U.S. Department of Agriculture
Office of Inspector General

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2024

May 2025

Audit Report 50024-0016-11

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2024

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OIG reviewed USDA's compliance with improper payment and high-dollar overpayment requirements for FY 2024.

OBJECTIVES

The objectives of this audit were to determine whether USDA complied with PIIA for FY 2024 and fulfilled its high-dollar overpayment reporting requirements, as required by Office of Management and Budget Memorandum M-21-19.

REVIEWED

This audit reviewed payment integrity information reported by USDA agencies on paymentaccuracy.gov and reviewed supporting documentation for the required payment integrity information.

RECOMMENDS

This audit recommends that FNS and FSA provide information for their noncompliant programs describing the actions that the agency will take to come into compliance.

WHAT OIG FOUND

The U.S. Department of Agriculture (USDA) was not compliant with four of the six Payment Integrity Information Act of 2019 (PIIA) requirements for fiscal year (FY) 2024. Specifically, 7 of the 12 reporting Phase 2 programs did not fully comply with PIIA requirements. Five programs did not report an improper payment rate of less than 10 percent nor demonstrate improvement to payment integrity. One program did not fully publish an improper payment estimate and another program did not properly identify a root cause of the improper payments. An additional program was identified as a Phase 2 program, but did not publish an associated improper payment and unknown payment estimate.

USDA fulfilled its high-dollar overpayment reporting requirements in FY 2024 by publishing quarterly Payment Integrity Scorecards for its four high-priority programs.

The Farm Service Agency (FSA), the Food and Nutrition Service (FNS), and the Office of the Chief Financial Officer concurred with our findings.

OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture

DATE: May 27, 2025

AUDIT NUMBER: 50024-0016-11

TO:

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Deputy Chief Financial Officer
Office of the Chief Financial Officer

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Farm Service Agency

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Food and Nutrition Service

ATTN:

John Yun
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Office of the Chief Financial Officer

Gary Weishaar
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Food and Nutrition Service

FROM: Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit

YARISIS RIVERA ROJAS
Digitally signed by YARISIS RIVERA ROJAS
Date: 2025.05.27 17:07:14 -04'00'

SUBJECT: USDA's Compliance with Improper Payment Requirements for Fiscal Year 2024

KPMG LLP, an independent certified public accounting firm, was engaged to audit USDA's Compliance with Improper Payment Requirements for Fiscal Year 2024. The objective of this audit was to determine whether USDA complied with the Payment Integrity Information Act of 2019 (PIIA) for fiscal year 2024. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget (OMB) audit guidance.

In its audit of USDA's Compliance with Improper Payment Requirements for Fiscal Year 2024, KPMG LLP found that USDA did not comply with four of the six PIIA requirements. Specifically,

- Five programs did not report an improper payment rate of less than 10 percent nor demonstrate improvement to payment integrity.
- One program did not fully publish an improper payment estimate.
- One program did not properly identify a root cause of the improper payments.

- An additional program was identified as a Phase 2 program, but did not publish an associated improper payment and unknown payment estimate.

In connection with the contract, the Office of Inspector General reviewed KPMG LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to determine USDA's compliance with Improper Payment Requirements. KPMG LLP is responsible for the attached auditor's report, dated May 27, 2025, and the conclusions expressed therein. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards and OMB audit guidance.

Based on the agencies' responses, we reached management decision on Recommendations 1, 2, 5, and 7, and no further response to this office is necessary from the Food and Nutrition Service. We were unable to reach management decision on Recommendations 3, 4, and 6 addressed to the Farm Service Agency. Please follow your internal agency procedures in forwarding final action to OCFO. Also, please note that Departmental Regulation 1720-1 requires management decision to be reached on all recommendations within 6 months of report issuance, and final action to be completed within 1 year of the date of each management decision.

We appreciate the courtesies and cooperation extended to KPMG LLP and my office by members of your staff during the audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (https://usdaoig.oversight.gov) in the near future.

The U.S. Department of Agriculture's Compliance with Improper Payment Requirements for Fiscal Year 2024

Prepared for: U.S. Department of Agriculture, Office of Inspector General

Date: May 27, 2025

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May 27, 2025

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This report presents the results of our work conducted to address the performance audit objectives relative to the U.S Department of Agriculture's (USDA) compliance with the requirements contained in the Payment Integrity Information Act of 2019 (PIIA) and the high-dollar overpayment reporting requirements, as required by Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (M-21-19). Our work was performed during the period of January 16, 2025, through April 30, 2025, and our scope period was for the fiscal year (FY) ended September 30, 2024.

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and the American Institute of Certified Public Accountants' *Standards for Consulting Services*. Government Auditing 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.

The objectives of our audit were to:

1. Evaluate USDA's compliance with the requirements of PIIA as defined in 31 U.S.C. § 3351.2. Specifically, this included determining whether USDA was compliant with the following six PIIA requirements:
    (1) Published improper payments information with the annual financial statement of USDA for the most recent fiscal year, and posted on the website of USDA that statement and any accompanying materials required under guidance of the Office of Management and Budget (OMB);
    (2) Conducted a program-specific risk assessment for each program or activity that conforms with the requirements of section 3352(a) (if required);
    (3) Published improper payment estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement (if required);
    (4) Published programmatic corrective action plans prepared under section 3352(d) that USDA may have in the accompanying materials to the annual financial statement;
    (5) Published improper payments reduction targets established under section 3352(d) that USDA may have in the accompanying materials to the financial statement for each program or activity assessed to be at risk, and has demonstrated improvements and developed a plan to meet the reduction targets; and
    (6) Reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c).
2. Determine if USDA fulfilled its high-dollar overpayment reporting requirements, as required by OMB M-21-19.

Based on the performance audit procedures conducted and the results obtained, we have met our audit objectives. Specifically, we evaluated USDA's compliance with PIIA and summarized the results in Table 1.

