



USDA's Fiscal Year 2017 Compliance with Improper Payment Requirements

Audit Report 50024-0013-11

OIG reviewed USDA's compliance with improper payment requirements and the Department's high-dollar overpayments reports for fiscal year 2017.

OBJECTIVE

To review USDA's fiscal year 2017 Agency Financial Report (AFR) and other information to determine if the agency was compliant with improper payment requirements, and to review quarterly high-dollar overpayments reports and assess the risk associated with applicable agency programs.

REVIEWED

We reviewed related information in the fiscal year 2017 AFR and supporting documentation and interviewed relevant agency officials. We also reviewed USDA's fiscal year 2017 quarterly reports on high-dollar overpayments and evaluated supporting documentation for the randomly selected, nonstatistical samples.

RECOMMENDS

USDA must take steps to ensure its mandated actions are completed to meet improper payment requirements. We also recommend that RMA submit a corrected fiscal year 2017 fourth quarter high-dollar overpayments report to the Office of the Chief Financial Officer, and that the Department publish RMA's corrected information in its next quarterly high-dollar overpayments report.

WHAT OIG FOUND

The Office of the Inspector General (OIG) found that the U.S. Department of Agriculture (USDA) did not comply with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended, for a seventh consecutive year. USDA reported mandatory improper payment information for 10 high-risk programs for fiscal year 2017. We found that 6 of the 10 high-risk programs did not comply with 1 or more of the following requirements: (1) publishing an improper payment estimate as required, (2) meeting annual reduction targets, or (3) publishing gross improper payment rates of less than 10 percent. This occurred because one program's sampling method was compromised during the error rate determination process, one program has not developed a sampling methodology program to report a complete improper payment estimate, and some programs' corrective actions have not yielded the desired results.

We also found that USDA maintained the quality of its high-dollar overpayments reports for fiscal year 2017. Specifically, we noted no overall declines in the accuracy, completeness, and timeliness of the Department's reporting. Though overall quality was sustained, we identified an instance of incomplete reporting in one of the Department's published quarterly high-dollar overpayments reports. Furthermore, in sample selections for the Risk Management Agency (RMA), we identified instances of inaccurate reporting. Although USDA maintained its overall reporting quality, we stress continued vigilance to prevent and eliminate errors.

The Department generally agreed with our findings and recommendations.



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



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AUDIT
NUMBER: 50024-0013-11

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SUBJECT: U.S. Department of Agriculture's Fiscal Year 2017 Compliance with Improper
Payment Requirements

This report presents the results of the subject audit. Your written responses, dated May 2, 2018, May 4, 2018, May 7, 2018, and May 8, 2018, are included in their entirety at the end of the report. Excerpts from your responses and the Office of Inspector General's position are incorporated in the relevant sections of the report. Based on your written responses, we are accepting management decision for all audit recommendations in the report, and no further response to this office is necessary.

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

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

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Background and Objectives

Background

The U.S. Department of Agriculture (USDA) delivers approximately \$143 billion in public services annually through more than 149 programs. The Department identified 10 of these programs (see Exhibit A) as susceptible to significant improper payments (high-risk) in fiscal year 2017. USDA reported that, collectively, its 10 high-risk programs made approximately \$3.33 billion in improper payments, a 9.93 percent improper payment rate.

USDA funds the 10 high-risk programs through four component agencies, including the Food and Nutrition Service (FNS), Natural Resources Conservation Service (NRCS), Risk Management Agency (RMA), and Farm Service Agency/Commodity Credit Corporation (FSA/CCC). CCC has no operating personnel. Its price support, storage, and reserve programs, and its domestic acquisition and disposal activities are carried out primarily through the personnel and facilities of FSA. FSA implements CCC-funded programs for income support, disaster assistance, conservation, and international food procurement.¹

Improper Payments Requirements

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

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

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

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

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

³ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014).

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

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

Compliance with IPERA

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

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

Under IPERA, an agency is not compliant if it does not meet one or more of these six requirements. Section 1 of this report discusses USDA’s fiscal year 2017 compliance determination under IPERA.

Compliance with IPERIA

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), which amended IPERA, requires that OMB identify high-risk programs that it deems “high-priority.”⁵ OMB set the threshold for high-priority determinations at \$750 million in reported improper payments in a fiscal year. OMB designated three USDA FNS programs to be high-priority in fiscal year 2017:

1. Supplemental Nutrition Assistance Program (SNAP),
2. National School Lunch Program (NSLP), and
3. School Breakfast Program (SBP).

For high-priority programs, the agency is required to report any action it has taken—or plans to take—to recover improper payments, and any action it intends to take to prevent future improper payments. Each fiscal year, Inspectors General are required to assess the level of risk associated with any high-priority program and the quality of the improper payment estimates and methodology; determine the extent of oversight warranted; and provide recommendations, if any, for modifying the agency’s methodology, promoting continued program access and participation, or maintaining adequate internal controls. Section 2 of this report discusses the evaluation of USDA’s high-priority programs as required by IPERIA.

⁵ IPERIA, Public Law 112-248 (Jan. 10, 2013).

Both IPERA and IPERIA authorize OMB to issue additional guidance for eliminating and reporting improper payments. OMB combined the Office of Inspector General's (OIG) annual compliance assessment under IPERA with OIG's evaluation of actions implemented for the high-priority programs under IPERIA.⁶ OMB guidance also states that Inspectors General may evaluate the accuracy and completeness of agency reporting and the agency's performance in reducing and recapturing improper payments as part of their annual compliance review. Section 3 of this report discusses USDA's performance in reducing and recapturing improper payments as well as the accuracy and completion of USDA's reporting.

High-Dollar Overpayments Reports Requirements

Executive Order 13520, "Reducing Improper Payments" (Executive Order), signed on November 20, 2009, assists Federal agencies in reducing and preventing improper payments through increased transparency and improved agency accountability.⁷ The Executive Order mandates that Federal agencies submit quarterly reports on any high-dollar improper overpayments identified in high-risk programs to their respective OIG and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and make this information available to the public.⁸ After reviewing each report, OIG shall assess the level of risk associated with the applicable program, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's plans.

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

- where the total payment to an individual exceeds \$25,000 as a single payment or in cumulative payments for the quarter; or
- where the total payment to an entity exceeds \$100,000 as a single payment or in cumulative payments for the quarter.⁹

For fiscal year 2017, USDA reported 56 high-dollar overpayments totaling over \$9 million. This count represents no change from the 56 overpayments reported for fiscal year 2016. Exhibit C lists the number and sum of high-dollar overpayments reported for fiscal years 2016 and 2017 by component agency and high-risk program.

