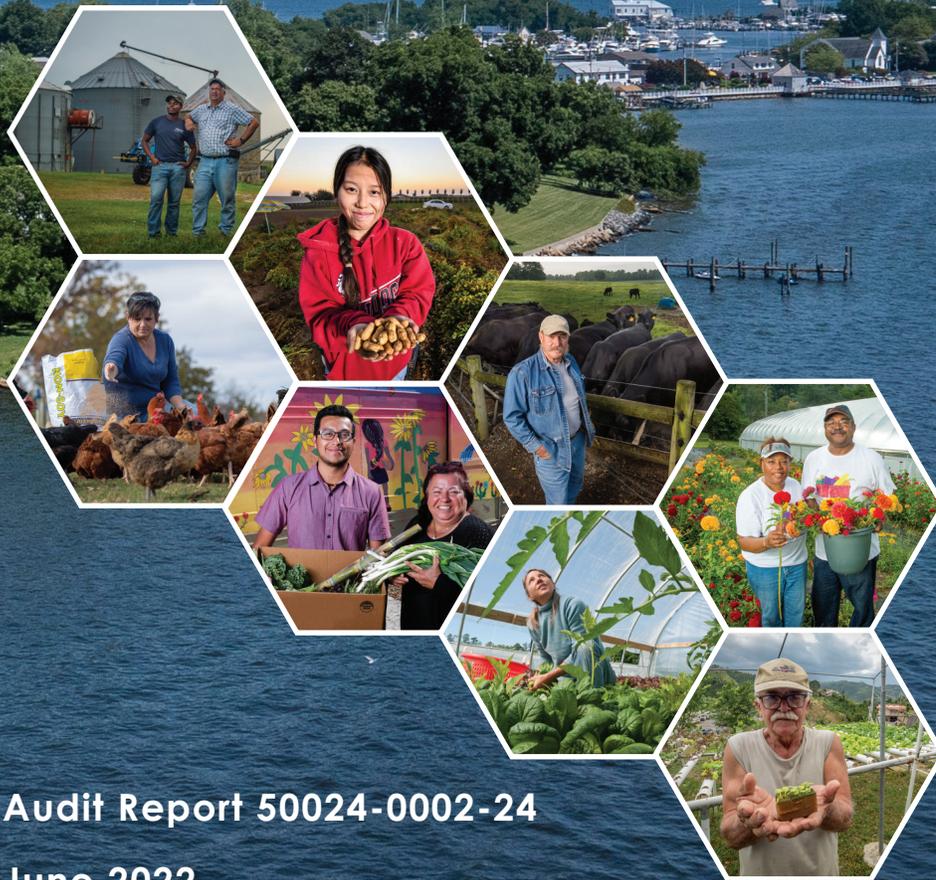




OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021



Audit Report 50024-0002-24

June 2022

USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021

Audit Report 50024-0002-24

OIG reviewed USDA's compliance with improper payment and high-dollar overpayment requirements for FY 2021.

OBJECTIVE

Our objective was to determine whether USDA complied with PIIA for FY 2021. We also determined if USDA fulfilled its high-dollar overpayment reporting requirements by performing the reviews of those reports, as required by Executive Order 13520 and OMB M-21-19.

WHAT OIG FOUND

We found that the United States Department of Agriculture (USDA) was not compliant with four of the six Payment Integrity and Information Act of 2019 (PIIA) requirements for fiscal year (FY) 2021. Specifically, 5 of the 17 high-risk programs reported did not fully comply with PIIA requirements. Five Farm Service Agency (FSA) programs did not meet the PIIA compliance requirements for reporting one or more of the following: annual reduction targets, gross improper payment rates of less than 10 percent, or corrective action plans. As a result, these USDA programs could not ensure taxpayer money served its intended purpose.

REVIEWED

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

We also found that USDA did not meet a fourth PIIA compliance requirement when the Department did not timely report the Risk Management Agency's (RMA) Federal Crop Insurance Corporation (FCIC) as a high-risk program on paymentaccuracy.gov. Without sufficient information, USDA stakeholders are not able to make informed decisions using Agency Financial Report (AFR) improper payment data.

RECOMMENDS

We recommend that FSA provide information that describes the actions that the agency will take to come into compliance in the OMB annual data call. We also recommend that the Office of the Chief Financial Officer and the subject agencies review paymentaccuracy.gov as information is publicly reported to validate the information reported by USDA programs.

Finally, USDA reported improper payment information for FY 2021 that contained inaccuracies or that the Department could not support with appropriate documentation. We also question whether USDA complied with Office of Management and Budget (OMB) criteria for improper payment reporting. Accurate and documented information is critical so that USDA stakeholders are able to use AFR improper payment data to make informed decisions. FSA and OCFO both provided their responses to our findings and recommendations, and we accepted management decision on one of the two recommendations.

**OFFICE OF INSPECTOR GENERAL**

United States Department of Agriculture

**DATE:** June 28, 2022**AUDIT****NUMBER:** 50024-0002-24**TO:** Lynn Moaney
Deputy Chief Financial Officer
Office of the Chief Financial Officer
ATTN: Christopher SimmonsZach Ducheneaux
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ATTN: Gary WeishaarCindy Long
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Natural Resources Conservation Service
ATTN: Gary WeishaarRandy Moore
Chief
Forest Service
ATTN: Robert Velasco**FROM:** Gil Harden
Assistant Inspector General for Audit**SUBJECT:** USDA's Compliance with Improper Payment Requirements for Fiscal Year 2021

This report presents the results of the subject review. Your written response to the official 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 Recommendation 1 in the audit report, and no further response to this office is necessary from FSA. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

However, we are unable to reach management decision on Recommendation 2, addressed to OCFO. The information needed to reach management decision is set forth in the OIG Position section following the recommendation. In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendation. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action needs to be taken within 1 year of management decision to prevent from being listed in the Department's annual Agency Financial Report.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency

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

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

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Background and Objectives

Background

The United States Department of Agriculture (USDA) delivers approximately \$150 billion in public services annually through 158 programs. USDA identified 17¹ of its programs, with approximately \$25.02 billion in outlays, as susceptible to significant improper payments (high-risk) in fiscal year (FY) 2021. USDA reported that, collectively, its 17 programs made approximately \$1.29 billion in improper payments—a 5.18 percent improper payment rate.

