



United States Department of Agriculture



OFFICE OF INSPECTOR GENERAL

Environmental Quality Incentives Program Payment Schedules

Audit Report 10601-0005-31

OIG reviewed whether EQIP payment schedules were cost-effective and represented producers' costs to implement the conservation practices.

OBJECTIVE

We determined if EQIP payment schedules represented producers' costs to implement conservation practices and if the payments were in accordance with the statutory limit. Additionally, we determined if the use of regional payment schedules was a cost-effective method to provide adequate coverage for all natural resource concerns.

REVIEWED

We interviewed relevant NRCS staff and reviewed NRCS' process for establishing EQIP payment schedules; payment and obligation data from FYs 2016 and 2017; 45 producer files in three States to identify payment schedule deficiencies; and applicable laws, regulations, and agency policies.

RECOMMENDS

NRCS should assess the EQIP payment schedule process to identify opportunities to make it more effective. Component prices should also be validated using receipts and actual costs. NRCS should also train employees on EQIP payment schedules and certification practices and include an internal review of EQIP payment schedules and receipts.

WHAT OIG FOUND

The Department of Agriculture's (USDA) Natural Resources Conservation Service (NRCS) administers the Environmental Quality Incentives Program (EQIP), which provides producers with financial and technical assistance to implement conservation projects. To administer the program, NRCS developed a payment schedule method to compensate producers based on nationwide estimates.

We found that NRCS appears to be meeting the payment statutory limits. Additionally, while the Office of Inspector General (OIG) did not question the quality of the conservation practices implemented, we found that NRCS' use of EQIP regional payment schedules did not consistently represent the producer's cost to implement conservation practices. Furthermore, OIG found that component cost estimates used in regional payment schedules were not always current and cost-effective. NRCS has not always prioritized controls for updating component prices at both the national and State levels; because NRCS relied on outdated and inaccurate component prices to calculate payment schedules, we question over \$2.16 billion obligated for fiscal years (FY) 2016–2017.

Additionally, NRCS improperly overpaid EQIP producers \$30,416 by certifying ineligible practices and paying for services not received, and underpaid EQIP producers \$1,176 by using a component that did not meet technical specifications to calculate producer compensation. This occurred because NRCS field and State personnel lacked appropriate training, as well as complete and accurate EQIP payment schedules. Moreover, NRCS did not provide sufficient oversight at the State and national levels to detect and correct EQIP payment issues.

NRCS generally agreed with our recommendations, and we accepted management decision for all six recommendations.



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



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AUDIT
NUMBER: 10601-0005-31

TO: Matthew Lohr
Chief
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ATTN: Robert Bradley
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FROM: Gil H. Harden
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SUBJECT: Environmental Quality Incentives Program Payment Schedules

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. Your response and the Office of Inspector General's (OIG) position are incorporated into the relevant sections of the report. Based on your written response, we are accepting management decision for all six audit recommendations in the report, and no further response to this office is necessary.

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. 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 Department of Agriculture’s (USDA) Natural Resources Conservation Service (NRCS) works with farmers, ranchers, and forest landowners (producers) nationwide to help them boost agricultural productivity and conserve natural resources. NRCS administers the Environmental Quality Incentives Program (EQIP), a voluntary conservation program that provides agricultural producers with financial and technical assistance to plan and implement improvements, called conservation practices. Using these practices can lead to cleaner water and air, healthier soil, and better wildlife habitats—all while improving agricultural operations. NRCS offers about 200 different types of practices. The 2014 Farm Bill provided EQIP with \$1.65 billion annually for fiscal years (FY) 2016 and 2017, which included funding for producer projects and technical assistance costs—the costs for NRCS to administer the program.¹ For FYs 2016 and 2017 combined, NRCS obligated over \$2.16 billion to fund EQIP projects.²

EQIP is available in all 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Northern Mariana Islands. There are 15 NRCS EQIP regions, each covering between 1 and 6 States. While NRCS’ national office is responsible for establishing policies, guidelines, and priorities for EQIP, State offices ensure that EQIP is implemented in compliance with program requirements.

Payment Schedule Models

When the 2008 Farm Bill removed language referring to “cost-share payments and incentive,” the NRCS Chief decided to shift from an actual cost model in FY 2009 to a payment schedule model.³ The *Payment Schedule Handbook* states:

Although cost data was previously based upon receipts, invoices, and local evidence of actual cost of practice implementation, the current authority for developing cost data supports a methodology that estimates costs. The new methodology substantially reduces the workload associated with collecting specific actual cost data and substitutes a methodology that allows the use of consolidated data sources, nationally-accepted database sources, and other resources that can be readily accessed.⁴

¹ The 2014 Farm Bill reauthorized EQIP and provided at least \$1.35 billion in annual EQIP funding for FYs 2014 through 2018. Agricultural Act of 2014, Pub. L. No. 113-79, § 2601, 128 Stat. 649, 757 (2014 Farm Bill).

² GAO defines an obligation as a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States (*A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP (Sept. 2005)).

³ USDA NRCS, Title 440, *Conservation Programs Manual*, Part 502, “Terms and Abbreviations Common to All Programs,” (Feb. 2015). A “payment schedule” is a listing of all eligible practice and/or activity payment rates for a defined geographical area.

⁴ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart C, “Developing Cost Data,” § 600.20 (C), (Oct. 2016).

According to NRCS officials, the new payment schedule method was intended to:

1. reduce the burden of collecting actual cost receipts,
2. document the costs of implementing practices,
3. allow NRCS to use readily available data sources to determine component costs, and
4. determine payment rates transparently.

Producers participating in EQIP implement projects with conservation objectives, such as preventing erosion or increasing lighting energy efficiency in agricultural settings. Conservation practices are made up of “scenarios,” or sub-projects.⁵ These scenarios, in turn, are made up of individual elements necessary to complete these projects, which are called “components.”

To illustrate the differences between a practice, scenario, and component, consider a producer who plans to carry out lighting system improvements—a practice—to increase energy efficiency in a poultry house. NRCS would then work with the producer to establish which scenarios—such as LED lighting—need to be completed to carry out the practice. The LED lighting scenario would then consist of individual established components to accomplish this improvement, such as lightbulbs. (See Figure 1 for an example of a practice, scenario, and component.) NRCS established approximately 1,600 possible components, which can be utilized in approximately 200 EQIP practices.⁶



Figure 1. The elements of EQIP conservation practices.

