USDA
United States Department of Agriculture

USDA's Fiscal Year 2020 Compliance with Improper Payment Requirements

Audit Report 50024-0001-24

June 2021

OFFICE OF INSPECTOR GENERAL

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OIG reviewed USDA's compliance with improper payment requirements and the Department's high-dollar overpayments reports for FY 2020.

OBJECTIVE

Our objectives were to review USDA's FY 2020 AFR 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 the FY 2020 AFR and supporting documentation, and we communicated with relevant agency officials.

RECOMMENDS

USDA and its component agencies must take steps to ensure their mandated actions are completed to meet improper payment requirements.

WHAT OIG FOUND

We found that the U.S. Department of Agriculture (USDA) was not compliant with the Payment Integrity and Information Act of 2019 (PIIA). USDA reported mandatory improper payment information for 15 high-risk programs for fiscal year (FY) 2020. We found that 6 of the 15 high-risk programs either did not meet annual reduction targets or reported gross improper payment rates of greater than 10 percent. This occurred because some programs' policies and procedures were not followed by staff, and the corrective actions have not yielded the desired results.

Furthermore, we identified an incorrect improper payment rate, erroneous statements, and unsupported statements in the payment integrity section of USDA's Agency Financial Report (AFR). These errors reduced the quality of USDA's improper payment reporting and prevented stakeholders from using the report to make informed decisions. We also found that USDA did not issue any FY 2020 high-dollar overpayment reports, as required by Executive Order 13520. This scope limitation prevented us from answering any of the audit objectives relating to high-dollar overpayment reporting. These issues generally occurred because Office of the Chief Financial Officer (OCFO) officials stated that they experienced staff shortages during FY 2020. USDA agencies agreed with our findings and we accepted management decision for each of the six recommendations in this report.

We determined that USDA complied with PIIA requirements for its only high-priority program in FY 2020.

OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture

DATE: June 7, 2021

AUDIT NUMBER: 50024-0001-24

TO:

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FROM: Gil Harden
Assistant Inspector General for Audit

Steve Rickrode
for

SUBJECT: U.S. Department of Agriculture's Fiscal Year 2020 Compliance with Improper Payment Requirements

This report presents the results of the subject review. Your written response to the discussion draft is included in its entirety at the end of the report. We have incorporated excerpts from your response and the Office of Inspector General's (OIG) position into the relevant sections of the report. Based on your written response, we are accepting management decision for all six audit recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

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

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

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Background and Objectives

Background

The U.S. Department of Agriculture (USDA) delivered approximately $150 billion in public services through 161 similar programs in fiscal year (FY) 2020.[1] USDA identified 15 of these programs, with approximately $89.97 billion in outlays, as susceptible to significant improper payments in FY 2020.[2] USDA reported that, collectively, its 15 high-risk programs issued approximately $6.372 billion in improper payments—a 7.08 percent improper payment rate.

USDA funded the 15 high-risk programs through 5 component agencies:

- the Food and Nutrition Service (FNS),
- the Forest Service (FS),
- the Farm Service Agency/Commodity Credit Corporation (FSA/CCC),[3]
- the Natural Resources Conservation Service (NRCS), and
- the Risk Management Agency (RMA).

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. Office of Management and Budget (OMB) guidance specifically defines an improper payment as:

- any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements;
- any payment made to an ineligible recipient, a payment for an ineligible good or service, or a payment for goods or services not received; and
- any payment where insufficient documentation is available for an agency to discern whether the payment was proper.

The Payment Integrity and Information Act of 2019 (PIIA), enacted March 2, 2020, replaced improper payment requirements previously outlined in the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).[4] PIIA establishes reporting requirements that agencies must follow to identify improper payments in their annual financial report (AFR).

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[1] USDA has approximately 300 programs. Similar programs were grouped together to help identify and report improper payments in the Agency Financial Report (AFR).
[2] USDA used the term "high-risk" to describe those programs susceptible to significant improper payments in the FY 2020 AFR.
[3] FSA/CCC is one of the five component agencies; however, because CCC has no employees, we will refer only to FSA throughout the report. Because CCC has no operating personnel, FSA primarily carries out CCC's price support, storage, and reserve programs, and CCC's domestic acquisition and disposal activities.
[4] Payment Integrity Information Act of 2019, 31 U.S.C. §§ 3351–3358 (PIIA).

PIIA requires OMB to prescribe guidance for executive agencies to follow when implementing PIIA requirements. PIIA required OMB to create this guidance within 1 year of enactment of PIIA. However, OMB notified Federal Inspectors General in October 2020 that it was working on updating this guidance in OMB Circular A-123, Appendix C, and that this updated guidance would not be effective until FY 2021.[5] Therefore, agencies should have used guidance outlined in OMB Circular A-123, Appendix C, dated June 26, 2018, for FY 2020 improper payment reporting. This appendix outlines requirements Federal agencies must follow to comply with IPIA, IPERA, and IPERIA, as well as Inspector General requirements for completing annual improper payment audits. In addition to requirements outlined in OMB Circular A-123 Appendix C,[6] OMB Circular A-136 outlines requirements for agencies to follow when reporting PIIA information in their AFR.[7]

PIIA requires each agency to review all programs and activities that it administers at least once every 3 years to identify those that are susceptible to significant improper payments and submit to Congress an estimate of the annual amount of improper payments. For each program and activity identified as susceptible to significant improper payments, the agency must produce a statistically valid estimate, or an alternative OMB-approved sampling and estimation approach, of the improper payments made by each program and activity, and include those estimates in the accompanying materials to the agency's annual AFR.

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 review the assessment of the level of risk, evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments under the program.

Compliance with PIIA

Inspectors General are required to assess agencies' compliance with PIIA each fiscal year. To be compliant with PIIA, an agency must:

1. publish improper payment information with the annual financial statement for the most recent fiscal year;
2. identify susceptible programs and activities that meet the statutory thresholds and conduct a program-specific risk assessment for all agency programs and activities at least once every 3 years;
3. publish improper payment estimates for all programs and activities identified under number two above, in the accompanying materials to the annual financial statement;
4. publish programmatic corrective action plans prepared under section 3352(d) of PIIA in the accompanying materials to the annual financial statements;
5. publish improper payments reduction targets established under section 3352(d) that the executive agency may have in the accompanying materials to the annual financial

[5] OMB, *Requirements for Payment Integrity Improvement*, Circular A-123, Appendix C (June 26, 2018).
[6] *Ibid.*
[7] OMB, *Financial Reporting Requirements*, Circular A-136 (Aug. 27, 2020).

statement for each program or activity that is at risk and develop a plan to meet reduction targets; and
6. report an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under Section 3352(c).

Under PIIA, an agency is not compliant if it does not meet one or more of these six requirements.

High-Dollar Overpayments Reports Requirements

Executive Order 13520, "Reducing Improper Payments," signed on November 20, 2009, mandates that Federal agencies submit quarterly reports on any high-dollar improper payments identified in *high-risk programs* to their respective Office of Inspector General (OIG) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and make this information available to the public. After reviewing each report, OIG must 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.

OCFO'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.

