

May 17, 2021

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



Re: The Farm Credit Administration’s Compliance with the Payment Integrity Information Act for Fiscal Year 2020

Dear Chairman Smith and Board Member Hall:

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 in accordance with guidance issued by the U.S. Office of Management and Budget (OMB). On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) repealed IPERA and other laws, but set forth similar improper payment reporting requirements, including an annual compliance review to be conducted by agency offices of inspectors general (OIGs).

Because final OMB guidance implementing the PIIA was not expected to be issued until February 2021, the Farm Credit Administration (FCA or Agency) OIG review for fiscal year (FY) 2020 was informed by a combination of the requirements in OMB Circular A-123, Appendix C (M-18-20, issued June 2018), OMB Circular A-136 (issued August 2020), OMB data call instructions, OMB’s Payment Integrity Question and Answer Platform, and guidance issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Under this guidance, compliance is defined by whether an agency has:

- Published improper payments information with the annual financial statement of the agency¹ for the most recent FY;
- Posted the annual financial statement and accompanying materials required under guidance of OMB 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;

¹ A report published annually in the form of an Agency Financial Report (AFR) or a Performance and Accountability Report (PAR) that provides financial and performance results that enable the President, Congress, and the American people to assess accomplishments for each fiscal year.

- Adequately concluded whether the program is likely to make improper payments above or below the statutory threshold;
- Published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement;
- Published corrective action plans for each program for which an estimate was above the statutory threshold;
- Published improper payment reduction targets for each program for which an estimate was above the statutory threshold;
- Is meeting the improper payment reduction targets (published in FY 2019) for each program for which an estimate was above the statutory threshold;
- Developed a plan to meet the improper payment reduction targets; and
- Reported an improper payment estimate of less than 10% for each program for which an estimate was published.

In reporting compliance with the above criteria, CIGIE guidance advises OIGs to use a compliant/non-compliant approach that takes into account whether its current work, prior work, and professional judgement 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.

The FCA OIG determined that FCA complied with PIIA requirements applicable to the Agency for FY 2020. Additionally, the Agency's efforts to prevent and reduce improper payments appear to be reasonable, based on the limited review performed.

FCA published a PAR for FY 2020 in November 2020, which included improper payments reporting information, and posted the PAR on the Agency's website at <https://www.fca.gov/template-fca/about/PerformanceAndAccountabilityReportFY2020.pdf>. FCA last concluded risk assessments in January 2018 for the period ended September 30, 2017. The Agency 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 during FY 2020. Moreover, 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 estimates, publish corrective action plans, publish and meet annual reduction targets, or report gross improper payment rates of less than 10 percent.

As part of the risk assessments conducted for the period ended September 30, 2017, 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.

Table 1: FCA Compliance with FY 2020 PIIA Requirements

	Contract Payments and/or Invoices	Purchase Card	Travel Card	Claims and/or Vouchers	Federal Employee Payments, Including Payroll
Published improper payments information with the annual financial statement of the agency for the most recent fiscal year	Compliant	Compliant	Compliant	Compliant	Compliant
Posted the annual financial statement and accompanying materials required under guidance of OMB 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 above or below the statutory threshold	N/A	N/A	N/A	N/A	N/A
Published improper payment estimates for programs susceptible to significant improper 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 was above the statutory threshold	N/A	N/A	N/A	N/A	N/A
Published improper payment reduction targets for each program for which an estimate was above the statutory threshold	N/A	N/A	N/A	N/A	N/A
Is meeting the improper payment reduction targets (published in FY 2019) for each program for which an estimate was above the statutory threshold	N/A	N/A	N/A	N/A	N/A
Developed a plan to meet the improper payment reduction targets	N/A	N/A	N/A	N/A	N/A
Reported an improper payment estimate of less than 10% for each program for which an estimate was published	N/A	N/A	N/A	N/A	N/A

In accordance with the PIIA and implementing guidance, this letter will be provided to the Committee on Homeland Security and Governmental Affairs of the U.S. Senate, the Committee on Oversight and Reform of the U.S. House of Representatives, OMB, and the Comptroller General.

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

Respectfully,



Wendy R. Laguarda
Inspector General