Establishing the Regional Payment Schedule

The payment schedule is established the year before it takes effect. For example, a payment schedule for FY 2016 would be established in FY 2015. The schedule generally follows the process shown in Figure 2.

⁵ USDA NRCS, Title 440, *Conservation Programs Manual*, Part 502, “Terms and Abbreviations Common to All Programs,” (Feb. 2015). Scenarios are defined as “the most commonly used components (materials and quantities) to implement a practice or activity in the most typical setting for a geographic area.”

⁶ NRCS, *Environmental Quality Incentives Program*, <https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/eqip/> (last accessed April 26, 2018).



Figure 2. NRCS’ process for establishing the regional payment schedule.

First, the national cost team is responsible for establishing accurate costs for the approximately 1,600 components in the payment schedule system. Next, national technical leads establish a list of scenarios for each practice, utilizing the list of established components. A practice may have more than one scenario to reflect specific cost variables such as size, alternative materials, and significant equipment or labor costs.

Once the national technical lead establishes the list of scenarios, regional scenario teams can either adopt the generic national scenario or build their own, based on regional needs.⁷ States then adopt the scenarios developed or selected by their region. NRCS recommends that States limit the number of scenarios for a particular practice to reduce workload and increase program efficiency. At a minimum, payment schedule scenarios must include:

- a brief description of the location and site setting,
- the typical extent of installation (acres, square feet, etc.), and
- at least one natural resource concern to be addressed.⁸

Once the component, scenario, and practice lists are established, State conservationists set the payment rate percentage.⁹ Each State’s payment rate percentage determines how much producers in the State should be compensated for implementing their practices.¹⁰ This percentage is then applied to the estimated total scenario cost.

According to the 2014 Farm Bill, the payment rate percentage cannot exceed 75 percent—or 90 percent for historically-underserved producers.¹¹ For example, if a historically-underserved producer implemented a lighting system improvement practice at a cost of \$24.11 with a payment percentage rate of 90 percent, the EQIP incentive payment would be:

$$\$24.11 \times 90 \text{ percent} = \$21.70$$

⁷ State personnel comprise the regional scenario team and determine which scenarios are needed for their selected State and region. They are also responsible for notifying the national cost team of needed price reconsiderations.

⁸ USDA NRCS, Title 440, *Conservation Programs Manual*, Part 502, “Terms and Abbreviations Common to All Programs” (Feb. 2015) and Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules” (Oct. 2016).

⁹ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart E, “Payment Schedule Application,” § 600.40 (A)(4) (Oct. 2016). According to the handbook, this payment rate is based on a percent of the total scenario cost.

¹⁰ The *Payment Schedule Handbook* allows State Conservationists to set the payment rate percentage to meet the least-cost principle and to encourage program participation. NRCS defines the least-cost principle as the least costly option for achieving a given set of conservation objectives to address an identified natural resource concern.

¹¹ 7 C.F.R. § 1466.23 (Oct. 16, 2017).

Application, Implementation, and Certification

Once the payment schedule has been established, NRCS and producers follow a process to apply for, implement, and certify conservation practices. (See Figure 3.)



Figure 3. EQIP practice implementation and certification process.

First, producers work with NRCS field officials to address a resource concern through an EQIP practice. Together, the producers and NRCS field officials develop an EQIP conservation plan establishing how to execute the practice. Field officials then rank producers' applications. If funded, NRCS offers the producer an EQIP contract to provide financial assistance for implementing practices. The producer is then responsible for implementing the conservation practice.

Finally, field offices certify that practices are carried out in accordance with EQIP requirements and ensure producers are accurately compensated.¹² These certifications include selecting a payment scenario when developing NRCS EQIP contracts and certifying that the work was completed through controls such as site visits, local documentation reviews (such as producers' receipts, invoices, or proof of supply purchase), or engineering evaluations.¹³

Objectives

Our objectives were to determine if NRCS' EQIP payment schedules represented producers' costs to implement the conservation practices and if the payments were in accordance with the statutory limit. In addition, we were to determine if the use of regional payment schedules was a cost-effective method to provide adequate coverage for all natural resource concerns.

We did not identify any issues with NRCS meeting the payment statutory limits.

¹² Two checklists, *ProTracts Financial Management Modernization Initiative Payment Review Checklist* and *TX-ENG-670A*, contain several core EQIP requirements. EQIP field office personnel are responsible for performing these checks.

¹³ Payment scenarios are selected from the available regional payment schedule.

Finding 1: NRCS Needs to Ensure Component Prices are Current and Accurate

Although we do not question the quality of the conservation practices implemented, we found that component costs used to calculate financial assistance to EQIP producers are outdated and may not consistently represent the producer’s cost to implement conservation practices. This occurred because NRCS has not prioritized controls for updating component prices at both the national and State levels. First, the national cost team did not annually review the prices as required. Second, NRCS has not been consistently utilizing component price reconsiderations, which serve as a useful tool in ensuring component prices more accurately reflect producer costs. Because NRCS relied on outdated and inaccurate component prices to calculate payment schedules, we question over \$2.16 billion obligated for FYs 2016–2017.

Methodology and Controls

NRCS’ *Payment Schedule Handbook* states: “The methods for development of payment schedules must include assurances that payments meet program authority, reduce potential for improper payments, provide adequate financial assistance to encourage adoption of practices, and other positive benefits.”¹⁴ NRCS guidance also states that this methodology should provide a “consistent, reliable, and defensible” method for documenting eligible costs.¹⁵ According to regulation, the process and methodology for developing, reviewing, and approving payment schedules should support that program benefits are delivered accurately and cost-effectively.¹⁶

NRCS’ methodology of establishing its payment schedule has controls at both the national and State levels. First, the national cost team will annually review schedule components and update them “if there is a significant increase or decrease in estimated costs.”¹⁷ To accomplish this, the national cost team “prefers the use of national data sources [...] over the State and local data” for better consistency, efficiency, reliability, and credibility.¹⁸ NRCS’ guidance states that “The data needs to be recent enough; within 1 year is the typical goal.”¹⁹

In addition to updating component costs, State/regional personnel serve as an important second level of control. “Regional teams have been established to adjust the nationally developed payment schedules based on local conditions.”²⁰ If State personnel notice that the national cost

¹⁴ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart A, “General Information,” § 600.00 (A)(2) (Oct. 2016).