USDA agencies with high-dollar overpayments are required to complete an automated template and submit quarterly reports to the Office of the Chief Financial Officer (OCFO) via its reporting site. Additionally, the Department publishes its quarterly high-dollar reports on OCFO's website. As of April 2021, USDA had not published any high-dollar reports for FY 2020 on OCFO's website.

Objectives

We reviewed the payment integrity section of the FY 2020 AFR to determine whether USDA was in compliance with the Payment Integrity Information Act of 2019. In addition, we evaluated the quality of USDA's: (1) risk assessment methodology, (2) improper payment rate estimates, (3) sampling and estimation plans, (4) corrective action plans, and (5) efforts to prevent and reduce improper payments.

We also included objectives to review USDA's quarterly high-dollar overpayments reports for FY 2020; assess the level of risk associated with the applicable agency programs; determine the extent of oversight warranted; and provide recommendations, where applicable, for modifying USDA's recovery and corrective action plans. However, we could not answer the objectives relating to high-dollar overpayment reporting due to a scope limitation. Please see Finding 4 and the Scope and Methodology section.

We determined that USDA complied with the risk assessment methodology and corrective action plans. Further, we determined that USDA complied with PIIA requirements for its only high-priority program in FY 2020. Therefore, we are not reporting any findings on these objectives in this report.

Section 1: USDA's FY 2020 Compliance Determination Under PIIA

Finding 1: USDA Did Not Comply with PIIA

For FY 2020, we found that USDA did not comply with three PIIA requirements. First, OCFO did not include a high-risk program as high-risk in its AFR. Next, 6 of the 15 high-risk programs reported in the AFR either did not meet annual reduction targets or reported gross improper payment rates of greater than 10 percent, or both. This occurred because, first, OCFO needs to improve its quality control procedures to ensure accuracy in the AFR. Second, although FNS and FSA programs have policies and procedures in place that might have assisted in reducing improper payments in the six programs, staff did not always follow them. Additionally, although the six programs have implemented corrective actions, they have not yielded the desired results. PIIA is intended to help agencies work to reduce improper payments and accurately and transparently report that progress to the public. Because OCFO omitted a high-risk program, it also did not report the program's improper payment rate. Further, although the agencies that administer these programs have tried to implement corrective actions, they have not yielded the desired results and improper payment weaknesses have persisted.

PIIA exists in order to identify programs and activities susceptible to improper payments and to establish actions for agencies to reduce improper payments. Under PIIA, Federal agencies must meet each of the six requirements outlined in the Background and Objectives section of this report. If agencies do not meet one or more of these six requirements, they are not considered compliant with PIIA reporting requirements.

Non-Compliance: Reporting High-Risk Programs

USDA identified 15 high-risk programs in its FY 2020 AFR. In FY 2019, USDA identified 12 programs as susceptible to significant improper payments (high-risk), but in FY 2020, the Department added 4 new programs and removed 1 program that is no longer considered to be high risk. Of the four new programs, one was identified as potentially high-risk by OCFO based on a risk assessment, and the other three were deemed high-risk because of their disaster-related outlays.[8] However, we found that OCFO did not include the Natural Resources Conservation Service's (NRCS) Farm Bill Financial Assistance Program as a high-risk program in its AFR.

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[8] OIG previously reported the Summer Food Service Program (SFSP) as at risk for improper payments because its reimbursement process makes it difficult, if not impossible, for the Food and Nutrition Service (FNS) or State agencies to independently verify payment accuracy (OIG Audit 27601-0004-41, *FNS Controls Over Summer Food Service Program* (Mar. 2018)). OCFO recommended that FNS statistically sample SFSP in FY 2020 to obtain definitive proof of the program's risk susceptibility to making significant improper payments. FNS' Emergency Food Assistance Program, FSA's Wildfire Hurricane Indemnity Program (WHIP), and NRCS' Emergency Watershed Program—Disaster Relief had disaster-related funding appropriated under the Bipartisan Budget Act of 2018, Pub. L. No 115–123. Because their annual outlays exceeded $10 million, they were subject to improper payments reporting in accordance with OMB *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations,* Memorandum M-18-14 (Mar. 30, 2018). (These four new programs are denoted with an * in Table 1.)

This occurred because OCFO's AFR team incorrectly classified this program in the final version of the AFR due to data entry errors. OCFO agreed that it needs to implement stronger quality control procedures to prevent these errors from occurring.

It is vital that USDA appropriately identify its high-risk programs, since USDA needs to meet more rigorous requirements for high-risk programs—such as publishing improper payment estimates for all high-risk programs. Because the AFR did not list the Farm Bill Financial Assistance Program as high-risk, it also did not report the program's improper payment rate (see Finding 3). Furthermore, if USDA is unaware of increased risk facing programs, it cannot take adequate precautions to minimize the risk of improper payments.

Non-Compliance: Meeting Reduction Targets and Improper Payment Rates

Based on information that USDA reported in its AFR, two FNS and four Farm Service Agency (FSA) programs did not meet reduction targets or had improper payment rates greater than the maximum 10 percent.

This occurred because although FNS and FSA programs have policies and procedures in place, staff did not always follow them. USDA has proposed and reported corrective actions in past AFRs—which has resulted in policies and procedures being implemented. However, because staff have not sufficiently followed these actions and policies, although the six programs have tried to implement corrective actions to ultimately reduce improper payments, they have not yielded the desired results, and identified improper payment weaknesses have remained.[9]

[9] See page 227 of the FY 2020 AFR for the agency's corrective actions. https://www.usda.gov/sites/default/files/documents/usda-fy20-agency-financial-report.pdf

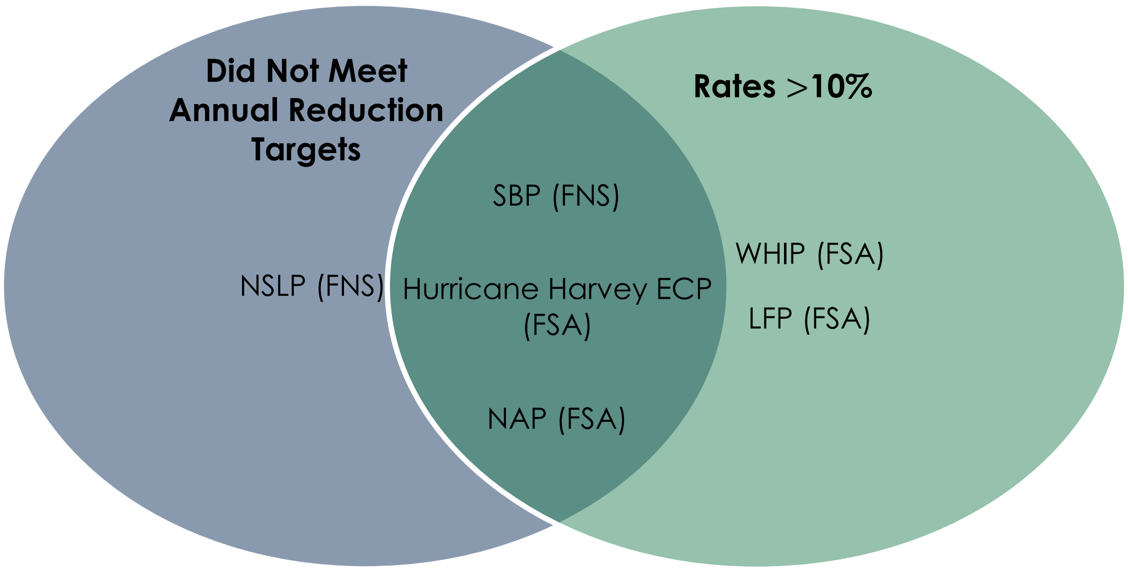

Figure 1 and Table 1. USDA's PIIA Compliance for FY 2020

USDA Agency	High-Risk Program	Compliant Overall?	AFR Published?	Risk Assessment Conducted? [10]	Improper Payment Estimate Published?	Corrective Action Plans Published? [11]	Reduction Targets Published/ Met?	Improper Payment Rate <10% Reported?
Food and Nutrition Service	Supplemental Nutrition Assistance Program (SNAP)	Compliant	Yes	Yes	Yes	Yes	Yes	Yes