⁶ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014).

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

⁸ A high-risk program is any program susceptible to significant improper payments based on the criteria outlined in OMB Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014).

⁹ After fiscal year 2014 ended, OMB issued Memorandum M-15-02 on Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014). This guidance modified OMB Circular A-123, Appendix C, Parts I and II (which were issued in April 2011, as OMB Memorandum M-11-16) and Part III (which was issued in March 2010, as OMB Memorandum M-10-13) and increased the reporting thresholds from \$5,000 to \$25,000 for individuals and from \$25,000 to \$100,000 for entities.

The Secretary of Agriculture has delegated responsibility for coordinating and submitting USDA's high-dollar overpayments reports to the Office of the Chief Financial Officer (OCFO). To assist OCFO in meeting reporting requirements, the four component agencies administering USDA's 10 high-risk programs must submit high-dollar overpayments data, in accordance with OMB guidance, for inclusion in the Department-level quarterly reports. Additionally, the Department publishes its quarterly high-dollar reports on OCFO's website, available to the public at <https://www.ocfo.usda.gov/qhdr.htm>. Section 4 of this report discusses the accuracy, completeness, and timeliness of the Department's high-dollar overpayments reports for fiscal year 2017.

Objectives

The objectives of our audit were to review USDA's fiscal year 2017 AFR and accompanying information to determine whether the agency is compliant with IPIA as amended by IPERA within 180 days of the AFR issuance. In addition, we evaluated USDA's accuracy and completeness of reporting, and performance in reducing and recapturing improper payments.

Further, for agencies that have high-priority programs, we evaluated the agencies' assessment of the level of risk associated with the high-priority programs and the quality of the improper payment estimates and methodology; determined the extent of oversight warranted; and provided the agency head with recommendations, if any, for modifying the agency's methodology, promoting continued program access and participation, or maintaining adequate internal controls.

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

Section 1: USDA’s Fiscal Year 2017 Compliance Determination Under IPERA

Finding 1: USDA Has Not Complied with IPERA for a Seventh Consecutive Year

We found that 6 of USDA’s 10 high-risk programs did not fully comply with 1 or more IPERA requirements. These programs did not publish an improper payment estimate, meet annual reduction targets, or publish gross improper payment rates of less than 10 percent. This occurred because one program’s sampling method was compromised during the error rate determination process, one program has not developed sampling methodologies to report a complete improper payment estimate, and other programs’ corrective actions have not yielded the desired results. As a result, USDA is not compliant with IPERA for a seventh consecutive year.

Table 1. Summary of USDA’s compliance with IPERA, as amended by IPERA, for fiscal year 2017.

Agency	Program	Fiscal Year 2017 Overall Compliance	Published an AFR	Conducted a Risk Assessment	Published Improper Payment Estimates	Published Corrective Action Plans	Published/Met Reduction Goals	Achieved an Improper Payment Rate of Less Than 10 Percent	Consecutive Years of Noncompliance
Food and Nutrition Service (FNS)	Supplemental Nutrition Assistance Program (SNAP)	Non-Compliant	Yes	Yes	No	Yes	Not Applicable	Not Applicable	3
	National School Lunch Program (NSLP)	Non-Compliant	Yes	Yes	Yes	Yes	No	No	7
	School Breakfast Program (SBP)	Non-Compliant	Yes	Yes	Yes	Yes	No	No	7
	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Non-Compliant	Yes	Yes	Yes	Yes	No	Yes	7
	Child and Adult Care Food Program (CACFP)	Non-Compliant	Yes	Yes	No	Yes	Not Applicable	Not Applicable	7
Farm Service Agency (FSA)/ Commodity Credit Corporation (CCC)	Loan Deficiency Payments (LDP)	Compliant	Yes	Yes	Yes	Not Applicable	Yes	Yes	0
	Livestock Forage Disaster Program (LFP)	Compliant	Yes	Yes	Yes	Yes	Yes	Yes	0

Agency	Program	Fiscal Year 2017 Overall Compliance	Published an AFR	Conducted a Risk Assessment	Published Improper Payment Estimates	Published Corrective Action Plans	Published/Met Reduction Goals	Achieved an Improper Payment Rate of Less Than 10 Percent	Consecutive Years of Noncompliance
Farm Service Agency (FSA)/ Commodity Credit Corporation (CCC)	Noninsured Crop Disaster Assistance Program (NAP)	Non-Compliant	Yes	Yes	Yes	Yes	No	Yes	1
Risk Management Agency (RMA)	Federal Crop Insurance Corporation Program Fund (FCIC)	Compliant	Yes	Yes	Yes	Yes	Yes	Yes	0
National Resources Conservation Service (NRCS)	Farm Security and Rural Investment Act Programs (FSRIP)	Compliant	Yes	Yes	Yes	Not Applicable	Yes	Yes	0

However, USDA officials provided evidence that the Department and its component agencies are making progress towards fully complying with IPERA.¹⁰ For example, eight programs identified as high-risk in fiscal year 2016 are not on the fiscal year 2017 list of high-risk programs due to low error rates. In addition, FSA’s LDP and LFP were not compliant in fiscal year 2016, but they are fully compliant with IPERA in fiscal year 2017. The Department also continued to self-assess its compliance with improper payment requirements and reported this in its AFR. Furthermore, we determined that USDA substantially complied with three of the six improper payment requirements by (1) publishing its fiscal year 2017 AFR and posting the report and any accompanying OMB required materials on the agency website, (2) conducting a program-specific risk assessment for each program or activity, and (3) publishing programmatic corrective action plans in the AFR.

The specific results for each IPERA requirement are as follows:

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

Yes. USDA published the fiscal year 2017 AFR, and subsequently the report and accompanying materials required by OMB were posted on the agency website at <https://www.ocfo.usda.gov/performance.htm>.

¹⁰ IPERA, Public Law 111-204 (July 22, 2010).

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

Yes. In accordance with OMB guidance, USDA completed a risk assessment for each of the low risk programs at least once during the last 3 years.¹¹ Programs that had significant increases in funding levels performed an assessment in either fiscal year 2016 or fiscal year 2017.

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

No. USDA did not publish an improper payment estimate for 2 of the 10 high-risk programs: FNS' Supplemental Nutrition Assistance Program (SNAP) and Child and Adult Care Food Program (CACFP).

FNS' Supplemental Nutrition Assistance Program (SNAP)

USDA did not publish an improper payment estimate for SNAP. In its AFR, USDA stated the reasons for not publishing as required:

The fiscal year 2016 State-reported data provided to FNS did not allow for the determination of State error rates. The State error rates are used to calculate the national payment error rate each fiscal year. Since USDA was unable to obtain validated State error rates, USDA decided not to report a SNAP payment error rate.

