

For: State Offices

Improper Payments Information Act of 2002 (IPIA) Reviews – FY 2008

Approved by: Administrator

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1 Overview

A Background

Congress enacted several laws to improve the integrity of the Government’s payments and the efficiency of its programs and activities. IPIA is 1 of those laws. IPIA designates OMB responsible to provide guidance necessary to implement IPIA.

IPIA requires agencies with programs that have a significant risk of erroneous payments to:

- estimate the amount of erroneous payments annually
- report the estimates to the President and Congress
- provide a report of actions to reduce erroneous payments.

OMB guidance defines “significant erroneous payments” as annual erroneous payments in a program estimated to exceed both 2.5 percent of the total program payment amount and \$10 million. However, OMB may determine on a case-by-case basis certain programs not meeting the threshold requirements to be subject to the annual reporting requirements.

Also provided under OMB guidance, if an agency is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, the payment **must** be considered an error.

Note: Payments made with insufficient or lack of documentation on file may be considered properly made if certain corrective actions are taken. See paragraph 10.

IPIA reviews were conducted by FSA using COR’s in FY 2006 and FY 2007. Although there was considerable improvement in the FY 2007 review results, all programs reviewed in FY 2007 are still considered programs with significant risk of erroneous payments.

FSA has determined that using COR’s to conduct IPIA reviews is the most reliable and efficient method to comply with IPIA requirements; therefore, COR’s will be used to conduct the FY 2008 IPIA reviews.

Disposal Date	Distribution
June 1, 2008	State Offices; State Offices relay to CORP Coordinators and COR’s

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1 Overview (Continued)

B Purpose

This notice provides:

- an overview of the procedure for conducting IPIA reviews to support compliance with IPIA by collecting and analyzing a statistical sample of program payments issued at the county level
- corrective actions required when there is insufficient or lack of documentation on file at the time of payment to support a determination that the payment is properly made.

2 Statistical Sampling and Data Analysis

A Statistical Techniques

A complex, multi-stage stratified sampling methodology is used to randomly select both the County Offices and the payments in each County Office. The stratification process is used to control the variability in the sample and to strengthen the validity of the resulting statistical estimates.

B Using a Statistician

The sample design, selection of the sample, and resulting statistical estimates, are provided by an experienced survey statistician under contract with FSA.

3 Scope of Reviews

A IPIA

The scope of the IPIA reviews is limited to payments issued in FY 2007 for the following programs:

- CRP (includes annual rental payments, cost-share payments, SIP, and PIP)
- DCP
- LDP
- marketing assistance loans (MAL) (only loan disbursements)
- Milk Income Loss Contract Extensions (MILCX)
- NAP
- miscellaneous disaster programs.

Note: MAL's and LDP's made to or by CMA's, LSA's, or Designated Marketing Associations (DMA's) will not be included.

3 Scope of Reviews (Continued)

B General Internal Controls

Internal control functions relating to the general operation of the County Office and not to specific payments will be included for some reviews.

C Payment Verifications

COR's will verify whether the payments in the sample were properly made by ensuring that the payments were issued:

- for the correct amount
- to the correct payee
- with all required supporting documentation on file
- **after** all basic program and producer eligibility requirements were met.

D Nonpayment Verifications

Because the reviews are incorporating some general internal control testing, COR's will verify whether specific required internal control functions are being performed by County Offices.

4 COR Assignments

A ORAS Shall Make Assignments

All COR's will be required to conduct reviews until all reviews are completed. To meet the deadline, ORAS shall make the initial COR assignments for reviews considering travel distances and expenses. Some COR's may be assigned to review County Offices outside their normal area. Every attempt will be made to assign COR's to the selected County Office nearest the COR's official headquarters county.

ORAS will notify COR's and CORP Coordinators of the review assignments by e-mail as soon as possible **after** the sample is selected.

Notes: If for some reason the ORAS assignment is not acceptable to either COR or the State, the CORP Coordinator shall immediately contact ORAS.

No substitution of County Offices within the selected sample is permitted.

B Priority

IPIA reviews shall take priority over any previously assigned review or assignment.

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4 COR Assignments (Continued)

C Travel Requirements and Costs

For the majority of reviews, COR's will be assigned to review County Offices within their normal expected travel distances, but not necessarily their assigned States. However, some COR's will incur travel expenses such as airfare and car rental that are not considered normal.

