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Report to Congressional Committees

September 2022

CORONAVIRUS FOOD ASSISTANCE PROGRAM

USDA Should Conduct More Rigorous Reviews of Payments to Producers

GAO-22-104397

GAO Highlights

Highlights of GAO-22-104397, a report to congressional committees

September 2022

CORONAVIRUS FOOD ASSISTANCE PROGRAM

USDA Should Conduct More Rigorous Reviews of Payments to Producers

Why GAO Did This Study

To provide support for agricultural producers impacted by COVID-19, USDA distributed tens of billions of dollars in supplemental assistance to agricultural producers, such as farmers and ranchers. Part of this assistance was distributed under CFAP. USDA established CFAP to provide payments to producers that experienced price declines and higher costs to sell their commodities because of COVID-19.

Producers received payments based on signed statements certifying that the claims in their CFAP applications were correct. Producers also had to provide records supporting their claims to FSA and GAO, on request.

The CARES Act includes a provision for GAO to monitor and report on the federal response to the COVID-19 pandemic. In addition, GAO was asked to review CFAP payments and FSA's implementation and oversight of CFAP. This report examines (1) the distribution of CFAP payments, (2) the extent to which producers that GAO selected for review provided support for CFAP payments, and (3) the extent to which FSA verified producers' compliance with program rules.

GAO reviewed statutes, guidance, and other documents; analyzed FSA data on CFAP payments as of December 2021; reviewed CFAP claims and support from 90 producers that GAO selected based on risk factors; and interviewed agency officials.

What GAO Recommends

GAO is making four recommendations for FSA to conduct more rigorous reviews of CFAP applications. FSA generally agreed with the recommendations.

View GAO-22-104397. For more information, contact Steve D. Morris at (202) 512-3841 or Morriss@gao.gov.

What GAO Found

The Coronavirus Food Assistance Program (CFAP) provided producers $31.0 billion for various commodities. Specifically, the U.S. Department of Agriculture (USDA) paid producers $13.8 billion for field crops; $9.8 billion for livestock; $3.0 billion for dairy; and $4.4 billion for other commodities, such as fruits, tree nuts, and vegetables. Of the total, $661.5 million—primarily for livestock and other commodities—went to high-income producers whose average annual adjusted gross income exceeded $900,000 over a 3-year period.

GAO reviewed a nongeneralizable sample of 90 producers whose CFAP claims GAO considered to have risk factors for improper payments. Such factors include large claims for commodities for which the USDA agency that administered the program—the Farm Service Agency (FSA)—has limited knowledge because the commodities are not typically eligible for FSA's farm programs. GAO found that over half of the producers (48 of 90) that GAO reviewed did not provide full support for their payments. The payments are therefore potentially improper.

Producers That GAO Selected for Review That Received Coronavirus Food Assistance Program (CFAP) Payments, Including Potentially Improper Payments

Commodity	Number of producers	CFAP payments to producers (dollars)	Number of producers receiving potentially improper payments	Amount of potentially improper payments (dollars)
Livestock	44	78,172,476	24	45,094,863
Other commodities	24	39,337,428	15	26,095,044
Dairy	22	37,099,421	9	16,128,396
Total	**90**	**154,609,325**	**48**	**87,318,303**

Source: GAO analysis of Farm Service Agency data. | GAO-22-104397

Note: For more details, see table 4 in GAO-22-104397.

For example, 33 producers provided support (e.g., sales receipts) for a lesser amount than they claimed, and nine producers did not clearly establish ownership of commodities they claimed. In some cases, GAO found indicators of fraudulent activity to obtain the payments. GAO referred the 48 producers with potentially improper payments to USDA's Office of Inspector General.

FSA conducted spot-check reviews of CFAP payments to ensure that producers' claims were accurate, but these reviews had limitations. For example:

- Officials from FSA's national office selected producers for spot checks without fully considering risk factors, such as large claims for livestock.
- In spot checks, FSA county offices accepted producer-generated documents, such as spreadsheets, which are difficult to verify, as support for claims.
- FSA state offices did not monitor the quality of CFAP spot checks that the county offices conducted in 2021 and do not plan to monitor the quality of ongoing CFAP spot checks, according to FSA state officials.

By conducting additional and more rigorous reviews of producers' CFAP applications, FSA could better ensure the integrity of CFAP payments to producers impacted by the COVID-19 pandemic.

Contents

Tables

Figures

Abbreviations

AGI	adjusted gross income
Business Center	Farm Production and Conservation Business Center
CFAP	Coronavirus Food Assistance Program
FSA	Farm Service Agency
LLC	limited liability company
OIG	Office of Inspector General
USDA	U.S. Department of Agriculture

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Congressional Committees

To provide support for agricultural producers impacted by COVID-19, Congress appropriated, and the U.S. Department of Agriculture (USDA) distributed, billions of dollars in supplemental assistance to farmers and other producers of raw agricultural commodities. One of the largest assistance programs was the Coronavirus Food Assistance Program (CFAP), which USDA created to provide direct payments to agricultural producers that experienced price declines and increased marketing costs for their commodities.[1] Using funding made available through the CARES Act; the Consolidated Appropriations Act, 2021; and the Commodity Credit Corporation Act, among other authorities, USDA provided $31.0 billion to 965,651 producers in 2020 and 2021.[2] The assistance that USDA provided through CFAP exceeded the amount that USDA provided under other income support programs to producers in recent years. USDA's Farm Service Agency (FSA) administered CFAP, with assistance from USDA's Agricultural Marketing Service.

Under CFAP, FSA provided payments to producers of a wide variety of agricultural commodities, including crops, dairy, and livestock. Many of these commodities—such as eggs and nursery crops (e.g., container-grown plants)—are not eligible for programs authorized or reauthorized

[1]According to USDA's website, USDA also provided or is providing pandemic assistance through 19 other programs, which, as of June 2022, made available over $3.5 billion in direct financial assistance and grants to dairy and livestock producers, seafood processors, textile mills, and timber harvesters, among others.

[2]The CARES Act, Pub. L. No. 116-136, div. B, tit. I, 134 Stat. 281, 505 (2020), appropriated $9.5 billion to the Office of the Secretary of Agriculture. Of the $9.5 billion appropriated, $1 billion was repurposed by the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. A, tit. VII, § 799C(b), 134 Stat. 1182, 1234, reducing the appropriated amount to $8.5 billion. The Consolidated Appropriations Act, 2021, also provides $11.2 billion to USDA's Office of the Secretary to prevent, prepare for, and respond to coronavirus by providing support for agricultural producers, growers, and processors impacted by coronavirus. Of that $11.2 billion, $1.5 billion must be used to purchase food and agricultural products, including seafood, to distribute to individuals in need, leaving $9.5 billion available to support agricultural producers, growers, and processors. Pub. L. No. 116-260, div. M, tit. VII, subtit. B, ch. 1, § 751, 134 Stat. 1182, 2105. USDA also authorized up to $20.5 billion from the Commodity Credit Corporation for CFAP.

under the Agriculture Improvement Act of 2018 (2018 Farm Bill).[3] Payments could go to individual producers directly or to legal entities that producers operate, such as corporations. FSA generally calculated CFAP payments to producers using commodity-specific rates (e.g., cents per pound, dollars per head of cattle) multiplied by the amount of commodities produced; sold; or held in inventory on certain dates, depending on the type of agricultural commodity.

FSA generally paid producers based on the claims in their CFAP applications regarding commodity ownership and other program requirements. Producers self-certified the claims (i.e., signed a statement that the information that they provided was true and correct), and FSA did not require producers to provide evidence for their claims before issuing payments. Instead, FSA planned to conduct postpayment reviews and recovery audits. If producers are selected for these reviews and audits, FSA requires producers to provide the agency and us (consistent with the authority under the CARES Act) access to records, such as sales receipts and income statements, to support the claims in their CFAP applications.[4] In contrast, participants in programs authorized or reauthorized under the 2018 Farm Bill, such as USDA's Agriculture Risk Coverage and Price Loss Coverage, are paid based on records or conditions that USDA agencies must verify before issuing payments. According to a USDA document, CFAP was designed as a self-certification program to expedite payments to producers to help mitigate financial hardships associated with COVID-19.

To receive CFAP payments, producers generally had to meet certain eligibility requirements, such as (1) having ownership—subject to price

[3]Programs authorized by the Agricultural Act of 2014, Pub. L. No. 113-79, 128 Stat. 649, and reauthorized by the Agriculture Improvement Act of 2018, Pub. L. No. 115-334, 132 Stat. 4490, include the Agriculture Risk Coverage, Price Loss Coverage, and marketing assistance loans.

[4]Agencies can use postpayment reviews and recovery audits to determine whether payments were made appropriately to eligible recipients, in correct amounts, and used by recipients in accordance with law and applicable agreements. Agencies use the results of such reviews and audits to recover or collect overpayments, unused payments, and payments not made or used properly from recipients. For more information on the use of postpayment reviews and recovery audits of programs involving emergency relief funds, see GAO, *Emergency Relief Funds: Significant Improvements Are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond*, GAO-22-105715 (Washington, D.C.: Mar. 17, 2022).

risk[5]—in the commodities they produced, (2) complying with federal conservation regulations for highly erodible land and wetlands, and (3) meeting criteria related to adjusted gross income (AGI).[6] For example, FSA required producers to certify that their average annual AGI over a specified 3-year period was $900,000 or less. For producers with AGIs exceeding $900,000—which we refer to in this report as "high-income" producers—FSA required that they certify that at least 75 percent of their income was derived from farming, ranching, or forestry-related activities.

As part of the CFAP application process, producers could voluntarily certify that they belong to groups that USDA categorizes as historically underserved. Such groups include producers that are beginning to farm, have limited resources, are socially disadvantaged (i.e., have been subject to racial, ethnic, or gender prejudice), or are military veterans. FSA has established criteria to determine whether producers belong to one or more of these historically underserved groups.[7] We have previously reported on historically underserved producers and the specific challenges that they have encountered in seeking services from USDA and USDA's progress toward addressing these challenges.[8]

The CARES Act includes a provision for GAO to report regularly on the federal response to the COVID-19 pandemic. Specifically, the CARES Act requires us to monitor and oversee the federal government's efforts to prepare for, respond to, and recover from the pandemic.[9] In addition, we

[5]"Subject to price risk" means any production, sales, or inventory not subject to an agreed-upon price through a forward contract, agreement, or similar binding document, according to an FSA CFAP handbook.

[6]With assistance from the Internal Revenue Service, FSA determines whether producers meet income eligibility requirements based on average AGI for 3 consecutive tax years that precede the year for which the payment is made.

[7]To be determined socially disadvantaged, producers voluntarily certify their status (i.e., their race, ethnicity, or gender) on an FSA form. For beginning, limited-resource, and veteran status, FSA determines if producers meet the criteria to qualify based on supplemental information they are required to provide.

[8]See, for example, GAO, *Agricultural Lending: Information on Credit and Outreach to Socially Disadvantaged Farmers and Ranchers Is Limited,* GAO-19-539 (Washington, D.C.: July 11, 2019); *U.S. Department of Agriculture: Progress toward Implementing GAO's Civil Rights Recommendations,* GAO-12-976R (Washington, D.C.: Aug. 29, 2012); and *Beginning Farmers: Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance*, GAO-07-1130 (Washington, D.C.: Oct. 18, 2007).

[9]Pub. L. No. 116-136, § 19010(b), 134 Stat. 281, 580 (2020). All of GAO's reports related to the COVID-19 pandemic are available on GAO's website at https://www.gao.gov/coronavirus.

were asked to review CFAP payments and aspects of FSA's implementation and oversight of CFAP. This report examines (1) FSA's distribution of CFAP payments by commodity and type of producer, (2) the extent to which producers we selected for review provided support for CFAP payments, and (3) the extent to which FSA verified producers' compliance with program rules.

For all of these objectives, we reviewed relevant statutes and regulations; FSA handbooks, application forms, and other documents; and relevant GAO and Congressional Research Service reports. To examine FSA's distribution of CFAP payments by commodity and type of producer, we analyzed FSA payment and other data as of December 2021. We assessed the reliability of FSA's data and determined that the data were sufficiently reliable for the purpose of providing information on the distribution of payments by agricultural commodity; type of producer; and location; as well as for selected producers, such as those that received the largest payments.

To examine the extent to which producers that we selected for review provided support for CFAP payments, we selected a nongeneralizable sample of 90 producers and reviewed their claims and supporting documents that we obtained from FSA and the producers. We selected these 90 producers using risk factors that made them potentially more susceptible to receiving improper payments, including improper payments resulting from fraudulent activity (e.g., intentional false claims to receive a government benefit).[10] For example, we focused on producers that received large CFAP payments for inventory claims of agricultural commodities about which FSA has limited knowledge, such as cattle, hogs, tree nuts, and vegetables. Therefore, our results are not representative of all CFAP claims. (See app. I for more detail on our review of the claims of the 90 producers that we selected.)

[10]The Payment Integrity Information Act of 2019 defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. 31 U.S.C. § 3351(4). Further, when an executive agency's review is unable to discern, because of lacking or insufficient documentation, whether a payment was proper, the agency must treat the payment as improper in producing an improper payment estimate. 31 U.S.C. § 3352(c)(2).

To examine the extent to which FSA verified producers' compliance with CFAP requirements, we reviewed FSA's methodology for selecting samples of payments for its reviews and the summary results. We also interviewed knowledgeable officials from FSA's national office and a nongeneralizable sample of officials from five states and a county in each of the five states that conducted spot checks. In some cases, we received written responses regarding the methodology and summary results. We reviewed a provision in the 2018 Farm Bill and FSA's handbook on integrity and accountability and CFAP internal control plans and assessed whether the design of FSA's reviews was consistent with these documents. We also reviewed GAO's Fraud Risk Framework and used it to identify leading practices that may be used to effectively prevent instances of potential fraud.[11]

In addition, we reviewed documents and interviewed officials from USDA's Farm Production and Conservation Business Center (Business Center) regarding their review of national random samples of CFAP payments in fiscal years 2020 and 2021. Similarly, we reviewed documents and interviewed officials from USDA's Office of Inspector General (OIG) regarding their ongoing review and investigations of CFAP payments.