[10] OCFO guidance states, at a minimum, a risk assessment will be completed for each low-risk program or activity once every 3 years. Because these 15 programs are high-risk, a risk assessment was not required.
[11] OMB Circular A-123, Appendix C, requires agencies with programs and activities exceeding the statutory thresholds for significant improper payments to publish corrective action plans for reducing the estimated improper payment rate and amount.

USDA Agency	High-Risk Program	Compliant Overall?	AFR Published?	Risk Assessment Conducted?[10]	Improper Payment Estimate Published?	Corrective Action Plans Published?[11]	Reduction Targets Published/ Met?	Improper Payment Rate <10% Reported?
	National School Lunch Program (NSLP)	Non-Compliant	Yes	Yes	Yes	Yes	No	Yes
	School Breakfast Program (SBP)	Non-Compliant	Yes	Yes	Yes	Yes	No	No
	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Compliant	Yes	Yes	Yes	Yes	Yes	Yes
	Child and Adult Care Food Program (CACFP)	Compliant	Yes	Yes	Yes	N/A	Yes	Yes
	Summer Food Service Program (SFSP)*	Compliant	Yes	Yes	Yes	N/A	N/A	Yes
	Emergency Food Assistance Program (TEFAP)*	Compliant	Yes	Yes	Yes	N/A	N/A	Yes

USDA Agency	High-Risk Program	Compliant Overall?	AFR Published?	Risk Assessment Conducted?[10]	Improper Payment Estimate Published?	Corrective Action Plans Published?[11]	Reduction Targets Published/ Met?	Improper Payment Rate <10% Reported?
Forest Service	Capital Improvement and Maintenance (Hurricane Harvey-CIM)	Compliant	Yes	Yes	Yes	N/A	Yes	Yes
FSA/CCC	Livestock Forage Disaster Program (LFP)	Non-Compliant	Yes	Yes	Yes	Yes	Yes	No
	Noninsured Crop Disaster Program (NAP)	Non-Compliant	Yes	Yes	Yes	Yes	No	No
	Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC) Program	Compliant	Yes	Yes	Yes	Yes	Yes	Yes
	Hurricane Harvey-Emergency Conservation Program (Harvey-ECP)	Non-Compliant	Yes	Yes	Yes	Yes	No	No

USDA Agency	High-Risk Program	Compliant Overall?	AFR Published?	Risk Assessment Conducted? [10]	Improper Payment Estimate Published?	Corrective Action Plans Published? [11]	Reduction Targets Published/ Met?	Improper Payment Rate <10% Reported?
	Wildfires and Hurricanes Indemnity Program (WHIP)*	Non-Compliant	Yes	Yes	Yes	Yes	N/A	No
NRCS	Harvey Watershed*	Compliant	Yes	Yes	Yes	Yes	Yes	Yes
RMA	Federal Crop Insurance Corporation (FCIC) Program Fund	Compliant	Yes	Yes	Yes	Yes	Yes	Yes

* New high-risk program

Compliance and Progress

We determined that USDA complied with three of the six improper payment requirements by:

1. publishing its FY 2020 AFR and posting the report and any accompanying OMB-required materials on USDA's website,
2. conducting a program-specific risk assessment for each program or activity, and
3. publishing programmatic corrective action plans in the AFR and accompanying materials.

Furthermore, the Department and some of its agencies are making progress toward fully complying with improper payment requirements.[12] For example, the ARC/PLC Program progressed from non-compliant with improper payment requirements in FY 2019 to fully compliant in FY 2020. Also, the reported improper payment rate for FNS' SBP decreased from 10.50 percent in FY 2019 to 10.30 percent in FY 2020.

PIIA Compliance Requirements

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

   Yes. USDA published the FY 2020 AFR, and subsequently posted the report and accompanying materials required by OMB on the agency website at https://www.ocfo.usda.gov/plans-reports/PerformanceAndAccountabilityReports.

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

   Yes. In accordance with OMB guidance, USDA completed a risk assessment for each of its programs not already identified as high-risk at least once during the last 3 years.[13] Additionally, USDA reported an improper payment estimate for all 15 of its high-risk programs, which fulfilled the risk assessment requirement under PIIA, and no additional risk assessments were required for those programs.

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

   No. OCFO provided us with documentation identifying NRCS' Farm Bill Financial Assistance Program as a high-risk program. However, the AFR did not list this program with the high-risk programs, resulting in missing reporting information, such as the improper payment rate. OCFO officials stated that NRCS submitted this program as high-risk on its reporting template. However, OCFO's AFR team incorrectly classified this program in the final version of the AFR due to data entry errors. USDA published

[12] Payment Integrity Information Act of 2019, Pub. L. No. 116–117.
[13] Per OMB Circular A-123, Appendix C, the method of reviewing programs could be a quantitative evaluation, such as a statistical assessment, or qualitative method, such as a questionnaire.

improper payment estimates for the remaining 15 programs identified as high-risk in its AFR.[14]

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

   Yes. USDA published corrective action plans in its AFR and accompanying materials. The information presented about the plans describes actions taken and planned for each program that met the PIIA statutory thresholds of a high-risk program.

5. **Did USDA publish and meet annual reduction targets for each program assessed to be at risk and measured for improper payments (if required and applicable)?**

   No. We found that 4 of USDA's 15 high-risk programs did not achieve their reduction targets: FNS' NSLP and SBP, and FSA's Hurricane Harvey ECP and NAP.

