

2017 Hurricane Relief Emergency Conservation Program



This report was revised and reissued on September 7, 2021, to clarify some narrative information. These revisions had no material impact on the report's findings, conclusions, recommendations, or post audit actions.

Audit Report 03702-0002-23

June 2021

OFFICE OF INSPECTOR GENERAL

2017 Hurricane Relief Emergency Conservation Program

Audit Report 03702-0002-23

OIG reviewed FSA's program delivery of ECP for the 2017 hurricane-related disasters.

OBJECTIVE

To assess the effectiveness of FSA's program delivery of ECP for hurricane-related disasters. Specifically, we reviewed the adequacy of FSA's internal controls over approval and payment of ECP applications and determined whether funds were used for eligible purposes.

WHAT OIG FOUND

The Farm Service Agency's (FSA) Emergency Conservation Program (ECP) assists landowners in restoring land used in agricultural production when damaged by a natural disaster. Congress appropriated \$400 million to ECP to address damage caused by Hurricanes Harvey, Irma, and Maria; wildfires occurring in 2017; and other natural disasters.

REVIEWED

We reviewed FSA's administration of ECP at the State and county levels for the 2017 hurricanes. We performed our work at the FSA national office, two State offices, and four county offices. During our audit, we interviewed personnel and reviewed program regulations, handbooks, and other ECP-related documentation.

We found that FSA needs to strengthen its internal controls within the ECP. First, producers are typically required to apply within the signup period to ensure eligibility and identify qualifying damage. However, we found that FSA issued more than \$700,000 in ECP payments for 15 of 40 applications without properly documenting concurrence or when FSA should not have concurred with waiving the prior approval rule.

Second, we found that, in all four counties we reviewed, district directors did not sufficiently document or timely review ECP applications. Additionally, in three counties, county executive directors did not perform spot checks to verify practice maintenance and cost documentation. As a result, the county committee may have been presented ineligible applications for approval. Additionally, because FSA did not complete spot checks, FSA could not ensure producers completed restoration practices on applications totaling more than \$1.9 million.

RECOMMENDS

We recommend that FSA develop, implement, and clarify guidance to ensure the prior approval rule is appropriately waived, and that district director reviews and spot checks are performed and evaluated. FSA should also develop and implement a standardized format for documenting installation costs and ensure that these costs are supported by satisfactory evidence.

Third, FSA processed cost-share payments for 14 of 40 applications using insufficient documentation, included ineligible costs, or calculated cost-share reimbursements incorrectly. As a result, we identified more than \$557,000 potential improper payments.

FSA generally concurred with our findings and recommendations, and we accepted management decision on each of the 10 recommendations.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: September 7, 2021

AUDIT

NUMBER: 03702-0002-23

TO: Zach Ducheneaux
Administrator
Farm Service Agency

ATTN: Gary Weishaar
Chief, External Audits and Investigations Division

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: 2017 Hurricane Relief Emergency Conservation Program

This report contains revisions to the subject review. We regret any inconvenience these revisions may have caused FSA and we appreciate the agency's continuous assistance. Your initial written response to the official draft, dated April 14, 2021, is included in its entirety at the end of the report. We have incorporated excerpts from your response and the Office of Inspector General's (OIG) position into the relevant sections of the report. Based on your written response, we accepted management decision on Recommendations 1 through 6 and 8 through 10.

As part of an internal quality control process on audit engagement number 03601-0004-41, *Livestock Indemnity Program*, we determined that the assessment of evidence by the audit team was not adequate to support the reported monetary results. Consequently, we revised the relevant section of this report dated June 9, 2021, that referenced engagement 03601-0004-41, to remove this information. We received an additional response from FSA dated August 23, 2021, and have reached management decision on the remaining recommendation. The relevant section of the report was revised to include this information for Recommendation 7. Ultimately, these revisions resulted in no material impact on the reported findings, conclusions, and recommendations of this report. Therefore, no further response from FSA will be required.

Please continue to follow your internal agency procedures in forwarding final action correspondence to Office of the Chief Financial Officer. In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report.

Again, we appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

Table of Contents

Background and Objectives	1
Section 1: State Office Oversight of Application Approval Process	4
Finding 1: State Office Oversight of ECP Delivery Needs Improvement	4
Recommendation 1	6
Recommendation 2	7
Finding 2: FSA Needs to Improve Monitoring of Spot Checks and District Director Reviews	8
Recommendation 3	9
Recommendation 4	10
Recommendation 5	11
Recommendation 6	12
Section 2: Processing of ECP Payments	13
Finding 3: County Office Processing of Cost-Share Payments Needs Improvement	13
Recommendation 7	15
Recommendation 8	16
Recommendation 9	17
Recommendation 10	18
Scope and Methodology	19
Abbreviations	22
Exhibit A: Summary of Monetary Results	23
Agency's Response	25

Background and Objectives

Background

The mission of the United States Department of Agriculture's (USDA) Farm Service Agency (FSA) is to serve the Nation's farmers and ranchers professionally, efficiently, equitably, and in a manner that is friendly to customers, taxpayers, and employees. In pursuit of its mission, FSA works to ensure that the American agriculture industry is competitive by providing farmers and ranchers with financial capital, risk management assistance, and recovery support in times of economic distress or disaster.

The Emergency Conservation Program (ECP) is authorized by the Agricultural Credit Act of 1978,¹ as amended by the Disaster Assistance Act of 1989.² ECP assists landowners in restoring land used in agricultural production when damaged by a natural disaster. This can include removing debris, restoring fences and conservation structures, and providing water for livestock in drought situations. The FSA county committee (COC) authorizes restoration practices (hereafter referred to as practices), with approval from FSA State committees (STC) and the FSA national office.³ In 2017, the Secretary of Agriculture announced special procedures, including ECP, to assist producers who suffered significant damage, including lost crops or livestock, or had other damage to their farms or ranches as a result of Hurricanes Harvey and Irma.⁴ In 2018, Congress appropriated \$400 million to ECP to address damage caused by Hurricanes Harvey, Irma, and Maria; wildfires occurring in 2017; and other natural disasters.⁵

The FSA national office oversees ECP in accordance with Federal regulations and establishes procedures, instructions, and forms, including handbooks and agency notices used in administering ECP.⁶ The ECP program manager provides this guidance to the State and county offices administering the program. The FSA State executive director is responsible for ensuring that county offices follow the ECP provisions and that the district director conducts a review of a sample of ECP applications before COC approval to ensure that ECP applications reviewed meet ECP requirements.⁷

¹ Agricultural Credit Act of 1978, 7 U.S.C. § 1921.

² Disaster Assistance Act of 1989, Pub. L. No. 101-82.

³ FSA COC and STC are composed of locally elected farmers and ranchers who advise FSA on agricultural programs, such as commodity price support loans and payments; conservation programs; incentive, indemnity, and disaster payments for some commodities; payment eligibility; and emergency programs. Congressional Research Service Report R42854, *Emergency Assistance for Agricultural Land Rehabilitation* (May 2020).

