OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2022

Audit Report 50024-0003-24

May 2023

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OIG reviewed USDA's compliance with improper payment and high-dollar overpayment requirements for FY 2022.

OBJECTIVE

Our objective was to determine whether USDA complied with PIIA for FY 2022. We also determined whether USDA fulfilled its high-dollar overpayment reporting requirements, as required by Office of Management and Budget (OMB) M-21-19.

REVIEWED

We reviewed payment integrity information that USDA agencies reported on paymentaccuracy.gov and reviewed supporting documentation for the required payment integrity information.

RECOMMENDS

We recommend that the Farm Service Agency (FSA) provide information for Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC) programs, Livestock Forage Disaster Program (LFP), and Emergency Conservation Program (ECP), describing the actions that the agency will take to come into compliance in the OMB Annual Data Call. The Office of the Chief Financial Officer (OCFO) should review and ensure documentation used to support the accompanying materials is accurate and complete before publication to ensure changes are consistently applied, and review and ensure Phase 1 programs timely complete required risk assessments. OCFO should work with responsible program officials to ensure PIIA compliance reporting status is consistent with the compliance status in the prior year's OIG compliance report. Finally, OCFO should ensure that all programs' reporting in the accompanying materials is in a manner that most clearly identifies and reports improper payments for their agency.

WHAT OIG FOUND

We found that the United States Department of Agriculture (USDA) was not compliant with four of the six Payment Integrity Information Act of 2019 (PIIA) requirements for fiscal year (FY) 2022. Specifically, 4 of the 14 reporting Phase 2 programs and 1 Phase 1 program did not fully comply with PIIA requirements. Four Phase 2 programs did not meet the PIIA compliance requirements on at least two of the following: reduction targets, corrective action plans, or improper payment rate of less than 10 percent. We also found that USDA did not ensure that one Phase 1 program completed a FY 2022 risk assessment, as required by PIIA, and reporting in the accompanying materials incorrectly stated that the program did not need to complete a FY 2022 risk assessment.

We noted that 4 of the 14 Phase 2 programs did not achieve their reduction targets set in FY 2021. Two of those programs more than doubled their FY 2021 reduction target and one other program nearly doubled the FY 2021 reduction target. Additionally, USDA did not report gross improper payment rates of less than 10 percent for 2 of these 4 Phase 2 programs. We found that USDA published corrective action plans for the 11 of 14 reporting Phase 2 programs that required them. However, 3 of those 11 programs had non-compliance issues as noted above due to corrective actions that have not yielded the desired results.

Finally, USDA fulfilled its high-dollar overpayment reporting requirements with its publication of all required Payment Integrity Scorecards.

FSA and OCFO generally agreed with the findings and we accepted management decision for each of the 6 recommendations in the report.

USDA **OFFICE OF INSPECTOR GENERAL**
United States Department of Agriculture

DATE: May 22, 2023

AUDIT NUMBER: **50024-0003-24**

TO:

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Office of the Chief Financial Officer

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ATTN:

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FROM:

Janet Sorensen
Assistant Inspector General for Audit

JANET SORENSEN Digitally signed by JANET SORENSEN Date: 2023.05.22 13:31:48 -05'00'

SUBJECT: USDA's Compliance with Improper Payment Requirements for Fiscal Year 2022

This report presents the results of the subject review. Your written responses to the draft report 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 (OIG) position, into the relevant sections of the report. Based on your written responses, we are accepting management decision for all 6 audit recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

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. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

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 (https://usdaoig.oversight.gov) in the near future.

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Background and Objectives

Background

The Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) aims to improve efforts to identify and reduce government-wide improper payments.[1] PIIA requires that agencies identify and review all programs and activities they administer that may be susceptible to significant improper payments. For purposes of PIIA implementation, all programs' and activities' outlays fall in one of three possible payment type categories:

1. Proper payment: a payment made to the right recipient for the right amount that has met all program-specific, legally acceptable requirements for the payment;
2. Improper payment: a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements; and
3. Unknown payment: a payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

Payment integrity information is published with the agency's annual financial statement and accompanying materials. Agencies' inspectors general (IG) are to review payment integrity reporting for compliance and issue an annual report.

Agency Compliance with PIIA Requirements

The term "compliance" with PIIA and OMB guidance means that the agency complied with the 6 PIIA requirements, which OMB M-21-19 further detailed in the 10 items listed in 1a through 6 below. If the agency does not meet one or more of these requirements, then it is *not* compliant.	
1a	published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent fiscal year in accordance with OMB guidance;
1b	posted the annual financial statement and accompanying materials required under OMB guidance on the agency website;
2a	conducted improper payment risk assessments for each program with annual outlays greater than $10 million at least once in the last three years;
2b	adequately concluded whether the program is likely to make improper payments (IP) and unknown payments (UP) above or below the statutory threshold (above $10 million and 1.5 percent of total annual outlays or above $100 million);
3	published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;

[1] PIIA, enacted March 2, 2020, replaced improper payment requirements previously outlined in the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recovery Improvement Act of 2012.

4	published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
5a	published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
5b	demonstrated improvements to payment integrity or reached a tolerable IP and UP rate;
5c	developed a plan to meet the IP and UP reduction target; and
6	reported an IP and UP estimate of less than 10 percent for each program.

PIIA requires OMB to prescribe guidance for agencies to follow to ensure compliance with the above PIIA requirements. OMB M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (dated March 5, 2021), is OMB's most recent guidance for agencies implementing the requirements of PIIA. OMB Circular A-136, *Financial Reporting Requirements* (dated June 3, 2022), provides guidance for agencies specific to reporting within the Agency Financial Report (AFR) to fulfill PIIA reporting requirements. In addition, the agency must publish any applicable payment integrity information required in the accompanying materials to the AFR on paymentaccuracy.gov. The U.S. Department of the Treasury, in coordination with the U.S. Department of Justice and OMB, established paymentaccuracy.gov to create a centralized location to publish information about improper payments as a result of Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (dated November 20, 2009). This information is provided by the agency to OMB through the annual data call and is then published on paymentaccuracy.gov. The executive order also established high-dollar overpayment reporting requirements that OMB M-21-19 continues to incorporate within the framework for high-priority program reporting required by PIIA (see *Additional Requirements*, discussed below).

