



United States Department of Agriculture
Office of Inspector General





USDA's Fiscal Year 2015 Compliance with Improper Payment Requirements

Audit Report 50024-0009-11

What Were OIG's

Objectives

We performed a required review of USDA's FY 2015 AFR and accompanying information to determine whether the agency was compliant with improper payment requirements.

What OIG Reviewed

To assess USDA's compliance with improper payment requirements, we reviewed related information in the FY 2015 AFR and supporting documentation. We also interviewed the Office of the Chief Financial Officer (OCFO) and component agency officials responsible for administering the 18 high-risk programs and activities. For FY 2015, USDA programs accounted for an estimated \$6.3 billion in improper payments, which is a 5.70 percent improper payment rate.

What OIG Recommends

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

USDA did not comply with improper payment requirements as set forth by IPIA, as amended, for a fifth consecutive year.

What OIG Found

The Department of Agriculture (USDA) reported mandatory improper payment information for 18 programs identified as susceptible to significant improper payments (high-risk). We found that USDA complied with three of the six requirements for the Improper Payments Information Act of 2002 (IPIA), as amended, by: (1) publishing improper payment information in its fiscal year (FY) 2015 Agency Financial Report (AFR), (2) conducting risk assessments for each program or activity, and (3) publishing programmatic corrective action plans in the AFR. However, 9 of the 18 high-risk programs did not comply with 1 or more of the following requirements: (4) publishing an improper payment estimate as required, (5) meeting annual reduction targets, or (6) publishing gross improper payment rates of less than 10 percent. This occurred because one program used insufficient sampling methods to report improper payment estimates; two programs had program or regulatory changes; and six programs' corrective actions were ineffective or have not been implemented long enough to yield the desired results.

The Department generally agreed with our findings and recommendations, and we accepted management decision on all recommendations.



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



DATE: May 13, 2016

AUDIT
NUMBER: 50024-0009-11

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SUBJECT: USDA's Fiscal Year 2015 Compliance with Improper Payments Requirements

This report presents the results of the subject audit. Your written responses, dated May 9, 2016 and May 11, 2016, are included in its entirety at the end of the report. Excerpts from your responses and the Office of Inspector General's position are incorporated in the relevant sections of the report. Based on your written responses, we are accepting management decision for all audit recommendations in the report, and no further response to this office is necessary.

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

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

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Background and Objectives

Background

The U.S. Department of Agriculture (USDA) delivers approximately \$144 billion in public services annually through more than 300 programs. Of these 300 programs, the Department identified 18 programs (see Exhibit A) as susceptible to significant improper payments (high-risk) in fiscal year (FY) 2015. Of these 18 high-risk programs, the Office of Management and Budget (OMB) identified 4 programs under a former section of the “Preparation, Submission, and Execution of the Budget” guidance (OMB Circular A-11); USDA identified 9 programs through its risk-assessment process; and the Disaster Relief Appropriations Act of 2013 (Hurricane Sandy funding) identified another 5 programs. USDA reported that its 18 high-risk programs collectively made approximately \$6.3 billion in improper payments, which is a 5.70 percent improper payment rate.

USDA funds the 18 high-risk programs through 7 component agencies, including the Food and Nutrition Service (FNS), Forest Service (FS), Natural Resources Conservation Service (NRCS), Risk Management Agency (RMA), Rural Development, Farm Service Agency (FSA), and Commodity Credit Corporation (CCC). CCC has no actual employees; however, it carries out its programs through the personnel and facilities of FSA and several other agencies. FSA implements CCC-funded programs for income support, disaster assistance, conservation, and international food procurement.¹

The Improper Payment Information Act of 2002 (IPIA)² requires each agency to annually review all programs and activities that it administers, identify those that are susceptible to significant improper payments, and submit to Congress an estimate of the annual amount of improper payments. The Improper Payments Elimination and Recovery Act of 2010 (IPERA)³, which amended IPIA, requires each agency, in accordance with OMB guidance,⁴ to perform the review of its programs at least once every 3 years, and defines significant improper payments as gross annual improper payments⁵ exceeding (1) both 1.5 percent of program outlays and \$10 million of all program payments made during the fiscal year reported or (2) \$100 million of improper payments regardless of percentage. For each program and activity identified as susceptible to significant improper payments, the agency must produce a statistically valid estimate, or an estimate that is otherwise appropriate using a methodology that OMB approved, of the improper payments made by each program and activity and include those estimates in the accompanying materials to the agency’s annual financial reports.

Compliance with IPERA

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

¹ FSA and CCC are two of the seven component agencies; however, because CCC has no employees, we will refer only to FSA throughout the report.

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

³ IPERA, Public Law 111-204 (July 22, 2010).

⁴ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 20, 2014).

⁵ The amount is the total of overpayments plus underpayments.

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

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

Compliance with IPERIA

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA),⁶ which amended IPERA, requires that OMB identify high-risk programs that it deems to be “high-priority.” OMB designated four USDA programs to be high-priority in FY 2015: FNS' Supplemental Nutrition Assistance Program (SNAP), National School Lunch Program (NSLP), and School Breakfast Program (SBP), and RMA's Federal Crop Insurance Corporation (FCIC). For high-priority programs, the agency is required to report (1) any action it has taken—or plans to take—to recover improper payments, and (2) any action it intends to take to prevent future improper payments. OMB set the threshold for high priority determinations at \$750 million in reported improper payments in a fiscal year. Each fiscal year, Inspectors General are required to assess the level of risk associated with any high-priority program and the quality of the improper payment estimates and methodology; determine the extent of oversight warranted; and provide recommendations, if any, for modifying the agency's methodology, promoting continued program access and participation, or maintaining adequate internal controls. Section 2 of this report discusses USDA's compliance under IPERIA.

OMB Guidance

Both IPERA and IPERIA authorize OMB to issue additional guidance related to eliminating and reporting improper payments. OMB combined OIG's annual compliance assessment under IPERA with OIG's evaluation of actions implemented for the high-priority programs under IPERIA.⁷ OMB guidance also states that Inspectors General may evaluate the accuracy and completeness of agency reporting and the agency's performance in reducing and recapturing improper payments as part of their annual compliance review. Section 3 of this report discusses USDA's performance in reducing and recovering improper payments, as well as the accuracy and completion of USDA's reporting.