When COR travel extends to States outside his/her normal expected travel distance, COR should contact the State Office that he or she is traveling to and use that State Office's line of accounting to code his or her AD-202 and AD-616.

Example: If COR from Alabama is traveling to Florida, COR must list Florida's line of accounting on AD-202 and AD-616.

D Scheduling Reviews

COR's shall work with CORP coordinators to schedule reviews. COR's traveling out of State may contact their assigned ORAS specialist to obtain the contact information of the applicable CORP coordinator.

5 Reporting Review Results

A State and County Operations Review Program (SCORP) Software and IPIA Web Application

Reportable findings shall be reported according to 1-COR, paragraph 110. COR's shall:

- document the review using the SCORP software according to 1-COR, including making recommendations
- answer questionnaires about specific payments or County Office internal control functions using the ORAS/IPIA Web application.

Instructions for accessing and answering questionnaires through the ORAS/IPIA Web application will be provided to COR's under separate cover.

6 Modification of Samples

A Changes to Sample

For reviews to be statistically sound, no changes in selection of County Offices or records to be reviewed are allowed. It is possible that counties or payments selected for FY 2008 IPIA reviews have been reviewed in the past; however, for the purpose of IPIA reviews, the sample **cannot** be changed.

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6 Modification of Samples (Continued)

B Expanding Samples

Records to be reviewed will be provided to COR's and samples shall not be expanded. If COR's discover an improper payment not included in the selected payment sample, COR's shall include the applicable findings and recommendations in the COR Report. However, the payment shall be clearly identified as not part of the IPIA sample.

7 Timeframes for Reviews

A When Will Reviews Be Conducted

ORAS expects reviews to begin no later than **December 3, 2007**. All reviews shall be completed and reports issued no later than **April 11, 2008**.

B Length of Reviews

Based on IPIA reviews conducted last year, the average review took 6 workdays to complete. If the review was limited to:

- MILCX, it averaged 3 workdays
- NAP, it averaged 5 workdays
- CRP, DCP, LDP, and MAL, with 10 payments per program, it averaged 11 workdays.

C CAP Approval

CAP shall be approved within 10 workdays of the report date.

D Corrective Actions

All corrective actions shall be completed within 30 workdays of the report date.

E Closing Reports

All closing reports **must** be submitted to ORAS no later than **May 28, 2008**, for the corrective actions to be considered in determining whether payments previously identified as improper will remain improper for IPIA reporting purposes.

Note: Procedure in 1-COR for submitting closing reports to SED's and ORAS shall be followed. However, for the FY 2008 IPIA determinations, corrective actions reported in closing reports submitted **after May 28, 2008**, will not be considered when determining whether payments were properly made.

8 Completing IPIA Reviews

A Entrance Conference

Entrance conferences shall not be delayed because CED's or DD's are not available. COR's shall hold entrance conferences the day they arrive onsite in the County Office with CED or acting CED.

Note: If CED is not available for the entrance conference, COR's shall meet with CED as soon as possible. If CED is not available during the entire review, no meeting with CED will be possible.

B Exit Conference

COR's shall exit the day the review of all applicable records is completed. If CED or DD is not available for the exit conference, COR's shall meet with the acting CED. Any disputed findings may be resolved during the corrective action process.

Note: While conducting the review, COR's shall immediately notify CED's of any improper payments identified as soon as found. This provides CED's time to address the issue **before** the exit and, if applicable, begin appropriate corrective actions.

C Beginning Subsequent Reviews

Once an IPIA review has begun, COR's shall complete the review, hold the exit conference, and issue the report **before** starting the next IPIA review.

Exception: COR's may begin a second IPIA review **before** issuing the report on the first IPIA review if both the following conditions can be expected:

- the second review will be completed within 2 workdays **after** the date of the first review's exit conference
- both reports can be issued no later than the third workday following the exit conference of the second review.

9 Policy and Procedure Questions

A Questions Relating to CORP and IPIA Reviews

Contact ORAS with any questions relating to policies and procedures about conducting and documenting CORP and IPIA reviews.

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9 Policy and Procedure Questions (Continued)

B Questions Relating to Other Programs

COR's shall contact the applicable State Office program specialist with any questions concerning specific program policies and procedures.

