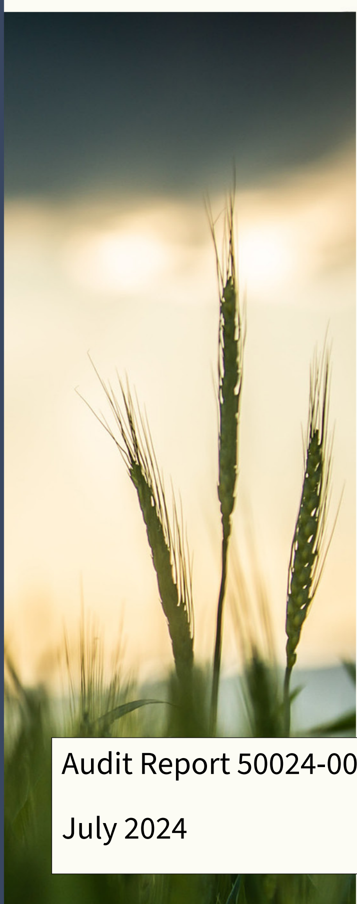
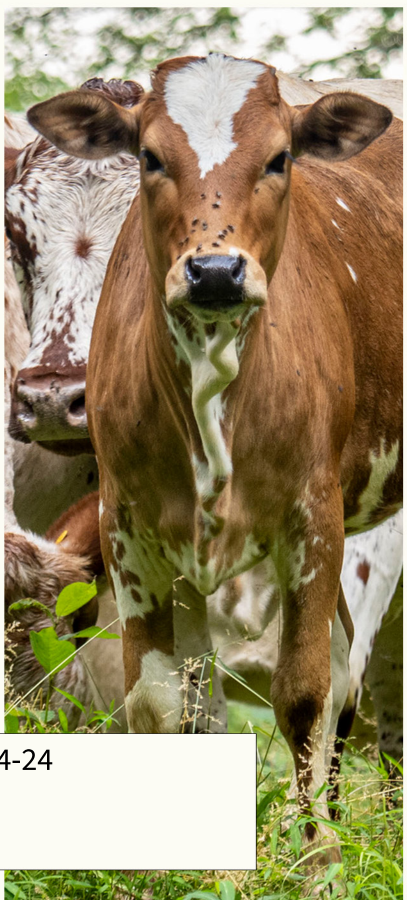
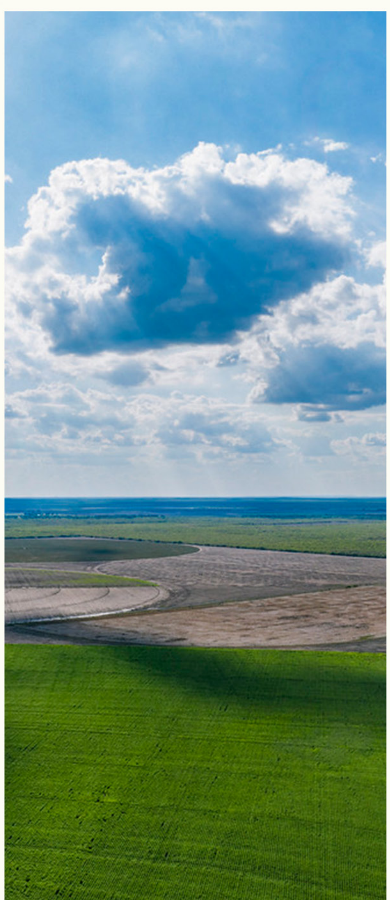
U.S. Department of Agriculture
Office of Inspector General

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023







Audit Report 50024-0004-24

July 2024

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023

Audit Report 50024-0004-24

OIG reviewed USDA's compliance with improper payment and high-dollar overpayment requirements for FY 2023.

OBJECTIVES

Our objective was to determine whether USDA complied with PIIA for FY 2023. We also determined whether USDA fulfilled its high-dollar overpayment reporting requirements, as required by OMB Memorandum 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 FSA provide information for Emergency Conservation Program – Disasters, Livestock Forage Disaster Program, and Noninsured Crop Disaster Assistance; and FNS provide information for Supplemental Nutrition Assistance Program, describing the actions that the agency will take to come into compliance in the OMB Annual Data Call. Additionally, FNS should ensure proper reporting and classification of its Child and Adult Care Food Program. Finally, OCFO and responsible program officials should conduct a further review to verify accuracy and completeness of improper payment information prior to publication.

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) 2023. Specifically, 4 of the 12 reporting Phase 2 programs did not fully comply with PIIA requirements. These programs either did not meet annual reduction targets or report gross improper payment rates of less than 10 percent, or both. Similarly, we found three of the four programs' corrective actions were not effective in reducing improper payments and these programs did not demonstrate improvements from the prior year.

We noted that 3 of the 12 Phase 2 programs exceeding the 10-percent compliance threshold also did not achieve their reduction targets set in FY 2022. One of those programs more than quadrupled its FY 2022 reduction target. Additionally, USDA reported gross improper payment rates of greater than 10 percent for four Phase 2 programs; notably, one program with an improper payment rate of 40 percent. We found that USDA published corrective action plans for the 11 of 12 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.

