United States Department of Agriculture

Office of Inspector General

Executive Order 13520, Reducing Improper Payments, Fiscal Year 2013 High-Dollar Overpayments Report Review

50024-0006-11

August 2014

Executive Order 13520, Reducing Improper Payments Fiscal Year 2013 High-Dollar Overpayments Report Review

Audit Report 50024-0006-11

What Were OIG's Objectives

Our objectives were to review USDA's quarterly high-dollar overpayments reports to assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the Secretary of Agriculture with recommendations, if any, for modifying USDA's recovery and corrective action plans.

What OIG Reviewed

We reviewed USDA's fiscal year 2013 quarterly high-dollar overpayments reports, interviewed OCFO officials and officials with the component agencies administering USDA's 16 high-risk programs, and evaluated supporting documents they provided.

What OIG Recommends

The Risk Management Agency and Natural Resources Conservation Service need to implement a second party quality review process to ensure that high-dollar overpayments information is accurately reported and traced to supporting documentation. Additionally, OCFO should develop a second party quality review process in conjunction with the agencies to ensure overpayments identified are included in the Department-level high-dollar overpayments reports.

OIG reviewed information from USDA's fiscal year 2013 quarterly reports on high-dollar overpayments made by programs susceptible to significant improper payments.

What OIG Found

The President issued Executive Order 13520, *Reducing Improper Payments*, to strengthen efforts to eliminate payment error, waste, fraud, and abuse in Federal programs. As required by the Executive Order, the Office of Inspector General (OIG) reviewed the U.S. Department of Agriculture's (USDA) quarterly high-dollar overpayments reports and made recommendations, as necessary, to agencies' plans to recover and prevent high-dollar overpayments.

For fiscal year 2013, USDA reported 569 high-dollar overpayments totaling over $47.1 million. This represents an increase of 42 percent over the number of overpayments reported the previous year. In our fourth year of reporting, we found that USDA implemented actions to adhere to the high-dollar reporting requirements. However, USDA quarterly reports included errors, had inadvertent omissions, and were published up to 222 days after the due date. This occurred because of challenges with budget constraints and resource limitations that impacted reporting of high-dollar overpayments. USDA needs to take further steps to ensure it reports the information accurately, completely, and timely. Without accurate and timely reporting, the results of USDA's actions or strategies to reduce high-dollar overpayments are not fully known.

USDA's Office of the Chief Financial Officer (OCFO) agreed with our recommendations.

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

DATE: August 13, 2014

AUDIT NUMBER: 50024-0006-11

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SUBJECT: Executive Order 13520, Reducing Improper Payments, Fiscal Year 2013 High-Dollar Overpayment Report Review

This report presents the results of the subject audit. Your written responses, dated July 29, 2014, August 11, 2014, and July 31, 2014, respectively, are included in its entirety at the end of the report. Excerpts from your response and the Office of Inspector General's position are incorporated in the relevant sections of the report. Based on your response, we accept management decision on Recommendations 2 and 3. We are unable to accept management decision on Recommendation 1. The documentation or action needed to reach management decision for that recommendation is described under the relevant OIG Position section.

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 recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action 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 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 & Objectives

Background

Executive Order 13520, "Reducing Improper Payments" (Executive Order), signed on November 20, 2009, assists Federal agencies in reducing and preventing improper payments through increased transparency and improved agency accountability.[1] The Executive Order mandates that Federal agencies submit quarterly reports on any high-dollar improper overpayments identified in high-risk programs to their respective Office of Inspector General (OIG) and the Council of the Inspectors General on Integrity and Efficiency, and make this information available to the public.[2] Following the review of each report, the agency OIG shall assess the level of risk associated with the applicable program, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's plans.

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

- an agency paid an individual more than $5,000 in total as a single payment or in cumulative payments for the quarter; or
- an agency paid an entity more than $25,000 in total as a single payment or in cumulative payments for the quarter.[3]

As of fiscal year 2013, the Department of Agriculture (USDA) had 16 high-risk programs subject to the Executive Order's high-dollar overpayments reporting requirements. These 16 programs are administered by seven component agencies, including the Farm Service Agency (FSA), Commodity Credit Corporation (CCC), Food and Nutrition Service (FNS), Forest Service (FS), Natural Resources Conservation Service (NRCS), Risk Management Agency (RMA), and Rural Development.[4] USDA reported 569 high-dollar overpayments totaling over $47.1 million in fiscal year 2013. This represents an increase of 42 percent over the number of overpayments reported the previous year.