IG Requirements for Improper Payment Audits

Each agency IG is required to prepare a report that determines whether an agency complies with PIIA requirements. This report is required to be published within 180 days after the agency publishes its AFR and the accompanying materials to the AFR, whichever is later. The final compliance report must also include an evaluation of agency efforts to prevent and reduce improper and unknown payments. For each agency reporting an estimate above the statutory threshold, the agency's IG must include recommendation(s) for action(s) to further improve prevention and reduction of improper and unknown payments.

Additional Requirements

Agency High-Dollar Overpayment and High-Priority Program Report

PIIA requires that OMB identify a list of high-priority programs for greater levels of oversight and review and make the list available on a central website—paymentaccuracy.gov. According to OMB, a program automatically becomes high priority when its annual reported monetary loss IP estimate is greater than or equal to $100 million, regardless of its IP and UP rate. High-priority programs must provide select information quarterly through a mechanism determined by OMB. The collected information is published quarterly in a Payment Integrity Scorecard on paymentaccuracy.gov and includes the actions the program has taken or intends to take to prevent IPs and UPs from occurring in the future as well as actions the program plans to take to recover monetary loss IPs. The Payment Integrity Scorecard fulfills the high-priority program reporting requirements of PIIA, as well as the high-dollar overpayments reporting requirements.

IG Requirements for High-Dollar Overpayment and High-Priority Program Reports

OMB M-21-19 requires that "the agency IG shall assess the information provided on the Scorecard and determine the extent of IG oversight warranted to prevent monetary loss IPs." In addition, based on the information provided on the scorecard, the IG may provide the agency head with concrete and actionable recommendations for modifying the agency's plans for actions to recover monetary loss IPs, as well as any actions the agency intends to take to prevent IPs and UPs from occurring in the future.

Agency Background Information

PIIA requires the head of each executive agency to periodically review all the agency's programs and activities and identify programs and activities with outlays exceeding the statutory improper payment threshold (which is either (1) both 1.5 percent of program outlays and $10 million of all program payments made during the FY or (2) $100 million). According to OMB M-21-19, all programs with annual outlays over $10 million will fall into one of two possible classifications: Phase 1 or Phase 2. Programs that are not likely to have an annual amount of improper payments (IP) plus an annual amount of unknown payments (UP) above the statutory threshold are referred to as being in "Phase 1." If a program in Phase 1 determines that it is likely to annually make IPs plus UPs above the statutory threshold, then the program will move into "Phase 2" the following year. Once in Phase 2, a program will have additional requirements such as reporting an annual IP and UP estimate.

The FY 2022 AFR and accompanying materials reported USDA had net outlays totaling approximately $245 billion delivered through 158 programs. USDA identified 16 of these programs, with approximately $86.15 billion in outlays, as susceptible to significant improper payments in FY 2022.[2] USDA reported that, collectively, its 16 programs made approximately $1.9 billion in improper payments—a 2.21-percent improper payment rate.

USDA funds the 16 programs through 3 component agencies: FSA,[3] FNS, and Risk Management Agency (RMA). The figure below shows the component agencies and the programs funded through them that were identified as Phase 2.

[2] While the FY 2022 AFR and accompanying materials identify a total of 16 Phase 2 programs, only 14 of the 16 Phase 2 programs reported improper payment information. Food and Nutrition Service's (FNS) Summer Food Service Program (SFSP) and Supplemental Nutrition Assistance Program (SNAP) did not report improper payment rate information in FY 2022; however, the Department and the Agency consider both programs to be in Phase 2 and susceptible to significant improper payments.
[3] Although FY 2022 PIIA compliance reporting identifies ARC/PLC and Trade Mitigation Program (TMP) as Credit Commodity Corporation programs, due to FSA's administration of the programs, OIG refers to them herein as FSA programs.

Agency	Phase 2 Programs
Farm Service Agency	Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC)
	Trade Mitigation Program (TMP)
	Coronavirus Food Assistance Program (CFAP)
	Livestock Forage Disaster Program (LFP)
	Noninsured Crop Disaster Assistance Program (NAP)
	Emergency Conservation Program (ECP)
	Quality Loss Adjustment Program (QLA)
	Wildfires and Hurricanes Indemnity Program Plus (WHIP+)
Food and Nutrition Service	Child and Adult Care Food Program (CACFP)
	National School Lunch Program (NSLP)
	Pandemic Electronic Benefit Transfer (P-EBT)
	School Breakfast Program (SBP)
	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
	Summer Food Service Program (SFSP)
	Supplemental Nutrition Assistance Program (SNAP)
Risk Management Agency	Federal Crop Insurance Corporation (FCIC)

Table 1. List of USDA Phase 2 Programs

Objectives

Our objective was to determine whether USDA complied with PIIA for FY 2022. We also determined if USDA fulfilled its high-dollar overpayment reporting requirements, as required by OMB Memorandum M-21-19.

We determined that USDA fulfilled its high-dollar overpayment reporting requirements in FY 2022 by publishing quarterly Payment Integrity Scorecards for USDA's three high-priority programs—FNS' NSLP and SBP, and RMA's FCIC.

Section 1: USDA's Fiscal Year 2022 Compliance Determinations Under PIIA

Finding 1: USDA Did Not Comply with PIIA

We determined that 4 of the 14 reporting Phase 2[4] programs did not fully comply with one or more PIIA requirements.[5] These programs either did not meet annual reduction targets, report gross improper payment rates of less than 10 percent, or both. Similarly, we found that 3 of the 4 programs' corrective actions were not effective in reducing improper payments. Additionally, we found that one Phase 1 program did not conduct the required risk assessment. Finding 2 details the other improper payment requirement for which USDA was non-compliant.[6] This occurred because although FSA has policies and procedures in place, staff did not always follow them.[7] Although the four programs have tried to implement corrective actions, they have not yielded the desired results. Corrective actions such as increased communications and training on new and changing policy for 3 of the 4 programs were similar to those implemented the prior year to reduce improper payments.[8] As a result, USDA is not compliant with PIIA requirements. Ineffective corrective actions in 3 of the 4 Phase 2 programs exceeding the agency's reduction targets—with 2 of those 4 exceeding the 10-percent improper payment rate threshold—and lack of the required risk assessment for one Phase 1 program put the agency at risk for improper payments and reduced program integrity.