¹⁵ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart A, “General Information,” § 600.00 (A)(3)(iii) (Oct. 2016).

¹⁶ 7 C.F.R. § 1466.23(b) (October 16, 2017).

¹⁷ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart C, “Developing Cost Data,” § 600.20 (B) (Oct. 2016).

¹⁸ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart C, “Developing Cost Data,” § 600.22 (D)(6) (Oct. 2016).

¹⁹ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart C, “Developing Cost Data,” § 600.22 (B)(2)(iv) (Oct. 2016).

²⁰ USDA NRCS, Title 300, *Payment Schedule Handbook*, Part 600, “Payment Schedules,” Subpart A, “General Information,” § 600.00 (B)(1)(ii) (Oct. 2016).

team’s estimate differs from actual producer expenditures, they may alert regional personnel of the price differences, who can then submit a component price reconsideration on any component.

We found that NRCS’ component cost list was significantly outdated because NRCS was not following controls over its component payment schedule at both the national and State/regional levels. As a result, outdated component prices were inaccurate due to circumstances such as fluctuating prices or developing technologies. Since prices can fluctuate, accurate and current component prices are crucial to avoid inaccurate compensation and to maximize environmental benefits.

Outdated Prices

We found that NRCS component prices are outdated and inaccurate, and therefore they are not reliable, credible, or cost-effective. As NRCS states, in order to be credible and reliable, cost information must be recent because component prices can change from year to year, sometimes dramatically. However, we found that component prices have become increasingly outdated because NRCS has been unable to maintain the required annual review schedule. For example, only 188 out of 1,596 components were current for FY 2017. Additionally, over 900 of FY 2017 component prices were over 3 years old (see Table 1). Further, of the prices for FY 2018, only eight component prices were current.

Table 1. Summary statistics of component price updating for payment schedules, based off a table provided by NRCS.

Fiscal Year	Closed Date	Current	1–2 Years Old	2–3 Years Old	3–4 Years Old	4–5 Years Old	Total
2015	03/24/15	37	991	161	400	0	1589
2016	02/25/16	56	405	984	147	0	1592
2017	12/26/16	188	416	74	918	0	1596
2018	12/19/17	8	189	412	74	913	1596
2019	08/26/18	906	46	199	398	0	1549

When component prices are not updated, there is a greater risk that they will be inaccurate due to price fluctuations. For example, we found that a component—a type of equipment (a grass drill)—was listed as \$20.08 per acre used and was not updated for 4 years: from calendar year 2013 through 2017. When updated in 2017, the price went up to \$26.20 per acre used—a 30.5 percent increase. This component was used 65,629 times in FYs 2016 and 2017. Additionally, other factors, such as developing technology, can drive down prices. Drought and natural disasters can also affect the price of components such as seed and lumber.

We found that prices were untimely updated and inaccurate because NRCS has not prioritized or followed internal controls at both the national and State levels. First, the national cost team did not annually review and update all component prices, as NRCS guidance requires. This, in turn, occurred because NRCS national officials did not ensure that the appropriate resources were used to effectively maintain payment schedules based on accurate component prices. Second, we found that NRCS has not been fully utilizing internal controls that would allow State and

regional personnel to request price modifications when component prices significantly differ from actual costs.

National Cost Team Reviews

The national cost team did not consistently review and update component prices annually, as required in the *Payment Schedule Handbook*. NRCS national officials stated that, although NRCS requires the national cost team to annually review and update components if there is a “significant increase or decrease in estimated costs,” the policy did not define what change in price was considered “significant.” An NRCS national official also stated that NRCS guidance only requires components to be updated every 3 years, with a third of the components being updated each year. This was proposed guidance, as evidence provided shows that NRCS did not officially implement the 3-year requirement (see Table 1).

To address the rising number of outdated component costs, in 2018, NRCS put together a team of 12 employees, including members of the national cost team, to update the prices for 995 components that were over 3 years old. According to NRCS, the team attempted to update the prices over a 2-week period in March 2018. However, when we reviewed the source documentation supporting the 995 components that were purportedly updated, we found that 495 of the 995 components were not updated to reflect new prices from 2018 source documentation. Instead, the team increased the baseline price of components according to an inflationary index.²¹ For example, NRCS last updated an irrigation system component price to source documentation in 2013. When NRCS updated that component price in 2018, NRCS indexed the 2013 price up for inflation instead of using 2018 sources to determine the updated price. Indexing cannot serve as a replacement for verifying actual component price sources and can compound the problem by increasing costs, despite sometimes decreasing prices. After we brought this finding to the attention of NRCS national officials, a national official stated that NRCS currently plans to update the indexed components for FY 2020.

Due to the high number of NRCS’ outdated component prices, NRCS needs to address factors that limit the national cost team from meeting the annual review requirements. First, even though the nationwide component cost schedule was created to reduce administrative burdens and be carried out annually, an NRCS national official stated that the updating process was burdensome and required extensive work and expertise to confirm component prices.²² Second, the national cost team is comprised of individuals with competing full-time obligations. NRCS management needs to assign sufficient resources and time to update the national cost schedule annually, as required. In response to our audit, NRCS officials informed us in May 2019 that they reorganized the national cost team to better address payment schedule deficiencies and streamlined the number of schedule scenarios and components that are required to be updated by the national cost team. While we have not reviewed the recent streamlined payment schedules or

²¹ NRCS national officials defined indexing as an adjustment to a vendor price to account for inflationary or deflationary impacts occurring over time. Indexing is based on the National Agricultural Statistics Service producer prices paid index, and does not change the baseline documented price.

²² It is our understanding that one step in the process is to identify different source vendors for obtaining component pricing information.

NRCS' reorganization, we encourage NRCS to continue to look for efficient solutions to adequately address this issue.