USDA funds the 17 high-risk programs through four component agencies: Food and Nutrition Service (FNS), Forest Service (FS), Farm Service Agency (FSA), and Natural Resources Conservation Service (NRCS). The table below shows the four component agencies and the high-risk programs they fund.

| USDA Agency | High-Risk Program |
|--|---|
| Food and Nutrition Service | National School Lunch Program (NSLP) |
| | School Breakfast Program (SBP) |
| | Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) |
| | Child and Adult Care Food Program (CACFP) |
| | Summer Food Service Program (SFSP) |
| | The Emergency Food Assistance Program (TEFAP) |
| Forest Service | Hurricane Harvey-Capital Improvement and Maintenance (Harvey-CIM) |
| Farm Service Agency | Livestock Forage Disaster Program (LFP) |
| | Market Facilitation Program (MFP) |
| | Trade Mitigation Program (TMP) |
| | Noninsured Crop Disaster Assistance Program (NAP) |
| | Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC) |
| | Emergency Conservation Program—Disasters (ECP) |
| | Wildfires and Hurricanes Indemnity Program (WHIP) WHIP+ |
| Natural Resources Conservation Service | Emergency Watershed Protection—Disaster Relief Program P.L.-115-123 |
| | Emergency Watershed Protection—Disaster Relief P.L.-116-120 |

Table 1. List of USDA high-risk programs

¹ An 18th program, the Risk Management Agency’s (RMA) Federal Crop Insurance Corporation (FCIC), was not reported on paymentaccuracy.gov as of January 27, 2022, the date the Office of Inspector General (OIG) team extracted the Improper and Unknown Payment Estimates by Program from paymentaccuracy.gov. (See finding 2). This information was initially due to be reported on October 28, 2021.

Improper Payment 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) guidance² specifically defines an improper payment as a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements and includes:

- Any payment to an ineligible recipient;
- Any payment for an ineligible good or service;
- Any duplicate payment;
- Any payment for a good or service not received, except for those payments where authorized by law;
- Any payment that was not authorized by law; and
- Any payment that does not account for credit for applicable discounts.

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 2002,³ the Improper Payments Elimination and Recovery Act of 2010,⁴ and the Improper Payments Elimination and Recovery Improvement Act of 2012.⁵ The PIIA establishes reporting requirements that agencies must follow to identify improper payments in their Agency Financial Report (AFR). For purposes of PIIA implementation, all program outlays fall in one of three possible payment type categories: proper payment;⁶ improper payment;⁷ or unknown payment.⁸

PIIA requires OMB to prescribe guidance for executive agencies to follow when implementing PIIA requirements. PIIA required OMB to implement this guidance within 1 year of the enactment of PIIA. The guidance (M-21-19),⁹ was effective for FY 2021 PIIA reporting. M-21-19 outlines requirements Federal agencies must follow to comply with PIIA, as well as Inspector General requirements for completing annual improper payment audits. Furthermore, additional OMB guidance includes requirements agencies must follow when determining what to include in the payment integrity section of their AFR.¹⁰ Beginning with FY 2021 AFR reporting, agencies are required to report the information previously contained in the payment integrity section of the AFR on paymentaccuracy.gov through an annual OMB payment integrity data call.

² OMB Memorandum M-21-19 (M-21-19), *Requirements for Payment Integrity Improvement*, Appendix C to OMB Circular A-123 (Mar. 5, 2021).

³ Improper Payments Information Act of 2002, Public Law 107-300 (Nov. 26, 2002).

⁴ Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204 (July 22, 2010).

⁵ Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248 (Jan. 10, 2013).

⁶ M-21-19 defines proper payment as a payment made to the right recipient for the right amount that has met all program specific legally acceptable requirements for the payment.

⁷ M-21-19 defines an improper payment as a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

⁸ OMB defines an unknown payment as 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.

⁹ OMB Memorandum M-21-19, *Requirements for Payment Integrity Improvement*, Appendix C to OMB Circular A-123 (Mar. 5, 2021).

¹⁰ OMB, *Financial Reporting Requirements*, Circular A-136 (Aug. 27, 2020).

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 high-risk, 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. Agencies must also include those estimates in the accompanying materials to the agency’s AFR.

The highest risk programs (high-priority programs) are programs with estimated improper payments exceeding \$100 million annually. 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. In FY 2021, USDA had three high-priority programs: (1) Supplemental Nutrition Assistance Program (SNAP);¹¹ (2) FCIC Program Fund; and (3) Hurricane Harvey—WHIP.

Compliance with PIIA

PIIA requires Inspectors General 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 statements;
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 statements for each program or activity that is at risk and develop a plan to meet reduction targets; and

¹¹ FNS’ SNAP did not report improper payment information in FY 2021. According to FNS QC Policy Memo 21-01, *Supplemental Nutrition Assistance Program (SNAP)—Quality Control (QC) Error Rate Announcements for Fiscal Year (FY) 2020 and FY 2021*, dated February 19, 2021, “... the agency assessed its statutory requirements in light of the QC flexibilities provided to States by Section 4603(a)(2) of the Continuing Appropriations Act, 2021 and Other Extensions Act (PL 116-159). FNS has completed this review and has determined that the agency cannot establish national and State level payment error rates for Fiscal Year 2020 and 2021. Because of incomplete data sets that do not reflect the full fiscal year value of allotments issued by States, FNS cannot determine underpayment and overpayment error rates. FNS therefore has determined the agency cannot establish national and State level payment error rates for Fiscal Year 2020 and 2021, and as such, cannot assess liability amounts for those federal Fiscal Years.”

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.

Inspector General Requirements for Improper Payment Audits

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

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 overpayments identified in high-risk programs to their respective OIG and the Council of the Inspectors General on Integrity and Efficiency and make this information available to the public. After reviewing each report, the agency 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.