The purpose of PIIA is to identify programs and activities susceptible to improper payments and to establish actions for agencies to reduce improper payments. Under PIIA, Federal agencies must meet each of the six requirements outlined in the Background and Objectives section of this report. If a program does not meet any of these six requirements, the program, and subsequently the agency, is not considered compliant with PIIA reporting requirements.

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[4] FNS' SNAP and SFSP were not able to report an improper payment rate for FY 2022, and therefore did not report improper payment data. SNAP continued to operate under a waiver that also applied in the prior year. SFSP's reporting of an improper payment rate is contingent upon a study delayed due to COVID-19. FNS considered and reported SNAP and SFSP as Phase 2 programs, in part, due to their size—over $71 billion and nearly $11 billion in outlays, respectively, in FY 2022.

[5] OIG did not take exception to RMA's FCIC not meeting the established reduction targets based on OMB M-21-19 guidance which states, in part, "Failing to meet a reduction target does not equate to a non-compliance […]". OIG also noted that the accompanying materials indicate that FCIC's FY 2022 improper payment and unknown payment rate has been achieved with a balance of payment integrity risk and controls and represents the lowest rate that can be achieved without disproportionately increasing another risk.

[6] The other non-compliance is for one Phase 1 program that did not complete a required risk assessment.

[7] For example, corrective action plans for the three FSA programs in question reported that the cause of improper payments, in part, was due to county offices not following statutory or other well documented program requirements—for which the "Payment Cause" is categorized as "Failure to Access Data/Information Needed."

[8] The fourth program, TMP, fell below the statutory threshold for Phase 2 reporting in FY 2022. Therefore, it is scheduled to become Phase 1 next year and did not require a corrective action plan. However, prior year corrective actions were similar to those identified in the prior and current fiscal year for the other programs.

Non-Compliance: Improper Payment Rates, Reduction Targets, and Corrective Actions

Overall, we found USDA did not comply with four of the six improper payment requirements. Specifically, 4 of the 14 reporting Phase 2 programs reported on paymentaccuracy.gov did not fully comply with PIIA requirements to report gross improper payment rates of less than 10 percent, meet annual reduction targets, or both, and 3 Phase 2 programs did not have effective corrective actions to prevent and reduce improper payments, as follows:[9]

- Two FSA programs reported improper payment rates greater than 10 percent. According to PIIA, if the improper payment rates and unknown payment estimates are greater than or equal to 10 percent, the program is not compliant with PIIA requirements.
- Four FSA programs did not meet reduction targets in FY 2022. PIIA includes requirements for Phase 2 programs to publish and meet reduction targets. Specifically, if a Phase 2 program reported an improper payment rate, plus the unknown payment rate, above the statutory threshold, the program is required to establish and publish an improper payment and unknown payment reduction target for the following fiscal year.
- Three FSA programs' corrective actions were not effective in reducing improper payments—see prior bullets. While the programs met PIIA requirements to publish corrective action plans, OMB M-21-19 provides that OIG should evaluate whether corrective action plans are effective and states that the agency should be able to demonstrate how the corrective actions are preventing and reducing improper payments.[10]

Although the Department remains non-compliant in FY 2022, the Department and its agencies made some improvements toward fully complying with improper payment requirements.[11] For example, all FNS programs that reported improper payment rates for FY 2021 and FY 2022 improved and met the established reduction target rate. Additionally, FSA NAP reduced its error rate from 12.3 percent in FY 2021 to 9.47 percent in FY 2022, and WHIP+ reduced its error rate from 6.67 percent in FY 2021 to 5.63 percent in FY 2022. USDA should build on this progress to ensure it becomes compliant with improper payment requirements.

The following table illustrates each of USDA's 14 reporting Phase 2 programs—susceptible to significant improper payments—along with one Phase 1 program for which OIG noted a non-compliance, and their overall compliance with the following reporting requirements: (1) published AFR and accompanying materials; (2) conducted risk assessments; (3) published improper payment rate; (4) published a corrective action plan; (5) published/met reduction targets; and (6) reported an improper payment rate of less than 10 percent. The non-compliances we identified are highlighted in red.

[9] Finding 2 details the other improper payment requirement for which USDA was non-compliant.

[10] Improper payment amounts for these four programs comprise nearly 24 percent of all improper payments in the 14 reporting Phase 2 programs in FY 2022. Based on FSA estimates, outlays for two of the programs—one of which exceeded the 10 percent PIIA compliance threshold—will increase by more than 50 percent each for FY 2023.

[11] OIG reported that USDA did not comply with four of the six PIIA requirements in our FY 2021 report (Audit Report 50024-0002-24).

Table 2. PIIA Compliance Reporting Table

USDA Agency	Program Name	Compliant Overall?	AFR and Accompanying Materials Published?	Risk Assessment Conducted?	Improper Payment Estimate Published?	Corrective Action Plans Published?[12]	Reduction Targets Published/ Met?	Improper Payment Rate <10% Reported?	Consecutive Years of Non-Compliance
FSA	ARC/PLC	Non-Compliant	Yes	N/A	Yes	No	No	Yes	N/A
FSA	TMP	Non-Compliant	Yes	N/A	Yes	N/A	No	No	2
FSA	CFAP	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FSA	LFP	Non-Compliant	Yes	N/A	Yes	No	No	Yes	N/A
FSA	NAP	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FSA	ECP	Non-Compliant	Yes	N/A	Yes	No	No	No	2
FSA	QLA	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FSA	WHIP+	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FNS	CACFP	Compliant	Yes	N/A	Yes	N/A	Yes	Yes	N/A
FNS	NSLP	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FNS	P-EBT	Compliant	Yes	N/A	Yes	N/A	Yes	Yes	N/A
FNS	SBP	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FNS	WIC	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
RMA	FCIC	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
Staff Office[13]	OCIO	Non-Compliant	N/A	No	N/A	N/A	N/A	N/A	N/A

[12] In addition to PIIA requirements that the agency publish corrective action plans, OMB's implementing guidance (OMB M-21-19), provides additional requirements as part of the assessment of corrective action plans. OIG's response considered the totality of those requirements.
[13] Staff Office – OCIO was a Phase 1 program in FY 2022. OIG noted the non-compliance during reviews of risk assessments conducted in FY 2022. As a Phase 1 program, OIG did not assess the program for compliance with the other PIIA requirements in Table 2.