Additionally, one way NRCS can reduce administrative burden is to utilize automated resources it already has available. NRCS is currently paying for a subscription to an online cost database, which generates up-to-date cost data on about 400 of the approximately 1,600 components (25 percent). By regularly consulting this source, NRCS could reduce the administrative burden of manually consulting external sources to keep these components updated.²³

Price Reconsiderations

We also found that NRCS has not been consistently utilizing a process for States to submit component price reconsiderations, which serve as a useful tool in ensuring component prices more accurately reflect producer costs. NRCS currently has conflicting guidance regarding this internal control. According to the *Payment Schedule Handbook*, States may submit component price reconsiderations when actual costs differ from component costs. However, this guidance also states that payments for certified practices should be based upon NRCS cost estimates, without the need to collect receipts or verify actual costs. The guidance to not collect receipts or consider actual prices impedes States' ability to recognize when component prices need reconsideration.

Due to the guidance's emphasis on payment schedules, not actual costs, one State official verbally instructed field personnel in 2011 to obscure and disregard the prices on receipts in that State.²⁴ Consequently, this State did not submit any component price reconsiderations during our audit scope, even though producers' actual costs in this State differed significantly from the price schedule's estimated costs. NRCS acknowledged that obscuring prices on receipts is an improper practice and has resolved to remedy the issue.

NRCS needs to utilize price reconsiderations as a vital and necessary step to ensuring the EQIP payment schedule is accurate. Currently, NRCS does not require receipts to support payment or producer costs. However, NRCS could request receipts to assess the need for adjustments to the current cost data. Had NRCS noted and acted on significant disparities, significant inaccurate payments could have been avoided (see below).

Example of Outdated Component Prices

Even a small change in a price can have significant impact, as EQIP components can be contracted thousands of times a year. During the course of our EQIP file reviews to identify payment schedule deficiencies, we were able to verify that producers were unreasonably compensated when component prices were outdated and greatly differed from actual prices. For example, because the national cost team did not timely update a seed price and the State office did not submit a price reconsideration for FYs 2016–2017, NRCS paid producers in our sample based on a component price that was significantly more than the producer actually paid for this

²³ Based on Table 1, NRCS did not use the online cost database to its fullest extent.

²⁴ Field offices we visited in one State redacted price information on invoices submitted by producers as instructed by one State official.

type of seed. Two producers in our sample paid \$26.79 and \$28.46/acre in 2017 for that seed, but they were compensated based on a \$220.98/acre component cost established in 2013. For the scope of our audit, NRCS contracted this seed type 2,059 times.

Because the component prices were outdated and inaccurate, producers' EQIP payments did not reasonably reflect producers' costs to implement conservation practices. Component prices drive EQIP and other program obligations; it is therefore critical that these prices be accurate. NRCS' *Payment Schedule Handbook* states that component prices must be reliable, credible, and defensible. To meet this criteria, NRCS emphasizes the need to annually source cost data. We note that NRCS' component prices are also used for other programs, such as the Agricultural Management Assistance Program, the Conservation Stewardship Program, and the Regional Conservation Partnership Program. According to NRCS data from FYs 2016 and 2017, these programs obligated over \$500 million. Therefore, it is even more critical that NRCS establish a reliable methodology with strong internal controls to establish accurate and supportable component prices.

The 2014 and 2018, Farm Bills, as amended, specify that one of EQIP's purposes is "assisting producers to make beneficial, cost-effective changes to production systems."²⁵ Because NRCS compensated producers based on outdated component prices that significantly differed from more current or actual costs, we concluded that NRCS' regional payment schedules were not being used in a cost-effective manner. Until NRCS prioritizes the internal controls at both the national and State levels for updating component prices, it will continue to compensate producers at prices that are not accurate.

Recommendation 1

Assess the current EQIP payment schedule process, identify opportunities to make it more manageable and effective, and then make changes to the process as appropriate.

Agency Response

NRCS takes significant exception to OIG's qualification related to this finding. During the period of review covered by this audit, NRCS had over 69,000 EQIP contracts. OIG's review of 45 contracts represented 0.06 percent of all existing contracts during this period. Further, OIG acknowledges an inability to ascertain the fractional impact of EQIP investments in relation to this finding. The agency disagrees with extrapolating findings associated with such a small sample of contracts, and an admitted inability to define impacts related to these findings, to implicate the entirety of all conservation payments during this period. In 2018, through the agency's reorganization, the National Core and Cost Teams (NCT) were realigned to address deficiencies and improve the payment schedule process. NRCS will continue to assess its current methodology to ensure a robust system of internal controls are in place to solidify payment schedule consistency with program authority and provide a consistent, reliable, and defensible method for documenting eligible costs.

²⁵ 16 U.S.C. §3839aa(4).

NRCS has completed the following changes to improve the payment schedule process:

1. The administration of payment schedules was transferred from the Office of the Regional Conservationists to the Policy and Program Analysis Division housed under the Management and Strategy Deputy Area.
2. To mitigate the risk of improper payments, errors, and invalid scenarios, a direct data feed from the Payment Schedule Application (PSA) tool was integrated with the Program Contracts System (ProTracts).
3. All component statuses in the PSA were changed from “Released” to “Auto Price Review” to ensure accuracy.
4. Streamlined the number of scenarios, components, and payment schedules that are required to be updated annually resulting in less maintenance and oversight.
5. A data dump of all vendor information and component prices data was provided by the Client Experience Center (CEC), formerly Client Technology Services. Once all component prices are completed and reviewed in the external format, data will be transferred into the PSA.
6. Streamlined the number of payment schedule scenarios and components requiring price updates by the NCT.
7. Annual technical review of all components and scenarios were, and will continue to be, performed by subject matter experts to ensure compliance with policy, conservation practice standards, and agency statutory and regulatory authorities. Performed internal audits on financial data and documentation developed by the NCT.

NRCS stated that the agency completed these actions as of September 6, 2019.

OIG Position

We accept NRCS’ management decision for this recommendation. As discussed multiple times with NRCS leadership, the results of this finding are based on our review of the entire payment schedule process and are not based on an extrapolation from a review of 45 producer files. Since NRCS’ controls for timely and accurately updating component prices were wholly ineffective, we are questioning the obligations made during our scope of FYs 2016 and 2017. As described in the finding, NRCS’ payment schedule controls were also ineffective in FYs 2018 and 2019, and those deficiencies impact other programs besides EQIP. NRCS leadership has acknowledged those deficiencies and has committed to improving the payment schedule process.

