



United States Department of Agriculture  
Office of Inspector General





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



DATE: September 28, 2012

AUDIT  
NUMBER: 50024-0002-11

TO: Jon M. Holladay  
Deputy Chief Financial Officer  
Office of the Chief Financial Officer

ATTN: Kathleen A. Donaldson  
Audit Liaison Officer  
Planning and Accountability Division

FROM: Gil H. Harden  
Assistant Inspector General  
for Audit

SUBJECT: Executive Order 13520, *Reducing Improper Payments*—Fiscal Year 2011  
High-Dollar Report Review

This report presents the results of the subject audit. Your written response to the official draft report, dated September 28, 2012, is included in its entirety at the end of the report. Excerpts from your response and the Office of Inspector General's position are incorporated in the relevant sections of the report.

Based on your response, we accept management decision for all recommendations in the report, and no further response to us is necessary. In accordance with Departmental Regulation 1720-1, all final actions need to be completed within 1 year of each management decision to preclude them being listed in the Department's annual Performance and Accountability Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer, Director, Planning and Accountability Division.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions.



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# **Executive Order 13520, Reducing Improper Payments, Fiscal Year 2011 High-Dollar Report Review – 50024-0002-11**

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## **Executive Summary**

To intensify efforts to eliminate payment error, waste, fraud, and abuse in Federal programs, in 2009 the President issued Executive Order 13520 (Executive Order), *Reducing Improper Payments*, and the Office of Management and Budget (OMB) issued guidance for reporting high-dollar overpayments. The Executive Order requires Federal agencies to submit quarterly reports on any high-dollar overpayments identified in their high-risk programs to their respective Office of Inspector General (OIG) and the Council of the Inspectors General on Integrity and Efficiency.<sup>1</sup> Quarterly reports are to include information about the highest improper payments and information on agency actions and strategies to recover and prevent the overpayments. Overall, in fiscal year 2011, the Department of Agriculture (USDA) reported overpayments totaling approximately \$11.7 million. The Executive Order requires OIG to review USDA's quarterly high-dollar overpayments reports and make recommendations, as necessary, to agencies' plans to recover and prevent high-dollar overpayments.

Through this second annual review of USDA's compliance with this order, we found that USDA made significant improvements in identifying high-dollar overpayments within its 16 high-risk programs, which increased its reporting by more than 500 percent since the previous fiscal year. However, we noted that the component agencies' submissions to the Department did not always completely and accurately account for high-dollar overpayments and corrective actions, and that the Department did not submit these reports until 23 to 99 days after the required due date. Each of the reports either omitted reportable overpayments or included incorrect information on overpayments, or both. For example, one component agency did not report approximately \$1.7 million in cumulative overpayments to an entity. Reporting errors occurred because component agencies did not always interpret and apply available guidance correctly or have formal processes in place for identifying and reporting high-dollar overpayments. Without complete, accurate, and timely reporting, neither the Department nor OMB can measure the effectiveness of USDA component agencies' actions or strategies to eliminate the errors causing high-dollar overpayments.

During our review, component agencies and the Department implemented some corrective actions associated with our identified deficiencies. For example, in September 2011, USDA's Office of the Chief Financial Officer (OCFO) issued Departmental guidance to component agencies with further clarification regarding OMB's criteria for identifying reportable high-dollar overpayments, including: instruction on identifying cumulative overpayments for reporting, a specific formula for calculating the overpayment percentage, and specific guidance on reporting recovered overpayments. However, continued actions are needed to further improve the Department's compliance with the Executive Order. Therefore, we are recommending that OCFO provide additional oversight to ensure component agencies

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<sup>1</sup> 74 Federal Register 62201, Executive Order 13520, *Reducing Improper Payments* (November 20, 2009).

appropriately consider cumulative payments and use a uniform process for identifying reportable high-dollar overpayments.

## **Recommendation Summary**

We recommended that the OCFO provide additional oversight to ensure component agencies appropriately consider cumulative payments to a single individual or a single entity in their processes for identifying reportable high-dollar overpayments. We also recommended that the OCFO provide additional oversight to ensure component agencies consistently use the appropriate formula to calculate the overpayment percentage in accordance with OMB and OCFO guidance.