Table 1: USDA's Compliance with PIIA Criteria[1]

USDA Agency	Program Name	**Req. 1**: AFR and accompanying materials published?	**Req. 2**: Risk assessment conducted?	**Req. 3**: Improper payment estimate published for all programs and activities identified under section 3352(a)?	**Req. 4**: Corrective action plans published prepared under section 3352(d)?	**Req. 5**: Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate?	**Req. 6**: Improper Payment Rate <10% Reported?	Compliance Overall?	Consecutive Years of Non-Compliance
CCC	ARC/PLC	Yes	Yes	Yes	Yes	No	No	No	-
CCC	CFAP	Yes	Yes	Yes	No	No	Yes	No	-
CCC	LFP	Yes	Yes	Yes	Yes	Yes	No	No	3
CCC	NAP	Yes	Yes	Yes	Yes	No	No	No	2
FSA	ECP-Disasters	Yes	Yes	Yes	Yes	No	No	No	4
FNS	CACFP Centers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-
FNS	CACFP-FDCH	Yes	Yes	No	Yes	Yes	Yes	No	-
FNS	NSLP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-
FNS	SBP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-
FNS	SNAP	Yes	Yes	Yes	Yes	No	No	No	2
FNS	WIC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-
RMA	FCIC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-

[1] *Although Food and Nutrition Service's (FNS) Summer Food Service Program (SFSP) reported program information and results of its risk assessment in its annual financial report, it did not report improper payment rate information for FY 2024 on paymentaccuracy.gov. See Finding 24-01.*

Under PIIA, Federal agencies must meet each of the six requirements outlined in this report. We found that 7 of 12 programs did not comply with all six PIIA requirements. 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. See the Results and Conclusions section for additional details.

In addition, based on our audit procedures and the results obtained, we determined that USDA fulfilled its high-dollar overpayment reporting requirements in FY 2024 by publishing quarterly Payment Integrity Scorecards for its four high-priority programs:

Agency	High-Priority Program(s)
FNS	National School Lunch Program (NSLP)
	School Breakfast Program (SBP)
	Supplemental Nutrition Assistance Program (SNAP)
RMA	Federal Crop Insurance Corporation (FCIC)

Management's response to the findings and related recommendations is included in our Findings and Recommendations section as well as our review of the responses.

This performance audit did not constitute an audit of financial statements or an attestation level engagement as defined under *Government Auditing Standards* or the American Institute of Certified Public Accountants' professional standards. KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the use of the USDA Secretary and Inspector General, Comptroller General of the United States, OMB, and relevant congressional committees; and is not intended to be and should not be relied upon by anyone other than these specified parties.

KPMG LLP

Background

Improper Payment Reporting Requirements

The Payment Integrity Information Act of 2019 requires federal agencies to identify programs susceptible to significant improper payments, estimate the improper payments for those programs, and report on actions to reduce the improper payments in those programs. PIIA repealed several previous improper payment statutes, including the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payment Elimination and Recovery Improvement Act of 2012. OMB is required to prescribe guidance on implementation of the requirements under PIIA. OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement*, dated March 5, 2021, was the applicable OMB guidance in effect for FY 2024.

PIIA requires the head of each executive agency to periodically review all of 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). 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 (IP): a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements; and
3. Unknown payment (UP): 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.

All programs with annual outlays over $10 million are classified as either Phase 1 or Phase 2. Programs that are not likely to have an annual amount of IP and UP above the statutory threshold are classified as "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 is classified as "Phase 2" the following year. Once in Phase 2, a program will have additional requirements such as reporting an annual IP and UP estimate, and creating corrective action plans.

USDA Improper Payment Reporting

The FY 2024 Annual Financial Report (AFR) and the accompanying materials reported the USDA had net outlays totaling more than $203.4 billion delivered through 161 programs. USDA's agency-wide risk assessment process assesses its programs with outlays over $10 million for susceptibility to significant improper payments. USDA tracks the yearly assessment of programs to determine if a program requires a risk assessment in the current year. Programs are selected such that each program is assessed at least once every three years. Consistent with OMB guidance, USDA's policies define significant improper payments as gross annual payments exceeding: (1) both 1.5 percent and $10 million of all program payments; or (2) $100 million regardless of percentage of program payments.

Although the FY 2024 AFR and accompanying materials within identified 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 2024 despite the Department and the Agency considering the program to be in Phase 2 and susceptible to significant improper payments. Details about the programs are as follows:

1. CCC – Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC): ARC/PLC programs provide financial protections to farmers from substantial drops in crop prices or revenues and are vital economic safety nets for most American farms.

2. CCC – Coronavirus Food Assistance Program (CFAP): CFAP was implemented for producers of agricultural commodities marketed in 2020 that faced market disruptions due to COVID-19. This program was part of a larger initiative to improve USDA pandemic assistance to producers.
3. CCC – Livestock Forage Disaster Program (LFP): The LFP provides payments to eligible livestock owners and contract growers who have covered livestock and who are also producers of grazed forage crop acreage (i.e., native and improved pastureland with permanent vegetative cover, or certain crops planted specifically for grazing) that have suffered a loss of grazed forage due to a qualifying drought during the normal grazing period for the county.
4. CCC – Noninsured Crop Disaster Assistance Program (NAP): NAP provides financial assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented planting occur due to natural disasters.
5. FSA – Emergency Conservation Program-Disasters (ECP-Disasters): ECP-Disasters helps farmers and ranchers repair damage to farmlands caused by natural disasters and put in place methods for water conservation during severe drought.
6. FNS – Child and Adult Care Food Program (CACFP) Centers: CACFP is a federal program that provides reimbursements for nutritious meals and snacks to eligible children and adults who are enrolled for care at participating childcare centers, and adult daycare centers. CACFP also provides reimbursements for meals served to children and youth participating in after-school care programs, children residing in emergency shelters, and adults over the age of 60 or living with a disability and enrolled in daycare facilities.
7. FNS – CACFP Family Day Care Home (FDCH) Tiering Decisions: CACFP provides nutritious meals and snacks to infants and children as a regular part of their day care. Providers at FDCHs offer a safe, home-based day care setting for families and provide CACFP eligible children with access to nutritious food meeting USDA dietary guidelines. A variety of public or private nonprofit child care centers, Head Start programs, outside-school-hours care centers, and other institutions which are licensed or approved to provide day care services participate in CACFP. For-profit centers that serve lower income children may also be eligible to participate.
8. FNS – National School Lunch Program (NSLP): NSLP is a federally assisted meal program operating in public and nonprofit private schools and residential childcare institutions. It provides nutritionally balanced and low-cost or free lunches to children each school day.
9. FNS – School Breakfast Program (SBP): The SBP provides reimbursement to states to operate nonprofit breakfast programs in schools and residential childcare institutions. The Food and Nutrition Service administers the SBP at the federal level, state education agencies administer the SBP at the state level, and local school food authorities operate the program in schools.
10. FNS – Summer Food Service Program (SFSP): SFSP is a federally funded, state-administered program. USDA reimburses program operators who serve no-cost, healthy meals and snacks to children and teens. Meals are served at summer sites in low-income communities, where sponsors often also offer enrichment activities, or (in approved rural communities facing access issues) may be provided via ‘grab-n-go’ or delivery.
11. FNS – Supplemental Nutrition Assistance Program (SNAP): SNAP provides food benefits to low-income families to supplement their grocery budgets so they can afford the nutritious food essential to health and well-being.
12. FNS – Women, Infants & Children (WIC): The Special Supplemental Nutrition Program for WIC provides federal grants to states for supplemental foods, healthcare referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age 5 who are found to be at nutritional risk.
13. RMA – Federal Crop Insurance Corporation Program Fund (FCIC): The FCIC Program Fund is a wholly owned government corporation managed by RMA. The program serves agricultural producers by providing innovative crop insurance products that strengthen the economic stability of agricultural producers and rural communities. Approved Insurance Providers sell and service federal crop insurance policies through a public-private partnership.

