



United States Department of Agriculture

U.S. Department of Agriculture's Fiscal Year 2019 Compliance with Improper Payment Requirements



Audit Report 50024-0015-11

May 2020

OFFICE OF INSPECTOR GENERAL

USDA's Fiscal Year 2019 Compliance with Improper Payment Requirements

Audit Report 50024-0015-11

OIG reviewed USDA's compliance with improper payment requirements and the Department's high-dollar overpayments reports for fiscal year 2019.

OBJECTIVE

Our objectives were to review USDA's fiscal year 2019 Agency Financial Report (AFR) and other information to determine if the agency was compliant with improper payment requirements, and to review quarterly high-dollar overpayments reports and assess the risk associated with applicable agency programs.

REVIEWED

We reviewed related information in the fiscal year 2019 AFR and supporting documentation, and we interviewed relevant agency officials. We also reviewed USDA's fiscal year 2019 quarterly reports on high-dollar overpayments and evaluated supporting documentation for the randomly selected, nonstatistical samples.

RECOMMENDS

USDA and its component agencies must take steps to ensure its mandated actions are completed to meet improper payment requirements.

WHAT OIG FOUND

The Office of Inspector General (OIG) found that the U.S. Department of Agriculture (USDA) continued to report noncompliance with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended. USDA reported mandatory improper payment information for 12 high-risk programs for fiscal year 2019. We found that 5 of the 12 high-risk programs did not comply with one or both of the following requirements: meeting annual reduction targets or reporting gross improper payment rates of less than 10 percent. This occurred because the programs' corrective actions have not yielded the desired results and some programs' policies and procedures were not followed by staff.

For the high-priority programs, we noted no issues in our evaluation of USDA's reported actions to prevent and recover improper payments and the quality of improper payment estimates and methodologies used. We also found that USDA maintained the quality of its high-dollar overpayments reports for fiscal year 2019. Specifically, we noted no critical declines in the accuracy, completeness, or timeliness of the Department's reporting.

The Department generally agreed with our findings and recommendations, and we accepted management decision on three of the four recommendations.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: May 13, 2020

AUDIT
NUMBER: 50024-0015-11

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SUBJECT: U.S. Department of Agriculture's Fiscal Year 2019 Compliance with Improper
Payment Requirements

This report presents the results of the subject audit. Your written responses to the discussion draft, dated May 1, 2020, May 7, 2020, and May 12, 2020, are included in their entirety at the end of the report. We have incorporated excerpts from your responses, and the Office of Inspector General's position, into the relevant sections of the report. Based on your written responses, we accept management decision on Recommendations 1, 2, and 4 in the report, and

no further response to this office is necessary. Management decision has not been achieved for Recommendation 3. The action needed to reach management decision for this recommendation is described under the relevant OIG position.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendation for which management decision has not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

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.

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Background and Objectives

Background

The U.S. Department of Agriculture (USDA) delivers approximately \$144 billion in public services annually through more than 156 programs. The Department identified 12 of these programs (see Exhibit A) as susceptible to significant improper payments (high-risk) in fiscal year 2019. USDA reported that, collectively, its 12 high-risk programs made approximately \$6.8 billion in improper payments, a 6.97 percent improper payment rate.

USDA funds the 12 high-risk programs through 5 component agencies: Food and Nutrition Service (FNS), Forest Service (FS), Farm Service Agency/Commodity Credit Corporation (FSA/CCC), Natural Resources Conservation Service (NRCS), and Risk Management Agency (RMA). CCC has no operating personnel. Its price support, storage, and reserve programs, and its domestic acquisition and disposal activities are carried out primarily through the personnel and facilities of FSA. FSA implements CCC-funded programs for income support, disaster assistance, conservation, and international food procurement.¹

Improper Payments Requirements

In general, an improper payment is any payment that should not have been made or that was made in an incorrect amount. An improper payment also includes any payment made to an ineligible recipient, payment for ineligible goods or services, or payment for goods or services not received. In addition, a payment is considered improper if it lacks sufficient documentation.

The Improper Payments Information Act of 2002 (IPIA) requires each agency to annually review all programs and activities that it administers, identify those susceptible to significant improper payments, and submit to Congress an estimate of the annual amount of improper payments.² The Improper Payments Elimination and Recovery Act of 2010 (IPERA), which amended IPIA, requires each agency to perform the review of its programs at least once every 3 years in accordance with the Office of Management and Budget (OMB) guidance.³ IPERA defines significant improper payments as gross annual improper payments (the total of overpayments plus underpayments) exceeding both 1.5 percent of program outlays and \$10 million of all program payments made during the fiscal year reported, or \$100 million of improper payments regardless of percentage.⁴

For each program and activity identified as susceptible to significant improper payments, the agency must produce a statistically valid estimate, or a nonstatistically valid sampling and

¹ FSA/CCC is one of the five component agencies; however, because CCC has no employees, we will refer only to FSA throughout the report.

² IPIA, Public Law 107-300 (Nov. 26, 2002).

³ OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (June 26, 2018).

⁴ IPERA, Public Law 111-204 (July 22, 2010).

estimation approach that OMB approved, of the improper payments made by each program and activity and include those estimates in the accompanying materials to the Agency Financial Report (AFR).⁵

Compliance with IPERA

Inspectors General are required to assess agencies' compliance with IPERA each fiscal year. Compliance under the law means that agencies have:

1. Published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website.
2. Conducted a program specific risk assessment for each program or activity.
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).
4. Published programmatic corrective action plans in the AFR (if required).
5. Published and have met annual reduction targets for each program assessed to be at risk and measured for improper payments (if required and applicable).
6. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR.

Under IPERA, an agency is not compliant if it does not meet one or more of these six requirements. Section 1 of this report discusses USDA's fiscal year 2019 compliance determination under IPERA.

Compliance with IPERIA

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), which amended IPERA, requires that OMB identify high-risk programs that it deems "high-priority."⁶ OMB set the threshold for high-priority determinations at \$2 billion in reported improper payments in a fiscal year. USDA reported one FNS program as high-priority in fiscal year 2019: the Supplemental Nutrition Assistance Program (SNAP).

For high-priority programs, the agency is required to report any action it has taken—or plans to take—to recover improper payments and any action it intends to take to prevent future improper payments. Each fiscal year, Inspectors General are required to review the assessment of the level of risk, evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments under the program. Section 2 of this report discusses the evaluation of USDA's high-priority program as required by IPERIA.

⁵ IPERA, Public Law 111-204 (July 22, 2010), requires an agency to include those estimates in the accompanying materials to the "annual financial statement of the agency." For USDA, these improper payments reporting requirements are met through its annual Agency Financial Report.