⁶ IPERIA, Public Law 112-248 (January 10, 2013).

⁷ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 20, 2014).

This report provides a broad assessment of USDA’s compliance with improper payment requirements.⁸ To determine the Department’s compliance, we primarily used data from USDA’s FY 2015 AFR. The Office of the Chief Financial Officer (OCFO) annually publishes the AFR to report USDA’s financial data, including improper payment information. To assist OCFO in meeting reporting requirements, USDA’s component agencies that administer high-risk programs must submit improper payment information in accordance with OCFO’s guidance.

Objectives

The objectives of our audit were to review USDA’s FY 2015 AFR and accompanying information to determine whether the agency is compliant with IPIA, as amended by IPERA, within 180 days of the AFR issuance. In addition, we evaluated USDA’s accuracy and completeness of reporting, and performance in reducing and recapturing improper payments.

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

⁸ IPIA, Public Law 107-300 (November 26, 2002); IPERA, Public Law 111-204 (July 22, 2010); and IPERIA, Public Law 112-248 (January 10, 2013).

Section 1: USDA's Fiscal Year 2015 Compliance Determination Under IPERA

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

We found that 9 of USDA's 18 high-risk programs did not fully comply with 1 or more of the following 3 IPERA requirements. They did not (1) publish an improper payment estimate; (2) meet annual reduction targets; or (3) publish gross improper payment rates of less than 10 percent. This occurred because one program used insufficient sampling methods to report improper payment estimates; two programs had program or regulatory changes; and six programs' corrective actions were ineffective or have not been implemented long enough to yield the desired results. As a result, USDA is noncompliant with IPERA for a fifth consecutive year.

However, USDA officials provided evidence that the Department and its component agencies are making progress towards fully complying with IPERA.⁹ For example, we found that OMB approved USDA's request to return two previously determined high-risk programs to USDA's 3-year risk assessment cycle because improper payment estimates for those programs remained below the improper payment reporting thresholds for 2 or more consecutive years.¹⁰ The Department also continued to self-assess its compliance with improper payment requirements and reported this in its AFR. Furthermore, we determined that USDA substantially complied with three of the six improper payment requirements by (1) publishing its FY 2015 AFR and posting the report and any accompanying OMB-required materials on the agency website, (2) conducting a program-specific risk assessment for each program or activity, and (3) publishing programmatic corrective action plans in the AFR.

The specific results for each IPERA requirement are as follows:

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

Yes. On November 6, 2015, OMB granted USDA an extension on submission of its AFR to February 12, 2016. However, the extension did not include the improper payments section of the AFR, which was timely submitted to OMB on November 16, 2015. USDA submitted the required information on November 16, 2015, and subsequently the report and accompanying materials required by OMB were posted on the agency website at <http://www.ocfo.usda.gov/>.

⁹ IPERA, Public Law 111-204 (July 22, 2010).

¹⁰ The two programs that returned to USDA's 3-year risk assessment cycle were FSA's Milk Income Loss Contract Program, which was replaced by Margin Protection Program – Dairy, and Forest Service's Wildland Fire Suppression Management Program. Though the AFR states that FSA's Direct and Counter-Cyclical Program (DCP) was no longer at high-risk for improper payments as well, DCP was "phased out" and relieved from reporting (i.e. repealed by the 2014 Farm Bill).

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

Yes. In accordance with OMB guidance, USDA completed a risk assessment¹¹ for each of the non-high-risk programs at least once during the last 3 years. Programs that had significant increases in funding levels were either recently deemed low risk by OMB and OIG, or performed an assessment in FY 2015.

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

No. This is the fifth consecutive year the Department reported only a partial improper payment estimate for FNS' Child and Adult Care Food Program (CACFP). CACFP has three categories: (1) child care centers, (2) adult day care facilities, and (3) family day care homes (FDCH). In FY 2006, FNS reported that it would cost approximately \$20 million to conduct a national study to estimate improper payments for CACFP as a whole. The agency did not receive funding for this study. To measure improper payments, FNS identified the approximately 123,000 family day care homes receiving benefits through CACFP as high-risk. OMB gave FNS approval to measure errors in the FDCH category of the program using an alternative methodology in FY 2007.

CACFP's improper payment estimate addresses only the FDCH category and needed to include estimates for two components under that category: tiering decisions and meal claims.¹² FNS has been successful at measuring improper payment estimates for tiering decisions, but it has not done the same for meal claims. FNS has conducted multiple feasibility studies to develop a dependable method for estimating improper payments for the meal claims component. However, these past studies did not prove reliable and FNS could not submit that information for USDA's AFR. As a result, the FY 2015 AFR again reported only a partial estimate of improper payments for CACFP, which included the tiering decisions, but not the estimate for meal claims.

FNS awarded two additional contracts for CACFP improper payments studies in 2014. One is a feasibility study to examine methods of measuring erroneous payments to FDCHs for meal claims. The other study will provide a measure of the erroneous payments to child care centers and center sponsors participating in CACFP. The studies are estimated to be completed in the Fall of 2017 and 2019, respectively.

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

Yes. USDA published corrective action plans which describe actions taken and planned.

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

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

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

No. We found that 7 of USDA's 18 high-risk programs did not achieve their reduction target by an average of 3.53 percent, ranging from 0.24 percent to 12.14 percent.¹³ Exhibit C lists these seven programs' actual improper payment rates and reduction targets. Specifically, NRCS, FSA, and FNS had programs that missed reduction targets.

