with sampled files for accuracy.

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we obtain sufficient, competent, and relevant evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our inspection objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our inspection objectives. We discussed our findings with FSA management and included their comments as appropriate.

## Abbreviations

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CFAP .....	Coronavirus Food Assistance Program
COVID-19.....	coronavirus disease 2019 pandemic
FSA .....	Farm Service Agency
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 inspection 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>	Payments made to producers who did not substantiate amounts claimed	\$1,286,786	Questioned Costs and Loans, Recovery Recommended
<b>Total</b>			<b>\$1,286,786</b>	

## **Exhibit B: Sampling Methodology**

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### **Objective**

This sample was designed to support the OIG inspection of FSA's CFAP designed to provide vital assistance to producers of agricultural commodities who have suffered at least a 5-percent price decline or who had losses because of market supply chain disruptions due to COVID-19 and faced additional significant market costs. The objective of this inspection was to determine whether FSA provided timely and accurate CFAP direct payments to eligible recipients. A simple random sample of producers was designed to review several criteria related to program eligibility, as well as accuracy and timeliness of payments issued by FSA.

### **Inspection Universe**

The universe data was provided by the Farm Production and Conservation Business Center and consisted of 637,992 producers who received a total of \$10,302,576,437 CFAP net payments between May 26, 2020, and October 26, 2020.

### **Sample Design**

We considered various sample designs and ultimately decided on a simple random sample without replacement, which allows each sampling unit (i.e., producers) to have an equal probability of selection. A 50-percent error rate was used because we did not have any reliable historical information, and because it conservatively will produce the largest sample size needed to achieve a given precision. A sample size of 100 producers was calculated based on 95-percent confidence level,  $\pm 10$ -percent precision, and 50-percent error rate.

Due to ongoing investigative activity in one location at the time of our review, we removed 1,151 producers and associated net payments of \$34,669,155 from the inspection universe. This resulted in a final sample of 99 producers with associated net payments of \$15,643,244.