FNS' NSLP and SBP

FNS did not achieve its reduction targets for NSLP and SBP by 0.34 percent and 0.12 percent, respectively.[15] Both NSLP and SBP met the reduction targets reviewed in FY 2019. FNS attributed most of these programs' improper payments to program design/structural issues and administrative or process errors made by State and local agencies. To reduce improper payments, FNS developed corrective actions:

- USDA will continue to conduct research to identify and address improper payments. The most important of those studies is the "Access, Participation, Eligibility, and Certification (APEC)" study.[16] These studies provide updates on improper payments and identify the causes of these errors. The third of these studies is in Department clearance, and the fourth is in the planning stages.
- USDA concluded its study, "The Assessment of the Administrative Review Process," in August 2020. The study examined the extent to which the administrative review process effectively identifies risk areas and non-compliance with program requirements by school food authorities operating the programs. USDA will use the results of this study to consider additional updates to the process.
- USDA will continue to support technology improvements in the Child Nutrition Programs through technical assistance and grant funding to

[14] SFSP obtained a waiver from OMB for FY 2020 to delay data collection until the summer of FY 2021.
[15] FNS uses a non-statistically valid plan to estimate an improper payment rate for NSLP and SBP. Using this type of plan, a reduction target is met only if the estimated improper payment rate is lower than or equal to the reduction target.
[16] FNS has conducted three studies, two of which were completed previously. The APEC II study established estimates of erroneous payments for school year 2012–2013. FNS generates an annual update for the improper payment measurements based on the findings of this study.

States. Such improvements are targeted towards enhancing efficiency and accountability in processes relating to program payments, reviews, and training.

FSA's Hurricane Harvey ECP and NAP

FSA also did not achieve its reduction targets for Hurricane Harvey ECP and NAP by 6.35 percent and 0.94 percent, respectively.[17] FSA attributed most of NAP's improper payments to administrative or process errors and insufficient documentation.[18] To reduce NAP improper payments, FSA developed corrective actions:

- FSA issued an updated checklist to assist NAP specialists in completing applications thoroughly with less administrative data missing. The checklist must be completed when an application for payment is filed.
- The Safety Net Division's Disaster Assistance Section is planning to complete additional NAP training in target States with high error rates. The root causes of improper payments will be stressed throughout several presentations that reiterate the importance of issuing proper payments.

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 5 of its 15 high-risk programs: FNS' SBP, and FSA's Hurricane Harvey ECP, LFP, NAP, and WHIP.

FNS' SBP

FNS' SBP reported an estimated improper payment rate of 10.30 percent. FNS attributed SBP's improper payments to certification errors. To reduce improper payments, FNS developed corrective actions:

- FNS worked with States that were awarded administrative review and training (ART) grant funding to improve schools' operational and oversight efforts in NSLP and SBP. Three States received ART grants

[17] FSA uses a statistically valid and rigorous plan to estimate an improper payment rate for Hurricane Harvey ECP and NAP. Using this type of plan, a reduction target is met if the reduction target falls within the lower and upper endpoints of the plan's confidence interval. We used the lower endpoint of the interval for NAP and subtracted the target rate from the lower endpoint to determine the respective 6.35 and 0.94 percentage points by which the programs did not meet reduction targets.

[18] Hurricane Harvey—Emergency ECP did not meet the $10 million threshold of improper payments. Per USDA IPIA corrective action plan guidance, corrective actions are required for all programs above the reporting threshold (error rate equal to or above 1.5 percent and improper payment amount of $10 million or more).

to plan, develop, or adopt integrity-focused school meal applications consistent with USDA's model application.

- FNS worked with States that received 2019 ART grants to build Statewide online SBP application systems.
- FNS will annually conduct on-site direct certification technical assistance site visits and reviews and approve State agency direct certification continuous improvement plans to improve the effectiveness of their direct certification processes.

FSA's Hurricane Harvey ECP, LFP, NAP, and WHIP

FSA reported an estimated improper payment rate above 10 percent for four programs.

Table 2. FSA Programs with Improper Payment Rates Above 10 percent

FSA High-Risk Programs	Estimated Improper Payment Rate (%)
LFP	10.72
NAP	13.35
WHIP	50.21
Harvey—ECP	18.74

FSA attributed most of these programs' improper payments to administrative or process errors, insufficient documentation, and verification errors. To reduce improper payments, FSA developed corrective actions that included those actions mentioned previously under the specific results for PIIA requirement 5 on meeting annual reduction targets, as well as other actions:

- Program managers, the Compliance Division, and the Program Delivery Branch are identifying areas to clarify policy, provide training, and enhance software to mitigate errors.
- FSA will hold training sessions to ensure all State office staff are aware of updated policy requirements and clarifications to all requirements.
- FSA will issue a notice implementing a new review process to support and enhance integrity and accountability in FSA. The new internal review process will enable FSA to identify errors earlier in the process, the reasons why they are occurring, and improve communication.

In accordance with OMB guidance, we are making one recommendation to FSA and another to FNS. Of the six programs that did not comply with PIIA, four were also non-compliant with improper payment requirements in FY 2019: FNS' SBP, and FSA's LFP, NAP, and Harvey—

ECP.[19] Exhibit B summarizes the status of last year's audit recommendations. We also make a recommendation to OCFO below and again in Finding 3 regarding its omission of information in the AFR. The agencies generally agreed with our findings and recommendations.

Recommendation 1 to FSA

In accordance with OMB guidance, FSA should complete the requirements for the first year of non-compliance for each of the programs: LFP, NAP, Harvey–ECP, and WHIP.

Agency Response

In accordance with OMB guidance, FSA will submit the stated plans to the appropriate authorizing and appropriations committees of Congress, describing detailed actions the agency will take to come into compliance for LFP, NAP, Harvey-ECP, and WHIP.

OIG Position

We accept management decision on this recommendation.

Recommendation 2 to FNS

In accordance with OMB guidance, FNS should complete the requirements for the first year of non-compliance for each of the programs, NSLP and SBP.

Agency Response

FNS concurs with the recommendation. In accordance with OMB guidance, FNS will submit a plan for NSLP and SBP describing the actions the agency will take to come into compliance. This information will be published on paymentaccuracy.gov and will be submitted to OMB and select Congressional committees as required.

OIG Position

We accept management decision on this recommendation.

Recommendation 3 to OCFO

Develop and implement procedures that would ensure agency high-risk programs, and the accompanying reporting requirements, are included in the AFR.

[19] Regulations for improper payments in place for the FY 2019 review have since been replaced by PIIA. Therefore it would not be appropriate to determine consecutive years of noncompliance under the legislation.

Agency Response

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

- Finalize and implement the AFR Review Standard Operating Procedure (SOP) currently in draft.
- Require a peer review of the final consolidated USDA High-Risk Report by agency point of contacts with final OCFO clearance required prior to submission for publishing.

OIG Position

We accept management decision on this recommendation.

Section 2: Quality of USDA's Improper Payment Reporting

Finding 2: USDA's FY 2020 AFR Reported an Incorrect Improper Payment Rate

The Farm Production and Conservation (FPAC) mission area's Performance, Accountability, and Risk Division (PAR)[20] did not accurately calculate WHIP's improper payment rate. Specifically, for 32 of 600 sampled payments used for computing WHIP's improper payment rate, PAR used total dollars paid instead of only the portion of those payments that were deemed improper. This occurred because PAR did not ensure the accuracy of the improper payment information it submitted to OCFO for inclusion in the AFR. While PAR officials identified this error during data validation, they omitted this correction in the final data file submitted to OCFO. As a result, PAR overstated WHIP's improper payment rate by 4.41 percent, totaling $19,731,468.