FNS has taken steps to ensure that States have a better understanding of the review process to ensure that error rates in future years can be validated. Section 2 of this report further discusses the methodology.

FNS' Child and Adult Care Food Program (CACFP)

The Department again reported only a partial improper payment estimate for FNS' CACFP. USDA stated in its AFR that "CACFP currently tests and reports on the Family Day Care Homes tiering decision component of the payment process." FNS continues to evaluate the measurement processes for the CACFP meal claim component,¹² but has not set a date for measurement and reporting.

CACFP currently does not have a methodology in place for producing yearly estimates of improper payment rates. FNS awarded a contract in September 2014 to conduct a new CACFP study to look at alternative methodologies for developing a reliable measurement

¹¹ Per OMB Circular A-123, Appendix C, the method of reviewing programs could be a quantitative evaluation based on a statistical sample or a qualitative method such as a questionnaire.

¹² The tiering decisions component relates to validating reimbursable rate determinations for FNS CACFP providers. The meal claims component relates to verifying the meal counts of the CACFP participants.

for the meal claims component. This new study is expected to be completed by September 30, 2020. This is the seventh consecutive year CACFP was not compliant with improper payment requirements.

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

Yes. USDA published corrective action plans in its AFR, which describe actions taken and planned for each program that met the statutory threshold requirements of a high-risk program in accordance with OMB Circular A-136, *Financial Reporting Requirements*.

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

No. We found that 4 of USDA's 10 high-risk programs did not achieve their reduction target by an average of 1.62 percent, ranging from 0.87 percent to 3.29 percent.

FNS' National School Lunch Program (NSLP) and School Breakfast Program (SBP)

FNS did not achieve reduction targets for NSLP and SBP by 0.87 percent and 1.29 percent, respectively. FNS attributed improper payments to program design or structural issue, and administrative or process errors.¹³ To reduce improper payments, FNS stated in its corrective action plan that it would:

- Update school meal applications with evidence-based features;
- Continue a trial to reduce household nonresponse rates in the verification process;
- Continue expansion of the Community Eligibility Provision to reduce application-based error;
- Update guidance;
- Conduct training and provide technical assistance for State and local officials;
- Conduct a national collection of information at the School Food Authority and site levels on the Administrative Review form for analysis; and
- Conduct a data study to establish best practices in the collection, reporting, and monitoring of program data at State and local levels.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

FNS did not achieve its reduction target for WIC by 1.01 percent. WIC's improper payments were attributed to administrative or process errors. FNS' two most recently completed target area management evaluation cycles covered areas where improper payments are most likely to occur: Vendor Management, and Certification and Eligibility. After completing a target area cycle, FNS assesses the results and works to

¹³ Improper payments attributed to "program design or structural issue" are the estimated value of applicant errors on school meal applications. Applicants for free or reduced-price school meal benefits do not provide supporting documentation at the time of application. Improper payments attributed to "administrative or process errors made by State or local agency" include the estimated value of administrative errors in the application process and in the process of counting and claiming eligible meals for Federal reimbursement.

resolve all issues through corrective actions, technical assistance, and the sharing of best practices. As a follow-up to the Vendor Management evaluations, FNS provided targeted, risk-based technical assistance to several State agencies; provided numerous trainings on key topics; developed several tools for State agency use; and released a comprehensive Vendor Management Handbook in fiscal year 2017. As a follow-up to the Certification and Eligibility management evaluations, FNS provided several webinars on key topics; released two policy memoranda to provide clarification to State agencies; and plans to release and train State agencies on a Certification and Eligibility Handbook in fiscal year 2018.

FSA's Noninsured Crop Disaster Assistance Program (NAP)

FSA did not achieve its reduction target for NAP by 3.29 percent. FSA attributed these improper payments to administrative or process errors, and insufficient documentation to determine eligibility. To reduce NAP improper payments, FSA stated that full automation has been developed and tested and is soon to be released. FSA also issued a notice emphasizing the responsibility of the County Office to maintain signatures and dates. Further, flags in automation will warn users when required documentation is missing.

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 2 of the 10 high-risk programs: FNS' NSLP and SBP.

FNS' National School Lunch Program (NSLP) and School Breakfast Program (SBP)

FNS' NSLP and SBP reported estimated improper payment rates of 15.30 percent and 22.75 percent, respectively. For fiscal year 2017 reporting, FNS used an OMB-approved method of determining the improper payment rate. FNS contracted a study, named Access, Participation, Eligibility, and Certification-II, using the 2012-2013 school year as a base year. The study produced an estimated improper payment rate based on the study's methodology. FNS annually updates (ages) the rate using the base year and applying additional statistical techniques to arrive at an updated estimated improper payment rate for ensuing years. For both NSLP and SBP, FNS attributed improper payments primarily to administrative or process errors. FNS believes that supplemental measures for NSLP and SBP (including increased use of direct certification of students)¹⁴ will reduce improper payment rates by reducing the errors made during the application processing.

For programs that are noncompliant with IPERA for 1 to 3 consecutive fiscal years, OMB guidance requires agencies to complete additional actions. These actions include submission of a

¹⁴ Students currently participating in other entitlement programs such as SNAP and Temporary Assistance for Needy Families can be considered eligible for NSLP and SBP.

plan to OMB and select congressional committees to describe actions the agency will take to become compliant (if 1 year noncompliant), submission of a request to Congress for additional reprogramming or transfer authority (if 2 consecutive years noncompliant), and submission of proposed statutory changes to Congress (if 3 consecutive years noncompliant). FNS' SNAP and FSA's NAP fall into one of these categories and we are making recommendations 1 and 2 accordingly. FNS' NSLP, SBP, WIC, and CACFP have not been compliant for 7 consecutive years; however, we are not making any additional recommendations for these programs as the actions on the associated recommendation from the prior year are still open (see Exhibit B).

Recommendation 1 to FNS

In accordance with OMB guidance, within 30 days of the determination of noncompliance, FNS should submit to Congress proposed statutory changes to bring SNAP into compliance.

Agency Response

In its response dated May 7, 2018, FNS stated that within 30 days it will submit a letter to Congress detailing actions it will take to address SNAP's noncompliance with IPERA. FNS estimates that this action will be complete by June 4, 2018.

OIG Position

We accept management decision for this recommendation.

Recommendation 2 to FSA

In accordance with OMB guidance, within 90 days of the determination of noncompliance, FSA should submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB, describing the actions that the agency will take to make NAP compliant.