⁴ The Secretary announced the special procedures on September 13, 2017. Hurricane Maria came after the announcement, occurring September 16-30, 2017. The announcement did not include funding.

⁵ Bipartisan Budget Act of 2018, Pub. L. No. 115-123, 132 Stat. 66.

⁶ 7 C.F.R. § 701.

⁷ USDA FSA, *Emergency Conservation Program Handbook*, § 22, "Program Oversight," and § 171B, "COC Action" (Sept. 2015).

The FSA county offices, under the direction of the county executive director, are responsible for accepting and processing applications for ECP from producers.⁸ County executive directors are responsible for the day-to-day administration of the county ECP as directed by COC, according to national and State office policy and procedure. After a disaster occurs, the COCs assess the damage in the county and develop an estimate of the type and extent of damage prior to submitting an implementation request to the State office. Conservation problems existing before the applicable disaster event are ineligible for ECP assistance.⁹

The COC will review and approve ECP applications for agriculture producers if producers meet criteria such as:

- the ECP applicant is eligible for cost-share,
- the estimated start date has been documented,
- the producer filed the ECP application before starting the practice,¹⁰ and
- an onsite inspection has been completed.¹¹

In certain instances, producers must take immediate action and initiate restoration measures before filing an ECP application. With the concurrence of STC or its representative (the district director), COC may waive the prior approval of an application before starting practice on a case-by-case basis.^{12, 13} FSA will only waive onsite inspections in dire circumstances. These circumstances include when documentation shows the natural disaster damage:

- is of a magnitude that severely limits access or use of farmland,
- is so pervasive that the need for practices can be adequately assessed through subsampling or using geographic information system analysis,
- requires immediate action to prevent significant adverse loss to agricultural operations, or
- presents an immediate risk to public health or safety or environmental resources.^{14, 15}

After FSA approves an application, the producer has 6 months to complete the approved practices.¹⁶ To be eligible for cost-share payments, participants who perform approved practices

⁸ An eligible participant is an agricultural producer with an interest in the land affected by the natural disaster. The applicant must be a landowner or user in the area where the disaster occurred and must be a party who will incur the expense that is the subject of the ECP cost-share application. Participants were limited to \$200,000 per natural disaster for the 2017 hurricanes.

⁹ USDA FSA, *Emergency Conservation Program Handbook* (Sept. 2015).

¹⁰ Examples of ECP practices include debris removal and fencing.

¹¹ USDA FSA, *Emergency Conservation Program Handbook*, § 171, “Approvals and Disapprovals” (Sept. 2015).

¹² USDA FSA, *Emergency Conservation Program Handbook*, § 171C, “Granting Relief for Starting an ECP Practice Before Filing Application” (Sept. 2015).

¹³ Throughout the report, we used the title of “district director” in place of “STC representative” to remain consistent with prior ECP reports.

¹⁴ USDA FSA, *Emergency Conservation Program Handbook*, § 161, “Onsite Inspection” (Sept. 2015).

¹⁵ In November 2017, FSA waived onsite inspections for specific counties in Georgia and Florida, due to damage caused by Hurricane Irma. We included these counties in our sample.

¹⁶ The district director may approve two extensions, totaling up to 1 year in length, beyond the initial 6-month expiration date, under unusual circumstances. USDA FSA, *Emergency Conservation Program Handbook*, § 178B, “Extensions” (Sept. 2015). For example, the COC recommended, and the STC gave authority for, the COC to approve a 6-month extension due to being delayed from completing practices as a direct result of the excessive rainfall in the county.

must report performance and provide any required supporting data by the practice completion date.¹⁷ In all cases, FSA must obtain evidence to determine whether practice requirements were met and to determine proper payment. This includes necessary invoices, canceled checks, paid receipts, analysis tags, or other similar evidence to document the costs incurred. If the producer performed the practice with their own labor, equipment, or materials, the producer must submit signed, itemized statements that include, but are not limited to, dates of work performed, cost per hour charged for labor, and type of equipment used. Costs allowed in these cases shall not exceed the prevailing current commercial rates determined by the COC.¹⁸ FSA makes payments to individual producers based on a share of the producer's cost of completing the practice.¹⁹ This can be up to 75 percent of the cost, or up to 90 percent of the cost if the producer is a limited-resource producer.²⁰

Objective

Our objective was to assess the effectiveness of FSA's program delivery of ECP for hurricane-related disasters. Specifically, we reviewed the adequacy of FSA's internal controls over approval and payment of ECP applications and determined whether funds were used for eligible purposes.

¹⁷ USDA FSA, *Emergency Conservation Program Handbook*, § 201, "Filing Performance Reports" (Sept. 2015).

¹⁸ USDA FSA, *Emergency Conservation Program Handbook*, § 205, "Supporting Data" (Sept. 2015).

¹⁹ A cost-share payment is a payment provided by USDA to help eligible ECP participants perform approved restoration measures for farmland damaged because of an eligible natural disaster.

²⁰ A limited-resource producer is an applicant with direct or indirect gross farm sales not more than the current indexed value in each of the previous 2 years who has a total household income at or below the national poverty level for a family of four or less than 50 percent of county median household income in each of the previous 2 years. Congressional Research Service Report R42854, *Emergency Assistance for Agricultural Land Rehabilitation* (May 2020).

Section 1: State Office Oversight of Application Approval Process

Finding 1: State Office Oversight of ECP Delivery Needs Improvement

We found that, for 15 of 40 applications, waivers were not approved in accordance with ECP guidance. This occurred in 12 instances because the State offices lacked monitoring procedures to ensure district directors agreed with waiving the prior approval rule.^{21, 22} In addition, in three instances, FSA deemed the applications as submitted within the signup period, even though the producers' documentation was filed afterwards. Requiring producers to sign up within the signup period helps ensure that producers are eligible and had qualifying damage—thereby ensuring ECP funds go towards their intended purposes. Due to both issues, FSA issued more than \$700,000 in ECP payments to producers in Florida and Georgia when FSA did not properly document concurrence or when FSA should not have concurred with waiving the prior approval rule.

FSA procedures state the COC may approve a practice when the producer filed the application before starting the practice. However, in certain cases, FSA will waive producers' requirement to file an application before they start restoration work in order to allow producers to take immediate action and initiate restoration measures. The COC may waive the prior approval rule, with the district director's concurrence, when the producer starts the practice prior to submitting the ECP application but files the application during the signup period.²³ FSA conducts enrollment periods for 60 days, but the COC can accept late requests for a duration determined appropriate by the STC.²⁴

Generally, we found FSA needs to strengthen its controls over the approval process.

Lack of State Oversight

For 12 of the 15 ECP applications, the district director did not properly provide concurrence for waiving the prior approval rule when producers started their practice prior to applying for ECP funds. According to program guidance, producers may only take immediate actions when the COC, with the district director's approval, waives the prior approval rule. However, we were unable to locate documentation that showed the district director approved the waiving of the prior approval rule. One district director told us he did not sign the documentation because, due to his workload, he was unable to visit each county timely and did not believe it was necessary to sign the documentation after the producers started cleanup.²⁵ Overall, FSA staff agreed that the district directors

²¹ USDA FSA, *Emergency Conservation Program Handbook* (Sept. 2015).