NRCS' Farm Security and Rural Investment Act Programs (FSRIP)

FSRIP did not achieve its reduction target by 12.14 percent. As in FY 2014, most of FSRIP's improper payments were related to eligibility issues because entity participants either did not register in the System for Award Management (SAM), or did not obtain a Dun and Bradstreet Data Universal Number Systems® (DUNS) number. To reduce FSRIP improper payments, NRCS stated in its corrective action plan that it included DUNS and SAM verification in standardized procedures for direct entry of easement obligations, reminded program staff of the registration requirements, and will adjust its software application¹⁴ to check SAM registrations automatically at obligation and payment. NRCS made progress in FY 2015 as the variance between its reduction target and improper payment rate decreased by 26 percent¹⁵ from FY 2014. As we reported for FY 2014, NRCS officials believe the FSRIP improper payment rate will decrease significantly in the FY 2016 AFR, due to the timing of its corrective actions.¹⁶

FSA's Livestock Forage Disaster Program (LFP), Supplemental Revenue Assistance Program (SURE), and Noninsured Crop Disaster Assistance Program (NAP)

LFP did not achieve its reduction target by 1.06 percent. FSA attributed these improper payments to administrative or process errors made by the agency, an inability to authenticate eligibility, and insufficient documentation to determine eligibility. Specifically, FSA stated in its corrective action plan that errors contributing to improper payments included incomplete paperwork, missing reports or certifications, and unacceptable evidence of land ownership. To reduce LFP improper payments, FSA stated in its corrective action plan that it issued notices and checklists to field office staff to reiterate program policies, procedures, and acceptable evidence for documenting program eligibility.

¹³ The Department reported in the FY 2015 AFR that eight high-risk programs did not meet their reduction targets; however, based on our analysis OIG determined that Forest Service's Hurricane Sandy Capital Improvement and Maintenance program did meet its reduction target because its improper payment rate was within the 0.1 percent range of error allowed by OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 20, 2014).

¹⁴ The Program Contracts System (ProTracts) is a web-enabled application used to manage NRCS conservation program applications.

¹⁵ Variance was 16.38 percent in FY 2014 and 12.14 percent in FY 2015.

¹⁶ Audit Report 50024-0008-11, *USDA's Fiscal Year 2014 Compliance with Improper Payment Requirements* (May 2015).

SURE did not achieve its reduction target by 7.90 percent. FSA attributed the agency's administrative and process errors to employee turnover in State and county FSA offices, to which the retirement of seasoned staff, furloughs, and reduced budgets was a contributing factor. As such, inexperienced employees were responsible for maintaining the spreadsheets used to calculate payments. SURE was not reauthorized under the Agricultural Act of 2014¹⁷ and registration for the program ended in 2014. Any future activity is limited to carryover activity from applications previously taken for 2011 or 2012 crops through appeal or litigation. According to FSA, program activity has significantly decreased as of June 2015. To reduce SURE improper payments, FSA stated in its corrective action plan that it will issue a directive to remind State and county offices of the importance of second-party reviews and verification of data, and a requirement that carryover payment activity be approved by the District Director prior to payment issuance.

NAP did not achieve its reduction target by 2.46 percent. FSA attributed the majority of these improper payments to agency administrative or process errors made within the 2012 NAP Frost Freeze program,¹⁸ which was implemented within a short timeframe to avoid payment reductions due to sequestration. To reduce NAP improper payments, FSA stated in its corrective action plan that it provided training and issued notices to staff, and rewrote the NAP handbook to clarify applicable policies and procedures.

FNS' Supplemental Nutrition Assistance Program (SNAP), National School Lunch Program (NSLP), and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

SNAP did not achieve its reduction target by 0.24 percent. FNS attributed an increase in improper payments to regulatory changes which decreased the tolerance threshold for SNAP quality control cases.¹⁹ This resulted in an increased number of errors included in the improper payment rate calculation, as well as an increase in improper payments in states with large populations. To reduce SNAP improper payments, FNS stated in its corrective action plan that it administers programs to facilitate shared knowledge of best practices for error reduction, and requires State agencies with high error rates to submit and update corrective action plans to address errors. FNS also requires States with excessive error rates to invest in program improvements that address the root causes for errors.

NSLP did not achieve its reduction target by 0.49 percent. FNS attributed NSLP's improper payments to administrative or process errors, including misclassification of the school meal eligibility status of participating students (certification errors) and improper meal counting and claiming by schools and school districts (counting and claiming errors). Examples of certification errors include inability to verify income and not

¹⁷ The Agricultural Act of 2014, Public Law 113-79 (February 7, 2014).

¹⁸ This is a new, ad-hoc program authorized under the Agricultural Act of 2014, Public Law 113-79 (February 7, 2014). Its improper payments were included in NAP's overall improper payment rate.

¹⁹ The Agricultural Act of 2014, Public Law 113-79 (February 7, 2014) lowered the tolerance threshold for SNAP Quality Control cases from \$50 to \$37.

verifying income when selected for verification. To reduce NSLP improper payments, FNS stated in its corrective action plan that it expanded the use of direct certification and increased the number of school food authorities and schools participating in the community eligibility provision. Also, FNS stated they made improvements to the application for free and reduced-price lunches that make the application easier to complete, and added training and established professional certification standards for school food service workers. Examples of meal counting and claiming errors include school lunch cashiers incorrectly categorizing meals as reimbursable or non-reimbursable, or a school incorrectly tallying the number of reimbursable meals. FNS continues to provide training, technical assistance, and updates to manuals and guidance to schools, workers, and school food authorities to correct meal counting and claiming errors.

WIC did not achieve its reduction target by 0.44 percent. WIC's improper payments were primarily attributed to the improper redemption of WIC benefits issued to ineligible participants and improper redemption of WIC purchases by authorized vendors. To reduce WIC improper payments, FNS stated in its corrective action plan that it planned and implemented multiple actions including additional training and technical assistance; updates to guidance and policies; focused management evaluation reviews for all State agencies; conducting a series of vendor integrity webinars; and initiating monthly conference calls with regional office staff to clarify certification and eligibility policy.

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 3 of the 18 high-risk programs: FNS' SBP and NSLP, and NRCS' FSRIP.