## **Agency Response**

In its September 28, 2012, written response to the official draft report, OCFO expressed agreement with all of our recommendations. OCFO will direct agencies to provide the documented processes used in identifying cumulative high-dollar overpayments and in calculating the overpayment percentage to OCFO for review and concurrence. Further, OCFO will ask agencies for examples in the OCFO guidance where clarification is needed, and conduct training on high-dollar reporting for agencies with high-risk programs.

## **OIG Position**

We accept OCFO's management decisions for all recommendations listed in this report.

# Background and Objectives

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## Background

Executive Order 13520 (Executive Order) is intended to assist Federal agencies in reducing improper payments.<sup>2</sup> It provides a comprehensive set of policies and a focus on identifying and eliminating the highest improper payments through increased transparency and improved agency accountability. The Executive Order requires agencies to report quarterly on any high-dollar overpayments identified in their high-risk programs.

As of fiscal year 2011, USDA had 16 high-risk programs subject to the Executive Order's high-dollar overpayment reporting requirements.<sup>3</sup> As listed in exhibit A, seven USDA component agencies administer these programs. Of the 16 programs, 9 reported high-dollar overpayments for fiscal year 2011. Exhibit B lists the sum of high-dollar overpayments for each applicable program and the number of payments the four relevant agencies made.

The Secretary of Agriculture has delegated the OCFO as the office within USDA responsible for coordinating and submitting USDA's high-dollar overpayments report. To assist OCFO in meeting reporting requirements, the seven component agencies administering USDA's high-risk programs must submit high-dollar overpayments data in accordance with OMB guidance for inclusion in the Department-level quarterly reports.

## Objectives

As required by the Executive Order, we reviewed USDA's quarterly reports on high-dollar overpayments. The objective of our audit was to assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the Secretary of Agriculture with recommendations, if any, for modifying USDA's recovery and corrective action plans. During our review, we recognized that USDA continued to lack adequate processes for identifying and reporting applicable high-dollar overpayments, which we noted in our 2010 report.<sup>4</sup> Therefore, we redirected our review to determine areas where USDA needed to improve the completeness, accuracy, and timeliness of its reporting, which will help strengthen USDA's identification of root causes and development of corrective actions for preventing high-dollar overpayments.

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<sup>2</sup> 74 Federal Register 62201, Executive Order 13520, *Reducing Improper Payments* (November 20, 2009).

<sup>3</sup> A high-risk program is any program susceptible to significant improper payments based on the criteria outlined in OMB Circular A-123, Parts I and II, Appendix C (April 14, 2011).

<sup>4</sup> Audit Report 50024-1-FM, *Calendar Year 2010 Executive Order 13520, Reducing Improper Payments, High Dollar Report Review* (July 15, 2011).



## Section 1: Compliance with High-Dollar Overpayments Reporting Requirements

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### Finding 1: Further Actions Are Needed To Identify and Report High-Dollar Overpayments

USDA's high-dollar reporting is not yet fully advancing transparency and agency accountability for identifying and eliminating the highest payment errors as intended. In this second year of reporting, USDA increased its reporting of high-dollar overpayments by more than 500 percent—from 19 in the previous year to 143 for fiscal year 2011. However, we found that USDA's fiscal year 2011 quarterly reports did not always completely, accurately, and timely account for high-dollar overpayments, recoveries, and preventative actions. Each of the reports either omitted reportable overpayments or included incorrect information on overpayments, or both. Further, the Department submitted none of its four quarterly reports on time. This occurred because the component agencies required to submit data for the Department-level reports did not always interpret and apply available guidance correctly, or have formal processes in place for identifying and reporting high-dollar overpayments. Without complete, accurate, and timely reporting, neither the Department nor OMB can measure the effectiveness of USDA component agencies' actions or strategies to eliminate the errors causing high-dollar overpayments.