Recommendation 2

Develop and implement a process to validate component prices by collecting and reviewing a sufficient number of receipts from EQIP producers, or by comparing actual costs on receipts to the estimated costs from the payment schedule, and take action when actual costs on the receipts do not validate the estimated costs from the payment schedule.

Agency Response

NRCS agrees with the recommendation. Program legislation requires that program payments be based on the estimated incurred costs and income foregone associated with practice implementation to address a natural resource concern. The PSA is currently designed to facilitate component and practice scenario management, component pricing, State payment rate development, and administration and report management. Within the component management feature, employees can request a price reconsideration of an existing component to adjust the current cost data.

The following action has been taken to improve the payment schedule process:

- 1) The NCT notified regional scenario managers (RSM) on June 6, 2019, to assist with providing current vendor quotes and estimates for complex components. Direct input from the regions assisted the NCT with assigning component prices.

NRCS stated that it completed this action as of September 6, 2019.

OIG Position

We accept NRCS' management decision for this recommendation.

Recommendation 3

Ensure the national cost team has followed the process established in Recommendation 1. Also, ensure the national cost team has sufficient resources to complete these tasks.

Agency Response

NRCS agrees with the recommendation. The National Payment Schedule Core and Cost Team was established to provide oversight for the development of payment schedules, training, and chair technical support teams.

NRCS has completed the following actions to improve the payment schedule process:

- 1) Procured funding on August 15, 2019, to build new internal controls within PSA that will automatically change component statuses from “Released” to “Auto Price Review” on demand. Functionality will ensure all components are reviewed and updated annually.
- 2) The National Payment Schedule Core Team established a multidiscipline team of State, national technology support centers, and other employee resources needed to streamline and update components.
- 3) NRCS held an operational meeting during the week of March 12, 2019, with the NCT. New members received training on roles and responsibilities, component pricing methods, data evaluations, protection of proprietary data, streamlining, and quality control.

The following action will be taken to improve the payment schedule process:

- 1) NCT will be trained in Conservation Desktop to ensure new payment schedule functionality will ensure seamless data integration, and enhance internal controls are in place to affirm integrity of payment schedule data with planned conservation practice installation.

NRCS estimated that it will complete this action by December 31, 2019.

OIG Position

We accept NRCS’ management decision for this recommendation.

Finding 2: NRCS Needs to Improve EQIP Payment Administration

NRCS did not properly administer EQIP when disbursing 8 payments identified from 45 sampled files. We found that NRCS certified ineligible practices, paid for services not received, and used a technically insufficient component to calculate producer compensation. This occurred because NRCS field and State personnel certifying EQIP practices (1) were not appropriately trained in EQIP requirements and the use of payment schedules, (2) did not have access to an EQIP payment schedule that specified and included all necessary practice components and scenarios, and (3) did not have a sufficient review process in place to identify EQIP payment issues. As a result, NRCS improperly overpaid six EQIP producers \$30,416 and underpaid two producers \$1,176.^{26, 27}

According to the Improper Payments Elimination and Recovery Act of 2010, an improper payment is any payment that should not have been made or that was made in an incorrect amount, which includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, and any payment for a good or service not received.²⁸

We reviewed EQIP files²⁹ in the three States we visited and found that NRCS: (1) improperly certified five ineligible practices, (2) paid one producer for services not received, and (3) used a technically insufficient component to calculate two producers' payments. Specifically, we found the following in the 45 producer files we reviewed from three States:

- NRCS overpaid two producers \$9,928 to install lightbulbs that did not meet NRCS standards;
- NRCS overpaid three producers \$17,467 for planting grass seed, even though the producers used a different seed type than the one eligible for their selected practice;
- NRCS overpaid one producer by \$3,021 for a service that was not received because it was not required in that State; and
- NRCS underpaid two producers \$1,176 because NRCS used a technically insufficient component when calculating compensation for the producers' poultry lighting systems.

These eight instances total approximately \$30,416 in overpayments and \$1,176 in underpayments. While these instances may not serve as materially significant improper payments individually, they illustrate key vulnerabilities, which NRCS should address to improve its payment system in the future.

First, this occurred because personnel were not sufficiently trained on their responsibilities and program requirements, such as certification requirements. An NRCS national official stated that the agency has experienced high employee turnover. Additionally, the national official explained that many NRCS officials are currently acting in positions outside of their usual positions and therefore are not as familiar with the areas they are temporarily overseeing. NRCS

²⁶ For reporting purposes, these dollar amounts were rounded to the nearest whole dollar.

²⁷ We are not recommending recovery because NRCS certified the practices met NRCS standards and specifications.

²⁸ Improper Payments Elimination and Recovery Act of 2010, Pub L. No. 111-204, Section 2 (f)(2)(A) and (f)(2)(B), 124 STAT. 2227.

²⁹ The purpose of our file reviews was to identify payment schedule deficiencies.

needs to proactively train staff to fulfill new and changing responsibilities—particularly as NRCS improves, modifies, and updates its payment schedule (see Finding 1). In response to our audit, NRCS officials stated that they would provide annual training to the national cost team on component price development and data documentation. NRCS officials also stated that they intend to provide annual training to national and regional scenario managers in payment schedule development and provide employees with comprehensive nationwide training in administering program payment schedules and the certification of practices.

Second, personnel did not have access to complete component lists for each scenario. NRCS regional teams are responsible for adapting the national scenario list for their regional needs. However, field offices in one State were not provided with a comprehensive list of scenarios and each of their components. Consequently, field personnel sometimes selected incorrect scenarios. NRCS has made efforts since 2016 to ensure field offices have access to EQIP scenario lists. For example, in 2016, after realizing that State offices did not always provide field offices with a full list of required EQIP service components, the NRCS national office posted this updated scenario list in a centrally-accessible website for all NRCS personnel to access. Because the national office made the complete scenario list available to State and field offices in 2016 and updated the list in 2017, we are not making a recommendation.

