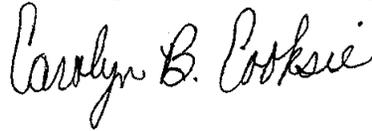


For: State Offices

FY 2011 Improper Payments Information Act of 2002 (IPIA) Reviews

Approved by: Associate Administrator for Operations and Management



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 that OMB is responsible for providing 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 provides that:

- significant erroneous payments mean 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
- 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 properly made if certain corrective actions are taken (paragraph 10).

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 2011 IPIA reviews.

Disposal Date	Distribution
July 1, 2011	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 action 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 Statistician Expertise

The sample design, selection of 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 October 2009 through August 2010, for:
 - MAL's (**only** loan disbursements)
 - NAP

Note: MAL's made to or by CMA's, DMA's, or LSA's will **not** be included.

- issued October 2010, for:
 - 2010 program year CRP annual rental payments
 - 2010 final DCP payments.

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3 Scope of Reviews (Continued)

B Payment Verifications

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

4 COR Assignments

A State Office Shall Make Assignments

ORAS will provide the CORP coordinator with a list of counties in their State selected for review, including the number of payments selected in each county. SED or CORP coordinator shall assign selected counties to COR's within their State.

Note: If the State determines reviews cannot be completed by the due date in paragraph 7, notify ORAS and COR outside of the State will be assigned.

B Priority

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

C Travel Requirements and Costs

For the majority of reviews, COR's will be assigned to review County Offices within their normal assigned States.

In cases where COR's travel outside their normal assigned State or States, COR's home State budget contact shall enter a funding Increase/Decrease Request in the Allotment Change Request model in the Profitability and Cost Management (PCM) tool. BUD will transfer funds from the host State to the home State.

D Scheduling Reviews

COR 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.

Note: The counties selected for NAP and MAL reviews will be known by mid-October and these reviews can begin on or about November 1. The counties selected for selected for CRP and DCP reviews will be known by late November and these reviews can begin early December.

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5 Reporting Review Results

A Electronic CORP (eCORP) and IPIA Web Applications

COR's shall:

- document the review using the eCORP Web application
- answer questionnaires about specific payments using the ORAS/IPIA Web application.

6 Modifying 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 the FY 2011 IPIA reviews have been reviewed in the past; however, for IPIA review purposes, the sample **cannot** be changed.

B Expanding Samples

Records to be reviewed will be provided to COR's. Samples shall **not** be expanded. If a COR discovers a payment **not** included in the selected payment sample as being improper, COR 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

A When Will Reviews Be Conducted

NAP and MAL reviews will begin on or about **November 1, 2010**.

CRP and DCP reviews will begin on or about **December 6, 2010**.

All reviews shall be **completed and reports issued** no later than **March 18, 2011**.

B Corrective Action Plan (CAP) Approval

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

C Corrective Actions

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

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7 Timeframes (Continued)

D Closing Reports

All closing reports **must** be submitted to ORAS no later than **May 2, 2011**, 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 FY 2011 IPIA determinations, corrective actions reported in closing reports submitted **after** May 2, 2011, will **not** be considered when determining whether payment were properly made.

8 Completing IPIA Reviews

A On-Site Review

All FY 2011 IPIA reviews will be conducted on-site.

Exception: If there are 2 or less payments to be reviewed in the selected county, COR may conduct the review offsite at the option of SED. For these types of offsite reviews, entrance and exit conferences shall be held by phone and all required documentation shall be scanned and e-mailed or FAXed to COR.

B Entrance Conference

The entrance conference shall **not** be delayed because CED's or DD's are **not** available. COR's shall hold the entrance conference 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.

C 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 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 issues **before** the exit and, if applicable, begin appropriate corrective actions.

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8 Completing IPIA Reviews (Continued)

D Beginning Subsequent Reviews

After 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 in 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 About CORP and IPIA Reviews

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

B Questions About Other Programs

COR's shall contact the applicable State Office program specialist with any questions about 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 may 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 corrective actions outlined in subparagraphs C through I 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 2011 IPIA review purposes, all corrective actions **must** be completed and received by ORAS on or before **May 2, 2011**, to be considered when determining whether a payment is proper for IPIA reporting purposes.

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

B Payment Documents

For IPIA review purposes, a payment document shall be the document authorizing the payment such as:

- contract
- loan note
- application for payment.

C Payment Documents With Unauthorized Representative Signatures

A payment **shall** be considered an improper payment if a representative signature on the payment document was accepted without proper signature authority on file in the County Office before the payment was made.

For IPIA reporting purposes, the signature of an individual acting in a representative capacity without proper signature authority on file at the time of payment shall be considered valid only if **all** of the following apply:

- the contract, application, or other document was acted on and approved by the County Office or COC
- the individual signing the contract, application, or other document did not knowingly or willfully falsify evidence of signature authority or the signature
- documentation of signature authority, considered acceptable according to 1-CM is submitted to the County Office indicating the individual had authority to sign the contract, application, or other document in a representative capacity.

D Payment Documents with Missing Signatures

A payment **shall** be considered an improper payment if a payment document is missing 1 or more required signatures.

For IPIA reporting purposes, the payment may be considered proper if **all** the following conditions are met:

- 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.

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

D Payment Documents with Missing Signatures (Continued)

- 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 the application or contract was initiated timely
 - there is evidence to support the documentation was submitted to support the application or contract.

Note: The determination shall be documented in COC minutes.

E 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 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 being properly made, a copy of the document shall be submitted to ORAS for review.

F Nonpayment Documents With Unauthorized Representative Signatures

The payment **shall not** be considered improper if a representative signature on the nonpayment document was accepted without proper signature authority on file in the County Office before the payment was made.

Note: The error will still be reported as a finding and proper corrective action will be required.

G Missing Signatures on Nonpayment Documents

The payment **shall** be considered improper when there is a missing signature on a nonpayment document.

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

G Missing Signatures on Nonpayment Documents (Continued)

For IPIA reporting purposes, the payment may be considered proper if **all** the following conditions are met:

- 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.

Exception: See subparagraph I for missing signatures on FSA-578's and CCC-576's.

H Missing Nonpayment Documents or Other Required Evidence

The payment **shall** be considered improper when nonpayment documents or other required evidence was not provided before the payment was made.

For IPIA reporting purposes, County Office may obtain missing nonpayment documents or other required evidence to show the payment was made properly provided the:

- obtained documents are reviewed by COC
- payment can be determined proper based on the information on obtained documents.

Note: The determination shall be documented in COC minutes.

Exception: See subparagraph I for missing FSA-578's and CCC-576's.

I FSA-578's and CCC-576's

The following **shall** result in the applicable payment being considered improper unless an acceptable FSA-578 or CCC-576 can be obtained using the applicable late-filed procedures:

- missing FSA-578's or CCC-576's
- FSA-578's or CCC-576's with missing signatures
- FSA-578's without the required acreage reported.

J Normal Corrective Actions

The corrective actions outlined in this notice are for the purposes of IPIA reporting **only**. In cases where the procedural error requires the case to be elevated to the State or National Office for final approval, it is still expected such action to be taken. The final action by the State or National Office is **not** required to be completed before the closing report is submitted to ORAS.