OMB implementing guidance for Executive Order 13520 defines a reportable high-dollar overpayment as any overpayment in excess of 50 percent of the correct amount of the intended payment if:

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

OMB requires that the quarterly reports:

- List all high-dollar overpayments the agency identified during the quarter.
- Identify the program responsible for each overpayment listed, as well as the recipient type (individual or entity) and recipient's location (City/county, State).
- Include information on overall agency actions and strategies to recover and prevent the overpayments.
- Be submitted to the Office of Inspector General within 30 days after the end of the quarter.

Our review disclosed that three USDA component agencies, the Natural Resources Conservation Service (NRCS), Forest Service (FS), and Risk Management Agency (RMA), omitted qualifying overpayments from reporting because they misapplied high-dollar reporting criteria; two agencies, NRCS and Rural Development, may not have identified and reported all applicable overpayments because they lacked effective procedures for capturing and reporting high-dollar overpayments for part or all of the fiscal year; and NRCS submitted incorrect information about overpayment amounts and corrective actions. Further, as in fiscal year 2010, the Department

continued to struggle with report timeliness and submitted none of its four quarterly reports on time. The following sections provide further details:

### *Three Agencies Misapplied High-Dollar Reporting Criteria*

NRCS, FS, and RMA misapplied OMB's criteria for identifying reportable high-dollar overpayments and omitted overpayments qualifying as reportable from their agency submissions to OCFO for the Department-level quarterly reports. This occurred because the agencies misinterpreted, or deviated from, the requirements of OMB's guidance. As a result, we found several errors in these agencies' submissions.

For instance, we found that NRCS omitted three reportable overpayments, totaling \$34,319, because officials used an incorrect formula to apply the \$5,000 and \$25,000 criterion for determining reportable overpayments. NRCS also omitted a \$129,150 recovered overpayment and explained the omission as an oversight. This was similar to an issue we noted for the Farm Service Agency in our 2010 report.<sup>5</sup> Although OMB guidance did not specifically state that overpayments recovered during the same quarter should be reported, it did require agencies to report any qualifying overpayments identified.

In September 2011, OCFO issued Departmental guidance to agencies with further clarification regarding OMB's criteria for identifying reportable high-dollar overpayments, including a specific formula for calculating the overpayment percentage and specific guidance on reporting recovered overpayments. NRCS used the correct formula to determine reportable overpayments for the fourth quarter of fiscal year 2011, and included those omitted overpayments, which we had identified, on the Department-level second quarter report of fiscal year 2012. Therefore, we are making no recommendations regarding NRCS' misidentified overpayments.

In another instance, we found that FS identified two separate improper payments made to the same recipient during the same quarter in the amounts of \$6,224, and \$1,821. Both overpayments were over 50 percent of the correct amount. In accordance with quarterly reporting guidance, these payments should have been reported cumulatively in the amount of \$8,045.<sup>6</sup> Since one of the payments fell below the individual payment threshold of \$5,000, it was not reported at all. We brought this to the attention of FS officials, who obtained clarification from OCFO regarding reporting requirements. OCFO agreed with our conclusion on cumulative payments. Thus, FS needs to modify its processes for identifying reportable high-dollar overpayments so that cumulative payments to a single individual or a single entity are appropriately considered.

Finally, we found an instance where RMA did not report \$1.7 million in cumulative overpayments to a single entity, meeting both the 50 percent and \$25,000 criterion to qualify as reportable for the quarter. RMA did not identify and report the cumulative

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<sup>5</sup> Audit Report 50024-1-FM, *Calendar Year 2010 Executive Order 13520, Reducing Improper Payments, High Dollar Report Review* (July 15, 2011).

<sup>6</sup> We derived \$8,045 by adding the two improper payment amounts of \$6,224 and \$1,821.

overpayments because RMA tracked overpayments by policy number instead of by a single entity. We also found that RMA used an incorrect formula to determine reportable high-dollar overpayments, thereby possibly understating its reportable high-dollar overpayments.<sup>7</sup> Due to the formula error, overpayments that should have been classified as high-dollar may have been omitted from RMA's quarterly submissions to OCFO. Thus, RMA needs to modify its processes for identifying reportable high-dollar overpayments so that cumulative payments to a single entity are appropriately considered, and correct its formula to comply with OMB and OCFO identification guidance.