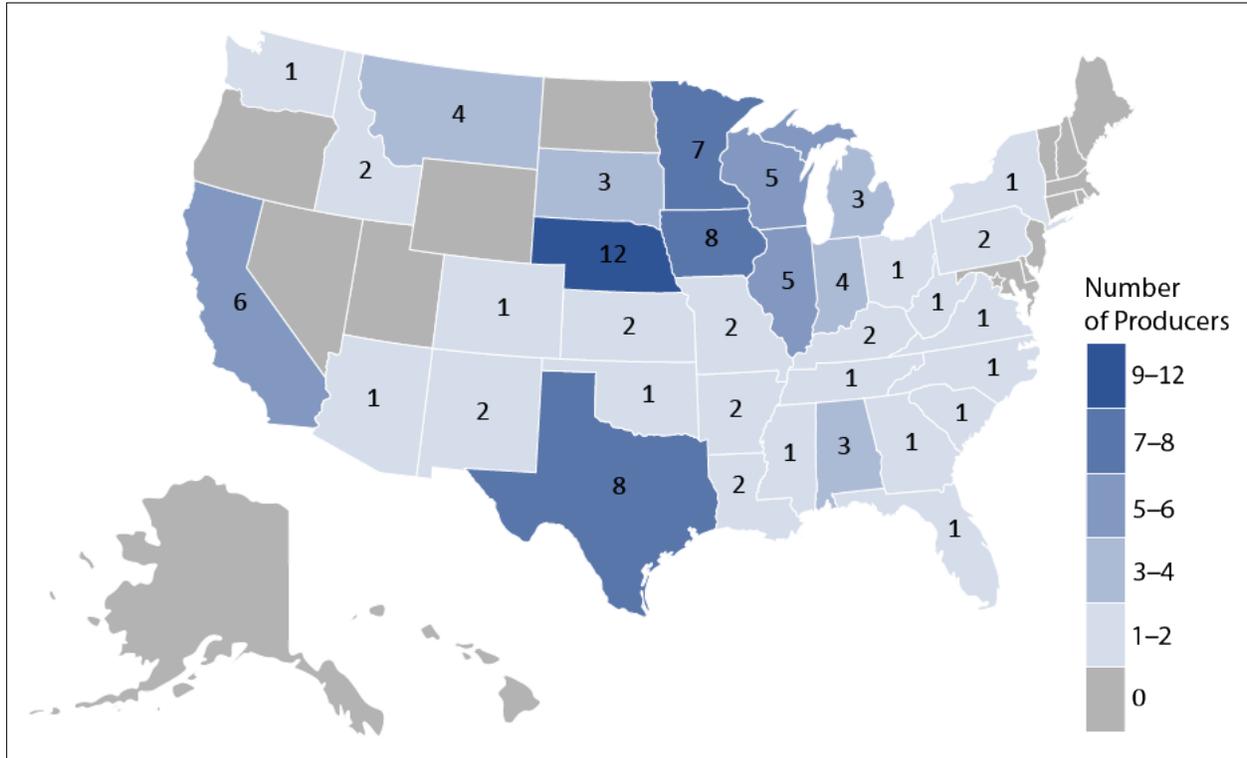
### **Results**

The sample selected did not meet the parameters of the sample design; therefore, we did not project the results of the sample to the population. We concluded that our sample was sufficient to meet the inspection objectives.

## Exhibit C: States and Producers in Our Sample

Our sample included producers selected from a total of 35 states. The map and chart below summarize the 99 producers included in our sample, by State.

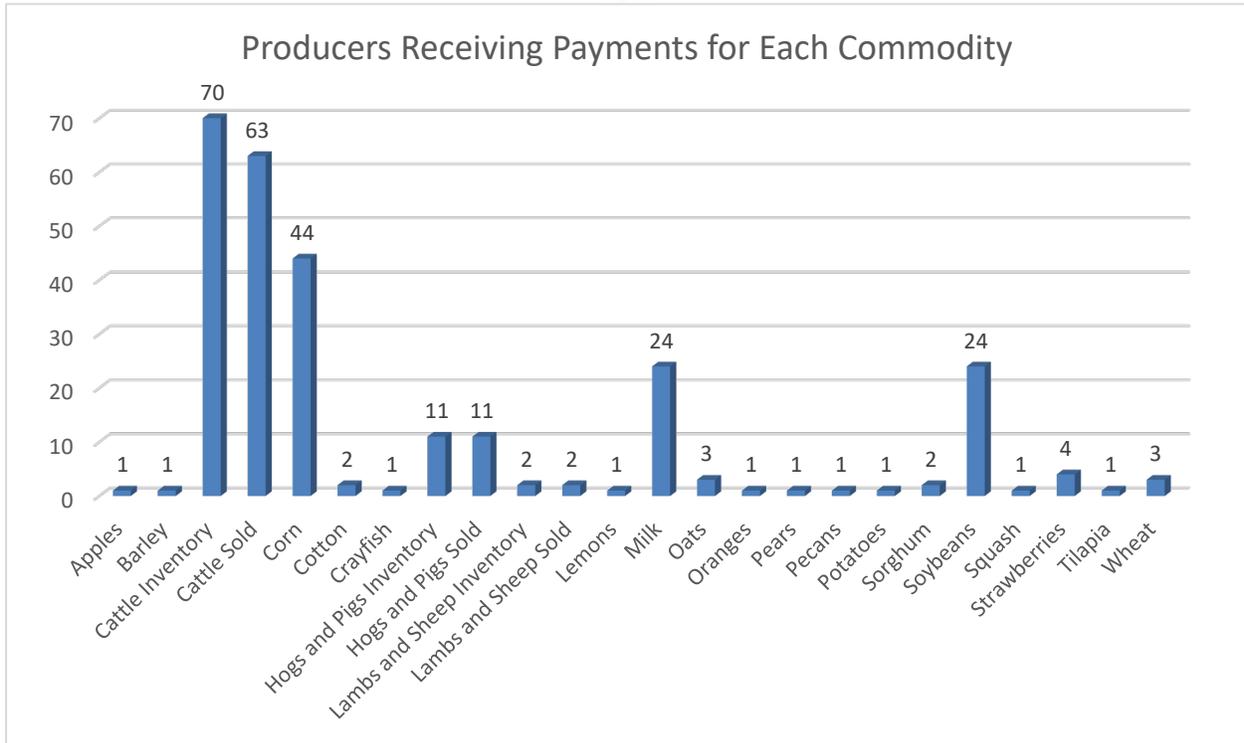
Figure 3: Summary of the producers in our sample by State. Figure by OIG.