PIIA Compliance Requirements

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 FY 2022 AFR and subsequently posted the report and accompanying materials required by OMB on the agency website at https://www.usda.gov/ocfo/plans-reports/agency-financial-reports. Also see www.paymentaccuracy.gov for accompanying materials to the AFR.

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

   No. USDA did not ensure that one program—a staff office program, Salaries and Expenses—completed an FY 2022 risk assessment, as required by PIIA and reporting in the accompanying materials of whether that program was required to complete an FY 2022 risk assessment was incorrect. (See Finding 2.)

3. **Did USDA publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments (Phase 2) under its risk assessment (if required)?**

   Yes. USDA published improper payment estimates for all 14 program and activities reporting improper payment information in FY 2022 that were identified as susceptible to significant improper payments (Phase 2) under its risk assessment (if required).[14]

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

   No. While USDA did publish corrective action plans for the 11 Phase 2 programs that required them, we noted that 3 of these programs saw an increase in their improper payment rates above the reduction target set in FY 2021, with 2 of those 3 programs more than doubling their FY 2021 reduction target (see question 5 below) and 1 of those 3 programs exceeding the 10-percent compliance threshold (see question 6 below). Although these programs have tried to implement corrective actions, they have not yielded the desired results.

[14] As noted earlier, 2 programs, FNS' SFSP and SNAP, did not actually report improper payment information for FY 2022, leaving 14 programs that reported improper payment information.

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 4 of USDA's 14 reporting Phase 2 programs did not achieve their reduction targets.[15] FSA's ECP, TMP, ARC/PLC, and LFP exceeded those reduction targets by 19.18 percent, 9.34 percent, 3.64 percent, and 1.31 percent, respectively. FSA attributed most of the improper payments to county offices not following statutory and other program requirements to access data and information as needed and identified training as the primary corrective action.

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 two Phase 2 programs: FSA's ECP and TMP.

FSA Phase 2 Programs	Estimated Improper Payment Rate (%)
ECP	29.17
TMP	19.33

Of the four programs that did not comply with PIIA, FSA's ECP and TMP were also non-compliant with improper payment requirements in FY 2021. In accordance with OMB guidance, we are making two recommendations to FSA—one recommendation for current-year non-compliances and a second recommendation for consecutive-year non-compliance. As indicated above, OIG is not making any recommendations for TMP, as it is below the statutory threshold in FY 2022 and is transitioning to a Phase 1 program in FY 2023.

Recommendation 1 to FSA

<u>Each Year of Non-Compliance:</u>

FSA should provide information for ARC/PLC, LFP, and ECP, describing the actions that the agency will take to come into compliance, in the OMB Annual Data Call. This information will be published on paymentaccuracy.gov and serve as the plan that agencies are required to submit to the appropriate authorizing and appropriations committees of Congress, including:

i. Measurable milestones to be accomplished in order to achieve compliance for each program;
ii. The designation of a senior agency official who shall be accountable for the progress of the executive agency in coming into compliance for each program; and

[15] A fifth Phase 2 program—RMA's FCIC—did not achieve its reduction target; however, OMB M-21-19 states that, "Failing to meet a reduction target does not equate to a non-compliance […]". OIG did not identify other related non-compliances that would have otherwise led to an OIG determination of non-compliance for reduction targets.

iii. The establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading the efforts of the agency to come into compliance for each program.

Agency Response

In accordance with OMB guidance, FSA will submit the stated plans to the appropriate authorizing and appropriations committees of Congress, describing detailed actions the agency will take to bring the following programs into compliance: Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC), Livestock Forage Disaster Program (LFP) and Emergency Conservation Program (ECP).

OIG Position

We accept management decision on this recommendation.

Recommendation 2 to FSA

<u>Second Consecutive Year of Non-Compliance:</u>

a. FSA should propose to the director of OMB in its next budget submission additional program integrity proposals for ECP that would help the program come into compliance. This process will unfold as part of the annual development of the President's budget. In the budget submission, the agency should describe how each proposal would help the program come into compliance.

b. If the director of OMB determines that additional funding would help the program become compliant, the agency should obligate an amount of additional funding determined by the director of OMB to intensify compliance efforts. When providing additional funding for compliance efforts, the agency should:

    i. Exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the director of OMB; and,
    ii. Submit a request to Congress for additional reprogramming or transfer authority if additional funding is needed to meet the full level of funding determined by the director of OMB.

Agency Response

FSA will follow the normal budgetary processes within USDA and work with Office of Budget and Program Analysis, and Budget personnel to seek departmental approval for funds to assist in resolving the non-compliance issues related to Emergency Conservation Program.

OIG Position

We accept management decision on this recommendation.

Section 2: Quality of USDA's Improper Payment Reporting

Finding 2: USDA's FY 2022 AFR and Accompanying Materials Reported Inaccuracies and Incomplete Information

USDA did not report or maintain complete and accurate improper payment information for FY 2022. This occurred because the Department did not always identify inaccurate information or reevaluate reported improper payment data before publication to ensure it was accurate and complete or did not ensure consistency of reporting in the accompanying materials. Additionally, FSA and RMA, with input from OCFO, considered additional questions in OMB's data call skip logic (that would have resulted from an accurate response of non-compliant) as not applicable; and therefore, reported their programs as compliant. As a result, certain FY 2022 improper payment information was not accurate and/or complete, as reported to the public.

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* state: "[m]anagement should use quality information to achieve the entity's objectives. Management identifies information requirements in an iterative and ongoing process that occurs throughout an effective internal control system. As change in the entity and its objectives and risks occurs, management changes information requirements as needed to meet these modified objectives and address these modified risks. Management evaluates both internal and external sources of data for reliability."[16] OMB M-21-19 states the agency is responsible for determining the applicability of requirements and executing/applying them accordingly.[17, 18] Additionally, to address Recommendation 2 in OIG's prior year report (see Exhibit B), OCFO incorporated several steps during the FY 2022 improper payment reporting process to ensure OCFO met its responsibility for accuracy and completeness of improper payment data reported.[19]

To address our objectives, we obtained and reviewed supporting documentation for information reported on paymentaccuracy.gov to determine compliance with PIIA requirements, such as corrective action plans and efforts to prevent and reduce improper payments. OIG determined that each Phase 2 program published all required information; however, during additional reviews to evaluate the accuracy and completeness of information reported, we identified missing information, erroneous information, and unsupported statements in the FY 2022 AFR and its accompanying materials.