We conducted this performance audit from August 2020 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USDA's supplemental assistance programs provide payments to eligible producers that have been affected by a variety of situations or events, including financial hardship or crop damage and loss following natural disasters. These supplemental assistance programs are often reactive to particular adverse events, rather than long-standing programs designed to cover regular market and weather fluctuations, such as many farm bill

[11]See GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 2015).

programs, including Agriculture Risk Coverage or Price Loss Coverage.[12] In addition to CFAP, USDA's Market Facilitation Program is another supplemental assistance program administered by FSA. As we previously reported, the Market Facilitation Program provided approximately $23 billion to offset losses in U.S. agricultural export sales caused by international trade disruptions and tariffs in the 2018 and 2019 calendar years.[13]

Time Frame and Eligibility

FSA provided multiple opportunities for producers to apply for CFAP payments in 2020 and 2021 and made various changes to expand the program over the course of its duration. FSA generally accepted applications for the first round of payments, known as CFAP 1, from May 2020 through September 2020. From September 2020 through December 2020, FSA accepted applications for the second round of payments, known as CFAP 2. In April 2021, FSA provided additional assistance to cattle producers that received payments under CFAP 1 and field crop producers that received payments under CFAP 2.[14] In March 2021, USDA announced that it was extending the application deadline for all eligible producers into April 2021. Later, in August 2021, FSA allowed producers to apply for CFAP 2 through October 2021. Also, in August 2021, FSA made payments available for contract producers of livestock and eggs, which were previously not eligible.[15] Throughout this period, FSA also made several other adjustments to CFAP program rules, including adding eligible commodities. Figure 1 lists examples of the more than 200 agricultural commodities for which producers could apply for CFAP payments.

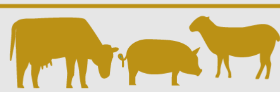
[12]Agriculture Risk Coverage program payments are triggered when a crop's revenue (i.e., the amount produced, multiplied by the market price) is below a guaranteed level. Price Loss Coverage payments are based on a crop's market price.

[13]GAO, *USDA Market Facilitation Program: Oversight of Future Supplemental Assistance to Farmers Could Be Improved,* GAO-22-104259 (Washington, D.C.: Jan. 4, 2022).

[14]FSA made these payments, also known as "top-up" payments, in accordance with the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. M, tit. VII, subtit. B, ch. 1, § 751, 134 Stat. 1182, 2105.

[15]According to an FSA CFAP handbook, a contract producer is a producer that grows or produces an eligible commodity under contract on behalf of another person or legal entity. The contract producer does not own the commodity and is not entitled to a share of the proceeds from sales of the commodity.

Figure 1: Examples of Eligible Commodities for CFAP, by Type

Type		Examples
Dairy		Milk
Field crops		Alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, wheat
Livestock		Cattle, hogs, pigs, sheep
Other commodities		
Aquaculture[a]		Food fish, such as largemouth bass and salmon, gamefish, mollusks, tropical fish
Other livestock and livestock products[b]		Alpaca, beefalo, bison, broilers, buffalo, deer, ducks, eggs, elk, emus, geese, goat milk, goats, guinea pigs, llamas, mink, mohair, ostrich, pheasants, pullets, quail, rabbits, reindeer, turkeys, water buffalo, wool, yak
Specialty[c] **and other crops**		Abiu, acerola, achachairu, alfalfa sprouts, almonds, aloe vera, anise, apples, apricots, artichokes, arugula, asparagus, atemoya, avocados, bananas, basil, batatas, bean sprouts, beans, beets, bok choy, breadfruit, broccoli, cabbage, cacao, cactus, canary seed, caimito, canistel, carambola, carob, carrots, cashew, cassava, cauliflower, celeriac, celery, cherimoya, cherries, chervil, chestnuts, chia, chives, cilantro, cinnamon, citron, coconuts, coffee, collard greens, cucumbers, curry leaves, daikon, dandelion greens, dates, dill, durian, eggplant, endive, escarole, figs, frisee, garlic, ginger, ginseng, grapefruit, grapes, guamabana, guava, guayule, honey, hops, horseradish, jack fruit, jujube, kale, kiwifruit, kohlrabi, kumquats, langsat, leeks, lemons, lentils, lettuce, limequats, limes, loquats, lotus root, lychee, macadamia nuts, mangos, mangosteen, maple sap, marjoram, meadowfoam, mesculin mix, microgreens, mint, moringa, mushrooms, nectarines, niger seed, noni, nursery crops[d], okra, olives, onions, oranges, oregano, papaya, parsley, parsnip, passion fruits, pawpaw, peaches, pears, peas, pecans, peppermint, peppers, persimmons, pineapple, pine nuts, pistachios, plantain, plumcots, plums, pohole, pomegranates, prunes, potatoes, psyllium, pummelo, pumpkins, quinces, radicchio, raisins, rambutan, rhubarb, rosemary, rutabaga, sage, sapodilla, sapote, savory, scallions, shallots, sorrel, spearmint, spinach, squash, sweet corn, sweet potatoes, swiss chard, tangelos, tangerines, tangors, tangos, taro, tea, thyme, tobacco, tomatillos, tomatoes, truffles, turmeric, turnips, vanilla, walnuts, wampee, wasabi

Sources: Farm Service Agency documents; GAO; torwaiphoto/stock.adobe.com. | GAO-22-104397

Note: Other commodities may include additional agricultural commodities produced in the U.S. and marketed for commercial production that have been designated as eligible for the Coronavirus Food Assistance Program (CFAP).

[a]Aquaculture includes any species of aquatic organisms grown as food for human consumption, fish raised as feed for fish that are consumed by humans, and ornamental fish propagated and reared in an aquatic medium. Eligible aquaculture species must be raised by a commercial operator and in water in a controlled environment.

[b]Other livestock must be commercially raised for food, fur, fibers, or feathers.

[c]Specialty crops include fruits, horticulture (e.g., certain herbs, spices, and medicinal plants), tree nuts, and vegetables.

[d]Nursery crops include plants grown in a container or controlled environment for commercial sale.

For both CFAP 1 and CFAP 2, producers had to meet the same eligibility requirements related to federal conservation regulations and income.

Payment Structure and Approval

For both CFAP 1 and CFAP 2, USDA determined payment rates based on factors that varied by commodity, primarily utilizing information on price declines or wholesale values between or on certain dates in 2020.[16] CFAP 1 was to compensate producers for losses in the first quarter of 2020, and CFAP 2 was to compensate producers for losses in the second through fourth quarter of 2020. For both CFAP 1 and CFAP 2, FSA generally determined payments using a commodity-specific payment rate or percentage, multiplied by the production, sales, or another basis, as shown in table 1.

Table 1: Basis for Calculating Payments for CFAP 1 and CFAP 2, by Type of Agricultural Commodity

FSA generally accepted applications for the first round of payments, known as CFAP 1, in May to September 2020 and for the second round, known as CFAP 2, in September to December 2020 and April to October 2021.

Type of agricultural commodity[a]	CFAP 1	CFAP 2[b]
Dairy	Production in January 2020 through March 2020	Production in April 2020 through August 2020
Field crops	2019 production not sold as of January 15, 2020, not to exceed 50 percent of total 2019 production	2020 eligible acres[c]
Livestock	Unpriced inventory as of January 15, 2020, that (1) the producer owned on a date selected by the producer from April 16, 2020, to May 14, 2020; and (2) sales from January 15, 2020, to April 15, 2020	Inventory (excluding breeding stock) on a date that the producer selected from April 16, 2020, to August 31, 2020
Other commodities	Depending on the type of commodity, one or more of the following: (1) 2019 production not sold as of January 15, 2020, not to exceed 50 percent of total 2019 production; (2) sales, volume of production shipped but not sold, or acres with production not shipped and not sold, from January 15, 2020, to April 15, 2020; (3) value of inventory as of April 15, 2020; or (4) production in January 2020 through March 2020	Depending on the type of commodity, (1) sales for calendar year 2018, 2019, or 2020; or (2) production in calendar year 2019

Source: GAO analysis of Farm Service Agency (FSA) documents. | GAO-22-104397

[a]For the purposes of this report, types of agricultural commodities include (1) dairy; (2) field crops, which are alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, and

[16]According to a Congressional Research Service report, USDA's determination of CFAP 1 and CFAP 2 payment rates differed in that USDA determined payment rates to producers for CFAP 1 by estimating economic damages from price declines or increased marketing costs; but for CFAP 2, USDA assumed economic damage for nearly all commodities. See Congressional Research Service, *USDA's Coronavirus Food Assistance Program: Round Two (CFAP 2)*, R46645 (Washington, D.C.: Dec. 21, 2020).

wheat; (3) livestock, which includes cattle, hogs, pigs, and sheep; and (4) other commodities, which include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

[b]Contract producers could also receive payments from the Coronavirus Food Assistance Program (CFAP) 2 for certain livestock and eggs based on their claimed revenue losses between 2018 and 2020, or 2019 and 2020.

[c]Eligible acres include those acres that producers planted with eligible crops, as shown on FSA's acreage report.

In accordance with FSA's handbooks for CFAP 1 and CFAP 2, FSA county committees were to review and approve all CFAP applications and any adjustments that FSA made to claims by producers that FSA selected for spot-check review.[17] Producers generally self-certified their claims, but county committees were to review claims for reasonableness and could request additional documents and adjust the quantities claimed by producers prior to approving a CFAP application.

Reviews of Improper Payments, Internal Controls, and Fraud Risk Management

As part of USDA's efforts to ensure that producers comply with eligibility requirements and that internal controls are in place to recover any improper payments, USDA, including FSA and other agencies, typically conducts postpayment reviews and recovery audits, known as spot checks.

In September 2021, FSA issued a handbook on internal controls and accountability on program integrity, addressing FSA staff responsibilities and oversight of the agency's internal control program, among other issues.[18] FSA issued this handbook in response to, among other authorities, a provision in the 2018 Farm Bill directing USDA to use targeted activities to identify and reduce errors, waste, fraud, and abuse in FSA's programs.[19] For both CFAP 1 and CFAP 2, FSA also issued

[17]Members of county committees are elected by local producers to administer FSA programs in each county or area.

[18]U.S. Department of Agriculture, Farm Service Agency, *Integrity and Accountability in FSA Programs,* Handbook 1-IA, Amendment 1 (Washington, D.C.: Sept. 30, 2021).

[19]Agriculture Improvement Act of 2018, Pub. L. No. 115-334, § 1705(a), 132 Stat. 4490, 4526.

program-specific internal control plans, including spot checks of payments to selected producers.[20]

As a further effort to ensure the integrity of USDA payments, the Business Center—which provides shared services across several USDA agencies—conducts reviews to identify, report, and reduce improper payments.[21] The Business Center reviewed CFAP 1 payments in fiscal year 2020 and CFAP 1 and CFAP 2 payments in fiscal year 2021 in accordance with payment integrity requirements in statute.[22] USDA's Business Center 2021 payment integrity review for CFAP estimated that CFAP had a significant improper payment rate for fiscal year 2020.[23] Specifically, as part of a risk assessment, the Business Center estimated, according to errors that it found, that $449,871,216 (about 4.4 percent) of CFAP payments were improper and, thus, that the program is susceptible to significant improper payments. Consequently, USDA will be required to estimate and report improper payments for any future payments in the program.

We and OIG have noted the potential for improper CFAP payments involving fraud. In November 2021, OIG reported that it continued to prioritize the assessment of allegations of fraud associated with COVID-

[20]U.S. Department of Agriculture, Farm Production and Conservation, Farm Service Agency, *Coronavirus Food Assistance Program (CFAP) Internal Controls and Integrity Plan* (Washington, D.C.: May 12, 2020); and *Coronavirus Food Assistance Program (CFAP) 2 Internal Controls and Integrity Plan* (Washington, D.C.: Sept. 18, 2020).

[21]The Business Center was created in October 2018 to provide administrative services, such as financial management, human resources, and information technology, to FSA and two other USDA agencies.

[22]USDA's Business Center conducted its review of payments made in fiscal year 2021 under the authority of the Payment Integrity Information Act of 2019, Pub. L. No. 116-117, § 2, 134 Stat. 113, 113 (2020) (codified at 31 U.S.C. §§ 3351-3358). The Business Center conducted its reviews of payments made in fiscal year 2020 under the authority of the Improper Payments Information Act, Pub. L. No. 107-300, 116 Stat. 2350, as amended by the Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204, 124 Stat. 2224, and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248, 126 Stat. 2390 (2013) (codified as amended at 31 U.S.C. § 3321 note).

[23]Under the Payment Integrity Information Act of 2019, improper payments are considered significant if in the preceding fiscal year they may have exceeded either (1) 1.5 percent of program outlays and $10 million or (2) $100 million (regardless of the improper payment rate). 31 U.S.C. § 3352(a)(3).

19 pandemic relief, including CFAP 2.[24] In our most recent CARES Act oversight report, issued in April 2022, we included information on federal fraud-related cases, including those involving CFAP payments.[25] As described in our Fraud Risk Framework,[26] fraud risk exists when individuals have an opportunity to engage in fraudulent activity. According to the Fraud Risk Framework, a "fraud risk factor" describes what conditions or actions are most likely to cause or increase the chances of fraud occurring. Although the existence of fraud risk factors does not necessarily indicate that fraud exists or will occur, these factors are often present when fraud does occur. Further, while not all improper payments are the result of fraudulent activity, they are indicators of fraud risk.

FSA's Distribution of CFAP Payments Varied by Commodity and Type of Producer

FSA Distributed Almost Half of CFAP Payments for Field Crops

Field crops, such as corn and soybeans, accounted for almost half of CFAP payments—$13.8 billion of the $31.0 billion in total CFAP payments that FSA distributed as of December 2021.[27] FSA distributed about a third of all payments ($9.8 billion) for livestock, such as cattle and hogs. Of the remaining payments, FSA distributed $3.0 billion for dairy and $4.4 billion for other commodities, which include aquaculture (e.g., food and ornamental fish), fruits, nursery crops (e.g., container-grown plants), tree nuts, vegetables, and wool. Figure 2 shows FSA's distribution of all CFAP payments, by type of agricultural commodity.

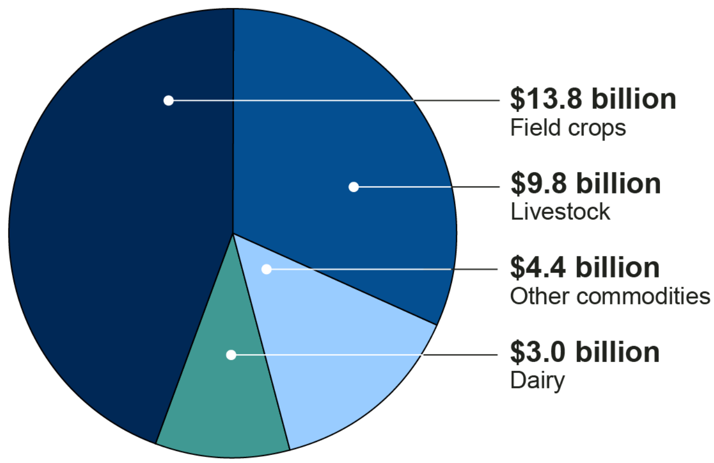
[24]U.S. Department of Agriculture, Office of Inspector General, *Semiannual Report to Congress Second Half April 1, 2021 – September 30, 2021*, Number 86 (Washington, D.C.: Nov. 19, 2021).

