

For: State Offices and Service Centers

FY 2004 CCC Financial Statement Audit

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A Purpose

KPMG LLP:

- is performing FY 2004 financial statement audit on behalf of the Office of Inspector General
- visited 12 County Offices and reviewed 217 payments made to producers for the 2001/2002 Crop Disaster Program (CDP), Conservation Reserve Program (CRP), Direct and Counter -Cyclical Program (DCP), and Milk Income Loss Contract (MILC).

This notice:

- reports CRP-related findings from the KPMG LLP financial statement audit
- provides State Offices and Service Centers with a list of CRP-related actions to remedy KPMG LLP financial statement audit findings.

Disposal Date	Distribution
October 1, 2005	State Offices; State Offices relay to Service Centers

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2 KPMG LLP Findings

A CRP-Related Findings

KMPG LLC CRP-related findings include the following.

- For 2 of the 120 payments reviewed related to DCP and CRP, CCC-526 was not on file.
- For 7 of 31 payments reviewed related to CRP, FSA-570 was not on file.
- For 1 of 29 CRP payments reviewed, the County Office did not correctly compute the cost-share payment. The error resulted in underpayments of \$3 and \$4 to the producer for underlying CRP payments of \$400 and \$399, respectively.
- For 1 of 31 CRP payments reviewed, the County Office did not correctly compute the cost-share payment. The error resulted in an overpayment of \$324 to the producer for an underlying CRP payment of \$808.
- For 1 of 29 CRP contracts reviewed, the farm number was incorrectly entered into the automated system.
- For 1 of 29 CRP contracts reviewed, the approved acres according to COC minutes were different than the acres actually enrolled.

B Cause

KMPG LLP reported that CED's at the County Offices with findings noted above attributed the errors and procedural noncompliance to oversight, poor documentation practices, workloads, and misplaced documentation.

C Effect

KMPG LLP reported that County Offices not in compliance with policies and procedures as they related to processing of producer payments and, as a result, program payments made to some producers are incorrect and some producer program files contain incomplete documentation. If pervasive, these issues could lead to financial misstatement and noncompliance with applicable laws and regulations.

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3 KPMG LLP Recommendations

A CRP-Related Recommendations

KMPG LLP CRP-related recommendations include the following.

- Program Technicians (PT's) should review producer files to ensure that all required forms and documents are obtained and approved by the County Office before disbursement. These documents should be retained in the producer file for as long as required by 25-AS.
- County Office employees with automated system input responsibilities should review source documentation to ensure that all data has been accurately entered and that the output appears reasonable.
- An individual other than the preparer should review the producer file and related program documentation for completeness and accuracy before disbursing payment.
- CED should perform periodic reviews of the work performed by PT's to ensure compliance with CCC's policies and procedures for proper financial management guidelines.

4 Action

A State Office and Service Center Action

State Offices and Service Centers must:

- review the contents of this notice
- review 2-CRP and 1-CONSV
- take corrective action as necessary to conform to 2-CRP and 1-CONSV.