

## Appendix B—Improper Payment and Recovery Auditing Details

Since 2000, agencies have reported efforts to reduce erroneous payments through the Office of Management and Budget's (OMB) Circular A-11. Under the Improper Payments Information Act (IPIA), executive agencies must identify any of its programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments and submit those estimates to Congress. Section 831 of the Defense Authorization Act requires recovery auditing. In this process, agencies entering into contracts worth more than \$500 million in a fiscal year must execute a cost effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. In FY 2005, Eliminating Improper Payments became a President's Management Agenda (PMA) initiative. On August 10, 2006, Government-wide guidance was consolidated into OMB Circular A-123, Management's Responsibility for Internal Control, Appendix C. Under this guidance, USDA has 5 programs required to report under Section 57 of A-11 and has identified an additional 11 at risk of significant improper payments through the risk assessment process.

For the fourth quarter of FY 2008, USDA achieved "green" for both progress and status on the Eliminating Improper Payments PMA initiative. Accomplishments this year include:

- Completed risk assessments for all programs;
- Developed plans to measure improper payments for all high risk programs, and received OMB approval;
- Developed corrective action plans to reduce improper payments and established both reduction and recovery targets (where appropriate) for the high risk programs; and
- Fully complied with reporting standards.

USDA's improper payment rate of 6.13 percent for FY 2008, was similar to the 6.11 percent rate reported for FY 2007. The estimated improper payments amount of \$4.1 billion for FY 2008 is a reduction from the \$4.4 billion estimated for FY 2007. The 2008 results demonstrate that improper payments are being reduced and consistent progress is being made:

- Seven USDA high risk programs, accounting for 58 percent of USDA's total reportable outlays, reported error rates below their reduction targets in FY 2008. This meets the new Green score criteria of achieving reduction targets for 50 percent or more of the agency's total reportable outlays.;
- NRCS' Farm Security and Rural Investment Program error rate of 0.00 percent was below its reduction target of 0.40 percent;
- FS' Wildland Fire Suppression Management Program error rate of 0.02 percent was below its reduction target of 0.90 percent;
- FNS' Food Stamp Program (FSP) error rate of 5.64 percent was below its reduction target of 5.80 percent. The FSP error rate is a historic low for the program and is the 4th year in a row that the FSP error rate has been below 6 percent, long considered the standard for recognition in the program;
- FNS' Child and Adult Care Food Program error rate of 1.56 percent was below its reduction target of 1.64 percent;
- FSA's Marketing Assistance Loan Program error rate of 1.76 percent was below its reduction target of 7.00 percent;
- FSA's Milk Income Loss Contract Program error rate of 0.21 percent was below its reduction target of 2.00 percent; and
- FSA's Miscellaneous Disaster Programs error rate of 3.13 percent was below its reduction target of 5.00%.

In 2008, OIG removed improper payments from the list of Departmental management challenges based on the strategies implemented and progress made by the Department and the agencies with high risk programs. OIG noted that agencies have taken steps to accurately estimate the rate of improper payments and made significant improvements in internal controls and payment processes. Also noted was FSA's decrease in improper payments from \$2.9 billion in FY 2006 to \$563 million in FY 2007 (a decline from 11.2 percent to 2.5 percent).

USDA has established improper payment recovery targets, where appropriate, and actively collects recoveries. USDA's total improper payment recoveries of \$138.3 million reported for FY 2008 exceeded the Departmental recovery target of \$68.3 million. USDA continues the contract payments recovery auditing program covering eight agencies. Since 2005, USDA agencies have recovered \$1.1 million in contact payments identified for recovery.

USDA's goal is to continue to achieve Green for both status and progress in FY 2009. An additional goal for 2009 is to achieve results which will allow 1 or more of USDA's 16 programs to be removed from the high risk list. These goals are based USDA's previous accomplishments, planned corrective actions in progress, and established improper payment reduction and recovery targets.

OMB provided a reporting template for IPPIA in OMB Circular A-136. The template requires responses to specific issues. USDA's response to these issues follows.

**I. Describe your agency's risk assessments, performed subsequent to compiling your full program inventory.  
List the risk-susceptible programs identified through your risk assessments.**

OCFO issued detailed guidance for the risk assessment process including templates and extensive reviews of drafts. Programs with larger outlays were required to perform more detailed assessments than smaller programs. For USDA's largest programs, the risk assessment process required the following:

- The amount of improper payments needed to meet the reporting standards;
- A description of the program including purpose and basic eligibility requirements;
- Definition of improper payments specific to the program;
- Program vulnerabilities linked to improper payments;
- Internal controls designed to offset the program vulnerabilities;
- Internal controls testing for selected programs;
- Listing of significant reviews and audits;
- Final determination of risk level;
- Planned future enhancements (optional); and
- Description of how improper payments are recovered (optional).

USDA has identified the following 16 programs as susceptible to improper payments.

Selection Methodology	Agency	Program
Section 57 of OMB Circular A-11	Farm Service Agency (FSA), Commodity Credit Corporation (CCC)	Marketing Assistance Loan Program (MAL)
	Food Nutrition Service (FNS)	Food Stamp Program
		National School Lunch Program (NSLP)
		School Breakfast Programs (SBP)
		Special Supplemental Nutrition Program for Woman, Infants and Children (WIC)
USDA Identified as Susceptible to Significant Improper Payments	Farm Service Agency (FSA), Commodity Credit Corporation (CCC)	Milk Income Loss Contract (MILC) Program
		Loan Deficiency Payments (LDP)
		Direct and Counter-Cyclical Payments (LCP)
		Conservation Reserve Program (CRP)
		Miscellaneous Disaster Programs (MDP)
		Noninsured Assistance Program (NAP)



Selection Methodology	Agency	Program
	Food Nutrition Service (FNS)	Child and Adult Care Food Program (CACFP)
	Forest Service (FS)	Wildland Fire Suppression Management (WFSM)
	Rural Development (RD)	Rental Assistance Program (RAP)
	Risk Management Agency (RMA)	Federal Crop Insurance Corporation (FCIC) Program Fund
	Natural Resources Conservation Service (NRCS)	Farm Security and Rural Investment Program (FSRIP)

**II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.**

Agency	Program	Sampling Process
FSA/CCC	Marketing Assistance Loan Program (MAL)	<p>A statistical sample of high risk programs is conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS). Testing is conducted using statistically sound samples drawn from the total population of program payments being tested. A professional statistician, under contract to FSA, is used to design the sampling approach, define the sample size and identify the sample items. Sample size is chosen to achieve a 95 percent confidence level.</p> <p>Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. County offices (COFs) making payments for the target program are selected in the first stage and individual payments made or contracts reviewed by COFs are selected in the second stage. That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the COFs shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that is drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify potential improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the contractor statistician. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the COFs and completed the actual review of documents</p>
FNS	Food Stamp Program (FSP)	<p><b>Statistical sampling</b></p> <p>Each month, States select a statistically random sample of cases from a universe of all households receiving FSP benefits for that given month. Most States draw the samples using a constant sampling interval. There are some which employ simple random and/or stratified sampling techniques. Required annual sample sizes range from 300 for State agencies with small FSP populations to more than 1,000 for larger States. The average is approximately 950 per State. States are required to complete at least 98 percent of selected cases deemed to be part of the desired FSP universe. Federal sub-samples are selected systematically by FNS from each State's completed reviews. These sample sizes range from 150 to 400 per State.</p> <p><b>Error Rate Calculation</b></p> <p>The National payment error rate is calculated using a multi-step process:</p> <ul style="list-style-type: none"> <li>• Each State agency conducts quality control (QC) reviews of the monthly sample of cases. The QC review measures the accuracy of eligibility and benefit determinations for each sampled case against FSP standards. State agencies are required to report to FNS the findings for each case selected for review.</li> <li>• FNS then sub-samples completed State QC reviews and re-reviews selected individual case findings for accuracy. Based on this sub-sample, FNS determines each State agency's official error rate using a regression formula.</li> <li>• The national payment error rate then is computed by averaging the error rate of the active cases for each State weighted by the amount of issuance in the State.</li> </ul>