²² USDA FSA, *Emergency Conservation Program Handbook*, § 171(C), "Granting Relief for Starting an ECP Practice Before Filing Application" (Sept. 2015).

²³ *Ibid.*

²⁴ USDA FSA, *Emergency Procedures and Administrative Policies for Crops Damaged by and Losses Sustained from Recent National Oceanic and Atmospheric Administration-determined Tropical Storm, Typhoon, or Hurricane (Named Storms)*, Notice CM-793 (Sept. 14, 2017).

²⁵ The district director, at the time, was also in charge of a second district and responsible for overseeing 42 counties.

should have signed the documentation. We determined that the State officials did not have monitoring procedures to ensure that the district directors were reviewing applications and providing concurrence as appropriate for waiving the prior approval rule. Concurrence by the district director is an important process to ensure that producers' unique circumstances required them to take immediate actions to prevent further losses before filing an application. We concluded that not documenting concurrence is a State official's oversight omission and question these 12 applications totaling more than \$478,000.

Granting Relief for Starting Practice Before Filing Application

For 3 of the 15 applications, FSA improperly granted relief to producers who filed their applications after the end of the signup period. We found that, in each case, the producers started the practice before filing their application.²⁶ FSA procedures state that if producers start the practice before filing their application, the producers must file the application by the end of the signup period for the COC to waive the prior approval rule.²⁷ When this was brought to FSA's attention, the State official agreed with the language in the ECP handbook regarding late-filed applications, but referenced a notice that allowed FSA to accept late-filed applications after the signup period. However, FSA officials were not clear on whether the notice allowed FSA to grant relief for producers who started their practice before filing an application. The notice states, "Generally, ECP enrollment periods are conducted for 60 days. However, should an applicant miss that sign-up deadline, the COC can accept late requests for a duration determined appropriate by the STC."²⁸ While we agree the notice allowed FSA to accept late-filed applications, the language in the notice does not specifically address whether this is allowed for producers that started the practice before filing their application. Therefore, based on current guidance, we concluded the applications were late; thus, FSA should not have waived the prior approval rule and should not have approved these three applications totaling more than \$245,000.

FSA guidance requires producers to apply before the end of the signup period.²⁹ We concluded this serves as a valuable control to ensure producers are eligible with qualifying damage that occurred only as a result of the natural disaster. While FSA has provisions that allow producers to start their practice before filing the application when filed before the end of the signup period, these situations need to be approved on a case-by-case basis to ensure the integrity of the program. FSA needs to implement a standardized monitoring process to ensure that these controls are followed and that the district director reviews applications when the COC grants relief and documents concurrence. Additionally, FSA should clarify in the ECP handbook

²⁶ USDA FSA, *Emergency Conservation Program Handbook*, § 171(C), "Granting Relief for Starting an ECP Practice Before Filing Application" (Sept. 2015).

²⁷ *Ibid.*

²⁸ USDA FSA, *Emergency Procedures and Administrative Policies for Crops Damaged by and Losses Sustained from Recent National Oceanic and Atmospheric Administration-determined Tropical Storm, Typhoon, or Hurricane (Named Storms)*, Notice CM-793 (Sept. 14, 2017).

²⁹ USDA FSA, *Emergency Conservation Program Handbook*, § 171(C), "Granting Relief for Starting an ECP Practice Before Filing Application" (Sept. 2015).

whether FSA may waive late-filed applications.³⁰ Implementing a standardized monitoring process and revising the ECP handbook are key to ensuring FSA properly handles waivers.

Recommendation 1

Develop and implement a standardized monitoring process to document district director concurrence when FSA grants relief to producers who started their practice before submitting an ECP application. The process should also include reporting to State officials.

Agency Response

In its April 14, 2021, response, FSA stated:

The policy found in FSA 1-ECP Handbook (402 B) will be reiterated during trainings and teleconferences with States offices to ensure that the policies and provisions are being followed and that State office representatives review the required sample of applications for practices performed (including required spot checks) during the current program implementation. These trainings will also be used to assist the State office staff in training county staff. Note: Reviews on completed practices are in addition to the applications reviewed before COC approval according to paragraph 175.

FSA is exploring adding the ECP district director review process to the new FSA Internal Review Document and Tracking System (IRDTS) as a permanent internal control to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. The Agency is considering budget availability and competing priorities to determine the implementation timeframe. Please see response to Recommendation 3.

In the interim, to ensure reviews and spot-checks are being timely performed, National Office will require State offices to report the completion of the review of sample applications and required spot-checks by a specific date annually. An FSA Notice will be released by July 30, 2021 to notify States of the reporting requirement.

Note: In the revised 1-ECP paragraph 402 B will be located at 392 A.

The estimated completion date is July 30, 2021.

OIG Position

We accept management decision for this recommendation.

³⁰ USDA FSA, *Emergency Conservation Program Handbook* (Sept. 2015).

Recommendation 2

Revise guidance to make provision to waive the prior approval rule when emergency procedures are authorized, when a producer does not submit the ECP application before starting the practice and files the ECP application after the end of the signup period.

Agency Response

In its April 14, 2021, response, FSA stated:

The 1-ECP Handbook is currently being revised and will resolve Recommendation 2 by clarifying the waiver rule, along with revising 1-ECP, paragraph 131C. This FSA Handbook is in formal Agency clearance and will be published and distributed by June 30, 2021. Note: Once the revised 1-ECP Handbook has obtained final clearance, notifications will be sent to State offices. The State offices employees will, in-turn, communicate these new policy requirements and policy clarifications to all field county office staff.

The policy found in FSA 1-ECP Handbook (paragraph 171C “Granting Relief for Starting an ECP Practice Before Filing Application”) will be reiterated during (quarterly) trainings/teleconferences with States offices to ensure that the policies and provisions are being followed. These trainings will be used to assist the State offices staff in training county staff.

FSA is exploring adding the ECP district director review process to the new FSA IRDTS as a permanent internal control to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. The Agency is considering budget availability and competing priorities to determine the implementation timeframe. Please see response to Recommendation 3.

In the interim, to ensure reviews and spot-checks are being timely performed, National Office will require State offices to report the completion of the review of sample applications and required spot-checks by a specific date annually. An FSA Notice will be released by July 30, 2021 to notify States of the reporting requirement.

FSA clarified on April 26, 2021, that “1-ECP, paragraph 131C (Granting a Waiver to Start an ECP Practice Before Filing Application) is the reference in the Handbook Revision (tentatively to be published by June 30, 2021),...in the current FSA 1-ECP Handbook it is paragraph 171C.”

The estimated completion date is June 30, 2021.

OIG Position

We accept management decision for this recommendation.