The Secretary of Agriculture has delegated responsibility for coordinating and submitting USDA's high-dollar overpayments report to the Office of the Chief Financial Officer (OCFO). To assist OCFO in meeting reporting requirements, the seven component agencies administering USDA's high-risk programs must submit high-dollar overpayments data, in accordance with

[1] 74 Federal Register 62201, Executive Order 13520, *Reducing Improper Payments* (November 20, 2009).
[2] A high-risk program is any program susceptible to significant improper payments based on the criteria outlined in Office of Management and Budget (OMB) Memo M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123* (April 14, 2011).
[3] OMB Circular A-123, Parts I and II, Appendix C (April 14, 2011).
[4] 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. We are recognizing FSA and CCC as two of the seven component agencies throughout the report.

OMB guidance, for inclusion in the Department-level quarterly reports. Additionally, the Department publishes its quarterly high-dollar reports on OCFO's website, which is available to the public at http://www.ocfo.usda.gov/qhd_reporting.html.

Objectives

The Executive Order requires OIG to review the agency's quarterly high-dollar overpayments reports. The objectives of our audit were to assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the Secretary of Agriculture with recommendations, if any, for modifying USDA's recovery and corrective action plans.

Section 1: Compliance with High-Dollar Overpayments Reporting Requirements

Finding 1: USDA Needs to Take Further Actions to Improve the Accuracy, Completeness, and Timeliness of High–Dollar Overpayments

Although USDA reported more comprehensive information about high-dollar overpayments than it did in the last 3 years of reporting, officials need to take further actions to improve the reporting process and the timely submissions of quarterly high-dollar overpayments reports. We found that USDA's fiscal year 2013 quarterly reports on high-dollar overpayments and related actions did not always provide accurate, complete, and timely information. The reports included errors, had inadvertent omissions, and were published up to 222 days after the due date. In addition, we found some inconsistencies between the quarterly reports and supporting documentation. This occurred because of challenges with budget constraints and resource limitations that impacted reporting of high-dollar overpayments. Also, component agencies reported inaccurate information or did not perform adequate reviews before submitting data to OCFO. Without accurate, complete, and timely reporting, neither the Department nor OMB can measure the effectiveness of USDA component agencies' actions or strategies to reduce the errors causing high-dollar overpayments.

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

- list all high-dollar overpayments identified by the agency during the quarter;
- list the program responsible for each high-dollar payment error, as well as the recipient type (individual or entity) and recipient's location (City/County, State);
- describe overall agency actions and strategies to recover and prevent overpayments;[5] and
- be submitted to OIG within 30 days after the end of each fiscal quarter.[6]

In addition, OCFO issued internal guidance to further assist USDA's component agencies required to report high-dollar overpayments with implementing OMB's guidance, including a certification of accuracy from each component agency's chief financial officer.

Our review found that component agencies provided OCFO with inaccurate information related to high-dollar overpayments; and as a result, USDA published inaccurate information for six component agencies—FSA, CCC, FS, Rural Development, RMA, and NRCS. Also, three of these six agencies submitted inaccurate recovery and corrective actions.[7] Additionally, OCFO omitted high-dollar overpayments for three of these six agencies.[8] Finally, six of the seven component agencies continued to struggle with report timeliness. The following sections provide further details.

[5] OMB Circular A-123, Appendix C, Part III, Requirements for Implementing Executive Order 13520: Reducing Improper Payments, M-10-13 (March 22, 2010).
[6] Council of the Inspectors General on Integrity and Efficiency Activities related to Executive Order 13520 on Reducing Improper Payments (June 17, 2010).
[7] The three agencies that submitted inaccurate recovery and corrective actions were FSA, CCC, and RMA.
[8] OCFO omitted high-dollar overpayments for FS, Rural Development, and RMA.