⁶ IPERIA, Public Law 112-248 (Jan. 10, 2013).

Both IPERA and IPERIA authorize OMB to issue additional guidance for eliminating and reporting improper payments. OMB guidance instructed Inspectors General to combine their annual compliance assessment under IPERA with their evaluation of actions implemented for the high-priority programs under IPERIA.⁷ OMB guidance also states that Inspectors General should evaluate the accuracy and completeness of agency reporting and the agency's performance in reducing and recapturing improper payments as part of their annual compliance review. Section 3 of this report discusses USDA's performance in reducing and recapturing improper payments as well as the accuracy and completeness of USDA's reporting.

High-Dollar Overpayments Reporting Requirements

Executive Order 13520, *Reducing Improper Payments* (Executive Order), signed on November 20, 2009, assists Federal agencies in reducing and preventing improper payments through increased transparency and improved agency accountability.⁸ The Executive Order mandates that Federal agencies submit quarterly reports on any high-dollar improper overpayments identified in high-risk programs to the agency's Inspector General and the Council of the Inspectors General on Integrity and Efficiency and make this information available to the public.⁹ After reviewing each report, the agency Inspector General shall assess the level of risk associated with the applicable program, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's plans.

OMB's implementing guidance for the Executive Order defines a reportable high-dollar overpayment as any overpayment in excess of 50 percent of the correct amount of the intended payment:

- where the total payment to an individual exceeds \$25,000 as a single payment or in cumulative payments for the quarter; or
- where the total payment to an entity exceeds \$100,000 as a single payment or in cumulative payments for the quarter.¹⁰

For fiscal year 2019, USDA reported 64 high-dollar overpayments totaling \$9.5 million. This count represents an increase from the 59 overpayments reported for fiscal year 2018. Exhibit C lists the number and sum of high-dollar overpayments reported for fiscal years 2018 and 2019 by component agency and high-risk program.

⁷ OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (June 26, 2018).

⁸ 74 Federal Register 62201, Executive Order 13520, *Reducing Improper Payments* (Nov. 20, 2009).

⁹ A high-risk program is any program determined to be susceptible to significant improper payments based on the criteria outlined in OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (June 26, 2018).

¹⁰ After fiscal year 2014 ended, OMB issued Memorandum M-15-02 on Appendix C to Circular A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014). This guidance modified OMB Circular A-123, Appendix C, Parts I and II (which were issued in April 2011, as OMB Memorandum M-11-16) and Part III (which was issued in March 2010, as OMB Memorandum M-10-13) and increased the reporting thresholds from \$5,000 to \$25,000 for individuals and from \$25,000 to \$100,000 for entities. In June 2018, OMB instructed agencies to follow these reporting thresholds until further notice.

The Office of the Chief Financial Officer (OCFO) coordinates, consolidates, and submits USDA's quarterly high-dollar overpayments reports for the Office of the Secretary of Agriculture. To assist OCFO in meeting reporting requirements, the 5 component agencies administering USDA's 12 high-risk programs must submit high-dollar overpayments data, in accordance with OMB guidance, for inclusion in the Department-level quarterly reports. Additionally, the Department publishes its quarterly high-dollar reports on OCFO's website, available to the public at <https://www.ocfo.usda.gov/plans-reports/QuarterlyHighDollarReporting>. Section 4 of this report discusses the accuracy, completeness, and timeliness of the Department's high-dollar overpayments reports for fiscal year 2019.

Objectives

The objectives of our audit were to review USDA's fiscal year 2019 AFR and accompanying information to determine whether the agency is compliant with IPIA, as amended by IPERA. In addition, we evaluated the accuracy and completeness of USDA's reporting, and its performance in reducing and recapturing improper payments.

Further, for the USDA component agencies that have high-priority programs, we reviewed the agencies' assessment of the level of risk, evaluated the quality of the improper payment estimates and methodology, and reviewed the oversight or financial controls used to identify and prevent improper payments under the program.

Finally, we reviewed USDA's quarterly high-dollar overpayments reports for fiscal year 2019; assessed the level of risk associated with the applicable programs; determined the extent of oversight warranted; and provided recommendations, where applicable, for modifying USDA's recovery and corrective action plans.

Section 1: USDA’s Fiscal Year 2019 Compliance Determination Under IPERA

Finding 1: USDA Continued to Report Noncompliance with IPERA

In fiscal year 2018, USDA identified 9 programs as susceptible to significant improper payments (high-risk), but in fiscal year 2019 the Department identified 12 due to the inclusion of 3 new programs from the year before. One of the three new programs was identified as high-risk because its annual improper payments met IPERA thresholds; the other two were deemed high-risk because of their disaster-related outlays.¹¹

USDA continued to report noncompliance with IPERA. We found that 5 of USDA’s 12 high-risk programs did not fully comply with one or more IPERA requirements. These programs did not meet annual reduction targets, report gross improper payment rates of less than 10 percent, or both. This occurred because the programs’ corrective actions have not yielded the desired results and some programs’ policies and procedures were not followed by staff. As a result, USDA is not compliant with IPERA for a ninth consecutive year.

Table 1. Summary of USDA’s compliance with IPIA, as amended by IPERA, for fiscal year 2019.

| USDA Agency | High-Risk Program | Fiscal Year 2019 Overall Compliance | Published an AFR | Conducted a Risk Assessment | Published an Improper Payment Estimate | Published Corrective Action Plans | Published/Met Reduction Targets | Reported an Improper Payment Rate of Less Than 10 Percent | Consecutive Years of Noncompliance |
|----------------------------|--|-------------------------------------|------------------|-----------------------------|--|-----------------------------------|---------------------------------|---|------------------------------------|
| Food and Nutrition Service | Supplemental Nutrition Assistance Program (SNAP) | Compliant | Yes | Yes | Yes | Yes | Yes | Yes | 0 |
| | National School Lunch Program (NSLP) | Compliant | Yes | Yes | Yes | Yes | Yes | Yes | 0 |
| | School Breakfast Program (SBP) | Non-Compliant | Yes | Yes | Yes | Yes | Yes | No | 9 |

¹¹ FSA’s Agriculture Risk Coverage and Price Loss Coverage program’s annual improper payments met both the IPIA, as amended by IPERA, statutory thresholds of: (1) more than both 1.5 percent of program outlays and \$10 million of all program payments; or (2) more than \$100 million of improper payments regardless of percentage. FS’ and FSA’s Hurricane Harvey programs had disaster-related funding appropriated under the Bipartisan Budget Act of 2018, Public Law 115-123 (Feb. 9, 2018) and were subject to improper payments reporting in accordance with OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations* (Mar. 30, 2018) because their annual outlays exceeded \$10 million. (These three new programs are denoted with an * in Table 1.)