However, high-dollar overpayment reporting requirements under M-21-19 greatly differ from those under Executive Order 13520. As noted above, under Executive Order 13520, all high-risk programs were required to report high-dollar overpayment information. Under M-21-19, only high-priority programs must report high-dollar overpayment information. Specifically, the high-priority program information reported on agency scorecards and found on paymentaccuracy.gov now fulfills high-dollar overpayment reporting requirements under M-21-19. OMB requires OIGs assess the information provided on the scorecard and determine the extent of OIG oversight warranted to prevent monetary loss improper payments.

See the following two figures for the differences in how USDA reported high-dollar overpayment results before and after M-21-19 went into effect.

| Name of Program Responsible | Recipient | Total Dollar Amount of the Payments Identified | Intended Dollar Amount That Should Have Been Paid | Overpayment Dollar Amount | Reason For Overpayments | Actions Taken or Planned to Recover the Overpayment | Overall Actions and Strategies Taken or Planned to Prevent Overpayments in the Future |
|---|------------|--|---|---------------------------|---|---|---|
| NRCS Conservation Stewardship Program (CSTP) | Individual | \$80,000.00 | \$0.00 | \$80,000.00 | Participant is not compliant with CSTP eligibility requirements. | Receivable has been established and demand letter sent. | State will continue to monitor contractual performance and seek recoveries for non-compliance. |
| NRCS CSTP | Individual | \$80,000.00 | \$0.00 | \$80,000.00 | Participant is not compliant with CSTP eligibility requirements. | Receivable has been established and demand letter sent. | State will continue to monitor contractual performance and seek recoveries for non-compliance. |
| NRCS CSTP | Individual | \$80,000.00 | \$0.00 | \$80,000.00 | Participant is not compliant with CSTP eligibility requirements. | Receivable has been established and demand letter sent. | State will continue to monitor contractual performance and seek recoveries for non-compliance. |
| Risk Management Agency (RMA) Federal Crop Insurance Corporation Program Fund (FCICPF) | Entity | \$154,472 | \$100,314 | \$54,158 | (1) A review was conducted a review of corn and found a planting date discrepancy resulting in a claim. (2) A review of the 2016 policy and determined there was an error on the New Producer Status for this policy. (3) A review was conducted on unreported soybean production. (4) A review was done and found acreage discrepancies. (5 & 6) A review was conducted on acreage found to be incorrect for prevented planting. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the Approved Insurance providers (AIP) and/or producers to ensure compliance with the Standard Reinsurance Agreement (SRA) and Federal Crop Insurance Corporation (FCIC) policy and procedures. |
| RMA FCICPF | Entity | \$171,129 | \$0 | \$171,129 | A review was conducted on wheat and found an overpayment. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |
| RMA FCICPF | Entity | \$138,882 | \$72,630 | \$66,252 | A review was conducted on wheat and found an overpayment. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |
| RMA FCICPF | Entity | \$113,253 | \$34,731 | \$78,522 | A review was conducted on corn and found it tested positive for aflatoxin. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |
| RMA FCICPF | Entity | \$161,790 | \$43,178 | \$118,612 | A review was conducted on corn and found it tested positive for aflatoxin. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |
| RMA FCICPF | Entity | \$173,560 | \$41,453 | \$132,107 | A review was conducted on corn and found it tested positive for aflatoxin. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |
| RMA FCICPF | Entity | \$179,449 | \$21,581 | \$157,868 | A review was conducted on corn and found it tested positive for aflatoxin. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |
| RMA FCICPF | Entity | \$182,937 | \$32,336 | \$150,601 | A review was conducted on corn and found it tested positive for aflatoxin. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |
| RMA FCICPF | Entity | \$189,292 | \$108,083 | \$81,209 | A review was conducted on corn and found it tested positive for aflatoxin. | Overpayment recovered, no further action required | RMA will continue to conduct reviews of the AIP and/or producers to ensure compliance with the SRA and FCIC policy and procedures. |

Figure 1. High-dollar overpayment quarterly report as reported prior to the implementation of M-21-19.¹²

¹² This figure was downloaded directly from USDA Office of the Chief Financial Officer's (OCFO) website and was not edited or modified by OIG.