USDA Reported Inaccurate Information about High-Dollar Overpayments

OCFO's review process reduced the amount of inaccurate information published by USDA. However, OCFO cannot always identify and prevent reporting errors that occur at the component agencies' level. USDA published inaccurate information related to high-dollar overpayments because six component agencies (FSA, CCC, FS, Rural Development, RMA, and NRCS) did not always calculate overpayments correctly or perform adequate reviews prior to submitting its report to OCFO.

For instance, our review disclosed three instances where FSA and CCC reported inaccurate overpayments to OCFO for inclusion in the Department's report.[9] Two of these erroneous overpayments occurred because FSA's county office personnel entered inaccurate amounts on FSA's and CCC's internal high-dollar overpayments reports.[10] The remaining instance occurred because FSA personnel did not report the cumulative total for an overpayment. Because FSA and CCC did not adequately review supporting documentation before submitting their certified reports to OCFO, the Department's cumulative high-dollar report included these erroneous overpayments. FSA officials stated that the Deputy Administrator Farm Programs (DAFP) and Office of Budget and Finance (OBF) staff will maintain direct communication with field office staff to ensure that the correct and proper documentation is either provided with the initial high-dollar report or is later made available after being reviewed by the DAFP or OBF staff.

We also noted issues related to FS' reported high-dollar overpayments.[11] For example, FS reported to OCFO an overpayment for inclusion in the Department's report that should not have been reported because it did not meet the high-dollar reporting criteria. Although the overpayment was reported by USDA, FS management determined during our review that the payment was a routine business practice and was not considered an overpayment. In addition, we identified one overpayment by FS that was overstated by $1,144. This occurred because FS miscalculated the overpayment amount. To prevent the noted issues from reoccurring, FS stated that it will conduct a second review of the high-dollar overpayments reports by a higher level FS official prior to providing FS submissions to OCFO, and provide additional training to processors to check the entire invoice.

Miscalculations also occurred at Rural Development. In five instances, we found that Rural Development miscalculated the total amount paid.[12] Rural Development discovered these errors when it provided supporting documentation for our samples. These errors occurred because Rural Development manually calculated the rental assistance paid to the tenant incorrectly, and had not implemented a second party review

[9] We selected and reviewed a statistical sample of 60 of FSA's and CCC's 289 total reported high-dollar overpayments.
[10] CCC has no actual employees; however, it carries out its programs through the personnel and facilities of FSA and several other agencies.
[11] We reviewed all 11 of FS' reported high-dollar overpayments.
[12] We reviewed a non-statistical sample of 13 of Rural Development's 46 total reported high-dollar overpayments.

to identify these types of errors. Rural Development stated that, in the first quarter of fiscal year 2014, the Deputy Chief Financial Officer staff started conducting second party reviews on the quarterly high-dollar overpayments reports.

Additionally, we determined that RMA provided OCFO with inconsistent information related to the cause for one of its overpayments.[13] Specifically, RMA reported that *"the company was not in compliance with FCIC policy or procedures in computing the premium"*; however, the supporting documentation referred to in computing the premium and indemnity was the reason for the overpayment. Also, we found that one overpayment dollar amount was transposed by RMA prior to submitting it to OCFO, and this caused OCFO to miscalculate and misreport this overpayment on the Department's report. Furthermore, although OCFO guidance requires component agencies' chief financial officers to certify that their quarterly high-dollar reports are accurate and meet reporting criteria, RMA did not include certification statements in its fiscal year 2013 submissions to OCFO.[14] To reduce the risk of similar errors, RMA should adequately review information in its high-dollar overpayments reports submitted to OCFO.

Finally, our review of NRCS' supporting documents disclosed that NRCS did not always apply OCFO's high-dollar overpayment reporting guidance correctly.[15] For example, NRCS did not combine two overpayments (of $61,296 and $2,145) made to the same entity as cumulative payments of $63,441. We also identified three instances where NRCS submitted overpayments to OCFO that did not meet the threshold for a reportable overpayment. In one instance, NRCS reported an overpayment of 50 percent less than the correct amount for one individual. In the two other instances, NRCS reported overpayments of less than $25,000 for two entities. Ultimately, OCFO's review process discovered these instances and excluded those overpayments on the Department's report. In addition, we noted two instances in which NRCS did not include all pertinent information required in the report, such as city information. These issues occurred because of inadequate reviews of supporting documentation related to high-dollar overpayments and limited resources to address improper payment reporting.