Agency	Program	Sampling Process
FNS	National School Lunch Program (NSLP)	<p>USDA makes use of periodic studies to assess the level of error in program payments because detailed information on the circumstances of the National School Lunch Program (NSLP) and School Breakfast Program (SBP) participating households are not collected administratively. The current study – NSLP/SBP Access, Participation, Eligibility and Certification (APEC) Study – makes use of a national probability sample of school food authorities (SFAs), schools, certified students and their households, and households that applied and were denied for program benefits in School Year 2005-06.</p> <p>A stratified random sample of 78 unique public SFAs was selected in the first stage of sampling. Stratification variables included geographic region, prevalence of schools having a School Breakfast Program and those using Provision 2/3, and a poverty indicator. For SFAs that do not have Provision 2/3 schools, three schools, on average, were selected for inclusion in the studying the second stage of sampling. Schools were stratified into two groups: (1) elementary schools and (2) middle and high schools. The school sample included both public and private schools. A total of 264 schools participated in the study (216 non-Provision 2/3 schools, 24 Provision 2/3 schools in their base year, and 24 Provision 2/3 schools not in their base year). For the third stage of sampling, samples of households were selected in 240 of these schools to yield completed interviews for about 3,000 students certified for free and reduced-price meals and 400 denied applicant households.</p> <p>The sample of approved and denied applicant households was augmented by sampling of applications from Provision 2/3 schools in which household surveys were not conducted. Application reviews of about 6,800 students approved for free and reduced-price meals and over 1,000 denied applicants were conducted to estimate the case error rate due to administrative error.</p> <p>Data on counting and claiming errors were collected in all schools selected for application reviews. On randomly selected school days, field staff observed approximately 100 lunch transactions at each of the 245 schools participating in the NSLP as well as 50 breakfast transactions at each of the 218 schools participating in the School Breakfast Program. Cashier error was estimated using information from these meal transactions. Data on school-recorded daily meal totals across all points of sale, aggregated meal counts reported to the district, and total meals submitted to the State Agency for reimbursement were examined to determine claiming errors.</p> <p>To update the erroneous payment rate estimates in NSLP without having to conduct another full round of primary data collection, a series of econometric models were developed that captured the relationship between characteristics of the districts that participated in the APEC study and their estimated rates of certification error. Estimated coefficients from these models were used in conjunction with updated values of district characteristics obtained from the School Food Authorities Verification Summary Reports (Form FNS-742) to predict certification error. Certification error rates were then translated into amounts and rates of erroneous payments in each district. Aggregating the district level estimates produced a national measure of predicted erroneous payments.</p>
FNS	School Breakfast Program (SBP)	The statistical sampling process for this program is similar to the FNS National School Lunch Program (NSLP). See the NSLP description.
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	<p>FNS plans to continue periodic examinations of WIC certification and vendor error.</p> <p><b>Certification Error</b>—The 1998 WIC Income Verification Study was designed to provide information on the characteristics of a nationally representative sample of WIC participants in the contiguous United States, certified for WIC during spring 1998. The sample was based on a multi-stage sample design, with 50 geographic primary sampling units (PSUs) selected at the first stage, 79 local WIC agencies selected at the second stage, and 178 WIC service sites selected at the third stage. WIC participants were randomly sampled for the study at the 178 WIC service sites as they appeared for WIC certification. In-person interviews were completed with 3,114 WIC participants at the 178 WIC service sites. The estimate of improper payments comes from a follow-up in-home survey that was conducted with approximately one out of every three persons selected for the in-person interviews. The in-home survey was designed to verify income information through review of household income documents. In-home interviews were completed with 931 respondents.</p> <p>FNS' intent is that the 2008 decennial income verification study will use a similar sampling strategy that provides a nationally representative estimate of erroneous payments within the IPIA-specified precision parameters. The certification error rate will be reported in FY 2009.</p> <p><b>Vendor Error</b>—The 2005 vendor error study employed a nationally representative probability sample of WIC vendors. A two-stage clustered design was developed to facilitate over-sampling of WIC-only stores. Current lists of authorized WIC vendors were collected from the 45 States plus the District of Columbia that use retail vendors from delivery of benefits. These lists were used to establish the retail vendors for delivery of benefits.</p>



Agency	Program	Sampling Process
		<p>These lists were used to establish the national sample frame of vendors active during the study period. Geographic Information System software was used to form 365 PSUs in contiguous counties. Most PSUs had at least 80 vendors. The study selected 100 PSUs using probability non-replacement sampling with probabilities proportional to the size of the PSU. About 16 vendors and 4 reserve vendors were selected from each of the 100 PSUs. The final sample size (unweighted) was 1,768 vendors. The study compared the purchase price paid by the compliance buyer with (i) observed shelf prices and (ii) the purchase amount the vendor reported to the State in order to yield estimates of overcharge and undercharge.</p>
FNS	Child and Adult Care Food Program (CACFP)	<p>The national estimate of erroneous payments for the sponsor error component is based on a nationally representative sample of sponsor files for 3,284 Family Day Care Homes (FDCHs) in 91 distinct sponsors in 14 States. Data collectors went to each sampled sponsor with randomly drawn lists of 30 to 90 FDCHs and extracted documents necessary to establish eligibility for reimbursements from the sponsors' files.</p>
FSA	Milk Income Loss Contract Program (MILC)	<p>See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.</p>
FSA	Loan Deficiency Payments (LDP)	<p>See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.</p>
FSA	Direct and Counter-Cyclical Payments (DCP)	<p>See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.</p>
FSA	Conservation Reserve Program (CRP)	<p>See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.</p>
FSA	Miscellaneous Disaster Programs (CDP)	<p>See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.</p>
FSA	Noninsured Assistance Program (NAP)	<p>See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.</p>
FS	Wildland Fire Suppression Management (WFSM)	<p>WFSM employees Monetary Unit Sampling. Transactions coded to the Wildland Fire Suppression Fund (WFSU) are systematically analyzed and reviewed. The population was broken down into three sample groups:</p> <ul style="list-style-type: none"> <li>• Contracts;</li> <li>• PCMS;</li> <li>• Travel; and</li> <li>• Employee Payroll and Casual Pay</li> </ul> <p>Separate statistical samples were selected for each category, using the criteria required by OMB Circular A-123, Appendix C. The samples were selected by systematic random sampling with probability proportional to size (dollar amount).</p> <p>To ensure the validity of the sample design, sample sizes, and measurement methodology, a PhD statistician from the University of New Mexico was consulted. The sample was selected using a 90 percent confidence level, with a precision range of 2.5 percent. Software used for sample selection was SAS 9.1 for Windows.</p> <p>The population was broken down into four categories: Travel, Payroll, Purchase Card Management System (PCMS), and Contracts. Separate statistical samples were selected using the criteria required by OMB. An exception occurred when a transaction met the criteria for an improper payment as defined by the Improper Payment Improvement Act (IPIA). We categorized errors that were improper as errors that were either insufficiently documented or were improperly paid.</p>
RD	Rental Assistance Program	<p>The agency reviewed the sampling plan developed by the U.S. Department of Housing and Urban Development for its studies. It engaged Rural Development (RD) statisticians to prepare a similar plan for this report. This report is based on a review of tenants receiving rental assistance (RA) during FY 2007. The sampling plan consisted of 667 RA payments from a universe of 3,326,352 or .020 percent. The methodology produced a sample with a 99-percent confidence level. This year, the audit unit from the Centralized Servicing Center (CSC) conducted the study rather than the RD field staff that were used in previous years. The study required CSC to evaluate tenant files and income calculations.</p> <p>The universe of rental assistance payments FY 2007 was 3,326,352. The only parameter used to determine the eligible universe was the RA payment. No other data element, such as location, size of property, number of units and availability of other rental assistance (such as Section 8) was a consideration. The statisticians were provided a data extract from the Multi-Family Housing Information System (MFIS). The extract</p>

Agency	Program	Sampling Process
		<p>contained a list of all tenants receiving RA during FY 2007. The data included month of payment, project name, project identifier (case number/project number) and tenant name and unit number. From the data extract, the statisticians selected the sample by a systematic sample technique.</p> <p>Once the sample was identified, a letter was sent to the borrower/management agents that explained the process, provided the list of tenant payments to be reviewed and provided a list of documents that needed to be provided to the Centralized Servicing Center (CSC) for review.</p> <p>The data received from the borrower/management agent was used to compare agency records. The study required CSC to complete the survey for the selected tenant payments. There was to be no substitution of the selected payment and, if the management agent was unable to submit the file, the payment would be considered improper. The survey results for this year are higher than prior years. This is attributable to a more controlled, consistent, and accurate review. Future year surveys will be performed by CSC, which will provide more comparable data on which to measure improvements.</p>
RMA	Federal Crop Insurance Corporation Program Fund	<p>RMA drew 900 random 2004, 2005 and 2006 crop year indemnities to review during 2005, 2006 and 2007. For FY 2008 reporting, RMA sampled and reviewed the 2007 crop year, using those results to replace the 2004 crop year results. This allowed RMA to maintain a running average error rate for the three most recent crop years. RMA will repeat this process for three years to compile 900 random indemnity reviews and build a database that will be used to identify the RMA program-error rate and identify any discernable trends. Samples are drawn by the compliance staff which oversees the compliance review data base and is responsible for data quality control. Limited resources make it impractical to conduct a statistically valid program review each year. Despite these limits, in combination with the National Operations Reviews conducted by RMA compliance personnel, these random reviews of paid indemnities should provide the program with sufficient data to establish an acceptable error rate for the purposes of the IPIA.</p>
NRCS	Farm Security and Rural Investment Program	<p>NRCS determined the universe size of payments for all the programs by using all transactions for FY 2007 entered into the accounting system against general ledger account 4902 and Treasury Symbols 12_1004. Transaction codes (PG, PV, etc) were identified and extracted which represented payments against the individual program Fund codes to create a universe of payments for each individual program.</p> <p>Based upon last year's results and conversations with the individual Program Managers, NRCS projected the anticipated rate of occurrence. This would be the error rate from the previous years sampling factoring in any substantial changes made which mitigates improper payment risk found in prior IPIA efforts, external and internal audits or reviews.</p> <p>NRCS estimated the precision range, i.e. the upper and lower bounds around the estimated rate of occurrence as 5.00% (+/- 2.50%) based upon conversations with the Program Managers. OMB guidance recommended a 90 percent confidence level. However, NRCS used a more rigorous confidence level of 95% for the sample since accounting and financial applications typically use that confidence level. Based upon the four variables above (universe size, anticipated occurrence rate, precision range, and confidence level), we calculated the necessary sample size.</p> <p>Using a random number generator, NRCS selected payments for the sample. For program payments made through ProTracts system, payment amounts were aggregated by payment document number. ProTracts produced a payment transaction for each component of a payment request (NRCS-1245). This resulted in testing of the entire payment instead of a portion and simplifies the research required.</p> <p>A complete copy of the contract file was requested from the field office. The field office was required to verify HEL/WC compliance and obtain AGI compliance documentation from the participant. Headquarters financial management (FMD) personnel audited the contract information against the program's business process using a standard template developed by FMD for each individual program. The template ensured consistency in the reviews and incorporated tests for known causes of improper payments, issues identified by the Program Managers and internal controls implemented as a result of prior internal and external audits and reviews.</p>



**III. Describe the Corrective Action Plans for reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause of errors and the corresponding steps necessary to prevent future occurrences.**

**If efforts are already underway, and/or have been ongoing for some length of time, it is appropriate to include that information in this section.**