Additionally, even though NRCS has some internal reviews and controls in place, it still needs to improve controls over the EQIP payment process. According to the Green Book, agencies are responsible for establishing internal controls that will serve as the first line of defense in safeguarding assets and help managers achieve program objectives.³⁰ NRCS officials stated that, prior to our audit, they were unaware of some of the payment issues we identified. NRCS compliance officials conduct quality assurance compliance reviews (QACR) of NRCS programs and operations to ensure that internal controls are in place to identify, manage, and reduce risk to NRCS. These reviews are also designed to assess and improve internal control functionality.³¹ However, an NRCS national official said that these compliance reviews do not cover payment schedules or look at receipts. Had NRCS officials reviewed such documents, they could have identified discrepancies in what producers paid for and how they were compensated. In response to our audit, NRCS stated that QACR checklists for FY 2019 will include test questions directly related to the use of payment scenarios that were tested by the Office of Inspector General (OIG), as well as any additional concerns.

We believe that NRCS is taking steps in the right direction to prevent, identify, and correct EQIP improper payment issues. With comprehensive training, improved communication between State and field offices, and stronger internal reviews, NRCS can better prevent improper payments from occurring in the future.

Recommendation 4

Ensure that the EQIP payment schedule includes necessary components and scenarios to address State and regional needs and exceptions.

³⁰ *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014). These Standards are also referred to as the “Green Book.”

³¹ NRCS conducts at least 10 QACR reviews annually, with all States reviewed on a 5-year rotation.

Agency Response

NRCS agrees with the recommendation. Currently, State Technical Committees and local work groups serve in advisory roles to State Conservationists regarding the identification of local natural resource concerns and priorities, practices, and program payment percentages.

NRCS has completed the following actions to improve the payment schedule process:

- 1) A centralized national payment schedule website was established to ensure employees and the public are aware of cost data, practice scenarios, and financial assistance offered by NRCS.

The following actions will be taken to improve the payment schedule process:

- 1) A review of the payment schedule development process will be conducted by members of the NCT and RSM. Recommendations for streamlining payment schedule development, improving transparency in decision-making, and the introduction of additional internal controls will be submitted to the Deputy Chief for Management and Strategy, Deputy Chief for Science and Technology by July 1, 2020. The Deputy Chiefs will ensure policy development and updates are prepared for implementation in fiscal year 2021.

NRCS estimated that it will complete these actions by September 30, 2020.

OIG Position

We accept NRCS' management decision for this recommendation.

Recommendation 5

Provide employees with comprehensive, nationwide training in administering EQIP, including EQIP payment schedules, allowable costs and services, and certification of practices.

Agency Response

NRCS agrees with the recommendation. Our vision is a highly skilled NRCS workforce providing customers across the Nation with quality service. Spot checks are performed annually to ensure conservation practices planned or installed with NRCS technical and financial assistance is following policy, standards and specifications, program requirements, and meet client objectives. In addition, our job approval authority process ensures the competency of employees and partners to plan, design, and install conservation practices that with proper operation and maintenance will perform the intended functions for the projected service life.

NRCS has completed the following actions to improve the payment schedule process:

- 1) Self-pace training material is posted to NRCS SharePoint sites for RSMs, State Payment Schedule (SPS) managers, and other employees to review.

- 2) Formal training was provided to SPS managers on June 2018.

The following actions will be taken to improve the payment schedule process:

- 1) The Policy and Program Analysis Division is hosting the Programmatic Policy and PSA Workshop for SPS managers during the week of September 9–13, 2019.

NRCS estimated that it will complete these actions by October 1, 2019.

OIG Position

We accept NRCS' management decision for this recommendation.

Recommendation 6

Expand current internal reviews to address control weaknesses identified in this report.

Agency Response

NRCS agrees with the recommendation. NRCS believes that quality assurance reviews and proper training will address the control weakness identified in OIG's report.

The following action will be taken to improve the payment schedule process:

- 1) The agency will develop policy and initiate an internal control process to ensure proper payment schedule development and utilization. The internal control process will incorporate reviews of compensation rates and producer payments with the goal of reducing the identified discrepancies within this report. The internal control developed and implemented by NRCS will be tested for effectiveness using Performance and Compliance Reviews performed by the Internal Audit Branch of the Performance, Accountability, and Risk Division of Farm Production and Conservation (FPAC).

NRCS estimated that it will complete this action by September 30, 2020.

OIG Position

We accept NRCS' management decision for this recommendation.

Scope and Methodology

Our audit of NRCS' EQIP payment schedules covered FYs 2016 and 2017. The 2014 Farm Bill provided \$1.65 billion in EQIP funding for FYs 2016 and 2017 each, which included funding for producer practices and technical assistance costs.³² For FYs 2016 and 2017, NRCS obligated over \$2.16 billion in total to fund producer practices.

We performed our fieldwork from August 2017 to April 2019 and visited:

- the NRCS national office in Washington, D.C.;
- the National Information Technology Center in Fort Collins, Colorado;
- three NRCS State offices (Kansas, Missouri, and Texas);
- eight NRCS field offices (see Exhibit B); and
- the Fort Worth Federal Center in Fort Worth, Texas.

NRCS has 51 State offices and 2,651 field offices in 15 EQIP regions. We non-statistically selected for review NRCS State and field offices in Kansas, Missouri, and Texas. We selected these States as they represented three different EQIP regions. Based on our analysis, all 3 States were in the top 10 States nationwide for obligations in FYs 2016 and 2017. We selected the eight field offices within the three States based on high levels of obligations in FYs 2016 and 2017, and whether EQIP contracts had been completed and paid. To facilitate the comparison of actual costs to NRCS payment schedules, NRCS field office staff assisted us in identifying at least five EQIP contracts per county that likely contained producer receipts. From these, we non-statistically selected 45 EQIP contracts for review across the eight field offices.

Table 1. This table shows the number of contracts and total obligations for our three sampled States and nationwide for FYs 2016–2017.

FYs 2016 and 2017 Combined		
STATE	CONTRACTS	OBLIGATIONS
KANSAS	2,124	\$58,424,406
MISSOURI	2,248	\$55,178,592
TEXAS	7,538	\$209,012,791
ALL STATES	75,121	\$2,161,137,783

To accomplish our audit objectives, we:

- reviewed applicable laws, regulations, written policies, procedures, handbooks, and other published guidance to gain sufficient knowledge for completing the audit;
- reviewed NRCS data that showed the obligated funds for FYs 2016 and 2017;
- reviewed NRCS data that showed payments made for FYs 2016 and 2017;
- reviewed NRCS data that showed cost estimates for components used to build scenarios to address resource concerns;

³² Agricultural Act of 2014, Pub. L. No. 113-79, § 2601, 128 Stat. 649, 757 (2014 Farm Bill).