Three Agencies Submitted Inaccurate Recovery and Corrective Actions

Providing a description of an agency's recovery and corrective actions in its high-dollar overpayments reports is a specific requirement of the Executive Order, and provides important details about the agency's plans to prevent future overpayments. Our review disclosed that FSA, CCC, and RMA sometimes submitted inaccurate information on recoveries and preventive actions to OCFO for inclusion in the Department's quarterly reports on high-dollar overpayments. For example, FSA and CCC reported recovery actions that did not agree with supporting documentation for three overpayments. While the fiscal year 2013 overpayments reports documented that recovery action was ongoing for FSA's and CCC's three overpayments, supporting documentation showed the overpayments were recovered in fiscal year 2012. Also, RMA's overall recovery actions

[13] We reviewed a non-statistical sample of 25 of RMA's 143 total reported high-dollar overpayments.
[14] OCFO Quarterly High-Dollar Overpayments Report Guidance Version 2.1 (June 2013).
[15] We selected and reviewed a statistical sample of 35 of NRCS' 80 total reported high-dollar overpayments.

were partially inconsistent with the supporting documentation. For example, RMA reported "*Account receivables were established for the overpayment and recovery actions initiated. Most receivables have been recovered*." However, we found that RMA did not establish receivables for these overpayments. Instead, RMA recaptures its overpayments through offsets to future payments to these entities. These instances of inaccurate recovery and corrective action information occurred because FSA, CCC, and RMA overlooked or provided inaccurate preventive and recovery action plans.

OCFO Omitted High-Dollar Overpayments for Three Agencies

Our review disclosed that the Department's quarterly high-dollar reports for fiscal year 2013 excluded some reportable overpayments for FS, Rural Development, and RMA. For example, we noted OCFO omitted one overpayment, totaling $182,819 from FS' first quarter high-dollar overpayment report. Communications initially occurred between OCFO and FS related to the overpayment calculation; however, followup did not occur. In addition, OCFO omitted 9 Rural Development high-dollar overpayments totaling $118,363 and 15 RMA overpayments totaling $1,366,202 from the Department's first quarter report for fiscal year 2013. This occurred because OCFO staff inadvertently overlooked and omitted these overpayments. OCFO was made aware of Rural Development's and RMA's omitted overpayments and rectified it by including these overpayments in the fiscal year 2014 second quarter report.

USDA Continued to Struggle with Timeliness of Reports

As reported since 2010, USDA did not submit its quarterly high-dollar overpayments reports timely. The Department is required to submit its quarterly reports to OIG no later than 30 days after the end of the quarter; however, we received the reports anywhere from 56 to 222 days after the due dates. Specifically, we received USDA's high-dollar overpayments reports 222 days late for the first quarter, 126 days late for the second quarter, 56 days late for the third, and 65 days late for the fourth. This occurred because 6 of the 7 component agencies submitted reports to OCFO by as much as 116 days late.[16] In addition, delays in the Department's approval process for quarterly high-dollar reports caused untimely reporting.

We discussed report timeliness with component agencies and OCFO, which generally stated that reports were late due to budget constraints and limited resources. OCFO also emphasized that the signature approval and clearance process is cumbersome, which therefore causes the Department to submit late every quarter. We stress that untimely reporting may not fully reflect USDA's intensified efforts to eliminate the highest improper payments in its programs through increased accountability and transparency over high-dollar overpayments.

