

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

FY 2011 National CORP Review for Improper Payments for MAL's

Approved by: Acting Deputy Administrator, Farm Programs



1 FY 2011 MAL 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.”

FY 2011 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
January 1, 2012	State Offices; State Offices relay to County Offices and FAX to CMA's and DMA's

Notice LP-2164

1 FY 2011 MAL Improper Payments (Continued)

A Background (Continued)

During the FY 2011 CORP review, the MAL IPIA error rate was .52 percent, down from .81 percent for the FY 2010 review.

Program Type	Year	Error Rate
MAL's	2010	.81 percent
	2011	.52 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 as required under IPIA
- informs State and County Offices of FY 2011 CORP findings for the 2010 crop year MAL 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 Office notices and program handbooks
- additional internal control procedures are developed to avoid findings indicated by any CORP reviews for the specified program according to 8-LP, subparagraph 23 A
- applicable State Office program divisions provide additional training where needed and implement CAP's to reduce improper payments
- DD's shall review this notice with CED's and program technicians within their respective districts.

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2 Price Support CORP Findings for FY 2011

A MAL CORP Findings

The following provides MAL CORP findings.

Description of Findings	Procedure Reference and Policy
The incorrect loan rate was used.	<p>8-LP, paragraphs 506 and 234.</p> <p>Subparagraph 506 A includes a chart which indicates how the loan rate for the different type of loan is determined.</p> <p>Subparagraph 506 B requires a second party review of all loan rates entered into APSS. The reviewer must initial and date the printed copy of loan rates as entered in APSS. Paragraph 234 address second party reviews for commodity eligibility. This paragraph will be amended to also have the reviewer check that the correct loan rate was used for all bins or receipts on the MAL's.</p>
Loan note and security agreement was not signed by payee before approval and payment.	<p>8-LP, subparagraph 509 B.</p> <p>A properly completed CCC-677 or CCC-678 must be signed by all borrowers and other individuals required to sign the agreement before it can be approved and disbursed. The employee authorized to sign on behalf of CCC shall have determined that the producer(s) and commodity are eligible for MAL.</p>
An acceptable acreage report for all cropland on the farm was not on file.	<p>8-LP, subparagraphs 200 and 201 A, and 2-CP, paragraphs 16 and 19.</p> <p>To be eligible for MAL (and LDP) benefits, producers must report acreage for all cropland on all of their farms according to 2-CP.</p> <p>This is a statutory requirement included in the Food, Conservation and Energy Act of 2008 (2008 Farm Bill) at Sec. 1106c(1).</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>