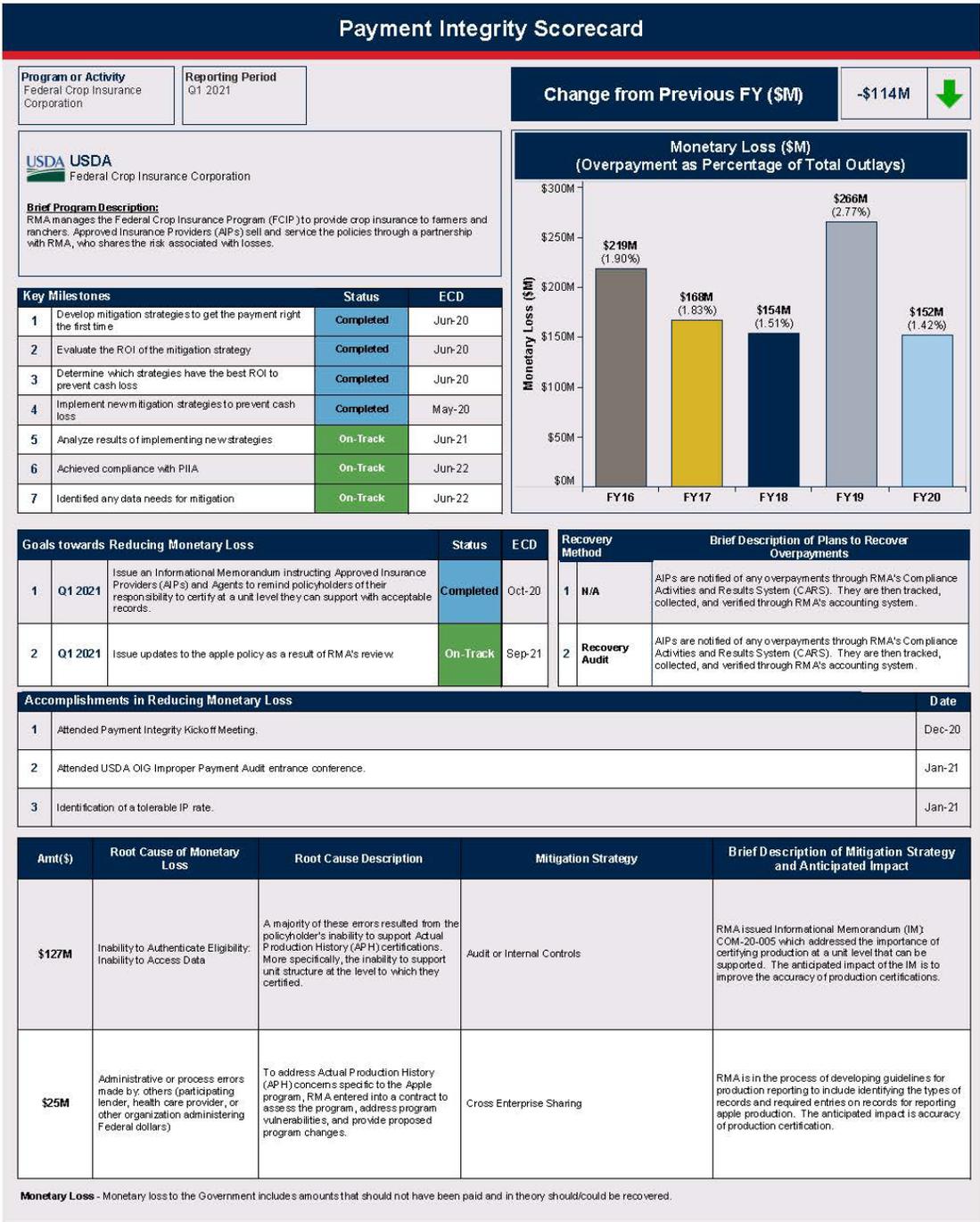


Figure 2. Agency scorecard that fulfills prior high-dollar overpayment reporting requirements.¹³

¹³ This figure was downloaded directly from paymentaccuracy.gov and was not edited or modified by OIG.

Objectives

Our objective was to determine whether USDA complied with the Payment Integrity Information Act of 2019 for FY 2021. We also determined if USDA fulfilled its high-dollar overpayment reporting requirements by performing the reviews of those reports as required by Executive Order 13520 and M-21-19.

We determined that USDA fulfilled its high-dollar overpayment reporting requirements in FY 2021 based on the new requirements that OMB implemented in M-21-19. These requirements stated that the information published in the agency scorecards fulfilled high-dollar overpayment reporting requirements.

Section 1: USDA's FY 2021 Compliance Determination under PIIA

Finding 1: USDA Did Not Comply with PIIA

USDA did not comply with four of the six improper payment requirements. Specifically, 5 of 17¹⁴ high-risk programs reported on paymentaccuracy.gov did not fully comply with PIIA requirements to report gross improper payment rates of less than 10 percent, meet annual reduction targets, or both. Finding 2 details the two other improper payment requirements where USDA was non-compliant.¹⁵ This occurred because, although FSA has policies and procedures in place, personnel did not always follow them. Additionally, although the five programs have tried to implement corrective actions, they have not yielded the desired results. As a result, these USDA programs could not ensure taxpayer money served its intended purpose.

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

Non-Compliance: Meeting Reduction Targets and Improper Payment Rates

Overall, we found USDA did not comply with four of the six improper payment requirements. Specifically, 5 of 17 high-risk programs reported on paymentaccuracy.gov did not fully comply with PIIA requirements to report gross improper payment rates of less than 10 percent, meet annual reduction targets, or both.¹⁶

- Based on information reported to paymentaccuracy.gov, five FSA programs reported improper payment rates greater than 10 percent.¹⁷ According to PIIA, if the improper payment rates and unknown payment estimates are greater than or equal to 10 percent, the program is not compliant with PIIA requirements.
- Based on information reported to paymentaccuracy.gov, three FSA programs did not meet reduction targets in FY 2021. PIIA includes requirements for high-risk programs to publish and meet reduction targets. Specifically, if a high-risk program's reported

¹⁴ As of January 27, 2022, 18 USDA programs reported improper payment information; 1 of those programs, SNAP, did not report improper payment rate information in FY 2021. FNS was unable to establish national and State level payment error rates for FY 2020 and 2021 because of incomplete data sets that do not reflect the full fiscal year value of allotments issued by States, in accordance with P.L. 116-159, § 4603(a)(2), which provides the Secretary of Agriculture to allow a State agency to suspend requirements and provide a blanket approval for waiver of quality control reviews.

¹⁵ The other two non-compliances are: ECP did not publish corrective actions and FCIC did not timely report a high-risk program's payment integrity information on paymentaccuracy.gov. (See Finding 2).

¹⁶ Finding 2 details the two other requirements where USDA was non-compliant.

¹⁷ FSA reported that ECP and NAP achieved an improper payment and unknown payment rate of 13.5 percent and 12.3 percent during FY 2021, respectively. Although the payment rate does not represent the lowest rate for the program, FSA reported that achieving a lower improper payment rate would be disproportionately costly.

improper payment rate, plus the unknown payment rate, is above the statutory threshold, the program is required to establish and publish an improper payment and unknown payment reduction target for the following fiscal year.

This occurred because, although FSA programs have policies and procedures in place, personnel did not always follow them. FSA reported that it plans to provide program updates and training to its personnel in order to meet improper payment rates and program reduction targets. However, because personnel have not sufficiently followed these actions and policies by implementing corrective actions, they have not yielded the desired results, and identified improper payment weaknesses have remained.

