



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL





Executive Order 13520, Reducing Improper Payments, Fiscal Year 2014 High-Dollar Overpayments Report Review

Audit Report 50024-0007-11

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 2014 quarterly reports on high-dollar overpayments, selected random samples of high-dollar overpayments for six out of seven component agencies with high-risk programs, interviewed OCFO officials and officials from component agencies, and evaluated relevant documentation for selected samples.

What OIG Recommends

We do not make any recommendations, but we do stress the need for continued vigilance for accurate, complete, and timely reporting of high-dollar overpayment reports.

OIG reviewed USDA's FY 2014 high-dollar overpayments reports and found the Department has improved their accuracy and timeliness.

What OIG Found

The Office of Inspector General (OIG) analysis of the Department of Agriculture's (USDA) high-dollar overpayments reports found overall that advances in the quality of required reporting submissions occurred for fiscal year 2014. Specifically, the number of component agencies with previous reporting errors decreased by three this year. Furthermore, three agencies submitted their reports to the Office of the Chief Financial Officer (OCFO) on time this year, as opposed to one the year before. Last, the days past due for reports from other agencies improved greatly.

Though advances were made, OIG still found instances where agencies submitted inaccurate or untimely report information. For example, the Farm Service Agency (FSA) and the Commodity Credit Corporation (CCC) provided incomplete data and inaccurate numbers for overpayment and proper payments. Similarly, an inaccurate number for a proper payment was found in one Risk Management Agency (RMA) report. The FSA/CCC also submitted inaccurate information about recovery and preventative actions.

We considered these errors and deficiencies to be minor. We also found agency actions or planned actions appropriate to remedy these inconsistencies.



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



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AUDIT
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SUBJECT: Executive Order 13520, Reducing Improper Payments, Fiscal Year 2014
High-Dollar Overpayments Report Review

This report presents the results of the subject audit and does not contain recommendations.

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

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Background and Objectives

Background

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 After reviewing each report, 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.

The Office of Management and Budget’s (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.^{3,4}

For fiscal year 2014, the Department of Agriculture (USDA) had 20 high-risk programs subject to the Executive Order’s high-dollar overpayments reporting requirements. As listed in Exhibit A, these 20 programs are administered by 7 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.⁵ USDA reported 1,301 high-dollar overpayments totaling over \$69.2 million in fiscal year 2014. This represents an increase of more than

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 the Office of Management and Budget (OMB) Memorandum M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123* (April 14, 2011).

³ OMB Memorandum M-10-13, *Issuance of Part III to OMB Circular A-123, Appendix C* (March 22, 2010).

⁴ After fiscal year 2014 ended, OMB issued Memorandum M-15-02 on Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 20, 2014). This guidance modified OMB Circular A-123, Appendix C, Parts I and II (which were issued in April 2011, as OMB Memorandum M-11-16) and Part III (which was issued in March 2010, as OMB Memorandum M-10-13) and increased the reporting thresholds from \$5,000 to \$25,000 for individuals and from \$25,000 to \$100,000 for entities.

⁵ 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 2 of the 7 component agencies throughout the report.

125 percent over the 569 overpayments reported for fiscal year 2013. Exhibit B lists the number and sum of high-dollar overpayments reported for fiscal years 2013 and 2014, by component agency and high-risk program.

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 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 Advanced the Quality of Its High-Dollar Overpayments Reports

In this fifth year of reporting, USDA improved the accuracy and timeliness of its high-dollar overpayments reports. Specifically, the number of component agencies with reporting errors decreased from six the previous year to three this year. Furthermore, three agencies submitted their reports to OCFO on time compared to only one last year. For the remaining agencies, days past due improved from as much as 116 days late the previous year to 13 days late this year.

However, we identified instances where component agencies submitted inaccurate information about amounts and recovery actions, as well as instances of insufficient information about preventative actions. Further, the Department continued to submit its signed quarterly reports to OIG after the date required. Although advances in reporting quality occurred for fiscal year 2014, continued vigilance is required to prevent and eliminate reporting errors, deficiencies, and delays.

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;⁶ and
- be submitted to OIG within 30 days after the end of each fiscal quarter.⁷

In addition, OCFO internal guidance issued to further assist USDA component agencies with implementing OMB guidance requires a certification from each component agency's chief financial officer as to the accuracy of the reports.⁸

⁶ OMB Memorandum M-10-13, *Issuance of Part III to OMB Circular A-123, Appendix C* (March 22, 2010).

