

**Farm Credit Administration
Office of Inspector General**

Inspection Report

**Farm Credit Administration's
Compliance with the Payment
Integrity Information Act of 2019
for Fiscal Year 2023**

I-24-01

February 5, 2024



**Farm Credit Administration
Office of Inspector General**



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The Honorable Vincent G. Logan, Board Chairman and Chief Executive Officer
The Honorable Jeffery S. Hall, Board Member
The Honorable Glen R. Smith, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Chairman Logan and Board Members Hall and Smith:

The Office of Inspector General (OIG) completed an inspection on the Farm Credit Administration's (FCA or Agency) compliance with the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year (FY) 2023. The objective of this inspection was to determine if FCA complied with the PIIA for FY 2023. We determined that FCA complied with PIIA requirements applicable to the Agency for FY 2023 and, based on the limited review performed, the Agency's efforts to prevent and reduce improper payments appear to be reasonable. As required, FCA published a Performance and Accountability Report, which contained the financial statements for FY 2023. FCA also published payment integrity information in the report and posted the report on the Agency website. FCA also reported agency-level payment integrity results on the paymentaccuracy.gov site.

FCA also completed the required improper payment risk assessments and analyzed programs for susceptibility to improper payments. FCA completed the risk assessments in May 2021 and determined that all programs and activities were low risk and not susceptible to significant improper payments. The OIG did not identify any concerns with the conclusion that FCA was low risk for significant improper payments and that the programs are below the established thresholds for additional reporting requirements.

In accordance with the PIIA and implementing guidance, the report will be provided to the Committees on Agriculture, Nutrition, and Forestry, Appropriations, and Homeland Security and Governmental Affairs of the U.S. Senate; the Committees on Agriculture, Appropriations, and Oversight and Accountability of the U.S. House of Representatives; the Office of Management and Budget; and the Comptroller General.

We appreciate the courtesies and professionalism extended by FCA, especially the Office of the Chief Financial Officer, to our staff during the inspection. If you have any questions, we would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink, appearing to read 'Sonya K. Cerne'.

Sonya K. Cerne
Assistant Inspector General for Audits, Inspections, and Evaluations

EXECUTIVE SUMMARY

Farm Credit Administration's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2023

Report No. I-24-01

February 5, 2024

Objective

The objective of this inspection was to determine if FCA complied with PIIA for FY 2023.

Recommendations

Due to FCA's compliance with the PIIA requirements, we did not make any recommendations in this report.

Agency Response

The Agency elected to not provide formal comments to be included in the report.

Why We Did This Inspection

Signed into law on March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) was enacted to improve efforts to identify and reduce Governmentwide improper payments. PIIA sets forth improper payment reporting requirements for federal agencies, including an annual compliance review to be conducted by agency offices of inspectors general.

How We Did This Inspection

To determine compliance with payment integrity requirements, we reviewed the Farm Credit Administration's (FCA or Agency) Fiscal Year (FY) 2023 Performance and Accountability Report (PAR) for improper payment and payment integrity information. We reviewed the improper payment risk assessments for outlay data, information considered in risk ratings, and the scoring for each area. We also reviewed FCA's submissions into the Annual Improper Payments Dashboard.

What We Found

We determined that FCA complied with PIIA requirements applicable to the Agency for FY 2023 and, based on the limited review performed, the Agency's efforts to prevent and reduce improper payments appeared to be reasonable. FCA published a PAR for FY 2023, included applicable payment integrity reporting information, and posted the FY 2023 PAR on the Agency's website. FCA also reported agency-level payment integrity results on the paymentaccuracy.gov site.

FCA also completed the required improper payment risk assessments and analyzed programs for susceptibility to improper payments. FCA completed the risk assessments in May 2021 and determined that all programs and activities were low risk and not susceptible to significant improper payments. As outlined in PIIA, FCA is required to complete risk assessments every three years.

As none of the programs or activities assessed by FCA were determined to be susceptible to significant improper payments, the Agency was not required to: publish improper payment and unknown payment estimates, corrective action plans, or reduction targets; demonstrate improvements to payment integrity or reach tolerable improper payment and unknown payment rates; develop plans to meet reduction targets; or report payment estimates of less than 10 percent.