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[16] GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).
[17] OMB, *Requirements for Payment Integrity Improvement*, Appendix C to OMB Circular A-123 (Mar. 5, 2021).
[18] OMB M-21-19 defines "agency" as a Department, agency, or instrumentality in the Executive Branch of the United States Government. USDA's OCFO carries out this responsibility on behalf of the Department.
[19] For example, in its official response to Audit Report 50024-0002-24, Recommendation 2, OCFO reported that for FY 2022, it provided internal guidance, reviewed the number of programs responsible for reporting, regularly followed up with programs to ensure reporting, and conducted internal reviews to identify discrepancies, to include reviews by senior leadership for final review and approval before programs submitted data to OMB.

Inaccurate and Unsupported Statements

We identified the following inaccurate statements in the FY 2022 AFR and accompanying materials:

- Three FSA programs and one Forest Service program were each reported as "Phase 1" in the AFR and accompanying materials, but were reported as "Phase 2" on the USDA program inventory.
- Two NRCS programs were reported as "Phase 1" on the program inventory, but were mistakenly included in OCFO's calculation of USDA's overall IP average for "Phase 2" programs.
- An RMA and two FSA programs were reported as compliant when responding to the FY 2022 OMB data call question regarding the compliance status of the program in the most recent OIG PIIA annual compliance review (i.e., the FY 2021 OIG Audit[20]), even though the FY 2021 OIG audit report contained a non-compliance finding and recommendation to FSA. The FY 2021 OIG audit report also found RMA as non-compliant with an overarching finding and a recommendation issued to OCFO.

In the FY 2022 OMB data call, RMA responded "compliant" to the question regarding its status in the most recent compliance report, despite the FY 2021 OIG audit reporting RMA as non-compliant for FY 2021. This occurred because RMA misinterpreted questions in the FY 2022 data call and guidance in OMB M-21-19 as well as misconstrued how the OIG audit had characterized RMA's compliance status. Similarly, FSA officials explained that the prompts in the OMB data call were such that FSA believed "compliant" was the correct response, as a non-compliant response would result in additional questions pertaining to non-compliance plans that did not apply to the programs in question.[21]

We also identified the following unsupported statements in the FY 2022 AFR and accompanying materials:

- OCFO reported that 86 percent of USDA programs were in Phase 1 and provided OIG with an explanation of the calculation; however, OCFO did not have documentation supporting the calculation, and OIG was not able replicate the calculation.
- OCFO reported an average improper payment rate for Phase 2 programs based on an average of the improper payment rate of all Phase 2 programs, instead of the total improper payments divided by the total outlays, as well as including outlays for programs that changed to Phase 1 or had not reported data.[22]

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[20] Audit Report 50024-0002-24, *USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021*, June 2022.

[21] Specifically, the requirement for non-compliance plans did not apply for FY 2022.

[22] While the issue of the "average improper payment rate" is reported along with the unsupported statement noted in Bullet 1, this exception also falls under the section titled "USDA's Compliance with OMB Criteria."

USDA's Compliance with OMB Criteria

We question whether USDA complied with OMB criteria for improper payment reporting. Specifically, we found that:

- FNS' CACFP is presented as an entire program on paymentaccuracy.gov; however, FNS' improper payment reporting includes only a small component of the program, the Family Day Care Home (FDCH).[23] CACFP reported outlays totaling more than $4.3 billion; however, FNS indicated that amount was incorrect and FNS should have reported only the FDCH outlays, totaling $581 million—which only comprises approximately 13 percent of the total CACFP outlays.
- A staff office program, Salaries and Expenses, did not complete a FY 2022 risk assessment, as required by PIIA, and incorrectly reported in the accompanying materials as to whether the program was required to complete a FY 2022 risk assessment.

OCFO officials generally attributed these issues to not having updated the accompanying workpapers in accordance with OMB review comments, in addition to lack of oversight in the review process. OCFO officials stated the OMB review of the data, follow-up questions, and requests for programs to adjust responses was confusing; in the discussions, there were changes to the program phase designation, and in the process, some areas were unintentionally overlooked. Following the closure of the data call, OMB briefly opened the data call tool to allow for any corrections; during this time, OMB began asking whether programs were accurately reporting their phase information based on how OMB designed the questions, and the intention of the question they were asking. OCFO officials agreed that a secondary look after the OMB changes were completed should have been performed.

Recommendation 3 to OCFO

OCFO should review and ensure that documentation used to support the accompanying materials is accurate and complete before publication to ensure changes are consistently applied.

Agency Response

OCFO concurs with the recommendation and will complete the following actions:

- Review sections of the Agency Financial Report (AFR) prior to publication to ensure accuracy and completeness of improper payment data.
- Utilize tracking sheet when reviewing internal documentation to ensure consistency and accuracy throughout the review and reporting processes.

OIG Position

We accept management decision on this recommendation.

[23] FDCH represents one of three component activities within CACFP; however, the other two components, Child Care Centers and Adult Day Care Facilities, have not historically been included in the improper payment reporting because FNS has not yet identified a way to estimate the improper payment rates for these components.

Recommendation 4 to OCFO

OCFO should review and ensure Phase 1 programs timely complete required risk assessments.

Agency Response

OCFO concurs with the recommendation and will complete the following actions:

- Enhance current Risk Assessment tracking tool to include a mechanism to track communication with Agency points of contact.

OIG Position

We accept management decision on this recommendation.

Recommendation 5 to OCFO

OCFO should work with responsible program officials to ensure that PIIA compliance reporting status is consistent with the compliance status in the prior year OIG compliance report.

Agency Response

OCFO concurs with the recommendation and will complete the following actions:

- OCFO will request access to sections of the Agency Financial Report (AFR) prior to publication to verify PIIA compliance reporting is consistent and accurate.
- OCFO will review Agency responses to compliance related questions in the Office of Management and Budget (OMB) Annual Data Call to ensure accuracy in reporting.

OIG Position

We accept management decision on this recommendation.

Recommendation 6 to OCFO

OCFO should ensure that all programs' reporting in the accompanying materials is in a manner that clearly identifies and reports improper payments for their agency.