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

FNS' SBP and NSLP reported estimated improper payment rates of 22.95 percent and 15.66 percent, respectively. For FY 2015 reporting, FNS' methodology for estimating the NSLP and SBP improper payment rates relied on the May 4, 2015, release of the Access, Participation, Eligibility and Certification II study. The study was based on sampling done during the 2012-2013 school year and was extrapolated statistically for the 2013-2014 school year. For both NSLP and SBP, FNS attributed improper payments primarily to administrative or process errors (which were related to certification errors), and counting and claiming errors. The SBP improper payment rate showed improvement in FY 2015, decreasing 2.66 percent from FY 2014; however, NSLP's improper payment rate represented an increase from FY 2014. Per the NSLP corrective action plan, FNS believes that supplemental measures for NSLP (including increased use of direct certification of students)²⁰ will reduce improper payment rates by reducing the errors made during the application processing.

²⁰ Students currently participating in other entitlement programs such as SNAP and Temporary Assistance for Needy Families can be considered eligible for NSLP.

NRCS' Farm Security and Rural Investment Act Programs (FSRIP)

NRCS' FSRIP reported an estimated improper payment rate of 22.04 percent. According to the NRCS corrective action plan, the primary cause of FSRIP's improper payments was failure to verify eligibility and other administrative errors made by State or local agency. As noted in the preceding section, the participant-entities either did not obtain a DUNS number or register in SAM. NRCS anticipates a significant decrease in improper payments for FY 2016 reporting due to corrective actions that were implemented in FY 2014.

For programs that are noncompliant with IPERA for 1 to 3 consecutive fiscal years, OMB guidance²¹ requires agencies to complete additional actions. These actions include submission of a plan to OMB and select government committees to describe actions the agency will take to become compliant (if 1 year noncompliant), and submission of proposed statutory changes to Congress (if 3 years noncompliant). OMB guidance does not require additional actions for agencies that are non-compliant for more than 3 years. FNS' SNAP, and FSA's LFP, SURE, and NAP have been noncompliant for 1 year and NRCS' FSRIP has been noncompliant for 3 consecutive years. FNS' WIC, CACFP, NSLP, and SBP have been noncompliant for 5 consecutive years²². We recommend that NRCS, FSA, and FNS request the Secretary to submit the required plans describing proposals for bringing these programs into compliance.

Recommendation 1 to NRCS

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

Agency Response

In its response, dated May 11, 2016, NRCS stated that it concurs with this audit recommendation and is in the process of submitting a report to Congress on the progress made to date to bring the Farm Security and Rural Investment Act Programs (FSRIP) into compliance. NRCS estimates that this action will be completed by June 13, 2016.

OIG Position

We accept management decision for this recommendation.

²¹ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 20, 2014).

²² Since these determinations were addressed in prior audits, we are not making formal recommendations for these noncompliant programs.

Recommendation 2 to FSA

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

Agency Response

In its response dated May 11, 2016, FSA stated it will submit a plan describing the action that the agency will take to make LFP compliant. In a subsequent email correspondence, FSA stated that the plan will be sent to OCFO for submission to Congress. FSA estimates that this action will be completed by May 13, 2016.

OIG Position

We accept management decision for this recommendation.

Recommendation 3 to FSA

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

Agency Response

In its response dated May 11, 2016, FSA stated the SURE program expired with the ending of the prior Farm Bill, SURE is no longer a program administered by FSA and no future payments will be made.

OIG Position

We accept management decision for this recommendation.

Recommendation 4 to FSA

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

Agency Response

In its response dated May 11, 2016, FSA stated it will submit a plan describing the action that the agency will take to make NAP compliant. In a subsequent email correspondence, FSA stated that the plan will be sent to OCFO for submission to Congress. FSA estimates that this action will be completed by May 13, 2016.

OIG Position

We accept management decision for this recommendation.

Recommendation 5 to FNS

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

Agency Response

In its response, dated May 9, 2016, FNS stated that a plan containing all of the elements detailed in Appendix C of OMB Circular A-123 has been drafted and is currently going through the clearance process at the Department. In a subsequent email correspondence, FNS stated once the plan is cleared at the Department, within 90 days a copy of the final plan will be submitted by FNS to OCFO for submission to Congress demonstrating the actions being taken to address the SNAP non-compliance. FNS estimates that this action will be completed by August 15, 2016.

OIG Position

We accept management decision for this recommendation.

Section 2: USDA's FY 2015 Compliance Determination Under IPERIA

Based on our evaluation of USDA's reported actions to prevent and recover improper payments, and the quality of the improper payment estimates and methodologies in its high-priority programs, we found that USDA complied with IPERIA in FY 2015.

IPERIA required OMB to annually identify high-risk programs that require greater levels of oversight and review, i.e., high-priority programs. High-priority programs are defined as programs that have more than \$750 million in improper payments reported in the AFR.²³ Each agency with programs identified as high-priority is required to annually report to its Inspector General, and make available to the public: (1) any action the agency has taken or plans to take to recover improper payments, and (2) any action the agency intends to take to prevent future improper payments, including tailoring corrective actions specifically to the high-priority programs. Furthermore, OMB guidance requires that agencies with high-priority programs establish annual or semi-annual supplemental measures for reducing improper payments and submit these plans to OMB's improper payment website (paymentaccuracy.gov). OIG is required annually to evaluate the quality of the improper payment estimates and methodology, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's methodology or maintaining adequate internal controls.

USDA reported four programs designated by OMB as high-priority in its FY 2015 AFR, including FNS' SNAP, NSLP, and SBP, and RMA's FCIC. We determined that RMA and FNS officials' assessment of the level of risk associated with their high-priority programs was reasonable, and both agencies developed corrective action plans and supplemental measures commensurate with OMB requirements. Additionally, RMA and FNS reported actions taken to recover and prevent future improper payments.

We determined that RMA and FNS have improper payment estimation methodologies that produce reasonable and valid estimates for their high-priority programs in accordance with OMB guidance. However, in an OIG report published in September 2015,²⁴ OIG identified that the application of the methodology for estimating FNS' SNAP error rate needs improvement. OIG found that States weakened the quality control process by using third-party consultants and error review committees to mitigate individual quality control-identified errors, rather than improving eligibility determinations; quality control staff also treated error cases non-uniformly. FNS' two-tier quality control process is vulnerable to State abuse due to conflicting interests between (1) accurately reporting true error rates and incurring penalties or (2) mitigating errors and receiving a bonus for exceeding standards. Thus, FNS' quality control process may have understated SNAP's error rate. Since recommendations have already been made to FNS to address these matters, we do not make any further recommendations related to this issue in this report.