Agency	Program	Corrective Actions Planned
FSA/CCC	Marketing Assistance Loan program (MAL)	<p>The most significant causes for payments being identified as improper were as follows:</p> <ul style="list-style-type: none"> <li>• A lien search was not conducted before loan disbursement.</li> <li>• An acceptable acreage report is not on file at time of review.</li> <li>• Lien waiver was not obtained before loan disbursement.</li> <li>• Uniform Commercial Code (UCC-1) was not filed.</li> <li>• The loan quantity is not supported by acceptable documentation.</li> </ul> <p>Actions taken or that will be taken to reduce the weaknesses identified are as follows:</p> <p><b>a. Broad Scope Actions Taken:</b></p> <ul style="list-style-type: none"> <li>• FSA has committed to reducing improper payments and program weaknesses that contribute to improper payments.</li> <li>• The Agency has taken actions to correct its deficiencies in many areas and has incorporated the priority of reducing improper payments into its strategic planning documents.</li> </ul> <p><b>b. Actions Already Taken that Impact All Causes of Improper Payments Identified:</b></p> <p>The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p> <ul style="list-style-type: none"> <li>• Issued various National Notices to State and COFs providing them with instructions related to training, proper processing of payments, and the new checklist for processing loans.</li> <li>• Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, a Department of Agriculture enterprise-wide learning management system.</li> <li>• Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating.</li> <li>• Completed the CCC-770 MAL, the COF employee certifies that the applicable program provisions have, or have not been met. Handbook 8-LP was amended on December 13, 2006, to include policy that a CCC-770 MAL or CCC-770 eLDP/LDP must be completed for the first five applications processed by each employee before loans or LDPs are disbursed.</li> <li>• Developed a new checklist, the CCC-770 MAL, MAL Checklist, for COF employees to use. FSA implemented a new compliance review process for the 2007 crop year. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The reporting mechanism will allow the National Office to monitor improper payments discovered as result of a spot check. No deficiencies have been discovered as the result of this improved reporting system.</li> <li>• Training addressing the errors that resulted in improper payments was held along with training for the implementation of the provisions of the Food, Conservation, and Energy Act of 2008. The national training was held in October 2008.</li> </ul> <p><b>c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified:</b></p> <ul style="list-style-type: none"> <li>• Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 MAL Statistical Sample including established policy and procedure references for each finding.</li> <li>• In conjunction with the enactment of the Food, Conservation, and Energy Act of 2008, a review of applicable policy and provisions will be conducted. This review will include input from a task force made up of State Program Specialists who will work with National Office staff on the drafting of applicable regulations. In addition, a review of existing policy and procedures to determine program inefficiencies and inadequate program compliance controls will be conducted.</li> </ul>



Agency	Program	Corrective Actions Planned
		<ul style="list-style-type: none"> <li>Based on sample results, amend the CCC-770 MAL checklist, as appropriate, to ensure that COFs are reminded of the necessary policies and procedures for program compliance.</li> <li>Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and county staff may need to assist in facilitating compliance to controls.</li> <li>Re-enforce current program policies regarding program compliance through the issuance of National notices to State and COF personnel.</li> </ul>
FNS	Food Stamp Program	<p><b>Causes of improper payments</b></p> <p>An improper payment occurs when a participating household is certified for too many or too few benefits compared to the level for which they are eligible. This can result from incomplete or inaccurate reporting of income and/or assets by participants at the time of certification. It also can occur from changes subsequent to certification or errors in determining eligibility or benefits by caseworkers. Eligibility worker delays in action or inaction taken on client reported changes also can cause of improper payments.</p> <p>An analysis of the FY 2006 completed statistical sample revealed that approximately 67.75 percent of all variances occurred before or at the most recent certification/recertification. Additionally, 56.70 percent of the errors were State agency caused. About half of the errors (53.65 percent) were income related and caused by client misreporting or the agency misapplying the reported income. Misreporting or misapplying deductions was the second largest source of errors at 29.22 percent.</p> <p>The analysis of the FY 2007 data is scheduled for release in early 2009.</p> <p><b>Steps that are (or will be) taken to address specific findings in the last statistical sample</b></p> <p>Program regulations require State agencies to analyze data to develop corrective action plans to reduce or eliminate program deficiencies. A State with a high error rate must develop a QC corrective action plan to address deficiencies revealed through an analysis of its own QC data. A State with an excessive error rate will be required to invest a specified amount (depending on its error rate and size) designated specifically to correct and lower its error rate. The State also will face further fiscal penalties if it fails to lower its error rate in a future fiscal year.</p> <p><b>Steps that are (or will be) taken to improve the overall control environment and improper payments</b></p> <p>FNS, through its regional offices, works directly with States to impart the importance of payment accuracy and correct payments to State leadership. The agency also helps those leaders develop effective corrective action strategies to reduce payment errors. Regional offices provide many forms of technical assistance to States, such as:</p> <ul style="list-style-type: none"> <li>Analyzing data;</li> <li>Reviewing and monitoring corrective action plans;</li> <li>Developing strategies for error reduction and corrective action;</li> <li>Participating on boards and in work groups; and</li> <li>Hosting, attending and supporting payment accuracy conferences.</li> </ul> <p>FNS administers a State Exchange Program that provides funds to States to facilitate travel for obtaining, observing and sharing information on best practices and effective techniques for error reduction. Coalitions have been formed among States to promote partnerships, information exchange and collaborative efforts. These efforts address mutual concerns and support development of effective corrective action.</p>
FNS	National School Lunch Program (NSLP)	<p>FNS has worked closely with OMB, Congress, the States, schools, and advocacy partners for two decades to gain a better understanding of erroneous payments, and to develop and implement initiatives to address them:</p> <p><b>Strengthened the Certification Process through Legislative Program Reauthorization</b></p> <p>FNS worked with Congress to develop the Child Nutrition and WIC Reauthorization Act of 2004 (CNR) to enact program changes that address school meals certification problems. The act strengthened the certification process by:</p> <ul style="list-style-type: none"> <li>Requiring food stamp direct certification for free meals in all school districts, and continuing authority for optional direct certification using data from the Temporary Assistance for Needy Families (TANF) and the Food Distribution Program on Indian Reservations (FDPIR);</li> <li>Simplifying the certification process by requiring a single application for all eligible children in a household;</li> <li>Requiring eligibility determinations to be in effect for the entire school year;</li> <li>Modifying verification requirements, and adding authority for optional direct verification of children's eligibility;</li> <li>Requiring State agencies to conduct additional administrative reviews of school districts with higher rates of error;</li> <li>Expanding authority for the use of public records for verification of applications; and</li> <li>Requiring increased efforts to obtain household response to application verification requests; requiring districts with high rates of non-response to verification to target subsequent year verification activity toward error-prone applications.</li> </ul>





Agency	Program	Corrective Actions Planned
		<p>FNS is engaged in continuing efforts to fully implement all the provisions of the CNR designed to improve program accountability.</p> <p><b>Improved State and Federal Oversight and Technical Assistance</b></p> <p>FNS conducted the following to improve oversight and technical assistance:</p> <ul style="list-style-type: none"> <li>• Since 2004, required annual training for schools on certification and accountability issues;</li> <li>• Secured funding from Congress in 2004 for FNS technical assistance to help State and local partners reduce administrative errors and improve program integrity;</li> <li>• Provided ongoing guidance and training materials to State agencies to improve monitoring of schools;</li> <li>• Since 1995, provided ongoing guidance and training materials to States on the School Meals Initiative (SMI), to help schools improve compliance with program nutrition and menu planning standards in order to increase the accuracy of meal-counting;</li> <li>• Issued a revised Eligibility Manual which contains information on determining students' eligibility for free and reduced price meals under 7 CFR Parts 210 and 220, the National School Lunch Program (NSLP) (including after school snacks and commodity schools) and the School Breakfast Program (SBP);</li> <li>• Revised the Coordinated Review Effort forms and training effort to ensure that performance standards related to meal counting and claiming and serving reimbursable meals are met; and</li> <li>• Issued Pursuant to the Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265), FNS released applications for the third round of Direct Certification/Verification grant funding in FY 2008. These grants are available to State agencies to assist in the implementation of mandatory direct certification, direct verification and other provisions of P.L. 108-265 related to determining eligibility to receive benefits in the National School Lunch and Breakfast Programs. Child Nutrition and Food Stamp State agencies are eligible to apply for funds. P.L. 108-265 provided \$9 million for this purpose. Approximately \$3.7 million was awarded in Fiscal Year 2006 and \$1.7 million in FY 2007; the remaining funds are available to States in FY 2008.</li> </ul> <p><b>Expanded National Data Collection and Analysis to Inform Policy</b></p> <p>FNS conducted the following to collect and disseminate program data:</p> <ul style="list-style-type: none"> <li>• Initiated an annual measure of administrative errors in the certification process in school year 2004-2005;</li> <li>• As early as the 1990s, tested alternative approaches to the existing school meals certification and verification processes to assess their impact on accuracy and program access;</li> <li>• Highlighted the results of the data collections at numerous briefings with State and Federal partners and Congressional staff;</li> <li>• Published the APEC study, which provides the first comprehensive national estimate of erroneous school meal payments for the PAR, as required by the IPIA. Additionally we are working on developing an appropriate approach to improving the deficiencies noted in the APEC study; and</li> <li>• Published the second annual report, Accuracy of School Food Authorities' (SFAs) Processing of School Lunch Applications – Regional Office Review of Applications (RORA) in May 2007. Covering the year 2006, the publication is part of a series of annual reports assessing administrative errors associated with SFAs approval of applications for free and reduced-price school meals.</li> </ul> <p><b>Additional Action Planned</b></p> <p>FNS proposes to expand training, technical assistance, and other efforts to reduce payment errors that result from operational problems. Planned efforts include:</p> <ul style="list-style-type: none"> <li>• Working with the National Food Service Management Institute to provide web-based training to States and schools on certification and other accountability issues;</li> <li>• Conducting an additional make-up session of the Coordinated Review Effort (CRE) training that was provided to State reviewers during the third quarter of FY 2008 as a continuation of FNS efforts to improve State agency oversight of local school food authorities that participate in the National School Lunch Program. We anticipate that this training session, which will be held in Alexandria, Virginia, October 27 - 31, 2008, will provide updated information to approximately 80 State agency and Federal reviewers. In addition, later this fall the new CRE Forms and Instructions that were developed by a task group made up of Federal and State staff will be posted to the FNS Web site along with the training materials that were used in the CRE training sessions. Also, the CRE Guidance, which was developed in the early 1990s, will be updated to include current procedures to be utilized during CRE Reviews. State agencies are implementing the CRE procedures that were identified during the training sessions for the 2008-2009 school year;</li> <li>• Emphasizing to State agencies that annual verification data must be used to ensure that corrective action is taken by school districts to address error rates;</li> <li>• Partnering with the School Nutrition Association to coordinate efforts on training and technical assistance to its membership on accountability issues; and</li> </ul>