Although the Department is less compliant this year than in FY 2020, the Department and its agencies are making progress toward fully complying with improper payment requirements.¹⁸ For example, FNS' NSLP and SBP progressed from non-compliant with improper payment requirements in FY 2020 to fully compliant in FY 2021. Based on our FY 2020 compliance report, we determined that FSA WHIP's error rate was 45.80 percent, the reported improper payment rate for FSA's WHIP decreased from 45.80 percent in FY 2020 to 10.78 percent in FY 2021. USDA should build on this progress to ensure it becomes compliant with improper payment requirements.

The following table illustrates each of USDA's 17 high-risk program's compliance with the following reporting requirements: (1) AFR and accompanying materials published; (2) conducted risk assessments; (3) published improper payment rate; (4) published a corrective action plan; (5) published/met reduction targets; and (6) reported an improper payment rate of less than 10 percent. The non-compliances we identified are highlighted in red.

¹⁸ In our FY 2020 report, we reported that USDA did not comply with three out of the six PIIA requirements.

| USDA Agency | High-Risk Program | Compliant Overall? | AFR and Accompanying Materials Published? | Risk Assessment Conducted? | Improper Payment Estimate Published? | Corrective Action Plans Published? | Reduction Targets Published/ Met? | Improper Payment Rate <10% Reported? |
|-----------------------|--------------------------|---------------------------|--|-----------------------------------|---|---|--|--|
| FNS | NSLP | Compliant | Yes | Yes | Yes | Yes | Yes | Yes |
| | SBP | Compliant | Yes | Yes | Yes | Yes | Yes | Yes |
| | WIC | Compliant | Yes | Yes | Yes | Yes | Yes | Yes |
| | CACFP | Compliant | Yes | Yes | Yes | N/A | Yes | Yes |
| | SFSP | Compliant | Yes | Yes | Yes | N/A | N/A | Yes |
| | TEFAP | Compliant | Yes | Yes | Yes | N/A | N/A | Yes |
| Forest Service | Harvey-CIM | Compliant | Yes | Yes | Yes | N/A | Yes | Yes |
| FSA | LFP | Compliant | Yes | Yes | Yes | Yes | Yes | Yes |
| | MFP | Non-Compliant | Yes | Yes | Yes | N/A | Yes | No |

| | | | | | | | | |
|------|--|---------------|-----|-----|-----|-----|-----|-----|
| | TMP | Non-Compliant | Yes | Yes | Yes | Yes | Yes | No |
| | NAP | Non-Compliant | Yes | Yes | Yes | N/A | No | No |
| | ARC/PLC | Compliant | Yes | Yes | Yes | Yes | Yes | Yes |
| | ECP | Non-Compliant | Yes | Yes | Yes | No | No | No |
| | WHIP | Non-Compliant | Yes | Yes | Yes | N/A | No | No |
| | WHIP+ | Compliant | Yes | Yes | Yes | Yes | Yes | Yes |
| NRCS | Emergency Watershed Protection —Disaster Relief P.L. 115-123 | Compliant | Yes | Yes | Yes | N/A | Yes | Yes |
| | Emergency Watershed Protection —Disaster Relief P.L. 116-120 | Compliant | Yes | Yes | Yes | N/A | Yes | Yes |

Table 2. Compliance determinations for all 17 high-risk programs.

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 2021 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>. Also see www.paymentaccuracy.gov for accompanying materials to the AFR.

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

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

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

No. As discussed in Finding 2, RMA did not timely report an improper payment rate for FCIC on paymentaccuracy.gov.¹⁹ FNS' SNAP also did not report improper payment information on paymentaccuracy.gov in FY 2021, because it was unable to determine error rates, due to incomplete data. (See Finding 2).

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

No. In accordance with OMB guidance, we found that one USDA program, FSA's ECP, did not develop a corrective action plan.²⁰ (See Finding 2).

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

No. We found that 3 of USDA's 17 high-risk programs did not achieve their reduction targets: FSA's ECP, NAP, and WHIP. FSA did not achieve its reduction targets for ECP, NAP, and WHIP by 3.51 percent, 2.31 percent, and 0.79 percent, respectively. FSA attributed most of these improper payments to administrative or process errors and insufficient documentation. To reduce ECP improper payments, FSA developed corrective actions that include revising guidance, training staff, and adding ECP to the FSA Internal Review Documentation and Tracking System in September 2022.

¹⁹ A program official provided documentation explaining that RMA FCIC had improperly entered the program information in the OMB data call, resulting in the program's improper payment information not appearing on paymentaccuracy.gov.

²⁰ FSA's ECP did not publish a corrective action plan for an underpayment because the OMB system rounded the underpayment to zero. (See Finding 2).

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 five high-risk programs: FSA’s ECP, MFP, NAP, TMP, and WHIP.

| FSA High-Risk Programs | Estimated Improper Payment Rate (%) |
|-------------------------------|--|
| ECP | 13.50 |
| MFP | 15.53 |
| NAP | 12.30 |
| TMP | 11.43 |
| WHIP | 10.78 |

Table 3. FSA programs with improper payment rates above 10 percent

FSA attributed 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.

In accordance with OMB guidance, we are making one recommendation to FSA. Of the five programs that did not comply with PIIA, three were also non-compliant with improper payment requirements in FY 2020: FSA’s ECP, NAP, and WHIP. OCFO and FSA agreed with our findings and recommendations.

Recommendation 1 to FSA

FSA should provide information describing the actions that the agency will take to come into compliance in the OMB annual data call. This information should be published on paymentaccuracy.gov and serve as the plan that agencies are required to submit to the appropriate authorizing and appropriations committees of Congress. This information should include:

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

Agency Response

In accordance with OMB guidance, FSA will submit the stated plans to the appropriate authorizing and appropriations committees of Congress, describing detailed actions the agency will take to bring the following programs: Noninsured Crop Disaster Assistance (NAP), Emergency Conservation Program-Disasters (ECP), Market Facilitation Program (MFP), Trade Mitigation Program (TMP) and Wildfires and Hurricanes Indemnity Program (WHIP), into compliance. Through the coordination with the Farm Production and Conservation (FPAC) Business Center mission area's Performance, Accountability, and Risk Division (PAR), FSA's information will be published on paymentaccuracy.gov.