⁷ Council of the Inspectors General on Integrity and Efficiency, *Activities related to Executive Order 13520 on Reducing Improper Payments* (June 17, 2010). This memorandum provided summaries of communications of interest to the Inspector General community with regard to the Council's working with OMB on the implementation of the Executive Order.

⁸ OCFO Quarterly High-Dollar Overpayments Report Guidance Version 2.1 (June 2013).

FSA/CCC and RMA Submitted Inaccurate Information about High-Dollar Overpayments

We identified six instances where component agencies FSA/CCC and RMA submitted inaccurate or incomplete information about overpayments reported. Of the 41 sampled overpayments made by FSA/CCC, we found 1 instance where FSA/CCC reported an inaccurate amount for the overpayment data field⁹ and 2 other instances of inaccurate amounts for the proper payment field.¹⁰ FSA personnel explained that these inaccuracies occurred because: (1) the workbook it used had an incorrect formula (FSA noted that all the workbooks were upgraded in the fourth quarter of fiscal year 2014); (2) the county office omitted the proper payment amount from its listing (FSA plans to address this during an upcoming conference call with staff); and (3) an inadvertent error occurred. Also, in 2 instances out of the 916 overpayments reported during fiscal year 2014, FSA/CCC submitted incomplete data for the proper payment amount data field, thereby making it difficult to determine whether the overpayments exceeded both the 50 percent and dollar thresholds to qualify as reportable. FSA personnel explained these as inadvertent omissions and stated that the overpayments in fact qualified as reportable. To mitigate incomplete data fields from occurring, FSA personnel indicated the workbook has now been automated to calculate proper payment amounts. Of the 20 sampled overpayments made by RMA, we found 1 instance where RMA understated the proper payment amount data field by \$1,000. RMA personnel explained this as a typographical error; as a preventative measure, RMA now copies and pastes all data.

FSA/CCC Submitted Inaccurate Information about Recovery Actions

Of the 41 sampled overpayments made by FSA/CCC, we found 7 instances where FSA/CCC submitted inaccurate information about recovery actions.¹¹ For five of these, the overpayment was actually recovered, rather than open as the published reports indicated. For another, the overpayment was not actually recovered as the report indicated because the producer was found eligible, rather than ineligible, for program payments. For the remaining inaccuracy, the overpayment was not yet recovered at the time of reporting, even though the published report stated it was recovered. FSA personnel attributed these errors to the timeframes for which data were collected for the quarterly reports and noted the workbook now includes a reminder to confirm recovery actions before data entry.

FSA/CCC Submitted Insufficient Information about Preventative Actions

Of the 916 overpayments reported by FSA/CCC during fiscal year 2014, we found 689 instances where FSA/CCC submitted insufficient information about preventative actions. OCFO internal guidance to component agencies on preparing the high-dollar overpayments reports requires descriptions of preventative actions taken or planned which clearly show a connection between the reason for the overpayment as described on

⁹ On the published reports, the data field is entitled "Overpayment Dollar Amount."

¹⁰ On the published reports, the data field is entitled "Proper Dollar Amount That Should Have Been Paid."

¹¹ On the published reports, the data field is entitled "Actions Taken or Planned to Recover the Overpayment."

the reports and any actions taken. Exhibit C depicts the instances where preventative actions reported by FSA/CCC did not indicate prevention or an association with the overpayment reason reported. FSA personnel explained these reporting deficiencies as inadvertent and as a known matter. Accordingly, for fiscal year 2015, personnel responsible for preparing the quarterly reports developed and now use template language for reporting consistency among the programs. These actions should ensure the actions described indicate prevention and an association with the reason for the overpayment.

Timeliness of Report Submissions to OIG

As reported since 2010, USDA submitted its signed quarterly reports to the OIG after the date required. The Department is required to submit its quarterly reports to OIG within 30 days after the end of each fiscal quarter; however, we received the reports anywhere from 28 to 98 days after the due dates. Specifically, we received USDA's high-dollar overpayments reports 48 days late for the first quarter, 98 days late for the second quarter, 28 days late for the third quarter, and 97 days late for the fourth quarter. OCFO explained that the Department's signature approval and clearance process for quarterly high-dollar reports continues to cause untimely reporting. To help address this delay, OCFO made preliminary reports available to OIG auditors.