[25]GAO, *COVID-19: Current and Future Federal Preparedness Requires Fixes to Improve Health Data and Address Improper Payments*, GAO-22-105397 (Washington, D.C.: Apr. 27, 2022).

[26]In 2015, we published the Fraud Risk Framework to establish a comprehensive set of leading practices that serve as guidance for agencies to use when developing or enhancing efforts to combat fraud in a strategic, risk-based manner. See GAO-15-593SP.

[27]FSA uses the terms "nonspecialty crops" in CFAP 1, and "acreage-based crops" in CFAP 2, in its application forms, to refer to field crops. We aggregated payments across CFAP 1 and CFAP 2 for reporting purposes.

Figure 2: Distribution of All CFAP Payments, by Type of Agricultural Commodity



Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104379

Notes: Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

For the purposes of this report, types of agricultural commodities include (1) field crops, which are alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, and wheat; (2) livestock, which includes cattle, hogs, pigs, and sheep; (3) other commodities, which include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool; and (4) dairy.

Payments Varied by Type of Producer, with Historically Underserved Producers Receiving a Small Percentage of CFAP Payments

Individual producers directly received just over half (51 percent) of all CFAP payments, or $15.9 billion; producers operating various types of entities—which may have individuals or other entities as members—received the remaining $15.0 billion. Among individual producers, producers that certified that they belong to one or more historically underserved groups received a total of $1.5 billion, or 5.0 percent of all CFAP payments. The average payment for producers that certified that they belong to one or more historically underserved groups was $21,055, which is less than the average payment of $24,403 across all individual producers.[28] CFAP did not offer special benefits for historically underserved groups, and FSA did not require individuals to certify that they belong to such groups for the purpose of the CFAP. Because FSA

[28]Historically underserved producers are one or more of the following: beginning, limited resource, socially disadvantaged, or veterans. We included individual producers, including those that are members of entities, in this analysis. Entities may also qualify for one or more of these historically underserved groups based on criteria outlined in FSA documents.

did not necessarily categorize these producers as historically underserved when they received payments, the numbers of such individuals and the payments they received may be greater than shown in table 2.

Table 2: CFAP Payments to Historically Underserved Groups, by Type of Agricultural Commodity

The average payment for all individual producers—including those not certified as belonging to historically underserved groups—was $24,403.

Historically underserved group	Number of individual producers	CFAP payments, by type of agricultural commodity[a] (dollars)				Total CFAP payment (dollars)	Average CFAP payment per individual producer (dollars)
		Dairy	Field crops	Livestock	Other commodities		
Veterans	11,698	27,554,043	137,127,569	99,922,152	24,711,864	289,315,629	24,732
Socially disadvantaged	42,640	80,205,109	276,823,148	365,080,488	147,558,501	869,667,246	20,396
Beginning	17,594	33,546,307	134,998,947	145,804,321	35,047,712	349,397,287	19,859
Limited resource	1,922	1,738,385	1,778,884	10,786,429	5,174,599	19,478,297	10,134
All historically underserved[b]	**70,393**	**140,382,567**	**539,119,469**	**601,377,442**	**201,253,711**	**1,482,133,189**	**21,055**

Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Note: Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

[a]For the purposes of this report, types of agricultural commodities include (1) dairy; (2) field crops, which are alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, and wheat; (3) livestock, which includes cattle, hogs, pigs, and sheep; and (4) other commodities, which include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

[b]Historically underserved producers are those that certified they are beginning, limited resource, socially disadvantaged, veterans, or some combination of these types. Historically underserved producers and their payments are not a sum of the other categories because producers may qualify for more than one historically underserved group (e.g., they can have both socially disadvantaged and veteran status).

Entities received an average CFAP payment of about $77,880 per entity. Of the various types of entities that producers may operate, general partnerships and joint ventures received among the largest average payments for CFAP, about $128,048 and $102,669, respectively, but some received CFAP payments totaling millions of dollars (see app. II).

Variations in the average payments between individuals and entities and among different types of entities may be related to FSA's provisions on payment limitations. Historically, FSA has limited the amount that producers could receive in payments from many of its programs, including some supplemental disaster programs.[29] Similar to several programs reauthorized in the 2018 Farm Bill, individual producers could receive a limited amount from CFAP 1 and CFAP 2 each year. Specifically, each individual could receive up to $250,000 from CFAP 1 and up to $250,000 from CFAP 2 (for a total of up to $500,000), which FSA refers to as the "payment limit."[30] General partnerships and joint ventures could receive up to $250,000 for each of their members, regardless of the number of members.

For certain legal entities, FSA set the payment limit criteria to potentially allow for larger total payments compared with Farm Bill programs subject to payment limitation. Specifically, Farm Bill programs establish a single payment limit for legal entities. In contrast, for CFAP 1 and CFAP 2, producers that were corporations, limited liability companies (LLC), limited partnerships, trusts, or estates could receive up to three payment limits (i.e., up to $750,000) each for CFAP 1 and for CFAP 2.[31] As shown in table 3 below, the largest share of CFAP payments that entities of all types received was for field crops.

Table 3: CFAP Payments to Entities, by Type of Agricultural Commodity

The average payment per entity was $77,880.

		CFAP payments, by type of agricultural commodity[b] (dollars)					
Type of entity[a]	**Number of entities**	**Dairy**	**Field crops**	**Livestock**	**Other commodities**	**Total CFAP payments (dollars)**	**Average CFAP payment per entity (dollars)**
General partnerships	23,464	394,820,407	1,738,136,167	466,363,321	405,197,650	3,004,517,544	128,048

[29]According to the Congressional Research Service, since 1970, Congress has used various policies to address the issue of who should be eligible for farm program payments and how much an individual should be eligible to receive in a single year. In recent years, congressional policy has focused on tracking payments through multiperson entities to individuals, ensuring that payments go to individuals or entities actively engaged in farming and capping the amount of payments that a qualifying individual may receive in any 1 year. See Congressional Research Service, *U.S. Farm Programs: Eligibility and Payment Limits*, R46248 (Dec. 7, 2020).

[30]This payment limit also applied to certain types of entities, including charities, churches, nonprofit organizations, and public schools.

[31]For CFAP 1 and CFAP 2, producers organized as corporations, estates, limited partnerships, LLCs, or trusts could claim payment limits for up to three members, if the three members certified that they contributed at least 400 hours per year of personal labor or active personal management.

Type of entity[a]	Number of entities	CFAP payments, by type of agricultural commodity[b] (dollars)				Total CFAP payments (dollars)	Average CFAP payment per entity (dollars)
		Dairy	Field crops	Livestock	Other commodities		
Corporations	52,494	533,671,658	1,937,618,972	1,495,025,901	1,452,116,286	5,418,432,816	103,220
Joint ventures	4,304	71,190,898	240,964,844	72,970,529	56,761,905	441,888,177	102,669
Limited partnerships	6,038	124,278,898	107,314,174	182,983,297	139,971,659	554,548,029	91,843
Limited liability companies	63,687	1,149,626,575	1,291,749,166	1,366,258,836	1,085,225,230	4,892,859,806	76,827
Individuals operating as a small business	3,244	68,282,808	52,712,219	35,527,516	54,780,150	211,302,692	65,136
Trusts	36,257	12,047,468	291,830,385	101,682,205	42,061,742	447,621,799	12,346
Estates	2,042	885,054	12,784,083	6,662,440	2,109,182	22,440,759	10,990
Other entities	1,347	954,226	7,387,808	5,525,168	2,516,692	16,383,894	12,163
Total	**192,943**	**2,355,757,991**	**5,688,156,652**	**3,737,409,734**	**3,245,131,692**	**15,026,456,069**	**77,880**

Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Note: Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

[a]For the purposes of this report, types of entities include (1) corporations, which include subchapter S corporations; (2) trusts, which include irrevocable and revocable trusts; and (3) other entities, which include charities, churches, nonprofit organizations, and public schools. In addition, FSA distributed $16.5 million to 66 "Indian tribal ventures," which is the business type that FSA uses to identify tribes and tribal ventures. According to an FSA handbook, tribes and tribal ventures are not subject to limits regarding payments, so their average payments may be higher than those of other entities.

[b]For the purposes of this report, types of agricultural commodities include (1) dairy; (2) field crops, which are alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, and wheat; (3) livestock, which includes cattle, hogs, pigs, and sheep; and (4) other commodities, which include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

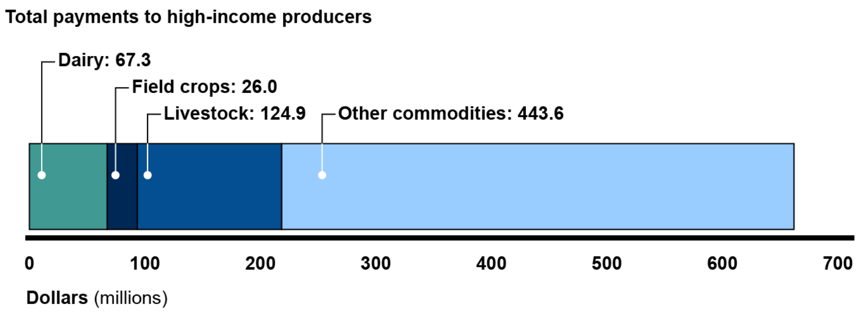
Of the $31.0 billion in total CFAP payments, FSA distributed $661.5 million (2 percent) to producers that had average annual AGI above $900,000 over a specified 3-year period. These high-income producers, which include 1,682 individuals and 1,518 legal entities, qualified for CFAP payments based on certifications that at least 75 percent of their income was derived from farming, ranching, or forestry-related activities.[32] As shown in figure 3 below, a majority of the payments to high-income

[32]As we previously reported, FSA does not independently verify that producers qualify for payments under the 75 percent rule. FSA relies on certifications signed by producers' certified public accountants or attorneys. See GAO-22-104259.

producers were for “other commodities,” which include specialty crops, such as fruits, tree nuts, and vegetables.

Figure 3: CFAP Payments to High-Income Producers, by Type of Agricultural Commodity

High-income producers received $661.5 million and were comprised of 1,682 individuals and 1,518 legal entities.



Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Notes: Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

High-income producers qualified for CFAP payments based on a certification that at least 75 percent of their adjusted gross income was derived from farming, ranching, or forestry-related activities. Of the total producers receiving these payments, 1,463 received the payments directly, and 1,737 received the payments indirectly as members of entities that producers operate.

For the purposes of this report, types of agricultural commodities include (1) dairy; (2) field crops, which are alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, and wheat; (3) livestock, which includes cattle, hogs, pigs, and sheep; and (4) other commodities, which include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

About Half of the Producers Whose Claims We Reviewed Did Not Provide Support for Their Payments, Which May Have Been Improper

About half of the 90 producers whose claims we reviewed did not provide support for some or all of their CFAP payments, which may have been improper and potentially the result of fraudulent activity.[33] We found deficiencies in producers' support related to six CFAP requirements that resulted in potentially improper payments.

About Half of the Producers We Reviewed Received Potentially Improper Payments

We found deficiencies in the support that 48 of the 90 producers we reviewed provided for their CFAP payments; therefore, their payments, totaling over $87 million, were potentially improper. Moreover, for 20 of these 48 producers, either the FSA county offices that issued the payments or the producers themselves acknowledged that the documents provided as support did not align with the producers' claims. We referred the 48 producers to OIG for further review to determine whether to investigate the claims or remand them to FSA to take administrative action and recovery efforts, as appropriate.

We also found deficiencies in the support provided by an additional 12 producers, but the deficiencies either (1) would not have affected the CFAP payments that the producers received because of payment limitations (i.e., the producers had sufficient support for the amount of payments they received) or (2) would not have caused a material difference in the payments. For example, four of the 12 producers provided support that was less than 10 heads of cattle or hogs short of what they claimed.

The 48 producers that we found to have received potentially improper payments varied in the type of commodities for which they received payments, as shown in table 4 below.

[33]We selected producers for review based on risk factors, such as the largest payments for dairy, livestock, and other commodities not generally provided by FSA.

Table 4: Selected Producers Receiving CFAP Payments, Including Potentially Improper Payments

Commodity type[a]	Selected producers: Number	Selected producers: CFAP payments (dollars)	Selected producers that received potentially improper CFAP payments: Number	Selected producers that received potentially improper CFAP payments: CFAP payments (dollars)
Livestock[b]	44	78,172,476	24	45,094,863
Other commodities[c]	24	39,337,428	15	26,095,044
Dairy	22	37,099,421	9	16,128,396
Total	**90**	**154,609,325**	**48**	**87,318,303**

Source: GAO analysis of Farm Service Agency data. | GAO-22-104397

Note: We selected a nongeneralizable sample of 90 producers' Coronavirus Food Assistance Program (CFAP) claims for review based on risk factors for improper payments, such as receiving the largest payments for dairy, livestock, and other commodities. We considered that a risk factor because deficiencies in these claims could have resulted in larger improper payments than deficiencies in smaller claims. We selected 41 producers that received among the largest payments for CFAP 1 and 49 producers that received among the largest payments for CFAP 2. For producers that received payments from both CFAP 1 and CFAP 2, we reviewed their claims in applications for both programs, for a total of 176 claims.

[a]Some producers received payments for more than one type of commodity; we list such producers under the commodity type for which they received the largest CFAP payment.

[b]Of these 44 livestock producers, 34 received CFAP payments primarily for cattle, and the remaining 10 received the payments primarily for hogs.

[c]Other commodities may include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

We Identified Deficiencies in Producers' Support for Payments Related to Six CFAP Requirements

For the 48 producers (out of 90 we selected) that we found had received potentially improper payments, we identified deficiencies in the support that they provided for their payments related to six CFAP requirements. In a majority of these cases, we did not identify indicators of potentially fraudulent activity. (See table 5.)

Table 5: Deficiencies in Producers' Support for CFAP Payments

Of the 90 producers whose CFAP claims we selected for review, 31 provided support that had one deficiency, while the other 17 producers provided support that had two or more deficiencies.

