

2016 SUPPORTING STATEMENT

Supplier Credit Audit Recovery OMB No. 0505-0026

Terms of Clearance:

A. Justification:

- 1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

On March 10, 2010, the President signed a presidential memorandum directing all federal departments and agencies to expand and intensify their use of payment recapture audits. These are audits which offer specialized private auditors financial incentives to root out improper payments, and have been demonstrated through pilot programs to be highly effective. Office of Management and Budget's Circular A123 Appendix C (2014), offers guidance to implement the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), which requires agencies to conduct payment recapture audits for each program that expends more than \$1 million annually.

Three years ago, the Department of Agriculture (USDA) implemented a Supplier Credit Recovery Audit Program. The first fiscal year that the program was fully implemented, fiscal year 2014, we recovered \$616,183. This past fiscal year, 2015, our Supplier Credit Recovery Audit Program recovered \$2.05 million. This is a request to renew our collection of information.

The authority for this collection can be found under the Improper Payments Elimination and Recovery Act of 2010 (124 Statute 2229, Public Law 111-204), under Section C, Recovery Audit Contracts.

- 2. Indicate how, by whom, how frequently, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

Our Supplier Credit Recovery Audit contractor sends out a letter to USDA vendors on an annual basis requesting account and payment information as to whether the vendor currently has a credit on their books due back to the USDA. The contractor uses proprietary software to analyze vendor billing and invoice records to identify possible improper payments. USDA validates these results, collects overpayments from the vendors, distributes the recovered funds according

to the disbursement schema outlined in IPERA, and the annual amount of funds recovered and the disposition of funds recaptured through the program reported in the Agency Financial Report.

- 3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also, describe any consideration of using information technology to reduce burden.**

USDA anticipates up to 12,299 respondents annually. Contractors review existing information to determine which vendors have overpayments or credit, as well as to discover patterns of improper payments. The letter request is submitted to a vendor by email, fax, or hard copy. This would depend on the specific technique used by the contractor to collect data.

- 4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purpose described in item 2 above.**

The purpose of supplier credit recovery auditing is to identify duplicate or erroneous payments to a vendor. Our contractor attempts to contact the vendor and work with the vendor to identify all potential overpayments and credits pertaining to the USDA. No other USDA agencies are collecting this information.

- 5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.**

Most companies today have computerized accounting systems. Therefore a query to the business system will result in identification of a financial record. This process should take a minimal amount of time.

Unfortunately, a very small business with fewer than 20 employees, which does not have an up to date record keeping system may require more time to search for the payment record in question. USDA must attempt to collect any possible improper payment identified. It is very unlikely that many small businesses still have manual accounting or record keeping systems which could not be searched. Approximately 3% of USDA's vendors are classified as "small business".

- 6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

In order to improve collection of improper payments, USDA needs to contact suppliers and vendors to verify if duplicate payments were received. In order to reduce improper payments, the Department has to identify the root cause of the

improper payment and would not be able to accomplish this without verification of suspected overpayments to suppliers or vendors.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- **requiring respondents to report information to the agency more often than quarterly;**
- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**

The response is required within 30 days of receipt of the request.

- **requiring respondents to submit more than an original and two copies of any document;**
- **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
- **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study; requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
- **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use;**
- **requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

There are no other special circumstances.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments.

This notice was published in the Federal Register in Volume 81, Number 54, Pages 15498-15499, on March 23rd, 2016. The notice received one comment in the sixty day posting period, however, the comment was not relevant to the collection.

9. Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees.

There is no plan to offer any payment, gift or other re-enumeration to vendors for the information.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

Contractors and /or supplier information is public information and can be obtained through freedom of information. There is no publically identifiable information involved.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

No questions of a sensitive nature are asked.

12. Provide estimates of the hour burden of the collection of information. The statement should:

Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.

Estimate of Burden: Public reporting burden for this collection of information is estimated to average 2 hours per response. A business will receive the request and develop a query to their automated accounting system which could take an average of 30 minutes or less to review the customers records to determine which USDA accounts have a credit balance if any. If the business has a manual set of book to record accounting entries then a manual review would be required of the customer ledgers. This could take 1-2 hours depending on the size of the company. These estimates are based on the average business and entity using computers to do accounting. The estimate is based on the number of purchase orders and contracts currently in USDA procurement systems.

Estimated Number of Respondents: 12,299

Estimated Number of Responses per Respondent: 1

Estimated Total Annual Burden on Respondents: 24,598 hours

Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories.

Average hourly rate based on BLS Accountant	\$31.70 per hour
30 % applied for benefits	\$ <u>9.51</u>
Total hourly rate	\$41.21 per hour

24,598 x 41.21 = \$1,013,683.58 if max amount of burden hours are used for all vendors. Most accounting systems are automated so the overall cost is anticipated to be less than the estimated 24,598 hours.

- 13. Provide estimates of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start-up cost component annualized over its expected useful life; and (b) a total operation and maintenance and purchase of services component.**

No additional start-up cost or any additional operations costs since extracting this information would come directly from the manual accounting records or from a data query from the existing automated accounting system.

- 14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost and any other expense that would not have been incurred without this collection of information.**

Our contractor is authorized 25% of the valid overpayments identified by the contractor and actually recovered by USDA in excess of the first \$100,000 collected from vendors per each billion. The contractor bears the burden of its cost of performing payment Supplier Credit Recovery Auditing Services and is compensated only on the percentage of the actual funds recovered. In fiscal year 2015, the USDA paid our contractor \$570,000.

- 15 Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-1.**

The numbers provided in the 2013 federal notice for the number of respondents and burden hours were estimates (13,866 respondents and 27,732 burden hours). OCFO had not chosen a contractor yet and the Supplier Credit Recovery Audit

Program was not implemented. The number of respondents for the 2016 federal notice was provided by our contractor and is an actual number, rather than an estimate (12,299 respondents and 24,598 burden hours), which accounts for the decrease of respondents from three years ago. A decrease of 1,567 respondents and 3,134 burden hours.

16. For collections of information whose results are planned to be published, outline plans for tabulation and publication.

Invoices from our contractor are sent to the Office of the Chief Financial Officer monthly and the amounts recovered are documented. Results of our Supplier Credit Recovery Audit Program are published in the USDA's Annual Financial Report. The annual amount of funds recovered by the program is reported, as well as, the disposition of funds recaptured through the program. Findings of the Supplier Credit Recovery Audit Program can be found in the USDA's annual financial report beginning in fiscal year 2014.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

We are not seeking approval to not display the expiration date.

18. Explain each exception to the certification statement identified in Item 19 "Certification for Paperwork Reduction Act."

There are no exceptions.