Finding 2: FSA Needs to Improve Monitoring of Spot Checks and District Director Reviews

We found that, in all four counties, district directors did not sufficiently document or timely review ECP applications. Additionally, in three counties, county executive directors did not perform spot checks to verify practice maintenance and cost documentation. This occurred because the FSA State offices did not have oversight controls to identify whether district directors timely completed and documented their reviews, or that county executive directors performed spot checks. As a result of the district directors not timely reviewing the applications, the COC may have been presented ineligible applications for approval, and State offices were unaware of potential weaknesses and issues that may need corrections. Additionally, because FSA did not complete spot checks, FSA could not ensure producers completed practices on applications totaling more than \$1.9 million, therefore lessening the assurance that FSA would identify improper payments.

The State Executive Director must implement ECP as directed by the STC and within national office policy, and must supervise and monitor operations to ensure that ECP policies are followed and operations are uniform among county offices.³¹ FSA has two levels of review in place. First, at a minimum, the district director must review the first five ECP applications within 2 weeks of acceptance by the county office and before the COC approves them.³² Second, the county executive director must also perform spot checks to verify that the information submitted with the performance report is accurate.³³

In the four counties we reviewed, due to a lack of documentation, we were unable to determine if district directors reviewed the first five applications within 2 weeks of acceptance—or at all. For example, in one county, the district director was not able to identify which applications they reviewed. In two other counties, the documentation provided indicated that district directors performed the reviews, but after the required 2-week timeframe.

Additionally, we found that district directors did not consistently or sufficiently document their reviews. For example, one district director used a note pad to indicate reviewed applications, while another district director initialed reviewed applications. However, these methods of documenting reviews did not show what ECP requirements were assessed and did not note discrepancies or if corrective actions were needed. If district directors do not adequately document their reviews and findings, the COC potentially may be presented ineligible applications for approval.

Currently, FSA has no mechanism to ensure completion of the district director reviews, nor does it require district directors to report the results to the State office. Because of this, the State executive director is unable to ensure that ECP policies are being followed and that operations are uniform among county offices. Therefore, FSA needs to require State offices to ensure

³¹ USDA FSA, *Emergency Conservation Program Handbook*, § 22 (A), “Program Oversight” (Sept. 2015).

³² USDA FSA, *Emergency Conservation Program Handbook*, § 171 (A), “Reviewing Requests” (Sept. 2015).

³³ USDA FSA, *Emergency Conservation Program Handbook*, § 401 (A), “Spot-Check Provisions” (Sept. 2015).

district director reviews are completed and evaluated so that FSA can correct identified weaknesses and issues.

In three of the four counties, we found that county executive directors did not complete spot checks to verify that the information submitted with the performance report was accurate, as required.³⁴ In these three counties, FSA staff stated that they believed that a national office waiver for onsite inspections also waived the spot checks requirement. However, an ECP national official stated that the waiver was only for the initial onsite inspection, not inspections or spot checks that would have followed.

Additionally, because there was no requirement for the State office to monitor the completion of the spot checks, there was no assurance that county executive directors completed these reviews. Spot checks are important to verify practice maintenance, identify inaccurate reporting by producers, and encourage accurate reporting. As a result of not completing spot checks, FSA could not ensure practices were completed on applications totaling more than \$1.9 million, therefore lessening the assurance that improper payments would be identified. Therefore, we recommend that FSA strengthen State offices' monitoring of county office activities to ensure that county executive directors complete spot checks.

Recent OIG work identified similar oversight weaknesses across several FSA programs, indicating a recurring monitoring weakness in FSA's internal controls and guidance.³⁵ In two recent reports, OIG identified findings resulting from a lack of oversight from FSA's district directors, lack of State office monitoring, and weak, unclear program guidance. Because of these findings, OIG recommended that FSA provide additional guidance on district director reviews, establish guidance for State offices to monitor completion of district director reviews, and strengthen program guidance for ensuring that reviews are completed and documented. Similarly, we are recommending that FSA improve its oversight of ECP, specifically, to strengthen State office monitoring of district director reviews and county executive director spot checks.

Recommendation 3

Establish and implement monitoring procedures in guidance requiring State officials to ensure district directors complete reviews and evaluate the results of the reviews to ensure ECP policies are being followed.

Agency Response

In its April 14, 2021, response, FSA stated:

³⁴ USDA FSA, *Emergency Conservation Program Handbook*, § 403 (A), "Accuracy of On-Farm Check" (Sept. 2015).

³⁵ Audit Report 03702-0002-31, *Wildfires and Hurricane Indemnity Program*, Sept. 2020. Audit Report 03702-0001-23, *2017 Emergency Assistance for Honeybee Claims*, Sept. 2020.

FSA is exploring adding the ECP district director review process to the new FSA IRDTS to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. FSA's IRDTS is a centralized, automated internal control tracking system that allows management at all levels to complete and track program audits and reviews. Utilizing the IRDTS solution for this oversight district director review, FSA will be able to plan, sample program records, conduct assessment reviews, monitor review[s] completed and document the results. The final objective will be analyzing the results to assist in improving processes and policies, identifying areas where additional employee training is needed and understanding trends and systemic issues occurring at the State and county levels.

Implementation into IRDTS is subjected to Agency budget availability and the priority of other program review candidates that are scheduled to be implemented. FSA is establishing an IRDTS implementation roadmap (Phase 1) that is tentatively scheduled for leadership approval by May 31, 2021. A status update can be provided after this date regarding the timeframe for ECP district director review implementation into IRDTS.

FSA clarified on April 26, 2021, that "...the interim procedure (FSA Notice with estimated completion date of July 30, 2021) for Recommendation 2 which ensures that reviews are timely performed will also apply to Recommendation 3."

The estimated completion date is July 30, 2021.

OIG Position

We accept management decision for this recommendation.

Recommendation 4

Establish and implement procedures in guidance to define how the district director reviews should be documented.

Agency Response

In its April 14, 2021, response, FSA stated that:

The 1-ECP Handbook is currently being revised and will clarify the waiver rule and how the district director reviews should be documented. It is currently in formal clearance and will be published and distributed by June 30, 2021.

In addition, the policy found in FSA 1-ECP Handbook (paragraph 171C "Granting Relief for Starting an ECP Practice Before Filing Application") will be reiterated during (quarterly) trainings/teleconferences with States offices to ensure that the policies and provisions are being followed. These trainings will be used to assist the State office staff in training county staff.

FSA is also revising the CCC-770 ECP-2, “ECP Checklist Before Payment Is Made” to include (3) separate parts and separating: implementation, approval, and payment which will assist in streamlining and defining how reviews are to be documented. The revised form will be included in the subsequent 1-ECP Handbook revision or an amendment after it is cleared for use.

The estimated completion date is June 30, 2021.

OIG Position

We accept management decision for this recommendation.

Recommendation 5

Establish and implement monitoring procedures in guidance requiring State officials to ensure county executive directors complete spot checks and evaluate the results of the reviews.

Agency Response

In its April 14, 2021, response, FSA stated:

The policy found in FSA 1-ECP Handbook (24 B) will be reiterated during (quarterly) trainings/teleconferences with States offices to ensure that the policies and provisions are being followed and that State office representatives review the required sample of applications for practices performed (including required spot checks) during the current program implementation. These trainings will be used to assist the State office staff in training county staff.