CFAP requirement	Deficiency	Reason deficiency is a concern	Example of deficiency	Number of selected producers with deficiency
Support must equal or exceed claims for inventory or sales	Support was for a lesser amount of the commodity than claimed	Producer may have received payments that were too large	A producer received over $1.3 million in CFAP payments for cattle, including claimed inventory of over 5,000 fed cattle. The producer's documentation supported inventory of fewer than claimed.	33
Support must show that producers sold or owned commodities during a specified date range[a]	Support was for inventory or sales outside the eligible date range, or commodities were prepriced	Producers may not have suffered any market price declines from the pandemic	A producer received $1.5 million in CFAP payments, including for cattle sales that, according to the producer, were priced before January 15, 2020, which predated the pandemic.	18
Support must show that producer has an ownership share in the claimed commodity, subject to price risk[b]	Support did not clearly establish ownership	Producers may not be entitled to the payments	A producer received over $2 million in CFAP payments for hogs supported with documents in the names of other entities.	9
Support must show that up to three members of certain entity types provided at least 400 hours of personal labor or active personal management for the entity to qualify for additional payments	Support did not prove eligibility to receive additional payments	Producers may not have been eligible to receive more than $250,000 each for CFAP 1 and CFAP 2	A producer received over $1.3 million in CFAP payments for cattle but did not provide documents showing that three members made the required contributions.	5
Support must show that inventory or sales claims were for eligible commodities	Support was for ineligible commodities	Producers may have received CFAP payments for ineligible commodities	A producer received over $1.9 million in CFAP payments, including for a claim for cotton. The support showed that it was cotton seed, which is not an eligible commodity.	3
Support must be reasonable, upon review	Support included sales between affiliated parties	Producer may have received payments for sales not based on fair market prices	A producer received over $1.1 million in CFAP payments partially supported with bank checks from a buyer that is a wholly-owned business of the producer.	2

Source: GAO analysis of Farm Service Agency (FSA) information. | GAO-22-104397

Notes:

We selected a nongeneralizable sample of 90 producers' Coronavirus Food Assistance Program (CFAP) claims for review based on risk factors for improper payments, such as having received the largest payments for dairy, livestock, and other commodities not generally provided by FSA.

We discussed our findings with the relevant FSA state and county offices for each of the six examples outlined in the table above. In two of the examples, FSA officials or the producer agreed with the deficiency that we identified. In two other examples, the additional information that FSA officials or the producer provided did not fully address our concerns. In two other examples, FSA did not agree with us that the discrepancies we identified were a concern.

[a]Each commodity type had a specific eligible date range for inventory and sales claims. Generally, CFAP 1 was to compensate producers for losses in the first quarter of 2020, and CFAP 2 was to compensate producers for losses in the second through fourth quarter of 2020.

[b]"Subject to price risk" means any production, sales, or inventory not subject to an agreed-upon price through a forward contract, agreement, or similar binding document, according to an FSA CFAP handbook.

As noted above, 17 of the producers we reviewed that received potentially improper payments had deficiencies in the support for their claims related to more than one CFAP requirement. The following are three examples of such producers.[34]

Unclear Ownership and No Support for Cattle Sales

A cattle producer we reviewed provided documents that did not clearly establish ownership of the cattle claimed and did not support the cattle sales claimed as the basis for CFAP payments. This producer received over $6 million in CFAP payments and was organized as a joint venture with an effective date of January 1, 2020. The joint venture consists of 20 members, qualifying it for 20 payment limits (up to $10 million in CFAP payments). However, just one of the members, the manager, held signature authority for the entity.

We identified several deficiencies in the producer's support, including cattle inventory documents that did not identify the owner and purchase receipts showing that the owner had a different name than the producer, calling into question whether the producer owned the cattle and was, therefore, entitled to payments. None of the documents that the producer provided showed that the producer owned the cattle, and some of these documents were in the name of an LLC that owned a cattle-feeding operation.

The producer claimed to have purchased the cattle from the LLC. According to an agreement between the producer and the LLC, the LLC is serving as the operating agent for the joint venture. The bill of sale and operating agreement documenting the relationship between the two entities state that the sale and agreement are effective as of January 1, 2020, but the single wire transfer document that the producer provided to support the purchase of the cattle from the LLC was dated April 2021,

[34]As noted above, we referred these producers to OIG for further review.

which is outside the eligible date range for CFAP.[35] The producer did not provide substantive responses to our requests for the date that it signed the operating agreement, bill of sale, or promissory note for the cattle purchase. According to the producer and an FSA county official, the producer made additional payments for the claimed cattle, such as cash and in-kind payments, but could not provide support for these payments. In addition, the producer claimed sales of several thousand head of cattle between January 15, 2020, and April 15, 2020. However, the sales receipts that the producer provided did not identify the name of the seller and did not support the quantity and type of cattle that the producer claimed.

Specialty Crop Sales Outside the Eligible Date Range and to an Affiliated Party

A producer we reviewed claimed commodity sales outside the eligible date range for CFAP and provided support that indicated that the sales had occurred between affiliated parties, calling into question whether the producer has suffered a price loss as a result of the pandemic. This producer was organized as a general partnership and received over $2 million in CFAP payments for field and specialty crops.

The producer's support included unnumbered invoices dated in January 2021 and April 2021 for a 2020 specialty crop, months after the eligible date range for CFAP 2.[36] FSA state and county officials told us that sales of this perishable commodity are unlikely to occur months after harvest. Furthermore, the producer provided documents showing sales of field crops in November 2019, outside of the eligible date range for CFAP 1.[37]

Additionally, the producer provided invoices to a buyer that is (1) located at the same physical address as the producer; and (2) affiliated with owners that are also members of the producer, according to documents that the producer filed with FSA, calling into question whether the terms of the sales were reasonable.

[35]For CFAP 1, producers received payments for (1) unpriced inventory as of January 15, 2020, that producers owned on a specific date from April 16, 2020, to May 14, 2020; and (2) sales from January 15, 2020, to April 15, 2020. For CFAP 2, producers received payments for inventory (excluding breeding stock) on a specific date from April 16, 2020, through August 2020.

[36]For CFAP 2, producers received payments based on sales in calendar years 2018, 2019, or 2020.

[37]For CFAP 1, producers received payments based on 2019 production not sold as of January 15, 2020.

Unclear Ownership, Lesser Inventory of Cattle Than Claimed and Outside of the Eligible Date Range, and Ineligible Field Crop

A producer provided documents to support its CFAP payment that (1) did not clearly establish ownership of the cattle claimed, (2) were for a lesser number of cattle than claimed, (3) were for inventory outside of the eligible date range, and (4) were for ineligible commodities. This producer was organized as a joint venture and received over $1 million of CFAP payments for cattle and field and specialty crops.

The deficiencies we identified for this producer's support included an informal oral agreement to lease the cattle, according to an FSA county official. Because of the informal nature of the agreement, it is unclear what the terms of the "lease" were, and we were unable to determine if the producer had ownership subject to price risk in the cattle and, therefore, was entitled to payments for this commodity.

Support showed inventory for one category of cattle that did not clearly match the category that the producer claimed. Further, none of the records that the producer provided clearly supported the number of cattle that the producer claimed or indicated what date or dates that the producer had selected for its inventory claim, calling into question whether the producer had received payments that were too large. This producer also claimed production of a field crop that was part of a forage mix, which, according to an FSA official, is not among the eligible commodities for CFAP and, therefore, the producer should not have received a payment for it.

FSA Checked Producers' Compliance with Program Rules, but These Checks Had Limitations

To help ensure that producers' claims in CFAP applications were accurate, FSA conducted spot checks of a sample of producers that had received CFAP payments, but these spot checks had limitations. These limitations include that FSA's (1) national office did not fully consider risk factors when selecting producers for its sample, (2) county offices did not consistently add producers with questionable claims to the spot-check sample, (3) county offices accepted producer-generated documents as support for producers' claims, and (4) state offices did not monitor the quality of county offices' spot checks.

FSA Did Not Fully Consider Risk Factors for Selecting Producers for CFAP Spot Checks

FSA selected two samples of producers' claims to spot check for CFAP 1 and one sample for CFAP 2. In total, FSA selected 4,405 producers for spot checks. FSA selected 3,523 (80 percent) of these producers using a stratified random sampling approach based on payment amounts.[38] This approach also considered commodities in proportion to their share of the overall payments. FSA's state and county offices selected the remaining producers' claims to include in the spot checks. FSA sampled claims that resulted in large payments at higher rates than claims that resulted in small payments, but less than 1 percent of the producers whose claims FSA sampled had received CFAP payments greater than $1 million, and about half of the claims in the sample (53 percent) were for payments less than $30,000. Moreover, FSA included in its spot checks 11 producers' claims that resulted in payments under $100, the lowest of which was $32. FSA did not consider other risk factors, such as whether producers had received payments for inventory claims, which are more likely to be supported with self-generated documents.

As noted earlier, in selecting our nongeneralizable sample of producers to review, we considered risk-based factors, such as large payments for inventory claims of agricultural commodities about which FSA has limited knowledge. We found that about half of the producers in our sample of 90 had received potentially improper payments.

We recommended in our January 2022 report that FSA take a more complete risk-based approach in selecting samples for future compliance reviews (such as spot checks) of supplemental assistance programs.[39] FSA concurred with this recommendation. In a 2021 report, we found that a risk-based approach enables agencies to (1) achieve their objectives (in this case, ensuring that payments are based on accurate production information) and (2) increase the efficiency of compliance reviews by better focusing limited resources.[40]

Officials from FSA's national office we interviewed told us that they would consider initiating additional rounds of CFAP spot checks. However, it is unclear whether FSA will vary its approach for selecting producers in

[38]For one of its CFAP 1 samples, FSA sorted the payments that producers had received into seven groups based on the size of payments, the first five of which each represented approximately 20 percent of the payments. The top two groups comprised four payments greater than $1.5 million and two payments greater than $1.75 million, respectively. FSA randomly selected from the first five groups and selected all the payments from the top two groups. FSA used variations on this same approach for the other samples.

[39]GAO-22-104259.

[40]GAO*, Farm Programs: USDA Should Take Additional Steps to Ensure Compliance with Wetland Conservation Provisions,* GAO-21-241 (Washington, D.C.: Apr. 2, 2021).

future spot checks because FSA did not change its approach when selecting producers for its second CFAP 1 spot checks and its CFAP 2 spot checks.[41] For example, officials from FSA's national office told us that they intended to exclude field crops from the CFAP 2 sample because payments for those crops were based on FSA's existing records and, therefore, were a lower risk. However, the officials said that FSA had inadvertently included field crops in the CFAP 2 sample. Therefore, the CFAP 2 methodology was similar to the methodology that FSA had used for the CFAP 1 spot checks.

The 2018 Farm Bill requires the Secretary of Agriculture to establish policies, procedures, and plans to improve program accountability and integrity through targeted and coordinated activities to identify and reduce errors, waste, fraud, and abuse in programs administered by FSA. The FSA handbook on Integrity and Accountability in FSA Programs calls on FSA's national office to evaluate and validate program internal controls (in this case, CFAP spot checks) and recommend changes to policy, software, and organizational performance evaluations, as appropriate. By conducting additional CFAP 1 and CFAP 2 spot checks that use a more risk-based sampling methodology, FSA could improve the effectiveness and efficiency of its efforts to identify potentially improper payments.

FSA's County Offices Did Not Consistently Select Producers with Questionable Claims for CFAP Spot Checks

FSA authorized state and county offices to select producers to add to its national sample for CFAP spot checks if the offices questioned the validity of the producers' claims for CFAP 1 or CFAP 2.[42]

However, most FSA county offices for locations where producers had received CFAP payments did not select any producers' claims to add to the spot checks. More specifically, FSA county offices selected claims from producers for spot checks in 331 counties of the 3,058 counties (11 percent) where producers had received CFAP payments. According to officials from the FSA national office, the remaining county offices did not select claims from any producers to add to the spot checks. For example, in California, the state with the second-largest CFAP payments spanning

[41]According to officials from FSA's national office, FSA began its second round of CFAP 1 spot checks and its first round of CFAP 2 spot checks concurrently in February 2022. These officials told us that FSA had finalized the sample in January 2022, when we issued our report recommending that FSA take a more complete risk-based approach in selecting samples for future compliance reviews of supplemental assistance programs.

[42]FSA's analysis of the spot checks did not distinguish between producers that the counties or the states selected for the spot checks, only between those that FSA offices had selected and those identified by the stratified random sample.

57 counties, FSA county offices selected seven producers' claims out of over 22,500 producers to add to the CFAP spot checks. CFAP payments to producers in California were primarily for other commodities, such as specialty crops that are generally not eligible for Farm Bill programs, which can be an indicator of risk for improper payments.

Officials we interviewed from two county offices told us that they did not always select producers' claims for spot checks even if they questioned their validity or were unfamiliar with the producer. For example, in one county, according to an FSA county official, FSA did not review a producer's CFAP payment—whose claims we reviewed and found did not have sufficient support—because the official was not sure if the reason for questioning the producer's claims (the producer's recent formation) was justifiable.

Officials from FSA's national office told us that they did not provide specific guidance on what constitutes a questionable claim for FSA's spot checks of CFAP 1 payments because county officials are most familiar with producers in their counties. However, FSA officials we interviewed from two states and one county told us that they distributed CFAP payments to producers that were unknown to the officials and had not previously participated in Farm Bill programs, which can be indicators of risk for improper payments.

FSA analyzed the results of its CFAP 1 spot checks and found that county offices that selected producers for spot checks were proficient at identifying risks for overpayments, a subset of improper payments. Specifically, in the CFAP 1 spot checks, FSA state and county offices selected the claims of 213 of the 379 producers (56 percent) that were found to have received overpayments. The remaining claims from 166 producers that received overpayments were selected using a stratified random sample, as shown in table 6 below.

Table 6: Number of Producers and Overpayments in FSA CFAP 1 Spot Checks

Producers in FSA's stratified random sample had a lower rate of overpayments than producers that officials from FSA state and county offices selected for the spot checks.

	Producers in FSA CFAP 1 spot checks		Producers in FSA CFAP 1 spot checks that received overpayments			
	Number	CFAP payments (dollars)	Number	Percent of producers that received overpayments	CFAP overpayments (dollars)	Percent of overpayment
FSA's stratified random sample	1,066	133,699,740	166	16	10,511,781	8
FSA state and county offices judgmental sample	768	59,680,006	213	28	11,494,636	19
Total	**1,834**	**193,379,746**	**379**	**21**	**22,006,417**	**11**

Source: Farm Service Agency (FSA) data. | GAO-22-104397

Note: As of June 2022, FSA had not completed the second round of Coronavirus Food Assistance Program (CFAP) 1 spot checks nor the CFAP 2 spot checks.

An FSA internal report analyzing the results of its CFAP 1 spot checks recommended that FSA adopt the approach that county offices used to select producers' claims for its national sample. Officials we interviewed from one state and two county offices told us that they selected producers' claims to add to the CFAP 1 spot checks for various reasons, including when there were anomalies in these claims, repeated revisions to applications for CFAP payments, or harvest or sales dates that did not align with their commodities' growing seasons.[43] Producers in two states, whose claims county officials questioned, were investigated by OIG and pled guilty to making false claims to obtain CFAP payments.[44]

FSA state and county offices selected fewer producers' claims for the CFAP 2 spot checks (114) than they did for the first round of the CFAP 1 spot checks (768).[45] Officials from FSA's national office told us that high workloads may explain the drop in the number of producers' claims that FSA state and county offices selected for the CFAP 2 spot checks

[43]We interviewed FSA county officials from three counties that added producers to FSA's spot check and two that did not.

[44]OIG officials told us that as of May 2022, OIG had six open investigations of CFAP payments, in addition to two closed cases.