Agency Response

In its response dated May 2, 2018, FSA stated that it will submit a plan describing the action that the agency will take to make NAP compliant by August 2, 2018.

OIG Position

We accept management decision for this recommendation.

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

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

IPERIA required OMB to annually identify high-risk programs that require greater levels of oversight and review—these are considered high-priority programs. High-priority programs are defined as programs that have more than \$750 million in improper payments reported in the AFR.¹⁵ Each agency with programs identified as high-priority is required to annually report to its Inspector General and make the agency's plans to address the problem available to the public. These plans should describe any action the agency has taken, or plans to take, to recover improper payments and any action the agency intends to take to prevent future improper payments, including tailoring corrective actions specifically to the high-priority programs. Furthermore, OMB guidance requires that agencies with high-priority programs establish annual or semiannual supplemental measures for reducing improper payments and submit these plans to OMB's improper payment website (paymentaccuracy.gov). Inspectors General are required annually to evaluate the quality of agencies' improper payment estimates and methodology, determine the extent of oversight warranted, and provide agency heads with recommendations, if any, for modifying methodologies or maintaining adequate internal controls.

USDA reported three FNS programs designated by OMB as high-priority in its fiscal year 2017 AFR: NSLP, SBP, and SNAP. With the exception of SNAP, we determined that FNS officials' assessment of the risk level associated with their high-priority programs was reasonable, and the agency developed corrective action plans and supplemental measures commensurate with OMB requirements. Also, FNS reported actions taken to recover and prevent future improper payments. Additionally, we determined that FNS has improper payment estimation methodologies that produce a reasonable and valid estimate for its program in accordance with OMB guidance.

FNS did not publish a SNAP improper payment rate for the fiscal year 2017 AFR. An OIG report published in September 2015 identified that the application of the methodology for estimating FNS' SNAP error rate needed improvement.¹⁶ In that report, OIG indicated that some States' procedures for measuring error rates are not fully consistent with federal requirements. For example, OIG found that States weakened the quality control process by using third-party consultants and error review committees. OIG also determined that quality control staff treated error cases nonuniformly.

FNS confirmed this issue during a simultaneous review of the quality control processes for all States that began shortly after the commencement of the OIG audit in September 2014. Both FNS and OIG concurred that the SNAP two-tier quality control process is vulnerable to State abuse due to conflicting interests between (1) accurately reporting true error rates and incurring

¹⁵ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014).

¹⁶ Audit 27601-0002-41, *FNS Quality Control Process for SNAP Error Rate* (September 2015).

penalties, or (2) mitigating errors and receiving a bonus for exceeding standards. Thus, FNS determined it could not support a national improper payment rate for the fiscal year 2017 AFR.

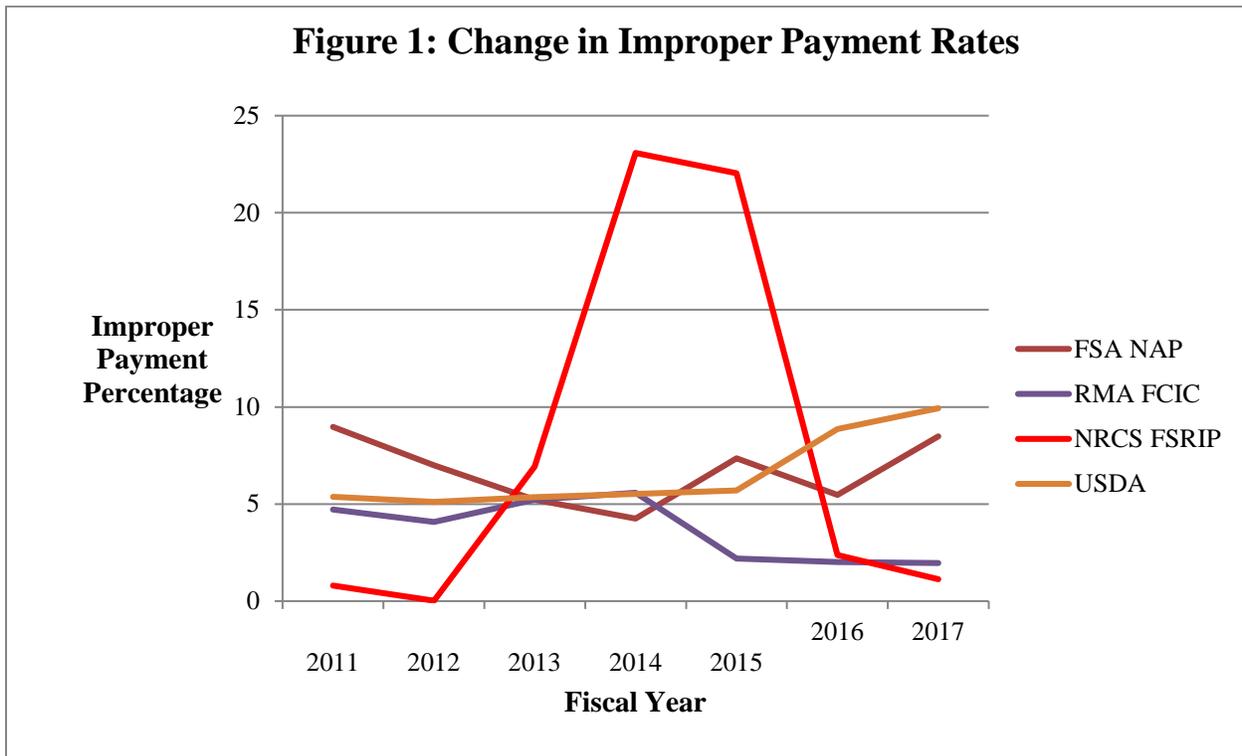
FNS has worked with and is continuing to re-educate States on the importance of complying with the quality control process FNS has developed. FNS has discussed sampling methodologies for the fiscal year 2018 AFR with OMB. OMB is satisfied with FNS' plan to use the historical two-tier methodology in fiscal year 2018.

We do not make any formal recommendations in this report regarding the methodologies used. FNS has provided OMB updates to its sampling methodology for the upcoming AFR.

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

Reducing Improper Payments

USDA's efforts to reduce improper payments have produced both favorable and unfavorable results since fiscal year 2011. Improper payment rates have generally trended downward for RMA's FCIC and FSA's NAP. FNS did not report an improper payment rate for SNAP in fiscal year 2017 (as discussed in Finding 1); therefore, FNS is not represented in the figure below.