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BACKGROUND

Farm Credit Administration

The Farm Credit Administration (FCA or Agency) is an independent federal agency responsible for regulating and supervising the Farm Credit System (System). The Agency is responsible for ensuring that all System institutions are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. To support the mission, FCA's Office of the Chief Financial Officer is responsible for reporting the agency's financial results, providing financial management policy advice, and managing federal financial management requirements.

Payment Integrity

An important part of financial management for every federal agency is to ensure that improper payments are prevented and reduced. On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) repealed and amended several improper payment and other related laws. PIIA aims to improve efforts to identify and reduce Governmentwide improper payments and sets forth improper payment¹ reporting requirements for federal agencies, including an annual compliance review to be conducted by agency offices of inspectors general (OIGs).

On March 5, 2021, the U.S. Office of Management and Budget (OMB) issued a revised version of Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, which provides guidance on PIIA implementation. The goal of this revised version is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements.

OIG Compliance Review Requirements

OMB Circular A-123, Appendix C and guidance issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) outline specific procedures on how OIGs should determine compliance with PIIA. Guidance further requires OIGs to perform the compliance review as informed by OMB Circular A-136, OMB Annual Data Call Instructions, and OMB's Payment Integrity Question and Answer Platform.

Under this guidance, OIGs must determine compliance with specific PIIA requirements. Compliance is defined by whether an agency has:

- Published payment integrity information with the annual financial statement;

¹ PIIA defines an improper payment as, "any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement." If a program cannot discern whether a payment is proper or improper, the payment is considered an unknown payment.

- Posted the annual financial statement and accompanying materials on the agency website;
- Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years;
- Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold;
- Published improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement;
- Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- Published an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate;
- Developed a plan to meet the improper payment and unknown payment reduction target; and
- Reported an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

In reporting compliance with the above criteria, guidance advises OIGs to use a compliant/non-compliant approach that takes into account whether its current work, prior work, and professional judgment lead the OIG to conclude that it has concerns regarding completeness or inaccuracies that would significantly alter the payment integrity information reported by the agency.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this inspection was to determine if FCA complied with PIIA for Fiscal Year (FY) 2023.

Scope

The scope of the inspection was limited to compliance for FY 2023. The inspection was conducted at FCA's headquarters in McLean, Virginia from January through February 2024.

Methodology

We took the following steps to accomplish the objective:

- Identified and reviewed applicable laws, regulations, policy, procedures, guidance, and other background information applicable to the objective.
- Identified and reviewed applicable internal FCA policies and procedures.
- Reviewed prior reviews related to the inspection objective.

Tests Performed

- Reviewed FCA's FY 2023 Performance and Accountability Report (PAR) for improper payment and payment integrity information. We compared the information to the requirements set forth in PIIA and implementing guidance and verified posting of the FY 2023 PAR to the agency website.
- Reviewed FCA's submission in paymentaccuracy.gov for FY 2023. We reviewed the Agency's reporting in the Annual Improper Payments Dashboard for the identification and recovery of overpayments and other payment integrity data.
- Reviewed improper payment risk assessments conducted in FY 2021. We reviewed the risk assessments for outlay data, information considered in risk ratings, and each area's risk score. This information was not changed from the prior year's compliance testing and the next set of risk assessments is not due until FY 2024. The Agency had not performed the next round of risk assessments as of January 2024; therefore, the next three-year period of risk assessments will be reviewed in the FY 2024 PIIA compliance inspection.
- Summarized compliance ratings for the applicable sections of payment integrity requirements.

Quality Standards for Inspection and Evaluation

This inspection was performed in accordance with CIGIE's Quality Standards for Inspection and Evaluation. These standards require that we plan and perform the inspection to obtain sufficient and appropriate evidence that provides a reasonable basis for our findings, conclusions, and recommendations. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. We assessed the information and data collected during the inspection and determined it was sufficiently reliable and valid for use in meeting the inspection objective. We assessed the risk of fraud related to our inspection objective while evaluating evidence and had no matters come to our attention indicating fraud or illegal acts were occurring. Overall, we believe the evidence obtained is appropriate and sufficient to provide a reasonable basis for our findings and conclusions based on the inspection objective.