²³ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 20, 2014).

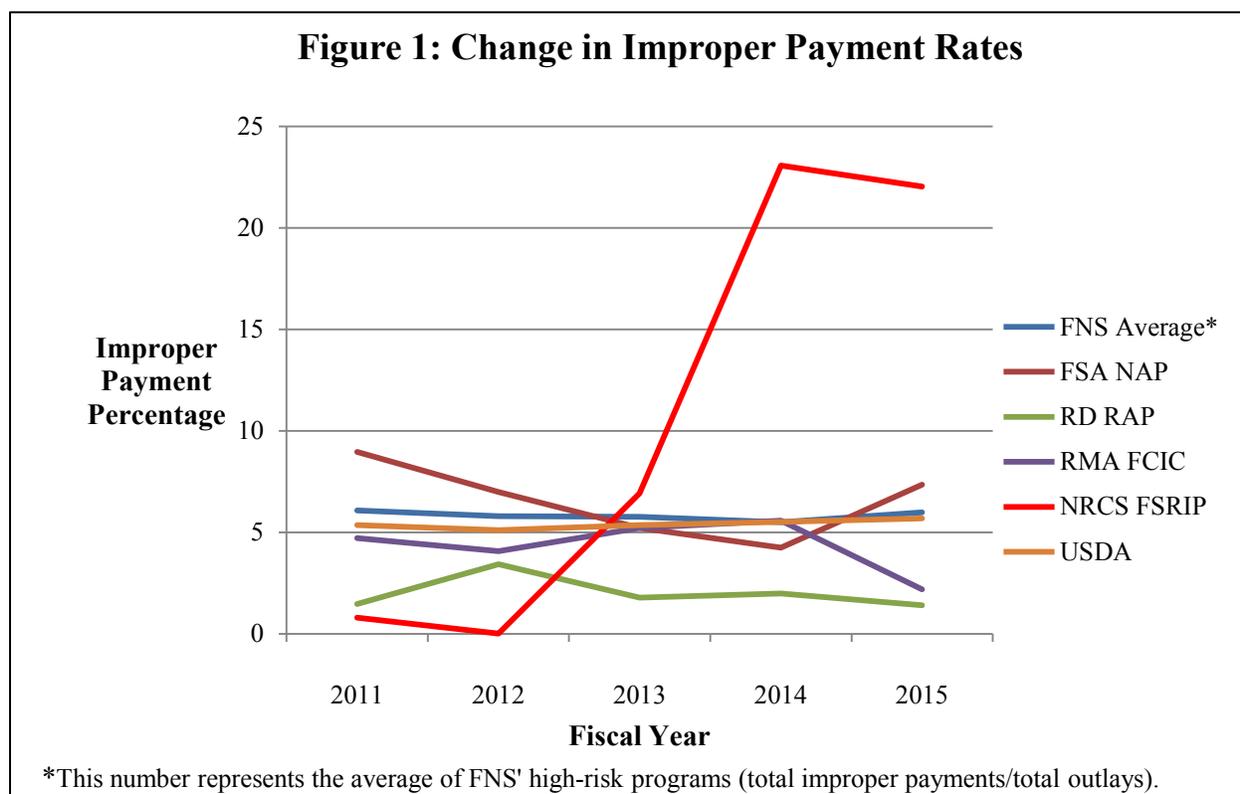
²⁴ Audit 27601-0002-41, *FNS Quality Control Process for SNAP Error Rate* (September 2015).

We do not make any formal recommendations in this report regarding the methodologies used, promoting continued program access and participation, or maintaining adequate internal controls for USDA's high-priority programs.

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

Reducing Improper Payments

USDA's efforts to reduce improper payments have produced both favorable and unfavorable results since FY 2011. Improper payment rates have generally trended downward for Rural Development's RAP, RMA's FCIC, and FSA's NAP. The average improper payment rate of the five FNS high-risk programs has remained relatively unchanged. However, USDA's overall improper payment rate has trended upward slightly since FY 2011, although it is largely attributed to a spike in NRCS' FSRIP improper payment rate in recent years, as discussed in Finding 1. Figure 1 shows the trends for these programs from FY 2011 through FY 2015. We included only those programs that have been reporting improper payment rates for each of the 5 fiscal years, as well as USDA's overall improper payment rate as reported in the AFRs. To see the actual improper payment rates for FY 2015, see Exhibit A.



Recapturing Improper Payments

In FY 2015, USDA reported that it recaptured approximately \$2 million in improper payments from recovery audit contractors, and \$382 million²⁵ outside of payment recapture audits, which represents a substantial increase from its FY 2014 reporting of \$0.6 million and \$234 million,

²⁵ Our review of recaptured overpayments reported by the component agencies revealed that this amount was overstated by \$3 million due to a data entry error made by OCFO.

respectively. OMB guidance encourages agencies to use limited scope pilot payment recapture audits in areas deemed of highest risk to assess the likelihood of cost-effective payment recapture audits on a larger scale. USDA's limited scope pilot programs revealed many legal and accounting issues which were not resolved until FY 2016. USDA reported in its FY 2015 AFR that in FY 2016 it will require all programs with over \$1 million in annual expenditures to perform recovery auditing, or provide justification that recovery auditing would not be cost effective.

Accuracy and Completeness of Reporting

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

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

Scope and Methodology

Our audit focused on improper payment information reported in USDA's FY 2015 AFR and additional supporting documentation. We performed our review at OCFO Headquarters in Washington, D.C. We commenced fieldwork in December 2015 and completed our fieldwork in April 2016.

We interviewed OCFO officials and USDA component agencies' management, supervisory, and staff personnel involved with the 18 programs identified as susceptible to significant improper payments. We obtained and reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as OCFO's guidance, policies, and procedures. We also reviewed each program's plans that described: (1) how sampling was performed; (2) how estimates were calculated and completed; and/or (3) proposed corrective actions to reduce improper payments in the future.