| USDA Agency | High-Risk Program | Fiscal Year 2019 Overall Compliance | Published an AFR | Conducted a Risk Assessment | Published an Improper Payment Estimate | Published Corrective Action Plans | Published/Met Reduction Targets | Reported an Improper Payment Rate of Less Than 10 Percent | Consecutive Years of Noncompliance |
|--|--|-------------------------------------|------------------|-----------------------------|--|-----------------------------------|---------------------------------|---|------------------------------------|
| Food and Nutrition Service | Special Supplemental Nutrition Program for Women, Infants and Children (WIC) | Compliant | Yes | Yes | Yes | Yes | Yes | Yes | 0 |
| | Child and Adult Care Food Program (CACFP) | Compliant | Yes | Yes | Yes | Not Applicable | Yes | Yes | 0 |
| Forest Service | Hurricane Harvey-Capital Improvement and Maintenance (Harvey-CIM)* | Compliant | Yes | Yes | Yes | Not Applicable | Not Applicable | Yes | 0 |
| Farm Service Agency/ Commodity Credit Corporation | Livestock Forage Disaster Program (LFP) | Non-Compliant | Yes | Yes | Yes | Yes | No | No | 2 |
| | Noninsured Crop Disaster Assistance Program (NAP) | Non-Compliant | Yes | Yes | Yes | Yes | No | No | 3 |
| | Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC)* | Non-Compliant | Yes | Yes | Yes | Yes | Not Applicable | No | 1 |
| | Hurricane Harvey-Emergency Conservation Program (Harvey-ECP)* | Non-Compliant | Yes | Yes | Yes | Not Applicable | Not Applicable | No | 1 |
| Natural Resources Conservation Service | Farm Security and Rural Investment Act Program (FSRIP) | Compliant | Yes | Yes | Yes | Not Applicable | Yes | Yes | 0 |
| Risk Management Agency | Federal Crop Insurance Corporation (FCIC) Program Fund | Compliant | Yes | Yes | Yes | Yes | Yes | Yes | 0 |

USDA officials provided evidence that the Department and some of its component agencies are making progress towards fully complying with IPERA.¹² For example, NRCS' FSRIP for 2 consecutive years has reported annual improper payments below the IPERA thresholds and is eligible for relief from the annual reporting requirements.¹³ FNS' WIC was not compliant with IPERA in fiscal year 2018, but is fully compliant in fiscal year 2019. Also, the reported improper payment rate for WIC went down from 5.39 percent in fiscal year 2018 to 2.03 percent in fiscal year 2019. FNS reported that it dropped cost-containment savings erroneously categorized as vendor underpayments from its improper payments total, which we saw as an appropriate action and reasoned that this had a role in lowering the WIC rate. Furthermore, we determined that USDA substantially complied with four of the six improper payment requirements by: (1) publishing its fiscal year 2019 AFR and posting the report and any accompanying OMB required materials on the agency website; (2) conducting a program specific risk assessment for each program or activity; (3) publishing an improper payment estimate, as required; and (4) publishing programmatic corrective action plans in the AFR and accompany materials.

The specific results for each IPERA requirement are as follows:

1. Did USDA publish an AFR for the most recent fiscal year and post that report and any accompanying materials required by OMB on the agency website?

Yes. USDA published the fiscal year 2019 AFR, and subsequently posted the report and accompanying materials required by OMB on the agency website at <https://www.ocfo.usda.gov/plans-reports/PerformanceAndAccountabilityReports>.

2. Did USDA conduct a program specific risk assessment for each program or activity?

Yes. In accordance with OMB guidance, USDA completed a risk assessment for each of its programs not already identified as high-risk at least once during the last 3 years.¹⁴ Additionally, USDA's reporting of an improper payment estimate for all 12 of its high-risk programs fulfilled the risk assessment requirement under IPERA and no additional risk assessments were required for those programs.

3. Did USDA publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments (high-risk) under its risk assessment (if required)?

Yes. USDA published improper payment estimates for all 12 programs identified as high-risk in its AFR. The information presented about the estimates identifies program

¹² IPERA, Public Law 111-204 (July 22, 2010).

¹³ Per OMB Circular A-123, Appendix C, an agency may submit a written request to OMB for relief from the annual reporting requirements if an agency's program has a minimum of 2 consecutive years of improper payments that are below the IPIA, as amended by IPERA, statutory thresholds of: (1) both 1.5 percent of program outlays and \$10 million of all program payments; or (2) \$100 million of improper payments.

¹⁴ Per OMB Circular A-123, Appendix C, the method of reviewing programs could be a quantitative evaluation in the form of a statistical assessment or a qualitative method, such as a questionnaire.

outlays for the current fiscal year, estimated amounts of payments that were properly paid or improperly paid, and the corresponding percent for each by program for the current fiscal year in accordance with the Payment Integrity Reporting section of OMB Circular A-136, *Financial Reporting Requirements*.

4. Did USDA publish programmatic corrective action plans in the AFR, and accompanying materials (if required)?

Yes. USDA published corrective action plans in its AFR and accompanying materials. The information presented about the plans describes actions taken and planned for each program that met the IPIA, as amended by IPERA, statutory thresholds of a high-risk program in accordance with the Payment Integrity Reporting section of OMB Circular A-136, *Financial Reporting Requirements*.

5. Did USDA publish, and meet, annual reduction targets for each program assessed to be at risk and measured for improper payments (if required and applicable)?

No. We found that 2 of USDA's 12 high-risk programs did not achieve their reduction targets: FSA's LFP and NAP.

FSA's LFP and NAP

FSA did not achieve its reduction targets for LFP and NAP by 5.05 percent and 10.20 percent, respectively.¹⁵ This occurred for the second consecutive year for LFP and the third consecutive year for NAP. FSA attributed most of these programs' improper payments to administrative or process errors, insufficient documentation, or lack of data needed. To reduce improper payments, FSA developed corrective actions that included:

- A new internal review process conducted by FSA's Office of Management and Strategy. The internal review process should identify the types of errors that are occurring and the underlying reasons, and communicate how policies and procedures should be applied.
- Conducting national training on applicable policy requirements for LFP, including farm records policies and procedures and the system and policies for properly delineating ineligible acreage.
- Conducting national training on the importance of producer certification supporting documentation for NAP.
- Requiring completion of the NAP checklist prior to issuing a NAP payment.