### *Two Agencies Lacked Processes for Identifying High-Dollar Overpayments*

NRCS and Rural Development did not have formal processes in place for capturing and reporting high-dollar overpayments for the first two quarters and for the entire year, respectively. As reported in Audit Report 10024-0001-11, NRCS had been working to develop a process, but did not have it in place when the Executive Order took effect.<sup>8</sup> Rural Development, however, had not developed a process because officials believed the nature of program payments would not result in high-dollar overpayments. As a result, NRCS and Rural Development management did not know the extent of high-dollar overpayments and actions needed to recover and prevent the overpayments.

After initial discussions with Rural Development officials, we determined that Rural Development had not established a process for identifying and reporting high-dollar overpayments because they considered the payments on behalf of individual participants were below the \$5,000 and \$25,000 criteria for determining reportable overpayments. However, we found that most of Rural Development payments are made to an entity or one individual on behalf of multiple program participants, which may result in high-dollar overpayments. Therefore, with concurrence from Rural Development and OCFO, we concluded that Rural Development should establish a process for identifying potential high-dollar overpayments to individuals and entities.

For the third quarter of fiscal year 2011 and the third quarter of fiscal year 2012, respectively, NRCS and Rural Development began reporting high-dollar overpayments to OCFO for the Department-level quarterly reports.<sup>9</sup> They identified the overpayments through processes they implemented for examining and utilizing relevant sources of information available to them. Accordingly, we are making no recommendations on this issue.

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<sup>7</sup> OMB implementing guidance defines a reportable high-dollar overpayment as any overpayment in excess of 50 percent of the correct amount of the intended payment. The correct formula for calculating the overpayment percentage is overpayment amount divided by intended (or correct) payment amount times 100. RMA incorrectly divided the overpayment amount by the total payment made times 100, which resulted in a lower percentage.

<sup>8</sup> Audit Report 10024-0001-11, *Fiscal Year 2011 Natural Resources Conservation Service Improper Payment Review* (May 18, 2012).

<sup>9</sup> As reported in Audit Report 10024-0001-11, NRCS did report \$2.1 million in high-dollar overpayments for the second quarter of fiscal year 2011. The overpayments reported were identified in our OIG Audit Report 10601-0004-KC, *Natural Resources Conservation Service Conservation Security Program* (June 25, 2009), and we noted that NRCS did not identify any additional overpayments on its own.

### *One Agency Submitted Incorrect Overpayment Amounts and Corrective Actions*

Our review disclosed that NRCS sometimes submitted incorrect information on overpayment amounts, recoveries, and preventative actions to OCFO for the Department-level quarterly reports on high-dollar overpayments. Specifically, NRCS incorrectly:

- Reported two overpayments of \$5,040 and \$6,445 that did not need reporting because they did not meet the 50-percent criterion.
- Reported \$21,259 in liquidated damages assessed for two terminated contracts, although liquidated damages are not considered improper payments.
- Reported \$61,664, instead of \$81,168, as an identified overpayment because they omitted \$19,504 in funds already recovered.
- Reported a \$5,765 overpayment as recovered when no such action occurred.
- Reported a reason and preventative actions for an overpayment that did not address the actual cause of the overpayment.<sup>10</sup>

This occurred because NRCS misinterpreted the requirements from OMB's guidance or NRCS internal reviews missed these errors. As reported in Audit Report 10024-0001-11, NRCS had resource limitations in its Quality Assurance Division.<sup>11</sup> However, we are making no recommendations for these issues because, in September 2011, OCFO issued adequate Departmental guidance to its component agencies, which provided further clarification on terms, payments, corrective actions, and specific instances for the reporting of high-dollar overpayments. Also, as reported in Audit Report 10024-0001-11, NRCS identified that it added staff to the Quality Assurance Division to facilitate improvements in its review processes.

