

USDA OFFICE OF INSPECTOR GENERAL

Investigations and Audit Activities Completed in September 2021

Investigations

Animal and Plant Health Inspection Service

Cockfighting Venue Owner Sentenced to 14 Months in Prison for Sponsoring and Exhibiting an Animal in an Animal Fighting Venture—Georgia

In December 2019, a Georgia Sheriff's Department raided an in-progress cockfight. Deputies estimated the attendance at the cockfight to be over 200 individuals, but they were only able to apprehend 14 at the time. Subsequently, 41 individuals were charged by the Sheriff's Department.

In February 2020, the U.S. Attorney's Office (USAO) for the Southern District of Georgia (SDGA) requested assistance from the United States Department of Agriculture (USDA) Office of Inspector General (OIG) with investigating this cockfighting case. In May 2020, with the assistance of USDA OIG, a Federal grand jury in SDGA returned an indictment on 38 individuals, 7 of whom received a felony charge and 31 of whom received a misdemeanor charge related to animal fighting. The other three individuals were not federally charged due to lack of evidence.

In September 2021, the operator of the cockfighting venue was sentenced to 14 months in prison and 24 months of supervised release for sponsoring and exhibiting an animal in an animal fighting venture. They also were ordered to pay a \$500 fine and forfeit 100.4 acres of property, and are prohibited from owning or keeping any birds or fowl, or attending any events related to birds or cockfighting.

Food and Nutrition Service

Food Mart Owner Sentenced to 41 Months in Prison and Ordered to Pay More Than \$5 Million in Restitution for Supplemental Nutrition Assistance Program Fraud—Indiana

This investigation began when USDA's Food and Nutrition Service Retailer Investigative Branch (FNS-RIB) provided a referral to OIG following an administrative compliance investigation of a food mart in Indiana. Subsequently, USDA OIG began its criminal investigation. The investigation revealed that the food mart was trafficking Supplemental Nutrition Assistance Program (SNAP) benefits. Further, records reflected that from March 2016 through August 2020, the food mart received SNAP reimbursements of approximately \$5,313,361. In November 2020, a Federal search warrant was executed by USDA OIG, Homeland Security Investigations, and U.S. Secret Service (USSS) agents at the food mart. In January 2021, the owner of the food mart was arrested, and in May 2021, they signed a plea agreement that stated they were guilty of one count of wire fraud.

On September 17, 2021, the food mart owner was sentenced, in U.S. District Court, Northern District of Indiana, to 41 months in prison, followed by 1 year of supervised release. He also was ordered to pay \$5,124,212 in restitution to USDA.

Convenience Store Employee Sentenced to 12 Months in Prison and Ordered to Pay \$542,842 in Restitution for Wire Fraud—Michigan

This investigation began when OIG agents received information about a convenience store illegally exchanging SNAP benefits for cash and ineligible items. The convenience store has participated in SNAP since June 2014. The investigation revealed that two employees of the convenience store, and other unknown employees, exchanged SNAP benefits for cash, cigarettes, and other ineligible items.

Following the investigation, OIG agents, personnel from Homeland Security Investigations, and Michigan State Police served search warrants at residences associated with the convenience store. After the execution of the search warrants, it was determined that one employee's family concealed assets and income to be eligible for SNAP, cash assistance, Medicaid, U.S. Department of Housing and Urban Development vouchers, Supplemental Security Income, and U.S. Department of Education Pell Grants.

In February 2021, in U.S. District Court, Eastern District of Michigan, the employee was charged in a one count information with wire fraud and aiding and

abetting. In May 2021, the employee pled guilty to one count of wire fraud. On September 23, 2021, the employee was sentenced to 1 year and 1 day in prison, followed by 2 years of supervised release. The employee also was ordered to pay \$542,842 in restitution, \$250,111 of which was ordered to be repaid to USDA.

Storeowner Sentenced to 12 Months in Prison and Ordered to Pay More than \$1 Million in Restitution—Virginia

This investigation was based on allegations that SNAP benefits were being exchanged for U.S. currency at a Virginia store. The investigation confirmed that store employees exchanged SNAP benefits for U.S. currency.