Overall, we attributed USDA's inaccurate, incomplete, and untimely reporting to issues related to the challenges with budget constraints and resource limitations that impacted reporting of

[16] The six component agencies that submitted their high-dollar overpayments reports late were FNS, FSA, CCC, Rural Development, RMA, and NRCS.

high-dollar overpayments. OCFO stated that it provides reminders in the form of the Improper Payments Information Act of 2002 (IPIA) deliverable schedule, which is updated throughout the fiscal year and in turn is shared with the IPIA workgroup. Also, OCFO stated that its staff aggressively pursued late submissions and they would escalate the issue when needed. Therefore, we are not making a recommendation on the timeliness of reporting. To improve accuracy of reporting, RMA and NRCS should implement second party reviews within their agencies to ensure the information reported on the high-dollar overpayments reports is accurately reported and traced to supporting documentation. FSA, CCC, FS, and Rural Development have begun second party reviews; therefore, we are not making recommendations on the accuracy of reporting to these agencies. To improve the completeness of reporting, OCFO should develop a second party quality review process in conjunction with the agencies to ensure identified overpayments are included in the Department's high-dollar overpayments reports.

Recommendation 1 to RMA

Implement a second party quality review process to ensure RMA's high-dollar overpayments information is accurately reported and traced to supporting documentation.

RMA Response

In its July 29, 2014 response, RMA stated:

> RMA concurs with Recommendation 1 in the draft report. RMA will develop procedures within the next six months to implement a second party quality review to ensure RMA's high dollar overpayments information is accurately reported and traced to supporting documentation.

OIG Position

We are unable to reach management decision for this recommendation. To reach management decision, please provide a detailed description of the procedures that will be performed to conduct the second party quality review to ensure RMA's high-dollar overpayments information is accurately reported and traced to supporting documentation.

Recommendation 2 to NRCS

Implement a second party quality review process to ensure NRCS' high-dollar overpayments information is accurately reported and traced to supporting documentation.

NRCS Response

In its August 11, 2014 response, NRCS stated:

> NRCS concurs with the finding and recommended actions. NRCS will institute a secondary review of the high dollar improper payment report information before submitting the report to the Department. The NRCS developed checklist will include all secondary review steps, and will serve to document the review process. The checklist will include signature blocks for the checklist preparer, and for the checklist review to be completed by the Division Director.

NRCS plans to complete all actions by April 30, 2015.

OIG Position

We accept NRCS' management decision.

Recommendation 3 to OCFO

Develop a second party quality review process in conjunction with the agencies to ensure overpayments identified are included in the Department-level high-dollar overpayments reports.

OCFO Response

In its July 31, 2014 response, OCFO stated:

> OCFO agrees with the recommendation and is implementing the following actions: The primary staff member preparing the High-Dollar Overpayment Report will prepare a change log of all narrative and calculation changes done in preparing the Departmental report. A second party review will be performed that confirms all required agencies submit reports, then compares the report to the agency submissions and confirms that all differences are fully addressed in the change log. Finally, the change log will be provided to agency staff once the report is put into Departmental clearance.

OCFO plans to complete all actions by August 30, 2014.

OIG Position

We accept OCFO's management decision.

Scope & Methodology

Our review was for the limited purpose described in the objectives and would not necessarily identify all deficiencies in internal controls for determining high-dollar overpayments. We performed fieldwork for this review between February 2014 and June 2014. To accomplish our objective, we performed the following procedures.

- Reviewed USDA's fiscal year 2013 quarterly reports on high-dollar overpayments.
- Conducted teleconferences with OCFO officials at Headquarters in Washington, D.C.
- Interviewed and held meetings with officials from the component agencies that were responsible for administering and reporting the high-dollar overpayments from the 16 high-risk programs.
- Selected non-statistical high-dollar overpayments samples for FS, Rural Development, and RMA.[17] Additionally, we selected statistical samples for FSA, CCC, and NRCS.[18] Our samples were selected from the Department's quarterly high-dollar overpayments reports. FNS submitted statements certifying that it did not identify any high-dollar overpayments meeting the criteria outlined in the Quarterly High-Dollar Overpayments Report Guidance.
- Evaluated the supporting documentation provided by the component agencies for the samples selected.

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 objective.

[17] We reviewed all 11 of FS' reported high-dollar overpayments. For Rural Development and RMA, we selected and reviewed the largest amounts of reported high-dollar overpayments.
[18] We selected and reviewed statistical samples for component agencies FSA, CCC, and NRCS. See Exhibit C.