¹⁵ FSA uses a statistically valid and rigorous plan to estimate an improper payment rate for LFP and NAP. Using this type of plan, a reduction target is met if the target rate falls within the lower and upper endpoints of the plan's confidence interval. We used the lower endpoint of the interval for LFP and NAP and subtracted the target rate from the lower endpoint to determine the respective 5.05 and 10.20 percentage points by which the programs did not meet reduction targets.

6. Did USDA report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR?

No. USDA did not report gross improper payment rates of less than 10 percent for 5 of its 12 high-risk programs: FNS' SBP and FSA's LFP, NAP, ARC/PLC, and Harvey-ECP.

FNS' SBP

FNS' SBP reported an estimated improper payment rate of 10.50 percent. FNS attributed SBP's improper payments to administrative or process errors and program design or structural issues. To reduce improper payments, FNS developed corrective actions that included:

- USDA's 2019 Administrative Review and Training Grants encouraged States to submit proposals to develop State application systems with features similar to USDA's model; specifically, features designed to reduce household reporting error.
- Updating Administrative Review guidance for school year 2019–2020.
- FNS is currently conducting a study, "The Assessment of the Administrative Review Process," which examines the extent to which the Administrative Review process effectively identifies risk areas and noncompliance with program requirements by school food authorities operating the programs. USDA will use those results to consider updates to the process.

FSA's LFP, NAP, ARC/PLC, and Harvey-ECP

All four of FSA's high-risk programs reported an estimated improper payment rate above 10 percent as the following table shows.

Table 2. The FSA Programs with Improper Payment Rates Above 10 Percent

| FSA High-Risk Programs | Estimated Improper Payment Rate |
|-------------------------------|--|
| LFP | 17.87% |
| NAP | 23.13% |
| ARC/PLC | 16.11% |
| Harvey-ECP | 15.85% |

FSA attributed most of these programs' improper payments to administrative or process errors, insufficient documentation, or lack of data needed. To reduce improper payments,

FSA developed corrective actions that included those actions mentioned previously under the specific results for IPERA requirement 5 on meeting annual reduction targets, as well as other actions that included:

- Reiterating the importance of following existing policies regarding signing and approving contracts before indicating approval in the applicable system.
- Holding training that addressed improper payment findings. Addressing the root causes of improper payments was stressed throughout the training.

For programs noncompliant with IPERA for 1 or more consecutive fiscal years, OMB guidance requires agencies to complete additional actions as the following table shows.

Table 3. Requirements for Programs Noncompliant with IPERA

| Consecutive Fiscal Years Noncompliant | Required Action |
|--|---|
| 1 | Submission of a plan to OMB and select congressional committees (Congress) to describe actions the agency will take to become compliant. |
| 2 | Submission of proposals to OMB during the agency’s next budget submission as part of the annual development of the President’s Budget for additional funding actions that will help the agency intensify its efforts in bringing about compliance. |
| 3 | Submission of agency statements to OMB and Congress on reauthorization, statutory changes, or other actions necessary or in process to bring about compliance. |
| 4 or more | Submission of a report to OMB and Congress detailing activities the agency has taken to complete the required actions for 1, 2, 3, 4, and any further consecutive years of noncompliance. This report should describe any of the required actions that were fulfilled in years 1, 2, or 3 that are still relevant and being pursued as a means to prevent and reduce improper payments. Additionally, this report should describe any new corrective actions. |

FSA’s ARC/PLC, Harvey-ECP, LFP, and NAP fall into the 1-year, 2-year, and 3-year noncompliant categories, respectively, and we are making Recommendations 1, 2, and 3 accordingly. FNS’ SBP has been noncompliant for the ninth consecutive year, and we are making Recommendation 4 accordingly. Exhibit B summarizes the current year status of the prior year audit recommendations.

Recommendation 1 to FSA

In accordance with OMB guidance, within 90 days of the determination of noncompliance, FSA should submit a plan to the Senate Committee on Homeland Security and Governmental Affairs,

the House Committee on Oversight and Government Reform, and OMB describing the actions that FSA will take to make ARC/PLC and Harvey-ECP compliant.

Agency Response

In its response dated May 7, 2020, FSA stated that it will submit a plan describing the actions the agency will take to make ARC/PLC and Harvey-ECP compliant. The actions will be completed no later than August 13, 2020.

OIG Position

We accept management decision for this recommendation.

Recommendation 2 to FSA

In accordance with OMB guidance, as part of the annual development of the President's Budget, FSA should create and submit proposals to OMB during its next budget submission for funding actions that will help bring LFP into compliance.

Agency Response

In its response dated May 7, 2020, FSA stated that it will submit a plan describing the actions the agency will take to make LFP compliant. The actions will be completed no later than August 13, 2020.

OIG Position

We accept management decision for this recommendation.

Recommendation 3 to FSA

In accordance with OMB guidance, within 30 days of the determination of noncompliance, FSA should submit an agency statement to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing reauthorization, statutory changes, or other actions necessary or in process to bring NAP into compliance.

Agency Response

In its response dated May 7, 2020, FSA stated that it will submit a plan describing the actions the agency will take to make NAP compliant. The actions will be completed no later than August 13, 2020.

OIG Position

We are unable to reach management decision on this recommendation. For programs noncompliant with IPERA for 3 consecutive fiscal years, OMB guidance requires agencies to complete the required action in Recommendation 3 within 30 days of the determination of noncompliance by the agency Inspector General in its final audit report due by May 15.¹⁶ In order to reach management decision, FSA needs to provide us with a completion date that falls within the OMB requirement.

Recommendation 4 to FNS

In accordance with OMB guidance, within 30 days of the determination of noncompliance, FNS should submit a report to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB detailing the activities the agency has taken to complete the required actions for each consecutive year of noncompliance for SBP as well as any new corrective actions the agency plans to take.

Agency Response

In its response dated May 12, 2020, FNS stated that, within 30 days, it will submit a letter to the necessary Congressional Committees and OMB detailing the activities the agency has taken to complete the required actions for each consecutive year of noncompliance for the SBP as well as any new corrective actions the agency plans to take to address noncompliance. FNS identified May 30, 2020 as the estimated completion date for this action.

OIG Position

We accept management decision for this recommendation.

¹⁶ Part IV.B.1.c of OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (June 26, 2018).

Section 2: Evaluation of USDA's High-Priority Programs

We reviewed USDA's reported actions to prevent and recover improper payments and the quality of the improper payment estimates and methodologies used in the Department's high-priority programs.