OMB guidance requires that agencies design and implement appropriate statistical sampling and estimation plans to produce statistically valid improper payment estimates for all programs and activities susceptible to significant improper payments. The guidance also states that when calculating a program's annual improper payment amount, agencies should only utilize the amount paid improperly. Agencies should ensure that their AFRs are complete and accurate, the program improper payment rate estimates are accurate, and the sampling and estimation plan is appropriate given program characteristics.[21] PAR developed a sampling and estimation plan as required for WHIP; however PAR did not calculate FSA's improper payment rate according to its sampling and estimation plan methodology.

For FY 2020 improper payment reporting, we included an objective to more closely review sampling and estimation plans. Our review included a procedure to select samples and perform testing on agency documentation to determine whether the information included is suitable for developing a statistical estimate. Due to the deadlines associated with this audit, we could not test all 15 high-risk programs. Instead, we tested the program with the highest improper payment rate and reviewed the sampling and estimation plan used to develop WHIP's improper payment rate.

FSA reported a 50.21 percent ($224.57 million) improper payment rate for WHIP in the FY 2020 AFR. PAR's sampling and estimation plan for WHIP included 600 samples of program payments. To calculate its improper payment rate, PAR was supposed to include only the portion of program benefit payments that it deemed improper. However, for 32 of the 600 samples, PAR officials used the total benefit payment instead of only the amount it deemed improper. Therefore, we determined WHIP's improper payment rate should have been reported as 45.80 percent ($204.83 million), not the 50.21 percent—a 4.41 percent difference.

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[20] FSA's sampling and PIIA reporting is performed by the Farm Production and Conservation (FPAC) mission area, Performance, Accountability, and Risk Division (PAR).

[21] OMB Memorandum M-18-20, Appendix C to Circular No. A-123, *Requirements for Payment Integrity Improvement* (June 26, 2018).

Table 2. Difference in Reported and Actual WHIP Improper Payment Rates and Amounts

	Total %	Total Amount	Overpaid	Underpaid
Reported in AFR[22]	50.21	$224,566,217	$224,547,485	$18,732
Actual	45.80	$204,834,749	$204,573,912	$260,837
Difference	4.41	$19,731,468	$19,973,573	$242,105

FSA officials agreed with our conclusion. According to an FSA official, PAR found this error during data validation, and the 32 payments were corrected in the final data file submitted to the statistician. However, this correction was inadvertently omitted in the instructions submitted to the statistician with the final data file. This resulted in an overstatement of the improper payment estimates.

We also found that PAR did not correctly classify WHIP's sampling and estimation plan. WHIP's sampling and estimation plan was reported as "rigorous." To be referred to as "rigorous," OMB requires a confidence interval of no more than ±3 percent. However, OIG identified the confidence interval was ±3.7 percent, which was slightly less precise. FSA officials agreed with this conclusion. While this issue did not affect the improper payment rate published, it signals the need for PAR to revisit all of its sampling and estimation plans and ensure that they are accurate.

The two errors we identified in WHIP's sampling and estimation plan warrant action by PAR to develop policies and procedures to ensure all of its high-risk programs are reporting accurate improper payment rates in future AFR improper payment reporting. This is increasingly important, as FSA had 5 out of USDA's 15 high-risk programs in FY 2020.[23] By improving its policies and procedures to ensure accurate improper payment rate reporting, USDA can improve the overall quality of its AFR. FSA generally agrees with this finding and the need to implement policies and procedures to ensure future reports are accurate

Recommendation 4 to FPAC

Develop and implement policies and procedures to ensure FPAC reports accurate improper payment rates and classifications for all of its high-risk programs, including WHIP.

Agency Response

FPAC/PAR agrees with Recommendation 4. In response to this recommendation, PAR developed and will update, as necessary, policies and procedures to ensure PAR reports accurate improper payment rates and classifications for all high-risk program reporting, including WHIP.

[22] The AFR presented the rounded amounts. Table 2 represents the exact dollar value, which is the format FSA used in the documentation it provided to us.
[23] We did not test FSA's other four high-risk programs' sampling and estimation plans.

OIG Position

We accept management decision on this recommendation.

Finding 3: USDA's FY 2020 AFR Included Inaccurate or Unsupported Improper Payment Information

We identified four statements in the AFR that did not contain accurate information and an additional four statements that OCFO could not support with appropriate documentation. This occurred because OCFO did not have written quality control policies or procedures to review the AFR for accuracy prior to publication. Without accurate information, USDA stakeholders are not able to make informed decisions using improper payment data in the AFR.

GAO Standards for Internal Control in the Federal Government state, "management uses quality information to support the internal control system. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics in evaluating processed information and makes revisions when necessary so that the information is quality information."[24]

Part of our responsibilities for answering the objectives of this audit included obtaining and reviewing supporting documentation for information reported in the AFR. This documentation was needed to review compliance with PIIA requirements such as corrective action plans and efforts to prevent and reduce improper payments. Through reviewing documentation to support these PIIA requirements, we identified erroneous information and unsupported statements in the FY 2020 AFR.

Inaccurate Statements

First, we identified four inaccurate statements in the FY 2020 AFR:

- The AFR stated that USDA had 146 low-risk programs and 15 high-risk programs. As discussed in Finding 1, although OCFO provided us with documentation identifying the NRCS Farm Bill Financial Assistance Program as a high-risk program, the AFR did not identify this program with the high-risk programs. This resulted in missing reporting information, such as the improper payment rate.
- The Payment Integrity Outlook table incorrectly attributed a note for FNS' SNAP that instead referred to information concerning NRCS' Farm Security Program.
- The Payment Integrity Outlook table incorrectly reported current year outlays for the FS' Capital Improvement and Maintenance Program for Hurricane Harvey. The calendar year outlays reported in the AFR ($10.74 million) do not agree with paymentaccuracy.gov data calls spreadsheets ($10 million). FS officials stated that they submitted the correct information to OCFO. However, OCFO officials entered incorrect data into the paymentaccuracy.gov data call spreadsheet.
- FNS' SBP annual reduction target indicates a reduction target of 10.40 percent instead of the correct reduction target—10.04 percent.

[24] GAO-14-704G, *Standards for Internal Control in the Federal Government* (Sept. 2014)

Unsupported Statements

Similarly, we found four statements in the FY 2020 AFR which could not be supported by documentation:

- OCFO was unable to explain how a private contractor calculated the supplier credit recovery amount of $420,000.
- OCFO reported inconsistent information in the AFR. The "Recapture of Improper Payments Reporting" section states that 46 programs participated in the payment recapture audit and 79 programs submitted a cost-effective waiver to OMB. However, Exhibit 38 indicated 73 programs participated in the payment recapture audit and 82 programs submitted a cost-effective waiver to OMB.
- The numbers in Exhibits 39–42 in the AFR ("Recovery Auditing Reporting") did not match supporting documentation.
- OCFO was unable to provide documentation to support two corrective actions as well as the amount associated with the root cause for SNAP's improper payments.

OCFO officials generally attributed these issues to data entry errors and insufficient proof reading before publication. OCFO officials stated that OCFO staff did not sufficiently check the AFR for accuracy and acknowledged that they lacked written quality control procedures to ensure its staff identifies errors in the final version of the AFR that is released to the public. Finally, OCFO officials further stated that OCFO personnel were unable to locate the support provided by FNS because they were new to preparing the payment integrity section of the AFR.