Furthermore, we found that USDA reported insufficient improper payment information for FY 2023. Specifically, USDA did not report improper payment information and reported inaccurate information related to programs moving between phases and their prior year compliance. Additionally, we identified instances where USDA's compliance with Office of Management and Budget (OMB) criteria for improper payment reporting was questionable. This occurred because the Department did not always identify inaccurate information or re-evaluate reported improper payment data before publication to ensure they were accurate and complete or did not ensure consistency of reporting in the accompanying materials. Without sufficient accurate information, USDA stakeholders are not able to make informed decisions using Agency Financial Report improper payment data.

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

The Farm Service Agency (FSA), the Food and Nutrition Service (FNS), and the Office of the Chief Financial Officer (OCFO) provided responses to our findings and recommendations, and we accepted management decision on three of the six recommendations.

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

DATE: July 12, 2024

AUDIT NUMBER: 50024-0004-24

TO:
Lynn Moaney
Deputy Chief Financial Officer
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
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Date: 2024.07.12 10:27:41 -05'00'

SUBJECT: USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023

This report presents the results of our audit of USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023. Your written responses to the draft report are included in their entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written responses, we are accepting management decision for Recommendations 2, 5, and 6, and no further response to this office is necessary from the Food and Nutrition Service and the Office of the Chief Financial Officer (OCFO).

However, we are unable to reach management decision for Recommendations 1, 3, and 4, addressed to the Farm Service Agency. The information needed to reach management decision is set forth in the OIG Position section following the recommendation. In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendation. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action needs to be taken within 1 year of management decision to prevent from being listed in the Department's annual Agency Financial Report.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of the date of each management decision. 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 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.

Table of Contents

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 applicable 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 Office of Management and Budget (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 (FY) in accordance with OMB guidance;
1b	posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website;
2a	conducted improper payment (IP) 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 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);

[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.

3	published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;
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; and, OMB Circular A-136, *Financial Reporting Requirements* (dated May 19, 2023), 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. For FY 2023, the accompanying material information was published on paymentaccuracy.gov on November 22, 2023, and USDA published its AFR on January 16, 2024; thus, the required reporting date for the USDA compliance report is July 15, 2024.

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 reporting in Phase 2 and 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 IPs plus an annual amount of UPs 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 2023 AFR and accompanying materials reported the United States Department of Agriculture (USDA) had net outlays totaling more than $228.8 billion delivered through 161 programs. USDA identified 13 of these programs, with more than $128.1 billion in outlays, as susceptible to significant improper payments in FY 2023 as depicted in Figure 1 below.[2]

[2] While the FY 2023 AFR and accompanying materials identify a total of 13 Phase 2 programs, only 12 of the 13 Phase 2 programs reported improper payment information. Food and Nutrition Service’s (FNS) Summer Food Service Program (SFSP) did not report improper payment rate information in FY 2023; however, the Department and the Agency consider the program to be in Phase 2 and susceptible to significant improper payments.

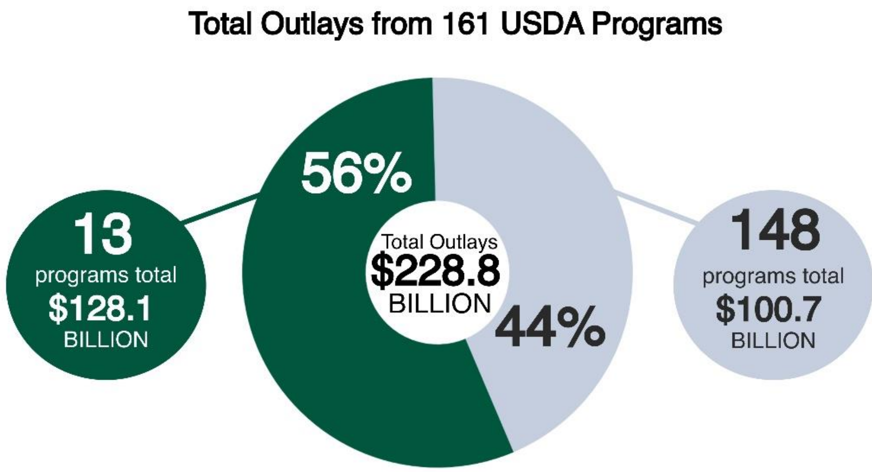

Figure 1: Total USDA Outlays from 161 USDA Programs. Figure by Office of the Inspector General (OIG).

USDA reported that, collectively, its 13 Phase 2 programs made more than $10.4 billion in improper payments— an 8.12 percent improper payment rate. This is an increase over the 2.21 percent IP rate reported for FY 2022.

USDA funds the 13 programs through 3 component agencies: Farm Service Agency (FSA),[3] FNS, and Risk Management Agency (RMA). Table 1 below shows the three component agencies and the programs funded through them that were identified as Phase 2. The percentage of improper payments by agency and program are depicted in Figure 2 below.

Agency	Phase 2 Programs
FSA	Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC)
	Coronavirus Food Assistance Program (CFAP)
	Livestock Forage Disaster Program (LFP)
	Noninsured Crop Disaster Assistance Program (NAP)
	Emergency Conservation Program (ECP) – Disasters
	Wildfires and Hurricanes Indemnity Program Plus (WHIP+)

[3] Although FY 2023 PIIA compliance reporting identifies ARC/PLC as a Commodity Credit Corporation program, due to FSA's administration of the program, OIG refers to it herein as an FSA program.