Agency	Program	Corrective Actions Planned
		<p>Pending the availability of funds, FNS will continue the APEC study, which would enable FNS to estimate and measure changes in erroneous payments over time, and would help inform FNS, Congress, the States, and advocacy partners on the development of additional guidance, training, and policy options.</p> <p>For the past two decades, research and evaluation conducted by FNS has suggested that there are potentially significant risks for payment errors in the School Meal Programs. During that time, FNS worked closely with Congress, State agencies, school food authorities, advocacy partners and others to assess and find ways to reduce erroneous payments in the programs. Now that we have a nationally-representative estimate, we are redoubling our efforts and focus on reducing erroneous payments in the programs.</p>
FNS	School Breakfast Program (SBP)	The corrective actions planned for this program are similar to the FNS National School Lunch Program (NSLP). See the NSLP description.
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	<p><b>Certification Error:</b></p> <p>FNS plans to continue periodic examinations of certification error in the WIC Program. The Child Nutrition Act was amended in 1998 to require income documentation for WIC Program applicants in all States. The Final WIC Policy Memorandum #99-4, <i>Strengthening Integrity in the WIC Certification Process</i>, February 24, 1999, the WIC Certification Integrity Interim Rule (65 FR 3375, January 21, 2000) and the WIC Certification Integrity Final Rule (65 FR 77245, December 11, 2000) implemented this requirement. The WIC Food Delivery Final Rule (65 FR 83248, December 29, 2000) mandated one-year disqualifications for the most serious participant violations, including dual participation and misrepresentation of income. The WIC Miscellaneous Final Rule (71 FR 56708, September 27, 2006) required State agencies to prevent conflicts of interest such as clinic staff certifying themselves, close friends, or relatives, and also required State agencies to maintain information on participant and employee fraud and abuse. FNS will measure the level of improper payments due to certification error in Fiscal Years 2008-09.</p> <p><b>Vendor Error:</b></p> <p>The Child Nutrition Act was amended in 1996 to require the disqualification of WIC vendors who had been disqualified by the Food Stamp Program (FSP), and was amended in 1998 to require permanent disqualification of vendors who had been convicted of trafficking and illegal sales. The WIC/FSP Vendor Disqualification Final Rule (64 FR 13311, March 18, 1999) implemented these requirements and also mandated three-year disqualifications for overcharging and charging for food not received. The WIC Food Delivery final Rule (65 FR 83248, December 29, 2000) mandated nationwide standards for vendor authorization, training, and monitoring. FNS will annually estimate and report improper payments to vendors based on information on vendor investigations routinely conducted by the State WIC Agencies and reported to FNS.</p>
FNS	Child and Adult Care Food Program (CACFP)	<p>CACFP has three distinct parts: Child Care Centers, Adult Day Care facilities and Family Day Care Homes (FDCHs). Overall program funding is provided to state agencies which provide funds to sponsoring organizations to pay for claims for reimbursable meals served at provider sites. Sites can be as large as an institution or as small as a household. Each part of CACFP has its own reimbursement structure.</p> <p>Payments and claim information are transferred among FNS, State agencies, program sponsors and program sites; each such transaction represents a risk for improper payment. Because requirements vary significantly for each different type of program sponsor and site, a full and rigorous assessment of the rate of improper payments is extremely complex.</p> <p>The original plan was to develop a program-wide study which would examine reimbursements for meals served and develop program error measurements that complied with the requirements of the IPIA. Because of the complexities of the program, FNS estimated that it would cost \$20 million to measure improper payments at the precision required by IPIA. This amount has not been provided.</p> <p>In lieu of funding for a program-wide measurement, FNS has identified the FDCH component of this program as potentially high risk. FDCHs participate in CACFP through public or private nonprofit sponsoring organizations. FDCH improper payments are most likely caused by sponsor error in determining a participating home's reimbursement tier (<i>tiering error</i>) or by FDCH error in reporting the number of meals which are eligible for reimbursement (<i>claiming error</i>).</p> <p>Two activities are underway which provide information on improper payments in the FDCH component of CACFP. A third activity was pilot tested during FY 2007.</p> <ul style="list-style-type: none"> <li>• <b>CCAP</b>—In the spring of 2004, FNS began the Child Care Assessment Project (CCAP). This project was designed to measure the effectiveness of efforts to improve the integrity of CACFP family day care homes and provide information from a broadly representative national sample of sponsors and providers. Over a four-year period, FNS is conducting comprehensive on-site assessments of a sample of participating family day care home sponsors. These assessments are designed to analyze the effectiveness of FNS regulatory and policy initiatives on program performance. They will also offer insights on the control points in the claiming and reimbursement process that most frequently cause or contribute to improper payments. This information will also help to support</li> </ul>



Agency	Program	Corrective Actions Planned
		<p>the effort to develop measurement strategies to estimate CACFP erroneous payments pursuant to IPIA. Data collection for this activity has been completed and the final results will be presented in the USDA PAR for FY 2009.</p> <ul style="list-style-type: none"> <li>• <b>Sponsor error</b>—FNS has developed an annual sponsor tiering error measure and tested it. CACFP sponsors are responsible for determining whether family day care homes receive meal reimbursement at the higher rate (Tier 1) or lower rate (Tier 2). In FY 2007, the second annual data collection was conducted to determine a nationally representative sponsor tiering determination error rate. The findings are reported above.</li> <li>• <b>Claiming error</b>—FNS has identified two potential methods of estimating the risk of claiming error:               <ol style="list-style-type: none"> <li>1. <i>State data approach</i>: Use data from State monitoring visits of FDCHs.</li> <li>2. <i>Sponsor data approach</i>: Federal staff select a random sample of sponsoring organizations and from each use a random selection of the sponsor's monitoring visits of FDCHs.</li> </ol> </li> </ul> <p>Both approaches compare the number of participants observed during a monitoring visit to the average number of meals claimed for reimbursement for the meal or snack closest to the time of the visit. FNS pilot tested both approaches in conjunction with the CCAP reviews in FY 2007. The pilot sample size included approximately 220 FDCHs. Results will be available in FY 2008 and will be reported in the following year PAR.</p> <p>FNS has contracted with Mathematica Policy Research, Inc. (MPR) to evaluate the feasibility of four different data collection methods for validating family day care homes (FDCHs) meal reimbursement claims. FNS is currently reviewing the results of MPR's pretest of the four possible data collection methods. The next step is for MPR to conduct a pilot test of the data collection method(s) which are perceived to have the greatest likelihood of producing valid comparison between the true number of reimbursable meals and the number claimed by FDCHs for reimbursement. Results of MPR's evaluation will be available in FY 2009.</p>
FSA	Milk Income Loss Contract Program (MILC)	<p>The four most significant causes for payments being identified as improper were as follows:</p> <ul style="list-style-type: none"> <li>• Two instances where the contract was not on file;</li> <li>• Six instances where the payment is based on ineligible production;</li> <li>• One case where the changes made to contract were not allowed; and</li> <li>• Two instances where the payee's share is incorrect.</li> </ul> <p>Actions taken or that will be taken to reduce the weaknesses identified are as follows:</p> <p><b>a. Broad Scope Actions Taken:</b></p> <ul style="list-style-type: none"> <li>• See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program.</li> </ul> <p><b>b. Actions Already Taken that Impact All Causes of Improper Payments Identified:</b></p> <ul style="list-style-type: none"> <li>• Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating;</li> <li>• FSA implemented a new compliance review process for Fiscal Year 2007. The new compliance review spot check process allows FSA to conduct a more meaningful and comprehensive spot check/compliance review and utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as a result of a spot check. No deficiencies have been discovered as the result of this improved reporting system; and</li> <li>• In conjunction with training relating to the Food, Conservation, and Energy Act of 2008, training was provided during October 2008, addressing the issues resulting in improper payments. This training was provided to field staff of each state who will in turn train their field personnel on the importance of control procedures as well as the potential risks of noncompliance.</li> </ul> <p><b>c. Actions that Will be Taken that Impact All Causes of Improper Payments Identified:</b></p> <ul style="list-style-type: none"> <li>• Provide Notices to State and COFs with the detail findings discovered during the FY 2007 MILC Review including established policy and procedure references for each finding. Remind field offices of the proper filing requirements for contracts and the supporting production evidence required in accordance with program provisions; and</li> <li>• Amend the CCC-770 MILCX checklist, as appropriate, to ensure that COFs are reminded of the necessary policies and steps for program compliance.</li> </ul>
FSA	Loan Deficiency Payments (LDP)	<p>The four most significant causes for payments being identified as improper were as follows:</p> <ol style="list-style-type: none"> <li>1. Acceptable acreage report is not on file at time of review;</li> <li>2. The LDP quantity is not supported by acceptable documentation;</li> <li>3. The Incorrect LDP rate was used; and</li> <li>4. The LDP application was not on file.</li> </ol>