In December 2018, USDA OIG, USSS, and a local Police Department executed a Federal search warrant at the store. During the execution of the search warrant, the store's owners consented to non-custodial interviews. One of the storeowners admitted to committing SNAP fraud and to directing employees to commit fraud. In January 2021, one of the owners was charged in a criminal information with SNAP fraud and one count of wire fraud; the owner subsequently pled guilty to those same charges.

On September 27, 2021, the storeowner was sentenced to 1 year and 1 day in prison, followed by 1 year of supervised release. The storeowner also was ordered to pay \$1,835,767 in restitution.

Risk Management Agency

Individual Sentenced to 5 Months in Prison and Ordered to Pay \$399,725 in Restitution for Crop Insurance Fraud—Iowa

This investigation began when the Risk Management Agency (RMA) received an anonymous complaint from the OIG Hotline alleging that an individual had falsely stated production yields to receive increased crop insurance payments. The complaint further alleged that production evidence was not fully revealed and/or was moved to farms that were not within the individual's county of residence. When RMA followed up on this Hotline complaint, the individual was informed that RMA needed to account for all corn production for a specific year and verify supporting farm records. RMA contacted the individual to explain the purpose of their review and confirm a time and place to meet. Upon RMA's arrival, the individual informed RMA that they had made an error during the adjustment of their crop insurance claim and had failed to report approximately 27,000 bushels of corn to the loss adjuster.

Following RMA's review, the agency contacted USDA OIG. USDA OIG opened this case and obtained various records for the individual for several crop years. The investigation revealed that the individual had violated the terms of their policy and made false statements by underreporting production during their harvested production claims in those years for corn and soybeans. In all, the individual was overpaid \$399,725 based on false production certifications.

In May 2021, in U.S. District Court, Southern District of Iowa, the individual pled guilty to one count of false statements in connection with Federal crop insurance and agreed to pay \$399,725 in restitution.

On September 10, 2021, the individual was sentenced to 5 months in prison, followed by 5 years of probation. They also were ordered to pay \$399,725 in restitution and were issued a \$15,000 fine.

Audit

Independent Service Auditor's Report on Financial Management Services' Description of Its Financial Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the Period October 1, 2020 through June 30, 2021
Audit Report 11403-0006-12
September 10, 2021

This report presents the results of the System and Organization Controls 1 Type 2 examination conducted in accordance with Statement on Standards for Attestation Engagements No. 18 for the USDA Financial Management Services (FMS) description of its financial systems used to process user entities' financial transactions throughout the period October 1, 2020, to June 30, 2021. The report contains an unmodified opinion on the description and controls that were suitably designed to provide reasonable assurance that the control objectives would be achieved.

Independent Service Auditor's Report on National Finance Center's Description of Its Payroll and Personnel Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the Period October 1, 2020 through June 30, 2021
Audit Report 11403-0005-12
September 20, 2021

This report presents the results of the System and Organization Controls 1 Type 2 examination conducted in accordance with Statement on Standards for Attestation Engagements No. 18 for USDA National Finance Center (NFC) description of its

payroll and personnel systems used to process user entities' payroll and human resource transactions throughout the period October 1, 2020 to June 30, 2021. The report contains an unmodified opinion on the description and controls that were suitably designed to provide reasonable assurance that the control objectives would be achieved.

USDA Oversight of Civil Rights Complaints
Audit Report 60601-0001-21
September 22, 2021

OIG evaluated the Office of the Assistant Secretary for Civil Rights (OASCR) controls over the civil rights complaints process to ensure that program complaints are processed in accordance with requirements and timely and efficiently resolved. OIG also followed up on prior audit recommendations from Government Accountability Office (GAO) Audit GAO-09-62 and OIG Audit 60601-0001-23 related to the program complaint process.

USDA OASCR is responsible for making final determinations on complaints of discrimination filed by any persons who believe they have been subjected to prohibited discrimination in a USDA program.

OIG concluded that, overall, OASCR needs to develop a stronger internal control environment over its civil rights program complaints processing to ensure that complaints are timely and appropriately handled, and that OASCR achieves established goals and objectives. First, OASCR did not timely process civil rights program complaints. Specifically, in fiscal year (FY) 2019, OASCR averaged 799 days to process program complaints compared to the 180 day standard. Furthermore, two other agencies that OASCR coordinated with to resolve complaints took more than 220 days and more than 600 days, respectively, to process complaints.