## Exhibit D: Sampled Producers Paid by Commodity

The 99 producers in our sample received payments for 24 commodities as detailed in the figure below.

**Figure 4: Number of sampled producers that received at least one CFAP payment by commodity. Figure by OIG.**



## Exhibit E: Summary of Commodities for Which Sampled Payments Were Made

The 99 producers in our sample received 665 payments (275 unique commodity payments) across 24 commodities as detailed in the figure below. A number of producers received multiple payments for the same commodity. For example, different classes of livestock were calculated as separate payments (e.g., 70 producers received 210 total payments for cattle inventory). Producers in our sample received between 1 and 20 payments, with 95 producers receiving multiple payments.

Figure 5: Summary of the payments to sampled producers. Figure by OIG.

Commodity	Number of Payments
1 Apples	1
2 Barley	2
3 Cattle Inventory	210
4 Cattle Sold	191
5 Corn	88
6 Cotton	4
7 Crayfish	1
8 Hogs and Pigs Inventory	17
9 Hogs and Pigs Sold	17
10 Lambs and Sheep Inventory	3
11 Lambs and Sheep Sold	3
12 Lemons	1
13 Milk	48
14 Oats	6
15 Oranges	1
16 Pears	1
17 Pecans	2
18 Potatoes	2
19 Sorghum	4
20 Soybeans	48
21 Squash	2
22 Strawberries	6
23 Tilapia	1
24 Wheat	6
<b>Total</b>	<b>665</b>

**FSA's  
Response to Inspection Report**



Farm  
Production  
and  
Conservation

Farm  
Service  
Agency

Deputy Administrator for Farm Programs  
Mail stop code 0550 Room 3612  
1400 Independence Avenue, S.W.  
Washington, DC 20250

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**DATE:** August 30, 2023

**TO:** Janet Sorenson  
Assistant Inspector General for Audit  
Office of the Inspector General (OIG)

**FROM:** John J. Berge /s/  
Acting Administrator

**THROUGH:** Kimberly Graham /s/  
Acting Deputy Administrator for Farm Programs

**SUBJECT:** **OIG Inspection Report 03801-0001-31**  
**Title— COVID-19 - Coronavirus Food Assistance Program –**  
**Direct Support**

On July 26, 2023, OIG conducted an exit conference for the subject audit. The final draft report was issued on July 27, 2023. The inspection resulted in one recommendation. Please find the Farm Service Agency's (FSA) written response to this recommended action below.

#### **RECOMMENDATION 1**

Review and recover the questioned Coronavirus Food Assistance Program (CFAP) payments of \$1,286,786 resulting from inaccurate and/or unsupported producer certifications.

#### **AGENCY RESPONSE**

FSA concurs with the recommendation. On April 13, 2023, FSA held a conference call with State Office CFAP Specialists with responsibility for the thirty-one (31) producers identified as inaccurate. The specialists were instructed to work with the local county office staff to conduct a full review of the CFAP applications and establish collections for producers with unsupported claims. Reviews have been completed for the CFAP applications in question. Based on these reviews, twenty-eight (28) out of thirty-one (31) producers did not have adequate documentation to substantiate the amounts certified on their applications. State Specialists were instructed to work with local county office staff to establish collections for the twenty-eight (28) unsupported claims. The account receivables were established for the total amount of approximately \$985,228.80. The review of the supporting documentation for the additional three (3) producers in the amount of \$301,557.24 is accurate. These producers were not overpaid. The three (3) cases (Louisiana, South Carolina, and Tennessee), that the local county committee reviewed demonstrating all supporting evidence provided by the producer determined no overpayment of CFAP funds. The actual completion date for the notification of debt was August 11, 2023. An overview of the determinations for these three (3) samples can be supplied upon request.

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