Agency	Program	Corrective Actions Planned
		<p>Actions taken or that will be taken to reduce the weaknesses identified are as follows:</p> <p><b>a. Broad Scope Actions Taken:</b> See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program.</p> <p><b>b. Actions Already Taken that Impact All Causes of Improper Payments Identified:</b> The actions taken were completed late in FY 2007 or early FY 2008 so would have their impact on the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p> <ul style="list-style-type: none"> <li>• Issued various National Notices to State and COFs providing them with instructions related to training, proper processing of payments, and the new checklist for processing loans;</li> <li>• Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn;</li> <li>• Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating;</li> <li>• Developed a new checklist, the CCC-770 LDP/eLDP, LDP/eLDP Checklist, for COF employees to use. By completing the CCC-770 LDP/eLDP, the COF employee is certifying that the applicable program provisions have, or have not been met. Handbook 8-LP was amended to include policy that a CCC-770 LDP/eLDP must be completed before a loan or LDP is issued. Each employee must complete a CCC-770 eLPD/LDP for the first five applications they process each crop year;</li> <li>• FSA implemented a new compliance review process for the 2007 crop year. The new compliance spot check review process will allow FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism will allow the National Office to monitor improper payments discovered as result of a spot check. No deficiencies have been discovered as the result of this improved reporting system; and</li> <li>• National Training addressing the errors that resulted in improper payments was held during October 2008, along with training for the implementation of the provisions of the Food, Conservation and Energy Act of 2008.</li> </ul> <p><b>c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified:</b></p> <ul style="list-style-type: none"> <li>• Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 LDP Statistical Sample including established policy and procedure references for each finding;</li> <li>• In conjunction with the enactment of the Food, Conservation, and Energy Act of 2008, a review of applicable policy and provisions will be conducted. This review will include input from a task force made up of State Program Specialists who will work with National Office staff on the drafting of applicable regulations. In addition, a review of existing policy and procedures to determine program inefficiencies and inadequate program compliance controls will be conducted;</li> <li>• Based on sample results, amend the CCC-770 eLDP/LDP checklist, as appropriate, to ensure that COFs are reminded of the necessary policies and procedures for program compliance prior to issuing payments;</li> <li>• Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and county staff may need to assist in facilitating compliance to controls; and</li> <li>• Re-enforce current program policies regarding program compliance through the issuance of National notices to State and COF personnel.</li> </ul>
FSA	Direct and Counter-Cyclical Payments (DCP)	<p>The results of DCP's FY 2008 statistical sample of improper payments were based on FY 2007 DCP payment data. DCP's FY 2008 sample results indicate that the most significant error for FY 2007 DCP payments was that acreage report for all cropland on the farm was not filed before review began.</p> <p>Actions taken or that will be taken to reduce the weakness identified are as follows:</p> <p><b>a. Broad Scope Actions Taken:</b> See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program.</p> <ul style="list-style-type: none"> <li>• FSA implemented a new compliance review process for the 2007 and subsequent crop years. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as result of a spot check.</li> </ul> <p><b>b. Actions Already Taken that Impact Situations where the Payee's Interest in Base Acres on the Farm Did Not Support the Claimed Payment Share:</b> The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p>



Agency	Program	Corrective Actions Planned
		<ul style="list-style-type: none"> <li>• Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, and is being followed up with communications and job aid to help facilitate compliance controls;</li> <li>• Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating; and</li> <li>• Developed a new checklist, the CCC-770 DCP, DCP Contract Checklist, for COF employees to use. By completing the CCC-770 DCP, the COF employee is certifying that the applicable program provisions have, or have not, been met. Handbook 1-DCP was amended on December 11, 2006, to include policy that a CCC-770 DCP must be completed before DCP payment is issued.</li> </ul> <p>In addition to the above actions, the following actions were completed in FY 2007 or early FY 2008; therefore the impact will not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p> <ul style="list-style-type: none"> <li>• Issued Notice PM-2615, FSA Performance Management Program Improper Payments Standard, which provided the new required standard for improper payments. The Notice provided that all Field Office employees who work with Farm Program payments shall have the following standard in the "Program Management", "Execution of Duties", or similar element:</li> <li>• "Successfully completes FSA IPIA training requirements and ensures that agency Corrective Action Plan (CAP) procedures are followed to ensure that payments are accurate and that required payment documentation is up-to-date and on file";</li> <li>• Issued Notice DCP-182, FY 2007 National CORP Review for Improper Payments for DCP, providing detailed findings discovered during the FY 2007 DCP Statistical Sample including established policy and procedure references for each finding; and</li> <li>• Issued various National Notices to State and County offices re-enforcing current program policies regarding program compliance through the issuance of National Notices.</li> </ul> <p><b>c. Actions That Will be Taken that Impact Situations where the Payee's Interest in Base Acres on the Farm Did Not Support the Claimed Payment Share:</b></p> <ul style="list-style-type: none"> <li>• Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 DCP Statistical Sample including established policy and procedure references for each finding;</li> <li>• Conduct National Farm Bill training to address 2009 DCP policy and provisions;</li> <li>• Re-enforce current program policies regarding program compliance through the issuance of National notices to State and COF personnel; and</li> <li>• Review existing policy and procedures to determine program compliance inefficiencies and eliminate inadequate program compliance controls.</li> </ul>
FSA	Conservation Reserve Program (CRP)	<p>The three most significant causes for payments being identified as improper are as follows:</p> <ol style="list-style-type: none"> <li>1. Payment amount is incorrect for annual rental payment and calculated cost-share assistance.</li> <li>2. Original CRP-1 is not on file to support what was loaded through the automated process.</li> <li>3. Conservation Plan of Operation (CPO) that was on file lacks sufficient information to support the payment.</li> </ol> <p>Actions taken or that will be taken to reduce the weaknesses identified are as follows:</p> <p><b>a. Broad Scope Actions Taken:</b></p> <p>See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program; and</p> <p><b>b. Actions Already Taken that Impact All Causes of Improper Payments Identified.</b></p> <p>The actions taken were completed late in FY 2007 or FY 2008.</p> <ul style="list-style-type: none"> <li>• Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating;</li> <li>• Amended checklist, the CCC-770-CRP was replaced with four separate checklists to specifically address the different processes involved with CRP that could impact the type of payment being issued to a participant. The CCC-770-CRP1 checklist is completed during the CRP-1 contract approval process; the CCC-770-CRP2 is completed before a cost-share payment, the CCC-770-CRP3 is completed before the issuance of an annual rental payment, and the CCC-770-CRP4 is completed for contracts with PIP, CP-23, CP-23A, CP-37, and SIP type payments. By completing the CCC-770-CRP, the COF employee is certifying that the applicable program provisions have, or have not been met. The checklists are a tool for employees to use to confirm that all necessary requirements for payment readiness have been completed before payment is issued;</li> <li>• Notice CRP-575 was issued to State and County Offices on November 29, 2007, which specifically identified each FY 2007 CORP finding and the appropriate policy that must be followed to prevent improper payment</li> </ul>



Agency	Program	Corrective Actions Planned
		<p>errors. State Executive Directors (SED) and applicable State Office staff developed corrective action plans (CAPs) implementing applicable program procedures required by national notices and program handbooks. National training sessions were held during FY 2008 with SEDs, District Directors, and Administrative Officers to review results of the FY 2007 statistical sample;</p> <ul style="list-style-type: none"> <li>• FSA implemented a new compliance review process for the 2007 crop year. The new compliance spot check review process will allow FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism will allow the National Office to monitor improper payments discovered as result of a producer spot check; and</li> <li>• National Training addressing the errors that resulted in improper payments was held during October 2008 along with training for the implementation of the provisions of the Food, Conservation, and Energy Act of 2008.</li> </ul> <p><b>c. Actions That Will be Taken that Impact the Incorrect Payment Rates:</b></p> <ul style="list-style-type: none"> <li>• Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 CRP Statistical Sample including established policy and procedure references for each finding;</li> <li>• Based on sample results, amend the CCC-770-CRP checklist(s), as appropriate, to ensure that COFs are reminded of the necessary policies and procedures for program compliance;</li> <li>• Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and COF staff may need to assist in facilitating compliance to controls;</li> <li>• Review existing policy and procedures to determine program compliance inefficiencies and eliminate inadequate program compliance controls;</li> <li>• Continuation of training efforts related to improper payments for field personnel to educate them on the importance of control procedures as well as the potential risks of noncompliance. Once completed, the conservation training will consist of two levels and will be conducted through out FY 2008; and beyond if needed. The following criteria is being used by CEPD to identify the level of training needed:  <b>Basic Course:</b> This course is strongly recommended for State Office personnel with less than 5 years of State Office Conservation Reserve Program (CRP) experience who possess the basic knowledge, skills, and abilities to administer CRP. The participant will elevate their basic level of understanding of CRP policy and procedures, raising their performance level through practical exercises, case studies, and examples.  In order to provide some very efficient CRP training, CEPD will survey State Office program knowledge of CRP policies and provisions.  <b>Advanced Course:</b> This course is designed for State Office personnel with 5 years or more of State Office CRP experience that wish to elevate their level of quality for managing and understanding of the CRP within their state.  This course will provide advanced CRP policy and procedure training in addition to in-depth area specific training for experienced State Office Conservation personnel; and</li> <li>• Enhancing existing web-based software and retiring legacy systems in order to more closely tie all program payments to a single contract file. This migration will reduce the potential that contract payment documents and records will contain inconsistent or out-of-date information.</li> </ul>
FSA	Miscellaneous Disaster Programs (CDP)	<p>The results of Miscellaneous Disaster Programs (Disaster Programs) FY 2008 Statistical Sample for improper payments were based on FY 2007 payment data for the following programs:</p> <ul style="list-style-type: none"> <li>• Livestock Compensation Program;</li> <li>• Livestock Indemnity Program;</li> <li>• Hurricane Indemnity Program;</li> <li>• Tree Indemnity Program;</li> <li>• Feed Indemnity Program;</li> <li>• Citrus Disaster Program;</li> <li>• Fruit and Vegetable Disaster Program; and</li> <li>• Nursery Disaster Program</li> </ul> <p>Each fiscal year's payment data represents different disaster response programs based on authorities provided by legislation passed by Congress. Of the eight disaster programs included in the statistical sample, none are permanent programs. Approximately 92 percent of the payments sampled are limited to hurricane disaster payments that were issued in six states with over 70 percent of the dollars and payments issued in Florida. It is important to note that of the eight disaster programs included in the statistical sample, the majority of improper payments were made under the Nursery Disaster Program. The four most significant causes for payments being identified as improper and the corresponding disaster program(s) that made the improper payments were as follows:</p>