Agency	Phase 2 Programs
FNS	Child and Adult Care Food Program (CACFP) Family Day Care Homes (FDCH)[4]
	National School Lunch Program (NSLP)
	School Breakfast Program (SBP)
	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
	Summer Food Service Program (SFSP)
	Supplemental Nutrition Assistance Program (SNAP)
RMA	Federal Crop Insurance Corporation (FCIC)

Table 1. List of USDA Phase 2 Programs. Table by OIG.

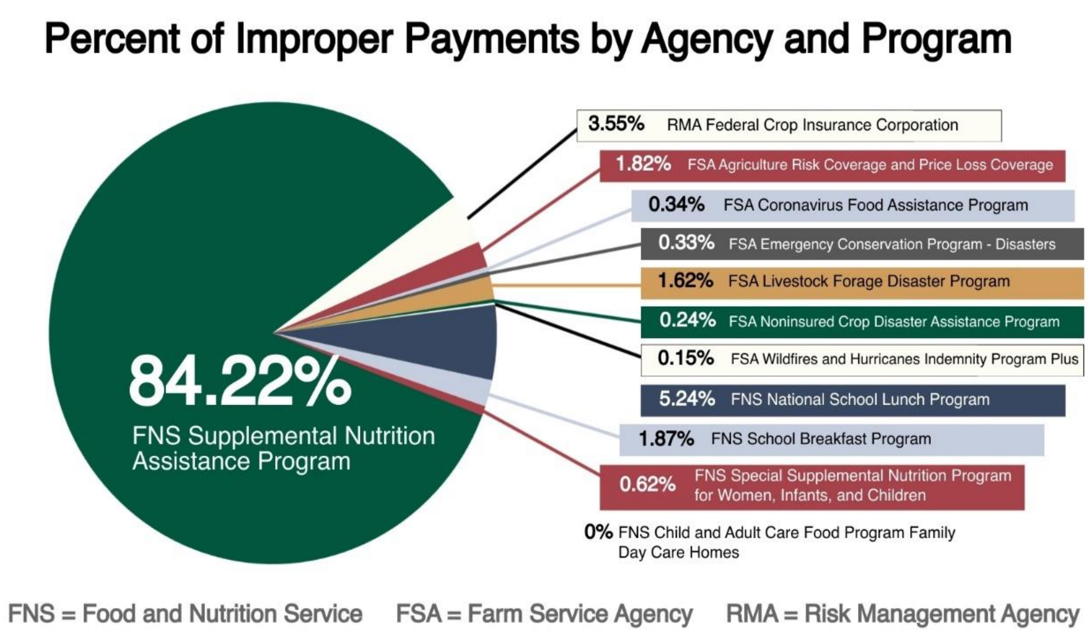

Figure 2: Percent of Improper Payments by Agency and Program.[5] Figure by OIG.

[4] FNS' CACFP-FDCH program is referred to as "FDCH-Tiering Decisions" on paymentaccuracy.gov and in the accompanying work papers. In this report, we refer to the program as CACFP-FDCH.
[5] As previously noted, while the FY 2023 AFR and accompanying materials identify a total of 13 Phase 2 programs, only 12 of the 13 Phase 2 programs reported improper payment information. FNS' SFSP did not report improper payment rate information in FY 2023; however, the Department and the Agency consider the program to be in Phase 2 and susceptible to significant improper payments.

Objectives

Our objective was to determine whether USDA complied with PIIA for FY 2023. 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 2023 by publishing quarterly Payment Integrity Scorecards for USDA's one high-priority program—RMA's FCIC.

Section 1: USDA's FY 2023 Compliance Determinations Under PIIA

Finding 1: USDA Did Not Comply with PIIA

We found USDA did not comply with four of the six improper payment requirements.[6] These programs either did not meet annual reduction targets, report gross improper payment rates of less than 10 percent, or both. Similarly, we found these programs' corrective actions were not effective in reducing improper payments, and these programs are not demonstrating improvements from the prior year.[7] This occurred because, although FSA and FNS have policies and procedures in place, personnel did not always follow them. Additionally, although the three FSA programs have tried to implement corrective actions, they have not yielded the desired results. As a result, USDA is not compliant with PIIA requirements, reducing 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.

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

Specifically, we found 4 of the 12 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:

- Four 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.
- Three FSA programs did not meet reduction targets in FY 2023. 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.

[6] The other non-compliance is: FNS' CACFP once again did not report improper payments for two of the three CACFP components. (See Finding 2).
[7] FNS' SNAP did not report an improper payment rate in FY 2022; therefore, no corrective actions were implemented for FY 2023.

Although the Department remains non-compliant in FY 2023, the Department and its agencies made some improvements, such as reducing the number of Phase 2 programs reporting improper payments from 14 in FY 2022 to 12 in FY 2023. Additionally, FNS' WIC met its FY 2023 reduction target rate, and showed a minor improvement over its FY 2022 error rate.[8] USDA should build on this progress to ensure it becomes compliant with improper payment requirements.