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

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

We obtained and reviewed the FY 2015 AFR. We also confirmed that the AFR was posted on USDA's website.

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

Of the 130 low-risk programs and activities listed in USDA's FY 2015 inventory, we selected a non-statistical, but random, sample of 10 programs and activities. The 10 selected programs used various types of risk assessments, from one-page certifications that events affecting a program have not changed, to full-scale risk assessments, including a test of transactions. We reviewed these assessments to determine whether the level of risk determination was reasonable.

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

We reviewed the improper payment results outlook Table 13 in *Section III, Other Information* of the FY 2015 AFR to identify which programs reported "NA" (not available). We reviewed documentation to determine which of those programs with an "NA" were required to report an improper payment estimate.

4. Published Programmatic Corrective Action Plans in the AFR

We reviewed the corrective actions and additional information reported in the FY 2015 AFR to determine whether USDA complied with OMB guidance. We also reviewed each high-risk program's detailed 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 improper payments reduction outlook Table 13 in *Section III, Other Information* of the FY 2015 AFR and compared each program's reduction target to the targets listed in the improper payment reduction outlook Exhibit 26 in *Section III, Other Information* of the FY 2014 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 improper payment reduction outlook table 13 in *Section III, Other Information* of the FY 2015 AFR to identify which programs did not report estimates of less than 10 percent.

7. Reported Information on High-Priority Programs

We reviewed the AFR and supporting documentation, and the statistical methodologies were reviewed by our statistician. Inquiries were made to agency officials when warranted.

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

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

Abbreviations

AFR.....	Agency Financial Report
CACFP.....	Child and Adult Care Food Program
DCP.....	Direct and Counter-Cyclical Program
DUNS.....	Data Universal Number System
FCIC.....	Federal Crop Insurance Corporation
FDCH.....	Family Day Care Homes Category
FNS.....	Food and Nutrition Service
FSA.....	Farm Service Agency
FSRIP.....	Farm Security and Rural Investment Act Programs
FY.....	Fiscal Year
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
RAP.....	Rental Assistance Program
RMA.....	Risk Management Agency
SAM.....	System for Award Management
SBP.....	School Breakfast Program
SNAP.....	Supplemental Nutrition Assistance Program
SURE.....	Supplemental Revenue Assistance Program
USDA.....	Department of Agriculture
WIC.....	Special Supplemental Nutrition Program for Women, Infants, and Children

Exhibit A: USDA's 18 High-Risk Programs

Exhibit A provides a list of USDA's 18 current high-risk programs or program categories reported in the FY 2015 AFR.

High-Risk Program	FY 2015 Improper Payment Rate	USDA Component Agency
1. Supplemental Nutrition Assistance Program (SNAP) SNAP provides low income households benefits to purchase food from approved retailers.	3.66%	Food and Nutrition Service
2. National School Lunch Program (NSLP) NSLP assists States, through cash grants and food donations, in providing a nutritious nonprofit lunch service for school children.	15.66%	
3. School Breakfast Program (SBP) SBP assists States in providing a nutritious nonprofit breakfast service for school children, through cash grants and food donations.	22.95%	
4. Child and Adult Care Food Program (CACFP) CACFP, through grants-in-aid and other means, assists States with maintaining nonprofit food service programs for children and elderly or impaired adults in day care facilities, and children in afterschool care programs in low income areas and emergency shelters.	0.84%	
5. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) WIC provides supplemental nutritious foods and other health services to low-income eligible participating women and children up to age of 5 years.	4.62%	
6. Federal Crop Insurance Corporation Program Fund (FCIC) FCIC provides insurance and risk management strategies to American producers.	2.20%	Risk Management Agency
7. Livestock Forage Disaster Program (LFP) LFP provides compensation to eligible livestock producers that have suffered grazing losses for covered livestock on land that is native or improved pasture land with permanent vegetative cover or is planted specifically for grazing.	3.10%	Farm Service Agency and Commodity Credit Corporation
8. Loan Deficiency Payments Program (LDP) LDP's objective is to improve and stabilize farm income, assist in bringing better balance between supply and demand of the commodities, and assist farmers in the orderly marketing of their crops.	N/A ²⁶	
9. Livestock Indemnity Program (LIP) LIP provides benefits to eligible owners or contract growers for death of their livestock in excess of normal mortality caused by adverse weather, and attacks by animals reintroduced into the wild by the federal government or protected by federal law.	6.36%	
10. Supplemental Revenue Assistance Program (SURE) SURE provides financial assistance for farm revenue losses due to natural disaster.	9.90%	
11. Noninsured Assistance Program (NAP) NAP provides crop loss assistance to producers of commercial crops or other agricultural commodities for which the catastrophic risk protection level of crop insurance is not available.	7.36%	
12. Hurricane Sandy – Emergency Conservation Program This program enables farmers to perform emergency conservation measures to control wind erosion on farmlands, and to rehabilitate farmlands damaged by wind erosion, floods, hurricanes, or other natural disasters.	0.50%	
13. Hurricane Sandy – Emergency Forest Restoration Program This program provides financial assistance, through cost share payments, to eligible participants on eligible land for certain practices to restore nonindustrial private forest land that has been damaged by a natural disaster.	1.67%	

²⁶ LDP program had no FY 2014 outlays and therefore did not conduct a sample.