Overall, we considered the instances of reporting errors and deficiencies to be inadvertent. We also found agency actions or planned actions in response to our findings appropriate for preventing or reducing reoccurrences. Further, for fiscal year 2015 and beyond, the Department will likely experience a decrease in the number of reportable high-dollar overpayments and an associated decrease in the risk of reporting errors, since OMB guidance for implementing the Executive Order increased the reporting thresholds for individuals and entities. Therefore, we are not making any recommendations. However, we stress that continued vigilance is required for accurate, complete, and timely reporting so that the Department and OMB can appropriately measure the effectiveness of USDA component agencies' actions or strategies to reduce or eliminate the errors causing high-dollar overpayments. As to the timeliness of reports, we continue to emphasize 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.

Scope and 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 December 2014 and July 2015. To accomplish our objective, we performed the following procedures.

- Reviewed USDA’s fiscal year 2014 quarterly reports on high-dollar overpayments.
- Conducted meetings 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 in the 20 high-risk programs.
- Selected simple random samples of high-dollar overpayments for six – FSA, CCC, FS, NRCS, RMA, and Rural Development – out of seven component agencies with high-risk programs subject to the Executive Order’s reporting requirements.^{12, 13}
- 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.

¹² FNS, the seventh agency, did not report any high-dollar overpayments for fiscal year 2014, and for each fiscal quarter submitted a statement certifying that it did not identify any high-dollar overpayments meeting the criteria outlined in OCFO’s Quarterly High-Dollar Overpayments Report Guidance Version 2.1 (June 2013); it was therefore providing a negative report.

¹³ Exhibit D describes the sampling methodology designed to help support our audit objective to review information from USDA’s fiscal year 2014 quarterly reports on high-dollar overpayments made by high-risk programs susceptible to significant improper payments.

Abbreviations

CCC	Commodity Credit Corporation
Executive Order	Executive Order 13520
FSA	Farm Service Agency
FNS	Food and Nutrition Service
FS	Forest Service
NRCS	Natural Resources Conservation Service
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 20 High-Risk Programs Subject to the Executive Order’s High-Dollar Overpayments Reporting Requirements

Exhibit A provides a list of USDA’s 20 current high-risk programs or program categories.

High-Risk Program	USDA Component Agency
1. Supplemental Nutrition Assistance Program (SNAP) SNAP provides low income households benefits to purchase food from approved retailers.	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.	
3. School Breakfast Program (SBP) SBP assists States in providing a nutritious nonprofit break fast service for school children, through cash grants and food donations.	
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.	
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.	
6. Hurricane Sandy – The Emergency Food Assistance Program This program helps supplement the diets of low-income persons impacted by Hurricane Sandy by making donated foods available to the State agencies that are responsible for the distribution of such foods within the States.	
7. Federal Crop Insurance Corporation Program Fund (FCIC) FCIC provides insurance and risk management tools to agricultural producers and rural communities.	Risk Management Agency
8. Milk Income Loss Contract Program (MILC) MILC compensates dairy producers when domestic milk prices fall below a specified level.	Farm Service Agency and Commodity Credit Corporation
9. 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.	
10. Direct and Counter – Cyclical Payments Program (DCP) DCP provides income support to eligible producers of covered commodities.	
11. Miscellaneous Disaster Programs (MDP) MDP includes the Livestock Forage Disaster Program (LFP) and Supplemental Revenue Assistance Payments Program (SURE). LFP provides compensation to eligible livestock producers that have suffered grazing losses and SURE provides financial assistance for farm revenue losses due to natural disaster.	
12. 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.	
13. 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.	
14. 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.	Rural Development
15. 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.	
16. Farm Security and Rural Investment Act Programs (FSRIP) 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.	Natural Resources Conservation Service

Exhibit A: USDA’s 20 High-Risk Programs Subject to the Executive Order’s High-Dollar Overpayments Reporting Requirements

High-Risk Program	USDA Component Agency
<p>17. 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.</p>	Natural Resources Conservation Service
<p>18. Wildland Fire Suppression Management (WFSU) WFSU protects life, property, and natural resources on acres of National Forest System and State and private lands through fee or reciprocal protection agreements.</p>	Forest Service
<p>19. 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.</p>	
<p>20. Hurricane Sandy – Capital Improvement and Maintenance (CMDI) CMDI funds provide construction and maintenance funding to address emergency infrastructure needs to restore roads, trails, and facilities damaged by natural disaster.</p>	

Exhibit B: Summary of USDA's High-Dollar Overpayments Reported for Fiscal Years 2013 and 2014

Exhibit B lists the number and sum of high-dollar overpayments reported for fiscal years 2013 and 2014, by component agency and high-risk program.