USDA funds these programs through four component agencies:

- Commodity Credit Corporation (CCC)
- Farm Service Agency (FSA)
- Food and Nutrition Service (FNS)
- Risk Management Agency (RMA)

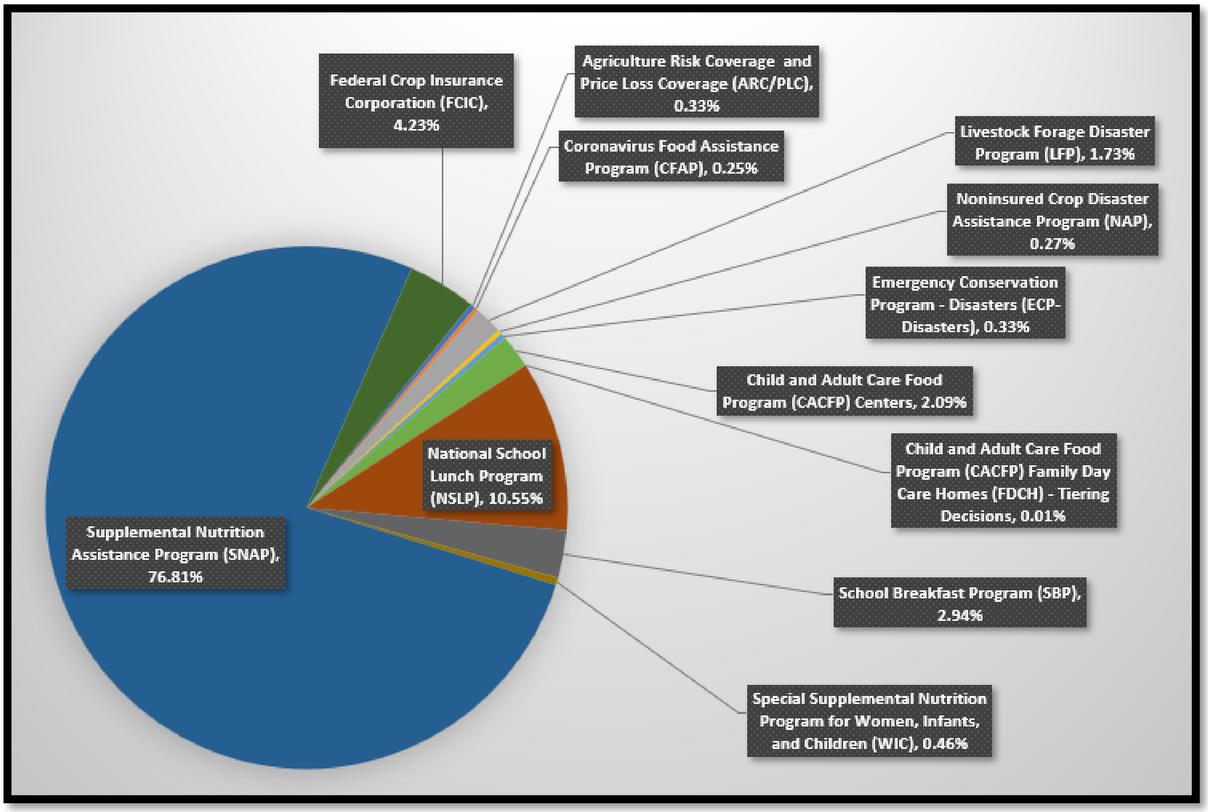
The table below shows the four component agencies and their respective programs that were identified as Phase 2.

Agency	**Phase 2 Program(s)**
CCC	Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC)
	Coronavirus Food Assistance Program (CFAP)
	Livestock Forage Disaster Program (LFP)
	Noninsured Crop Disaster Assistance Program (NAP)
FSA	Emergency Conservation Program - Disasters (ECP-Disasters)
FNS	Child and Adult Care Food Program (CACFP) Centers
	Child and Adult Care Food Program (CACFP) Family Day Care Homes (FDCH) - Tiering Decisions
	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)

For 12 Phase 2 programs, USDA reported $150.3 billion in outlays for FY 2024. Collectively, these Phase 2 programs reported more than $13.7 billion in improper payments which is equivalent to a 9.11 percent improper payment rate. This is an increase over the 8.13 percent IP rate for FY 2023.

The percentage of improper payments by agency and program are depicted in the figure below.

Percent of Improper Payments by Agency and Program



USDA 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.