Exhibit A: USDA's 18 High-Risk Programs

High-Risk Program	FY 2015 Improper Payment Rate	USDA Component Agency
14. Rental Assistance Program (RAP) RAP reduces the tenant contribution paid by low-income families occupying eligible housing projects financed by Rural Housing Service.	1.41%	Rural Development
15. Farm Security and Rural Investment Act Programs (FSRI) FSRI programs provide financial assistance to help plan and implement conservation practices that address natural resource concerns or opportunities to help save energy, improve soil, water, plant, air, animal and related resources on agricultural lands and non-industrial private forest land.	22.04%	Natural Resources Conservation Service
16. Hurricane Sandy – Emergency Watershed Protection Program This program assists sponsors, landowners, and operators in implementing emergency recovery measures for runoff retardation and erosion prevention to relieve imminent hazards to life and property affected by Hurricane Sandy.	0.00%	
17. Hurricane Sandy – Emergency Forest Restoration Program This program provides funding to the State forester or designated official as reimbursement for approved technical assistance provided to eligible forest landowners by the State forestry agency in support of USDA's Farm Service Agency and the delivery of the Emergency Forest Restoration Program.	0.00%	Forest Service
18. Hurricane Sandy – Capital Improvement and Maintenance (CMDF) CMDF funds provide construction and maintenance funding to address emergency infrastructure needs to restore roads, trails, and facilities damaged by natural disaster.	0.06%	

Exhibit B: USDA's Noncompliance by Requirement and Program

Exhibit B provides a list of the nine programs we determined were noncompliant with IPIA, as amended by IPERA. The last column represents the number of consecutive years that the program has been noncompliant with one or more of the six requirements of IPERA.

High-Risk Program	FY 2015 Noncompliant with Reporting Estimates	FY 2015 Noncompliant with Meeting Annual Reduction Targets	FY 2015 Noncompliant because Errors are over 10 Percent	Number of Consecutive Years Noncompliant with IPERA, FY 2011 through FY 2015
FSA Noninsured Crop Disaster Assistance Program		X		1
FSA Livestock Forage Disaster Program		X		1
FSA Supplemental Revenue Assistance Program		X		1
FNS Child and Adult Care Food Program	X			5
FNS National School Lunch Program		X	X	5
FNS School Breakfast Program			X	5
FNS Special Supplemental Assistance Program for Women, Infants and Children		X		5
FNS Supplemental Nutrition Assistance Program		X		1
NRCS Farm Security and Rural Investment Act Programs		X	X	3

Exhibit C: Impact of Seven Programs Not Meeting Reduction Targets

Exhibit C provides a list of the seven high-risk programs that did not achieve their reduction targets by 0.24 percent to 12.14 percent.

Program	Reduction Target Rate %	FY 2015 Reported Outlays \$ in millions	FY 2015 Improper Payment Rate %	Improper Payments \$ in millions	Difference between target and actual rate %
1. National School Lunch Program, FNS	15.17%	11,319	15.66%	1,773	0.49%
2. Special Supplemental Nutrition Program for Women, Infants and Children, FNS	4.18%	4,542	4.62%	210	0.44%
3. Supplemental Nutrition Assistance Program, FNS	3.42%	70,022	3.66%	2,563	0.24%
4. Livestock Forage Disaster Program, FSA	2.04%	3,357	3.10%	104	1.06%
5. Supplemental Revenue Assistance Program, FSA	2.00%	34	9.90%	3	7.90%
6. Noninsured Crop Disaster Assistance Program, FSA	4.90%	174	7.36%	13	2.46%
7. Farm Security and Rural Investment Act Programs, NRCS	9.90%	2,122	22.04%	468	12.14%
					USDA's Average
					3.53%

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

Exhibit D identifies the status of FY 2014 IPERA compliance review audit recommendations. Also noted is one recommendation from FY 2013 that remains open. All other recommendations from FYs 2011 through 2013 have reached final action.

Report Number	FY	Recommendation	Status	
50024-0008-11	2014	1	Resubmit the CACFP alternative sampling method to OMB for approval and identify the year a comprehensive rate for the family day care homes category will be available. This comprehensive rate should include the meal claims component.	Open
		2	Request that the Secretary submit proposed statutory changes to Congress for CACFP, NSLP, and SBP.	Closed
		3	Request that the Secretary submit a reauthorization proposal for WIC.	Closed
		4	Revise the established follow-up and escalation process to include accountable officials and/or accountable senior officials to ensure mandated actions are completed.	Closed
		5	Establish a process to assist the accountable senior official with monitoring progress and ensuring mandated actions are completed on time.	Late
		6	Establish a process to assist the accountable official and accountable senior officials with monitoring the progress and ensuring mandated actions, such as submitting proposals to Congress, are completed and on time.	Closed

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

Report Number	FY	Recommendation	Status	
50024-0008-11	2014	7	Coordinate with the Office of the Secretary, FNS, and other relevant officials to issue a policy to clearly delineate which office or component agency is responsible for meeting high-priority program requirements and reporting required high-priority program information in the AFR.	Closed
		8	Implement a process to identify, collect, and report overpayment information on FNS high-risk and high-priority programs from available sources.	Closed
		9	Include the dollar amounts of improper payments associated with the OMB cause categories.	Closed
		10	Direct Rural Development to re-assess the Water and Waste Disposal Systems Loans for Rural Communities in accordance with OCFO's guidance.	Closed
50024-0005-11	2013	2	For programs that did not comply with IPFA for 1 year, submit a plan to the Homeland Security and Government Affairs Committee of the U.S. Senate and the Committee on Oversight and Governmental Reform of the U.S. House of Representatives describing the actions that the agency will take to become compliant.	Late

Exhibit E: Sampling Methodology for USDA’s Fiscal Year 2015 Compliance with Improper Payment Requirements

Objectives

The sampling methodology for our assessment of USDA’s compliance with IPERA for FY 2015 was designed to help support our audit objectives related to determining compliance with improper payment requirements, and evaluating USDA’s accuracy and completeness of reporting. We used non-statistical sampling selections to test the adequacy and completeness of USDA’s risk assessment of programs and activities subject improper payments reporting, and to evaluate the accuracy of the improper payment estimates for one high-risk program.

Audit Universe and Sample Design

Risk Assessment Selection and Sample

Of the 130 programs and activities deemed “low-risk” in USDA’s inventory, we non-statistically, but randomly, selected 10 programs and activities risk assessed in FY 2015 using computer-assisted auditing techniques. Our 10 selected programs captured various types of risk assessments. We reviewed these assessments to determine whether the level of risk determination was reasonable, and in accordance with IPERA, OMB Circular A-123, Appendix C *Requirements for Effective Estimation and Remediation of Improper Payments*, and OCFO’s Final USDA FY 2015 Risk Assessment Guidance.