We also determined that 9 of 28 complaint determinations and closures were not adequately supported and processed. Additionally, OASCR missed an opportunity to track and measure USDA's progress in achieving the Department's civil rights goals and objectives. Finally, these issues could have been identified and better rectified had OASCR used its strategic plan to measure or assess its progress toward established goals and objectives relating to program complaints.

We reached agreement on the corrective actions to be taken on 10 of the report's 21 recommendations. Further action from the agency is needed before agreement can be reached on the remaining recommendations.

**Final Action Verification—Single Family Housing Guaranteed Loan Program—Liquidation Value Appraisals
Audit Report 04026-0001-21
September 24, 2021**

The OIG completed a final action verification (FAV) of all three recommendations in OIG’s September 2018 interim report, Single Family Housing Guaranteed Loan Program—Liquidation Value Appraisals—Interim Report (Audit Report 04601-0001-23(1)). OIG also completed a FAV of all six recommendations in OIG’s August 2019 final report, Single Family Housing Guaranteed Loan Program—Liquidation Value Appraisals (Audit Report 04601-0001-23). FAV determines whether the final action documentation the agency provides to the Office of the Chief Financial Officer (OCFO) supports the agency’s management decision reached with OIG. OIG’s objective was to determine whether the documentation the Rural Housing Service (RHS) provided to OCFO was sufficient to close all the recommendations made in Audit Reports 04601-0001-23(1) and 04601-0001-23.

OCFO accepted final action for the interim report’s recommendations on April 18, 2019, and accepted final action for the final report on September 4, 2020. Based on OIG’s review of the documentation in OCFO’s files, OIG concurred with OCFO’s decision to close Recommendations 2 and 3 from the interim report and all six recommendations from the final report. However, OIG did not concur with OCFO’s decision to close Recommendation 1 from the interim report. OCFO agreed to reopen this recommendation, issue a memorandum to RHS to request documentation to satisfy the recommendation, and inform RHS to follow the formal process to request final action.

**COVID-19—Business and Industry Guaranteed Loan Modifications in Response to the Pandemic
Audit Report 34801-0001-23
September 27, 2021**

OIG’s inspection objectives were to determine: (1) how the Rural Business-Cooperative Service (RBCS) implemented and tracked changes and modifications made to help guaranteed lenders with borrowers experiencing temporary cash flow issues; (2) how many existing loans were deferred in response to the COVID-19 pandemic and how these loans were tracked and analyzed; (3) how the agency conducted outreach to rural businesses to provide access to funding for sustaining operations; (4) what amount of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Business and Industry (B&I) loans were made to agricultural producers for production; and (5) what amount of CARES Act B&I funds did RBCS provide to non-agricultural rural businesses.

The mission of USDA Rural Development (RD) is to increase economic opportunities and improve the quality of life for Americans in rural areas. RBCS, an agency within the RD mission area, offers programs to help businesses in rural areas grow. Under the RBCS B&I Guaranteed Loan Program, private lenders make loans for creating and expanding rural businesses, as well as creating employment opportunities in rural America. On May 22, 2020, USDA announced the B&I CARES Act Guaranteed Loan Program to provide working capital loans to businesses of any size and industry in rural areas of the country.

RBCS used the existing B&I Guaranteed Loan Program structure for approving and servicing guaranteed loans to immediately implement and track the new B&I CARES Act Guaranteed Loan Program. According to RBCS guidance, the agency's goal was to collaborate with guaranteed lenders to help as many borrowers as possible with the working capital necessary to emerge from the adverse impacts of the pandemic and be positioned to operate successful businesses in rural America.

During the COVID-19 pandemic, there was a lack of access to much-needed capital to support business operations and facilities. To ensure lenders and borrowers were informed of opportunities for assistance, RBCS conducted outreach in multiple forms, including webinars and Federal Register notices.