USDA's overall improper payment rate has trended upward slightly since fiscal year 2011, though that is largely attributed to a spike in NRCS' FSRIP rate, as well as changing outlays. Figure 1 shows the trends for these programs from fiscal year 2011 through fiscal year 2017. We included only those programs that have been reporting improper payment rates for each of the 7 fiscal years as well as USDA's overall improper payment rate as reported in the AFRs. To see the actual improper payment rates for fiscal year 2017, see Exhibit A.

Recapturing Improper Payments¹⁷

In fiscal year 2017, USDA reported that it recaptured approximately \$0.28 million in improper payments from recovery audit contractors; this represents a decrease from its fiscal year 2016

¹⁷ A recapture activity is any activity by an agency to attempt to identify and recover overpayments identified by a payment recapture audit or a post-award audit.

reporting of \$0.43 million. Also, USDA reported \$614.55 million in outside payment recapture audits, a decrease from its reporting of \$1 billion in fiscal year 2016. OMB guidance encourages agencies to use limited-scope pilot payment recapture audits in areas deemed highest risk to assess the likelihood of cost effective payment recapture audits on a larger scale. USDA reported in its fiscal year 2017 AFR that it is required to conduct payment recapture auditing on all programs with over \$1 million in annual expenditures, or provide justification that a payment recapture audit program would not be cost effective. To determine which programs meet the \$1 million payment recapture auditing requirement, USDA used fiscal year 2016 actual outlay information.

Accuracy and Completeness of Reporting

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

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

Section 4: Compliance with High-Dollar Overpayments Reporting Requirements

Finding 2: USDA Maintained the Overall Quality of Its High-Dollar Overpayments Reports

In this eighth year of reporting, USDA maintained the quality of its high-dollar overpayments reports. Specifically, we noted no overall declines in the accuracy, completeness, and timeliness of the Department's reporting. Additionally, the number of component agencies with reporting errors decreased from two last year to one this year.¹⁸ Furthermore, the Department improved the timeliness of its reporting to OIG; one quarterly report was delayed last year compared to none this year.

However, we identified an instance of incomplete reporting in one of the Department's published quarterly high-dollar overpayments reports. Furthermore, in the sample selections for RMA, we identified instances of inaccurate reporting. Although USDA maintained its overall reporting quality, we stress continued vigilance to prevent and eliminate errors.

OMB guidance for implementing the Executive Order requires that quarterly high-dollar overpayments reports:

- describe the high-dollar overpayments made by the agency,
- describe overall agency actions and strategies to recover and prevent overpayments,¹⁹ and
- be submitted to OIG within 30 days after the end of each fiscal quarter.²⁰

In addition, OCFO internal guidance to further assist USDA component agencies with implementing OMB guidance requires a certification from each component agency's chief financial officer as to the accuracy of the reports.²¹

Incomplete Quarterly Reporting

The Department's published, fiscal year 2017 first quarter high-dollar overpayments report did not include a description of the actions taken or planned to recover one RMA overpayment. RMA submitted its report to the Department with this data field completed. RMA's report stated, "Corrections were made in the RMA crop insurance database and monies were collected from the Approved Insurance Provider." According

¹⁸ FSA and CCC had reporting errors for fiscal year 2016 and only RMA had errors for fiscal year 2017.

¹⁹ OMB Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014).

²⁰ CIGIE Activities Related to Executive Order 13520 on Reducing Improper Payments (June 17, 2010). This memorandum provided summaries of communications of interest to the Inspector General community with regard to the Council's work with OMB on the implementation of the Executive Order.

²¹ OCFO *Quarterly High-Dollar Overpayments Report Guidance* Version 4.0 (January 2016).

to a Department official, this was an error of omission, not caught by its review process. As a result, the Department provided incomplete information to the public about RMA’s recovery of the overpayment.

Inaccuracies in the Sample Selections for RMA

We found instances where RMA miscalculated the reported amounts for six of the nine overpayments reviewed. High-dollar overpayment reports provide three amounts for each high-dollar overpayment: total dollar amount paid, intended dollar amount, and overpayment dollar amount. For five of the nine RMA overpayments reviewed, all three amounts were incorrect. For one of the nine overpayments reviewed, we found two amounts were incorrect: the total dollar amount paid and the overpayment dollar amount. For the fourth quarter of fiscal year 2017, these six reported overpayments were understated by \$132,329, or 5.5 percent. As a result, USDA provided inaccurate information to the public in the fiscal year 2017 fourth quarter high-dollar overpayments report.

RMA Sample Results				
Samples	Reported Overpayments (a)	OIG Recomputed Overpayments (b)	Difference (c = a – b)	Percent (c/a)
Sample 4R	\$51,672	\$68,291	(\$16,619)	(32.2)
Sample 5	\$110,408	\$126,364	(\$15,956)	(14.5)
Sample 6	\$105,948	\$120,699	(\$14,751)	(13.9)
Sample 7R	\$70,494	\$86,048	(\$15,554)	(22.1)
Sample 8	\$168,353	\$175,813	(\$7,460)	(4.4)
Sample 9	\$1,916,630	\$1,978,619	(\$61,989)	(3.2)
Totals	\$2,423,505	\$2,555,834	(\$132,329)	(5.5)

RMA attributed these miscalculated amounts to the way that the fourth quarter report was manually pulled from the Compliance Activities and Results System (CARS). RMA stated that it uses a manual process to pull all reports from CARS. In the fourth quarter, the naming conventions were different from previous reports. Due to the change in the naming conventions, the wrong columns were used in the formula for calculating the overpayments. This change affected RMA’s entire fourth quarter high-dollar overpayments report. RMA staff stated that it did not realize changes had occurred until OIG brought it to RMA’s attention.

In response, RMA took the following corrective actions:

RMA recomputed the fourth quarter overpayments. Its re-computation was independently reviewed by the CARS data analyst and two supervisors. RMA’s re-computation showed that the 25 originally reported fourth quarter overpayments were understated. RMA’s re-computation also identified three previously unreported

overpayments that now qualified for reporting in the amounts of \$141,073, \$346,151, and \$229,961, thus increasing the number of overpayments from 25 to 28 overpayments. This caused the original fourth quarter report to be understated by a net \$1,825,581.²² An RMA official stated that the agency will submit its re-computation, including the three previously unreported overpayments to OCFO by May 30, 2018, for republication on OCFO's public website.

RMA staff stated that it will verify the formulas and calculations before finalizing the report in the future. RMA also revised its policy to require second party review.