IPERIA requires OMB to annually identify high-risk programs that require greater levels of oversight and review—these are considered high-priority programs. High-priority programs are defined as programs that have more than \$2 billion in improper payments reported in the AFR.¹⁷ Each agency with programs identified as high-priority is required to annually report to its Inspector General and make public the agency's plans to address the problem. These plans should describe any action the agency has taken, or plans to take, to recover improper payments and any action the agency intends to take to prevent future improper payments, including tailoring corrective actions specifically to the high-priority programs. Furthermore, OMB guidance requires that agencies with high-priority programs establish semi-annual or quarterly actions for reducing improper payments for which information on such is posted on OMB's improper payments website (paymentaccuracy.gov). Inspectors General are required annually to evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments under each program.

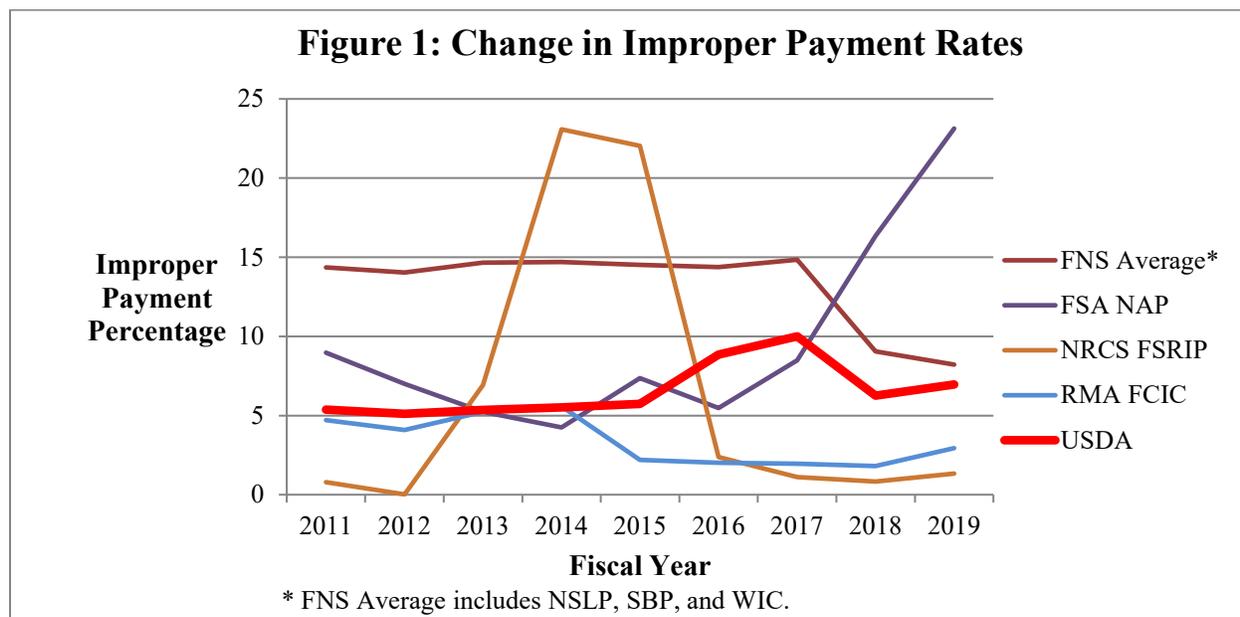
USDA reported FNS' SNAP as high-priority in its fiscal year 2019 AFR. We determined that FNS officials' assessment of the risk level associated with their high-priority program was reasonable, and the agency developed corrective action plans as well as supplemental periodic actions for reducing improper payments commensurate with OMB requirements. Also, FNS reported actions taken to recover and prevent future improper payments. Additionally, we determined that FNS has improper payment estimation methodologies that produce a reasonable and valid estimate for its programs in accordance with OMB guidance. No issues were noted in our evaluation of USDA's high-priority program and we are not making any recommendations.

¹⁷ OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (June 26, 2018).

Section 3: USDA’s Performance in Reducing, Recapturing, and Reporting Improper Payments

Reducing Improper Payments

USDA’s efforts to reduce improper payments have produced both favorable and unfavorable results since fiscal year 2011. Improper payment rates have generally trended downward in recent years for NRCS’ FSRIP and RMA’s FCIC Program Fund and upward for FSA’s NAP. As discussed in Finding 1, NAP did not meet its reduction target or report an improper payment rate of less than 10 percent for fiscal year 2019. The average improper payment rate of FNS’ NSLP, SBP, and WIC remained relatively unchanged for a time, then trended downward in fiscal years 2018 and 2019. USDA’s overall improper payment rate also remained relatively unchanged for a time, then trended upward in fiscal years 2015 through 2017. In fiscal year 2018, USDA’s overall improper payment rate trended downward; however, there was a slight increase upward in fiscal year 2019. Figure 1 shows the trends for these programs and for USDA overall from fiscal year 2011 through fiscal year 2019. We included only those programs that have been identified as susceptible to significant improper payments (high-risk) and had a published improper payment rate for each of the last 9 consecutive fiscal years.¹⁸ In addition, we included USDA’s overall improper payment rate as reported in the AFRs.¹⁹ To see the actual improper payment rates for fiscal year 2019, see Exhibit A.



¹⁸ FNS’ SNAP and CACFP have been identified as high-risk programs for each of the last 9 consecutive fiscal years but are excluded from the FNS Average line in Figure 1 because FNS did not publish an improper payment rate for SNAP in fiscal years 2016 and 2017 and for CACFP in fiscal years 2013 through 2017.

¹⁹ The USDA overall line in Figure 1 included 16 high-risk programs in fiscal year 2011 to as many as 20 in fiscal year 2014 to as few as 9 in fiscal year 2018. The line for 2019 included 12 covering the 6 programs identified in Figure 1 as well as FNS’ SNAP and CACFP; FS’ Harvey-CIM; and FSA’s LFP, ARC/PLC, and Harvey-ECP, as listed in Exhibit A.

Recapturing Improper Payments²⁰

In fiscal year 2019, USDA reported that it recaptured approximately \$0.29 million in improper payments from recovery audit contractors; this represents an increase from its fiscal year 2018 reporting of \$0.25 million. Also, USDA reported \$388.77 million in recoveries from outside payment recapture audits, an increase from its reporting of \$371.59 million in fiscal year 2018.²¹ OMB guidance encourages agencies to use limited scope pilot payment recapture audits in areas deemed highest risk to assess the likelihood of cost effective payment recapture audits on a larger scale. USDA reported in its fiscal year 2019 AFR that it is required to conduct payment recapture auditing on all programs with over \$1 million in annual expenditures, or provide justification that a payment recapture audit program would not be cost effective. To determine which programs meet the \$1 million payment recapture auditing requirement, USDA used fiscal year 2018 actual outlay information.