There were 639 existing B&I guaranteed loans—totaling more than \$2.4 billion—deferred for payment. As of September 1, 2021, there were 10 loans provided to agricultural businesses and producers totaling more than \$55.6 million (6.6 percent) of the \$846.4 million in B&I CARES Act Guaranteed Loan Program funding. There were another 204 loans totaling more than \$790.8 million supporting non-agricultural businesses in rural areas. We made no recommendations in this report.

Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management for Fiscal Year 2021
Audit Report 11401-0006-31
September 27, 2021

OIG's objective is to assist the Office of Personnel Management (OPM) in assessing the reasonableness of retirement, health benefits, and life insurance withholdings and contributions as well as enrollment information submitted via the Semiannual Headcount Report.

The USDA National Finance Center (NFC) reports Federal employee benefits and enrollment information to OPM. Reported information includes headcounts, as well as withholdings and contributions for retirement, health benefits, and life insurance.

In applying agreed-upon audit procedures, the OIG identified differences through calculations, analyses, and comparisons. For example, OIG noted if an employee (and/or annuitant) headcount differed from NFC's by more than 2 percent. To address such differences, NFC stated it implemented programming changes in pay period 4, 2020, and partially corrected the headcount differences. NFC plans to implement additional software changes in pay period 4, 2022, to resolve the remaining differences. Due to payroll processing priorities and the need for continuity of operations during the aftermath of Hurricane Ida, NFC did not have sufficient time to perform detailed research and reconcile other differences by the requested due date.

OIG's sample document review identified a total of 71 differences for benefits entered into the system by agency personnel officers. Furthermore, OIG was unable to verify all sampled entries because agency personnel officers were unable to locate the documents covering all of the pay periods selected.

Independent Service Auditor's Report on the Office of the Chief Information Officer's Description of Its Data Center Hosting and Security Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the Period October 1, 2020 to June 30, 2021
Audit Report 88403-0001-12
September 29, 2021

This report presents the results of the System and Organization Controls 1 Type 2 examination conducted in accordance with Statement on Standards for Attestation Engagements No. 18 for the USDA Office of the Chief Information Officer's description of its data center hosting and security systems used to process user entities' transactions throughout the period October 1, 2020 to June 30, 2021. The report contains an unmodified opinion on the description and controls that were suitably designed to provide reasonable assurance that the control objectives would be achieved.

Follow-up on Smuggling Interdiction and Trade Compliance Program
Audit Report 33601-0004-23
September 29, 2021

OIG evaluated the corrective actions taken by the Animal and Plant Health Inspection Service's (APHIS) Smuggling Interdiction and Trade Compliance (SITC) Program to implement 13 recommendations from a previous audit issued in August 2012. OIG also evaluated SITC's controls related to the identification of prohibited product imported through internet sales.

OIG reviewed the corrective actions APHIS' SITC Program implemented following a previous audit. While SITC officials implemented the 13 prior audit recommendations, OIG determined that 4 were not fully implemented and 2 were implemented but not followed. This occurred because APHIS relied on SITC Program officials to fully implement corrective actions without verifying internal controls were in place and functioning. As a result, conditions related to these recommendations persist.

OIG also found that the SITC Program needs to enhance its controls for searches of prohibited products purchased through internet sales. SITC management relied on the internet team's knowledge and experience instead of documenting controls, such as policies and procedures, and establishing routine training. As a result, this could lead to inconsistent instructions on how to complete tasks effectively.

OIG found the SITC internet team inconsistently interacted with e-commerce businesses in 2019 and did not request necessary information from 20 of the 22 e-commerce businesses. This occurred because SITC did not have a process for requesting this information, such as a formal agreement or memoranda of understanding. As a result, SITC could not identify all related internet sales of a previously identified prohibited product that had already entered the United States.

Finally, OIG found that SITC officers were not consistently inspecting sealed package contents, which may or may not constitute prohibited product, at courier distribution sites. This occurred because SITC management relied on their interpretation of statutory authorities without requesting formal clarification from the Office of General Counsel and did not develop a separate policy for these inspections. As a result, this increased potential risk for the Department and brings more uncertainty to its managers and officers. Additionally, this could lead to a loss of public trust. APHIS generally agreed with OIG's recommendations, and OIG accepted APHIS' proposed corrective actions on all 13 recommendations.