We recognize that data entry errors occur. However, errors and omissions reduce the reliability of the payment integrity section of the AFR, preventing stakeholders from using the AFR to make informed decisions in relation to improper payments. OCFO officials agreed that they need quality control procedures to prevent these errors from being published in the final version of the AFR. By placing an emphasis on developing quality control procedures to be used in all future AFR publications, OCFO can better prevent these mistakes from occurring.

Recommendation 5 to OCFO

Develop and implement quality control procedures to verify the information published in the AFR is accurate, complete, supportable, and consistent. These procedures should include requirements for agencies to meet timeframes needed to allow for a sufficient quality control review.

Agency Response

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

- Finalize and implement the AFR Review SOP currently in draft, ensuring that the procedures described therein establish a robust system of quality control.
- Develop and distribute a schedule of deliverables for Agency AFR-related submissions.

- Develop an AFR Deliverable Tracker to record the receipt of required deliverables.
- Verify that submissions received are timely, accurate, complete, supportable, and consistent.
- Follow up with agencies that are non-compliant in meeting established suspense dates for AFR-related submissions.

OIG Position

We accept management decision on this recommendation.

Section 3: USDA’s FY 2020 High-Dollar Overpayment Reports

Finding 4: OCFO Did Not Issue Quarterly High-Dollar Overpayment Reports

We found that OCFO has not approved any of the quarterly FY 2020 high-dollar overpayment reports, as required by Executive Order 13520. This occurred because first, agencies did not timely submit high-dollar reports to OCFO. Second, OCFO staff stated they were unable to complete and issue high-dollar reports due to low staffing. The high-dollar overpayment reports are important to ensure accountability. Because these reports were not issued, USDA was not transparent with the public about its efforts to reduce high-dollar overpayments.

OCFO is required to submit agency high-dollar overpayment reports to OIG quarterly, in accordance with Executive Order 13520 *Reducing Improper Payments,* signed on November 20, 2009.[25] OMB guidance for implementing the executive order requires that quarterly high-dollar overpayments reports:

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

We requested FY 2020 high-dollar reports at the entrance conference in January 2021 and again throughout this audit. As of May 2021, OCFO has not approved any of the FY 2020 high-dollar overpayment quarterly reports. OCFO provided support showing that agencies did not timely submit their quarterly high-dollar overpayment reports to OCFO. This made OCFO’s responsibilities more difficult to perform. Further, OFCO officials stated that they did not have sufficient staff to timely publish the reports. These two issues resulted in no USDA high-dollar reports being made available to the public in FY 2020. In addition, we were unable to answer our audit objectives relating to high-dollar overpayment reporting since we did not have any approved reports to assess. (See the Scope and Methodology section for a statement regarding this scope limitation.)

We acknowledge the challenges of issuing reports in a timely manner with limited staffing resources and external delays. Implementing procedures that will hold USDA agencies accountable for timely submitting their contributions and a checklist to assist OCFO staff with timely review should help OCFO issue all future high-dollar overpayment quarterly reports on time, even with reduced resources. This, in turn, should help ensure that USDA’s financial activities are transparent and that agencies are held accountable for overpayments. OCFO generally agreed that additional procedures need to be established to mitigate these concerns in the future.

[25] Executive Order 13520, *Reducing Improper Payments* (Nov. 20, 2009).

Recommendation 6 to OCFO

Develop and implement procedures that include a schedule of deliverable due dates that satisfies the requirements set forth in Executive Order 13520. In addition, develop and implement a checklist of procedures needed to ensure accurate and timely issuance of high-dollar reports.

Agency Response

OCFO concurs with the recommendation in substance, but the requirements of Executive Order 13520 have been incorporated into OMB Memorandum M-21-19 (issued March 5, 2021) which states, in part:

> "High-Priority programs must provide select information through a mechanism determined by OMB on a quarterly basis. The collected information will be published quarterly in a Payment Integrity Scorecard on paymentaccuracy.gov. This published information will fulfill the High Dollar Overpayment Reporting Requirements and also the High-Priority Program Reporting Requirements."

Given this new guidance, OCFO will complete the following actions:

- Request that agencies provide OCFO with their scorecards for review, analysis, and feedback prior to their submission to OMB.
- Develop and implement an SOP to address the Payment Integrity Scorecard process that will include expected deliverable dates for the scorecards to OCFO.

OIG Position

We accept management decision on this recommendation.

Scope and Methodology

Our audit focused on improper payment information reported in USDA's FY 2020 AFR and additional supporting documentation. This audit also included a limited review of USDA's requirements for meeting high-dollar overpayment reporting requirements as described in the objective, but would not necessarily identify all deficiencies in internal controls for determining high-dollar overpayments. We commenced fieldwork in January 2021 and completed our fieldwork in April 2021.

We interviewed OCFO officials and personnel at USDA component agencies who were involved with the 15 programs identified as susceptible to significant improper payments (high-risk). 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.

However, due to a scope limitation, we could not answer any of our objectives relating to UDSA's quarterly high-dollar overpayment reports for FY 2020 because USDA has not approved or published any of the quarterly FY 2020 high-dollar overpayment reports on its website. Specifically, we could not assess the level of risk associated with the applicable agency programs, determine the extent of oversight warranted, or provide recommendations for modifying USDA's recovery and corrective action plans.

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

1. **Published an AFR for the Most Recent Fiscal Year and Posted that Report and Any Accompanying Materials Required by OMB on the Agency Website**

   We obtained and reviewed the FY 2020 AFR and any accompanying materials. 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 145 low-risk programs and activities listed in USDA's FY 2020 inventory, we selected a non-statistical, random sample of 10 programs and activities. The 10 selected programs used various types of assessments, from management certifications to full-scale risk assessments, including testing of transactions. We reviewed these assessments to determine if they were performed in accordance with OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*; and OCFO's USDA FY 2020 risk assessment guidance.

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

   We reviewed the FY 2020 AFR to identify which high-risk programs did not report an improper payment estimate (identified as "N/A").

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

   We reviewed the FY 2020 AFR and accompanying materials 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 FY 2020 AFR and compared each high-risk program's improper payment rate to the reduction targets listed in the FY 2019 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 FY 2020 AFR to identify which programs did not report estimates of less than 10 percent.

7. **Reported Information on High-Priority Programs**

   We reviewed the FY 2020 AFR and supporting documentation. We made inquiries to agency officials when warranted.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. The scope limitation mentioned in this report did not result in any departures from the 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 system, and make no representation regarding the adequacy of any agency's computer system or the information generated from it.

