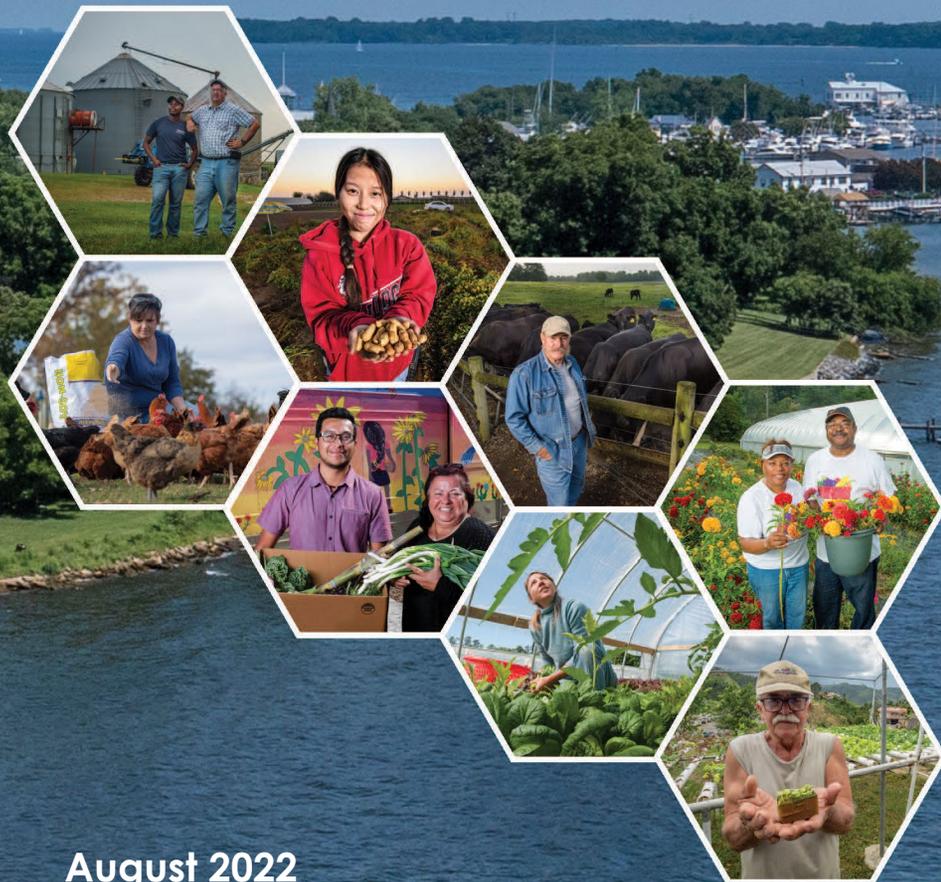




OFFICE OF INSPECTOR GENERAL  
U. S. DEPARTMENT OF AGRICULTURE

# USDA Management Challenges



August 2022

OFFICE OF INSPECTOR GENERAL

# Message from the Inspector General

The Office of Inspector General (OIG) provides oversight to U.S. Department of Agriculture (USDA) programs and operations to help ensure that USDA provides the best possible service to the public and American agriculture. As a result, OIG focuses its efforts to advance the value, safety and security, and integrity of USDA programs. In providing such oversight, OIG makes recommendations to address agency programs and core management functions that may be vulnerable to waste, fraud, abuse, and mismanagement. These vulnerabilities can affect USDA’s ability to achieve its mission.<sup>1</sup> Since the Reports Consolidation Act of 2000, OIG has annually reported on the Department’s progress in addressing its most critical management challenges.<sup>2</sup>

As discussed in the *2021 USDA Management Challenges*, OIG implemented a new approach to present these challenges. OIG streamlined the management challenges from seven major challenges to four: Program Oversight and



Accountability; Safety and Security; Program Performance, Results, and Outreach; and Financial Management. We also highlighted what OIG considers “key challenge area indicators” within the four areas; these indicators are a means to assist USDA when addressing the challenges.<sup>3</sup> This approach aids Departmental leadership by providing areas to address and resolve both broad and unique challenges that can affect multiple or specific agencies. It also provides the Secretary and other

policymakers with a more streamlined report that improves clarity and gives significant information greater prominence. See Figure 1 above for a summary of the simplified approach.

