

Farm Credit Administration

Office of Inspector General
1501 Farm Credit Drive
McLean, Virginia 22102-5090

May 15, 2020

The Honorable Glen R. Smith, Board Chairman and CEO
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102



The Honorable Ron Johnson
Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
Dirksen Senate Office Building, SD-340
Washington, DC 20510

The Honorable Carolyn B. Maloney
Chairwoman
Committee on Oversight and Reform
United States House of Representatives
Rayburn House Office Building, 2157
Washington, DC 20515

The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and
Governmental Affairs
United States Senate
Hart Senate Office Building, SH-442
Washington, DC 20510

The Honorable Jim Jordan
Ranking Member
Committee on Oversight and Reform
United States House of Representatives
Rayburn House Office Building, 2105
Washington, DC 20515

The Honorable Russell T. Vought
Acting Director
U.S. Office of Management and Budget
725 17th Street NW
Washington, DC 20503

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G. Street NW, Room 5490
Washington, DC 20548

**Re: Farm Credit Administration's Compliance with Improper Payment Reporting
Requirements for Fiscal Year 2019**

To Whom It May Concern:

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), required federal agencies to identify and report on

programs and activities that may be susceptible to significant improper payments.¹ U.S. Office of Management and Budget (OMB) Memorandum M-18-20, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, defines “significant improper payments” as gross annual improper payments in a program exceeding: 1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year (FY) reported, or 2) \$100,000,000 (regardless of the improper payment percentage of total program outlays). Per IPERIA, OMB identifies high-priority programs for greater levels of oversight and review. The high-priority threshold for FY 2019 reporting is \$2 billion in estimated improper payments as reported in the Agency Financial Report (AFR) or Performance and Accountability Report (PAR).

Inspectors General are required annually to report on whether their agency is in compliance with improper payment reporting requirements. OMB Memorandum M-18-20 and IPERIA describe what each Inspector General should review to assess their agency’s compliance. Compliance is defined by whether the agency has:

- Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
- Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required);
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- Published programmatic corrective action plans in the AFR or PAR (if required);
- Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.

Based on the above criteria, the Farm Credit Administration (FCA or Agency) Office of Inspector General determined that FCA complied with improper payments reporting requirements applicable to the Agency for FY 2019.

FCA published a PAR for FY 2019 on November 8, 2019, and posted the PAR on the Agency’s website. FCA conducted risk assessments for FY 2017 and determined that all programs and activities were low risk and not susceptible to significant improper payments. For programs that are deemed not to be susceptible to significant improper payments, agencies must perform risk assessments at least once every three years. Therefore, FCA was not required to conduct a risk assessment for FY 2019, and the next required risk assessment will be for the period ending September 30, 2020. 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

¹ In March 2020, the Payment Integrity Information Act of 2019 (PIIA) repealed and reconstituted these and other requirements, with amendments, at 31 U.S.C. §§ 3351–3358. The OIG understands that OMB guidance on implementation of the changes made in the PIIA is forthcoming.

payment estimates, publish programmatic corrective action plans, publish and meet annual reduction targets, or report gross improper payment rates of less than 10 percent.

As part of its FY 2017 risk assessments, FCA assessed five programs and activities: contract payments and/or invoices; purchase cards; travel cards; claims and/or vouchers; and Federal employee payments, including payroll. The following table summarizes FCA's compliance with improper payments reporting requirements with respect to those programs.

Program Name	Published an AFR or PAR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Reported an Improper Payment Rate of Less Than 10 Percent
Contract Payments and/or Invoices	Compliant	N/A	N/A	N/A	N/A	N/A
Purchase Card	Compliant	N/A	N/A	N/A	N/A	N/A
Travel Card	Compliant	N/A	N/A	N/A	N/A	N/A
Claims and/or Vouchers	Compliant	N/A	N/A	N/A	N/A	N/A
Federal Employee Payments, Including Payroll	Compliant	N/A	N/A	N/A	N/A	N/A

Should you have any questions, please do not hesitate to contact me at (703) 883-4030.

Respectfully,



Wendy R. Laguarda
Inspector General