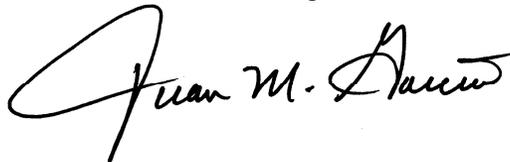


For: State and County Offices, CMA's, and DMA's

FY 2010 National CORP Review for Improper Payments for MAL's and LDP's

Approved by: Acting Deputy Administrator, Farm Programs



1 FY 2010 MAL and LDP Improper Payments

A Background

The Improper Payment Information Act of 2002 (IPIA) requires agencies to annually review their administered programs and activities to identify areas 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.”

Programs having significant improper payments are defined by OMB as annual improper payments exceeding **both** of the following:

- 2.5 percent of the total program payment amount
- \$10 million.

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
September 1, 2011	State Offices; State Offices relay to County Offices and FAX to CMA's and DMA's

Notice LP-2160

1 FY 2010 MAL and LDP Improper Payments (Continued)

A Background (Continued)

During the FY 2010 CORP review, the MAL IPIA error rate was .81 percent, down from 2.56 percent for the FY 2009 review. The FY 2010 LDP error rate was .44 percent, down from a .60 percent error rate for the FY 2008 review.

Program Type	Year	Error Rate
MAL's	2010	.81 percent
	2009	2.56 percent
LDP's	2010*	.44 percent

* LDP's were not reviewed in FY 2009.

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 as required under IPIA
- informs State and County Offices of FY 2010 CORP findings for the 2009 crop year MAL and LDP disbursements
- 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 program chiefs and specialists review this notice and all related CORP reports in detail to develop corrective action plans 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 any CORP reviews for the specified program
- applicable State Office program chiefs provide additional training where needed and CAP is implemented to reduce improper payments
- DD's, within their respective districts, shall review this notice with CED's and program technicians.

Notice LP-2160

2 Price Support CORP Findings for FY 2010

A MAL CORP Findings

The following provides MAL CORP findings.

CORP Findings	
Finding	Acceptable acreage report for all cropland is not on file at time of review.
Policy	<p>8-LP, subparagraph 201 A provides that producers who have not reported acreage on FSA-578, according to 2-CP, for the current crop year are ineligible for MAL. Also, 2-CP provides that FSA-578 must report all cropland on the farm to be eligible for loans.</p> <p>Exception: 8-LP, paragraph 1516 provides that wool producers who are not associated with a farm and do not have cropland, are not required to complete an acreage report on FSA-578.</p>
Finding	<p>Payee or payee’s authorized representative did not sign note before disbursement.</p> <p>All required signatures were not obtained on the storage note and security agreement before disbursement.</p>
Policy	<p>8-LP, subparagraph 509 B provides that the note and security agreement can be approved for disbursement when all required borrower signatures have been obtained. Also, see 1-CM for producer’s signature and authorization provisions.</p> <p>The CCC approval authority for MAL’s is provided in 8-LP, subparagraph 2 B. An agreement with CCC is not complete until all required signatures have been obtained.</p>
Finding	MAL quantity amount was not supported by acceptable documentation.
Policy	<p>8-LP, subparagraph 524 A, item 14 provides MAL quantity is determined by producer’s certification, measurement service, or net quantity shown on a warehouse receipt. Production evidence is required for MAL’s selected for spot check or loan quantity on which a market gain was received. 8-LP, subparagraph 335 C provides types of acceptable production evidence.</p> <p>Note: CCC-666, item 14 must be completed to document the basis for the producer’s quantity determination for all farm-stored MAL’s.</p>
Finding	Incorrect loan rate was used.
Policy	8-LP, subparagraph 506 A provides policy for determining a county loan rate for MAL’s. County Offices must ensure the MAL rate and quantity is accurate before disbursing MAL.

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2 Price Support CORP Findings for FY 2010 (Continued)

B LDP CORP Findings

The following provides LDP CORP findings.

CORP Findings	
Finding	LDP application is not on file.
Policy	8-LP, paragraph 1001 provides policy for LDP requests. LDP requests are complete when a County Office receives a completed and signed CCC-633 EZ, page 1 and page 2, 3, or 4, as applicable.
Finding	Producer did not have beneficial interest.
Policy	8-LP, paragraph 227 provides beneficial interest policy. A producer is considered ineligible for LDP if the producer does not have beneficial interest in the commodity at the time CCC-633 EZ, page 1 is filed. During the loan availability period, a producer requests payment for LDP by completing and submitting CCC-633 EZ, page 2, 3, or 4, as applicable.
Finding	Producer did not have risk in producing the commodity.
Policy	8-LP, paragraph 200 provides that an eligible producer is a person or entity that shares in the risk of producing the applicable commodity.
Finding	The commodity was not produced in the applicable crop year.
Policy	8-LP, paragraph 226 provides the final LDP availability date for eligible commodities. Example: Producers growing oats in the 2010 crop year must submit a completed LDP application by March 31, 2011, the final availability date for crop year 2010 oats.
Finding	LDP quantity is not supported by producer certification, measurement service, warehouse receipt, or other acceptable production evidence.
Policy	8-LP, subparagraph 1005 B provides acceptable LDP quantity determination methods. These include producer certification, measurement service, certifying date of delivery, or providing production evidence. Production evidence is required for LDP's selected for spot check. 8-LP, subparagraph 335 C provides types of acceptable production evidence. Note: For all certified LDP's, complete reasonableness checks according to 8-LP, paragraph 230.
Finding	The incorrect LDP rate was used.
Policy	8-LP, paragraph 1004 provides policy for determining the effective LDP rate. County Offices must ensure the LDP rate is correct before disbursing LDP. The applicable LDP rate is determined based on the earlier of the following: <ul style="list-style-type: none"> • date of the request if beneficial interest is retained • date of delivery if beneficial interest is retained • date beneficial interest is lost in the eligible commodity according to acceptable production evidence.