Table 2 below illustrates each of USDA's 12 reporting Phase 2 programs—susceptible to significant improper payments—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.

[8] OIG reported that USDA did not comply with four of the six PIIA requirements in our FY 2022 report (Audit Report 50024-0003-24).

Table 2. PIIA Compliance Reporting Table. Table by OIG.

USDA Agency	Program Name	Compliant Overall?	AFR and Accompanying Materials Published?	Risk Assessment Conducted?[9]	Improper Payment Estimate Published?	Corrective Action Plans Published? [10]	Reduction Targets Published/ Met?[11]	Improper Payment Rate <10% Reported?	Consecutive Years of Non-Compliance
FSA	ARC/PLC	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FSA	CFAP	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FSA	LFP	Non-Compliant	Yes	N/A	Yes	No	No	No	2
FSA	NAP	Non-Compliant	Yes	N/A	Yes	No	No	No	N/A
FSA	ECP - Disasters	Non-Compliant	Yes	N/A	Yes	No	No	No	3
FSA	WHIP+	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A
FNS	CACFP/ FDCH	Compliant	Yes	N/A	Yes	N/A	Yes	Yes	N/A
FNS	NSLP	Compliant	Yes	N/A	Yes	Yes	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
FNS	SNAP	Non-Compliant	Yes	N/A	Yes	Yes	N/A	No	N/A
RMA	FCIC	Compliant	Yes	N/A	Yes	Yes	Yes	Yes	N/A

[9] Programs with annual outlays above $10 million must conduct an IP risk assessment at least once every three years unless the program moves to Phase 2 and is reporting IPs plus UPs above the statutory threshold.

[10] 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.

[11] Failing to meet a reduction target does not equate to non-compliance; however, if this occurs, the program should revisit its methodology for establishing the IP and UP reduction target to ensure that the next reduction target is an appropriate balance of aggressive and realistic. Additionally, the program should revisit and if needed, revise its plan to meet the IP and UP reduction target as well. The plan to meet the IP and UP reduction target will likely be similar to, or even a subpart of, the corrective action plan; however, the plan to meet the IP and UP reduction target is specifically focused on the actions the program will take during the following year to meet the IP and UP reduction target it has established for the following FY.

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 2023 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?**

   Yes. USDA completed all risk assessments for all of its programs as required by OMB guidance.

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 12 programs and activities reporting improper payment information in FY 2023 that were identified as susceptible to significant improper payments (Phase 2) under its risk assessment (if required).[12]

4. **Did USDA publish effective 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 the programs exceeding the 10-percent compliance threshold (see question 6 below) also saw an increase in their improper payment rates above the reduction target set in FY 2022, with 1 of those 3 programs more than quadrupling their FY 2022 reduction target (see question 5 below). Although these programs have tried to implement corrective actions, they have not yielded the desired results.

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 3 of USDA's 12 reporting Phase 2 programs did not achieve their reduction targets. FSA's ECP-Disasters, LFP, and NAP exceeded those reduction targets by 30.41 percent, 4.66 percent, and 1.46 percent, respectively. FSA attributed most of the improper payments to county offices not following statutory and other program

[12] As noted earlier, FNS' SFSP, did not actually report improper payment information for FY 2023, leaving 12 programs that reported improper payment information.

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 four Phase 2 programs: FSA's ECP-Disasters, LFP, and NAP, and FNS' SNAP.

FSA Phase 2 Agency	FSA Phase 2 Programs	Estimated Improper Payment Rate (%)
FSA	ECP-Disasters	40.41
FSA	LFP	13.66
FSA	NAP	10.46
FNS	SNAP	11.55

Of the four programs that did not comply with PIIA, FSA's ECP-Disasters and LFP were also non-compliant with improper payment requirements in FY 2022. In accordance with OMB guidance, we are making three recommendations to FSA and FNS based on consecutive years of non-compliance.

Recommendation 1 to FSA

We recommend that for Each Year of Non-Compliance:

a. FSA should provide information for FSA ECP-Disasters, LFP, and NAP, 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
   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: Noninsured Crop

Disaster Assistance Program (NAP) Livestock Forage Disaster Program (LFP) and Emergency Conservation Program (ECP). The 2-year noncompliance plan for LFP, with measurable milestones to accomplish compliance, has been provided to Agency leadership. A 3-year noncompliance plan has been provided to Agency leadership describing reasons for ECP's noncompliance, identifying actions and seeking resources to bring ECP back into compliance, within a prescribed timeline. For both the NAP and LFP the estimated completion dates for this initiative are September 30, 2025.

OIG Position

We do not accept management decision on this recommendation. While OIG agrees that the actions identified in FSA's response will, in part, address the intent of the recommendation, we cannot accept management decision without additional information. FSA's response indicates it will bring NAP, LFP and ECP into compliance; however, the remainder of FSA's response does not provide enough information to accept management decision. Specifically, the response continues to cover the 2-year noncompliance plan for LFP and a 3-year noncompliance plan for ECP, ending with a statement that "[f]or both NAP and LFP the estimated completion dates for this initiative are September 30, 2025 […]". Absent from FSA's response, however, is a corresponding indication of FSA's estimated completion date for ECP. In order to reach management decision, FSA's response must provide completion dates for each of the programs identified in its response.