- reviewed sample files to identify whether they were accurate, complete, and consistent or had payment schedule deficiencies;
- interviewed NRCS officials to gain an understanding of EQIP roles and responsibilities;
- interviewed NRCS officials to gain an understanding of the implementation of EQIP; and
- discussed results of sample file reviews, findings, and potential recommendations with NRCS officials.

During the course of our audit, we obtained data from the agency information system for selecting our non-statistical sample to review.³³ We assessed the reliability of data by: (1) reviewing existing information about the data and the system that produced them, (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.

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

³³ Program Contracts System.

Abbreviations

CEC.....	Client Experience Center
EQIP.....	Environmental Quality Incentives Program
FPAC.....	Farm Production and Conservation
FY	fiscal year
NCT.....	National Core and Cost Teams
NRCS	Natural Resources Conservation Service
OIG	Office of Inspector General
ProTracts.....	Program Contracts System
PSA	Payment Schedule Application
QACR	Quality Assurance Compliance Reviews
RSM.....	Regional Scenario Managers
SPS.....	State Payment Schedule
USDA.....	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	NRCS used outdated and inaccurate cost data to establish payment schedules.	\$2,161,137,783	Questioned Costs, No Recovery
2	4	NRCS made payments for services not received and for practices that did not meet standards.	\$31,592	Questioned Costs, No Recovery
Total			\$2,161,169,375	

Exhibit B: Sites Visited

This exhibit shows the names and locations of NRCS sites OIG visited.

Name	Location
National Office	Washington, D.C.
National Information Technology Center	Fort Collins, Colorado
Kansas State Office	Salina, Kansas
Missouri State Office	Columbia, Missouri
Texas State Office	Temple, Texas
Jackson Field Office	Holton, Kansas
Nemaha Field Office	Seneca, Kansas
Lawrence Field Office	Mount Vernon, Missouri
Linn Field Office	Brookfield, Missouri (actual meeting in Macon, Missouri)
Anderson Field Office	Palestine, Texas
Castro Field Office	Dimmitt, Texas
Hale Field Office	Plainview, Texas
Hopkins Field Office	Sulphur Springs, Texas
Fort Worth Federal Center	Fort Worth, Texas

**AGENCY'S
RESPONSE TO AUDIT REPORT**



United States department of Agriculture

DATE: September 06, 2019

SUBJECT: SPA - Response to the Office of Inspector General (OIG) Report 10601-0005-31, Environmental Quality Incentives Program for recommendations 1-6.

TO: Gil H. Harden
Assistant Inspector General for Audit
Office of Inspector General

File Code: 340-12-14

Attached are the Natural Resources Conservation Service (NRCS) responses to the OIG Official Draft dated July 31, 2019, transmitting OIG's Results for Audit # 10601-0005-31, Environmental Quality Incentives Program (EQIP) Payment Schedule.

In Summary:

OIG reviewed whether EQIP payment schedules were cost effective and represented producers' costs to implement conservation practices.

NRCS' use of EQIP regional payment schedules did not consistently represent the producer's cost to implement conservation practices. NRCS has not always prioritized controls for updating component prices at the national and State levels.

If you require additional information, please contact Kenneth Hill, Director, Performance, Accountability, and Risk Division, at (202) 772-6035.

/s/
Matthew Lohr
Chief

Attachment

cc:/w attachment

Jimmy Bramblett, Deputy Chief for Programs, Washington, D.C.

Maggie Rhodes, Director, Financial Assistance Programs Division, NRCS, Washington D.C.

Dan Lawson, Director, Policy and Program Analysis Division, NRCS, Washington D.C.

Leslie Deavers, Chief of Staff, NRCS, Washington D.C.

Ron Alvarado, Acting Deputy Chief for Management and Strategy, Washington D.C.

Kevin D. Norton, Acting Associate Chief for Conservation, NRCS, Washington, D.C.

Roy Brown, Branch Chief, Internal Auditing Branch, Beltsville, Maryland

Juliette White, Acting Branch Chief, External Audits and Investigations, Beltsville, Maryland

Kenneth Hill, Director, Performance, Accountability, and Risk Division, Washington, D.C.

Agency Response to the Office of Inspector General (OIG) Audit Report 10601-0005-31, EQIP Payment Schedule

During the review of EQIP, the auditors noted the following:

Finding 1: NRCS Needs to Ensure Component Prices are Current and Accurate

RECOMMENDATION 1

Assess the current EQIP payment schedule process, identify opportunities to make it more manageable and effective, and then make changes to the process as appropriate.

AGENCY RESPONSE

NRCS takes significant exception to OIG's qualification related to this finding. During the period of review covered by this audit, NRCS had over 69,000 EQIP contracts. OIG's review of 45 contracts represented 0.06 percent of all existing contracts during this period. Further, OIG acknowledges an inability to ascertain the fractional impact of EQIP investments in relation to this finding. The agency disagrees with extrapolating findings associated with such a small sample of contracts, and an admitted inability to define impacts related to these findings, to implicate the entirety of all conservation payments during this period. In 2018, through the agency's reorganization, the National Core and Cost Teams (NCT) were realigned to address deficiencies and improve the payment schedule process. NRCS will continue to assess its current methodology to ensure a robust system of internal controls are in place to solidify payment schedule consistency with program authority and provide a consistent, reliable, and defensible method for documenting eligible costs.

NRCS has completed the following changes to improve the payment schedule process:

1. The administration of payment schedules was transferred from the Office of the Regional Conservationists to the Policy and Program Analysis Division housed under the Management and Strategy Deputy Area.
2. To mitigate the risk of improper payments, errors, and invalid scenarios, a direct data feed from the Payment Schedule Application (PSA) tool was integrated with the Program Contracts System (ProTracts).
3. All component statuses in the PSA were changed from "Released" to "Auto Price Review" to ensure accuracy.
4. Streamlined the number of scenarios, components, and payment schedules that are required to be updated annually resulting in less maintenance and oversight.
5. A data dump of all vendor information and component prices data was provided by the Client Experience Center (CEC), formerly Client Technology Services. Once all

component prices are completed and reviewed in the external format, data will be transferred into the PSA.