Abbreviations

CCC	Commodity Credit Corporation
DAFP	Deputy Administrator Farm Programs
Executive Order	Executive Order 13520
FSA	Farm Service Agency
FNS	Food and Nutrition Service
FS	Forest Service
IPIA	Improper Payments Information Act of 2002
NRCS	Natural Resources Conservation Service
OBF	Office of Budget and Finance
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
RMA	Risk Management Agency
USDA	United States Department of Agriculture

Exhibit A: USDA's 16 Programs Susceptible to Significant Improper Payments

Exhibit A provides a list of USDA's 16 current high-risk programs or program categories

High-Risk Program	USDA Component Agency
1. Supplemental Nutrition Assistance Program (SNAP) SNAP provides low income families benefits to purchase food from approved retailers.	Food and Nutrition Service (FNS)
2. National School Lunch Program (NSLP) NSLP provides cash subsidies and donated foods from USDA for each meal schools serve.	
3. School Breakfast Program (SBP) SBP is a federally assisted meal program where participating school districts receive cash subsidies for each meal they serve.	
4. Child and Adult Care Food Program (CACFP) Provides nutritious meals to participants in day care facilities, such as child care centers, day care homes, and adult day care centers.	
5. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) WIC provides supplemental foods and other health services to low-income participating women; and children up to the age of 5 years.	
6. Federal Crop Insurance Corporation (FCIC) Program Fund FCIC provides insurance and risk management strategies to American producers.	Risk Management Agency (RMA)
7. Milk Income Loss Contract Program (MILC) MILC compensates dairy producers when domestic milk prices fall below a specified level.	Farm Service Agency (FSA) and Commodity Credit Corporation (CCC)
8. Marketing Assistance Loan Program (MAL) MAL provides an influx of cash when market prices are low, which allows the producer to delay the sale of the commodity until more favorable market conditions emerge.	
9. Direct and Counter-Cyclical Payments (DCP) DCP provides payments based on yields or market prices to eligible producers on farms.	
10. Conservation Reserve Program (CRP) CRP is a voluntary program available to agricultural producers to help them use environmentally sensitive land for conservation benefits.	
11. Noninsured Assistance Program (NAP) NAP provides financial assistance to producers of noninsurable crops when low yields, loss of inventory, or prevented planting occur due to a natural disaster.	
12. Loan Deficiency Payments (LDP) LP is available to eligible participants who do not want to participate in the MAL program.	
13. Miscellaneous Disaster Programs (MDP) MDP provides assistance through various programs to participants when there are disasters.	FSA
14. Rental Assistance Program (RAP) RAP provides an additional source of support for households with incomes too low to pay the basic rent from their own resources.	Rural Development
15. Farm Security and Rural Investment Act Programs (FSRI) FSRI programs provide products and services that enable people to be good stewards of the Nation's soil, water, and related natural resources on non-Federal lands.	Natural Resources Conservation Service (NRCS)
16. Wildland Fire Suppression Management (WFSM) WFSM protects life, property, and natural resources on acres of National Forest System and State and private lands through fee or reciprocal protection agreements.	Forest Service (FS)

Exhibit B: Summary of USDA's Reported Fiscal Year 2013 High Dollar Overpayments

Exhibit B lists the number and sum of high-dollar overpayments reported in fiscal year 2013, by component agency and high-risk program.

USDA Agency	High-Risk Program(s)	Number of Reported High-Dollar Overpayments	Sum of Reported High-Dollar Overpayments
1. Forest Service	Wildland Fire Suppression Management Program	11	$1,263,027
2. FSA and CCC	Conservation Reserve Program	26	$397,411
3. FSA and CCC	Direct and Counter Cyclical Program	163	$4,209,746
4. FSA and CCC	Loan Deficiency Program	2	$365,800
5. FSA and CCC	Marketing Assistance Loan Program	7	$656,392
6. FSA and CCC	Milk Income Loss Contract Program	5	$41,601
7. FSA	Miscellaneous Disaster Programs	78	$2,070,464
8. FSA and CCC	Noninsured Assistance Program	8	$75,062
9. FNS[19]	Five total programs, including: • Child and Adult Care Food Program; • National School Lunch Program; • School Breakfast Program; • Special Supplement Nutrition Program for Women, Infants, and Children; and • Supplemental Nutrition Assistance Program	0	$0
10. NRCS	Farm Security and Rural Investment Programs	80	$19,109,161
11. RMA	Federal Crop Insurance Corporation Program Fund	143	$18,578,442
12. Rural Development	Rental Assistance Program	46	$350,850
TOTAL		**569**	**$47,117,956**