Recommendation 2 to FNS

<u>We recommend that for Each Year of Non-Compliance:</u>

b. FNS should provide information for FNS SNAP, 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
    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

FNS concurs with this recommendation. In the upcoming Office of Management and Budget (OMB) Annual Data call, FNS will provide a plan describing the actions the

Supplemental Nutrition Assistance Program (SNAP) will take to come into compliance with Payment Integrity Information Act (PIIA) requirements. Included in this plan will be information that addresses the three items detailed in OIG's recommendation.

OIG Position

We accept management decision on this recommendation.

Recommendation 3 to FSA

We recommend that for the 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 LFP 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 in the plan as it is related to Livestock Forage Disaster Program (LFP).

OIG Position

We do not accept management decision on this recommendation. While OIG agrees that the actions identified in FSA's response will address the intent of the recommendation, we cannot accept management decision without an estimated completion date of FSA's proposed actions.

Recommendation 4 to FSA

We recommend that for the Third Consecutive Year of Non-Compliance:

a. FSA should submit to the appropriate authorizing and appropriations committees of Congress, OMB, and the Comptroller General of the United States a report on ECP-Disasters that includes:
   i. Reauthorization proposals for each discretionary program that has not been in compliance for three consecutive years; and/or
   ii. Proposed statutory changes necessary to bring the program that has not been in compliance for three consecutive years into compliance.

   If the agency determines that the two actions above will not bring the program into compliance, then the report must provide:
   iii. A description of the actions that the agency is undertaking to bring the program into compliance; and
   iv. A timeline for when the program will achieve compliance based on the actions described.

Agency Response

ECP is not a discretionary program, therefore FSA will not be providing a reauthorization proposal, however, if separate discretionary programs are identified to not to be in compliance for three consecutive years, reauthorization proposals will be considered. Due to the unusual nature of ECP in that it does not occur in the same location year after year but rather dependent on the location of the disaster event, FSA would prefer additional time to evaluate whether recent automation updates and policy clarifications are successful before proposing statutory changes that will help bring ECP back into PIIA compliance. FSA will submit a report to the appropriate authorizing and appropriations committees of Congress, OMB, and the Comptroller General of the United States, describing reasons for ECP's PIIA noncompliance, actions to be taken to bring ECP back into compliance, and identify resources needed to achieve its goals to bring ECP into compliance within a prescribed timeline. Additionally, FSA's intent for this recommendation to be met includes, but is not limited to these items which will require additional funding: (1) continued training, (2) software enhancements, (3) policy developments such as, implementing the requirement of the use of a CCC-770 checklist for every application and not just the first five applications, and (4) improve payment functionality to potentially include regional payment scenarios. The estimated completion date for this initiative is September 30, 2025.

OIG Position

We do not accept management decision on this recommendation. While OIG agrees that the actions identified in FSA's response will, in part, address the intent of the recommendation, we cannot accept management decision without additional information.

FSA's estimated completion date for this recommendation—September 30, 2025—is more than 12 months. Coupled with the statement, "FSA would prefer additional time to evaluate […]", FSA's estimated completion date and response appears to indicate the proposed action(s) are contingent upon other actions (e.g., study results). If this is the case, OIG cannot accept management decision and could further indicate the need for the recommendation to remain open until a detailed time-phased corrective action plan has been formulated.

The potential need for a detailed time-phased corrective action plan is also supported by language in the latter portion of FSA's response. Specifically, FSA's verbiage starting with, "Additionally, FSA's intent for this recommendation to be met includes, but is not limited to these items which will require additional funding […]". FSA's response appears to indicate that FSA may be unable to proceed with implementation of its proposed actions due to the lack of resources and funding to carry out the actions. FSA's response and its plan to address the recommendation should be actionable—and include timelines, if necessary—such that a lack of funding will not preclude the agency from addressing the intent of this recommendation, as needed for management decision.

Section 2: Quality of USDA's Improper Payment Reporting

Finding 2: USDA's FY 2023 AFR and Accompanying Materials Reported Inaccuracies and Incomplete Information

We determined that USDA reported insufficient improper payment information for FY 2023. Specifically, USDA did not report some improper payment information and reported inaccurate information. Additionally, we identified instances where USDA's compliance with OMB criteria for improper payment reporting was questionable. This occurred because the Department did not always identify inaccurate information or reevaluate reported improper payment data before publication to ensure they were accurate and complete or did not ensure consistency of reporting in the accompanying materials. As a result, without sufficient accurate information, USDA stakeholders are not able to make informed decisions using AFR improper payment data.

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."[13] OMB M-21-19 states the agency is responsible for determining the applicability of requirements and executing/applying them accordingly.[14] [15]

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. Through our review, we identified inaccurate and missing information in the FY 2023 AFR and its accompanying materials.

Inaccurate and Missing Statements

We identified the following inaccurate statements in the FY 2023 AFR and accompanying materials:

- Forest Service Disaster Supplemental-Capital Improvement and Maintenance was inaccurately reported as moving from "Phase 2" (FY 2022) to "Phase 1" (FY 2023) on paymentaccuracy.gov.
- FNS' Pandemic Electronic Benefit Transfer program was not accurately reported as moving from "Phase 2" (FY 2022) to "Phase 1" (FY 2023).