Abbreviations

AFR.......................................Agency Financial Report
APEC ....Access, Participation, Eligibility, and Certification
ARC/PLC...............................Agriculture Risk Coverage and Price Loss Coverage
ART.......................................administrative review and training
CACFP ....Child and Adult Care Food Program
CCC.......................................Commodity Credit Corporation
CIGIE....................................Council of the Inspectors General on Integrity and Efficiency
CIM ....Capital Improvement and Maintenance
ECP ....Emergency Conservation Program
FCIC.......................................Federal Crop Insurance Corporation
FNS ....Food and Nutrition Service
FPAC.....................................Farm Production and Conservation
FS ....Forest Service
FSA ....Farm Service Agency
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
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
PAR.......................................Performance, Accountability, and Risk Division
PIIA.......................................Payment Integrity Information Act of 2019
RMA ....Risk Management Agency
SBP ....School Breakfast Program
SFSP......................................Summer Food Service Program
SNAP ....Supplemental Nutrition Assistance Program
SOP ....Standard Operating Procedure
TEFAP ....The Emergency Food Assistance Program
USDA....................................United States Department of Agriculture
WHIP ....Wildfires and Hurricanes Indemnity Program
WIC.......................................Special Supplemental Nutrition Program for Women, Infants, and Children

Exhibit A: USDA's Fifteen High Risk Programs

Exhibit A provides a list of USDA's 15 current high-risk programs or program categories reported in the FY 2020 AFR.

USDA Agency	High-Risk Program	FY 2020 Improper Payment Rate (%)
FNS	1. SNAP provides low-income households benefits to purchase food from approved retailers.	7.36
	2. NSLP assists States, through cash grants and food donations, in providing a nutritionally balanced, low-cost or no-cost lunches to children each school day.	9.14
	3. SBP assists States in providing a nutritious non-profit breakfast service for school children, through cash grants and food donations.	10.30
	4. WIC provides supplemental nutritious foods and other health services to low-income, eligible participating women and children up to age of 5 years.	1.96
	5. CACFP, through grants-in-aid and other means, assists States with maintaining non-profit food service programs for children and elderly or impaired adults in day care facilities, and children in afterschool care programs in low-income areas and emergency shelters.	0.54
	6. SFSP assists States in providing reimbursement to providers who serve free, healthy meals to children and teens in low-income areas during the summer months.	0.00
	7. TEFAP helps supplement the diets of low-income Americans by providing them with emergency food assistance at no cost.	0.00
Forest Service	8. Harvey–CIM received emergency supplemental appropriations under the Bipartisan Budget Act of 2018 to respond to and recover from recent hurricanes, wildfires, and other disasters.	0.00
FSA/CCC	9. LFP provides compensation to eligible livestock producers who have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or planted specifically for grazing.	10.72
	10. NAP provides financial assistance to producers of non-insurable crops when low yield, loss of inventory, or prevented planting occur due to natural disasters.	13.35
	11. The ARC/PLC Program is an income support program that provides payments when actual crop revenue declines below a specified guarantee level. The PLC Program provides income support payments when the	4.72

	effective price for a covered commodity falls below its effective reference price.	
	12. Harvey–ECP received emergency supplemental appropriations under the Bipartisan Budget Act of 2018 to respond to and recover from recent hurricanes, wildfires, and other disasters. ECP provides emergency funding and technical assistance to farmers and ranchers to rehabilitate farmland damaged by natural disasters and to implement emergency water conservation measures in periods of severe drought.	18.74
	13. WHIP provides assistance to eligible producers who planted, or were prevented from planting, and suffered losses to crops, trees, bushes, and vines.	50.21
NRCS	14. The Emergency Watershed Protection–Disaster Relief Program offers technical and financial assistance to help local communities relieve imminent threats to life and property caused by floods, fires, windstorms and other natural disasters that impair a watershed.	0.00
RMA	15. The FCIC Program Fund promotes the economic stability of agriculture through a sound system of crop insurance and providing resources for research and experience helpful in devising and establishing such insurance.	2.31

Exhibit B: Status of Prior Year Recommendations

Exhibit B identifies the status of all audit recommendations in the prior year report on USDA's FY 2019 Compliance with Improper Payment Requirements. Additionally, all recommendations from FYs 2011–2017 have achieved final action and are closed.

Report Number	FY		Recommendation	Status
50024-0015-11	2019	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 FSA will take to make ARC/PLC and Harvey—ECP compliant.	Open
		2	In accordance with OMB guidance, as part of the annual development of the President's Budget, FSA should create and submit proposals to OMB during its next budget submission for funding actions that will help bring LFP into compliance.	Open
		3	In accordance with OMB guidance, within 30 days of the determination of noncompliance, FSA should submit an agency statement to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing reauthorization, statutory changes, or other actions necessary or in process to bring NAP into compliance.	Open
		4	In accordance with OMB guidance, within 30 days of the determination of noncompliance, FNS should submit a report to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB detailing the activities the agency has taken to complete the required actions for each consecutive year of noncompliance for SBP as well as any new corrective actions the agency plans to take.	
50024-0014-11	2018	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	Open

	OMB describing the actions that the agency will take to make LFP compliant.	
2	In accordance with OMB guidance, as part of the annual development of the President's Budget, FSA should create and submit proposals to OMB during its next budget submission for funding actions that will help bring NAP into compliance.	Open
3	OCFO should publish the information on the two NRCS overpayments omitted from the FY 2018 first quarter report and disclose the duplication errors in relation to the five NRCS overpayments reported in the FY 2018 third quarter report on OCFO's public-facing "Quarterly High-Dollar Reporting" webpage.	Open

Exhibit C: Sampling Methodology for USDA's FY 2020 Compliance with Improper Payment

Objectives

OIG designed the sampling methodology for our assessment of USDA's compliance with PIIA for FY 2020 to help determine whether USDA complied with improper payment requirements and evaluate whether USDA's reporting was accurate and complete. We used non-statistical sampling selections to test the adequacy and completeness of USDA's risk assessment of programs and activities subject to improper payments reporting.

We also designed the sampling methodology for our review of high-risk programs sampling and estimation plans to support our audit objectives. We judgmentally selected one high-risk agency to review the associated sampling and estimation plans.

Audit Universe and Sample Design

Risk Assessment Selection and Sample

Of the 145 programs and activities deemed low-risk in USDA's inventory, we non-statistically but randomly selected 10 programs and activities risk assessed in FY 2020 using computer-assisted auditing techniques.[26] Our 10 selected programs captured various types of assessments. We reviewed these assessments to determine whether the level of risk determination was reasonable and in accordance with PIIA; OMB Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement" and OCFO's FY 2021 USDA PIIA risk assessment guidance.

Sampling and Estimation

Of the 15 high-risk programs and activities identified in the FY 2020 AFR, we non-statistically but judgmentally selected 1 high-risk program for review, based on the largest improper payment rate. We requested supporting documentation to determine whether the information included was suitable for developing a statistical sample.

[26] NRCS' Farm Bill Assistance Program was not included in the sample of FY 2020's low-risk programs because it should have been reported as a high-risk program.

Agencies’ Response to Audit Report

United States Department of Agriculture

Farm Production and Conservation

Farm Service Agency

1400 Independence Ave. SW
Washington, DC 20250

DATE: June 4, 2021

TO: Mr. Steven Rickrode
Deputy Assistant Inspector General for Audit
U.S. Department of Agriculture - OIG
Jamie L. Whitten Federal Building, Room 403-E
1400 Independence Ave. S.W.
Washington, DC 20250

FROM: Steven Peterson /s/
Associate Administrator, Farm Service Agency

SUBJECT: FSA Response to the OIG 50024-0001-24 Audit Report: USDA Fiscal Year 2020 Compliance with Improper Payment Requirements

The Farm Service Agency's response to the OIG recommendations contained in the OIG 50024-0001-24 Audit Report: USDA Fiscal Year 2020 Compliance with Improper Payment Requirements are as follows:

Recommendation 1 to FSA

In accordance with OMB guidance, FSA should complete the requirements for the first year of non-compliance for each of the programs, LFP, NAP, Harvey–ECP, and WHIP.