Agency	Program	Corrective Actions Planned
		<ul style="list-style-type: none"> <li>• Required documentation (other than application) was not provided. This error only applies to the Nursery Disaster Program;</li> <li>• Payment amount is incorrect for reasons other than payee share. This error only applies to the Nursery Disaster Program;</li> <li>• Unauthorized representative signed application. This error only applies to the Nursery Disaster Program and the Hurricane Indemnity Program; and</li> <li>• Application is not on file. This error only applies to the Nursery Disaster Program and the Tree Indemnity Program.</li> </ul> <p>Actions taken or that will be taken to reduce the weaknesses identified are as follows:</p> <p><b>a. Broad Scope Actions Taken:</b></p> <ul style="list-style-type: none"> <li>• See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same s actions apply to this program; and</li> <li>• FSA implemented a new compliance review process for the 2007 and subsequent crop years. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as result of a spot check.</li> </ul> <p><b>b. Actions Already Taken that Impact All Causes of Improper Payments Identified:</b></p> <p>The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p> <ul style="list-style-type: none"> <li>• Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, and is being followed up with communications and job aid to help facilitate compliance controls; and</li> <li>• Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating.</li> </ul> <p>In addition to the above actions, the following actions were completed in FY 2007 or early FY 2008; therefore the impact will not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p> <ul style="list-style-type: none"> <li>• Issued Notice PM-2615, FSA Performance Management Program Improper Payments Standard, which provided the new required standard for improper payments. The Notice provided that all Field Office employees who work with Farm Program payments shall have the following standard in the "Program Management", "Execution of Duties", or similar element: "Successfully completes FSA IPIA training requirements and ensures that agency Corrective Action Plan (CAP) procedures are followed to ensure that payments are accurate and that required payment documentation is up-to-date and on file."</li> <li>• Issued Notice DAP-271, FY 2007 National CORP Review for Improper Payments for Miscellaneous Disaster Programs, providing detailed findings discovered during the FY 2007 Miscellaneous Disaster Programs Statistical Sample including established policy and procedure reference;</li> <li>• Developed the following new checklists for disaster programs being implemented in FY 2007: <ul style="list-style-type: none"> <li>– FSA-770 CDP, 2005-2007 Crop Disaster Program Application Checklist;</li> <li>– FSA-770 LCP, 2005/2006/2007 Livestock Compensation Program Application Checklist; and</li> <li>– FSA-770 LIP, 2005/2006/2007 Livestock Indemnity Program Application Checklist.</li> </ul> </li> </ul> <p>By completing the checklists, the COF employee is certifying that the applicable program provisions have, or have not, been met;</p> <ul style="list-style-type: none"> <li>• In September 2007, the National Office conducted 2005-2007 Crop Disaster Program National Training for State and COF employees. Training was provided to State and COF personnel on program policy and procedure, and included software training; and</li> <li>• Issued various National Notices to State and County Offices re-enforcing current program policies regarding program compliance through the issuance of National Notices.</li> </ul> <p><b>c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified:</b></p> <ul style="list-style-type: none"> <li>• Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 Miscellaneous Disaster Programs Statistical Sample including established policy and procedure references for each finding;</li> <li>• Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and COF staff may need to assist in facilitating compliance to controls;</li> <li>• Re-enforce current disaster programs' policies regarding program compliance through the issuances of National notices to State and COF personnel; and</li> <li>• Based on the FY 2008 Disaster Programs Statistical Sample results, the National Office will develop a Checklist for any other new miscellaneous disaster program being implemented, if determined necessary.</li> </ul>

Agency	Program	Corrective Actions Planned
FSA	Noninsured Assistance Program (NAP)	<p>The six most significant causes for payments being identified as improper were as follows:</p> <ol style="list-style-type: none"> <li>1. Notice of loss filed late.</li> <li>2. Acceptable production evidence is not on file.</li> <li>3. Acreage report is not on file.</li> <li>4. CCC-576, Part G is not signed by LA or FSA representative.</li> <li>5. Notice of Loss lacks sufficient information.</li> <li>6. Unit yield is not properly calculated.</li> </ol> <p>Actions taken or that will be taken to reduce the weaknesses identified are as follows:</p> <p><b>a. Broad Scope Actions Taken:</b></p> <p>See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program.</p> <ul style="list-style-type: none"> <li>• FSA implemented a new compliance review process for the 2007 and subsequent crop years. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as result of a spot check. The 2007 Compliance review results have been distributed to the appropriate Divisions for review. During the 4th quarter of FY 2008, the Deputy Administrator for Farm Programs will meet with all divisions to analyze compliance review results and determine a plan of action, if needed.</li> </ul> <p><b>b. Actions Already Taken that Impact All Causes of Improper Payments Identified:</b></p> <p>The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p> <ul style="list-style-type: none"> <li>• Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, and is being followed up with communications and job aid to help facilitate compliance controls;</li> <li>• Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating; and</li> <li>• Developed a new checklist, the CCC-770-NAP, Noninsured Crop Disaster Assistance Program Payment Checklist, for County Office employees to use. By completing the CCC-770-NAP, the County Office employee is certifying that the applicable program provisions have, or have not been met.</li> </ul> <p>In addition to the above actions, the following actions were completed in FY 2007 or early FY 2008; therefore the impact will not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.</p> <ul style="list-style-type: none"> <li>• Issued Notice PM-2615, FSA Performance Management Program Improper Payments Standard, which provided the new required standard for improper payments. The Notice provided that all Field Office employees who work with Farm Program payments shall have the following standard in the "Program Management", "Execution of Duties", or similar element: "Successfully completes FSA IPIA training requirements and ensures that agency Corrective Action Plan (CAP) procedures are followed to ensure that payments are accurate and that required payment documentation is up-to-date and on file."</li> <li>• Issued Notice NAP-104, FY 2007 National CORP Review for Improper Payments for NAP, providing detailed findings discovered during the FY 2007 NAP Statistical Sample including established policy and procedure references for each finding;</li> <li>• Contacted State Office managers where the majority of NAP improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and COF staff needed to assist in facilitating compliance to controls;</li> <li>• Issued various National Notices to State and County Offices re-enforcing current program policies regarding program compliance through the issuance of National Notices; and</li> <li>• Conducted National NAP Training during October 2008 for State and County office employees that addressed yield calculations. The National office also addressed other significant causes for NAP improper payments at the training session.</li> </ul> <p><b>c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified:</b></p> <ul style="list-style-type: none"> <li>• Provide a Notice to State and County Offices providing the detail findings discovered during the FY 2008 NAP Statistical Sample including established policy and procedure references for each finding;</li> </ul>



Agency	Program	Corrective Actions Planned
		<ul style="list-style-type: none"> <li>• Based on sample results, amend the CCC-770-NAP checklist, as appropriate, to ensure that County Offices are reminded of the necessary policies and procedures for program compliance;</li> <li>• Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and county staff may need to assist in facilitating compliance to controls;</li> <li>• Re-enforce current program policies regarding program compliance through the issuance of National notices to State and county office personnel; and</li> <li>• Review existing policy and procedures to determine program compliance inefficiencies and eliminate inadequate program compliance controls.</li> </ul>
FS	Wildland Fire Suppression Management	<p>Root cause of improper payment errors appear to be caused by noncompliance with administrative procedures, lack of training and inconsistent processing procedures.</p> <ul style="list-style-type: none"> <li>• Overpayments: failure to reconcile vendor statement to invoices;</li> <li>• Non-business/personal related charges to Purchase Card Management System (PCMA) card;</li> <li>• Underpayments: late payments and failure to include Prompt Payment interest on PCMS card payments; and</li> <li>• Insufficient documentation was not an issue in FY 2008.</li> </ul> <p>Corrective Actions.</p> <ul style="list-style-type: none"> <li>• Update and clarify policy and procedures and define oversight responsibilities for cardholder;</li> <li>• Issue Guidance on the appropriate use of Travel Card and Purchase Card use under the PCMS program;</li> <li>• Implement stricter monitoring over purchase card transactions with monthly audits; and</li> <li>• Implement internal controls to ensure correct posting of dates to improve timely payments and computation of prompt payment interest.</li> </ul>
RD	Rental Assistance Program	<p>Root cause of improper payment errors included:</p> <ul style="list-style-type: none"> <li>• Incomplete documentation for income verification;</li> <li>• Incomplete documentation for tenant verification;</li> <li>• Tenant certification error; and</li> <li>• Income calculation error.</li> </ul> <p>Corrective actions include:</p> <ul style="list-style-type: none"> <li>• Sent a letter to property management business partners regarding the importance of the IPIA process and the types of errors that were identified. Required industry groups to develop corrective action plans to be undertaken by their members. May 27, 2008;</li> <li>• Implemented a quarterly audit process that will be conducted by CSC on selected states tenant files. July 31, 2008;</li> <li>• Required Agency follow-up for corrective actions on errors found in the FY 2008 improper payments report. July 31, 2008;</li> <li>• Issued an unnumbered letter to the State Offices regarding the findings from the FY 2008 improper payments report. The unnumbered letter required State Offices, with an average error rate of 2% or higher during the past three years, to develop a corrective action plan. The plan will need to include procedures to train field staff, borrowers and property managers in appropriate required documentation and follow-up with tenants and income-verifiers. May 28, 2008;</li> <li>• Added to HB-2-3560, Multi-Family Housing Asset Management Handbook, Chapter 6 – Project Occupancy, a check sheet for property management agents to review when verifying assets, income and adjustments to income and a check list of required tenant file documentation. September 30, 2008;</li> <li>• Developed a “Fact Sheet” for MFH tenants explaining their responsibilities and rights regarding income disclosure and verification. October 31, 2008; and</li> <li>• The National Office will continue to pursue access to the Department of Health and Human Services New Hires database and the Department of Housing and Urban Development’s Enterprise Income Verification System to be shared with State Offices and management agents. Ongoing.</li> </ul>
RMA	Federal Crop Insurance Corporation Program Fund	<p>RMA completed the third year of the three-year review cycle established to determine the improper payment rate for the Federal Crop Insurance Program. The strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correct them, however, as with the first 600 policies reviewed, there are still no definitive trends in the 900 policies completed in 2007. No underlying policy or underwriting issues have become apparent. This is in part due to the diversity of crops being reviewed and suggests it may be several cycles before RMA may amass sufficient numbers of samples on any particular crop to draw meaningful comparisons in the errors identified.</p>