OIG Position

We accept management decision on this recommendation.

Section 2: Quality of USDA’s Improper Payment Reporting

Finding 2: USDA’s FY 2021 Payment Integrity Data Included Insufficient Improper Payment Information, Resulting in Questionable Compliance with OMB Criteria

USDA reported insufficient improper payment information for FY 2021. Specifically, USDA did not report improper payment information and reported inaccurate and unsupported information. Additionally, we question whether USDA complied with OMB criteria for improper payment reporting. This occurred because neither OCFO, nor the agencies, identified a way to assess publicly reported improper payment data to ensure they were reliable. This situation was exacerbated by a breakdown in the communication of reporting responsibilities between the Department and its agencies. Without sufficient information, USDA stakeholders are not able to make informed decisions using AFR improper payment data.

The United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government* state: “[m]anagement should use quality information to achieve the entity’s objectives. Management identifies information requirements in an iterative and ongoing process that occurs throughout an effective internal control system. As change in the entity and its objectives and risks occurs, management changes information requirements as needed to meet these modified objectives and address these modified risks. Management evaluates both internal and external sources of data for reliability.”²¹ M-21-19 states the agency is responsible for determining the applicability of requirements and executing/applying them accordingly.^{22, 23}

To address our objectives, we obtained and reviewed supporting documentation for information reported on paymentaccuracy.gov to determine compliance with PIIA requirements, such as corrective action plans and efforts to prevent and reduce improper payments. Through our review, we identified missing information, erroneous information, and unsupported statements in the FY 2021 AFR and its accompanying materials.

²¹ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

²² OMB, *Requirements for Payment Integrity Improvement*, Appendix C to OMB Circular A-123 (Mar. 5, 2021).

²³ M-21-19 defines agency as a Department, agency, or instrumentality in the executive branch of the United States Government.

Unreported Information

USDA did not initially report RMA FCIC on paymentaccuracy.gov,²⁴ despite identifying the program as high-risk²⁵ for FY 2021. A program official provided documentation explaining that RMA FCIC had improperly entered the program information in the OMB data call, resulting in the program's improper payment information not appearing on paymentaccuracy.gov. Once the program official found that the program information was not reported accurately, they contacted OMB. OMB re-opened the data call and allowed the program to submit the information. RMA FCIC had updated the OMB data call with the missing data as of February 10, 2022.

Inaccurate and Unsupported Statements

We identified the following inaccurate statements in the FY 2021 AFR and accompanying workpapers:

- FSA's CFAP was not reported as "Phase 2" in the AFR, but was reported as "Phase 2" on the USDA program inventory.
- FNS' TEFAP was reported as "Phase 2" in the AFR, but was reported as "Phase 1" on the USDA program inventory.
- RMA's FCIC was reported on the USDA program inventory as "High-Risk" and not "Phase 1" or "Phase 2," as required.²⁶

We also identified the following unsupported statement in the FY 2021 AFR and accompanying workpapers:

- OCFO was unable to explain how the AFR reported 150 USDA programs for FY 2021, when the USDA program inventory reported 158 USDA programs.

²⁴ RMA FCIC was not reported on paymentaccuracy.gov as of January 27, 2022, the date the OIG team extracted the Improper and Unknown Payment Estimates by Program from paymentaccuracy.gov. This information was initially due to be reported on October 28, 2021.

²⁵ One of the programs USDA identified as high-risk, FNS' SNAP, did not report improper payment information for FY 2021. According to FNS QC Policy Memo 21-01, *Supplemental Nutrition Assistance Program (SNAP)—Quality Control (QC) Error Rate Announcements for Fiscal Year (FY) 2020 and FY 2021*, dated February 19, 2021, "... the agency assessed its statutory requirements in light of the QC flexibilities provided to States by Section 4603(a)(2) of the Continuing Appropriations Act, 2021 and Other Extensions Act (PL 116-159). FNS has completed this review and has determined that the agency cannot establish national and State level payment error rates for Fiscal Year 2020 and 2021. Because of incomplete data sets that do not reflect the full fiscal year value of allotments issued by States, FNS cannot determine underpayment and overpayment error rates. FNS therefore has determined the agency cannot establish national and State level payment error rates for Fiscal Year 2020 and 2021, and as such, cannot assess liability amounts for those federal Fiscal Years."

²⁶ M-21-19 states all programs with annual outlays over \$10,000,000 will fall into one of two possible classifications: Phase 1 or Phase 2.

USDA's Compliance with OMB Criteria

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

- FNS' NSLP and SBP both met the M-21-19 definitions for high-priority and high-dollar overpayments, but did not report quarterly scorecards, based on additional correspondence provided by OMB. OMB correspondence indicates the root cause was changed and numbers were shifted to "technically improper;" therefore, no quarterly scorecards were required. However, we were unable to identify these changes on the paymentaccuracy.gov website.
- FSA's ECP was required by M-21-19 to publish a corrective action plan, but did not publish a corrective action plan for an underpayment because the OMB system rounded the underpayment to zero and, therefore, no corrective actions were required.²⁷
- For FY 2021, 6 of the 17 high-risk programs submitted both the Sampling and Estimation Methodology Plan (S&EMP) and the S&EMP checklist to OMB. The 11 remaining FY 2021 high-risk programs were not compliant with OMB required reporting guidance. These 11 programs either did not post the S&EMP, the S&EMP checklist, or both, to OMB, as required.²⁸

OCFO and agency officials generally attributed these issues to the change in the reporting process that occurred between FY 2020 and FY 2021 reporting, a lack of guidance, and the lack of an opportunity for OCFO to review the improper payment information before it was published in FY 2021. During past improper payment reporting cycles, OCFO was responsible for all payment integrity reporting in the AFR. Due to the change in reporting requirements in FY 2021, USDA agencies became responsible for submitting improper payment information directly to OMB. OCFO officials agreed that they need quality control procedures to prevent these errors from being published. By placing an emphasis on developing quality control procedures to use in all future AFR publications, OCFO and the agencies can better prevent these mistakes from occurring.