Agency Response

OCFO concurs with the recommendation and will complete the following actions:

- OCFO will utilize the Office of Management and Budget (OMB) Naming Convention Data Call tool to verify the naming convention of Department of Agriculture programs and ensure any associated improper payment data accurately represents the program.

OIG Position

We accept management decision on this recommendation.

Scope and Methodology

Our audit focused on improper payment information reported in USDA's FY 2022 AFR and accompanying materials found on paymentaccuracy.gov, along with the supporting documentation for this payment integrity information. We commenced fieldwork in December 2022 and completed our fieldwork in May 2023.

We interviewed OCFO officials and personnel at USDA component agencies, who were involved with the 16 programs identified as Phase 2. We gained an understanding of the nature and profile of the Department and component agencies responsible for compiling the payment integrity information. Additionally, we obtained and reviewed applicable laws, rules, and regulations pertaining to improper payments, as well as OCFO's guidance. We also reviewed the status of audit recommendations in the prior year audit report on USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021, as well as other related GAO and OIG audits, as applicable. Additionally, we gained an understanding of significant internal controls within the context of our audit objectives—including whether control activities were designed to achieve objectives and respond to risks and were implemented through policies. Because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We also reviewed paymentaccuracy.gov—the location where USDA component agencies reported required PIIA information. We reviewed documentation on that website, including the FY 2022 OMB data call, which contained the Phase 2 program's improper payment rate, root causes of improper payments, and risk assessments performed. We also reviewed the annual improper payments dashboard for USDA, located at paymentaccuracy.gov. This dashboard included documentation satisfying payment integrity reporting requirements, including actions to recover overpayments and corrective actions to reduce improper payments. Collectively, this information comprised the accompanying materials to the AFR that OIG reviewed for compliance with PIIA reporting requirements.

We assessed both the Department's overall compliance with PIIA requirements and the component agencies' compliance with PIIA requirements provided in detail in the table of the Background section above.

To accomplish our improper payment objectives, we performed the following audit procedures to assess USDA's compliance with PIIA requirements:

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 FY 2022 AFR and the accompanying materials found on paymentaccuracy.gov. We also confirmed the AFR was posted on the USDA's website.

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

   Of the 158 programs and activities listed in USDA's FY 2022 program inventory, 138 were deemed Phase 1, from which we selected a non-statistical, random sample of 10 programs and activities—5 Phase 1 programs with management certifications and 5 Phase 1 programs with risk assessments. We reviewed these assessments to determine if they were performed in accordance with OMB M-21-19.

3. **Published Improper Payment Estimates for All Programs Identified as Phase 2**

   We reviewed information posted on paymentaccuracy.gov, specifically the 2022 data set, to determine whether USDA published improper payment estimates for all programs it identified as Phase 2.

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

   We reviewed the FY 2022 annual improper payments dashboard located on paymentaccuracy.gov and determined whether each of the programs that met the reporting threshold reported corrective action plans, as required.

5. **Published and Has Met Annual Reduction Targets for Each Phase 2 Program Assessed**

   We reviewed the FY 2022 improper payment rates for each Phase 2 program and compared that rate to FY 2021's proposed reduction target. We also determined whether applicable programs published reduction targets for FY 2023 payment rates, as required.

6. **Reported a Gross Improper Payment Rate of Less Than 10 Percent for Each Phase 2 Program Published in the AFR**

   We reviewed the improper payment rates posted on the FY 2022 data set on paymentaccuracy.gov to determine if Phase 2 programs reported a gross improper payment rate of less than 10 percent.

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 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. The information we obtained throughout our audit was from an OMB system, not a USDA system.

Abbreviations

AFR	Agency Financial Report
ARC/PLC	Agriculture Risk Coverage and Price Loss Coverage
CACFP	Child and Adult Care Food Program
CFAP	Coronavirus Food Assistance Program
ECP	Emergency Conservation Program-Disasters
FCIC	Federal Crop Insurance Corporation
FDCH	Family Day Care Home
FNS	Food and Nutrition Service
FSA	Farm Service Agency
FY	fiscal year
GAO	United States Government Accountability Office
IG	Inspector General
IP	Improper Payment
LFP	Livestock Forage Disaster Program
NAP	Noninsured Crop Disaster Assistance Program
NSLP	National School Lunch Program
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
P-EBT	Pandemic Electronic Benefit Transfer
PIIA	Payment Integrity and Information Act of 2019
QLA	Quality Loss Adjustment Program
RMA	Risk Management Agency
SBP	School Breakfast Program
SFSP	Summer Food Service Program
SNAP	Supplemental Nutrition Assistance Program
TMP	Trade Mitigation Program
UP	Unknown Payment
USDA	United States Department of Agriculture
WHIP+	Wildfires and Hurricanes Indemnity Program Plus
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

Exhibit A: USDA's 16 Phase 2 Programs

Exhibit A provides a list of USDA's 16 current Phase 2 programs or program categories reported in the FY 2022 AFR and accompanying materials.

USDA Agency	Phase 2 Program	FY 2022 Improper Payment Rate (%)
FSA	1. 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.	6.02
	2. TMP provides assistance to farmers suffering from damage due to trade retaliation by foreign nations.	19.33
	3. CFAP provides financial assistance to producers of agricultural commodities that gives them the ability to absorb sales losses and increased marketing costs associated with the COVID-19 pandemic.	3.91
	4. LFP provides compensation to eligible livestock producers who have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or planted specifically for grazing.	9.30
	5. NAP provides financial assistance to producers of non-insurable crops when low yield, loss of inventory, or prevented planting occur due to natural disasters.	9.47
	6. 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.	29.17
	7. QLA aids producers who suffered eligible crop quality losses due to natural disasters occurring in calendar years 2018 and/or 2019.	5.64
	8. WHIP+ provides assistance to agricultural producers affected by natural disasters in 2018 and 2019.	5.63
FNS	9. CACFP, through grants-in-aid and other means, assists States with maintaining non-profit food service programs for children and elderly or impaired adults in daycare facilities, and children in afterschool care programs in low-income areas and emergency shelters.	0.07
	10. NSLP assists States, through cash grants and food donations, in providing nutritionally balanced, low-cost or no-cost lunches to children each school day.	1.50