USDA Agency	High-Risk Program	Number Reported FY 2013	Sum Reported FY 2013	Number Reported FY 2014	Sum Reported FY 2014
Forest Service	Wildland Fire Suppression Management	11	\$1,263,027	5	\$267,000
FSA/CCC	Conservation Reserve Program	26	\$397,411	57	\$1,103,365
	Direct and Counter-Cyclical Payments Program	163	\$4,209,746	604	\$14,641,646
	Loan Deficiency Payments Program	2	\$365,800	1	\$10,181
	Marketing Assistance Loans Program	7	\$656,392	2	\$29,254
	Milk Income Loss Contract Program	5	\$41,601	37	\$758,006
FSA	Miscellaneous Disaster Programs, including:				
	• Miscellaneous Disaster Program	78	\$2,070,464	112	\$3,004,833
	• Livestock Forage Disaster Program	0	\$0	28	\$594,078
	• Livestock Indemnity Program	0	\$0	5	\$261,316
FSA/CCC	• Supplemental Revenue Assistance Payments Program	0	\$0	27	\$999,185
	Noninsured Assistance Program	8	\$75,062	43	\$1,340,571
FNS ¹⁴	Six programs, including:				
	• Child and Adult Care Food Program;	0	\$0	0	\$0
	• Hurricane Sandy – The Emergency Food Assistance Program				
	• National School Lunch Program;				
	• School Breakfast Program;				
	• Special Supplemental Nutrition Program for Women, Infants, and Children; and				
• Supplemental Nutrition Assistance Program					
NRCS	Farm Security and Rural Investment Act Programs	80	\$19,109,161	183	\$19,133,999
RMA	Federal Crop Insurance Corporation Program Fund	143	\$18,578,442	115	\$26,312,758
Rural Development	Rental Assistance Program	46	\$350,850	82	\$831,613
TOTAL		569	\$47,117,956	1301	\$69,287,805

¹⁴ FNS did not report any high-dollar overpayments for fiscal year 2014, and for each fiscal quarter submitted a statement certifying that it did not identify any high-dollar overpayments meeting the criteria outlined in OCFO's Quarterly High-Dollar Overpayments Report Guidance Version 2.1 (June 2013); it was therefore providing a negative report.

Exhibit C: Preventative Actions Reported by FSA/CCC

Exhibit C depicts the instances where preventative actions reported by FSA/CCC did not indicate prevention or an association with the overpayment reason reported.

Program *	Reason For Overpayment (Summarized)	Overall Preventative Actions and Strategies	Number of Reported High-Dollar Overpayments Effected
CRP	Ineligible	County Office will continue monitoring until receivable is paid in full.	1
CRP	Noncompliant/ Ineligible due to Adjusted Gross Income	Adjusted Gross Income provisions have been simplified and modified with the 2014 Farm Bill. Producers whose average Adjusted Gross Income exceeds \$900,000 are not eligible to participate in most programs administered by FSA and NRCS. Previous Adjusted Gross Income provisions distinguished between on-farm and nonfarm Adjusted Gross Income.	30
DCP	Ineligible	County Office properly completed all actions. No additional actions required.	4
DCP	Noncompliant/ Ineligible due to Adjusted Gross Income	Adjusted Gross Income provisions have been simplified and modified with the 2014 Farm Bill. Producers whose average Adjusted Gross Income exceeds \$900,000 are not eligible to participate in most programs administered by FSA and NRCS. Previous Adjusted Gross Income decisions distinguished between on-farm and nonfarm Adjusted Gross Income.	458
MAL	Ineligible	Producer no longer farming.	1
MILC	Noncompliant/ Ineligible due to Adjusted Gross Income	Adjusted Gross Income provisions have been simplified and modified with the 2014 Farm Bill. Producers whose average Adjusted Gross Income exceeds \$900,000 are not eligible to participate in most programs administered by FSA and NRCS. Previous Adjusted Gross Income provisions distinguished between on-farm and nonfarm Adjusted Gross Income.	16
MILC	Noncompliant/ Ineligible due to Adjusted Gross Income	The overpayment resulted from the producer's failure to provide a timely filed CCC 927/931. However, it appears the producer may have not received all mailing notifications of the need to file the CCC 927/931, which resulted in the Adjusted Gross Income compliance issue.	5
MILC	Noncompliant/ Ineligible due to Adjusted Gross Income	Producer failed to comply with CCC-931 request, they are no longer receiving any program payments.	3
NAP	Fraud committed by Producer	The producer is deceased.	1
NAP	Noncompliant/ Ineligible due to Adjusted Gross Income	Adjusted Gross Income provisions have been simplified and modified with the 2014 Farm Bill. Producers whose average Adjusted Gross Income exceeds \$900,000 are not eligible to participate in most programs administered by FSA and NRCS. Previous Adjusted Gross Income provisions distinguished between on-farm and nonfarm Adjusted Gross Income.	34