This year, we continued to focus on the four major challenge areas we established the previous year. These challenges represent areas in which OIG believes USDA could improve its efforts to achieve overall excellence for the Department. To accomplish this goal,

**Figure 1.** Fiscal Year 2022 Management Challenges.

Management Challenge Area	Key Challenge Indicator
<b>Program Oversight and Accountability</b>	Program Process Improvements for Enhanced Integrity Improper Payments
<b>Safety and Security</b>	Compliance with Information Technology Laws and Regulations Program Performance Monitoring
<b>Program Performance, Results, and Outreach</b>	Data Quality and Integrity to Measure Performance and Impact Outreach Efforts
<b>Financial Management</b>	Internal Controls and Compliance with Federal Laws and Regulations

<sup>1</sup> Government Performance and Results Modernization Act of 2010 (GPRM), Pub. L. No. 111-352, 124 Stat. 3866.

<sup>2</sup> Pub. L. No. 106-531, 114 Stat. 2537.

<sup>3</sup> Key challenge indicators are areas of focus that are derived from our findings and can help the Department address the challenges more effectively.

we referenced OIG work from June 1, 2021, to May 31, 2022, and analyzed the product portfolio, associated findings, and recommendations for each major challenge area.

As the Department strives to address these four management challenges and respective key challenge indicators through corrective actions, USDA should continue its efforts to address outstanding audit recommendations in order to safeguard the integrity of its many programs. As of June 30, 2022, the Office of the Chief Financial Officer reported there were 246 recommendations pending corrective action, of which 31 are pending collection, 211 are pending final action, and 4 are pending management decision.

Data acquisition, sharing, quality, and integrity for evidence-based decision making is key to program success and a focus area Governmentwide. A key challenge indicator of note in the Program Performance, Results, and Outreach challenge is Data Quality and Integrity. We highlight this indicator because the challenges associated with data quality and integrity are critical, cross-cutting issues that could affect USDA's ability to implement its programs, mitigate potential improper payments, ensure that outreach efforts are reaching the right constituencies, and measure impact. As USDA develops new approaches to address these Management Challenges and key challenge indicators, focusing on data

quality and integrity should help improve program effectiveness.

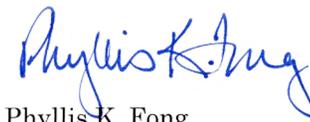
As the Department continues to implement programs, it should focus on the challenges and key challenge indicators outlined in this report. This focus should help ensure that the programs are implemented with appropriate oversight and accountability, safety and security measures, program performance monitoring, outreach efforts, and the means and data to adequately measure and report program impact. For example, our Office of Analytics and Innovation released a public coronavirus disease 2019 (COVID-19) funding dashboard that allows stakeholders to explore an overview of the sources and uses of USDA's COVID-19 funding.<sup>4</sup> This interactive dashboard uses financial data identified by USDA's Office of Budget and Program Analysis and the Forest Service, and it allows users to see how much funding has been obligated; search for funding under particular appropriations acts, agencies, or program areas; and explore how much funding has been, or remains to be, spent.

In closing, we would like to express our sincere appreciation to Secretary Vilsack and Deputy Secretary Bronaugh for their support of our mission and their commitment to excellence across USDA.

We look forward to working with the Department and its agencies to further address these management challenges

and key challenge indicators in the coming year.

If you have any questions or would like to discuss these management challenges and related key challenge indicators, please contact me (202-720-8001). You or your staff may also contact Audit's Acting Assistant Inspector General, Yaris Rivera Rojas (202-720-4060), Investigations' Assistant Inspector General, Kevin Tyrrell (202-734-8052), or Analytics and Innovation's Acting Assistant Inspector General, Craig Goscha (816-926-7644).



Phyllis K. Fong  
Inspector General

<sup>4</sup> Report Number 21-045-01, *USDA COVID-19 Funding Dashboard*, Oct. 2021.