Regarding the Department's omission, we considered this reporting error to be inadvertent and overall infrequent. However, we are recommending that OCFO publish the omitted information in its next quarterly high-dollar overpayments report as a correction to one of its previously published reports. Regarding RMA's erroneous report, we are recommending that the agency submit a corrected fiscal year 2017 fourth quarter high-dollar overpayments report to OCFO, to be included in the Department's next quarterly high-dollar overpayments report publication.

Additionally, we stress continued vigilance for accurate, complete, and timely reporting. This ensures the Department and OMB will continuously have the information necessary to appropriately measure the effectiveness of USDA component agencies' actions or strategies to reduce or eliminate the errors causing high-dollar overpayments.

Recommendation 3 to RMA

Provide the recomputed fiscal year 2017 fourth quarter high-dollar overpayments to OCFO for republication.

Agency Response

In its response dated May 8, 2018, RMA stated that it will provide the recomputed fiscal year 2017 fourth quarter high-dollar overpayments to OCFO for republication by May 30, 2018.

OIG Position

We accept management decision for this recommendation.

Recommendation 4 to OCFO

In the next quarterly high-dollar overpayments report publication, include as corrections to previously published reports, the RMA actions omitted from the fiscal year 2017 first quarter report and RMA's corrected amounts for the fiscal year 2017 fourth quarter report.

²² RMA's original fourth quarter high-dollar report totals \$6,652,132 for 25 overpayments. RMA's re-computation totals \$8,477,713 for 28 overpayments. Thus, the original report was understated by a net \$1,825,581 (\$6,652,132 – \$8,477,713).

Agency Response

In its response dated May 4, 2018, OCFO stated that it will complete the following actions by July 30, 2018:

- Republish the fiscal year 2017 first quarter high-dollar overpayments report to include the RMA action that was omitted from the report.
- Republish the fiscal year 2017 fourth quarter high-dollar overpayments report to include RMA's corrected amounts and subsequent revision to the USDA total.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

Our audit focused on improper payments information reported in USDA’s fiscal year 2017 AFR and additional supporting documentation. This audit also included a limited review of the 2017 quarterly high-dollar overpayments reports as described in the objectives, but would not necessarily identify all deficiencies in internal controls for determining high-dollar overpayments. We performed our review at OCFO Headquarters in Washington, D.C. We commenced fieldwork in January 2018 and completed our fieldwork in April 2018.

We interviewed OCFO officials and personnel at USDA component agencies who were involved with the 10 programs identified as susceptible to significant improper payments. We obtained and reviewed all applicable laws, rules, and regulations pertaining to improper payments as well as OCFO’s guidance, policies, and procedures. We also reviewed each program’s plans that described how sampling was performed, how estimates were calculated and completed, and the proposed corrective actions to reduce improper payments in the future. In addition, we reviewed USDA’s fiscal year 2017 quarterly reports on high-dollar overpayments, selected random, nonstatistical samples of overpayments, and evaluated the supporting documentation provided by the component agencies for the overpayments selected.

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

1. Published an AFR for the Most Recent Fiscal Year and Posted that Report on the Agency Website

We obtained and reviewed the fiscal year 2017 AFR. We also confirmed that the AFR was posted on USDA’s website.

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

Of the 139 low-risk programs and activities listed in USDA’s fiscal year 2017 inventory, we selected a nonstatistical, random sample of 10 programs and activities. The 10 selected programs used various types of assessments, from one-page certifications to full-scale risk assessments, including testing of transactions. We reviewed these assessments to determine if they were performed in accordance with IPERA, OMB Circular A-123, Appendix C *Requirements for Effective Estimation and Remediation of Improper Payments*, and OCFO’s USDA fiscal year 2017 Risk Assessment Guidance.

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

We reviewed the payment integrity outlook Table 13 in *Section III, Other Information* of the fiscal year 2017 AFR to identify which high-risk programs did not report an improper payment estimate (identified as “NA”).

4. Published Programmatic Corrective Action Plans in the AFR

We reviewed the fiscal year 2017 AFR to determine if USDA reported corrective action plans in compliance with OMB guidance. We also reviewed each high-risk program's corrective action plan submitted to OCFO to verify that the information in the AFR was accurate and supported.

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

We reviewed the payment integrity outlook Table 13 in *Section III, Other Information* of the fiscal year 2017 AFR and compared each program's reduction target to the targets listed in the payment integrity outlook Table 13 in *Section III, Other Information* of the fiscal year 2016 AFR.

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

We reviewed the payment integrity outlook Table 13 in *Section III, Other Information* of the fiscal year 2017 AFR to identify which programs did not report estimates of less than 10 percent.

7. Reported Information on High-Priority Programs

We reviewed the fiscal year 2017 AFR and supporting documentation, and our statistician reviewed the statistical methodologies. We made inquiries to agency officials when warranted.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Abbreviations

AFR.....	Agency Financial Report
CACFP.....	Child and Adult Care Food Program
CARS.....	Compliance Activities and Results System
CCC.....	Commodity Credit Corporation
CIGIE.....	Council of the Inspectors General on Integrity and Efficiency
Executive Order	Executive Order 13520 of November 20, 2009, Reducing Improper Payments
FCIC.....	Federal Crop Insurance Corporation Program Fund
FNS.....	Food and Nutrition Service
FSA.....	Farm Service Agency
FSRIP.....	Farm Security and Rural Investment Act Programs
GAO.....	Government Accountability Office
IPERA.....	Improper Payments Elimination and Recovery Act of 2010
IPERIA.....	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA.....	Improper Payments Information Act of 2002
LDP.....	Loan Deficiency Payment Program
LFP.....	Livestock Forage Disaster Program
NAP.....	Noninsured Crop Disaster Assistance Program
NRCS.....	Natural Resources Conservation Service
NSLP.....	National School Lunch Program
OCFO.....	Office of the Chief Financial Officer
OIG.....	Office of Inspector General
OMB.....	Office of Management and Budget
RMA.....	Risk Management Agency
SBP.....	School Breakfast Program
SNAP.....	Supplemental Nutrition Assistance Program
USDA.....	U.S. Department of Agriculture
WIC.....	Special Supplemental Nutrition Program for Women, Infants, and Children

Exhibit A: USDA's 10 High-Risk Programs

Exhibit A provides a list of USDA's 10 current high-risk programs or program categories reported in the fiscal year 2017 AFR.