High-Risk Program Selection and Sample

USDA reported improper payment information for 18 programs or program categories it deemed “high-risk,” or susceptible to significant improper payments in its FY 2015 AFR. We non-statistically selected Rural Development’s Rental Assistance Program (RAP) to review at the request of OIG management and due to a recent Government Accountability Office inquiry into the program. To determine the FY 2015 improper payment rate for RAP, Rural Development statistically selected a sample of 666 tenant certifications and 597 payments that required manual processing. Because our sample analysis was conducted to test internal controls by Rural Development for identifying and reporting improper payments (and not used to provide a statistical projection), we decided to randomly select a total of 20, 10 of each type, of the samples Rural Development reviewed. To remain unbiased, our 20 samples were randomly selected using computer assisted auditing techniques.

Results

We reviewed the supporting documentation provided for the samples selected. No exceptions were noted within the 10 samples selected for USDA’s risk assessment. We noted no reportable exceptions for the 20 random samples selected to evaluate the accuracy of the improper payment rate for Rural Development’s RAP.

**USDA'S
FISCAL YEAR 2015 COMPLIANCE WITH
IMPROPER PAYMENT REQUIREMENTS
RESPONSES TO AUDIT REPORT**



United States Department of Agriculture

May 11, 2016

SUBJECT: SPA - Natural Resources Conservation Service (NRCS) Agency
Response – Audit Report – Audit Report #50024-0009-11 USDA
Fiscal Year (FY) 2015 Compliance with Improper Payments

TO: Gil H. Harden File Code: 340-7
Assistant Inspector General for Audit
Office of Inspector General

Attached are NRCS' responses to Audit Report –50024-0009-11 USDA FY 2015 Compliance with Improper Payments.

The attached response addresses the actions taken and planned for audit recommendation 1.

If you have questions, please contact Leon Brooks, Director, Compliance Division, at (301) 504-2190, or email: leon.brooks@wdc.usda.gov.

/s/

Thomas Christensen for

Jason A. Weller
Chief

Attachment

Attachment

Finding 1:

For programs that are noncompliant with the Improper Payments Elimination and Recovery Act for 1 to 3 consecutive fiscal years, Office of Management and Budget (OMB) guidance requires agencies to complete additional actions. These actions include submission of a plan to OMB and select Government committees to describe actions the agency will take to become compliant (if 1 year noncompliant), and submission of proposed statutory changes to Congress (if 3 years noncompliant). NRCS' Farm Security and Rural Investment Act Programs (FSRIAP) has been noncompliant for 3 consecutive years.

Recommendation 1:

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

Agency Response:

NRCS concurs with the recommendation to submit a report to Congress on the progress made to bring FSRIAP into compliance, but does not believe a legislative change is needed.

OIG POSITION: [Note: OIG will provide after NRCS submits agency response.]

ESTIMATED COMPLETION DATE: June 13, 2016



Farm and Foreign Agricultural Services

Farm Service Agency

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

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

DATE: May 11, 2016
TO: Steve Rickrode
Deputy Assistant Inspector General for Audit
Office of Inspector General
FROM: Perry Thompson, Director,
Operations Review and Analysis Staff
SUBJECT: Response to Official Draft – Audit 50024-0009-11: USDA’s
Fiscal Year 2015 Compliance with Improper Payment Requirements

The Farm Service Agency’s (FSA) response to your April 25, 2016, memorandum requesting comments on the official draft report of the subject audit are listed below.

RECOMMENDATION 2 to FSA

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

FSA Response

FSA will submit a plan describing the action that the agency will take to make LFP compliant by May 13, 2016.

RECOMENDATION 3 to FSA

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

FSA Response

The SURE program expired with the ending of the prior Farm Bill, SURE is no longer a program administered by FSA and no future payments will be made.

Steve Rickrode
Page 2

RECOMENDATION 4 to FSA

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

FSA Response

FSA will submit a plan describing the action that the agency will take to make NAP compliant by May 13, 2016.



DATE: May 9, 2016

**United States
Department of
Agriculture**

AUDIT
NUMBER: 50024-0009-11

Food and
Nutrition
Service

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

3101 Park
Center Drive
Room 712

FROM: Audrey Rowe /s/
Administrator

Alexandria, VA
22302-1500

SUBJECT: USDA's Fiscal Year 2015 Compliance with Improper Payment
Requirements

This letter responds to the discussion/official draft report for audit report number 50024-0009-11, USDA's Fiscal Year 2015 Compliance with Improper Payment Requirements. Specifically, the Food and Nutrition Service (FNS) is responding to the general content and the one FNS recommendation in the report.

In the section titled 'USDA's Fiscal Year 2015 Compliance Determination Under IPERA', and as listed in Exhibit C of the report, OIG states that seven of 18 USDA high-risk programs missed their improper payment reduction targets by an average of 3.53 percent, ranging from 0.24 percent to 12.14 percent. While the report does not detail how these improper payments in programs could have been avoided under current statutory authority, we agree that levels of improper payments are unacceptably high.

Recommendation 5:

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

FNS Response:

USDA officials met with representatives from Pricewaterhouse Coopers (PwC) during the first quarter of Fiscal Year 2016 to discuss the plan for addressing SNAP non-compliance. A plan containing all of the elements detailed in Appendix C of OMB Circular A-123 has been drafted and is currently going through the clearance process at the Department.

Within the plan it is specifically noted that the FY 2015 SNAP non-compliance is due to missing an aggressive target rate for FY 2014 of 3.42 percent. The program's inability to meet its reduction target was largely due to a statutory change in their error tolerance amount, which was lowered from \$50 to \$37. Errors in this dollar range result from case workers improperly determining program eligibility and/or clients of the program providing incomplete household information. This issue was particularly noticeable in error rate increases in a few large states.

Once the plan is cleared at the Department, a copy of the final plan will be submitted by FNS to OCFO demonstrating the actions being taken to address the SNAP non-compliance.

Estimated Completion Date: August 15, 2016

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www.usda.gov/oig/index.htm

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