	11. P-EBT ensures the integrity of the supplemental allotments created by the Families First Coronavirus Response Act, as amended by the Continuing Appropriations Act, 2021 and Other Extensions Act for households with children who would have otherwise received free or reduced-price school meals during the COVID-19 pandemic, but could not due to closures and/or reduced attendance.	0.21
	12. SBP assists States in providing a nutritious non-profit breakfast service for school children, through cash grants and food donations.	2.11
	13. WIC provides supplemental nutritious foods and other health services to low-income, eligible participating women and children up to the age of 5 years.	1.80
	14. SFSP assists States in providing reimbursement to providers who serve free, healthy meals to children and teens in low-income areas during the summer months.	N/A[24]
	15. SNAP provides nutrition benefits to supplement the food budget of needy families so they can purchase healthy food and move toward self-sufficiency.	N/A
RMA	16. FCIC provides innovative crop insurance products to America's farmers and ranchers to strengthen the economic stability of agricultural producers and rural communities.	2.58

[24] As noted earlier, 2 programs, FNS' SFSP and SNAP, did not actually report improper payment information for FY 2022, leaving 14 programs that reported improper payment information.

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 2021 Compliance with Improper Payment Requirements.

Report Number	Fiscal Year	Recommendation		Status
50024-0002-24	2021	1	FSA should provide information describing the actions that the agency will take to come into compliance in the OMB annual data call. This information should be published on paymentaccuracy.gov and serve as the plan that agencies are required to submit to the appropriate authorizing and appropriations committees of Congress. This information should include: i. Measurable milestones to be accomplished in order to achieve compliance for each program; ii. A senior agency official designated as accountable for the progress of the executive agency in coming into compliance for each program; iii. An accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading the efforts of the agency to come into compliance for each program	Closed
		2	In lieu of additional guidance from OMB pertaining to the departmental review of paymentaccuracy.gov information, OCFO and the subject agencies should review paymentaccuracy.gov, as information is publicly reported, to validate the information reported by USDA and its agencies. Any fatal flaws identified should be communicated timely to OMB and subject programs to remediate the incorrectly reported information.	Closed

Exhibit C: Sampling Methodology for USDA's FY 2022 Compliance with Improper Payment Requirements

Objectives

OIG designed the sampling methodology for our assessment of USDA's compliance with PIIA for FY 2022 to help determine whether USDA complied with improper payment requirements and evaluate whether USDA's reporting was accurate and complete. We used non-statistical sampling selections to test the adequacy and completeness of USDA's risk assessment of programs and activities subject to improper payments reporting.

We also designed the sampling methodology for our review of Phase 2 programs' sampling and estimation plans to support our audit objectives. We judgmentally selected one Phase 2 agency to review the associated sampling and estimation plan.

Audit Universe and Sample Design

Risk Assessment Selection and Sample

Of the 138 programs and activities deemed Phase 1 in USDA's inventory, we non-statistically but randomly selected 10 programs and activities risk assessed in FY 2022 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 PIIA; OMB Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement;" and OCFO's FY 2022 USDA PIIA risk assessment guidance.

Sampling and Estimation

Of the 14 Phase 2 programs reporting improper payment data in the FY 2022 AFR[25] and accompanying materials, we non-statistically but judgmentally selected one Phase 2 program for review, due to the program reporting the highest improper payment rate of the FY 2022 Phase 2 programs. We requested supporting documentation to determine whether the information included was suitable for developing a statistical sample.

[25] As noted earlier, 2 programs, FNS' SFSP and SNAP, did not actually report improper payment information for FY 2022, leaving 14 programs that reported improper payment information.

Agencies' Response to Audit Report

USDA United States Department of Agriculture

Farm Production and Conservation

Farm Service Agency

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

Date: **May 17, 2023**

TO: **Steven Rickrode**
Assistant Inspector General for Audit, Office of Inspector General (OIG)

FROM: **Zachary W. Ducheneaux**
Administrator

Zach Ducheneaux

THROUGH: **John J. Berge**
***Acting* Deputy Administrator for Farm Programs**

SUBJECT: **USDA's Compliance with Improper Payment Requirements for Fiscal Year 2022—OIG's Audit Report Number: 50024.0003.24**

This memorandum responds to the discussion draft report for audit number 50024-0003-24. Specifically, the Farm Service Agency (FSA) is responding to Recommendations 1 and 2 in the report, which are applicable to Farm Programs in FSA.

<u>RECOMMENDATION 1 for FSA:</u>

<u>Each Year of Non-Compliance</u>:

FSA should provide information for ARC/PLC, LFP, and ECP, describing the actions that the agency will take to come into compliance in the OMB Annual Data Call. This information will be published on paymentaccuracy.gov and serve as the plan that agencies are required to submit to the appropriate authorizing and appropriations committees of Congress, including:

i. Measurable milestones to be accomplished in order to achieve compliance for each program.
ii. The designation of a senior agency official who shall be accountable for the progress of the executive agency in coming into compliance for each program.
iii. The establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading the efforts of the agency to come into compliance for each program.

<u>AGENCY RESPONSE:</u>

In accordance with OMB guidance, FSA will submit the stated plans to the appropriate authorizing and appropriations committees of Congress, describing detailed actions the agency which will take to bring the following programs: Agriculture Risk Coverage and Price Loss

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Coverage (ARC/PLC), Livestock Forage Disaster Program (LFP) and Emergency Conservation Program. (ECP).

STATUS:

Each plan will include measurable milestones to be accomplished for each program. For example, the LFP noncompliance plan will identify the implementation of a new internal tracking automated system of county and state office application reviews. This tool will provide the ability for state executive directors and the national office program manager to provide more timely and better oversight of all program reviews. Furthermore, the plans will also include the employee performance accountability requirements and oversight. Additional funding may be necessary. For ECP, there will be additional efforts for the milestones that were identified in the 1st year non compliance plan.

Through the coordination with the Farm Production and Conservation (FPAC) Business Center mission area's Performance, Accountability, and Risk Division (PAR), FSA's information will be published on paymentaccuracy.gov.

FSA's estimated timeframe to complete this action is November 30, 2023.