Accuracy and Completeness of Reporting

We found that USDA substantially complied with applicable OMB guidance pertaining to improper payments reporting. We found that the information in USDA's AFR was supported by documentation from OCFO or component agencies. We did note instances where inconsequential errors were made; however, we determined these errors were not material, either individually or in the aggregate.

We do not make any formal recommendations in this report regarding USDA's performance in reducing, recapturing, or reporting improper payments.

²⁰ A recapture activity is any activity by an agency to attempt to identify and recover overpayments identified by a payment recapture audit or a post-award audit.

²¹ "Outside payment recapture audits" include methods in place to collect overpayments, even prior to the establishment of an official payment recapture audit.

Section 4: Evaluation of USDA's High-Dollar Overpayments Reports for Fiscal Year 2019

We reviewed USDA's fiscal year 2019 quarterly reports on high-dollar overpayments, selected random, nonstatistical samples of overpayments, and evaluated the supporting documentation provided by the component agencies for the overpayments selected.

In accordance with Executive Order 13520, *Reducing Improper Payments*, Federal agencies must submit quarterly reports on any high-dollar improper overpayments identified in high-risk programs to the agency's Inspector General and the Council of the Inspectors General on Integrity and Efficiency and make this information available to the public. OMB guidance for implementing the Executive Order requires that quarterly high-dollar overpayments reports describe:

- the high-dollar overpayments made by the agency;
- any actions the agency has taken or plans to take to recover the high-dollar overpayments; and
- any actions the agency will make to prevent overpayments from occurring in the future.²²

For fiscal year 2019, USDA maintained the overall quality of its high-dollar overpayments reports. Overall, we noted no critical declines in the accuracy, completeness, or timeliness of the Department's reporting. Specifically, we found no instances of reporting errors in our review of the random, nonstatistical samples of overpayments reported. Additionally, the reports included easy-to-understand information regarding the reasons for the overpayments reported and the actions and strategies to recover and prevent overpayments. Furthermore, the information presented about those responsive actions and strategies appears appropriate, reasonable, and achievable in relation to the reported reasons for the overpayments. Lastly, the Department was timely in processing all of its report submissions to OIG. We determined that USDA applied the appropriate level of oversight on its high-dollar overpayments reporting and we are not making any recommendations.

²² OMB Memorandum M-15-02, Appendix C to Circular A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014). In June 2018, OMB instructed agencies to follow these requirements in relation to quarterly high-dollar overpayments reports to the Inspector General until further notice.

Scope and Methodology

Our audit focused on improper payments information reported in USDA’s fiscal year 2019 AFR and additional supporting documentation. This audit also included a limited review of the fiscal year 2019 quarterly reports on high-dollar overpayments as described in the objectives, but would not necessarily identify all deficiencies in internal controls for determining high-dollar overpayments. We commenced fieldwork in January 2020 and completed our fieldwork in April 2020.

We interviewed OCFO officials and personnel at USDA component agencies who were involved with the 12 programs identified as susceptible to significant improper payments (high-risk). We obtained and reviewed all applicable laws, rules, and regulations pertaining to improper payments as well as OCFO’s guidance, policies, and procedures. We also reviewed each program’s plans that described how sampling was performed, how estimates were calculated and completed, and the proposed corrective actions to reduce improper payments in the future. In addition, we reviewed USDA’s fiscal year 2019 quarterly reports on high-dollar overpayments, selected random, nonstatistical samples of overpayments, and evaluated the supporting documentation provided by the component agencies for the overpayments selected.

To accomplish our objectives, we performed the following audit steps to assess USDA’s compliance with the specific requirements of IPERA:

1. Published an AFR for the Most Recent Fiscal Year and Posted that Report and Any Accompanying Materials Required by OMB on the Agency Website

We obtained and reviewed the fiscal year 2019 AFR and any accompanying materials. We also confirmed that the AFR was posted on USDA’s website.

2. Conducted a Program Specific Risk Assessment for Each Program or Activity

Of the 144 low-risk programs and activities listed in USDA’s fiscal year 2019 inventory, we selected a nonstatistical, random sample of 10 programs and activities. The 10 selected programs used various types of assessments, from management certifications to full-scale risk assessments, including testing of transactions. We reviewed these assessments to determine if they were performed in accordance with IPERA, OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, and OCFO’s USDA fiscal year 2019 Risk Assessment Guidance.

3. Published Improper Payment Estimates for All Programs Identified as High-Risk

We reviewed the Payment Integrity Outlook Exhibit 32 in *Section III, Other Information* of the fiscal year 2019 AFR to identify which high-risk programs did not report an improper payment estimate (identified as “NA”).

4. Published Programmatic Corrective Action Plans in the AFR and Accompanying Materials

We reviewed the fiscal year 2019 AFR and accompanying materials to determine if USDA reported corrective action plans in compliance with OMB guidance. We also reviewed each high-risk program's corrective action plan submitted to OCFO to verify that the information in the AFR was accurate and supported.

5. Published and Has Met Annual Reduction Targets for Each High-Risk Program Assessed

We reviewed the Payment Integrity Outlook Exhibit 32 in *Section III, Other Information* of the fiscal year 2019 AFR and compared each program's improper payment rate to the reduction targets listed in the Payment Integrity Outlook Exhibit 28 in *Section III, Other Information* of the fiscal year 2018 AFR.

6. Reported a Gross Improper Payment Rate of Less Than 10 Percent for Each High-Risk Program Published in the AFR

We reviewed the Payment Integrity Outlook Exhibit 32 in *Section III, Other Information* of the fiscal year 2019 AFR to identify which programs did not report estimates of less than 10 percent.

7. Reported Information on High-Priority Programs

We reviewed the fiscal year 2019 AFR and supporting documentation. We made inquiries to agency officials when warranted.

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

During the course of our audit, we did not verify information from any of USDA's electronic information systems, and make no representation regarding the adequacy of any agency's computer system or the information generated from it.