[19] FNS submitted statements certifying that it did not identify any high-dollar overpayments meeting the criteria outlined in the Quarterly High-Dollar Overpayments Report Guidance, and was therefore providing a negative report.

Exhibit C: Statistical Plan
Sampling Methodology for Audit Number 50024-0006-11
Executive Order 13520, Reducing Improper Payments,
Fiscal Year 2013 High-Dollar Overpayments Report Review

Objective

This sample is designed to help support OIG Audit 50024-0006-11. The audit objective is to review information from USDA's fiscal year 2013 quarterly reports on high-dollar overpayments made by programs susceptible to significant improper payments. To be reportable as a high-dollar overpayment, an overpayment is identified as being made for at least 50 percent more than the correct amount, and as exceeding a certain threshold. Statistical samples were needed for the overpayments of three agencies—FSA, CCC, and NRCS—due to the volume of overpayments reported for various reasons.[20]

Audit Universe

Our universe for FSA, CCC, and NRCS were obtained from the OCFO website for Quarterly High-Dollar Reporting, which consisted of 289 FSA and CCC overpayments that totaled $7,816,476 and 80 NRCS overpayments that totaled $19,109,161 for fiscal year 2013 high-dollar overpayments.

Sample Design

Previous years' audit on this subject were not based on probability samples, but rather, on judgmental overpayments selected by our auditors. Because of this, we do not have unbiased information about the expected error rate. Nevertheless, we used previous years' findings as a gauge for our statistical sampling.

A major consideration when selecting our samples is the time and resources of our auditors and available budget. Our samples typically represent the least amount of work necessary to report to our internal standards. That is to say that we would not assume a 50 percent error rate (most conservative assumption that leads to highest sample size) if we have any information at all about what error rate we could expect to find. Additionally, we would select simple random samples if appropriate to meet the objectives of audits whenever possible. This helps us keep the number of sampled units down.

We selected a simple random sample of 60 high-dollar overpayments for our FSA and CCC review and 35 high-dollar overpayments for our NRCS review.

Our sample sizes are based on the following factors:

[20] RMA was not selected for statistical sampling because RMA reported similar reasons for overpayments, as well as, the same corrective and preventative actions for all 143 reported high-dollar overpayments.

Exhibit C (continued): Statistical Plan
Sampling Methodology for Audit Number 50024-0006-11
Executive Order 13520, Reducing Improper Payments,
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FSA and CCC sample

- Audit Universe—consisted of 289 high-dollar overpayments.
- Expected Error Rate—because we do not have unbiased information about an expected error rate, we assumed a rate between 20 to 30 percent.
- Precision—we wanted to be able to report our estimate with a +/-10 percent precision in an attribute testing scenario.
- Confidence Level—we are using a 95 percent confidence level for the reporting our estimates.

NRCS sample

- Audit Universe—consisted of 80 high-dollar overpayments.
- Expected Error Rate—because we do not have unbiased information about an expected error rate, we assumed a rate about 20 percent.
- Precision—we wanted to be able to report our estimate with a +/-10 percent precision in an attribute testing scenario.
- Confidence Level—we are using a 95 percent confidence level for the reporting our estimates.

Results

To support the audit objectives, we reviewed the quarterly reports and the supporting documentation provided for the samples selected. We noted 1 exception within the 35 samples selected for NRCS and 6 exceptions within the 60 samples selected for FSA and CCC. However, the samples obtained for these three agencies were selected statistically due to limited time constraints on the review that was to be performed by the auditors assigned and therefore we did not run statistical projections as they are not required for the report.