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[13] GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).
[14] OMB, *Requirements for Payment Integrity Improvement*, Appendix C to OMB Circular A-123 (Mar. 5, 2021).
[15] OMB M-21-19 defines "agency" as a Department, agency, or instrumentality in the Executive Branch of the United States Government. USDA's Office of the Chief Financial Officer (OCFO) carries out this responsibility on behalf of the Department.

- OCFO and FSA did not identify a fatal flaw in the reporting of the FSA ECP-Disasters as compliant, despite the accompanying material indicating it was non-compliant.

OCFO and agency officials generally attributed these issues to not identifying a fatal flaw with the reporting of compliance. This occurred because OCFO had not identified these issues during their review process of the data prior to being published. FSA stated that the agency data call questions were completed by OCFO, and the Phase 2 questions were completed by the agency. Additionally, FSA explained that they were not aware of any discrepancies. Further, OCFO review guidance states, "[a]gencies will not submit their completed Data Call entries until they have been reviewed by the OCFO Senior Leadership."[16] However, OCFO had not identified nor reported the error to OMB.

USDA's Compliance with OMB Criteria

We identified instances where USDA's compliance with OMB criteria for improper payment reporting was questionable. Specifically, we found that:

FNS did not report Improper Payments or Unknown Payments for two of the three components of the CACFP program, Child Care Centers and Adult Day Care Facilities.[17] In FY 2022, FNS' outlays for CACFP were reported as $4.3 billion; however, FNS indicated that amount was incorrect and FNS should have reported only the FDCH outlays, totaling $581 million.[18] [19] In FY 2023 FNS CACFP once again did not report improper payments for two of the three CACFP components.[20] In accordance with OMB guidance, these two components must still be reported, potentially as unknown payments.[21]

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[16] USDA Program Response(s) to Fiscal Year 2023 Office of Management and Budget Annual Data Call, Aug. 2023.
[17] 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.
[18] This comprised more than 13 percent of the total CACFP outlays. The two remaining components, accounted for more than 86 percent of the total program outlays, and were not reported in FY 2022.
[19] The agency Sampling and Estimation Methodology Plan (S&EMP) indicates work is ongoing to expand improper payment measures to include child care centers and sponsors through an Erroneous Payments in CACFP Centers Study (EPICCS). The agency expects to release the EPICCS results in 2024.
[20] Additionally, CACFP FDCH sponsors are eligible for reimbursement rates based on their tiering status. For the CACFP FDCH component that was reported, program waivers under The Keep Kids Fed Act of 2022 (P.L. 117-158) had the effect of reducing CACFP's tiering error to zero for FY 2022 and for the first 9 months of FY 2023.
[21] OMB M-21-19 states, "If a program cannot discern whether a payment is proper or improper, the payment is considered an UP. If a program is still conducting research or going through the review of a payment at the time that the program must finish their sampling and report its results, the payment will be considered an UP for reporting purposes that year."

For FY 2023, 5 of the 12 reporting Phase 2 programs submitted the S&EMP checklist to OMB. The remaining seven Phase 2 programs were not compliant with OMB reporting guidance. The programs had not submitted the S&EMP checklist to OMB, as required.[22]

Furthermore, we identified instances of incomplete reporting and found that FSA and RMA did not submit seven required S&EMP checklists to OMB. FSA explained that it did not think the changes to its Sampling Plan were considered major changes and therefore did not need to submit updated S&EMP checklists. Moreover, RMA stated it missed providing the checklist because it thought the information was provided elsewhere.

Overall, these errors and omissions reduce the reliability of the payment integrity section of the AFR, preventing stakeholders from using the AFR to make informed decisions in relation to improper payments. Fatal flaws, such as major defects or deficiencies, should be communicated to OMB to ensure incorrect reporting is promptly remediated.

Recommendation 5 to FNS

We recommend FNS ensure proper reporting and classification of its CACFP. If FNS is unable to report improper payment information for all three components of the program, FNS should evaluate if some payments should be considered unknown payments.

Agency Response

FNS concurs with this recommendation. Actions have been and will continue to be taken to improve reporting and classification of the Child and Adult Care Food Program (CACFP). FNS will develop a written decision memo describing these actions. For any component of the CACFP where FNS is unable to report improper payment information, this decision memo will describe how the agency has evaluated and determined if the payments should be considered unknown payments.

OIG Position

We accept management decision on this recommendation.

Recommendation 6 to OCFO

We recommend OCFO and responsible program officials review supporting documentation to verify the accuracy and completeness of reported information prior to publication. Any fatal flaws identified should be communicated timely to OMB to remediate the incorrectly reported information.

[22] OMB M-21-19 states "when an agency has completed their S&EMP, it must submit the S&EMP and a completed S&EMP checklist in pdf format to OMB by uploading one package…to OMB Max Page."

Agency Response

OCFO concurs with the recommendation and will take the following corrective actions:

- Develop controls for program officials that are responsible for reviewing supporting documentation to verify the accuracy and completeness of reported information prior to publication.
- OCFO will schedule frequent meetings with the agencies during FY 2025 to identify programs upfront that are not in compliance with the PIIA requirements.

OIG Position

We accept management decision on this recommendation.