Abbreviations

| | |
|-----------------------|---|
| AFR..... | Agency Financial Report |
| ARC/PLC..... | Agriculture Risk Coverage and Price Loss Coverage |
| CACFP..... | Child and Adult Care Food Program |
| CCC..... | Commodity Credit Corporation |
| CIM..... | Capital Improvement and Maintenance |
| ECP..... | Emergency Conservation Program |
| Executive Order | Executive Order 13520 of November 20, 2009, Reducing Improper Payments |
| FCIC..... | Federal Crop Insurance Corporation |
| FNS..... | Food and Nutrition Service |
| FS..... | Forest Service |
| FSA..... | Farm Service Agency |
| FSRIP..... | Farm Security and Rural Investment Act Program |
| IPERA..... | Improper Payments Elimination and Recovery Act of 2010 |
| IPERIA..... | Improper Payments Elimination and Recovery Improvement Act of 2012 |
| IPIA..... | Improper Payments Information Act of 2002 |
| LFP..... | Livestock Forage Disaster Program |
| NAP..... | Noninsured Crop Disaster Assistance Program |
| NRCS..... | Natural Resources Conservation Service |
| NSLP..... | National School Lunch Program |
| OCFO..... | Office of the Chief Financial Officer |
| OIG..... | Office of Inspector General |
| OMB..... | Office of Management and Budget |
| RMA..... | Risk Management Agency |
| SBP..... | School Breakfast Program |
| SNAP..... | Supplemental Nutrition Assistance Program |
| USDA..... | U.S. Department of Agriculture |
| WIC..... | Special Supplemental Nutrition Program for Women, Infants, and Children |

Exhibit A: USDA’s Twelve High-Risk Programs

Exhibit A provides a list of USDA’s twelve current high-risk programs or program categories reported in the fiscal year 2019 AFR.

| USDA Agency | High-Risk Program | Fiscal Year 2019 Improper Payment Rate |
|-------------|--|--|
| FNS | 1. SNAP provides low-income households benefits to purchase food from approved retailers. | 6.80% |
| | 2. NSLP assists States, through cash grants and food donations, in providing a nutritious nonprofit lunch service for school children. | 9.08% |
| | 3. SBP assists States in providing a nutritious nonprofit breakfast service for school children, through cash grants and food donations. | 10.50% |
| | 4. WIC provides supplemental nutritious foods and other health services to low-income eligible participating women and children up to age of 5 years. | 2.03% |
| | 5. CACFP, through grants-in-aid and other means, assists States with maintaining nonprofit food service programs for children and elderly or impaired adults in day care facilities, and children in afterschool care programs in low-income areas and emergency shelters. | 0.54% |
| FS | 6. Harvey-CIM received emergency supplemental appropriations under the Bipartisan Budget Act of 2018, Public Law 115-123 (Feb. 9, 2018), to respond to and recover from recent hurricanes, wildfires, and other disasters. | 0.04% |
| FSA/CCC | 7. LFP provides compensation to eligible livestock producers that have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or planted specifically for grazing. | 17.87% |
| | 8. NAP provides financial assistance to producers of non-insurable crops when low yield, loss of inventory, or prevented planting occur due to natural disasters. | 23.13% |

Exhibit A: USDA’s Twelve High-Risk Programs

| USDA Agency | High-Risk Program | Fiscal Year 2019 Improper Payment Rate |
|-------------|--|--|
| FSA/CCC | 9. ARC/PLC. The ARC Program is an income support program that provides payments when actual crop revenue declines below a specified guarantee level. The PLC Program provides income support payments when the effective price for a covered commodity falls below its effective reference price. | 16.11% |
| | 10. Harvey-ECP received emergency supplemental appropriations under the Bipartisan Budget Act of 2018, Public Law 115-123 (Feb. 9, 2018), to respond to and recover from recent hurricanes, wildfires, and other disasters. ECP provides emergency funding and technical assistance to farmers and ranchers to rehabilitate farmland damaged by natural disasters and to implement emergency water conservation measures in periods of severe drought. | 15.85% |
| NRCS | 11. FSRIP provides financial assistance to help plan and implement conservation practices that address natural resource concerns or opportunities to help save energy, improve soil, water, plant, air, animal, and related resources on agricultural lands and non-industrial private forestland. | 1.34% |
| RMA | 12. The FCIC Program Fund promotes the economic stability of agriculture through a sound system of crop insurance and providing resources for research and experience helpful in devising and establishing such insurance. | 2.95% |

Exhibit B: Status of Prior Year Recommendations

Exhibit B identifies the status of all audit recommendations in the prior year report on USDA’s Fiscal Year 2018 Compliance with Improper Payment Requirements. Additionally, all recommendations from fiscal years 2011 through 2017 have achieved final action and are closed.

| Report Number | Fiscal Year | | Recommendation | Status |
|---------------|-------------|---|--|--------|
| 50024-0014-11 | 2018 | 1 | In accordance with OMB guidance, within 90 days of the determination of noncompliance, FSA should submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing the actions that the agency will take to make LFP compliant. | Open |
| | | 2 | In accordance with OMB guidance, as part of the annual development of the President’s Budget, FSA should create and submit proposals to OMB during its next budget submission for funding actions that will help bring NAP into compliance. | Open |
| | | 3 | OCFO should publish the information on the two NRCS overpayments omitted from the fiscal year 2018 first quarter report and disclose the duplication errors in relation to the five NRCS overpayments reported in the fiscal year 2018 third quarter report on OCFO’s public-facing “Quarterly High Dollar Reporting” webpage. | Open |

Exhibit C: Summary of USDA’s High-Dollar Overpayments Reported for Fiscal Years 2018 and 2019

Exhibit C lists the number and sum of high-dollar overpayments reported for fiscal years 2018 and 2019, by component agency and high-risk program.²³

| USDA Agency* | High-Risk Program | Number Reported Fiscal Year 2018 | Sum Reported Fiscal Year 2018 | Number Reported Fiscal Year 2019 | Sum Reported Fiscal Year 2019 |
|--|--|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| FSA/CCC | LFP | 0 | \$0 | 1 | \$49,057 |
| | NAP | 19 | \$1,384,163 | 17 | \$1,244,300 |
| | ARC/PLC | 0 | \$0 | 5 | \$607,891 |
| NRCS | Conservation Stewardship Program** | 14 | \$1,173,240 | 5 | \$378,920 |
| | Environmental Quality Incentives Program** | 6 | \$442,610 | 3 | \$289,544 |
| | Agricultural Conservation Easement Program** | 0 | \$0 | 1 | \$180,332 |
| RMA | FCIC Program Fund | 20 | \$3,341,706 | 32 | \$6,797,160 |
| Totals | | 59 | \$6,341,719 | 64 | \$9,547,204 |
| <p>* FNS and FS did not report any high-dollar overpayments for fiscal year 2019. For each fiscal quarter, both agencies submitted statements certifying that they did not identify any high-dollar overpayments meeting the criteria outlined in the OCFO Quarterly High-Dollar Overpayments Report Guidance and were therefore providing a negative report.</p> <p>** This program is included as part of NRCS’ high-risk FSRIP.</p> | | | | | |

²³ The high-dollar overpayments were excerpted from the reports published on OCFO’s “Quarterly High Dollar Reporting” webpage, available to the public at <https://www.ocfo.usda.gov/plans-reports/QuarterlyHighDollarReporting>, then counted and summed up by component agency and high-risk program.