Note: When conducting a review outside of their normally assigned State, COR's shall contact the program specialist for the applicable State.

COR's shall contact ORAS if the State Office specialist **cannot** provide an adequate answer or is not available. When this occurs, ORAS will consult the applicable National Office program division for guidance.

10 Insufficient or Lack of Documentation to Support a Payment

A Completing Corrective Action

For the corrective actions outlined in subparagraphs B through H to be considered when determining whether a payment is proper for IPIA purposes, the corrective action **must** be completed within 30 workdays of the report date.

Exception: Extensions may be granted according to 1-COR; however, for FY 2008 IPIA review purposes, all corrective actions must be completed and received by ORAS on or **before** May 28, 2008, to be considered when determining whether a payment is proper for IPIA reporting purposes.

B Representative Signatures on Payment Documents

For IPIA reviews, a payment document shall be any of the following:

- contract
- loan note
- any application for payment
- CCC-576, Part B
- CCC-471.

If a representative signature on the payment document was accepted without proper signature authority on file and the producer's obligation for compliance has ended, COC **must** determine that the following conditions are met:

- participant is in compliance with all applicable program provisions
- correct participant has received the correct payment
- payment is not in dispute.

Note: The determination **must** be documented in the COC minutes.

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10 Insufficient or Lack of Documentation to Support a Payment (Continued)

B Representative Signatures on Payment Documents (Completed)

For IPIA reviews, obligation for compliance ends under:

- CRP on the date the contract expires
- DCP on the date the contract expires
- MAL on the date the loan is repaid to zero quantity
- all other programs on the date the payment is no longer subject to spot checks.

If the producer's obligation for compliance has **not** ended, the producer **must** provide the required signature authority or evidence of authority showing the representative signature was valid on the date the signature was accepted. If such documentation **cannot** be provided, COC shall consider the signature invalid and handle the case as a missing signature according to subparagraph C.

C Payment Documents With Missing Signatures

In cases of a missing signature on the payment document, the payment may be considered proper if all the following conditions are met:

- the missing signature is obtained

Note: A representative signature may be accepted if there is acceptable evidence of authority on file on the date the missing signature is obtained.

- COC determines that the following conditions are met:
 - participant is in compliance with all applicable program provisions
 - correct participant has received the correct payment
 - payment is not in dispute
 - there is evidence to support that the application or contract was initiated timely
 - there is evidence to support that the documentation was submitted to support the application or contract.

Note: The determination **must** be documented in the COC minutes.

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10 Insufficient or Lack of Documentation to Support a Payment (Continued)

D Missing Payment Documents

The payment shall be considered improper if the payment document is not on file. If a copy of the original payment document is obtained:

- **before** the exit conference, COR's shall consider the document on file and review the document as if it was the original
- **after** the exit and CED believes the document supports the payment as properly made, a copy of the document shall be submitted to ORAS with the closing report.

E Representative Signatures on Nonpayment Documents

A payment will **not** be considered improper for IPIA reporting purposes when a nonpayment document is signed by an unauthorized representative; however, if the document is a continuous certification, such as CCC-502, AD-1026, and CCC-526, the County Office shall obtain either of the following:

- the required signature authority or evidence of authority that shows the representative signature was valid on the date the signature was accepted
- a new certification with an acceptable signature.

F Missing Signatures on Nonpayment Documents

In all cases with a missing signature on a nonpayment document, the payment may be considered proper if all the following conditions are met:

- the missing signature is obtained

Note: A representative signature may be accepted if there is acceptable evidence of authority on file on the date the missing signature is obtained.

- all other information on the document supports that the payment was properly made.

G Missing Nonpayment Documents or Other Required Evidence

County Office may obtain missing nonpayment documents to show the payment was made properly.

Documents normally submitted to COC for review and determination shall be required to be submitted to COC for review. If the review by COC is required, the payment shall be considered improper unless COC determines that the payment was made properly based on the review of the obtained document and the determination is documented in the minutes.

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10 Insufficient or Lack of Documentation to Support a Payment (Continued)

H FSA-578

The following FSA-578's shall result in the applicable payment being considered improper unless an acceptable acreage report can be obtained using the applicable late-filed procedures.

- missing FSA-578's
- FSA-578's with missing signatures
- FSA-578's without the required acreage reported.

Note: An unauthorized representative signature on FSA-578 will not result in an improper payment.