[45]Officials from FSA's national office did not offer state and county offices the opportunity to select producers for the second CFAP 1 spot check. Officials from FSA's national office we interviewed stated that they had already offered this opportunity during the first round.

compared with CFAP 1. However, FSA officials from one state and two county offices told us that they added fewer, if any, producers' claims to the CFAP 2 spot checks because a notice from FSA's national office stated that state and county offices had to have a valid reason to question producers' claims. Officials from FSA's national office stated that they included this language in the notice because they had heard of cases where county officials may not have had valid reasons for adding producers to the spot checks. However, FSA's analysis of CFAP 1 spot checks found that state and county offices identified a higher proportion of producers with overpayments compared with the random sample. The FSA notice did not provide guidance on what constitutes a valid reason to add producers' claims to the spot checks.

FSA's handbook on Integrity and Accountability in FSA Programs calls on FSA's national office to ensure that policy is clear and concise to eliminate potential misinterpretation by state and county offices, among others. By issuing guidance specifying factors that state and county offices should consider when selecting producers to undergo spot checks, FSA could better ensure that state and county officials identify producers that may not have sufficient basis for CFAP payments and to recover those payments, if warranted. Ensuring that state and county offices have clear direction on selecting such producers is particularly important for the integrity of CFAP because the program relies on producers' self-certification as the basis for payments.

FSA Accepted Self-Generated Documents as Support for Self-Certified Claims

FSA accepts self-generated documents from producers, including contemporaneous measurements, as support for their self-certified CFAP claims in spot checks, in accordance with CFAP handbooks.[46] In our reviews, we accepted self-generated supporting documents if the documents met the requirements in CFAP handbooks, including if the records were determined acceptable by the local FSA county committee or FSA County Executive Director.[47] For some commodities—such as

[46]The FSA national office provided direction to state and county offices on CFAP 1 and CFAP 2 spot checks in an FSA notice dated February 28, 2022. This notice identifies a subparagraph from each of the CFAP 1 and CFAP 2 handbooks as the standard for acceptable supporting documents in CFAP spot checks. Specifically, this subparagraph lists examples of acceptable supporting documents for different commodities and specifies that any other documents not listed are acceptable if the FSA county committee finds them acceptable. Another subparagraph of the handbooks allows FSA county committees to delegate their spot-check responsibilities to FSA County Executive Directors.

[47]For example, one producer we reviewed provided a typed document in which the producer stated that on January 1, 2020, there was a specific amount of unpriced grain in a bin.

unpriced grain inventory that was later consumed on-farm by livestock rather than sold, and cash sales of vegetables in local farmers' markets—third-party-generated documents may not exist, according to officials from FSA's national office. However, accepting self-generated documents as support was a limitation of our review because we could not independently verify the information in these documents.

Producers we reviewed generally used self-generated documents, such as financial statements and harvest records from their own recordkeeping systems, to support at least a portion of the commodity quantities that they claimed. Of the 90 producers we reviewed, 70 producers relied in part on self-generated documents to support their claims, and eight producers relied entirely on self-generated documents to support their payments of over $12 million.[48]

Producers that made claims primarily for cattle used self-generated documents as support to a greater extent than other producers' claims that we reviewed. Specifically, 33 of the 34 producers we reviewed that received CFAP payments primarily for cattle used self-generated documents to support at least a portion of their claims.[49] For example, one of those cattle producers supported its CFAP 2 payment of over $500,000 with five self-generated tables listing the total number of cattle in various pens and feedlots. None of the spreadsheets included information indicating when the spreadsheets were created or by whom. In comparison, other cattle producers whose claims we reviewed provided third-party support from the feedlots in which their cattle were held, such as grain and feed invoices. These documents include information on the producers' ownership share in the cattle and other details that could support the producers' claims, such as the cattle's weight and dates they were in the feedlot.

In our reviews, some producers provided third-party-generated documents—such as sales receipts, grain elevator tickets, and insurance records—that would allow for independent verification of the producers' claims. Notably, some producers had dairy cooperatives provide milk production records directly to FSA on the producers' behalf. For certain

[48]For three of these eight producers, with claims totaling $4.6 million, there were no deficiencies, so we accepted their claims as supported.

[49]Of the 33 producers, five producers relied solely on self-generated documents to support their cattle claims, and 28 producers provided a mix of self-generated and third-party documents.

categories, such as milk production, third-party-generated documents may be more readily available than other categories.

FSA does not collect information on the extent to which the agency accepted self-generated documents from producers to support their claims, according to written responses from officials in FSA's national office. The agency does not distinguish between self-generated and third-party-generated documents in its guidance for conducting spot checks or in its program records.

Officials from FSA's national office noted that FSA handbooks specify that in spot checks, FSA county committees, composed of local citizens who are nominated and elected by local producers, determine whether the supporting documentation is acceptable. Officials from FSA's national office told us that county committees are knowledgeable about local producers, especially larger operations, and should be able to effectively determine if the documentation is reasonable, even if it is self-generated.[50] According to these officials, county committees review self-generated documents and third-party-generated documents using the same standards. Specifically, county committees are tasked with ensuring that the documents support the producers' claims and meet program requirements. However, as previously noted, officials from two states and one county we interviewed told us that they distributed CFAP payments to some producers that were unknown to the FSA officials and had not previously participated in Farm Bill programs. In addition, two county officials told us that they did not always select producers for review, even if they questioned the validity of their claims.

In our prior work, we have focused on the inadequacies of using voluntary, self-reported information without independent verification and review. Independent verification is a key component of fraud prevention and detection. According to GAO's Fraud Risk Framework,[51] a leading practice to effectively prevent instances of potential fraud is for agencies to verify reported information, particularly self-reported data and other key

[50]However, state and county officials told us that their knowledge was limited in part because of the large number of commodities in CFAP that are not generally eligible for FSA farm programs. For example, FSA state officials in California told us that about 90 percent of the producers that applied for CFAP were unknown to FSA and that most of these producers grew specialty crops.

[51]GAO-15-593SP.

data necessary to determine eligibility for government programs.[52] Third-party-generated documents may be validated by the third-party sources that generated the documents. In addition, FSA may use other means of verification, such as site visits, interviews with individuals knowledgeable about the operation, and comparisons with historical data to help validate producer claims.

By relying on self-generated documents in the CFAP spot-check reviews—particularly in combination with an approach that accepts self-certification for eligibility and claims—FSA limits its ability to verify producer information and eligibility and, consequently, its ability to prevent and detect fraud and improper payments. With the passage of time, more producers could reasonably be expected to have obtained third-party-generated documents, such as sales receipts for commodities that they had not yet sold at the time that they made inventory claims in their CFAP applications. FSA could improve the rigor of future spot checks by requiring producers to provide third-party-generated documents to support producers' claims, when possible. In circumstances where third-party-generated documents may not exist, FSA could allow officials to accept self-generated documents but require officials to document why third-party-generated documents were not available.[53]

FSA State Offices Did Not Monitor Spot Checks for Quality

According to FSA national and state officials we interviewed, FSA state offices did not monitor the quality of the CFAP 1 spot checks that the county offices conducted in 2021 nor do they plan to monitor the quality of the county offices' ongoing CFAP spot checks.[54] In contrast, for programs authorized by the 2018 Farm Bill, FSA state offices regularly examine

[52]See GAO, *Aviation: FAA Needs to Better Prevent, Detect, and Respond to Fraud and Abuse Risks in Aircraft Registration*, GAO-20-164 (Washington, D.C.: Mar. 25, 2020), for more information on the risks of relying on self-reported information.

[53]Other FSA programs require agency officials to justify why they were unable to obtain certain evidence as part of annual reviews. For example, a required form in a handbook for payment limits and eligibility for a variety of FSA programs requires officials conducting reviews of producer eligibility and payment limits to interview producers unless the reason for not interviewing a producer is obvious and adequately justified in writing.

[54]Even in cases where states selected producers for review, county offices conducted the reviews.

determinations that county offices make, and a handbook provides guidance for such reviews.[55]

FSA officials from three of the five state offices we interviewed told us that they were not sure, on the basis of questions from county officials, if the results of the CFAP 1 spot checks accurately record whether producers fully supported their claims. For example, two state officials stated that it was not clear to county officials whether they were to use a “yes” or a “no” response for a producer that provided only partial support for a CFAP payment.

In addition, we found, according to our review of claims and interviews with FSA officials, that CFAP’s complexity and coverage of commodities with which FSA is unfamiliar could make it difficult for county offices to determine if producers supported their claims. For example, for CFAP 1, FSA provided different payments for livestock, such as cattle and hogs, based on weight and other factors. For other commodities, FSA provided three different types of payments depending on whether the producer sold the commodity, shipped the commodity but was not paid, or whether the commodity was not shipped or sold.[56] FSA state and county officials told us that the categories for livestock were confusing and not well understood by county reviewers.

FSA national and state officials told us that they provided guidance and other assistance to county offices reviewing CFAP claims. For example, national and state officials stated that they assisted county offices with specific issues, such as interpreting contract language to determine whether commodities were unpriced as of a certain date and ensuring that the county offices completed the spot checks. As a result of meeting with us and the CFAP 1 spot-check analysis, FSA revised its guidance for the second round CFAP 1 spot checks and CFAP 2 spot checks to help reviewers more accurately complete them. Because the spot checks were

[55]As we reported in 2020, FSA state offices conduct annual compliance reviews of a sample of producers that participate in programs authorized by the 2018 Farm Bill that are subject to actively engaged in farming requirements. See GAO, *Farm Programs: USDA Has Improved Its Completion of Eligibility Compliance Reviews, but Additional Oversight Is Needed*, GAO-21-95 (Washington, D.C.: Oct. 30, 2020).

[56]For example, for perishable commodities such as fruits and vegetables, FSA provided payments for CFAP 1 under three categories: (1) sales of commodities; (2) commodities producers shipped but for which they did not receive payments; and (3) commodities producers did not sell or ship, which included commodities that producers did not harvest and that subsequently spoiled.

ongoing as of June 2022, it is unknown if the revisions to the guidance addressed these issues.

FSA state officials we interviewed told us that they did not systematically monitor the quality of the spot checks that the county offices completed and that there was no guidance directing the state offices to do so, as there is for other programs.[57] Moreover, officials in three of the five state offices we interviewed told us that they did not have any role in the spot checks other than to ensure that county offices conducted the spot checks.

FSA's handbook on Integrity and Accountability in FSA Programs directs state offices to provide guidance to state and county employees on the accurate interpretation of program policies and internal control procedures to minimize risks and improve program performance. Providing additional direction to state officials to monitor the quality of the CFAP spot checks could help FSA effectively oversee payments worth tens of billions of dollars.

Conclusions

USDA provided $31 billion in CFAP payments to producers to help offset sales losses, market disruptions, and increased costs associated with the COVID-19 pandemic. These payments were based on self-certified claims but were subject to FSA postpayment reviews, including spot checks to review producers' claims and supporting materials. However, we identified several limitations in FSA's reviews that may have undermined their effectiveness in detecting improper payments. These limitations include that FSA's (1) national office did not fully consider risk factors when selecting producers for its sample, (2) county offices did not consistently add producers with questionable claims to the spot-check sample, (3) county offices accepted self-generated documents as support for producers' claims, and (4) state offices did not monitor the quality of county offices' spot checks.

In our review of CFAP claims of 90 producers, we found that over half of the producers did not provide support for their claims. Thus, payments that FSA made on these claims were potentially improper. While programs such as CFAP may be developed and implemented quickly, FSA could better ensure the integrity of billions of dollars in CFAP

[57]An FSA California State official told us that the state office conducted the CFAP 1 spot checks; however, FSA county offices will conduct the CFAP 2 spot checks.

payments by conducting additional reviews using a more rigorous process that addresses the limitations that we identified.

Recommendations for Executive Action

We are making the following four recommendations to FSA:

The Administrator of FSA should conduct additional spot checks of CFAP payments and use a more risk-based approach to selecting producers for review. This approach could include focusing on producers of commodities not generally covered by other FSA programs and producers that received large payments. (Recommendation 1)

The Administrator of FSA should issue guidance directing the agency to identify factors, such as large claims for commodities with which FSA is unfamiliar, that county offices should consider when selecting producers for CFAP spot checks. (Recommendation 2)

The Administrator of FSA should direct agency officials conducting CFAP payment spot checks to (1) use support generated by third parties; or (2) if such support is not available, document why support self-generated by the producer was accepted. (Recommendation 3)

The Administrator of FSA should direct state offices to monitor the quality of the county offices' spot checks for CFAP. Such monitoring could include a review of selected spot checks to ensure their accuracy. (Recommendation 4)

Agency Comments

We provided a draft of this report to USDA for review and comment. In its written comments, which are reproduced in appendix III, USDA generally agreed with the report's four recommendations. USDA also described actions that it intends to take that would address these recommendations.

With regards to the first recommendation to conduct additional spot checks using a more risk-based approach for selecting producers for review, we appreciate that FSA is considering a variety of risk-based criteria and that FSA needs to secure a statistician to assist with developing its sampling approach. We continue to believe that focusing on producers with risk-based characteristics, such those receiving large payments, will strengthen FSA's ability to target its spot checks towards detecting potentially improper payments for CFAP. We will monitor FSA's implementation of all the recommendations, including its sampling approach for additional CFAP spot checks.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Agriculture, the Administrator of FSA, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or morriss@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

Steve D. Morris
Director, Natural Resources and Environment

List of Committees

The Honorable Patrick Leahy
Chairman
The Honorable Richard Shelby
Vice Chairman
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United States Senate

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Chairman
The Honorable Mike Crapo
Ranking Member
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Appendix I: Objectives, Scope, and Methodology

This report examines (1) the Farm Service Agency's (FSA) distribution of Coronavirus Food Assistance Program (CFAP) payments by commodity and type of producer, (2) the extent to which producers we selected for review provided support for CFAP payments, and (3) the extent to which FSA verified producers' compliance with program rules. For all objectives, we reviewed relevant statutes and regulations; FSA application forms, handbooks, notices, and other documents, such as FSA's CFAP methodology reports; and relevant GAO and Congressional Research Service reports.

To examine FSA's distribution of CFAP payments by commodity and type of producer, we analyzed FSA data from December 2021 on payments and information on producers that received these payments, such as entity types, income, and status as historically underserved. We aggregated and analyzed data for payments and producers for CFAP 1, CFAP 2, top-up payments, and payments to contract producers.[1]

For the purposes of this report, we combined types of commodities across CFAP 1 and CFAP 2 into the following reporting categories: (1) dairy (cow milk); (2) field crops, which include flat-rate crops and price-trigger crops; (3) livestock, which includes beef cattle, hogs, lambs, pigs, and sheep; and (4) other commodities, which include, among other things, broilers, eggs, eligible contract livestock or poultry, and sales-based commodities.[2]

For our analysis of payments by type of producer, we tailored our analysis in the following ways:

- For payments to historically underserved producers, we analyzed FSA data to determine the number of such producers that participated in CFAP and their associated payments. Our analysis of historically underserved producers focused on individual producers, including those that are members of legal entities.