Exhibit D: Sampling Methodology for USDA’s Fiscal Year 2019 Compliance with Improper Payment and High-Dollar Overpayments Reporting Requirements

Objectives

The sampling methodology for our assessment of USDA’s compliance with IPERA for fiscal year 2019 was designed to help support our audit objectives related to determining compliance with improper payment requirements and evaluating USDA’s accuracy and completeness of reporting. We used nonstatistical sampling selections to test the adequacy and completeness of USDA’s risk assessment of programs and activities subject to improper payments reporting.

The sampling methodology for our review of USDA’s fiscal year 2019 quarterly reports on high-dollar overpayments made by programs identified as susceptible to significant improper payments (high-risk) was also designed to support our audit objectives. We randomly selected reported overpayments for three agencies to verify if the information for the selected overpayments was accurately and properly reported on the quarterly reports. Our selections covered overpayments reported by FSA/CCC, NRCS, and RMA.

Audit Universe and Sample Design

Risk Assessment Selection and Sample

Of the 144 programs and activities deemed “low-risk” in USDA’s inventory, we nonstatistically, but randomly, selected 10 programs and activities risk assessed in fiscal year 2019 using computer-assisted auditing techniques. Our 10 selected programs captured various types of assessments. We reviewed these assessments to determine whether the level of risk determination was reasonable, and in accordance with IPERA, OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, and OCFO’s fiscal year 2019 USDA IPIA Risk Assessment Guidance.

High-Dollar Overpayments Selection and Sample

We obtained our sampling universe by compiling OCFO’s quarterly reports on high-dollar overpayments, which consisted of 64 overpayments totaling \$9.5 million for USDA’s 12 high-risk programs or program categories reported in the fiscal year 2019 AFR. From this universe, we selected 17 overpayments totaling \$2.3 million for our review. We grouped overpayments into sampling universes by agency. We then selected random samples of overpayments for FSA/CCC, NRCS, and RMA for our review. We did not plan to make statistical projections from our samples. Therefore, the sample sizes were based on our judgment regarding evidence to support our objective, not on statistical calculations. We randomly selected overpayments within each grouping for FSA/CCC, NRCS, and RMA to ensure our review was fair and objective.

Exhibit D: Sampling Methodology for USDA’s Fiscal Year 2019 Compliance with Improper Payment and High-Dollar Overpayments Reporting Requirements

Results

We reviewed the supporting documentation provided for the samples selected. No exceptions were noted within the 10 samples selected for USDA’s risk assessment, and none were noted in the sample of 17 high-dollar overpayments.

**AGENCY'S
RESPONSE TO AUDIT REPORT**



**United States
Department of
Agriculture**

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

TO: Steve Rickrode
Deputy Assistant Inspector General for Audit
Office of Inspector General

FROM: G. Scott Soles /s/ 05-01-2020
Principal Deputy Chief Financial Officer

Lynn Moaney /s/ 04-29-2020
Deputy Chief Financial Officer

SUBJECT: U.S. Department of Agriculture's Fiscal Year 2019 Compliance with Improper
Payment Requirements, Audit No. 50024-0015-11

Thank you for the opportunity to provide feedback on the subject audit discussion draft. We have reviewed the draft report and offer no comments. We would like to express our appreciation to your staff and team for their cooperation and professionalism displayed during the course of this audit.

If there are any questions or additional information needed, feel free to contact Lucas Castillo, Associate, CFO, Financial Policy and Planning at (202) 720-1221 or have a member of your staff contact Annie Walker, Director, Internal Control Division at (202) 720-9983.



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Mr. Steven Rickrode
Deputy Assistant Inspector General for Audit
U.S. Department of Agriculture - OIG
Jamie L. Whitten Federal Building, Room 403-E
1400 Independence Ave. S.W.
Washington, DC 20250

Dear Mr. Rickrode,

The Farm Service Agency's response to the OIG recommendations contained in the referenced audit are as follows:

Recommendation 1 to FSA

In accordance with OMB guidance, within 90 days of the determination of noncompliance, FSA should submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing the actions that FSA will take to make ARC/PLC and Harvey-ECP compliant. (See Attachment - OMB A-123 pg. 55 of 78 1(a))

FSA will submit a plan describing the actions agency will take to make ARC/PLC and Harvey-ECP compliant. The actions will be completed no later than August 13, 2020.

Recommendation 2 to FSA

In accordance with OMB guidance, as part of the annual development of the President's Budget, FSA should create and submit proposals to OMB during its next budget submission for funding actions that will help bring LFP into compliance. (See Attachment - OMB A-123 pg. 55 of 78 1(b))

FSA will submit a plan describing the actions agency will take to make LFP compliant. The actions will be completed no later than August 13, 2020.

Recommendation 3 to FSA

In accordance with OMB guidance, within 30 days of the determination of noncompliance, FSA should submit an agency statement to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing reauthorization, statutory changes, or other actions necessary or in process to bring NAP into compliance. (See Attachment - OMB A-123 pgs. 55-56 of 78 1(c))

FSA will submit a plan describing the actions agency will take to make NAP compliant. The actions will be completed no later than August 13, 2020.

Sincerely

STEVEN PETERSON

Digitally signed by STEVEN
PETERSON
Date: 2020.05.07 18:32:28 -04'00'

Steven J. Peterson

Associate Administrator, Farm Service Agency

...



Food and
Nutrition
Service

1320 Braddock Place
Alexandria, VA
22314

DATE: May 12, 2020

AUDIT
NUMBER: 50024-0015-11

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Pamilyn Miller /s/
Administrator
Food and Nutrition Service

SUBJECT: USDA's Fiscal Year 2019 Compliance with Improper Payment
Requirements

This letter responds to the discussion draft report for audit number 50024-0015-11. Specifically, the Food and Nutrition Service (FNS) is responding to recommendation 4 in the report, which is the only one specific to FNS.

OIG Recommendation 4:

In accordance with OMB guidance, within 30 days of the determination of noncompliance, FNS should submit a report to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB detailing the activities the agency has taken to complete the required actions for each consecutive year of noncompliance for SBP as well as any new corrective actions the agency plans to take.

FNS Response:

FNS concurs with the recommendation. Within 30 days, FNS will submit a letter to the necessary Congressional Committees and the Office of Management and Budget (OMB) detailing the activities the agency has taken to complete the required actions for each consecutive year of noncompliance for the School Breakfast Program (SBP) as well as any new corrective actions we plan to take to address non-compliance.

Estimated Completion Date:

May 30, 2020

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