FSA is exploring adding the ECP district director review process to the new FSA IRDTS to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. See response to Recommendation 3.

In the interim, to ensure reviews and spot-checks are being timely performed, National Office will require State offices to report the completion of the review of sample applications and required spot-checks by a specific date annually. An FSA Notice will be released by July 30, 2021 to notify States of the reporting requirement.

The estimated completion date is July 30, 2021.

OIG Position

We accept management decision for this recommendation.

Recommendation 6

For the three counties, determine which applications are still subject to spot check from the 2017 disasters and follow the procedures to complete the spot checks.

Agency Response

In its April 14, 2021, response, FSA stated:

FSA's Conservation Division will work with the applicable States (Florida and Georgia) to review and mitigate spot checks for remaining agreements, if needed.

The estimated completion date is September 30, 2021.

OIG Position

We accept management decision for this recommendation.

Section 2: Processing of ECP Payments

Finding 3: County Office Processing of Cost-Share Payments Needs Improvement

We identified that FSA processed cost-share payments for 14 of 40 applications using insufficient documentation, included ineligible costs, or calculated cost-share reimbursements incorrectly.³⁶ This occurred because FSA’s written guidance does not clearly define what level of evidence is satisfactory or acceptable to support installation costs and does not explain how producers should report evidence to FSA.³⁷ As a result, we identified more than \$557,000 of potential improper payments. Additionally, the multiple formats of documenting producer costs led to program inefficiency and were resource intensive for FSA staff to properly calculate cost-share payments.

After a producer completes their practice, they must report performance and provide supporting documentation by the practice completion date.³⁸ The county office then uses this documentation—including invoices, receipts, or signed, itemized statements from the producer—to determine whether the producer met practice requirements and whether FSA county offices issued proper payments.³⁹

We found FSA county offices accepted insufficient documentation and, therefore, made errors when processing cost-share payments. Specifically, we identified issues with 14 of the 40 sampled applications including: (1) insufficient documentation; (2) ineligible costs; and (3) miscalculations of cost-share payments.

First, we found that FSA processed cost-share payments for eight applications using insufficient documentation. Generally, the producers provided statements that were not detailed enough to justify the payment received or to support what work was actually completed. For example, one producer submitted a signed statement that did not include specific dates the work was performed or how long the equipment was used each day. Based on this statement, we could not determine whether the work was completed in the correct time or manner in order to verify the cost-share payment. It is crucial that producers submit costs in a format that the county office staff can effectively verify. FSA agreed that the statements, as accepted, were not sufficient enough in all cases for county office staff to determine whether the practice had been completed according to the requirements.

³⁶ Two applications had errors in multiple categories.

³⁷ Total costs incurred for installation of practice.

³⁸ “COC shall establish realistic expiration dates of no more than 6 months for completing approved practices. STC or its representative may approve two extensions, totaling up to 1 year in length, beyond the initial 6-month expiration date, under unusual circumstances.” USDA FSA, *Emergency Conservation Program Handbook*, § 178(A), “Practice Expirations and Extensions” and § 178(B), “Extensions” (Sept. 2015). For example, the COC recommended and the STC gave authority for the COC to approve a 6-month extension due to being delayed from completing practices as a direct result of the excessive rainfall in the county.

³⁹ USDA FSA, *Emergency Conservation Program Handbook*, § 201(C), “Performance Reports” and § 205 (A–B), “Obtaining Evidence” and “Invoices and Documentation” (Sept. 2015).

Second, we found that, for four applications, the producer statements included ineligible costs and FSA used this information to determine the cost-share payments. For example, we identified that one application included duplicate labor costs. FSA's established cost-share rates for equipment included labor costs for the operator. In this case, the producer claimed both equipment and labor expenses. These duplicate labor expenses directly affected the calculated cost-share payment, resulting in an overpayment. FSA agreed that this error should not have occurred.

Third, we found that FSA calculated cost-share payments for four applications incorrectly. For example, on one application, FSA incorrectly reduced the labor costs when calculating the cost-share payment, resulting in a possible underpayment to the producer. In this case, FSA limited the producer to the estimated labor hours on the ECP application, instead of calculating the linear foot cost for the fencing based on the contractor's total cost. FSA State officials agreed that the labor cost for the contractor should not have been reduced.

According to FSA officials, they had to process a very high volume of documentation received in different formats with limited staff and, on occasion, temporary staff. We found errors occurred, based on FSA's review of the voluminous documentation received, in an attempt to get payments to producers in a timely manner. FSA officials explained producers' statements were often unorganized and difficult to interpret, making the review a time-consuming process for each application. In some instances, FSA had to request that producers provide additional supporting documents or photos in order to determine whether the producer actually completed the practice. FSA county officials stated that, because onsite inspections were waived, their approvals were based on reasonableness of the documents submitted.

Although the ECP handbook explains what information producers must provide when they submit their statements, it is open to interpretation and needs to be more specific.⁴⁰ For example, FSA's written guidance does not clearly define what level of evidence is satisfactory or acceptable to support installation costs and does not explain how producers should report evidence to FSA. If a producer performed the work with their own labor, equipment, or materials, the producer must submit signed, itemized statements that include dates of work performed, cost per hour charged for labor, type of equipment used, charge for equipment, type and cost of materials used, and other applicable information.⁴¹ We found that, in some cases, producers provided this information in summary form that did not allow for a thorough review of the statement. For example, one producer submitted a one-page summary of work performed and said it occurred from the time of the disaster/hurricane to the end of the following year.⁴² We did not consider this to be an itemized statement, and FSA officials agreed.

We understand FSA's need for timely processing—as well as the heavy administrative burden posed by producers' inconsistent and substantial documentation. We note that, currently, there is

⁴⁰ USDA FSA, *Emergency Conservation Program Handbook* (Sept. 2015).

⁴¹ USDA FSA, *Emergency Conservation Program Handbook*, § 205(B), "Invoices and Documentation" (Sept. 2015).

⁴² Although FSA does not require a daily log, it is expected that producers provide satisfactory evidence of what work was completed, in order for FSA to determine proper payment.

no specific format provided to the producers to gather the evidence needed. We believe that FSA could ease the burden on its staff by clarifying the information and level of detail producers must submit and standardizing the format by which they submit this documentation. FSA officials agreed that producer documentation submitted should have been more clear and easier to understand.

Because of the administrative burden of processing documentation and payments, FSA officials said they were beginning discussions on the implementation of payment schedules as a means to streamline the processing of ECP applications and payments. While we acknowledge FSA's efforts to streamline the process, it is important to note that another program's implementation of payment schedules, which compensated producers based on nationwide estimates, resulted in significant challenges and errors. A recent audit of the Environmental Quality Incentives Program identified that the Natural Resources Conservation Service (NRCS) had not reviewed and updated the prices, as required, which is crucial to avoid inaccurate compensation.⁴³ Additionally, because NRCS had conflicting guidance and did not require the collection of receipts for certain practices, States could not recognize when prices were outdated and may need reconsideration. As a result, the outdated cost schedules resulted in producers' payments that did not reflect the cost to implement the practices. The report recommended that NRCS assess the payment schedule process to identify opportunities to make it more effective, validate component prices using actual costs, and train employees on the payment schedules and certification practices. As FSA researches the implementation of payment schedules, we suggest that they consider the potential challenges posed by such a methodology, as well as the recommendations in the report, before implementing any new policy.

