

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

FY 2010 National CORP Review for Improper Payments for MILC Program

Approved by: Acting Deputy Administrator, Farm Programs



1 FY 2010 MILC Improper Payments

A Background

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

OMB defines an improper payment as;

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

FY 2010 IPIA reviews were designed to do the following:

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

Disposal Date	Distribution
December 1, 2011	State Offices; State Offices relay to County Offices and FAX to CMA's and DMA's

Notice LD-622

1 FY 2010 MILC Improper Payments (Continued)

A Background (Continued)

During the FY 2010 CORP review, it was determined that MILC IPIA error rates increased because of the lack of proper supporting documentation before disbursing a MILC payment. The following table provides the error rates.

Program Type	Year	Error Rate
MILC	2010	0.66 Percent
	2009	MILC Program not reviewed.
	2008	0.21 Percent

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

B Purpose

This notice:

- is being issued according to FSA's corrective action plan (CAP) as required under IPIA
- informs State and County Offices of FY 2010 CORP findings for 2009 MILC payments
- directs follow-up action within each State to ensure that all offices review the listed discovered errors and take any needed corrective action.

C Action

SED's shall ensure that:

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

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1 FY 2010 MILC Improper Payments (Continued)

D MILC CORP Findings

The following provides MILC CORP findings.

CORP Findings	
Finding	Payee share is incorrect.
Policy	11-LD, subparagraph 51 A, provides policy for modifying producer/shareholder information. Producers must complete and submit CCC-580M, Part D, when modifying producer/shareholder information on CCC-580. 11-LD, subparagraph 37 provides for a second party review of eligibility requirements and production evidence before issuing a monthly contract payment.
Finding	AGI certification shows payee as ineligible for payment.
Policy	11-LD, subparagraph 10 B, provides that for a dairy operation to be considered eligible to receive payments, the dairy operation must certify compliance with AGI requirements on CCC-926. 11-LD, subparagraph 12 C, provides that producers who certify on CCC-926 that their nonfarm average AGI exceeds \$500,000 are ineligible for MILC benefits. Producers are required to comply with the AGI requirement each applicable FY, according to 4-PL, Part 6.
Finding	Payment based on ineligible production.
Policy	11-LD, paragraph 13, provides policy for production eligibility. 11-LD, paragraph 41, provides requirements for verifiable production documentation. 11-LD, subparagraph 41 C, provides that verifiable production evidence includes, but is not limited to, the following: <ul style="list-style-type: none"> • milk marketing payment stubs • tank records • milk handler records • daily milk marketings • copies of any payments received as compensation from other sources.

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1 FY 2010 MILC Improper Payments (Continued)

D MILC CORP Findings (Continued)

Finding	Unauthorized start month paid.
Policy	<p>11-LD, paragraphs 25 and 27 provide production start month provisions. The production start month selection made by the dairy operation and designated on CCC-580 must be received in the County Office:</p> <ul style="list-style-type: none"> • on or before the 14th of the month before the production start month selected by the producers in the dairy operation <p style="padding-left: 40px;">Note: If the 14th of the month falls on a weekend, the dairy operation production start month selection must be made on the last business day preceding the weekend.</p> <ul style="list-style-type: none"> • before the Boston Class I fluid milk price of the month selected by the producers in the dairy operation is announced to the public <p>Production start month selection restrictions.</p> <p>A dairy operation cannot select a month for payment for which any of the following has occurred:</p> <ul style="list-style-type: none"> • has already begun • has already passed • no milk production was produced by the dairy operation.
Finding	AD-1026 for payee and/or affiliate lacks sufficient information to support eligibility flag.
Policy	11-LD, subparagraph 10 B, provides that for a dairy operation to be considered eligible to receive payments, the dairy operation must certify compliance with HELC and WC provisions on AD-1026. 11-LD, subparagraph 37 F, refers guidance on HELC and WC provisions to 6-CP. 6-CP, subparagraph 401 A, provides that AD-1026 certification is required for each producer who requests benefits under a program covered by HELC and WC provisions and their affiliates with farming interests. 6-CP, subparagraph 401 B, provides that affiliated persons of the producer who requests benefits must file AD-1026 according to AD-1026, page 3 and subparagraph 402 B.