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# Challenge 1: Program Oversight and Accountability

Effective oversight and monitoring of USDA's programs and operations are vital. This oversight ensures that funds reach those for whom they are intended and that programs are efficient, produce reliable results, and comply with applicable laws and regulations. Program integrity and proper stewardship of resources are significant responsibilities of the Department; ineffective oversight and accountability can negatively impact consumer confidence in USDA programs.

## Key Challenge Indicator:

### Program Process Improvements for Enhanced Integrity

The Department must employ effective processes within its programs to ensure program integrity and mitigate instances of fraud, waste, and abuse. Two of our recent audits identified weaknesses in the integrity of USDA program processes.

For example, an audit of the Food and Nutrition Service's (FNS) The Emergency Food Assistance Program (TEFAP) found weaknesses in FNS' oversight of the program.<sup>5</sup> TEFAP provides Federally purchased commodities (USDA-foods) to States and territories (States) to distribute to recipient agencies serving low-income households and individuals. TEFAP also provides administrative funds to cover States' and recipient agencies' costs associated with the processing, storage, and distribution of

## Key Challenge Indicators



Program Process Improvements for Enhanced Integrity



Improper Payments

USDA-foods and foods provided through private donations.

We concluded that FNS did not formally evaluate what impact the COVID-19 pandemic could have on the safe and efficient distribution of food assistance to States. This occurred because FNS had not established a formal enterprise risk management process to continuously identify and assess risks related to TEFAP program operations, including changing conditions that could impact the integrity of the program. Without a formal risk management process for TEFAP, there is no assurance that FNS periodically reviews and documents its response to the impact of changing conditions on the safe and effective distribution of food assistance to States. In fiscal year (FY) 2020, the

<sup>5</sup> Inspection Report 27801-0001-21(1), *COVID-19—Oversight of The Emergency Food Assistance Program—Interim Report*, Aug. 2021.

**Figure 2.** A forklift operator manages pallets of USDA-foods from The Emergency Food Assistance Program. This Federal program helps supplement the diets of low-income Americans by providing them with emergency food assistance at no cost. Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.



Families First Coronavirus Response and Coronavirus Aid, Relief, and Economic Security (CARES) Acts increased TEFAP funding by \$850 million, with funding totaling more than \$1.2 billion, thus increasing the potential risk that food assistance may not go to those in need. FNS generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

Another audit revealed continued weaknesses with the Animal and Plant Health Inspection Service's (APHIS) Smuggling Interdiction and Trade Compliance (SITC) Program.<sup>6</sup> This program handles smuggling and trade compliance issues, primarily at marketplace locations, both to prevent

and detect those compliance issues that impact U.S. markets.<sup>7</sup>

OIG reviewed the corrective actions APHIS' SITC Program implemented following a 2012 audit.<sup>8</sup> While SITC officials implemented the 13 prior audit recommendations, we 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 of insufficient internal controls, conditions OIG reported more than 8 years ago continue to exist. These conditions reduce SITC's ability to detect and prevent the unlawful entry and distribution of prohibited products.

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.

An example of USDA's success in program process improvements for enhanced integrity is USDA's Rural Development's (RD) Community Facilities Direct Loan and Grant Program.<sup>9</sup> The Rural Housing Service (RHS), an agency within RD, administers this program.

<sup>6</sup> Audit Report 33601-0004-23, *Follow-up on Smuggling Interdiction and Trade Compliance Program*, Sept. 2021.

<sup>7</sup> The SITC reference guide describes marketplaces as major distribution centers; flea markets; animal, plant, and insect trades shows; large and small chain stores; roadside vendors; and neighborhood corner stores. USDA APHIS, *Smuggling Interdiction and Trade Compliance Reference Guide* (Aug. 2015).

<sup>8</sup> Audit Report 33601-0012-CH, *Effectiveness of the Smuggling, Interdiction, and Trade Compliance Unit*, Aug. 2012. Within this report, we refer to SITC as a program, not a unit as it was referred to in our prior audit report.

<sup>9</sup> Audit Report 04601-0001-24, *Rural Development's Prioritization of Direct Loans and Grants for Facilities Providing Substance Use Disorder Services*, Mar. 2022



**Figure 3.** Medical equipment at a withdrawal management center that opened with assistance from USDA's Community Facilities Direct Loan and Grant Program. Photo by Preston Keres from USDA's Flickr account. It does not depict any particular audit or investigation.

