OIG Report Shines Light On Improper Payments At USDA

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When lawmakers talk about reducing "waste, fraud and abuse" in federal programs, they usually target the food stamp program, more recently called the Supplemental Nutrition Assistance Program (SNAP).

In fact, Sen. Pat Roberts, R-Kan., introduced legislation recently that he said would "restore integrity" to the SNAP program, while saving $36 billion in taxpayer dollars. He's supported by fellow Republican Senators Mike Johanns, R-Neb., and John Thune, R-SD.

"Times are tough right now for millions of Americans and government spending is out of control." Roberts said. "This bill is a package of straightforward, commonsense reforms that have garnered bipartisan support in the past to address, waste, fraud and abuse.

But a recent report issued by the Office of Inspector General (OIG) provides fresh fodder for those convinced that USDA must do more to cut wasteful spending in other areas -while still delivering $144 billion in public services through more than 300 USDA programs.

The OIG found that seven of the 29 component agencies and offices administer "high-risk" programs that are vulnerable to significant improper payments. The seven agencies affected include the Food and Nutrition Service (FNS), Farm Service Agency (FSA), Commodity Credit Corporation (CCC), Natural Resources Conservation Service (NRCS), Rural Development (RD), Forest Service (FS), and the Risk Management Agency (RMA).

USDA estimated that these agencies' 16 total high-risk programs made $5.5 billion in improper payments in fiscal year 2012, a 5.11 percent error rate. That's an improvement compared to a 5.37 percent error rate in 2011. However, at least one agency has programs with improper payments exceeding 25 percent, explained OIG.

According to OIG, an improper payments are those that "should not have been made or that were made in an incorrect amount." Improper payments also include those made to ineligible recipients, those made for "goods or services not received," and those that lack "sufficient documentation."

The OIG found that, for the second consecutive year, USDA failed to comply with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), which requires that agencies meet seven specific requirements, including publishing improper payment estimates for all applicable high-risk programs; meeting a gross improper payment rate of less than 10 percent for each program; and publishing and meeting annual reduction targets.

"These noncompliances continue to illustrate the risks of improper payments affecting taxpayers, as USDA could have avoided approximately $74 million (of the $5.5 billion) in improper payments by meeting established reduction targets." OIG wrote in its report.

The FNS' National School Lunch program (NSLP) and School Breakfast program (SBP) reported estimated improper payment percentages of 15.53 and 25.18, respectively.

FNS' administration of these programs is "highly decentralized and involves a myriad of Governmental and non-Governmental organizations to provide benefits at approximately 100,000 school meal locations," OIG noted. FNS reported that many of these benefit providers simply do not have the capacity to develop robust accountability processes.

FNS officials stated they are aware of the significant improper payment rate in NSLP and SBP, and continue to work with state partners to develop initiatives and practices to address this problem. Further, FNS stated that the Healthy, Hunger-Free Kids Act of 2010 included new tools and strategies that will help reduce errors in NSLP and SBP.

The OIG noted that not all agencies based their estimates on adequate information. For the FNS' Child and Adult Care Food Program (CACFP) the Department reported only a partial estimate of improper payment "because FNS does not yet have a cost-effective method to estimate improper payments for one of the program's two components, Family Day Care Homes Meal Claims."

FNS reported that it would cost approximately $20 million to conduct a national study to estimate improper payments for the entire program, including the Meal Claims component. Given "competing demands for limited discretionary appropriations, the budget climate has not been conducive to a request for funds to conduct such a study," FNS told OIG.

Rather than again seeking such a significant investment, FNS deemed it more prudent to determine the feasibility of developing an estimate of improper payments in CACFP through alternative projects. In fiscal year 2012, FNS hired a contractor to assess the feasibility of using information from parent recall interviews to validate claims that family day care providers submit in order to be reimbursed for meals. The assessment was still in process during the OIG audit. USDA reported that CACFP would have a gross estimate by the end of fiscal year 2017.

In response to the OIG report, Jon M. Holladay, Deputy Chief Financial Officer, concurred with the recommendations to improve accountability and reporting.

For a copy of the full report, click www.agri-pulse.com/uploaded/OIG_Improper_Payments.pdf . Δ

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