Ultimately, we identified that 14 of 40 samples had issues related to processing payments, which resulted in more than \$557,000 of potential improper payments. For one of those samples, there was a potential underpayment of \$597.

Recommendation 7

Clarify guidance to define satisfactory evidence acceptable to support installation costs.

Agency Response

In its April 14, 2021, response, FSA stated:

Satisfactory evidence acceptable to support installation costs are documented by producer receipts and invoices, which is defined in FSA's Handbook, 1-ECP, paragraph 146. This policy will be reiterated during (quarterly) trainings/teleconferences with States offices to ensure that the policies and provisions are being followed. The next training will coincide with the release of the revised Handbook, which is scheduled to be cleared by June 30, 2021.

⁴³ Audit Report 10601-0005-31, *Environmental Quality Incentives Program Payment Schedules*, Sept. 2019.

FSA clarified on April 26, 2021, that “1-ECP, paragraph 146 (Supporting Data) is the reference in the Handbook Revision (tentatively to be published by June 30, 2021), in the current FSA 1-ECP Handbook it is paragraph 205.”

In its August 23, 2021, response, FSA stated:

FSA Handbook 1-ECP (Revision 6) was issued, and training was provided to the State office staff on May 4, 2021. In addition, to clarification provided in paragraph 146, Exhibit 10 of the revised handbook included an example of a cost share itemization list for personal labor.

In addition, to these policy clarifications and resources as recommended by OIG, FSA has taken steps to ensure producer documentation is sufficient, prevent ineligible costs, and correct reimbursement rates are used. As a result, in FY 2020, FSA established a Payment Scenario Development Team, whose role is to assist in the development and training of payment scenarios to ensure ECP payments are being applied correctly and documented properly. The rollout of the payment scenarios software is scheduled for August 30, 2021. The rollout resulted in a revised handbook and joint training with FSA and NRCS State and county offices to discuss the new policies and procedures, which took place:

- July 27, 2021—training to review the policy change as well as how the software will compliment this new change.
- July 28, 2021—training to review the handbook revision that includes the new policy.
[...]

On August 26, 2021, FSA confirmed that the revised handbook was issued on May 4, 2021.

The final action date was May 4, 2021.

OIG Position

We accept management decision for this recommendation.

Recommendation 8

Develop and implement a standardized format for documenting installation costs to ensure producer documentation is sufficient, prevent ineligible costs, and ensure the correct reimbursement rates are used.

Agency Response

In its April 14, 2021, response, FSA stated:

FSA recognizes the need for improvements regarding documenting installation costs to ensure producer documentation is sufficient, prevent ineligible costs, and ensure the correct reimbursement rates are used. As a result, FSA established a Payment Scenario

Development Team working to assist in the development and use of payment scenarios to ensure ECP payments are being applied correctly and documented properly.

FSA is actively collaborating with NRCS in leveraging the use of payment scenarios and believe there is an opportunity to better improve cost data for both agencies through this partnership by utilizing available resources within the USDA. FSA is able to utilize NRCS science-based payment scenarios with only a few additional scenarios needed to be created specific to ECP.

The estimated date to transition to the use of payment scenarios in ECP is June 1, 2021.

FSA has also approved new software to process ECP cost share applications and payments more efficiently and to reduce errors; however, implementation is will be based on the Agency budget availability and competing IT priority list.

The final action date is June 1, 2021.

OIG Position

We accept management decision for this recommendation.

Recommendation 9

Require the State office to review the questionable applications totaling \$556,678, and take appropriate action on any payments that are determined to be improper.⁴⁴

Agency Response

In its April 14, 2021, response, FSA stated:

The State office will be required to provide documentation of the reviews to the National Office Conservation Division no later than July 30, 2021. The National Office Conservation Division will consult and assist in the State office review of the questionable applications and take appropriate action on any payments that are determined to be improper.

The estimated completion date is November 30, 2021.

OIG Position

We accept management decision for this recommendation.

⁴⁴ In the official draft that was issued to FSA on March 18, 2021, the amount for this recommendation was \$565,004. This amount was also included in the FSA response to the official draft in Exhibit B, dated April 14, 2021, when the recommendation was restated. During our reverification process prior to closing the report, we concluded the amount should be reduced to \$556,678.

Recommendation 10

Require the State office to review the application where the cost-share reimbursement was calculated incorrectly and take appropriate action as determined necessary for the potential underpayment of \$597.

Agency Response

In its April 14, 2021, response, FSA stated:

The State office will be required to provide documentation of the reviews to the National Office Conservation Division no later than June 30, 2021. The National Office Conservation Division will consult and assist in the State office review and mitigate the underpayment, if needed.

The estimated completion date is June 30, 2021.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

To accomplish our objectives, we reviewed FSA’s program delivery of ECP for hurricane-related disasters. We performed our work at the FSA national office in Washington, D.C., one FSA State office, and two FSA county offices. We held telephone conferences and obtained scanned documentation from another State and two county offices. Due to Coronavirus (COVID-19) pandemic travel restrictions, we remotely performed work at one State office and two county offices, and reviewed 40 case files. We performed fieldwork from August 2019 to November 2020.

Our review covers all 2017 ECP hurricane payments issued as of December 2019. As of December 9, 2019, FSA made payments totaling more than \$37.5 million in six States. We non-statistically selected two States, Florida and Georgia, with the highest amount of payments—more than \$32.8 million, or more than 87 percent of the total payments issued. We then selected two counties in each State based on the highest amount of payments issued.⁴⁵ Within each of these counties, we sampled 10 applications primarily based on the highest payments received (but included applications of any FSA employee or COC member in the applicable county that received a payment) for a total of 40 applications for more than \$3.4 million.

The audit team originally planned to sample three FSA State offices: Florida, Georgia, and Puerto Rico. However, we did not initiate audit work in Puerto Rico during the audit because, as of December 9, 2019, FSA had only issued 74 payments for \$572,755. FSA was working to process the producer applications and established an ECP review team for Puerto Rico that reviewed each application in every office in which producers had submitted receipts of completion. While application processing continues, as of February 1, 2021, FSA made 173 payments for \$1,035,765. On several occasions, FSA halted processing ECP applications due to other priorities and software updates. FSA has since resumed processing the remaining applications and plans to have remaining applications processed by June 2021, followed by appeals and full completion of the 2017 backlog by the end of fiscal year 2021. We plan to monitor the situation in Puerto Rico and evaluate whether additional work should be performed at a later date.