We recognize that there was a new reporting process for improper payments for FY 2021, which required agencies to submit their improper payment information directly to OMB. However, these errors and omissions reduce the reliability of the payment integrity section of the AFR, preventing stakeholders from using the AFR to make informed decisions in relation to improper payments. Fatal flaws, such as major defects or deficiencies, should be communicated to OMB to ensure incorrect reporting is promptly remediated. OCFO officials agreed that they need quality control procedures to prevent these errors from being published in the AFR and accompanying materials. By placing emphasis on developing quality control procedures to be used in all future AFR submissions and publications, OCFO and the agencies can better prevent these mistakes from occurring.

²⁷ An underpayment is a non-monetary loss type of improper payment when a payment is less than what is owed to the recipient.

²⁸ M-21-19 states "when an agency has completed their S&EMP, it must submit the S&EMP and a completed S&EMP checklist in pdf format to OMB by uploading one package...to OMB Max Page."

Recommendation 2 to OCFO

In lieu of additional guidance from OMB pertaining to the departmental review of paymentaccuracy.gov information, OCFO and the subject agencies should review paymentaccuracy.gov, as information is publicly reported, to validate the information reported by USDA and its agencies. Any fatal flaws identified should be communicated timely to OMB and subject programs to remediate the incorrectly reported information.

Agency Response

OCFO will take the OIG's recommendation under consideration as they review the current requirements. As noted with RMA, the agency did indeed check the paymentaccuracy.gov website for accuracy; this is how they noted their high risk program was not listed as such. And again, as previously communicated, the paymentaccuracy.gov scorecard information is derived from how the agency/program area responds to the OMB automated questionnaire. The current OMB process does not allow for secondary reviews (agency or OCFO); however, the OCFO will re-engage with OMB as we work to develop a standard/policy. OCFO will also coordinate with the OIG to ensure audit criteria is updated to reflect the new OMB requirements as included in the 2019 PIIA and subsequent guidance.

OIG Position

We do not accept OCFO's management decision for this recommendation. In its response, OCFO did not describe how it would review paymentaccuracy.gov as information is publicly reported and communicate any fatal flaws to OMB, and subject programs, to remediate incorrectly reported information. In addition, OCFO did not provide an estimated completion date for this recommendation.

Scope and Methodology

Our audit focused on improper payment information reported in USDA's FY 2021 AFR and accompanying materials found on paymentaccuracy.gov, along with the supporting documentation for this payment integrity information. We commenced fieldwork in December 2021 and completed our fieldwork in June 2022.

We interviewed OCFO officials and personnel at USDA component agencies who were involved with the 17 programs identified as high-risk. We obtained and reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as OCFO's guidance. 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.

We also reviewed paymentaccuracy.gov, which was the location where USDA component agencies PIIA information was reported. We reviewed documentation on that website, including the FY 2021 data call, which contained the high-risk agency's improper payment rate, root causes of improper payments, and risk assessments performed. We also reviewed the annual improper payments dashboard for USDA, located at paymentaccuracy.gov. This dashboard included various payment integrity reporting requirements, including actions to recover overpayments and corrective actions to reduce improper payments. Collectively, this information made up the accompanying materials to the AFR that we reviewed for compliance with PIIA reporting requirements.

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 2021 AFR and the accompanying materials found on paymentaccuracy.gov. 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 158 programs and activities listed in USDA's FY 2021 program inventory, 139 were deemed low-risk, from which 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. We reviewed these assessments to determine if they were performed in accordance with M-21-19.

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

We reviewed information posted on paymentaccuracy.gov, specifically the 2021 data set, to determine whether USDA published improper payment estimates for all programs it identified as high-risk.

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

We reviewed the FY 2021 annual improper payments dashboard located on paymentaccuracy.gov and determined whether each of the programs that met the reporting threshold reported corrective action plans, as required.

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

We reviewed the FY 2021 improper payment rates for each high-risk program and compared that rate to FY 2020's proposed reduction target. We also determined whether applicable programs published reduction targets for FY 2022 payment rates, as required.

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

We reviewed the improper payment rates posted on the FY 2021 data set on paymentaccuracy.gov to determine if high-risk programs reported a gross improper payment rate of less than 10 percent.

We assessed internal controls significant to the audit objectives. In particular, we assessed:

| Component | Principle |
|--------------------|--|
| Control Activities | Management should design control activities to achieve objectives and respond to risks |
| Control Activities | Management should implement control activities through policies |

Because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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

During the course of our audit, we did not verify information from any of USDA's electronic information system, and make no representation regarding the adequacy of any agency's computer system or the information generated from it. The information we obtained throughout our audit was from an OMB system, not a USDA system.

Abbreviations

| | |
|-----------------|---|
| AFR..... | Agency Financial Report |
| ARC/PLC..... | Agriculture Risk Coverage and Price Loss Coverage |
| CACFP..... | Child and Adult Care Food Program |
| ECP..... | Emergency Conservation Program-Disasters |
| FCIC..... | Federal Crop Insurance Corporation |
| FNS..... | Food and Nutrition Service |
| FS..... | Forest Service |
| FSA..... | Farm Service Agency |
| FY..... | fiscal year |
| GAO..... | United States Government Accountability Office |
| Harvey-CIM..... | Hurricane Harvey-Capital Improvement and Maintenance |
| LFP..... | Livestock Forage Disaster Program |
| MFP..... | Market Facilitation 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 |
| PIIA..... | Payment Integrity and Information Act of 2019 |
| QC..... | Quality Control |
| 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 |
| TEFAP..... | The Emergency Food Assistance Program |
| TMP..... | Trade Mitigation 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 17 High-Risk Programs

Exhibit A provides a list of USDA’s 17 current high-risk programs or program categories reported in the FY 2021 AFR.