[1]According to an FSA CFAP handbook, a contract producer grows or produces an eligible commodity under contract on behalf of another person or entity. A contract producer does not own the commodity and is not entitled to a share from sales proceeds of the commodity.

[2]See 7 C.F.R. §§ 9.2, 9.101, 9.201, and 9.203(g)(1).

- For our analysis of payments to high-income producers, we included the number of producers and members of entities that qualified for CFAP under the 75 percent rule and their associated payments.[3]

We assessed the reliability of FSA's data by (1) reviewing information about the data and the systems that produced them; (2) reviewing relevant FSA handbooks, such as FSA's handbooks for CFAP and for payment eligibility; (3) interviewing agency officials knowledgeable about the data; and (4) conducting electronic tests for anomalies and missing data. We determined that the data were sufficiently reliable for the purpose of providing information on the distribution of payments by type of producer; location; and agricultural commodity; as well as for selected producers, such as those that received the largest payments.

To examine the extent to which producers we selected for review provided support for CFAP payments, we reviewed CFAP applications and documents related to eligibility, inventory, production, and sales, among others, of 90 producers. We selected these 90 producers using risk factors, such as the largest CFAP payments for commodities for which FSA has not generally provided payments or other assistance under programs reauthorized by the 2018 Farm Bill. Specifically, we selected from among producers that received the highest payments for dairy, cattle, other livestock (e.g., hogs and sheep), and "other commodities."[4] We made our selections in March of 2021 from producers that received among the 100 largest payments for CFAP 1 and CFAP 2. As of December 2021, when we received updated payment data from FSA, all but one of the producers in our sample had received among the 100 largest payments for dairy, cattle, other livestock, and other commodities for CFAP 1 or CFAP 2. For producers that received CFAP 1 payments, we prioritized those that had received payments for inventory claims, which are less likely to have third-party-generated documents. When selecting producers, we excluded producers that were under

[3]Producers with average adjusted gross income (AGI) of $900,000 and above calculated over a specified 3-year period could qualify for CFAP payments based on certifications that at least 75 percent of their income was derived from farming, ranching, or forestry-related activities.

[4]Other commodities include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

review by the U.S. Department of Agriculture (USDA) at the time of our selection.[5]

Our sample consisted of 41 producers that received the largest CFAP 1 payments for dairy, cattle, other livestock, and other commodities and 49 producers that received the largest CFAP 2 payments for these same commodities as of March 2021, the latest available payment data that we received from FSA when we selected the sample.[6] In cases where the producers we selected received both CFAP 1 and CFAP 2 payments, we reviewed both applications. In total, we reviewed 176 CFAP applications because 86 of the 90 producers we reviewed received both CFAP 1 and CFAP 2 payments. These applications represented a small fraction of the number of CFAP applications that FSA approved.[7]

We requested that FSA obtain and provide us with supporting documents for each producer in our review as well as producers' CFAP applications. FSA also requested additional documents and clarifications from producers on our behalf and, in some cases, producers provided documents and information to us directly.

We interviewed relevant FSA state and county officials to obtain additional information and to clarify our understanding of the information that they provided. We also spoke with two producers, at their request, to provide clarifications and to obtain additional information.

Two GAO analysts independently reviewed the producers' claims and reached consensus on whether the claims aligned with the support provided by FSA and the producers. If we were uncertain about the support but FSA state or county officials told us that they would find it acceptable, we generally accepted it, in accordance with FSA's CFAP

[5]At the time we selected our sample, there were three reviews of CFAP producers by USDA agencies: Farm Production and Conservation Business Center (Business Center), FSA, and the Office of Inspector General (OIG).

[6]We selected an additional producer that had received the highest payments for CFAP 2 as of March 2021, but we did not review this producer because FSA later determined that the producer was ineligible, and the producer refunded the entire CFAP payment that it had received.

[7]As of July 10, 2022, FSA had approved 646,826 CFAP 1 applications and 919,368 CFAP 2 applications.

handbooks that state producers may provide other documents than those specified, if the county committees determined them to be acceptable.

Because of resource constraints, we did not independently verify the accuracy of evidence that the producers provided, by, for example, requesting independent support from vendors or customers. In addition, we were generally not able to confirm if producers' production was unpriced as of January 15, 2020, in accordance with CFAP 1 requirements, because the absence of a contract or another relevant agreement is generally not documented.[8] Because of the limitations in our review, we cannot provide assurance that the remaining 42 producers we reviewed fully supported their claims and, therefore, that their payments are proper.

To examine the extent to which FSA verified producers' compliance with CFAP requirements, we reviewed documents describing how FSA selected samples of payments for its spot-check reviews and the summary results. We also interviewed knowledgeable FSA officials and received written responses regarding the methodology and results of the agency's compliance reviews. We interviewed officials from FSA's national office who oversaw the sample selection and spot checks. We also interviewed a nongeneralizable sample of officials from five states and a county in each of the five states that conducted these spot checks.

- We selected five states that (1) had among the largest CFAP 1 payments, (2) identified large numbers of overpayments, and (3) were geographically dispersed.
- We selected a county in each of these five states that made payments to producers of a variety of different commodity types. We included a mix of counties that selected producers to be added to FSA's spot checks and those that did not select producers to be added to the spot-check list.

We assessed the design of FSA's methodology for selecting and reviewing producers' applications for its CFAP spot checks to determine whether the methodology was consistent with the direction in the agency's handbook on integrity and accountability. The handbook directs FSA to evaluate and validate program internal controls metrics, issue clear policy, and ensure that state and county employees are accurately

[8]Sales receipts evidencing a sale after the specified date on which the production needed to be unpriced could support the production being unpriced on the specified date. We did not require producers to provide such support.

interpreting FSA's policies and internal control procedures. We determined that the methodology was sufficiently sound for the purpose of describing the methodology and the results of the spot checks in this report.

In addition, we reviewed documents and interviewed officials from USDA's Business Center regarding their review of national random samples of CFAP payments made in fiscal years 2020 and 2021. We did not independently verify the Business Center's results. However, we assessed the design of the agency's sampling and analytical methodologies and determined that they were sufficiently sound for the purpose of summarizing the Business Center's results in this report. We also reviewed documents and interviewed officials from OIG regarding their ongoing review of a national random sample of CFAP 1 payments and investigations of producers that had received CFAP payments.

We conducted this performance audit from August 2020 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Additional Information on the Distribution of Coronavirus Food Assistance Program Payments

Under the U.S. Department of Agriculture's Coronavirus Food Assistance Program (CFAP), the Farm Service Agency (FSA) distributed approximately $31 billion to 965,651 producers, with payments varying by location and commodity type. As shown in table 7, the average CFAP payment per producer that received CFAP funding directly was $32,074, and the average payment per member—including individual producers and producers that received CFAP payments as members of entities—was $24,390.

Table 7: Distribution of CFAP Payments by State, and Average Payments per Producer and Member

The average payments per member ranged from $48,049 in California to $9,381 in West Virginia.[a]

State	CFAP payments (dollars)	Percentage of total payments	Number of producers	Share of total number of producers (percentage)	Number of members	Share of total number of members (percentage)	Average payment per producer (dollars)	Average payment per member (dollars)
CA	2,199,839,040	7.1	22,535	2.3	45,783	3.6	97,619	48,049
ND	1,176,034,265	3.8	22,235	2.3	25,206	2.0	52,891	46,657
ID	586,956,741	1.9	9,171	1.0	13,742	1.1	64,001	42,713
NY	495,982,771	1.6	8,354	0.9	12,154	1.0	59,371	40,808
NJ	69,771,287	0.2	1,169	0.1	1,738	0.1	59,685	40,145
MN	1,826,443,904	5.9	39,912	4.1	48,063	3.8	45,762	38,001
CT	29,719,126	0.1	474	0.1	790	0.1	62,699	37,619
NV	56,735,785	0.2	976	0.1	1,541	0.1	58,131	36,818
WI	1,217,170,565	3.9	26,399	2.7	33,369	2.6	46,107	36,476
NM	236,382,143	0.8	4,958	0.5	6,786	0.5	47,677	34,834
SD	1,374,496,074	4.4	27,099	2.8	40,058	3.2	50,721	34,313
FL	462,903,870	1.5	8,436	0.9	13,606	1.1	54,872	34,022
ME	60,257,820	0.2	1,300	0.1	1,788	0.1	46,352	33,701
VT	79,702,024	0.3	1,663	0.2	2,399	0.2	47,927	33,223
MI	666,204,586	2.2	16,729	1.7	21,115	1.7	39,823	31,551
NE	2,021,330,214	6.5	49,098	5.1	65,237	5.1	41,169	30,984
IA	2,679,629,625	8.7	65,089	6.7	87,316	6.9	41,169	30,689
PA	406,283,302	1.3	10,599	1.1	13,717	1.1	38,332	29,619
CO	512,777,465	1.7	11,814	1.2	17,482	1.4	43,404	29,332
AZ	153,838,391	0.5	3,272	0.3	5,257	0.4	47,017	29,264
OR	353,164,593	1.1	7,594	0.8	12,095	1.0	46,506	29,199
UT	161,409,568	0.5	4,323	0.5	5,951	0.5	37,337	27,123
WY	187,215,573	0.6	4,838	0.5	7,145	0.6	38,697	26,202

State	CFAP payments (dollars)	Percentage of total payments	Number of producers	Share of total number of producers (percentage)	Number of members	Share of total number of members (percentage)	Average payment per producer (dollars)	Average payment per member (dollars)
DE	30,156,285	0.1	759	0.1	1,162	0.1	39,732	25,952
HI	41,693,939	0.1	1,289	0.1	1,648	0.1	32,346	25,300
NC	425,767,214	1.4	14,461	1.5	17,032	1.3	29,442	24,998
GA	419,353,910	1.4	14,147	1.5	16,915	1.3	29,643	24,792
MT	656,376,857	2.1	15,356	1.6	27,795	2.2	42,744	23,615
MD	97,668,114	0.3	3,052	0.3	4,250	0.3	32,001	22,981
WA	523,407,144	1.7	11,023	1.1	23,047	1.8	47,483	22,710
SC	117,381,961	0.4	4,727	0.5	5,504	0.4	24,832	21,327
NH	12,172,602	0.0	420	0.0	621	0.1	28,982	19,602
OK	869,820,524	2.8	40,414	4.2	45,052	3.6	21,523	19,307
KS	1,620,758,474	5.2	64,677	6.7	84,331	6.7	25,059	19,219
TX	1,796,284,941	5.8	74,930	7.8	96,352	7.6	23,973	18,643
IN	914,008,850	3.0	37,063	3.8	49,163	3.9	24,661	18,591
VA	276,500,982	0.9	13,272	1.4	15,442	1.2	20,833	17,906
IL	1,736,992,582	5.6	75,646	7.8	99,413	7.8	22,962	17,472
OH	757,365,571	2.5	34,894	3.6	43,543	3.4	21,705	17,394
MA	39,635,475	0.1	1,646	0.2	2,334	0.2	24,080	16,982
MS	327,960,549	1.1	14,927	1.6	20,073	1.6	21,971	16,338
LA	287,114,838	0.9	12,922	1.3	17,636	1.4	22,219	16,280
RI	5,141,137	0.0	225	0.0	338	0.0	22,849	15,210
MO	1,069,606,959	3.5	58,653	6.1	71,061	5.6	18,236	15,052
AL	249,815,116	0.8	15,958	1.7	17,908	1.4	15,655	13,950
KY	502,324,322	1.6	34,487	3.6	37,838	3.0	14,566	13,276
AR	477,286,438	1.5	28,391	2.9	39,348	3.1	16,811	12,130
TN	381,199,195	1.2	30,206	3.1	32,751	2.6	12,620	11,639
AK	1,786,444	0.0	138	0.0	184	0.0	12,945	9,709
WV	56,099,509	0.2	5,690	0.6	5,980	0.5	9,859	9,381
Total[b]	**30,707,928,662**	**100.0**	**957,410**	**100.0**	**1,259,059**	**100.0**	**32,074**	**24,390**

Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Notes: Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

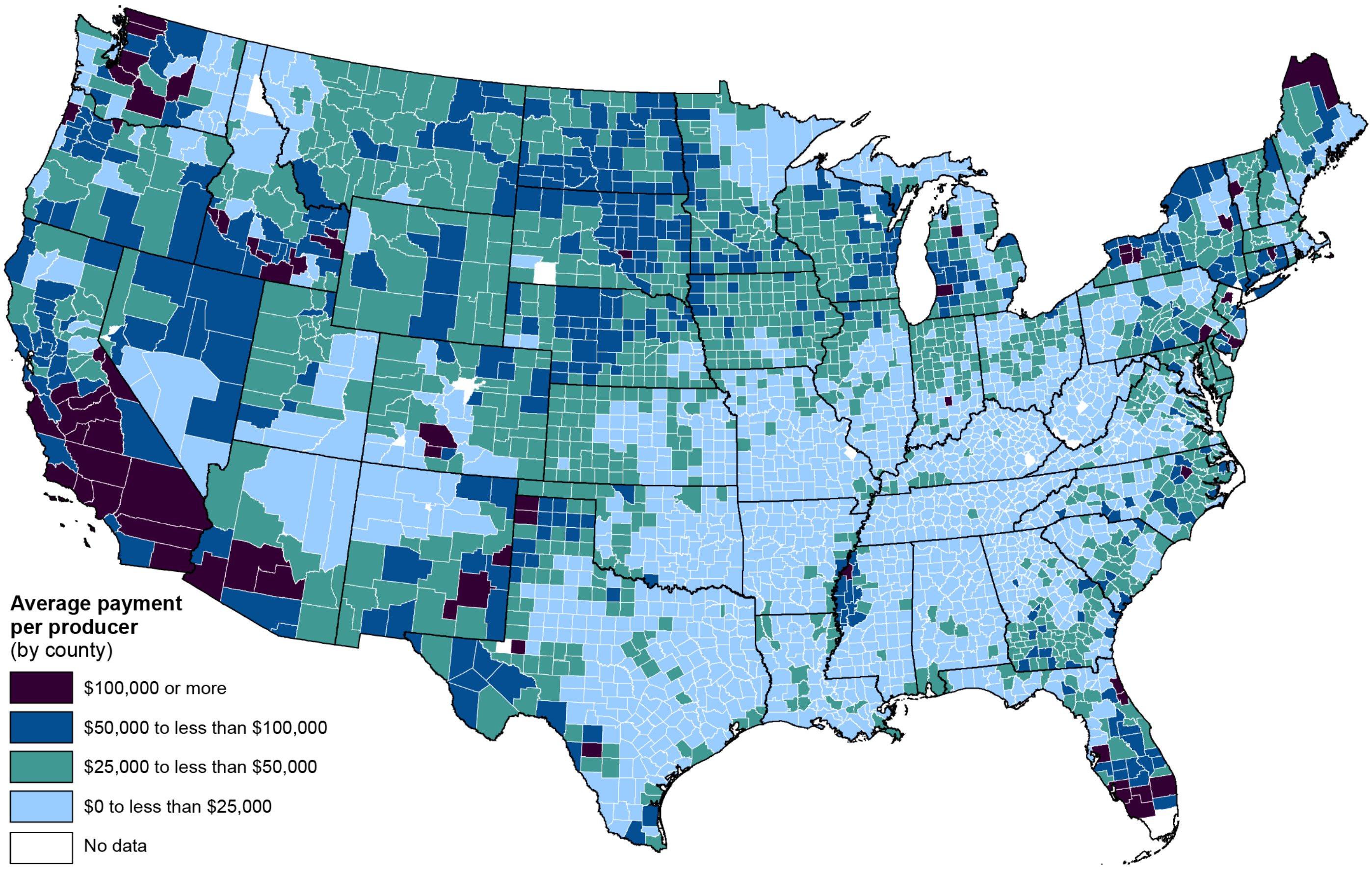
We included individual producers in both the producers and members columns, so the number of producers cannot be added across these columns.