USDA'S
RISK MANAGEMENT AGENCY,
NATURAL RESOURCES CONSERVATION SERVICE, and
OFFICE OF THE CHIEF FINANCIAL OFFICER
RESPONSES TO AUDIT REPORT

United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

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

July 29, 2014

FROM: Kent Lanclos /s/ for Jared K. Burnett
Acting Audit Liaison Official

SUBJECT: Office of Inspector General Audit 50024-0006-11, Official Draft Report, Executive Order 13520, Reducing Improper Payments, Fiscal Year 2013 High Dollar Overpayments Report Review

Outlined below is the Risk Management Agency's (RMA) response to the subject report.

RECOMMENDATION NO. 1:

Implement second party quality review process to ensure RMA's High-Dollar overpayments information is accurately reported and traced to supporting documentation.

RMA Response:

RMA concurs with Recommendation 1 in the draft report. RMA will develop procedures within the next six months to implement a second party quality review to ensure RMA's high dollar overpayments information is accurately reported and traced to supporting documentation.

Should you have any questions or would like additional information concerning this matter, please contact Nicole Smith Lees at (202) 260-8085.

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

The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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United States Department of Agriculture

August 11, 2014

SUBJECT: SPA - Fiscal Year 2013 Executive Order 13520, Eliminating Improper Payments, High Dollar Overpayments Review, Audit # 50024-0006-11

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

The Natural Resources Conservation Service's (NRCS) response to Audit Report # 50024-0006-11, Fiscal Year 2013 Executive Order 13520, Eliminating Improper Payments, High Dollar Overpayments Review follows. The response addresses planned actions for audit recommendation 2 directed to NRCS.

Finding 1

USDA Needs to Take Further Actions to Improve the Accuracy, Completeness, and Timeliness of High–Dollar Overpayments.

Recommendation 2

Implement a second party quality review process to ensure NRCS' high dollar overpayments information is accurately reported and traced to supporting documentation.

Agency Response

NRCS concurs with the finding and recommended actions.

NRCS will institute a secondary review of the high dollar improper payment report information before submitting the report to the Department. NRCS developed a checklist that will include all secondary review steps, and will serve to document the review process. The checklist will include signature blocks for the checklist preparer, and for the checklist review to be completed by the Division Director.

Estimated completion date: April 30, 2015

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

/s/

Jason A. Weller
Chief

cc:
Thomas W. Christensen, Associate Chief for Operations, NRCS, Washington, D.C.
Stephen Kunze, Chief Financial Officer, NRCS, Washington, D.C.
Ravenna Bohan, Deputy Chief Financial Officer, NRCS, Washington, D.C.
Paula Bohnwagner, Director, Quality Assurance Division, NRCS, Washington, D.C.
Leon Brooks, Director, Compliance Division, NRCS, Washington, D.C.

United States Department of Agriculture

Office of the Chief Financial Officer

1400 Independence Avenue, SW

Washington, D.C. 20250

July 31, 2014

TO: Tracy A. LaPoint
Deputy Assistant Inspector General

FROM: Jon M. Holladay -s- Jon M. Holladay
Deputy Chief Financial Officer

SUBJECT: Management Response to *Executive Order 13520, Reducing Improper Payments, Fiscal Year 2013 High-Dollar Overpayment Report Review*, Audit No. 50024-0006-11

This responds to your request for management's response to Recommendation No. 3 for Audit Report No. 50024-0006-11.

If you have any questions or need additional information, please contact our office at (202) 720-5539 or have a member of your staff contact Kathy Donaldson at (202) 720-1893.

Attachment

Recommendation 3

Develop a second party quality review process in conjunction with the agencies to ensure overpayments identified are included in the Department-level high-dollar overpayments reports.

Management Response: OCFO agrees with the recommendation and is implementing the following actions: The primary staff member preparing the High-Dollar Overpayment Report will prepare a change log of all narrative and calculation changes done in preparing the Departmental report. A second party review will be performed that confirms all required agencies submit reports, then compares the report to the agency submissions and confirms that all differences are fully addressed in the change log. Finally, the change log will be provided to agency staff once the report is put into Departmental clearance.

Date Corrective Action will be Completed: August 30, 2014

Responsible Organization: FPD, OCFO

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