INSPECTION RESULTS

We determined that FCA complied with PIIA requirements applicable to the Agency for FY 2023 and, based on the limited review performed, the Agency's efforts to prevent and reduce improper payments appear to be reasonable.

- FCA published a PAR for FY 2023 in November 2023 that included the annual financial statements and applicable payment integrity reporting information. The Agency also posted the **FY 2023 PAR** on the Agency's website.
- FCA reported in the Annual Improper Payments Dashboard on **paymentaccuracy.gov** on the identification and recovery of overpayments and other payment integrity data.
- FCA completed the required improper payment risk assessments and analyzed programs for susceptibility to improper payments. As part of the risk assessments conducted for the period ended September 30, 2020, FCA assessed five programs and activities: contract payments and invoices; purchase cards; travel cards; claims and vouchers; and payroll. FCA completed the risk assessments in May 2021 and determined that all programs and activities were low risk and not susceptible to significant improper payments.
- The Agency is not required to complete risk assessments again until FY 2024. As of January 2024, the risk assessments had not been completed; therefore, we will review the new risk assessments as part of the FY 2024 PIIA compliance inspection.
- As none of the programs or activities assessed by FCA were determined to be susceptible to significant improper payments, the Agency was not required to publish improper payment and unknown payment estimates, publish corrective action plans, publish reduction targets, demonstrate improvements to payment integrity or reach tolerable improper payment and unknown payment rates, develop plans to meet reduction targets, or report payment estimates of less than 10 percent. Further, there are no Agency programs designated as a high priority program.

Compliance Ratings by Program

The following table summarizes FCA's compliance with payment integrity reporting requirements by program.

Table 1: FCA Compliance with FY 2023 PIIA Requirements by Program

	CONTRACT PAYMENTS AND INVOICES	PURCHASE CARD	TRAVEL CARD	CLAIMS AND VOUCHERS	PAYROLL
Published payment integrity information with the annual financial statement	Compliant	Compliant	Compliant	Compliant	Compliant
Posted the annual financial statement and accompanying materials on the agency website	Compliant	Compliant	Compliant	Compliant	Compliant
Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Compliant	Compliant	Compliant	Compliant	Compliant
Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold	Compliant	Compliant	Compliant	Compliant	Compliant
Published improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement	N/A	N/A	N/A	N/A	N/A
Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	N/A	N/A	N/A	N/A	N/A
Published an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	N/A	N/A	N/A	N/A	N/A
Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate	N/A	N/A	N/A	N/A	N/A

Developed a plan to meet the improper payment and unknown payment reduction target	N/A	N/A	N/A	N/A
Reported an improper payment and unknown payment estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement	N/A	N/A	N/A	N/A

Because FCA was in compliance with the PIIA requirements, we did not have recommendations in this report. FCA management waived an exit conference and elected to not provide formal comments to be included in the report.

ACRONYMS

CIGIE	Council of the Inspectors General on Integrity and Efficiency
FCA or Agency	Farm Credit Administration
FY	Fiscal Year
OMB	U.S. Office of Management and Budget
OIG	Office of Inspector General
PAR	Performance and Accountability Report
PIIA	Payment Integrity Information Act of 2019
System	Farm Credit System



Farm Credit Administration
Office of Inspector General

REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT

Fraud, waste, abuse, and mismanagement in government concerns everyone: Office of Inspector General staff, FCA employees, Congress, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to FCA programs and operations. You can report allegations to us in several ways:

**Phone: (800) 437-7322 (Toll-Free)
(703) 883-4316**

Email: fca-ig-hotline@rcn.com

**Mail: 1501 Farm Credit Drive
McLean, VA 22102-5090**

To learn more about reporting wrongdoing to the OIG, please visit our website at <https://www.fca.gov/about/inspector-general>.