Agency	Program	Corrective Actions Planned
		Data mining is used to create a comprehensive list of producers exhibiting anomalous behavior. The system was developed in partnership between Tarleton State University and Planning Systems Incorporated. It is used to facilitate crop insurance program integrity and deter program abuse. When RMA negotiated and executed the new Standard Reinsurance Agreement (SRA) starting in 2005 it emphasized improved quality controls and enhanced penalties that together should encourage participating companies who sell and service Federal crop insurance policies to improve their improper payments rate. Based on the passage of the most recent Farm Bill, it appears that RMA will have another opportunity beginning with the 2011 reinsurance year to further adjust and improve SRA holder quality control requirements.
NRCS	Conservation Security Program	Despite a zero improper payment rate, we will continue to take actions to address the difficulties realized in successfully completing this audit. Lessons learned has been developed to improve our process. NRCS is including considerations for improper payments in developing and modifying program manuals to implement the new Farm Bill. NRCS has addressed the anticipated adjusted gross income compliance verification for future years and will continue to work with the Farm Service Agency to address these concerns.

**IV. Based on the Rate(s) Obtained in Step III, Set Annual Improvement Targets through FY 2010.  
Improper Payment Reduction Outlook FY 2006 – FY 2010**

Below is a summary level table for all high risk programs outlining improper payment rates for the last two years and future reduction targets. When a number cannot be provided, an explanation is provided in the notes below. Amounts represent when the sampling results are reported. USDA programs report results the year following sampling activity. For example, results reported during FY 2008 represent measures of FY 2007 outlays and program activity.

Improper Payment Sampling Results (\$ in millions)						
Program	Results Reported in FY 2007			Results Reported in FY 2008		
	Outlays	IP%	IP\$	Outlays	IP%	IP\$
Marketing Assistance Loan Program, FSA/CCC [Note #3]	6,306	7.52%	458	4,981	1.76%	92
Food Stamp Program, FNS	29,942	5.99%	1,794	30,373	5.64%	1,713
National School Lunch Program, FNS [Note #1]						
Total Program	8,602	16.30%	1,402	8,756	16.55%	1,449
Certification Error	8,602	9.42%	810	8,756	9.67%	847
Counting/Claiming Error	8,602	6.88%	592	8,756	6.88%	602
School Breakfast Program, FNS [Note #1]						
Total Program	2,086	24.94%	520	2,150	25.02%	538
Certification Error	2,086	9.15%	191	2,150	9.23%	198
Counting/Claiming Error	2,086	15.79%	329	2,150	15.79%	339
Women, Infants and Children, FNS [Note #2]						
Total Program	3,598	N/A	N/A	3,950	N/A	N/A
Certification Error Component	3,598	N/A	N/A	3,950	N/A	N/A
Vendor Error Component	3,598	0.69%	25	3,950	0.87%	34
Child and Adult Care Food Program, FNS [Note #2]						
Total Program	2,187	N/A	N/A	2,311	N/A	N/A
FDC Homes – Tiering Decisions	738	1.69%	12	728	1.56%	11
FDC Homes – Meal Claims	738	N/A	N/A	738	N/A	N/A



Improper Payment Sampling Results (\$ in millions)						
Program	Results Reported in FY 2007			Results Reported in FY 2008		
	Outlays	IP%	IP\$	Outlays	IP%	IP\$
Milk Income Loss Contract Program, FSA	351	2.17%	8	155	0.21%	0.3
Loan Deficiency Payments, FSA	4,071	0.45%	18	134	0.60%	0.8
Direct and Counter-Cyclical Payments, FSA [Note #3]	9,550	0.37%	37	7,144	0.70%	47
Conservation Reserve Program, FSA [Note #3]	1,851	0.45%	9	1,888	1.25%	24
Miscellaneous Disaster Programs, FSA	368	6.76%	25	154	3.13%	5
Noninsured Assistance Program, FSA	64	13.14%	8	126	14.67%	18
Wildland Fire Suppression Management, FS	1,412	0.95%	13	1,370	0.02%	.2
Rental Assistance Program, RD	855	3.07%	26	887	3.95%	35
Federal Crop Insurance Corporation Program Fund, RMA [Note #4]	2,364	2.68%	63	3,508	4.70%	165
Conservation Security Program, NRCS [Note #5]	227	0.47%	1	1,138	0.00%	0
<b>USDA Total</b>	<b>72,385</b>	<b>6.11%</b>	<b>4,420</b>	<b>67,442</b>	<b>6.13%</b>	<b>4,132</b>

Detailed Breakout of Improper Payment Reported in FY 2008							
	Total Payments	IP %	Over-Payments %	Under-Payments %	Other %	Incorrect Disbursement %	Incomplete Paperwork %
	\$ in millions						
Marketing Assistance Loan Program, FSA/CCC	4,981	1.76%	1.76%	N/A	N/A	0.19%	1.57%
Food Stamp Program, FNS	30,373	5.64%	4.58%	1.06%	N/A	5.64%	N/A
National School Lunch Program, FNS [Note #1]	8,756	16.55%	12.51%	4.04%	N/A	16.55%	N/A
School Breakfast Program, FNS [Note #1]	2,150	25.02%	21.53%	3.49%	N/A	25.02%	N/A
Women, Infants and Children, FNS [Note #2]	3,950	0.87%	0.35%	0.52%	N/A	0.87%	N/A
Child and Adult Care Food Program, FNS [Note #2]	728	1.56%	1.54%	0.02%	N/A	1.56%	N/A
Milk Income Loss Contract Program, FSA	155	0.21%	0.13%	0.08%	N/A	0.17%	0.04%
Loan Deficiency Payments, FSA	135	.60%	0.50%	0.09%	N/A	0.51%	0.09%
Direct and Counter-Cyclical Payments, FSA	7,144	0.70%	0.65%	0.05%	N/A	0.22%	0.48%
Conservation Reserve Program, FSA	1,888	1.25%	1.21%	0.04%	N/A	1.02%	0.23%



Detailed Breakout of Improper Payment Reported in FY 2008							
	Total Payments \$ in millions	IP %	Over-Payments %	Under-Payments %	Other %	Incorrect Disbursement %	Incomplete Paperwork %
Miscellaneous Disaster Programs, FSA	154	3.13%	3.05%	0.08%	N/A	2.52%	0.61%
Noninsured Assistance Program, FSA	126	14.67%	14.20%	0.47%	N/A	3.29%	11.38%
Wildland Fire Suppression Management, FS	1,370	0.02%	0.01%	0.01%	N/A	.02%	0.00%
Rental Assistance Program, RD	887	3.95%	3.95%	0.0%	N/A	1.97%	1.98%
Federal Crop Insurance Corporation Program Fund, RMA	3,508	4.70%	4.65%	0.05%	N/A	4.70%	N/A
Farm Security and Rural Investment Program, NRCS	1,138	0.00%	0.00%	0.00%	N/A	0.00%	0.00%
<b>USDA Total</b>	<b>67,442</b>	<b>6.13%</b>	<b>4.97%</b>	<b>1.15%</b>	<b>0.00%</b>	<b>5.90%</b>	<b>0.22%</b>

Improper Payment Reduction Outlook (\$ in millions)									
Program	FY 2009 Reporting			FY 2010 Reporting			FY 2011 Reporting		
	Outlays	IP%	IP\$	Outlays	IP%	IP\$	Outlays	IP%	IP\$
Marketing Assistance Loan Program, FSA/CCC	4,935	1.65%	81	6,609	1.55%	102	6,454	1.45%	94
Food Stamp Program, FNS	33,866	5.64%	1,910	35,189	5.60%	1,970	35,483	5.40%	1,916
National School Lunch Program, FNS [Note #1]	9,562	16.08%	1,538	9,715	15.63%	1,518	9,981	15.19%	1,516
School Breakfast Program, FNS [Note #1]	2,418	24.20%	590	2,503	23.42%	590	2,623	22.66%	590
Women, Infants and Children, FNS [Note #2]	4,547	0.82%	37	4,492	0.77%	35	4,594	0.72%	33
Child and Adult Care Food Program, FNS	757	1.51%	11	776	1.46%	11	796	1.41%	11
Milk Income Loss Contract Program, FSA [Note #6]	2	N/A	N/A	10	0.21%	0.1	15	0.21%	0.1
Loan Deficiency Payments, FSA [Note #6]	6	N/A	N/A	7	0.60%	0.1	7	0.60%	0.1
Direct and Counter-Cyclical Payments, FSA	3,988	0.65%	26	4,578	0.60%	27	4,406	0.60%	26
Conservation Reserve Program, FSA	1,876	1.20%	23	1,891	1.15%	22	1,933	1.10%	21
Miscellaneous Disaster Programs, FSA	2,245	3.00%	67	2,568	2.95%	76	1,291	2.90%	37
Noninsured Assistance Program, FSA	67	14.00%	9	325	12.00%	39	325	10.00%	33
Wildland Fire Suppression Management, FS	1,900	.02%	0.4	2,090	0.02%	0.4	2,300	0.02%	0.5





Improper Payment Reduction Outlook (\$ in millions)									
Program	FY 2009 Reporting			FY 2010 Reporting			FY 2011 Reporting		
	Outlays	IP%	IP\$	Outlays	IP%	IP\$	Outlays	IP%	IP\$
Rental Assistance Program, RD	924	3.90%	36	960	3.70%	36	999	3.50%	35
Federal Crop Insurance Corporation Program Fund, RMA	3,600	4.60%	166	3,900	4.50%	176	3,900	4.40%	172
Farm Security and Rural Investment, NRCS	1,519	0.30%	5	1,790	0.20%	4	1,800	0.15%	3

**Note #1:** Does not adjust for interaction between the different sources of certification error and counting/claiming error. Improper Payment Rates (SY 2005/06) times School Breakfast Program Outlays (FY 2006).