High-Risk Program	Fiscal Year 2017 Improper Payment Rate	USDA Component Agency
1. Supplemental Nutrition Assistance Program (SNAP) SNAP provides low-income households benefits to purchase food from approved retailers.	NA*	Food and Nutrition Service
2. National School Lunch Program (NSLP) NSLP assists States, through cash grants and food donations, in providing a nutritious nonprofit lunch service for schoolchildren.	15.30%	
3. School Breakfast Program (SBP) SBP assists States in providing a nutritious nonprofit breakfast service for schoolchildren, through cash grants and food donations.	22.75%	
4. Child and Adult Care Food Program (CACFP) CACFP, through grants-in-aid and other means, assists States with maintaining nonprofit food service programs for children and elderly or impaired adults in day care facilities, and children in afterschool care programs in low-income areas and emergency shelters.	NA*	
5. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) WIC provides supplemental nutritious foods and other health services to low-income eligible participating women and children up to age of 5 years.	4.99%	
6. Livestock Forage Disaster Program (LFP) LFP provides compensation to eligible livestock producers that have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or planted specifically for grazing.	3.14%	Farm Service Agency and Commodity Credit Corporation
7. Loan Deficiency Payments Program (LDP) LDP's objective is to improve and stabilize farm income, assist in bringing better balance between supply and demand of the commodities, and assist farmers in the orderly marketing of their crops.	1.70%	
8. Noninsured Crop Disaster Assistance Program (NAP) NAP provides crop loss assistance to producers of commercial crops or other agricultural commodities for which the catastrophic risk protection level of crop insurance is not available.	8.49%	

Exhibit A: USDA's 10 High-Risk Programs

High-Risk Program	Fiscal Year 2017 Improper Payment Rate	USDA Component Agency
<p>9. Farm Security and Rural Investment Act Programs (FSRIP) FSRIP programs provide financial assistance to help plan and implement conservation practices that address natural resource concerns or opportunities to help save energy, improve soil, water, plant, air, animal and related resources on agricultural lands and non-industrial private forestland.</p>	1.12%	Natural Resources Conservation Service
<p>10. Federal Crop Insurance Corporation Program Fund (FCIC) FCIC provides insurance and risk management strategies to American producers.</p>	1.96%	Risk Management Agency

* SNAP did not publish an Improper Payment rate estimate because it was unable to obtain validated State error rates.

** CACFP does not yet have an OMB-approved estimation methodology for the meal claims portion of Family Day Care Homes; the published rate is for tiering decisions only. FNS has contracted studies with the goal of determining the feasibility of producing a meal claims rate.

Exhibit B: Prior Year Recommendations and the Current Status of Each

Exhibit B identifies the status of fiscal year 2016 IPERA compliance review audit recommendations. All recommendations from fiscal years 2011 through 2015 have reached final action.

Report Number	Fiscal Year	Recommendation		Status
50024-0011-11	2016	1	In accordance with OMB guidance, within 90 days of the determination of noncompliance, FSA should submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB, describing the actions that the agency will take to make LDP and LIP compliant.	Open
		2	In accordance with OMB guidance, within 30 days of the determination of noncompliance, FNS should submit to Congress proposed statutory changes to bring NSLP, SBP, WIC, and CACFP into compliance.	Open
		3	Revise the Department's current quality review process to ensure it includes a well-defined process to review, identify, and resolve discrepancies for the final publication.	Closed

Exhibit C: Summary of USDA's High-Dollar Overpayments Reported for Fiscal Years 2016 and 2017

Exhibit C lists the number and sum of high-dollar overpayments reported for fiscal years 2016 and 2017, by component agency and high-risk program.

USDA Agency	High-Risk Program	Number Reported Fiscal Year 2016	Sum Reported Fiscal Year 2016	Number Reported Fiscal Year 2017	Sum Reported Fiscal Year 2017
FSA/CCC	Noninsured Assistance Program	6	\$549,748	9	\$665,215
	Livestock Forage Disaster Program	2	\$367,680	1	\$42,162
	Livestock Indemnity Program	1	\$115,875	0	\$0
	Supplemental Revenue Assistance Payments Program	5	\$413,554	0	\$0
NRCS	Conservation Stewardship Program	7	\$271,483	10	\$612,719
	Environmental Quality Incentives Program	4	\$225,718	2	\$85,573
	Farm and Ranch Lands Protection Program	1	\$1,500,000	0	\$0
	Conservation Security Program	1	\$34,719	0	\$0
	Wetland Reserve Program	2	\$905,608	0	\$0
	Wildlife Habitat Incentive Program	2	\$95,626	0	\$0
RMA	Federal Crop Insurance Corporation Program Fund	24	\$7,255,525	34	\$7,920,807
Rural Development	Rental Assistance Program	1	\$209,863	0	\$0
Totals		56	\$11,945,399	56	\$9,326,476

Note: FNS did not report any high-dollar overpayments for fiscal year 2017. For each fiscal quarter, FNS submitted statements certifying that it did not identify any high-dollar overpayments meeting the criteria outlined in the OCFO Quarterly High-Dollar Overpayments Report Guidance and was therefore providing a negative report.

Exhibit D: Sampling Methodology for USDA’s Fiscal Year 2017 Compliance with Improper Payment and High-Dollar Overpayments Reports Requirements

Objectives

The sampling methodology for our assessment of USDA’s compliance with IPERA for fiscal year 2017 was designed to help support our audit objectives related to determining compliance with improper payment requirements, and evaluating USDA’s accuracy and completeness of reporting. We used nonstatistical sampling selections to test the adequacy and completeness of USDA’s risk assessment of programs and activities subject to improper payments reporting, and to evaluate the accuracy of the improper payment estimates for one high-risk program.

The sampling methodology for our review of USDA’s fiscal year 2017 quarterly reports on high-dollar overpayments made by high-risk programs susceptible to significant improper payments was also designed to support our audit objectives. We randomly selected reported overpayments for three agencies for review, to verify the information for the selected overpayments was accurately and properly reported on the quarterly reports. Our selections covered overpayments reported by three agencies: FSA/CCC, NRCS, and RMA.

Audit Universe and Sample Design

Risk Assessment Selection and Sample

Of the 139 programs and activities deemed “low-risk” in USDA’s inventory, we nonstatistically, but randomly, selected 10 programs and activities risk assessed in fiscal year 2017 using computer-assisted auditing techniques. Our 10 selected programs captured various types of assessments. We reviewed these assessments to determine whether the level of risk determination was reasonable, and in accordance with IPERA, OMB Circular A-123, Appendix C *Requirements for Effective Estimation and Remediation of Improper Payments*, and OCFO’s fiscal year 2017 USDA IPIA Risk Assessment Guidance.