Scope and Methodology

Our audit focused on improper payment information reported in USDA's FY 2023 AFR and accompanying materials found on paymentaccuracy.gov, along with the supporting documentation for this payment integrity information. We commenced fieldwork in February 2024 and completed our fieldwork in June 2024. We discussed the results of our audit with management officials on June 27, 2024, and included their comments, as appropriate.

We interviewed OCFO officials and personnel at USDA component agencies, who were involved with the 13 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 2022, 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, 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 2023 OMB data call, which contained the Phase 2 programs' 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 2023 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 48 Phase 1 programs and activities reported on paymentaccuracy.gov that completed risk assessments in FY 2023, we selected a random sample of 5 programs and activities. 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 2023 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 2023 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 2023 improper payment rates for each Phase 2 program and compared that rate to FY 2022's proposed reduction target. We also determined whether applicable programs published reduction targets for FY 2024 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 2023 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-Disasters ....Emergency Conservation Program-Disasters
EPICCS ....Erroneous Payments in CACFP Centers Study
FCIC......................................Federal Crop Insurance Corporation
FDCH....................................Family Day Care Homes
FNS ....Food and Nutrition Service
FSA ....Farm Service Agency
FY ....fiscal year
GAO......................................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
PIIA.......................................Payment Integrity Information Act of 2019
RMA ....Risk Management Agency
S&EMP.................................Sampling and Estimation Methodology Plan
SBP ....School Breakfast Program
SFSP......................................Summer Food Service Program
SNAP ....Supplemental Nutrition Assistance 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 13 Phase 2 Programs

Exhibit A provides a list of USDA's 13 current Phase 2 programs or program categories reported in the FY 2023 AFR and accompanying materials.

USDA Agency	Phase 2 Program	FY 2023 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 guaranteed level. The PLC Program provides income support payments when the effective price for a covered commodity falls below its effective reference price.	8.60
	2. 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 coronavirus disease 2019 pandemic.	6.65
	3. 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.	13.66
	4. NAP provides financial assistance to producers of non-insurable crops when low yield, loss of inventory, or prevented planting occur due to natural disasters.	10.46
	5. ECP-Disasters 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.	40.41
	6. WHIP+ provides assistance to agricultural producers affected by natural disasters in 2018 and 2019.	8.33
FNS	7. CACFP – FDCH, provides nutritious meals and snacks to infants and children as a regular part of their day care.[23]	0.00
	8. NSLP assists States, through cash subsidies and reimbursements and food donations, in providing nutritionally balanced, low-cost, or no-cost lunches to children each school day.	2.38
	9. SBP is a federally assisted meal program operating in public and non-profit private schools and residential child care institutions, which is administer by State agencies. It	2.99

[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.

USDA Agency	Phase 2 Program	FY 2023 Improper Payment Rate (%)
	provides nutritionally balanced, free, or reduced price breakfasts to all eligible children. 10. WIC provides supplemental nutritious foods and other health services to low-income, eligible participating women, infants, and children up to the age of 5 years who are at nutritional risk.	1.79
	11. 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]
	12. SNAP provides nutrition assistance to eligible, low-income individuals and households via a monthly benefit on an Electronic Benefits Transfer card, which can be used at authorized retailer stores to purchase food.	11.55
RMA	13. FCIC provides innovative crop insurance products to America's farmers and ranchers to strengthen the economic stability of agricultural producers and rural communities.	2.64

[24] As noted earlier, 1 program, FNS' SFSP, did not actually report improper payment information for FY 2023, leaving 12 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 2022 Compliance with Improper Payment Requirements.

Report Number 50024-0003-24 Fiscal Year 2022		
Recommendation Number	**Recommendation**	**Status**
1	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. This information should include: 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 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.	Closed
2	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. 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.	Open

Report Number 50024-0003-24 Fiscal Year 2022		
Recommendation Number	**Recommendation**	**Status**
3	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.	Closed
4	OCFO should review and ensure Phase 1 programs timely complete required risk assessments.	Closed
5	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.	Closed
6	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.	Closed

Agencies'
Response to Audit Report

United States Department of Agriculture

Farm Production and Conservation

Farm Service Agency

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

DATE: **July 09, 2024**

TO: **Steve Rickrode**
Deputy Assistant Inspector General for Audit

FROM: **Steven Peterson**
Associate Administrator

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

SUBJECT: **Office of Inspector General (OIG) Audit 50024.0004.24 Draft Report for Recommendations, 1 3 and 4 for USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023**

The U.S. Department of Agriculture (USDA), Farm Service Agency (FSA) is requesting that responses for which the Farm Service Agency is responsible be accepted based on the support of the information provided in this memo.

RECOMMENDATION 1:

We recommend that for Each Year of the Non-Compliance: a. FSA should provide information for FSA ECP- Disasters, LFP and NAP, 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 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: Noninsured Crop Disaster Assistance Program (NAP) Livestock Forage Disaster Program (LFP) and

Emergency Conservation Program (ECP). The 2-year noncompliance plan for LFP, with measurable milestones to accomplish compliance, has been provided to Agency leadership. A 3-year noncompliance plan has been provided to Agency leadership describing reasons for ECP's noncompliance, identifying actions and seeking resources to bring ECP back into compliance, within a prescribed timeline. For both the NAP and LFP the estimated completion dates for this initiative are September 30, 2025.