**Note #2:** WIC and CACFP tested components of their total program. WIC tested a vendor error component of the payment process using final 2006 numbers since FY 2007 are not yet available. CACFP tested the Family Day Care Home tiering decision component payment process of the total outlays. FNS intends to report a WIC certification error in FY 2009.

**Note #3:** The FY 2008 estimated improper payment dollar amounts for the Marketing Assistance Loan program, Direct & Counter-Cyclical Payments and the Conservation Reserve program reflect a slight variance from the relationship between the improper payment percentage and the outlays amount. These variances result from the complex, multi-stage statistical sampling methodology used to calculate the independent projections of the dollars/percentages in error. The variances are not an attribute measurement, but rather a complex ratio estimate weighted with respect to the payments within their applicable county stratification. They reflect the variability within the payment data and occur with a 90% confidence level.

**Note #4:** RMA has completed the third year of a three year testing cycle.

**Note #5:** For FY 2008, NRCS reviewed all of its Farm Security and Rural Investment (Farm Bill) programs due to concerns over eligibility data. For FY 2007, only the Conservation Security program was sampled. The Conservation Security program is one of six Farm Bill programs. For FY 2006, all Farm Bill programs were reviewed.

**Note #6:** The Milk Income Loss Contract (MILC) Program and Loan Deficiency Programs (LDP) will not be sampled for the FY 2009 IPIA Review Cycle since sampling is not cost effective due to the very low outlay amounts (\$2.2 million for MILC and \$5.5 million for LDP).

**V. Discussion of your Agency's Recovery Auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business changes and internal controls instituted and/or strengthened to prevent further occurrences. In addition, complete the table below.**

USDA continued its recovery audit program with eight agencies in FY 2008. All agencies used independent recovery audit firms working on contingency.

Steps taken to reduce future errors include strengthening internal controls by providing information related to all recovered monies and the underlying transactions to management. The most successful method of identifying funds to be recovered has been the review of vendor statements. Most amounts identified during FY 2008 were due to the vendor statements reviews of FY 2007 payments.

FY 2008 Recovery Auditing Results (\$ in Million)

Agency Component	Amount Subject to Review for FY 2008 Reporting	Actual Amount Reviewed and Reported	FY 2008 Amounts Identified for Recovery	FY 2008 Amounts Recovered	Prior Years Amounts Identified for Recovery	Prior Years Amounts Recovered	Cumulative (Current & Prior Years) Amounts Identified for Recovery	Cumulative (Current & Prior Years) Amounts Recovered
Forest Service	2,010.333	2,010.333	0.041	0.111	.640	0.571	.682	0.682
Natural Resources Conservation Service	1,072.288	1,072.288	0.000	0.000	0.026	0.026	0.026	0.026
Agricultural Research Service	503.822	53.822	0.000	0.000	0.000	0.000	0.000	0.000
Animal Plant Health Inspection Service	445.300	445.300	0.000	0.000	0.374	0.374	0.374	0.374
Farm Service Agency	196.985	196.985	0.000	0.000	0.047	0.047	0.047	0.047
Food Safety and Inspection Service	49.617	49.617	0.000	0.000	0.000	0.000	0.000	0.000
Rural Development	232.860	232.860	0.000	0.000	0.000	0.000	0.000	0.000
Agricultural Marketing Service	59.556	59.556	0.000	0.000	0.002	0.002	0.002	0.002
All Others	737.765	0.000	N/A	N/A	N/A	N/A	N/A	N/A
<b>USDA Total</b>	<b>5,308.526</b>	<b>4,570.161</b>	<b>0.041</b>	<b>0.111</b>	<b>1.089</b>	<b>1.020</b>	<b>1.131</b>	<b>1.131</b>

**VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.**

**FSA**

The following are steps that have or will continue to be taken to ensure agency managers are held accountable for reducing and recovering improper payments:

The National Office will continue supporting the use of the program checklists for eligibility and program policy by local offices processing program applications. By completing the program Checklists, the County Office (COF)

employee is certifying that the applicable program provisions have or have not been met. The County Executive Director (CED) and State Committee (STC), or their designated representative, are required to spot check a certain number of program checklists. The CED, or their designated representative, must report to County Office Committee (COC) and the STC representative any checklists in which CED does not concur with the preparer's determination. The STC, or their designee, shall submit the results of the spot checks to the State Executive Director (SED). SEDs are required to provide the National Office with a report of FSA programs spot checked.

- FSA has a performance management program in place to improve individual and organizational effectiveness in accomplishing the agency's mission and goals. This program provides for improper payments to be included in the SED Performance Plan, element 5 titled "Program Management";
- National and State Office (STO) managers are held accountable for ensuring that program policies and procedures are provided to the STO and COF employees accurately and on a timely basis. National Office managers are also held accountable, as reflected in the performance based rating measures, for overall program administration at the national level. FSA employees' performance elements are directly related to FSA's Strategic Plan;
- COF employees, including the CED, are responsible for making payments to producers and following all administrative steps in doing so. Employees will be evaluated on program delivery and their compliance with regulations, policies, and procedures through their performance plans;
- Deputy Administrator of Field Operations will facilitate meetings with the program areas to discuss any additional action necessary for senior management to address accountability; and
- Employees at all levels of the agency will be held accountable for efficient and accurate delivery of all FSA programs.

## **FNS**

An agency priority is to improve stewardship of Federal funds. Within this priority are specific goals applicable to programs at high risk for erroneous payments. The goal for the Food Stamp Program, Special Supplemental Nutrition Program for Women Infants and Children, and Child and Adult Care Food Program is to reduce the error rates. The agency goals and priorities are incorporated into each manager's performance plan.

## **FS**

The entire Albuquerque Service Center management team is held accountable by performance metrics that include compliance with the Improper Payments Information Act. Additionally, the agency chief financial officer will provide disbursement performance information to the agency head as part of the performance appraisals for senior leadership.

## **RD**

RD State Offices with an error rate of two percent or higher must develop a corrective action plan. The plan will include procedures to train field staff, borrowers and property manager in appropriate required documentation and follow-up with tenants and income-verifiers.

## **RMA**

RMA revised its strategic plan to provide results to enhance accountability. It also has established procedures to ensure RMA management takes future corrective actions to address program vulnerabilities. Additionally, every employee's performance plan agreement contained a position-corresponding strategic objective element since FY 2005.

## **NRCS**

NRCS has incorporated all of PMA's goals and objectives, including IPIA, in the performance standards for all senior executive service positions. These also are planned to be included in the regional assistant chiefs and state conservationist performance plans.

- VII A. Discussion of your Agency's Recovery Auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business changes and internal controls instituted and/or strengthened to prevent further occurrences.**
- VII B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its FY 2007 budget submission to Congress to obtain the necessary information systems and infrastructure.**

While USDA is creating information systems and infrastructure to reduce improper payments, especially for programs susceptible to significant risk, efforts in some programs are constrained by limited resources. USDA has worked closely with OMB to develop action plans that focus available resources on the most critical needs with regard to improper payment measurement and risk reduction.

- VIII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.**

### FSA/CCC

The Department of Agriculture Reorganization Act of 1994, Section 281 provides that “[E]ach decision of a State, county, or area committee or an employee of such a committee, made in good faith in the absence of misrepresentation, false statement, fraud, or willful misconduct shall be final not later than 90 calendar days after the date of filing of the application for benefits, [and] ...no action may be taken...to recover amounts found to have been disbursed as a result of the decision in error unless the participant had reason to believe that the decision was erroneous.” This statute commonly is referred to the “Finality Rule.”

### FNS

Recent Child Nutrition reauthorization legislation, while it did include some changes requested by the Administration to improve accountability, limited USDA's ability to act in this area because of concerns about potential barriers to participation. In many instances, the mandated goal of providing easy access to benefits must be balanced against the goal of reducing improper and erroneous payments. In addition, program administration is highly decentralized; there are approximately 100,000 school meals locations at which benefits are provided. Many of these benefit providers simply do not have the capacity to develop robust accountability processes. For these reasons, any approach to reducing school meals improper payments must:

- **Improve accuracy without compromising access for low-income families.** A process that keeps eligible children from participating would undermine the program.
- **Not unduly increase burden on schools.** Many schools consider the program burdensome now; adding burden could discourage schools from participating.
- **Be cost-effective.** Improving accuracy is potentially resource-intensive; policymakers must not create a process that increases net program costs.



- **Answer the needs of other users of program data**, which often use certification data to distribute millions of dollars in other kinds of benefits to schools. As these needs contribute to the problem, a solution may also require new commitments from those users.

USDA plans to develop additional proposals to address statutory barriers as part of the Child Nutrition reauthorization process planned for FY 2009. Opportunities for improvement in a number of areas will be explored, including potential changes the process under which schools select and verify an annual sample of certifications for accuracy.

## **RD**

The RD program does not have the statutory requirements similar to the Department of Housing and Urban Development to gain access to data from the Department of Health and Human Service's New Hire Database, Internal Revenue Service, Social Security Administration, and the Department of Labor to be shared with field offices and management agents.

## **NRCS**

Verification of eligibility will be an ongoing challenge for NRCS. It would be advantageous for NRCS to determine adjusted gross income eligibility on current and future Farm Security and Rural Investment Program (Farm Bill) participants by coordinating with the Internal Revenue Service (IRS). For long term contracts the IRS requirement for participants to maintain tax records expires prior to the expiration of the Farm Bill contracts, limiting the ability to independently verify eligibility.

**IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges as a result of IPIA implementation.**

USDA has no additional comments.