To accomplish our objectives, we performed the following procedures:

- Obtained and reviewed program statutes, regulations, handbooks, notices, and other ECP-related documentation;
- Interviewed key FSA officials and staff at FSA national, State, and county offices to gain an understanding of their roles and responsibilities and how ECP was administered;
- Interviewed FSA State and county officials and reviewed documentation to determine the adequacy of FSA’s reviews, oversight, and monitoring of ECP;
- Analyzed ECP payment data with the assistance of OIG’s Office of Analytics and Innovation (OAI); and

⁴⁵ For Georgia, we selected Peach and Mitchell Counties, and for Florida, we selected Sumter and Polk Counties.

- Reviewed a non-statistical sample of 40 applications, including documentation in each of the files, to determine whether: (1) the agency complied with established procedures for approval and payment of ECP applications; (2) payment calculations were accurate; and (3) producers used funds for eligible purposes.

During the course of our audit, we obtained data from FSA in order to select a non-statistical sample for review. FSA provided nationwide ECP data from October 2017 through December 9, 2019, that came from FSA's Cost Share Software and Conservation Payments. We then relied upon OAI to determine where FSA administered the funding across the affected States and counties for the 2017 hurricanes. County totals were calculated for each State and ranked from largest payments to smallest. OAI totaled payments for each application for counties selected and then ranked applications from largest to smallest. Since we relied upon the work of OAI specialists, we obtained documentation to ensure these specialists were qualified professionally, competent in the work we relied upon, and met independence standards.

We assessed data reliability by: (1) manually re-calculating ECP payments for each of our sampled producer files to verify the payment calculation function in FSA's Cost Share Software was accurate; (2) interviewing agency officials knowledgeable about the data; and (3) comparing the results of our observations to agency data that captured those results. We determined that the data were sufficiently reliable for the purposes of this report. However, we did not assess the overall reliability of any FSA information system to carry out ECP activities, as we did not rely solely on its data to support the reported findings, conclusions, and recommendations. Evaluating the effectiveness of information systems or information technology controls was not part of the audit objective.

We assessed internal controls to satisfy the audit objective. In particular, we assessed the following internal control components and underlying principles of internal control, as defined by the Government Accountability Office:⁴⁶

Component	Principle
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
Control Activities	Management should implement control activities through policies.
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Monitoring	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Our review was limited to these components and underlying principles; therefore, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

⁴⁶ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

We conducted this performance audit 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 objective. We believe the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Abbreviations

COC	county committee
COVID-19.....	Coronavirus Disease 2019
ECP	Emergency Conservation Program
FSA	Farm Service Agency
IRDTS	Internal Review Document and Tracking System
NRCS	Natural Resources Conservation Service
OAI	Office of Analytics and Innovation
OIG	Office of Inspector General
STC	State committee
USDA.....	United States Department of Agriculture

Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our audit report by finding and recommendation number.

Finding	Recommendation	Description	Amount	Category
1	1	Payments made in the absence of district director concurrence of waiver or with an improperly granted waiver	\$661,078 ⁴⁷	Questioned Costs, No Recovery
2	3	Payments made in the absence of district director reviews or spot checks	\$718,755 ⁴⁸	Questioned Costs, No Recovery
3	9	Payments resulting from insufficient documentation, ineligible costs, or miscalculation of cost-share	\$556,678 ⁴⁹	Questioned Costs, Recovery Recommended
3	10	Underpayment resulting from improperly calculated cost-share.	\$597	Underpayments and Overcollections
Total			\$1,937,108	

⁴⁷ The total amount of \$723,957 referenced in Finding 1 was reduced by \$62,879 to reflect the overlap between the payments identified in Finding 1 and the payments identified in Finding 3.

⁴⁸ The total amount of \$1,901,241 referenced in Finding 2 was reduced by \$1,182,486 to reflect the overlap between the payments identified in Finding 2 and the payments identified in Finding 1 and Finding 3.

⁴⁹ In the official draft that was issued to FSA on March 18, 2021, the amount for this recommendation was \$565,004. This amount was also included in the FSA response to the official draft in Exhibit B, dated April 14, 2021, when the recommendation was restated. During our reverification process prior to closing the report, we concluded the amount should be reduced to \$556,678.

**Farm Service Agency
Response to Audit Report**

Farm Production
and Conservation

Farm Service
Agency

1400 Independence
Ave. SW
Washington, DC
20250

DATE: April 14, 2021

TO: Gil H. Harden
Assistant Inspector General for Audit, OIG

FROM: Zach Ducheneaux /s/ Zach Ducheneaux
Administrator, Farm Service Agency

SUBJECT: Reaching Management Concurrence Regarding USDA OIG Audit
03702-0002-23: 2017 Hurricane Relief Emergency Conservation
Program for Recommendations 1-10.

Management decision has not yet been reached on Recommendations 1-10. To achieve management decision, FSA submits the following:

OIG Recommendation 1:

Develop and implement a standardized monitoring process to document district director concurrence when FSA grants relief to producers who started their practice before submitting an ECP application. The process should also include reporting to State officials.

FSA Response to Recommendation 1:

- The policy found in FSA 1-ECP Handbook (402 B) will be reiterated during trainings and teleconferences with States Offices to ensure that the policies and provisions are being followed and that State Office representatives review the required sample of applications for practices performed (including required spot checks) during the current program implementation. These trainings will also be used to assist the STO staff in training county staff.
 - Note: Reviews on completed practices are in addition to the applications reviewed before COC approval according to paragraph 175.
- FSA is exploring adding the ECP district director review process to the new FSA Internal Review Document and Tracking System (IRDTS) as a permanent internal control to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. The Agency is considering budget availability and competing priorities to determine the implementation timeframe. Please see response to Recommendation 3.
- In the interim, to ensure reviews and spot-checks are being timely performed, National Office will require State Offices to report the completion of the review of sample applications and required spot-checks by a specific date annually. An FSA Notice will be released by July 30, 2021 to notify States of the reporting requirement.
- Note: In the revised 1-ECP paragraph 402 B will be located at 392 A.

OIG Recommendation 2

Revise guidance to make provision to waive the prior approval rule when emergency procedures are authorized, when a producer does not submit the ECP application before starting the practice and files the ECP application after the end of the signup period.

FSA Response to Recommendation 2:

- The 1-ECP Handbook is currently being revised and will resolve Recommendation 2 by clarifying the waiver rule, along with revising 1-ECP, paragraph 131C. This FSA Handbook is in formal Agency clearance and will be published and distributed by June 30, 2021. Note: Once the revised 1-ECP Handbook has obtained final clearance, notifications will be sent to State Offices (STO). The STO employees will, in-turn, communicate these new policy requirements and policy clarifications to all field county office staff.
- The policy found in FSA 1-ECP Handbook (paragraph 171C “Granting Relief for Starting an ECP Practice Before Filing Application”) will be reiterated during (quarterly) trainings/teleconferences with States Offices to ensure that the policies and provisions are being followed. These trainings will be used to assist the STO staff in training county staff.
- FSA is exploring adding the ECP district director review process to the new FSA Internal Review Document and Tracking System (IRDTS) as a permanent internal control to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. The Agency is considering budget availability and competing priorities to determine the implementation timeframe. Please see response to Recommendation 3.
- In the interim, to ensure reviews and spot-checks are being timely performed, National Office will require State Offices to report the completion of the review of sample applications and required spot-checks by a specific date annually. An FSA Notice will be released by July 30, 2021 to notify States of the reporting requirement.