### *USDA Continued To Struggle with Report Timeliness*

As in fiscal year 2010, the Department did not timely submit the quarterly reports on high-dollar overpayments for fiscal year 2011. OMB permitted Federal agencies up to 30 days after the end of the quarter to submit the reports to their respective OIG. We received the reports from 23 to 99 days after the required due date, specifically, 23 days for the first quarter, 44 days for the second, 99 days for the third, and 29 days for the fourth. This occurred, in part, because the Department and its component agencies did not have adequate identification, review, and compilation processes in place throughout the entire fiscal year. We emphasize that untimely reporting may lessen transparency and

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<sup>10</sup> NRCS reported that an overpayment was made because a practice was not performed in accordance with the contract. To prevent similar overpayments from occurring, NRCS stated that it would reiterate existing policy to field offices on certification of activities and adequate supporting documentation. However, we found that the practice was performed correctly, but it overlapped with land associated with another NRCS program, which requires approval before execution. We determined that the root cause was NRCS' failure to identify the overlap of land units submitted for both programs; an appropriate corrective action could include training personnel on verifying program participation information.

<sup>11</sup> Audit Report 10024-0001-11, *Fiscal Year 2011 Natural Resources Conservation Service Improper Payment Review* (May 18, 2012).

delay accountability for identifying and eliminating high-dollar payment errors. For fiscal year 2012, OCFO issued departmental guidance establishing report certification requirements and modified submission due dates for the component agencies to assist with timely reporting; therefore, we are making no recommendations at this time.

Overall, we conclude that to further improve established processes, OCFO needs to emphasize the requirements of the Executive Order, OMB guidance, and the Department's supplemental guidance to all its component agencies with high-risk programs to ensure that high-dollar overpayments are appropriately and consistently identified and reported. By taking these steps, USDA can more accurately and comprehensively measure the effectiveness of USDA's efforts to eliminate the errors causing high-dollar overpayments.

### **Recommendation 1**

Provide additional oversight to ensure component agencies appropriately consider cumulative payments to a single individual or a single entity in their processes for identifying reportable high-dollar overpayments.

#### **Agency Response**

OCFO officials concurred with this recommendation and stated that the OCFO will direct agencies to provide documented processes for identifying and reporting cumulative high-dollar overpayments to OCFO for review and concurrence. Further, OCFO will ask agencies for examples in the OCFO guidance where clarification is needed and conduct training on high-dollar reporting for agencies with high risk programs. OCFO plans to complete all actions by March 29, 2013.

#### **OIG Position**

We accept OCFO's management decision.

### **Recommendation 2**

Provide additional oversight to ensure component agencies consistently use the appropriate formula to calculate the overpayment percentage in accordance with OMB and OCFO guidance.

#### **Agency Response**

OCFO officials concurred with this recommendation and stated that the OCFO will direct agencies to provide the overpayment percentage formula used in identifying high-dollar overpayments for reporting to OCFO for review and concurrence. Further, OCFO training for agencies with high risk programs will include instruction on the proper calculation of the overpayment percentage. OCFO plans to complete all actions by March 29, 2013.

## **OIG Position**

We accept OCFO's management decision.

## Scope and Methodology

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Our review was for the limited purpose described in the objectives and would not necessarily identify all deficiencies in internal controls for determining high-dollar overpayments. We reviewed USDA's fiscal year 2011 quarterly reports on high-dollar overpayments. To accomplish our objectives, we met with OCFO officials in Washington, D.C., and held teleconferences with officials from the 7 component agencies administering the 16 high-risk programs responsible for reporting high-dollar overpayments. We interviewed these officials and evaluated supporting documentation provided by them. Fieldwork for this review was performed between November 2011 and July 2012. We followed applicable generally accepted government auditing standards in performing this review, and we believe the evidence obtained provides a reasonable basis for our conclusions, based on our objectives.

## Abbreviations

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FS .....	Forest Service
NRCS .....	Natural Resources Conservation Service
OCFO .....	Office of the Chief Financial Officer
OIG .....	Office of Inspector General
OMB .....	Office of Management and Budget
RMA .....	Risk Management Agency
USDA.....	Department of Agriculture



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

Exhibit A provides a list of USDA's 16 current high-risk programs.

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

## Exhibit B: Summary of USDA's Reported Fiscal Year 2011 High-Dollar Overpayments

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Exhibit B lists the number and sum of high-dollar overpayments made in fiscal year 2011 by 9 of the 16 high-risk programs.