USDA reported 4 quarterly Payment Integrity Scorecards for each of the following programs on PaymentAccuracy.gov:

Agency	High-Priority Program(s)	Annual Reported Monetary Loss (in millions)
FNS	National School Lunch Program (NSLP)	$1,081.38
	School Breakfast Program (SBP)	$305.96
	Supplemental Nutrition Assistance Program (SNAP)	$9,035.39
RMA	Federal Crop Insurance Corporation (FCIC)	$573.93

Objectives, scope, and methodology

Objectives

The objectives of our audit were to:

1. Evaluate USDA's compliance with the requirements of PIIA as defined in 31 U.S.C. § 3351.2. This included determining whether USDA:
    (1) Published improper payments information with the annual financial statement of the USDA for the most recent fiscal year, and posted on the website of the USDA that statement and any accompanying materials required under guidance of OMB;

    (2) Conducted a program-specific risk assessment for each program or activity that conforms with the requirements of section 3352(a) (if required);

    (3) Published improper payment estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement (if required);

    (4) Published programmatic corrective action plans prepared under section 3352(d) that USDA may have in the accompanying materials to the annual financial statement;

    (5) Published improper payments reduction targets established under section 3352(d) that the USDA may have in the accompanying materials to the financial statement for each program or activity assessed to be at risk, and has demonstrated improvements and developed a plan to meet the reduction targets; and

    (6) Reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c).
2. Determine if USDA fulfilled its high-dollar overpayment reporting requirements, as required by OMB Memorandum M-21-19.

Scope and Methodology

The scope of our performance audit was the USDA's FY 2024 improper payment reporting data, which is required by OMB guidance and reported on PaymentAccuracy.gov.

During our planning and testing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, and participated in process and control walkthroughs with the programs identified as susceptible. A summary of the procedures we performed is as follows:

- Obtained an understanding of the USDA's improper payments reporting process and associated controls through inquiries with management;
- Reviewed the USDA's policies and procedures over the PIIA reporting process;
- Reviewed management's agency-wide risk assessment for all agency disbursements/programs;
- Reviewed applicable legislation and regulations, increases in funding levels, or changes to the program-specific risk assessment process for each program or activity;
- Reviewed samples used by the USDA in developing its statistically-determined estimates for each program deemed susceptible to improper payments and the underlying sampling methodologies;
- Reviewed the appropriateness of and held discussions with the USDA over non-statistical sampling methodologies for programs deemed susceptible to improper payments;
- Reviewed the USDA's corrective action plans as reported on the PaymentAccuracy.gov website;
- Reviewed the USDA's High Priority Program information as reported on the PaymentAccuracy.gov website; and
- Reviewed any OMB waivers, exemptions, or communications for improper payments reporting, if applicable.

In carrying out this methodology, we obtained sufficient, appropriate evidence to provide a reasonable basis for our conclusions related to our audit objectives.

Results and Conclusions

USDA did not comply with four of the six PIIA requirements among 7 of the 12 programs reported. KPMG identified the following as a result of the work performed:

Criterion 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 2024 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.

Criterion 2: Did USDA conduct a program-specific risk assessment for each program or activity?

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

Criterion 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)?

> **No.** Although USDA did publish improper payment estimates for 12 Phase 2 programs, it did not fully publish the estimate for the CACFP-FDCH program. For PIIA reporting purposes, USDA considers the CACFP as two programs. USDA developed IP estimates for the CACFP (child and adult centers) portion of the program but only developed a partial estimate for the CACFP-FDCH (homes) portion. The partial estimate consisted of only the certification errors that were identified. USDA reported this certification error as its IP rate. However, USDA did not report on the potential improper or unknown payment rate resulting from potential meal count reimbursement errors.

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

> **No.** Although USDA published corrective actions plans for 12 Phase 2 programs, it did not properly identify root causes of improper payments within the CFAP corrective action plans, as outlined on PaymentAccuracy.gov and the AFR for FY 2024. The CFAP program had ended when the corrective action plan was written. Therefore, CFAP corrective actions could not be applied to the program, and specific root causes were not included. However, corrective actions that were identified remain part of the agency's overall internal control roadmap to improve processes in the future.

Criterion 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) and/or demonstrate improvement in reducing its IP rates?

> **No.** Although USDA did publish annual reduction targets for 12 Phase 2 programs, it did not demonstrate improvements in reducing improper payment (IP) rates from FY 2023, as the estimated IP rates have generally increased in FY 2024. Specifically, we noted that CCC

ARC/PLC, CCC CFAP, CCC NAP, FSA ECP-Disasters, and FNS SNAP programs; IP rates increased in FY 2024.

Criterion 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 reported IP rate equal to or in excess of 10 percent for the following programs:

Agency	Program Name	FY 2024 Improper Payment Rate
CCC	ARC/PLC	12.78%
CCC	LFP*	12.90%
CCC	NAP*	11.61%
FSA	ECP-Disasters*	45.16%
FNS	SNAP*	11.68%

* Of the five programs that did not comply with PIIA, four were also non-compliant with improper payment requirements in FY 2023.

Findings and Recommendations

Our FY 2024 performance audit identified five findings, which are presented below. We discussed the findings with management and received their response, which are included herein.

Finding No. 24-01: *FNS Did Not Publish Improper Payments and Unknown Payments Estimates for SFSP* (Criterion 3)

Although the FNS SFSP program has been assessed as a Phase 2 program, USDA did not publish an associated IP and UP estimate. As such, USDA was non-compliant with Criterion 3 of PIIA. PIIA guidance states the following:

The Payment Integrity Information Act of 2019 (Public Law No: 116-117)

§ 3351. Definitions, states:

"(2) The term "compliance" means that an executive agency –

(C) if required, publishes improper payments estimates for all programs and activities identified under section 3352(a) in the accompanying materials to the annual financial statement."

§ 3352. Estimates of improper payments and reports on actions to reduce improper payments, states:

"(1) In General.–The head of each executive agency shall, in accordance with guidance prescribed by the Director of the Office of Management and Budget–

"(B) identify all programs and activities with outlays exceeding the statutory threshold dollar amount described in paragraph (3)(A)(i) that may be susceptible to significant improper payments.