6. Streamlined the number of payment schedule scenarios and components requiring price updates by the NCT.
7. Annual technical review of all components and scenarios were, and will continue to be, performed by subject matter experts to ensure compliance with policy, conservation practice standards, and agency statutory and regulatory authorities. Performed internal audits on financial data and documentation developed by the NCT.

Estimated Completion Date: Completed.

OIG POSITION: [Note: OIG will provide after NRCS submits agency response.]

RECOMMENDATION 2

Develop and implement a process to validate component prices by collecting and reviewing a sufficient number of receipts from EQIP producers, or by comparing actual costs on receipts to the estimated costs from the payment schedule and take action when actual costs on the receipts do not validate the estimated costs from the payment schedule.

AGENCY RESPONSE

NRCS agrees with the recommendation. Program legislation requires that program payments be based on the estimated incurred costs and income foregone associated with practice implementation to address a natural resource concern. The PSA is currently designed to facilitate component and practice scenario management, component pricing, State payment rate development, and administration and report management. Within the component management feature, employees can request a price reconsideration of an existing component to adjust the current cost data.

The following action has been taken to improve the payment schedule process:

- 1) The NCT notified regional scenario managers (RSM) on June 6, 2019, to assist with providing current vendor quotes and estimates for complex components. Direct input from the regions assisted the NCT with assigning component prices.

Estimated Completion Date: Completed.

OIG POSITION: [Note: OIG will provide after NRCS submits agency response.]

RECOMMENDATION 3

Ensure the national cost team has followed the process established in Recommendation 1. Also, ensure the national cost team has sufficient resources to complete these tasks.

AGENCY RESPONSE

NRCS agrees with the recommendation. The National Payment Schedule Core and Cost Team was established to provide oversight for the development of payment schedules, training, and chair technical support teams.

NRCS has completed the following actions to improve the payment schedule process:

- 1) Procured funding on August 15, 2019, to build new internal controls within PSA that will automatically change component statuses from “Released” to “Auto Price Review” on demand. Functionality will ensure all components are reviewed and updated annually.
- 2) The National Payment Schedule Core Team established a multidiscipline team of State, national technology support centers, and other employee resources needed to streamline and update components.
- 3) NRCS held an operational meeting during the week of March 12, 2019, with the NCT. New members received training on roles and responsibilities, component pricing methods, data evaluations, protection of proprietary data, streamlining, and quality control.

The following action will be taken to improve the payment schedule process:

- 1) NCT will be trained in Conservation Desktop to ensure new payment schedule functionality will ensure seamless data integration, and enhance internal controls are in place to affirm integrity of payment schedule data with planned conservation practice installation.

Estimated Completion Date: December 31, 2019.

OIG POSITION: [Note: OIG will provide after NRCS submits agency response.]

Finding 2: NRCS Needs to Improve EQIP Payment Administration

RECOMMENDATION 4

Ensure that the EQIP payment schedule includes necessary components and scenarios to address State and regional needs and exceptions.

AGENCY RESPONSE

NRCS agrees with the recommendation. Currently, State Technical Committees and local work groups serve in advisory roles to State Conservationists regarding the identification of local natural resource concerns and priorities, practices, and program payment percentages.

NRCS has completed the following actions to improve the payment schedule process:

- 1) A centralized national payment schedule website was established to ensure employees and the public are aware of cost data, practice scenarios, and financial assistance offered by NRCS.

The following actions will be taken to improve the payment schedule process:

- 1) A review of the payment schedule development process will be conducted by members of the NCT and RSM. Recommendations for streamlining payment schedule development, improving transparency in decision-making, and the introduction of additional internal controls will be submitted to the Deputy Chief for Management and Strategy, Deputy Chief for Science and Technology by July 1, 2020. The Deputy Chiefs will ensure policy development and updates are prepared for implementation in fiscal year 2021.

Estimated Completion Date: September 30, 2020.

OIG POSITION: [Note: OIG will provide after NRCS submits agency response.]

RECOMMENDATION 5

Provide employees with comprehensive, nationwide training in administering EQIP, including EQIP payment schedules, allowable costs and services, and certification of practices.

AGENCY RESPONSE

NRCS agrees with the recommendation. Our vision is a highly skilled NRCS workforce providing customers across the Nation with quality service. Spot checks are performed annually to ensure conservation practices planned or installed with NRCS technical and financial assistance is following policy, standards and specifications, program requirements, and meet client objectives. In addition, our job approval authority process ensures the competency of employees and partners to plan, design, and install conservation practices that with proper operation and maintenance will perform the intended functions for the projected service life.

NRCS has completed the following actions to improve the payment schedule process:

- 1) Self-pace training material is posted to NRCS SharePoint sites for RSMs, State Payment Schedule (SPS) managers, and other employees to review.
- 2) Formal training was provided to SPS managers on June 2018. The following actions will be taken to improve the payment schedule process:

- 1) The Policy and Program Analysis Division is hosting the Programmatic Policy and PSA Workshop for SPS managers during the week of September 9–13, 2019.

Estimated Completion Date: October 1, 2019

OIG POSITION: [Note: OIG will provide after NRCS submits agency response.]

RECOMMENDATION 6

Expand current internal reviews to address control weaknesses identified in this report.

AGENCY RESPONSE

NRCS agrees with the recommendation. NRCS believes that quality assurance reviews and proper training will address the control weakness identified in OIG's report.

The following action will be taken to improve the payment schedule process:

- 1) The agency will develop policy and initiate an internal control process to ensure proper payment schedule development and utilization. The internal control process will incorporate reviews of compensation rates and producer payments with the goal of reducing the identified discrepancies within this report. The internal control developed and implemented by NRCS will be tested for effectiveness using Performance and Compliance Reviews performed by the Internal Audit Branch of the Performance, Accountability, and Risk Division of FPAC.

Estimated Completion Date: September 30, 2020.

OIG POSITION: [Note: OIG will provide after NRCS submits agency response.]

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