Exhibit C: Preventative Actions Reported by FSA/CCC

Program *	Reason For Overpayment (Summarized)	Overall Preventative Actions and Strategies	Number of Reported High-Dollar Overpayments Effected
MDP	Noncompliant/ Ineligible due to Adjusted Gross Income	Adjusted Gross Income provisions have been simplified and modified with the 2014 Farm Bill. Producers whose average Adjusted Gross Income exceeds \$900,000 are not eligible to participate in most programs administered by FSA and NRCS. Previous Adjusted Gross Income provisions distinguished between on-farm and nonfarm Adjusted Gross Income.	136
TOTAL			689
Program * CRP DCP MAL MILC NAP MDP	<ul style="list-style-type: none"> - Conservation Reserve Program - Direct and Counter Cyclical Program - Marketing Assistance Loan Program - Milk Income Loss Contract Program - Noninsured Assistance Program - Miscellaneous Disaster Programs 		

Exhibit D: Sampling Methodology for Executive Order 13520, Reducing Improper Payments, Fiscal Year 2014 High-Dollar Overpayments Report Review

Objective

This sampling methodology was designed to help support our audit objective to review information from USDA's fiscal year 2014 quarterly reports on high-dollar overpayments made by high-risk programs susceptible to significant improper payments. OMB's implementing guidance for Executive Order 13520 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.

We randomly selected reported overpayments for review to verify the information on the quarterly reports was accurately and properly reported for the selected overpayments. The samples covered overpayments reported by six agencies – FSA, CCC, FS, NRCS, RMA, and Rural Development.¹⁵

Audit Universe and Sample Design

Our sampling universe was obtained from the OCFO website for Quarterly High-Dollar Reporting, which consisted of 1,301 overpayments totaling \$69.2 million. From this universe, we selected 106 overpayments totaling \$10.6 million for review. Overpayments were grouped into strata based on USDA agency. Simple random samples of overpayments within each stratum were then selected for review. No statistical projections were planned to be made from our samples. Therefore the sample sizes were based on our judgment regarding evidence to

¹⁵ FNS did not report any high-dollar overpayments for fiscal year 2014, and for each fiscal quarter submitted a statement certifying that it did not identify any high-dollar overpayments meeting the criteria outlined in OCFO's Quarterly High-Dollar Overpayments Report Guidance Version 2.1 (June 2013); it was therefore providing a negative report.

Exhibit D: Sampling Methodology for Executive Order 13520, Reducing Improper Payments, Fiscal Year 2014 High-Dollar Overpayments Report Review

support our objective, and not on statistical calculations. The random selection of overpayments within each stratum was done to ensure our review was fair and objective. The following table lists universe strata counts and sample sizes per stratum.¹⁶

USDA Agency	Number of Reported High-Dollar Overpayments	Sum of Reported High-Dollar Overpayments	Number of Overpayments Sampled	Sum of Overpayments Sampled
FSA/CCC	916	\$22,742,435	41	\$984,077
FNS	0	\$0	0	\$0
FS	5	\$267,000	5	\$267,000
NRCS	183	\$19,133,999	20	\$859,657
RMA	115	\$26,312,758	20	\$8,305,813
Rural Development	82	\$831,613	20	\$203,661
TOTAL	1301	\$69,287,805	106	\$10,620,208

Results

To support the audit objectives, we reviewed the quarterly reports and the supporting documentation provided for the samples selected. We noted no exceptions for the FS, NRCS, and Rural Development samples. Within the 41 samples selected for FSA/CCC, we noted 1 exception for the accuracy of the overpayment amounts reported, 2 exceptions for the accuracy of the proper payment amounts reported, and 7 exceptions for the accuracy of the recovery actions reported. Within the 20 samples for RMA, we noted 1 exception for the accuracy of the proper payment amounts reported. We discussed these exceptions under the finding section of this report.

¹⁶ A major consideration when selecting our samples is the availability of auditor time and budgetary resources. Our samples typically are structured to require the least amount of work necessary to report to our internal standards. That is to say, 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. In this case, we are not using the samples for statistical projections to the audit universe. Therefore, the sample sizes per agency could be smaller than a representative statistical sample. The purpose of our sampling was to remain objective in our selection and report actual findings only.

To learn more about OIG, visit our website at www.usda.gov/oig/index.htm

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