RECOMMENDATION 2 for FSA:

Second Consecutive Year of Non-Compliance:

a. FSA should propose to the director of OMB in its next budget submission additional program integrity proposals for ECP that would help the program come into compliance. This process will unfold as part of the annual development of the President's budget. In the budget submission, the agency must describe how each proposal would help the program come into compliance.

b. If the director of OMB determines that additional funding would help the program become compliant, the agency shall obligate an amount of additional funding determined by the director of OMB to intensify compliance efforts. When providing additional funding for compliance efforts, the agency should:

    i. Exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the director of OMB; and,
    ii. Submit a request to Congress for additional reprogramming or transfer authority if additional funding is needed to meet the full level of funding determined by the director of OMB.

AGENCY RESPONSE:

Following the 1st year of noncompliance FSA received $1.8 million to fund a complete re-write of the ECP cost share software to incorporate the use of geographic information system (GIS)

Groenwoldt, Alison - FPAC-FSA, DC

mapping to identify areas of damage, automated calculations to validate total payment for a single event will not exceed 50 percent of the agricultural value of the land, incorporate payment

scenarios as a basis of payment rate, and establish a monitoring process to validate proper completion of CCC-770 before application approval and payment. In addition, the software will incorporate a monitoring process related to validation of county executive directors spot check review. To date, FSA has spent nearly $5 million in total on the project. FSA is seeking re-imbursement of $3.2 million to fully fund the automation project.

Justification for Budget Request:

FSA recognizes the need for improvements regarding a monitoring process during approval and payment process, applying appropriate installation costs to prevent ineligible costs and having efficient software functionality. This understanding further justifies the need for improved software, implementation of ECP policy change, along with on-going training that will keep the field engaged.

Agency Reviewing Official (s):

FSA will follow the normal budgetary processes within USDA and work with Office of Budget and Program Analysis, and Budget personnel to seek departmental approval for funds to assist in resolving the non-compliance issues related to Emergency Conservation Program.

Following the 2nd year of noncompliance FSA will:

1) Establish additional webinar/virtual training sessions at least quarterly to ensure all State Office staff, are aware of updated policy requirements and clarifications to all requirements.
2) Develop an Internal Control Matrix identifying potential threats and an Internal Controls Plan that identifies how the threats will be mitigated.
3) Implement the ECP programmatic review process into FSA's Internal Review Document and Tracking System (IRDTS) to ensure reviews are being completed timely and results are monitored and evaluated to ensure ECP policies are being followed. FSA's IRDTS is a centralized, automated internal control tracking system that allows management at all levels to complete and track program audits and reviews. FSA will be able to plan, sample records, conduct assessment reviews, and document the results over time to score and track errors found during the reviews. FSA will use this data to improve processes and policies, identify areas where additional employee training is needed and understand trends and systemic issues occurring at the state and county levels.

NOTE: Implementation of ECP into IRDTS is subjected to Agency budget availability and the priority of other program reviews that are scheduled to be implemented. All phases of the integration of ECP district director reviews into IRDTS are estimated to be completed by December 31, 2023.

Groenwoldt, Alison - FPAC-FSA, DC

United States
Department of
Agriculture

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

TO: Janet Sorensen
Assistant Inspector General for Audit
Office of Inspector General

FROM: Lynn Moaney
Deputy Chief Financial Officer

SUBJECT: Management Response to U.S. Department of Agriculture's
Fiscal Year 2022 Compliance with Improper Payment Requirements
Audit Number 50024-0003-24

This responds to your request for management's response to the audit recommendations in the Draft Audit Report No. 50024-0003-24. The management response is attached.

If you have any questions or need additional information, please contact Glennette Brown, Acting Associate Chief Financial Officer, Financial Policy and Planning at (202)893-2249 or have a member of your staff contact Marie Butler, Director, Fiscal Policy Division at (202) 690-0290.

Attachment

cc:
Sheila Hensley, Farm Production and Conservation
Amanda Musgrove, Food and Nutrition Service
Marie Butler, Fiscal Policy Division, Office of the Chief Financial Officer
Stacey Thompson, Office of the Chief Financial Officer
Sherri Johnson, MCAT, Office of the Chief Financial Officer

U.S. Department of Agriculture's Fiscal Year 2022 Compliance with Improper Payment Requirements, Audit Number 50024-0003-24

Recommendation 3 to OCFO

OCFO should review and ensure documentation used to support the accompanying materials is accurate and complete before publication to ensure changes are consistently applied.

Management Response: OCFO concurs with the recommendation and will complete the following actions:

- Review sections of the Agency Financial Report (AFR) prior to publication to ensure accuracy and completeness of improper payment data.
- Utilize tracking sheet when reviewing internal documentation to ensure consistency and accuracy throughout the review and reporting processes.

Date Corrective Action will be completed: December 30th, 2023

Responsible Organization: OCFO, Fiscal Policy Division

Recommendation 4 to OCFO

OCFO review and ensure Phase 1 programs timely complete required Risk Assessments.

Management Response: OCFO concurs with the recommendation and will complete the following actions:

- Enhance current Risk Assessment tracking tool to include a mechanism to track communication with Agency points of contact.

Date Corrective Action will be completed: December 30th, 2023

Responsible Organization: OCFO, Fiscal Policy Division

Recommendation 5 to OCFO

OCFO should work with responsible program officials to ensure PIIA compliance reporting status is consistent with the compliance status in the prior year OIG Compliance Report.

Management Response: OCFO concurs with the recommendation and will complete the following actions:

- OCFO will request access to sections of the Agency Financial Report (AFR) prior to publication to verify PIIA compliance reporting is consistent and accurate.

- OCFO will review Agency responses to compliance related questions in the Office and Management and Budget (OMB) Annual Data Call to ensure accuracy in reporting.

Date Corrective Action will be completed: December 30th, 2023

Responsible Organization: OCFO, Fiscal Policy Division

<u>Recommendation 6 to OCFO</u>

OCFO should ensure that all programs' reporting in the accompanying materials is in a manner that most clearly identifies and reports improper payments for their agency.

Management Response: OCFO concurs with the recommendation and will complete the following actions:

- OCFO will utilize the Office of Management and Budget (OMB) Naming Convention Data Call tool to verify the naming convention of Department of Agriculture programs and ensure any associated improper payment data accurately represents the program.

Date Corrective Action will be completed: December 30th, 2023

Responsible Organization: OCFO, Fiscal Policy Division

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