OIG Recommendation 3

Establish and implement monitoring procedures in guidance requiring State officials to ensure district directors complete reviews and evaluate the results of the reviews to ensure ECP policies are being followed.

FSA Response to Recommendation 3:

- FSA is exploring adding the ECP district director review process to the new FSA Internal Review Document and Tracking System (IRDTS) to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. FSA's IRDTS is a centralized, automated internal control tracking system that allows management at all levels to complete and track program audits and reviews. Utilizing the IRDTS solution for this oversight district director review, FSA will be able to plan, sample program records, conduct assessment reviews, monitor review completed and document the results. The final objective will be analyzing the results to assist in improving processes and policies, identifying areas where additional employee training is needed and understanding trends and systemic issues occurring at the state and county levels.
- Implementation into IRDTS is subjected to Agency budget availability and the priority of other program review candidates that are scheduled to be implemented. FSA is establishing an IRDTS implementation roadmap (Phase 1) that is tentatively scheduled for leadership approval by May 31, 2021. A status update can be provided after this date regarding the timeframe for ECP district director review implementation into IRDTS.

OIG Recommendation 4

Establish and implement procedures in guidance to define how the district director review should be documented.

FSA Response to Recommendation 4:

- The 1-ECP Handbook is currently being revised and will clarify the waiver rule and how the district director reviews should be documented. It is currently in formal clearance and will be published and distributed by June 30, 2021.
- In addition, the policy found in FSA 1-ECP Handbook (paragraph 171C "Granting Relief for Starting an ECP Practice Before Filing Application") will be reiterated during (quarterly) trainings/teleconferences with States Offices to ensure that the policies and provisions are being followed. These trainings will be used to assist the STO staff in training county staff.
- FSA is also revising the CCC-770 ECP-2, "ECP Checklist Before Payment Is Made" to include (3) separate parts and separating: implementation, approval, and payment which will assist in streamlining and defining how reviews are to be documented. The revised form will be included in the subsequent 1-ECP Handbook revision or an amendment after it is cleared for use.

OIG Recommendation 5

Establish and implement monitoring procedures in guidance requiring State officials to ensure county executive directors complete spot checks and evaluate the results of the reviews.

FSA Response to Recommendation 5:

- The policy found in FSA 1-ECP Handbook (24 B) will be reiterated during (quarterly) trainings/teleconferences with States Offices to ensure that the policies and provisions are being followed and that State Office representatives review the required sample of applications for practices performed (including required spot checks) during the current program implementation. These trainings will be used to assist the STO staff in training county staff.
- FSA is exploring adding the ECP district director review process to the new FSA Internal Review Document and Tracking System (IRDTS) to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. See response to Recommendation 3.
- In the interim, to ensure reviews and spot-checks are being timely performed, National Office will require State Offices to report the completion of the review of sample applications and required spot-checks by a specific date annually. An FSA Notice will be released by July 30, 2021 to notify States of the reporting requirement.

OIG Recommendation 6

For the three counties, determine which applications are still subject to spot check from 2017 disasters and follow the procedures to complete the spot checks.

FSA Response to Recommendation 6:

FSA's Conservation Division will work with the applicable States (Florida and Georgia) to review and mitigate spot checks for remaining agreements, if needed. The estimated completion date for this action is September 30, 2021.

OIG Recommendation 7

Clarify guidance to define satisfactory evidence acceptable to support installation costs.

FSA Response to Recommendation 7:

Satisfactory evidence acceptable to support installation costs are documented by producer receipts and invoices, which is defined in FSA's Handbook, 1-ECP, paragraph 146. This policy will be reiterated during (quarterly) trainings/teleconferences with States Offices to ensure that the policies and provisions are being followed. The next training will coincide with the release of the revised Handbook, which is scheduled to be cleared by June 30, 2021.

OIG Recommendation 8

Develop and implement a standardized format for documenting installation costs to ensure producer documentation is sufficient, prevent ineligible costs, and ensure the correct reimbursement rates are used.

FSA Response to Recommendation 8:

- FSA recognizes the need for improvements regarding documenting installation costs to ensure producer documentation is sufficient, prevent ineligible costs, and ensure the correct reimbursement rates are used. As a result, FSA established a Payment Scenario Development Team working to assist in the development and use of payment scenarios to ensure ECP payments are being applied correctly and documented properly.
- FSA is actively collaborating with the Natural Resource Conservation Service (NRCS) in leveraging the use of payment scenarios and believe there is an opportunity to better improve cost data for both agencies through this partnership by utilizing available resources within the USDA. FSA is able to utilize NRCS science-based payment scenarios with only a few additional scenarios needed to be created specific to ECP.
- The estimated date to transition to the use of payment scenarios in ECP is June 1, 2021.
- The use of payment scenarios for ECP will:
 - improve timeliness of payment processing by eliminating the time required to determine eligible costs and to make calculations on actual cost incurred.
 - resulting in a decreased rate of improper payments by eliminating human error in calculations and increasing consistency across county and state lines.
 - result in streamlined and straight-forward program implementation, one cost list is used for the state, there is upfront awareness for the producer of the amount of payment per unit.
 - eliminate variability of how payments are calculated across state lines due to standardization of the application.
 - significantly reduce county office staff workload by eliminating review and calculation.

Additional Background:

- The payment scenarios include all commonly used components (materials and quantities) necessary to implement ECP practices.
- Payment schedules will document total allowable cost for all eligible practices/activities. The FSA Conservation Director previously worked for NRCS at the national level and developed payment scenarios since their inception at NRCS. This experience in the development and implementation of payment scenarios for NRCS, as well as continued working partnerships with NRCS and the FPAC – Business Center, has allowed for the development of a transition plan to make the ECP payment process more effective and efficient.

FSA Response to Recommendation 8: continued

- Part of the transition plan will include the continued collection of receipts and invoices for the foreseeable future to allow time for cost data collection and verification of payment scenario rates specific to ECP.
- FSA has also approved new software to process ECP cost share applications and payments more efficiently and to reduce errors; however, implementation is will be based on the Agency budget availability and competing IT priority list.

OIG Recommendation 9

Require the State office to review the questionable applications totaling \$565,004 and take appropriate action on any payments that are determined to be improper.

FSA Response to Recommendation 9:

The STO will be required to provide documentation of the reviews to the National Office Conservation Division no later than July 30, 2021. The National Office Conservation Division will consult and assist in the STO review of the questionable applications and take appropriate action on any payments that are determined to be improper. Action is estimated to be completed by November 30, 2021.

OIG Recommendation 10

Require the State office to review the application where the cost share reimbursement was calculated incorrectly and take appropriate action as determined necessary for the potential underpayment of \$597.

FSA Response to Recommendation 10:

The STO will be required to provide documentation of the reviews to the National Office Conservation Division no later than June 30, 2021. The National Office Conservation Division will consult and assist in the STO review and mitigate the underpayment, if needed.



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