"(3) Risk Assessments.–

"(A) Definition of Significant. – In this paragraph, the term 'significant' means that, in the preceding fiscal year, the sum of a program or activity's improper payments and payments whose propriety cannot be determined by the executive agency due to lacking or insufficient documentation may have exceeded–

> *“(i) $10,000,000 of all reported program or activity payments of the executive agency made during that fiscal year and 1.5 percent of program outlays; or “(ii) $100,000,000.*

OMB Memorandum M-21-19, Appendix C, Section VI Compliance, sub-section 3, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, states:

> *“To achieve compliance the program should submit a S&EMP to OMB in the FY after the FY that the program was deemed likely to be susceptible to IPs and UPs and subsequently publish an IP and UP estimate. If the IP and UP estimate is above the statutory threshold then the program should continue publishing an IP and UP estimate for that program in the following FY…”*

The non-compliance was the result of not yet implementing a method to assess and report a rate which is currently underway. FNS is in the process of developing an IP estimate methodology for the program which involves a comprehensive study based on the collection of necessary data by the FNS to measure improper payments over a five-year period. The objective is to build a nationally-representative sample of SFSP sites by the end of the five-year period. Data collection began in 2024 with FNS anticipating the reporting of an IP estimate for FY 2029.

We recommend that FNS continue to carry out the plan described in its S&EMP in order to publish IP and UP estimates for FNS SFSP in the accompanying materials to future annual financial statements, which includes PaymentAccuracy.gov. In the meantime, we recommend that FNS evaluate if some payments should be considered unknown payments by devising a method to determine the amount of potential IPs and report these as UPs until the above-mentioned methodology has been finalized. If FNS is unable to devise a method to do this, we recommend that this is disclosed in PaymentAccuracy.gov.

For each year of non-compliance:

FNS should provide information for SFSP describing the actions that the agency will take to come into compliance. This information should be published on PaymentAccuracy.gov and serve as the plan for what FNS will submit to the appropriate authorizing and appropriations committees of Congress as prescribed by M-21-19. This should include:

- Measurable milestones to be accomplished in order to achieve compliance for the program
- 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
- 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 the program

Management’s Response:

“*FNS concurs with this recommendation. FNS first developed a Sampling Estimation and Methodology Plan (SEMP) in 2019 in order to publish Improper Payment (IP) estimates for the Summer Food Service Program (SFSP) and is committed to building upon these efforts. Regarding unknown payment (UP) estimates, FNS will work with the Office of Management and Budget (OMB) to obtain additional guidance, propose options for methods based on past IP research, and establish an appropriate approach for determining and reporting SFSP UP amounts until a methodology for establishing SFSP IP estimates has been finalized. As FNS has done in the past, we will continue to describe our progress on these efforts in the OMB Annual Data call and based on additional guidance from OMB will also disclose how the agency plans to proceed with reporting UP estimates.*

Additionally, for the first year of non-compliance, in the upcoming OMB Annual Data call FNS will provide a plan describing the actions the SFSP 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, 2025”

Auditor's Response:

FNS management concurred with the finding and recommendation.

Finding No. 24-02: *FNS Did Not Report Aggregation Errors as Unknown Payments for the CACFP-FDCH Program (Criterion 3)*

Although USDA published an IP rate for the CACFP-FDCH program in FY 2024, it did not account for a contributing factor that should be considered in its calculation: meal counting errors. Currently, the rate reported for the program only considered certification errors by participants. As such, the rate was incomplete, and USDA was non-compliant with Criterion 3 of PIIA. PIIA guidance states the following:

OMB Memorandum M-21-19, Appendix C, Section I Payment Types, sub-section B, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, states:

> *"…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. This is done so that the program would not unintentionally over or under report the payment type results. An UP will eventually be determined to be proper or improper but because the program does not know whether it is proper or improper at the time of their review, they must call it an UP for purposes of this guidance. Programs may be required to report the review results of their UPs in future reporting years as the results become available…"*

OMB Memorandum M-21-19, Appendix C, Section VI Compliance, sub-section 3, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, states:

> *"To achieve compliance the program should submit a S&EMP to OMB in the FY after the FY that the program was deemed likely to be susceptible to IPs and UPs and subsequently publish an IP and UP estimate…"*

FNS has not implemented a method to assess aggregation errors (meal counting) and is currently undertaking an initiative to develop an improved estimate for meal counting errors within the CACFP-FDCH program. Despite FNS conducting multiple studies over the years to identify a reliable method for measuring these errors, a cost-effective solution to the agency's reporting challenge has yet to be achieved.

We recommend FNS continue its efforts to develop an improved estimate that considers meal counting errors in the publication of a complete improper payment rates for the FNS CACFP-FDCH program and update its S&EMP to consider payments that have not been determined as either proper or improper during their analysis, as unknown payments.

For each year of non-compliance:

FNS should provide information for SFSP describing the actions that the agency will take to come into compliance. This information should be published on PaymentAccuracy.gov and serve as the plan for what FNS will submit to the appropriate authorizing and appropriations committees of Congress as prescribed by M-21-19. This should include:

- Updated measurable milestones to be accomplished in order to achieve compliance for each program
- The role and actions of the designated senior agency official accountable for the progress of the agency in coming into compliance
- 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

Management's Response:

"*FNS concurs with this recommendation. FNS will continue building upon existing efforts to develop a Child and Adult Care Food Program (CACFP) Improper Payment (IP) estimate that is inclusive of Family Day Care Home (FDCH) meal counting errors. Regarding unknown payment (UP) estimates, FNS will work with the Office of Management and Budget (OMB) to obtain additional guidance, propose options for methods based on past IP research, and establish an appropriate approach for determining and reporting SFSP UP amounts until a methodology for establishing SFSP IP estimates has been finalized. As FNS has done in the past, we will continue to describe our progress on these efforts in the OMB Annual Data call and based on additional guidance from OMB will also disclose how the agency plans to proceed with reporting UP estimates.*

Additionally, for the first year of non-compliance, in the upcoming OMB Annual Data call FNS will provide a plan describing the actions the CACFP 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, 2025"

Auditor's Response:

FNS management concurred with the finding and recommendation.