USDA Agency	High-Risk Program	Number of Reported High-Dollar Overpayments	Sum of Reported High-Dollar Overpayments
1. Forest Service	Wildland Fire Suppression Management Program	2	\$ 121,466
2. Farm Service Agency	Conservation Reserve Program	6	\$ 73,559
3. Farm Service Agency	Direct and Counter-Cyclical Payments	9	\$ 182,454
4. Farm Service Agency	Marketing Assistance Loan Program	7	\$ 646,448
5. Farm Service Agency	Milk Income Loss Contract Program	6	\$ 143,669
6. Farm Service Agency	Miscellaneous Disaster Programs	9	\$ 152,586
7. Farm Service Agency	Noninsured Assistance Program	10	\$ 161,621
8. Natural Resources Conservation Service	Farm Security and Rural Investment Program	45	\$ 3,118,332
9. Risk Management Agency	Federal Crop Insurance Corporation Program Fund	49	\$ 7,079,494
<b>Total</b>		<b>143</b>	<b>\$ 11,679,629</b>



**USDA'S  
OFFICE OF THE CHIEF  
FINANCIAL OFFICER'S  
RESPONSE TO AUDIT REPORT**





**United States  
Department of  
Agriculture**

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September 28, 2012

TO: Tracy A. LaPoint  
Deputy Assistant Inspector General  
for Audit

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

SUBJECT: Management Response to *Executive Order 13520, Reducing Improper Payments-  
Fiscal Year 2011 High-Dollar Report Review*, Audit No. 50024-0002-11

This responds to your request for management's response to the draft report audit recommendations in Audit Report No. 50024-0002-11. The management response is attached.

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

Attachment

## **Fiscal Year 2011 High-Dollar Report, Audit No. 50024-0002-11**

### **Recommendation 1**

Provide additional oversight to ensure component agencies appropriately consider cumulative payments to a single individual or a single entity in their processes for identifying reportable high-dollar overpayments.

**Management Response:** The Office of the Chief Financial Officer (OCFO) concurs with the Office of Inspector General's (OIG) finding that agencies misinterpreted or deviated from the requirement of the Office of Management and Budget (OMB) and OCFO guidance which resulted in omission and/or errors in agencies submissions.

OCFO will ask agencies for examples in the OCFO guidance that need further clarification and revise language in the OCFO guidance concerning cumulative overpayments.

OCFO will direct agencies to develop and document their process for identifying and reporting high-dollar overpayments; and provide the documented process to OCFO for review and concurrence.

**Date Corrective Action will be Completed: December 31, 2012**

OCFO will conduct a training session for agencies with high risk programs covering the OMB and OCFO guidance for identifying and reporting high-dollar overpayments.

**Date Corrective Action will be Completed: March 29, 2013**

**Responsible Organization: Fiscal Policy Division, Office of the Chief Financial Officer**

### **Recommendation 2**

Provide additional oversight to ensure component agencies consistently use the appropriate formula to calculate the overpayment percentage in accordance with OMB and OCFO guidance.

**Management Response:** OCFO concurs with OIG's finding that agencies misinterpreted, or deviated from the requirement of the OMB and OCFO guidance which resulted in miscalculation of overpayments percentage that resulted in reporting errors.

OCFO will direct agencies to develop and document their process for identifying and reporting high-dollar overpayments; particularly the formula used and provide the documented process to OCFO for review and concurrence.

**Date Corrective Action will be Completed: December 31, 2012**

**Executive Order 13520, Reducing Improper Payments,  
Fiscal Year 2011 High-Dollar Report, Audit No. 50024-0002-11**

OCFO will conduct a training session for agencies with high risk programs covering the OMB and OCFO guidance for identifying and reporting high-dollar overpayments. Training will include instruction on how to properly calculate the overpayment percentage.

**Date Corrective Action will be Completed: March 29, 2013**

**Responsible Organization: Fiscal Policy Division, Office of the Chief Financial Officer**



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[www.usda.gov/oig/index.htm](http://www.usda.gov/oig/index.htm)

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