[a]The variation in payments from state to state is a result of the types and quantities of commodities produced in each state and the CFAP payment rates for those types of commodities.

[b]In addition, FSA made CFAP payments totaling $100,660,060 to producers in U.S. territories. FSA also made CFAP payments of $160,996,299 to producers for which there were missing or invalid state codes. There were a total of 8,241 producers in these categories.

The average CFAP payment per producer ranged by county from over $300,000 to less than $500. We found that 70 counties had average payments of more than $100,000 per producer (see fig. 4).

Figure 4: Average CFAP Payments per Producer in the Contiguous U.S.

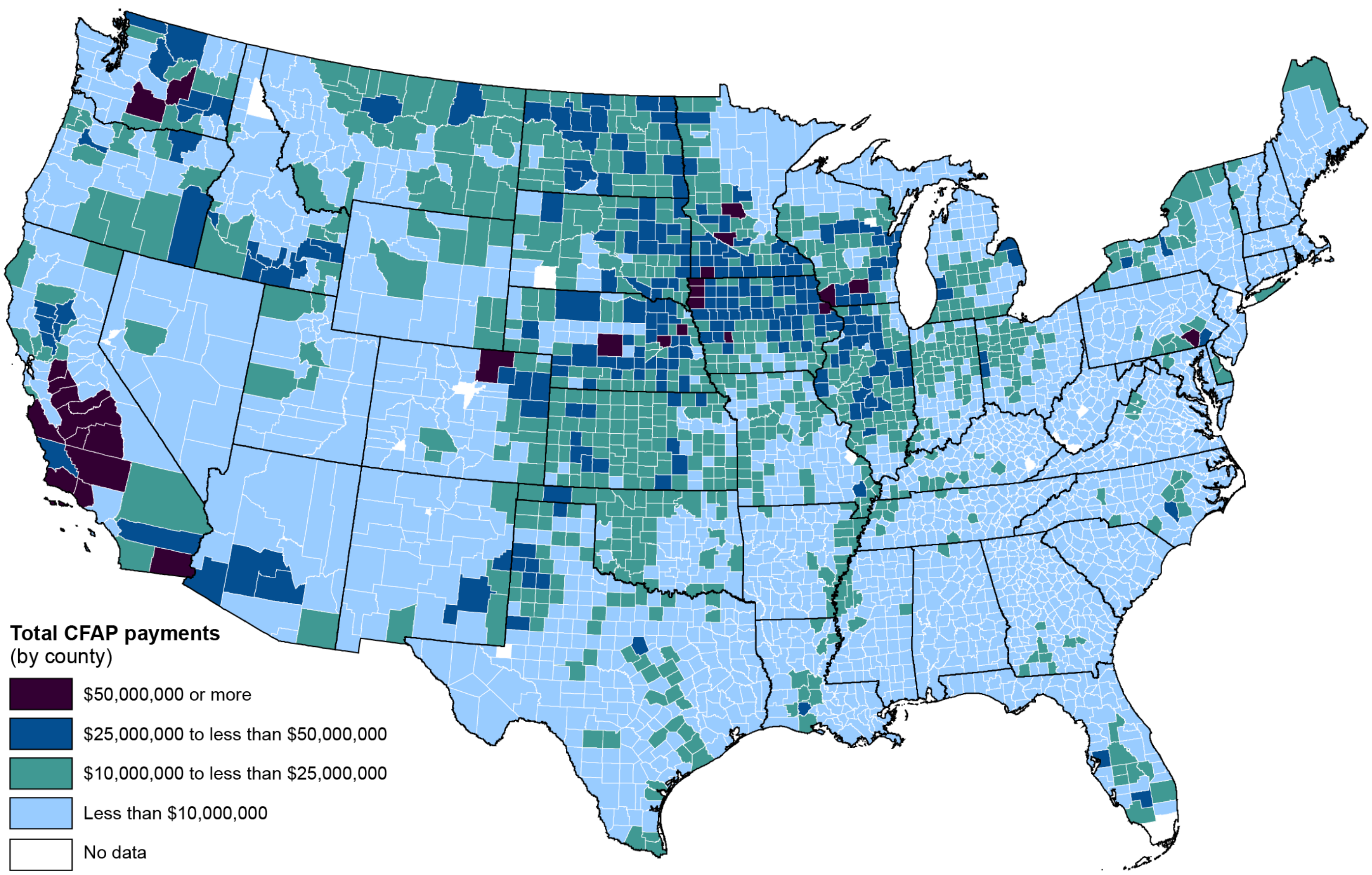


Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Note: Average Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

Total CFAP payments per county ranged from over $325 million to less than $1,000. We found that 30 counties had payments totaling over $50,000,000 per county (see fig. 5).

Figure 5: Total CFAP Payments per County in the Contiguous U.S.



Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Note: Total Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

CFAP payments for field crops were about $13.8 billion, or about 45 percent of all CFAP payments, with producers in Iowa, Nebraska, Illinois, Minnesota, and Kansas receiving the highest total payments. CFAP payments for livestock were about $9.8 billion (about 32 percent), with producers in Texas, Iowa, Nebraska, Kansas, and South Dakota receiving the highest total payments. CFAP payments for dairy were about $3.0 billion (about 10 percent), with producers in Wisconsin, California, New York, Minnesota, and Pennsylvania receiving the highest total payments. CFAP payments for other commodities were about $4.4 billion (about 14 percent), with producers in California, Florida, Washington, Idaho, and Oregon receiving the highest total payments. Taking into account all commodities, producers in Iowa, California, Nebraska, Minnesota, and Texas received the highest total CFAP payments—about $10.5 billion, or 34 percent of all the payments.

Table 8 shows CFAP payments by state and type of agricultural commodity.

Table 8: Distribution of CFAP Payments, by State and Type of Agricultural Commodity

FSA distributed $13.8 billion for field crops, $9.8 billion for livestock, $3.0 billion for dairy, and $4.4 billion for other commodities, with producers in Iowa, California, Nebraska, Minnesota, and Texas receiving the highest total payments.

	Dairy		Field crops		Livestock		Other commodities		Total	
State	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage
IA	89,285,173	2.9	1,652,754,340	12.0	914,815,212	9.4	22,774,900	0.5	2,679,629,625	8.7
CA	507,715,828	16.7	73,480,110	0.5	201,682,584	2.1	1,416,960,518	32.5	2,199,839,040	7.1
NE	18,683,698	0.6	1,165,984,899	8.5	822,072,111	8.4	14,589,506	0.3	2,021,330,214	6.5
MN	176,496,569	5.8	1,098,777,041	8.0	487,055,693	5.0	64,114,602	1.5	1,826,443,904	5.9
TX	102,967,664	3.4	666,829,091	4.8	942,609,513	9.7	83,878,673	1.9	1,796,284,941	5.8
IL	38,579,304	1.3	1,425,549,045	10.3	257,669,830	2.6	15,194,402	0.4	1,736,992,582	5.6
KS	23,015,040	0.8	936,667,559	6.8	653,739,145	6.7	7,336,730	0.2	1,620,758,474	5.2
SD	30,421,741	1.0	673,871,427	4.9	651,980,904	6.7	18,222,003	0.4	1,374,496,074	4.4
WI	564,917,732	18.6	419,279,650	3.0	168,869,425	1.7	64,103,758	1.5	1,217,170,565	3.9
ND	7,051,789	0.2	822,646,337	6.0	276,158,997	2.8	70,177,143	1.6	1,176,034,265	3.8
MO	16,033,508	0.5	529,397,104	3.8	508,130,197	5.2	16,046,151	0.4	1,069,606,959	3.5
IN	41,565,519	1.4	694,591,193	5.0	151,948,313	1.6	25,903,824	0.6	914,008,850	3.0
OK	5,223,682	0.2	211,617,945	1.5	636,759,763	6.5	16,219,134	0.4	869,820,524	2.8
OH	87,321,037	2.9	488,253,221	3.5	144,872,545	1.5	36,918,768	0.9	757,365,571	2.5
MI	160,671,931	5.3	272,273,834	2.0	91,927,578	0.9	141,331,243	3.2	666,204,586	2.2
MT	5,883,465	0.2	284,201,544	2.1	339,251,601	3.5	27,040,248	0.6	656,376,857	2.1
ID	133,834,385	4.4	127,808,659	0.9	160,388,578	1.6	164,925,119	3.8	586,956,741	1.9
WA	86,218,837	2.8	121,048,742	0.9	50,031,795	0.5	266,107,771	6.1	523,407,144	1.7
CO	49,728,992	1.6	189,443,227	1.4	223,957,286	2.3	49,647,960	1.1	512,777,465	1.7
KY	17,857,878	0.6	207,196,796	1.5	238,526,569	2.4	38,743,079	0.9	502,324,322	1.6
NY	278,871,595	9.2	89,775,288	0.7	34,094,283	0.4	93,241,605	2.1	495,982,771	1.6
AR	1,551,947	0.1	255,062,416	1.9	189,617,821	1.9	31,054,253	0.7	477,286,438	1.5
FL	24,689,562	0.8	17,496,221	0.1	104,250,136	1.1	316,467,951	7.3	462,903,870	1.5

	Dairy		Field crops		Livestock		Other commodities		Total	
State	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage
NC	17,813,253	0.6	172,712,427	1.3	84,346,838	0.9	150,894,696	3.5	425,767,214	1.4
GA	23,052,746	0.8	170,150,830	1.2	107,539,264	1.1	118,611,070	2.7	419,353,910	1.4
PA	170,608,156	5.6	104,015,817	0.8	61,820,435	0.6	69,838,894	1.6	406,283,302	1.3
TN	12,686,916	0.4	160,784,048	1.2	166,708,323	1.7	41,019,908	0.9	381,199,195	1.2
OR	36,807,283	1.2	44,772,230	0.3	111,276,653	1.1	160,308,427	3.7	353,164,593	1.1
MS	3,368,066	0.1	186,553,157	1.4	101,564,023	1.0	36,475,303	0.8	327,960,549	1.1
LA	3,430,409	0.1	119,969,644	0.9	58,856,331	0.6	104,858,454	2.4	287,114,838	0.9
VA	29,359,512	1.0	68,790,105	0.5	125,886,524	1.3	52,464,840	1.2	276,500,982	0.9
AL	1,241,285	0.0	81,524,377	0.6	130,065,853	1.3	36,983,602	0.9	249,815,116	0.8
NM	72,243,491	2.4	23,475,186	0.2	114,374,643	1.2	26,288,823	0.6	236,382,143	0.8
WY	2,097,205	0.1	23,474,555	0.2	158,491,485	1.6	3,152,329	0.1	187,215,573	0.6
UT	33,785,280	1.1	22,501,648	0.2	90,648,250	0.9	14,474,390	0.3	161,409,568	0.5
AZ	31,279,646	1.0	31,863,221	0.2	46,473,646	0.5	44,221,878	1.0	153,838,391	0.5
SC	4,689,339	0.2	55,732,980	0.4	29,735,111	0.3	27,224,530	0.6	117,381,961	0.4
MD	17,051,102	0.6	56,293,567	0.4	7,555,370	0.1	16,768,075	0.4	97,668,114	0.3
VT	57,682,035	1.9	5,807,365	0.0	4,318,573	0.0	11,894,051	0.3	79,702,024	0.3
NJ	2,162,326	0.1	9,676,087	0.1	1,821,191	0.0	56,111,683	1.3	69,771,287	0.2
ME	13,902,738	0.5	3,346,329	0.0	2,833,796	0.0	40,174,958	0.9	60,257,820	0.2
NV	9,094,940	0.3	7,371,854	0.1	37,805,905	0.4	2,463,086	0.1	56,735,785	0.2
WV	1,478,260	0.1	4,561,583	0.0	38,874,001	0.4	11,185,665	0.3	56,099,509	0.2
HI	160,922	0.0	1,047	0.0	9,642,620	0.1	31,889,350	0.7	41,693,939	0.1
MA	4,867,759	0.2	1,125,055	0.0	3,002,154	0.0	30,640,507	0.7	39,635,475	0.1
DE	1,521,714	0.1	18,783,894	0.1	516,321	0.0	9,334,356	0.2	30,156,285	0.1
CT	9,948,720	0.3	1,605,264	0.0	1,026,667	0.0	17,138,475	0.4	29,719,126	0.1
NH	5,738,474	0.2	812,798	0.0	1,182,871	0.0	4,438,459	0.1	12,172,602	0.0

	Dairy		Field crops		Livestock		Other commodities		Total	
State	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage
RI	167,476	0.0	63,440	0.0	224,394	0.0	4,685,826	0.1	5,141,137	0.0
AK	41,148	0.0	298,235	0.0	497,452	0.0	949,609	0.0	1,786,444	0.0
Total[a]	**3,034,867,076**	**100.0**	**13,800,072,428**	**100.0**	**9,747,498,574**	**100.0**	**4,125,490,584**	**99.9**	**30,707,928,662**	**100.0**

Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Notes: Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

For the purposes of this report, types of agricultural commodities include (1) dairy; (2) field crops, which are alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, and wheat; (3) livestock, which includes cattle, hogs, pigs, and sheep; and (4) other commodities, which include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

[a]In addition, FSA made CFAP payments to producers in U.S. territories totaling $100,660,060. FSA also made CFAP payments of $160,996,299 to producers for which there were missing or invalid state codes. Total does not always equal 100 percent because of rounding.

The 25 producers with the highest CFAP payments received a total of about $74.1 million (0.2 percent of total CFAP payments). As shown in table 9 below, most of these 25 producers operate as general partnerships, and about half of their payments were for livestock.

Table 9: Producers That Received the Top 25 CFAP Payments

These producers received the highest CFAP payments; the average payment for all producers was $32,071.