Finding No. 24-03: *Root Causes of Improper Payments were not Properly Identified within the FY24 AFR and/or the Accompanying Materials for CCC CFAP (Criterion 4)*

USDA did not properly identify and publish the root causes of the improper payments for CCC CFAP within the FY24 USDA AFR and/or PaymentAccuracy.gov. Specifically, CCC CFAP only reported the related Cause Category (i.e., failure to access data/information) which is a category for each program to use when identifying its root causes. As such, USDA was non-compliant with Criterion 4 of PIIA. PIIA guidance states the following:

The Payment Integrity Information Act of 2019 (Public Law No: 116-17) § *3352. Estimates of improper payments and reports on actions to reduce improper payments, Section d* states:

> *"(1) a description of the causes of the improper payments, actions planned or taken to correct those causes, and the planned or actual completion date of the actions taken to address those cause…"*

OMB Memorandum M-21-19, Appendix C, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement,

> *Section III. Causes, sub-section A* states:
>
> "A root cause is something that would directly lead to an improper payment, and if corrected, would prevent the improper payment."
>
> *Section III. Causes, sub-section C states:*
>
> *"…purpose of these cause categories is twofold. First, they help the program identify the correct path for the 'why' questions which will help determine the root cause, and second, they help the program identify an effective direction for the mitigation strategy or corrective action."*
>
> *Section VI Compliance, sub-section 4* states:
>
> *"Each program reporting an IP plus an UP estimate that is above the statutory threshold must publish corrective action plans in the accompanying materials to the annual financial statement. The program is responsible for ensuring that the root causes are properly identified and that the corrective action plans are effective and adequately address the root causes of IPs and UPs."*

USDA's process did not proceed beyond the identification of the related Cause Category to identify root causes of the CCC CFAP improper payments. This was due to the program expiring in FY 2024. As such, the related corrective actions, which are part of the agency's overall internal control roadmap for future process improvements, were not implemented.

We recommend USDA and FSA update its policies and procedures over the reporting of expiring programs to identify and report root causes of improper payments in order to formulate corrective actions that are focused on the core issues that are under the control of the agency.

Management's Response:

"*FPAC- Business Center (PAR) conducts annual PIIA testing and is responsible for identifying the root causes of improper payments and publishing the root causes of the improper payments within the FY 2024 USDA Financial Statement and/or accompanying materials.*

Therefore, FSA does not concur with the recommendation as written and recommends the following revision: "We recommend FPAC- Business Center work with FSA and OCFO to update its policies and procedures over the reporting of expiring programs to identify and report root causes of improper payments in order to formulate corrective actions that are focused on the core issues that are under the control of the agency.""

Auditor's Response:

Management concurred with the finding but not the recommendations. However, management indicated that action will be taken to address the matters identified in this finding. As such, management's response did not result in any changes to our findings or recommendations. We will follow up with Management to assess whether the recommendation is addressed.

<u>Finding No. 24-04</u>: *Failure to Demonstrate Improvements to Payment Integrity or to Reach a Tolerable IP and UP Rate (Criterion 5)*

Although the USDA published IP reduction targets as established under section 3352(d), it did not demonstrate improvements towards payment integrity for five of its Phase 2 programs: (1) CCC ARC/PLC, (2) CCC CFAP, (3) CCC NAP, (4) FSA ECP-Disasters, and (5) FNS SNAP. Specifically, a program should ensure new, effective actions are taken during the year and should remain mindful of additional actions to take in future years to continue to improve payment integrity until the program has achieved a tolerable IP/UP rate that is below 10%. As such, USDA was non-compliant with Criterion 5 of PIIA. PIIA guidance states the following:

The Payment Integrity Information Act of 2019 (Public Law No: 116-17) § 3351. *Definitions*, states:

> *"(2) The term "compliance" means that an executive agency –*
>
> *(E) "publishes improper payments reduction targets established under section 3352(d) that the executive agency may have in the accompanying materials to the annual financial statement for each program or activity assessed to be at risk and has demonstrated improvements and developed a plan to meet the reduction targets."*

OMB Memorandum Circular A-123, Appendix C, VI.A.5b states:

> *"If the program reported an IP and UP estimate above the statutory threshold in the prior year and the CY, and the program has not yet achieved its tolerable IP and UP rate, the program is responsible for demonstrating improvements."*

Corrective actions taken by the USDA did not yield the intended results, which is to progressively reduce and achieve an IP rate below 10%. As such, USDA did not effectively address the root causes of IPs to reach a tolerable IP/UP rate and/or demonstrate improvements towards payment integrity.

FSA: We recommend that management take the following actions to ensure compliance with the Payment Integrity Information Act of 2019:

- Maintain a focus on continuous improvement in the development and implementation of new mitigation strategies (e.g., examination of existing controls in place and the implementation of more effective controls) to decrease IP and UP rates to a tolerable rate each year. If a program's IP and UP rate does not improve or increases, take sufficient steps to identify root causes and implement appropriate corrective action that will reduce the rates year over year until the rate is below 10%.
- Where applicable, and cost effective, implement automated enhancements to better prevent and detect errors.

For each year of non-compliance:

FSA should provide in the OMB Annual Data Call revised information for CCC ARC/PLC, CCC CFAP, CCC NAP, and FSA ECP-Disasters describing the actions that the agency will take to come into compliance. This information should be published on PaymentAccuracy.gov and serve as the plan of what FSA will submit to the appropriate authorizing and appropriations committees of Congress as prescribed by M-21-19. FSA should consider revising the following:

- Updated measurable milestones to be accomplished in order to achieve compliance for each program
- The role and actions of the designated senior agency official accountable for the progress of the agency in coming into compliance
- 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

For 2nd consecutive year of non-compliance:

FSA should propose to the director of OMB in its next budget submission additional program integrity proposals for CCC NAP 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:

- Exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the director of OMB
- 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

For the 3rd consecutive year of non-compliance:

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:

- Reauthorization proposals for each discretionary program that has not been in compliance for three consecutive years; and/or
- 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:

- A description of the actions that the agency is undertaking to bring the program into compliance; and
- A timeline for when the program will achieve compliance based on the actions described.

