

**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 2021**

**I-22-02**

**March 23, 2022**

**FCAOIG**

Farm Credit Administration  
Office of Inspector General



March 23, 2022

The Honorable Glen R. Smith, Board Chairman  
The Honorable Jeffery S. Hall, Board Member  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

Dear Chairman Smith and Board Member Hall:

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) 2021. The objective of this inspection was to determine if FCA complied with the PIIA for FY 2021.

We determined that FCA complied with PIIA requirements applicable to the Agency for FY 2021, 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 statement for FY 2021. FCA also published payment integrity information in the report and posted the report on the Agency website.

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 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, the Office of Management and Budget, and the Comptroller General.

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

Respectfully,

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

# EXECUTIVE SUMMARY

## FCA's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2021

Report No. I-22-02

March 23, 2022

### Objective

The objective of this inspection was to determine if the Farm Credit Administration (FCA or Agency) complied with the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year (FY) 2021.

### Recommendations

There are no recommendations in this report.

### Agency Response

Although we made no recommendations in the report, Agency management provided comments to the report (see full comments in the Management Comments section of the report). The response from the Acting Chief Financial Officer stated the Office of the Chief Financial Officer is committed to continuing to prevent improper payments, prepare risk assessments, and analyze programs for susceptibility to improper payments.

### Why We Did This Inspection

Signed into law on March 2, 2020, 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 FY 2021 Performance and Accountability Report (PAR) for improper payment and payment integrity information. We also reviewed the improper payment risk assessments for outlay data, information considered in risk ratings, and the scoring for each area.

### What We Found

We determined that FCA complied with PIIA requirements applicable to the Agency for FY 2021 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 2021, included applicable payment integrity reporting information, and posted the FY 2021 PAR on the Agency's website.

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 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) and the Federal Agricultural Mortgage Corporation. 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 (OCFO) 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 several improper payment and other related laws. PIIA aims to improve efforts to identify and reduce Governmentwide improper payments and sets forth improper payment<sup>1</sup> 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 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. OMB Circular A-123, Appendix C also sets forth guidance on the annual OIG compliance reviews.

### OIG Compliance Review Requirements

In accordance with PIIA, OIGs were directed to consult (in addition to OMB Circular A-123, Appendix C), guidance issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) for specific procedures on how they should determine compliance with PIIA. Guidance further requires OIGs to perform the compliance review as informed by OMB Circular A-136, OMB 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:

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<sup>1</sup> 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.

- Published payment integrity information with the annual financial statement;
- 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 the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year (FY) 2021.

### **Scope**

The scope of the inspection was limited to compliance for FY 2021. The inspection was conducted at FCA from February 2022 through March 2022.

## **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.
- Interviewed selected OCFO personnel responsible for payment integrity and financial reporting.

## **Tests Performed**

- Reviewed FCA's FY 2021 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 2021 PAR to the agency website.
- Requested and 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.
- Summarized compliance ratings for the applicable sections of payment integrity requirements.

## **Quality Standards for Inspection and Evaluation**

This inspection was performed in accordance with the 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 2021 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 2021 in November 2021 that included the annual financial statement and applicable payment integrity reporting information. The Agency also posted the **FY 2021 PAR** on the Agency's website.
- 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.
- 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.

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

**Table 1: FCA Compliance with FY 2021 PIIA Requirements**

	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      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      N/A

Because FCA was in compliance with the PIIA requirements, we did not have recommendations in this report. Management comments can be found in the subsequent section of the report. Management waived an exit conference.

# MANAGEMENT COMMENTS

## Memorandum

Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090  
(703) 883-4000

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March 21, 2022

To: Sonya Cerne, AIG for Audits, Inspections, and Evaluations  
FCA Office of Inspector General

From: Sandra R. Walters, Acting Chief Financial Officer *Sandra R. Walters*

Subject: Office of the Chief Financial Officer's Response to OIG's draft inspection report titled *The Farm Credit Administration's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2021*

This memorandum responds to the draft inspection report from the Office of the Inspector General dated March 4, 2022, titled *The Farm Credit Administration's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2021*. The stated objective of the inspection was to determine if the Farm Credit Administration complied with the Payment Integrity Information Act of 2019 for Fiscal Year 2021.

Thank you for the opportunity to respond to this report. The Office of the Chief Financial Officer is committed to continuing to prevent improper payments, prepare annual improper payment risk assessments, and analyze programs for susceptibility to improper payments.

## ACRONYMS

CIGIE	Council of the Inspectors General on Integrity and Efficiency
FCA or Agency	Farm Credit Administration
FY	Fiscal Year
OCFO	Office of the Chief Financial Officer
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**

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

**Fax: (703) 883-4059**

**Email: [fca-ig-hotline@rcn.com](mailto: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>.**