| USDA Agency | High-Risk Program | FY 2021 Improper Payment Rate (%) ²⁹ |
|----------------|---|---|
| FNS | 1. 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. | 8.02 |
| | 2. SBP assists States in providing a nutritious non-profit breakfast service for school children, through cash grants and food donations. | 8.40 |
| | 3. WIC provides supplemental nutritious foods and other health services to low-income, eligible participating women and children up to age of 5 years. | 1.85 |
| | 4. 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 |
| | 5. 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 |
| | 6. TEFAP helps supplement the diets of low-income Americans by providing them with emergency food assistance at no cost. | 0.00 |
| Forest Service | 7. 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 | 8. 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. | 8.00 |
| | 9. MFP provides direct payments to help producers who have been directly impacted by illegal retaliatory tariffs, resulting in the loss of traditional exports. | 15.53 |
| | 10. TMP provides assistance to farmers suffering from damage due to unjustified trade retaliation by foreign nations. | 11.43 |

²⁹ Numbers may be subject to OMB rounding.

| USDA Agency | High-Risk Program | FY 2021 Improper Payment Rate (%) ²⁹ |
|-------------|--|---|
| | 11. NAP provides financial assistance to producers of non-insurable crops when low yield, loss of inventory, or prevented planting occur due to natural disasters. | 12.30 |
| | 12. ARC/PLC. The ARC Program is an income support program that provides payments when actual crop revenue declines below a specified guarantee level. The PLC Program provides income support payments when the effective price for a covered commodity falls below its effective reference price. | 2.39 |
| | 13. ECP—Disaster 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. | 13.50 |
| | 14. WHIP provides assistance to eligible producers who planted, or were prevented from planting, and suffered losses to crops, trees, bushes, and vines. | 10.78 |
| | 15. WHIP+ provides assistance to agricultural producers affected by natural disasters in 2018 and 2019. | 6.76 |
| NRCS | 16. Emergency Watershed Protection–Disaster Relief Program P.L.-115-123 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 |
| | 17. Emergency Watershed Protection-Disaster Relief P.L-116-120 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 |

Exhibit B: Status of Prior Year Recommendations

Exhibit B identifies the status of all audit recommendations in the prior year report on USDA’s Fiscal Year 2020 Compliance with Improper Payment Requirements.

| Report Number | Fiscal Year | Recommendation | | Status |
|----------------------|--------------------|-----------------------|---|---------------|
| 50024-0001-24 | 2020 | 1 | In accordance with OMB guidance, submit a plan to OMB and inform select Congressional committees (Congress) of actions FSA will take to make LFP, NAP, Harvey–ECP, and WHIP compliant with PIIA requirements. | Closed |
| | | 2 | In accordance with OMB guidance, submit a plan to OMB and inform select Congressional committees (Congress) of actions FNS will take to make NSLP and SBP compliant with PIIA requirements. | Closed |
| | | 3 | Develop and implement procedures that would ensure agency high-risk programs, and the accompanying reporting requirements, are included in the AFR. | Closed |
| | | 4 | Develop and implement policies and procedures to ensure FSA reports accurate improper payment rates and classifications for all of its high-risk programs, including WHIP. | Closed |
| | | 5 | 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. | Closed |
| | | 6 | 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. | Closed |

Exhibit C: Sampling Methodology for USDA’s FY 2021 Compliance with Improper Payment Requirements

Objectives

OIG designed the sampling methodology for our assessment of USDA’s compliance with PIIA for FY 2021 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 two high-risk agencies to review the associated sampling and estimation plans.

Audit Universe and Sample Design

Risk Assessment Selection and Sample

Of the 139 programs and activities deemed low-risk in USDA’s inventory, we non-statistically but randomly selected ten programs and activities risk assessed in FY 2021 using computer-assisted auditing techniques. Our ten 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 17 high-risk programs and activities identified in the FY 2021 AFR³⁰ we non-statistically but judgmentally selected 2 high-risk programs for review, based on both of the programs reporting an improper payment rate of zero for FY 2021. We requested supporting documentation to determine whether the information included was suitable for developing a statistical sample.

³⁰ As noted earlier, 1 program, FNS’ SNAP, did not actually report improper payment information for FY 2021, leaving 17 programs that reported improper payment information.

**Agencies'
Response to Audit Report**

Farm Production
and Conservation

Farm Service
Agency

1400 Independence
Ave. SW
Washington, DC
20250

DATE: June 23, 2022

TO: Gil H. Harden
Assistant Inspector General for Audit, Office of Inspector General
(OIG)

FROM: William S. Marlow /s/
Acting-Administrator, Farm Service Agency

SUBJECT: USDA's Compliance with Improper Payment Requirements for
Fiscal Year 2021 – OIG's Audit Report Number: 50024-0002-24

This letter responds to the discussion draft report for audit number 50024-0002-24. Specifically, the Farm Service Agency (FSA) is responding to Recommendation 1 in the report, which is the only one specific to FSA.

Recommendation 1 to FSA

FSA should provide information describing the actions that the agency will take to come into compliance in the OMB annual data call. This information should be published on paymentaccuracy.gov and serve as the plan that agencies are required to submit to the appropriate authorizing and appropriations committees of Congress. This information should include:

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

Agency Response

In accordance with OMB guidance, FSA will submit the stated plans to the appropriate authorizing and appropriations committees of Congress, describing detailed actions the agency will take to bring the following programs: Noninsured Crop Disaster Assistance (NAP), Emergency Conservation Program-Disasters (ECP), Market Facilitation Program (MFP), Trade Mitigation Program (TMP) and Wildfires and Hurricanes Indemnity Program (WHIP), into compliance. Through the coordination with the Farm Production and Conservation (FPAC) Business Center mission area's Performance, Accountability, and Risk Division (PAR), FSA's information will be published on paymentaccuracy.gov.

FSA's estimated timeframe to complete this action is September 30, 2022.

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We received a response from the Office of the Chief Financial Officer on June 27, 2022. However, this response was not compliant with Section 508 of the Rehabilitation Act of 1973 requirements. Therefore, we could not include this response in our final audit report.

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