FNS: We recommend that the agency work with OCFO in taking the following actions to ensure compliance with the Payment Integrity Information Act of 2019:

- Maintain a focus on continuous improvement in the development and implementation of new mitigation strategies (e.g., examination of existing controls in place and the implementation of more effective controls) to decrease IP and UP rates to a tolerable rate each year. If a program's IP and UP rate does not improve or increases, take sufficient steps to identify root causes and implement appropriate corrective action that will reduce the rates year over year until the rate is below 10%.
- Where applicable and cost effective, implement automated enhancements to better prevent and detect errors

For each year of non-compliance:

FNS should provide in the OMB Annual Data Call revised information for SNAP describing the actions that the agency will take to come into compliance. This information should be published on PaymentAccuracy.gov and serve as the plan of what FNS will submit to the appropriate authorizing and appropriations committees of Congress as prescribed by M-21-19. FNS should consider revising the following:

- Updated measurable milestones to be accomplished in order to achieve compliance for each program
- The role and actions of the designated senior agency official accountable for the progress of the agency in coming into compliance
- 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.

For 2nd consecutive year of non-compliance:

FNS should propose to the director of OMB in its next budget submission additional program integrity proposals for SNAP 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:

- Exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the director of OMB; and
- 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.

Management's Response:

FSA response: "*FSA does not concur with the recommendations as written.*

There is a recommendation to complete a 1 year noncompliance plan for CFAP, although CFAP increased it IP/UP, it is still under the 10% threshold at 9.71%. FSA recommends CFAP 1 year noncompliance plan be removed from the recommendation or more clarification provided.

FNS response: "*FNS concurs with this recommendation. FNS will work with the Office of the Chief Financial Officer (OCFO) to continue to build on efforts to equip State agencies (SAs) with the knowledge and tools needed to address the root causes of their Supplemental Nutrition Assistance Program (SNAP) payment errors. FNS will conduct technical assistance and training to assist SAs in identifying payment* *error causes and specific corrective actions to address them. In addition, FNS will continue to share information about its recently updated Keys to Payment Accuracy, which shares key strategies SAs have used to improve payment accuracy. FNS also plans to continue to support SAs in improving earned income verification, to address a common source of payment error nationwide. To ensure transparency on FNS' efforts to improve the SNAP payment error rate, FNS will document the agency's efforts in the annual data call and quarterly reports to the Office of Management and Budget (OMB), ensuring information on progress and actions planned and taken are available on PaymentAccuracy.gov.*

Regarding actions associated with the second consecutive year of non-compliance, in the upcoming OMB Annual Data call FNS will provide an updated plan describing the actions the 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. FNS will also, through the development of the 2027 President's budget, submit additional program integrity proposals for the SNAP that clearly describe how each proposal would help the program come into compliance.

Estimated Completion Date: March 31, 2026"

Auditor's Response:

Management concurred with the finding for FSA but not the recommendations. This finding relates to Criterion 5 which includes failure to demonstrate improvements to payment integrity, and not whether the rate was under 10%. The FY24 IP/UP rate for CFAP increased to 9.71% as compared to 6.65% in FY23. Thus, the program did not demonstrate improvements to payment integrity. As such, management's response did not result in any changes to our findings or recommendations.

FNS management concurred with the finding and recommendation.

<u>Finding No. 24-05</u>: *Improper Payment and Unknown Payment Rate Exceeded 10% in FY 2024 (Criterion 6)*

Five of the 12 Phase 2 programs reported IP/UP rates that exceeded the 10% threshold for FY 2024: (1) CCC ARC/PLC, (2) CCC LFP, (3) CCC NAP, (4) FSA ECP-Disasters, and (5) FNS SNAP. USDA reported IP rates above 10% for these programs resulting in non-compliance with Criterion 6 of PIIA:

Agency – Program	FY 2024 Outlays (in millions)	FY 2024 IP/UP Rate
CCC – ARC/PLC	$355	12.78%
CCC – LFP	$1,839	12.90%
CCC – NAP	$315	11.61%
FSA – ECP-Disasters	$101	45.16%
FNS – SNAP	$90,062	11.68%

PIIA guidance states the following:

The Payment Integrity Information Act of 2019 (Public Law No: 116-17) § 3351. *Definitions*, states:

> *"(2) The term "compliance" means that an executive agency –*
>
> > *(F) has reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 3352(c)."*

OMB Memorandum M-21-19, Appendix C, Section VI Compliance, sub-section 6, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, states:

> *"If the program reported an IP and UP estimate above 10% for the FY, the program will be noncompliant…"*

USDA and its state agencies did not have adequate policies and procedures to help achieve the objective of reducing IPs and UPs. Specifically, while USDA continues to support state-level efforts to enhance payment integrity and prevent IPs through training and technical assistance, states did not properly follow statutory requirements for payment eligibility and limitation, failed to access data and information needed to validate payment accuracy, and/or did not properly review documentation prior to payment issuance.

FSA: We recommend that the agency work with OCFO in taking the following actions to ensure compliance with the Payment Integrity Information Act of 2019:

- Improve processes and efforts to evaluate the effectiveness of corrective actions to assist in the reduction of the improper payments estimate rate below the 10% threshold
- Develop and monitor agency-level corrective actions corresponding to the identified root causes of improper payments
- Conduct ongoing monitoring of the state-level corrective actions and ensure that these corrective actions are being implemented
- Continue working with states to identify state-specific corrective action plans and ensure that these corrective actions are being implemented
- Enhance corrective actions to specifically target and address the primary root causes associated with the highest improper payment percentage

For each year of non-compliance:

FSA should provide in the OMB Annual Data Call revised information for CCC ARC/PLC, CCC LFP, CCC NAP, and FSA ECP-Disasters describing the actions that the agency will take to come into compliance. This information should be published on PaymentAccuracy.gov and serve as the plan of what FSA will submit to the appropriate authorizing and appropriations committees of Congress as prescribed by M-21-19. FSA should consider revising the following:

- Updated measurable milestones to be accomplished in order to achieve compliance for each program
- The role and actions of the designated senior agency official accountable for the progress of the agency in coming into compliance
- 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

For 2nd consecutive year of non-compliance:

FSA should propose to the director of OMB in its next budget submission additional program integrity proposals for CCC NAP 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:

- Exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the director of OMB
- 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

For the 3rd consecutive year of non-compliance:

FSA should submit to the appropriate authorizing and appropriations committees of Congress, OMB, and the Comptroller General of the United States a report on CCC LFP and ECP-Disasters that includes:

- Reauthorization proposals for each discretionary program that has not been in compliance for three consecutive years; and/or
- 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:

- A description of the actions that the agency is undertaking to bring the program into compliance
- A timeline for when the program will achieve compliance based on the actions described

FNS: We recommend that the agency work with OCFO in taking the following actions to ensure compliance with the Payment Integrity Information Act of 2019:

- Improve processes and efforts to evaluate the effectiveness of corrective actions to assist in the reduction of the improper payments estimate rate below the 10% threshold
- Develop and monitor agency-level corrective actions corresponding to the identified root causes of improper payments
- Conduct ongoing monitoring of the state-level corrective actions and ensure that these corrective actions are being implemented
- Continue working with states to identify state-specific corrective action plans and ensure that these corrective actions are being implemented
- Enhance corrective actions to specifically target and address the primary root causes associated with the highest improper payment percentage

For each year of non-compliance:

FNS should provide in the OMB Annual Data Call revised information for SNAP describing the actions that the agency will take to come into compliance. This information should be published on PaymentAccuracy.gov and serve as the plan of what FNS will submit to the appropriate authorizing and appropriations committees of Congress as prescribed by M-21-19. FNS should consider revising the following:

- Updated measurable milestones to be accomplished in order to achieve compliance for each program
- The role and actions of the designated senior agency official accountable for the progress of the agency in coming into compliance
- 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

For 2nd consecutive year of non-compliance:

FNS should propose to the director of OMB in its next budget submission additional program integrity proposals for SNAP 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:

- Exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the director of OMB; and
- 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.

Management's Response:

FSA response: "*FSA does not concur with the condition and recommendations as written.*

We also noted that the condition provides a table for increased IP/UP rates, however LFP rate decreased in FY24 to 12.9% from 13.66% in FY23. FSA recommends a revision to the table explanation for accuracy."

FNS response: "*FNS concurs with this recommendation. FNS will continue to require States with Supplemental Nutrition Assistance Program (SNAP) improper payment rates exceeding 6 percent to (1) identify the root causes of deficiencies leading to improper payments, and (2) develop corrective action plans (CAP) to address root causes in accordance with FNS regulations and guidance. FNS' National office will continue to issue a memorandum, within 10 days of release of the improper payment rates, that identifies all State agencies (SAs) required to develop related CAPs.*

FNS' Regional offices will continue to play a key role in helping States develop and implement their SNAP payment error rate CAPs, from providing tools and technical assistance to support their analysis of root causes of payment errors and identification of appropriate corrective actions to address them, to reviewing and approving plans and monitoring and validating their implementation. After the Regional offices approve States' CAPs, States implement them and provide semiannual updates on corrective actions taken to FNS in May and November. These updates include the status of the CAP, any additional deficiencies identified since the previous update, and any changes to the planned corrective actions. FNS will continue to provide technical assistance to States to help them identify appropriate corrective actions and implement their CAPs. FNS' Regional offices will continue to monitor States' progress in implementing CAPs and will validate whether actions have been implemented. Once FNS's Regional offices validate and determine that States' corrective actions have been appropriately implemented, they will notify States that completed corrective actions can be removed from the CAP.

Regarding actions associated with the second consecutive year of non-compliance, in the upcoming Office of Management and Budget (OMB) Annual Data call FNS will provide an updated plan describing the actions the 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. FNS will also, through the development of the 2027 President's budget, submit additional program integrity proposals for the SNAP that clearly describe how each proposal would help the program come into compliance.

Estimated Completion Date: March 31, 2026"

Auditor's Response:

Management concurred with the FSA finding but not the related recommendations. We note that although the rate for LFP decreased in FY24 (from 13.66% to 12.90%), this finding's criterion relates to whether the reported rate is below the 10% threshold. LFP's rate is 12.90%, which is above the threshold. As such, management's response did not result in any changes to our findings or recommendations.

FNS management concurred with the finding and recommendation.

Other Matters

During our work over PIIA requirements, we identified additional areas for the consideration of USDA management. These matters did not result in instances of non-compliance with PIIA:

1) Reporting on recovery activities performed – We encourage that FNS formally report on PaymentAccuracy.gov the implementation of recovery activities through the National School Lunch Act (NSLA) for the FNS NSLP and SBP programs. Specifically, the NSLP and SBP programs are reporting on PaymentAccuracy.gov that they have been granted a waiver, from OCFO, for recovery of overpayments due to the nature of the programs. Upon inquiry with FNS, it was determined that these programs allow states to recover overpayments when found during Administrative Reviews of School Food Authorities or Management Evaluations of Sponsors.
2) Maintaining current Standard Operating Procedures (SOPs) current and communicating these to agencies –We encourage that OCFO update its guidance and SOPs and share them with agencies. These updates should include thorough instructions on risk assessment and overpayment recovery processes that are in accordance with OMB Memorandum M-21-19.
3) OCFO review of Sampling and Estimation Methodology Plans (S&EMPs) – We encourage OCFO to perform more detailed reviews of the S&EMPs to better understand the methodologies and inquire of the agencies on any potential inconsistencies with standards that allow agencies to take action in a timely manner.
4) OCFO review of Data Calls – Based on our review of the Data Calls submitted by agencies to OCFO, we identified commentary and feedback notated within. Some of the comments related to inconsistent data captured in the Data Calls. We encourage that the OCFO implement more rigorous and timely data entry validation and edit checks for the Data Calls well in advance of the submission deadline. Currently, these checks are performed only on the day of submission. By conducting these validations earlier, OCFO will allow sufficient time for a thorough review of the data, thereby minimizing the likelihood of inquiries from the OMB.

Acronyms

Acronym	Definition
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
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
IP	Improper payment
LFP	Livestock Forage Disaster Program
NAP	Noninsured Crop Disaster Assistance Program
NFR	Notification of Finding and Recommendations
OCFO	Office of the Chief Financial Officer
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
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

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