RECOMMENDATION 3:

We recommend that for the 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 LFP 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 in the plan as it is related to Livestock Forage Disaster Program (LFP).

RECOMMENDATION 4:

We recommend that for the Third Consecutive Year of Non-Compliance: a. FSA should submit to the appropriate authorizing and appropriations committees of Congress, OMB, and the Comptroller General of the United States a report on ECP-Disasters that includes: i. Reauthorization proposals for each discretionary program that has not been in compliance for three consecutive years; and/or ii. Proposed statutory changes necessary to bring the program that has not been in compliance for three consecutive years into compliance. If the agency determines that the two actions above will not bring the program into compliance, then the report must provide: iii. A description of the actions that the agency is undertaking to bring the program into compliance; and iv. A timeline for when the program will achieve compliance based on the actions described.

Agency Response

ECP is not a discretionary program, therefore FSA will not be providing a reauthorization proposal, however, if separate discretionary programs are identified to not to be in compliance for three consecutive years, reauthorization proposals will be considered. Due to the unusual nature of ECP in that it does not occur in the same location year after year but rather dependent on the location of the disaster event, FSA would prefer additional time to evaluate whether recent automation updates and policy clarifications are successful before proposing statutory changes that will help bring ECP back into PIIA compliance. FSA will submit a report to the appropriate authorizing and appropriations committees of Congress, OMB, and the Comptroller General of the United States, describing reasons for ECP's PIIA noncompliance, actions to be taken to bring ECP back into compliance, and identify resources needed to achieve its goals to bring ECP into compliance within a prescribed timeline. Additionally, FSA's intent for this recommendation to be met includes, but is not limited to these items which will require additional funding: (1) continued training, (2) software enhancements, (3) policy developments such as, implementing the requirement of the use of a CCC-770 checklist for every application and not just the first five applications, and (4) improve payment functionality to potentially include regional payment scenarios. The estimated completion date for this initiative is September 30, 2025.

Date: July 2, 2024

To: Janet Sorensen
Assistant Inspector General for Audit

From: Cindy Long /s/
Administrator
Food and Nutrition Service

Subject: OIG Audit 50024-0004-24, USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023

This letter responds to the discussion draft report issued on June 27, 2024, for audit number 50024-0004-24, USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023. Specifically, the Food and Nutrition Service (FNS) is responding to the two recommendations made to the agency in the report.

OIG Recommendation 2

<u>We recommend that for Each Year of Non-Compliance:</u>

a. FNS should provide information for FNS SNAP, 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
   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.

FNS Response:

FNS concurs with this recommendation. In the upcoming Office of Management and Budget (OMB) Annual Data call, FNS will provide a plan describing the actions the Supplemental Nutrition Assistance Program (SNAP) will take to come into compliance with Payment Integrity Information Act (PIIA) requirements. Included in this plan will be information that addresses the three items detailed in OIG's recommendation.

Estimated Completion Date:

December 31, 2024

OIG Recommendation 5

We recommend FNS ensure proper reporting and classification of its CACFP. If FNS is unable to report improper payment information for all three components of the program, FNS should evaluate if some payments should be considered unknown payments.

FNS Response:

FNS concurs with this recommendation. Actions have been and will continue to be taken to improve reporting and classification of the Child and Adult Care Food Program (CACFP). FNS will develop a written decision memo describing these actions. For any component of the CACFP where FNS is unable to report improper payment information, this decision memo will describe how the agency has evaluated and determined if the payments should be considered unknown payments.

Estimated Completion Date:

December 31, 2024

United States
Department of
Agriculture

Office of Chief
Financial Officer

1400 Independence
Ave, SW
Washington, DC
20250

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

FROM: **Lynn Moaney** /s/
Deputy Chief Financial Officer

SUBJECT: USDA's Compliance with Improper Payment Requirements for Fiscal Year 2023, Audit Report No. 50024-0004-24

Attached is the Office of the Chief Financial Officer management's response to the June 27, 2024, discussion draft report on the subject audit. The Office of Inspector General's review and concurrence is requested on the planned corrective action to remediate Recommendation 5 in the report.

If you have any questions or need additional information, please contact Eric Still, Associate Chief Financial Officer, Financial Policy and Planning at (202)720-1221 or have a member of your staff contact Marie Butler, Director, Fiscal Policy Division at (202) 690-0290.

Attachment

cc: Marie Butler, Fiscal Policy Division, OCFO
Christopher Simmons, Internal Control Division, OCFO

U.S. Department of Agriculture's Compliance with Improper Payment Requirements for Fiscal Year 2023, Audit Number 50024-0004-24

<u>Recommendation 5</u>

Management's Response: OCFO concurs with the recommendation and will take the following corrective actions:

- Develop controls for program officials that are responsible for reviewing supporting documentation to verify the accuracy and completeness of reported information prior to publication.
- OCFO will schedule frequent meetings with the agencies during FY 2025 to identify programs upfront that are not in compliance with the PIIA requirements.

Date Corrective Action will be completed: June 30, 2025

Responsible Organization: OCFO, Fiscal Policy Division

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