Agency Response

In accordance with OMB guidance, FSA will submit the stated plans to the appropriate authorizing and appropriations committees of Congress, describing detailed actions the agency will take to come into compliance for Livestock Forage Disaster (LFP), Noninsured Crop Disaster Assistance (NAP), Emergency Conservation-Hurricane Harvey (Harvey-ECP) and Wildfires, Hurricanes Indemnity Programs (WHIP).

FSA's estimated timeframe to complete this action is September 7, 2021.

USDA

United States Department of Agriculture

Food and Nutrition Service

1320 Braddock Place
Alexandria, VA
22314

DATE: May 27, 2021

AUDIT NUMBER: 50024-0001-24

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Cindy Long /s/
Acting Administrator
Food and Nutrition Service

SUBJECT: U.S. Department of Agriculture's Fiscal Year 2020 Compliance with Improper Payment Requirements

This letter responds to the discussion draft report for audit number 50024-0001-24. Specifically, the Food and Nutrition Service (FNS) is responding to recommendation 2 in the report, which is the only one specific to FNS.

OIG Recommendation 2:

FNS should complete the requirements for the first year of non-compliance for each of the programs, NSLP and SBP.

FNS Response:

FNS concurs with the recommendation. In accordance with Office of Management and Budget (OMB) guidance, FNS will submit a plan for the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) describing the actions the agency will take to come into compliance. This information will be published on paymentaccuracy.gov and will be submitted to OMB and select Congressional committees as required.

Estimated Completion Date:

December 1, 2021

United States
Department of
Agriculture

Office of the Chief Financial Officer

1400 Independence Avenue, SW

Washington, DC 20250

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

FROM: Lynn Moaney /s /
Deputy Chief Financial Officer

SUBJECT: Management Response to Improper Payments
Audit No. 50024-0001-24

This responds to your request for management's response to the audit recommendations in the Draft Audit Report No. 50024-0001-24. The management response is attached.

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

Attachment

cc:
Gary Weishaar, Branch Chief for the External Audits and Investigations Division, Farm Production and Conservation
Amanda Musgrove, GAO & OIG Audit Coordinator, Food and Nutrition Service
Antoine Dixon, Chief Financial Officer/OIG Audit Liaison Staff, Forest Service
Marie Butler, Fiscal Policy Division, Office of the Chief Financial Officer

U.S. Department of Agriculture's Fiscal Year 2020 Compliance with Improper Payment Requirements, Audit Number 50024-0001-24

Recommendation 3

Develop and implement procedures that would ensure agency high-risk programs, and the accompanying reporting requirements, are included in the AFR.

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

- Finalize and implement the AFR Review SOP currently in draft.
- Require a peer review of the final consolidated USDA High-Risk Report by Agency POCs with final OCFO clearance required prior to submission for publishing.

Date Corrective Action will be completed: December 30th, 2021

Responsible Organization: OCFO, Fiscal Policy Division

Recommendation 5 to OCFO

Develop and implement quality control procedures to verify the information published in the AFR is accurate, complete, supportable, and consistent. These procedures should include requirements for agencies to meet timeframes needed to allow for a sufficient quality control review.

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

- Finalize and implement the AFR Review SOP currently in draft, ensuring that the procedures described therein establish a robust system of quality control.
- Develop and distribute a schedule of deliverables for Agency AFR related submissions.
- Develop an AFR Deliverable Tracker to record the receipt of required deliverables.
- Verify that submissions received are timely, accurate, complete, supportable, and consistent.
- Follow-up with Agencies that are non-compliant in meeting established suspense dates for AFR related submissions.

Date Corrective Action will be completed: December 30th, 2021

Responsible Organization: OCFO, Fiscal Policy Division

<u>Recommendation 6 to OCFO</u>

Develop and implement procedures that include a schedule of deliverable due dates that satisfies the requirements set forth in Executive Order 13520. In addition, develop and implement a checklist of procedures needed to ensure accurate and timely issuance of high-dollar reports.

Management Response: OCFO acknowledges there were delays in the timely submission of the FY20 High Dollar Overpayment Reports. OCFO compiled, reviewed and submitted all four quarters into the Department's Executive Correspondence Management System (ECM) for clearance and signoff by the Deputy Secretary before issuance to the Inspector General. Unfortunately, there was a disconnect between OCFO and the prior outgoing Administration that rendered these ECM submissions cancelled and/or unsigned. We are now working with the current Administration to resolve. To prevent this from happening in the future, we will ensure the CFO gets a report of outstanding ECM submissions so that he/she can properly escalate or implement alternate actions when necessary.

Also, the requirements of Executive Order 13520 have been incorporated into OMB Memorandum M-21-19 (issued March 5, 2021) which states in part, *High-Priority programs must provide select information through a mechanism determined by OMB on a quarterly basis. The collected information will be published quarterly in a Payment Integrity Scorecard on paymentaccuracy.gov. This published information will fulfill the High Dollar Overpayment Reporting Requirements and also the High-Priority Program Reporting Requirements.* Given this new guidance, OCFO will complete the following actions:

- Request that Agencies provide OCFO with their scorecards for review, analysis, and feedback prior to their submission to OMB.
- Develop and implement a SOP to address the Payment Integrity Scorecard process that will include expected deliverable dates for the scorecards to OCFO.

Date Corrective Action will be completed: December 30th, 2021

Responsible Organization: OCFO, Fiscal Policy Division

United States Department of Agriculture

Farm Production
and Conservation
Business Center

Performance,
Accountability,
and Risk Division

355 E Street, SW
Washington, DC
20024

June 3, 2021

Mr. Steve Rickrode
Deputy Assistant Inspector General for Audit
U.S. Department of Agriculture - OIG
Jamie L. Whitten Federal Building, Room 403-E
1400 Independence Ave. S.W.
Washington, DC 20250

Dear Mr. Rickrode,

The Farm Production and Conservation Business Center (FPAC-BC), Performance, Accountability, and Risk Division's (PAR) response to the OIG recommendation contained in OIG Audit 50025-0001-24, U.S. Department of Agriculture's Fiscal Year 2020 Compliance with Improper Payment Requirements, is as follows:

Recommendation 4 to FPAC PAR

Develop and implement policies and procedures to ensure FPAC PAR reports accurate improper payment rates and classifications for all of its high-risk programs, including WHIP.

Agency Response

PAR agrees with recommendation 4. In response to this recommendation, PAR developed and will update, as necessary, policies and procedures to ensure PAR reports accurate improper payment rates and classifications for all high-risk program reporting, including WHIP.

Sincerely,

/s/ Kenneth Hill

Kenneth Hill
Director
FPAC Business Center
Performance, Accountability, and Risk
Division

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