High-Risk Program Selection and Sample

USDA reported improper payments information for 10 programs or program categories it deemed “high-risk,” or susceptible to significant improper payments in its fiscal year 2017 AFR. We nonstatistically selected Farm Service Agency’s Noninsured Crop Disaster Assistance Program (NAP) to review based on its first year of IPERA noncompliance in fiscal year 2017. To determine the fiscal year 2017 improper payment rate for NAP, Farm Service Agency statistically selected a sample of 599 NAP payments. Because our sample analysis was conducted to test Farm Service Agency’s internal controls for identifying and reporting improper payments (and not used to provide a statistical projection), we decided to randomly select 28 of the samples Farm Service Agency reviewed. To remain unbiased, our 28 samples were randomly selected using computer assisted auditing techniques.

Exhibit D: Sampling Methodology for USDA’s Fiscal Year 2017 Compliance with Improper Payment and High-Dollar Overpayments Reports Requirements

High-Dollar Overpayments Selection and Sample

We obtained our sampling universe by compiling OCFO’s quarterly high-dollar overpayments reports, which consisted of 56 overpayments totaling \$9 million for USDA’s 10 current high-risk programs or program categories reported in the fiscal year 2017 AFR. From this universe, we selected 15 overpayments totaling \$3.5 million for review. We grouped overpayments into sampling universes by agency by quarter. We then selected random samples of overpayments by grouping FSA/CCC, NRCS, and RMA for review. Next, we selected a random sub-sample from RMA’s remaining single overpayments in order to avoid selecting multiple, cumulative overpayments, affording us audit efficiencies. We did not plan to make statistical projections from our samples. Therefore, the sample sizes were based on our judgment regarding evidence to support our objective, not on statistical calculations. We randomly selected overpayments within each grouping for FSA/CCC, NRCS, and RMA to ensure our review was fair and objective.

Results

We reviewed the supporting documentation provided for the samples selected. No exceptions were noted within the 10 samples selected for USDA’s risk assessment. No exceptions were noted for the 28 random samples reviewed to evaluate the accuracy of the improper payment rate for Farm Service Agency’s NAP. Lastly, we noted inaccuracies in the reported amounts for 6 of the 15 high-dollar overpayments reviewed.

**AGENCY'S
RESPONSE TO AUDIT REPORT**



**United States
Department of
Agriculture**

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

DATE: May 7, 2018

AUDIT
NUMBER: 50024-0013-11

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Brandon Lipps /s/
Administrator
Food and Nutrition Service

SUBJECT: USDA's Fiscal Year 2017 Compliance with Improper Payment
Requirements

This letter responds to the discussion draft report issued on May 2, 2018, for audit number 50024-0013-11, USDA's Fiscal Year 2017 Compliance with Improper Payment Requirements. Specifically, the Food and Nutrition Service (FNS) is responding to the one recommendation made to the agency in the report.

OIG Recommendation 1:

In accordance with OMB guidance, within 30 days of the determination of non-compliance, FNS should submit to Congress proposed statutory changes to bring SNAP into compliance.

FNS Response:

FNS concurs with the recommendation. Within 30 days, FNS will submit a letter to Congress detailing actions we will take to address SNAP's non-compliance with the Improper Payments and Recovery Act (IPERA).

Estimated Completion Date:

June 4, 2018



Farm Production
and Conservation

Farm
Service
Agency

Operations Review
and Analysis Staff
1400 Independence
Ave, S.W., Stop 0540
Washington, DC
20250

Voice: 202-690-2532
Fax: 202-690-3354

DATE: May 2, 2018

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

FROM: Perry Thompson, Director,
Operations Review and Analysis Staff

SUBJECT: Response to Discussion Draft – Audit 50024-0013-11: USDA’s
Fiscal Year 2017 Compliance with Improper Payment Requirements

The Farm Service Agency’s (FSA) response to your April 26, 2017, discussion draft requesting comments of the subject audit are listed below.

RECOMMENDATION 1 to FSA

In accordance with the Office of Management and Budget (OMB) guidance, within 90 days of the determination of non-compliance, FSA should submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB, describing the actions that the agency will take to make the Noninsured Crop Disaster Assistance Program (NAP) compliant.

FSA Response

FSA will submit a plan describing the action that the agency will take to make NAP compliant by August 2, 2018.



United States Department of Agriculture

Farm Production and Conservation
Risk Management Agency

May 8, 2018

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

FROM: Heather Manzano /S/ **Heather Manzano**
Audit Liaison Official
Risk Management Agency

SUBJECT: Office of Inspector General Audit 50024-0013-11, Draft Report,
USDA's Fiscal Year (FY) 2017 Compliance with Improper
Payment Requirements

RMA requests Management Decision for Recommendation 3 for OIG Audit 50024-0013-11, USDA's Fiscal Year (FY) 2017 Compliance with Improper Payments Requirements.

RECOMMENDATION 3

Provide the recomputed fiscal year 2017 fourth quarter high-dollar overpayments to OCFO for republication.

RMA RESPONSE TO RECOMMENDATION 3

RMA will provide the recomputed fiscal year 2017 fourth quarter high-dollar overpayments to OCFO for republication by May 30, 2018.

Should you have any questions, please contact Nicole Smith Lees at (202) 260-8085.



Deputy Administrator for Compliance
1400 Independence Ave., SW • STOP 0806 • Washington, DC 20250-0806

The Risk Management Agency Administers and Oversees
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**United States
Department of
Agriculture**

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

TO: Steven Rickrode
Deputy Assistant Inspector General for Audit

FROM: Lynn Moaney
Acting Deputy Chief Financial Officer

Lynn Moaney 5/4/18

SUBJECT: Management Response to *USDA's Fiscal Year 2017 Compliance with
Improper Payment Requirements*, Audit No. 50024-0013-11

This responds to your request for management's response to Recommendation 4 for
Audit Report No. 50024-0013-11.

If you have any questions or need additional information, please contact Kimberly
Chapman at (202) 720-8989 or have a member of your staff contact our office at
(202) 720-5539.

Attachment

**Improper Payments Elimination and Recovery Act of 2010,
Fiscal Year 2017 Report, Audit No. 50024-0013-11**

Recommendation 4

In the next quarterly high-dollar overpayments report publication, include as corrections to previously published reports, the RMA actions omitted from the fiscal year 2017 first quarter report and RMA's corrected amounts for the fiscal year 2017 fourth quarter report.

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

- Republish the 1st Qtr FY 2017 High-Dollar Overpayment Report to include the RMA action that was omitted from the report.
- Republish the 4th Qtr FY 2017 High-Dollar Overpayment Report to include RMA's corrected amounts and subsequent revision to the USDA total.

Date Corrective Action will be completed: July 30, 2018

Responsible Organization: Fiscal Policy Division

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