Producer	U.S. Census Bureau region[a]	Type of entity	CFAP payments by type of agricultural commodity[b] (dollars)				Total (dollars)
			Dairy	Field crops	Livestock	Other commodities	
1	West	Joint venture	0	0	6,758,056	0	6,758,056
2	Midwest	General partnership	0	0	6,530,823	0	6,530,823
3	West	General partnership	0	45,642	0	3,930,581	3,976,223
4	South	General partnership	1,975,876	1,434,139	252,936	275,844	3,938,795
5	Midwest	General partnership	0	0	3,152,083	0	3,152,083
6	Midwest	General partnership	0	333,393	2,762,536	44,232	3,140,162
7	West	General partnership	0	48,871	104,217	2,846,912	3,000,000
8	Midwest	General partnership	0	514,875	2,340,281	0	2,855,156
9	West	General partnership	0	165,881	0	2,679,483	2,845,364
10	Midwest	General partnership	0	347,137	2,204,596	137,040	2,688,772
11	Midwest	General partnership	0	104,495	2,477,187	0	2,581,682
12	West	Indian tribal venture[c]	0	2,003,915	0	566,650	2,570,565
13	West	General partnership	0	24,032	0	2,527,722	2,551,754
14	South	General partnership	0	1,519,031	953,199	63,041	2,535,271
15	South	General partnership	0	2,377,721	150,341	0	2,528,062
16	West	General partnership	0	35,297	0	2,464,703	2,500,000
17	West	General partnership	1,647,441	105,532	30,256	707,248	2,490,478

Producer	U.S. Census Bureau region[a]	Type of entity	CFAP payments by type of agricultural commodity[b] (dollars)				Total (dollars)
			Dairy	Field crops	Livestock	Other commodities	
18	Midwest	General partnership	0	0	2,306,909	0	2,306,909
19	Midwest	General partnership	0	0	2,292,583	0	2,292,583
20	Midwest	General partnership	0	2,183,893	0	59,797	2,243,690
21	South	General partnership	0	849,830	0	1,351,170	2,201,000
22	West	General partnership	2,148,174	22,225	0	0	2,170,399
23	Midwest	General partnership	0	192,679	1,924,455	0	2,117,134
24	South	General partnership	0	0	2,098,801	0	2,098,801
25	West	General partnership	0	180	0	2,068,217	2,068,397
Total	**—**	**—**	**5,771,491**	**12,308,769**	**36,339,259**	**19,722,640**	**74,142,160**

Source: GAO analysis of Farm Service Agency (FSA) data. | GAO-22-104397

Notes: Coronavirus Food Assistance Program (CFAP) payments include all payments that FSA made as of December 2021, including for CFAP 1 and CFAP 2.

We analyzed FSA data to identify the 25 producers that received the highest CFAP payments.

To preserve producers' confidentiality, we provide the U.S. Census Bureau region where each producer is located to provide a general, rather than a specific, location (e.g., state or county).

[a]The U.S. Census Bureau divides the 50 states among four regions—Northeast, South, Midwest, and West. None of the 25 producers that received the highest payments were in the Northeast. The South includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The Midwest includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The West includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Montana, Oregon, Utah, Washington, and Wyoming.

[b]For the purposes of this report, types of agricultural commodities include (1) dairy; (2) field crops, which are alfalfa, amaranth grain, barley, buckwheat, canola, corn, cotton, crambe, einkorn, emmer, flax, guar, hemp, indigo, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, rye, safflower, sesame, sorghum, soybeans, spelt, sugar beets, sugarcane, sunflowers, teff, triticale, and wheat; (3) livestock, which includes cattle, hogs, pigs, and sheep; and (4) other commodities, which include aquaculture (e.g., food and ornamental fish), eggs, fruits, nursery crops (e.g., container-grown plants), tobacco, tree nuts, vegetables, and wool.

[c]"Indian tribal ventures" is the business type that FSA uses to identify Indian tribes and tribal ventures. According to an FSA handbook, payments made to Indian tribal ventures are not subject to payment limits.

Appendix III: Comments from the U.S. Department of Agriculture

USDA United States Department of Agriculture

Farm Production and Conservation

Farm Service Agency

1400 Independence Avenue, SW
Mail Stop 0510
Washington, DC 20250

DATE: **August 5, 2022**

TO: **Steve D. Morris**
Director, U.S. Government Accountability Office

THROUGH: **Zach Ducheneaux**
Administrator

MARCUS GRAHAM Digitally signed by MARCUS GRAHAM Date: 2022.08.17 18:15:31 -04'00'

FROM: **W. Scott Marlow**
Deputy Administrator
for Farm Programs

WILLIAM MARLOW Digitally signed by WILLIAM MARLOW Date: 2022.08.17 15:56:23 -04'00'

SUBJECT: **United States Government Accountability Office Findings on the Coronavirus Food Assistance Program (CFAP) Payments to Producers GAO-22-104397**

The U.S. Department of Agriculture (USDA) appreciates the opportunity to respond to the U.S. Government Accountability Office (GAO) draft report "Coronavirus Food Assistance Program – USDA Should Conduct More Rigorous Reviews of Payments to Producers" dated September 2022.

FSA CONCURS WITH WHY GAO DID THE STUDY

To provide support for agriculture producers impacted by COVID-19, USDA distributed tens of billions of dollars in supplemental assistance to agriculture producers, such as farmers and ranchers. Part of this assistance was distributed under CFAP. USDA established CFAP to provide payments to producers that experience price decline and higher costs to sell their commodities because of COVID-19.

Producers received payments based on signed statements certifying the claims in their CFAP applications were correct. Producers also had to provide records supporting their claims to the Farm Service Agency (FSA) and GAO on request.

The CARES Act includes a provision for GAO to monitor and report on the federal response to the COVID-19 pandemic. In addition, GAO was asked to review CFAP payments and aspects of FSA's implementation and oversight of CFAP. This report examines (1) FSA's distribution of CFAP payments, (2) the extent to which producers GAO selected for review provided support for CFAP payments, and (3) the extent to which FSA verified producers' compliance with program rules.

1

GAO is making four recommendations for FSA to conduct more rigorous reviews of CFAP applications. GAO is conducting this performance audit from August 2020 thru September 2022 and funding represents totals from one or multiple years.

USDA generally concurs with the recommendations in the GAO report; however, FSA would like to provide the following comments below:

GENERAL AGENCY COMMENTS ON CFAP AND PANDEMIC ASSISTANCE

The previous Administration announced the CFAP on April 17, 2020. This $19+ billion program, administered by USDA, initially provided support to farmers and ranchers impacted by the COVID-19 pandemic. The program included $16 billion in direct support based on actual losses for agricultural producers where prices and market supply chains had been impacted by the pandemic; the goal was to address lost demand and short-term oversupply for the 2020 marketing year.

In September 2020, the previous Administration announced details of a new multi-billion "CFAP 2," following the estimated funding that was implemented through the original CFAP. Unlike the first round, under CFAP 2, payments were broken into multiple categories: including that of price trigger commodities, flat-rate commodities, and sales commodities. In December 2021, Congress also approved additional funding in agriculture relief, including a third round of CFAP payments.

As all forms of CFAP assistance were paid out to producers, Congressional leaders and agricultural stakeholders raised concern that the relief was not reaching a broad enough set of producers, and many of the most vulnerable agricultural communities were not receiving the assistance they needed to weather the pandemic. USDA paused payment activity and reviewed payments that were previously made, as it was important before additional dollars were paid out.

In March 2021, USDA shared that it would re-open signup for CFAP 2 for at least 60 days beginning on April 5, 2021. USDA's FSA committed at least $2.5 million to improve outreach for CFAP 2 and established partnerships with organizations with strong connections to historically underserved communities to ensure they were informed and aware of the application process. The formula payments to finish out CFAP went out under the then-existing CFAP rules due to statutory requirements. However, future opportunities for USDA Pandemic Assistance were reviewed for verified need and during the rulemaking process, USDA was committed to making eligibility more consistent with the Farm Bill.

Additionally, USDA committed reviewing all previous pandemic assistance to better understand gaps and disparities and then using this information to establish new programs and efforts to bring financial assistance to farmers, ranchers, and producers who felt the impact of COVID-19 market disruptions. The new initiative—Pandemic Assistance for Producers—was established with a focus on reaching a broader set of producers compared to CFAP.

During USDA's review of existing programs, USDA examined many aspects of what constitutes a gap or disparity. The Department was then focused on identifying all potential gaps, confirming the scale and scope of those disparities, and designing programs to address issues within the constraints of USDA's authorities and resources. This resulted in both designing new

2

programs and making adjustments to existing programs to better reach producers and communities that had not previously received aid.

It is also important to note that when CFAP 1 was initially implemented, the program had a minority participation rate of 4.4 percent (3.5 percent of payments), and prior to being reopened on April 5, 2021, CFAP 2 had a minority participation rate of 4.2 percent (3 percent of payments). When USDA reopened CFAP 2, the Department worked to provide additional education and outreach to inform producers of the assistance available and the extended enrollment period. As a result of FSA's efforts, the minority participation rate during that reopening period jumped to 16 percent and equated to a 15 percent payment rate for payments made after the reopening of CFAP 2.

The Department remains focused on reaching a better understanding of where barriers to accessing USDA programs and services exist, so that they can be better addressed both in program design as authorities allow and in USDA's outreach efforts.

RECOMMENDATION 1
The Administrator of FSA should conduct additional spot checks of CFAP payments and use a more risk-based approach to select producers for review. This approach could include focusing on producers of commodities not generally covered by other FSA programs and producers that received large payments.

AGENCY RESPONSE
Since CFAP was implemented, FSA has conducted spot checks on producers who qualified for and were issued program payments. In addition, FSA enhanced CFAP 1 compliance activities by incorporating a second round of spot checks on program participants. This second round was in addition to the previous spot checks and incorporated a stratum that was based on program payments to be more in line with a risk-based approach.

FSA will continue to evaluate and incorporate a more risk-based approach when conducting spot checks. The risk-based approach does not target to identifying criteria to conduct the data pull, rather it refers to ensuring the criteria is represented in the data pull. The following program related risk-based criteria may be considered when composing the sample of entities to conduct compliance:

- Program Payment Amounts (Size of Operation)
    - High Dollar Value
    - Low Dollar Value
    - Multiple Payments to One Entity
    - Multiple Payments to the Same Farm/Tract
- Entity Differences
    - Producer Participation Anomalies
    - Government/Universities/Ag Boards and Commissions vs Producers
    - Number of Cases/Payments of Possible Waste, Fraud and Abuse by Entity Type
- Program Commodities
    - High Commodity Enrollment
    - Low Commodity Enrollment
- Geographic Location

3

  - Spot Check Distribution Within a State
  - Spot Check Distribution Throughout the Country
- Participation in CFAP and Other Programs
  - CFAP Only
  - CFAP and One Program
  - CFAP and Multiple Programs
- Application Data
  - Missing Data
  - Incomplete Data
  - No Signature
  - Inaccurate Data
- Application Approval Process
  - Program Requirements Met

A sound evaluation to mitigate circumstances of systemic barriers and a more strengthened collaborative efforts approach for customer experience must be incorporated. The process should be designed to be inclusive and not exclusive for all producer demographics. Some of the risk-based criteria include, but are not limited to, how producers identified themselves, such as:

- New Producers (Beginning to Farm)
- Producers who were Tenants, but now are New Owners
- Military Veterans
- Underserved Producers
- Non-payment Producers (a form of fractured program integrity, which affects the quality of the execution of the program and/or ineligible producers for unknown reason(s))

FSA acknowledges that additional data mining and analysis can further strengthen program compliance to integrate risk-based tools moving forward. Efforts to secure a statistician to evaluate current data to get sampling requirements is necessary and ongoing until such time that spot checks are complete.

RECOMMENDATION 2
The Administrator of FSA should issue guidance directing the agency to identify factors, such as large claims for commodities with which FSA is unfamiliar, that county offices should consider when selecting producers for CFAP spot checks.

AGENCY RESPONSE
FSA acknowledges that additional guidance identifying a reasonable and uniform manner on Standard Operating Procedure (SOP) would benefit county office staff when identifying producers for which a spot check would be appropriate. FSA will continue to further identify and develop risk-based "factors" in their programs and incorporate them in their compliance spot check activities. As outlined in response to Recommendation 1, the mentioned risk-based criteria will be considered as part of the guidance provided to county office staff.

FSA, via the National Office, will provide updated state and county office guidance thru existing communication flows such as Notices, Handbook Amendments, Info Bulletins and Training Materials. This guidance will provide applicable policy and procedure on such areas as:

4

- Risk-Based Factors
- Standard Operating Procedures
- Producer Sampling

RECOMMENDATION 3
The Administrator of FSA should direct agency officials conducting CFAP payment spot checks to (1) use support generated by third parties or (2) if such support is not available, document why support self-generated by the producer was accepted.

AGENCY RESPONSE
FSA acknowledges that support or third-party documentation on program activity can strengthen the integrity of the program. However, FSA also acknowledges that this type of documentation may not always be available and can be self-generated or self-maintained resulting in documentation that cannot be verified by a third-party.

An example of this would be selling produce through a farmer's market or roadside stand. In such a situation, sales receipts generally may not be created. In this, or similar situations, FSA relies on participating producers to self-certify to their losses.

There are valid times when management decisions are incorporated that cannot be tracked, recorded, or referred to in a digital/paper environment. Additionally, documentation that cannot be generated or replicated, and the reasonableness of the self-certification or similar documentation may need to be elevated for review by the County Committee. For these situations, FSA agrees, it is appropriate to document why self-certification or other documentation, not verifiable by a third party, was accepted. The self-certification review and annotation by applicable county and/or state committees as defined by the Administrator will be required.

RECOMMENDATION 4
The Administrator of FSA should direct state offices to monitor the quality of the county offices' spot check for CFAP. Such monitoring could include a review of selected spot checks to ensure their accuracy.

AGENCY RESPONSE
FSA agrees with the GAO finding in establishing uniformed guidance to provide State Office oversight for the spot checks being conducted at the county level. This oversight shall include providing steps for the State Office to take in monitoring and tracking spot checks to ensure reviews are thorough and complete.

5

Appendix IV: GAO Contact and Staff Acknowledgments

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In addition to the contact named above, Thomas M. Cook (Assistant Director), Ruth Solomon (Analyst-in-Charge), Rose Almoguera, Adrian Apodaca, Howard Arp, Xiang Bi, Carolyn Blocker, Kevin S. Bray, Gary Brown, Sara Daleski, Cindy Gilbert, Jill Lacey, Joe Maher, John Mingus, Cynthia Norris, Isabel Rosa, Robert Sanchez, Rebecca Shea, Maria Stattel, Tom Short, Lisa Vojta, and Khristi Wilkins also made important contributions to this report.

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