OIG found that RD took positive steps to ensure the integrity of the substance use disorder facilities requirement from the Agriculture Improvement Act of 2018. RD prioritized the requirement by issuing guidance that authorized State Directors to add an additional 15 points to loan or grant applications and authorized the RHS Administrator to add an additional 15 points to loan applications and 30 points to grant applications requesting funding under the purview of substance use disorder facilities. RD also tracked applications that requested substance use disorder priority through the project's name. Personnel tracked applications by including identifiers for "Substance Use Disorder" or "Substance Misuse Disorder" in the project's name in RD's grant processing system. Because RD prioritized the substance use disorder facilities requirement, we did not make any recommendations in this report.

## Key Challenge Indicator:

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### Improper Payments

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. In addition, improper payments include any payment with insufficient documentation to determine that the payment was proper. In order to mitigate such payments, agencies must publish reports with improper payment information, identify susceptible programs, and identify improper payments reduction targets. Reducing improper payments is critical to safeguarding Federal funds.

Although not all improper payments are fraudulent, and not all improper payments represent a loss to the Government, all improper payments can affect the integrity of Government programs and compromise the public's trust in the Federal Government. These reports are important because they provide transparency and allow stakeholders to make informed decisions.

OIG found that USDA was not compliant with four of the six Payment Integrity and Information Act of 2019 (PIIA) requirements for FY 2021.<sup>10</sup> Specifically, 5 of the 17 high-risk programs reported did not fully comply with PIIA requirements. Five Farm Service Agency (FSA) programs did not meet the PIIA compliance requirements for reporting one or more of the following:

annual reduction targets, gross improper payment rates of less than 10 percent, or corrective action plans. As a result, these USDA programs could not ensure taxpayer money served its intended purpose.

OIG also found that USDA did not meet a fourth PIIA compliance requirement when the Department did not timely report the Risk Management Agency's Federal Crop Insurance Corporation as a high-risk program on [paymentaccuracy.gov](http://paymentaccuracy.gov). Without sufficient information, USDA stakeholders are not able to make informed decisions using Agency Financial Report (AFR) improper payment data. Finally, USDA reported improper payment information for FY 2021 that contained inaccuracies or that the Department could not support with appropriate documentation. We also questioned whether USDA complied with Office of Management and Budget (OMB) criteria for improper payment reporting. Accurate and documented information is critical so that USDA stakeholders are able to use AFR improper payment data to make informed decisions.

OIG also identified potential improper payment concerns with the Emergency Watershed Protection (EWP) Program under the National Resources Conservation Service (NRCS). EWP offers technical and financial assistance to help local

<sup>10</sup> Audit Report 50024-0002-24, *USDA's FY 2021 Compliance with Improper Payment Reporting Requirements*, June 2022.



**Figure 4.** Driftwood pile resting on an Emergency Watershed Protection flood plain easement. Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.

**Figure 5.** An orange harvest from a citrus packing house. Photo by Richard Brassfield from USDA's Flickr account. It does not depict any particular audit or investigation.



communities mitigate imminent hazards to life and property caused by floods, fires, windstorms, and other natural occurrences that impair a watershed.<sup>11</sup> OIG found that State officials did not initiate the closeout process or de-obligate unused funds of more than \$9.5 million for 18 signed cooperative agreements in a timely manner. As a result, this could lead to lengthy, unliquidated obligations and potentially prevent the funds from being used on other EWP Program projects.

Another example of improper payments was in FSA's Florida Citrus Recovery Block Grant Program.<sup>12</sup> Overall, FSA and the State of Florida designed an adequate control structure over the block grant program; however, we identified discrepancies with 8 of the 39 grant payments in our sample. Specifically, six payments contained errors due to inaccurate payment calculations for young tree acreage, and two lacked

sufficient documentation to support their Part 1 payments for grove rehabilitation. This occurred because the State of Florida's internal review process did not identify these discrepancies prior to paying the producer. Specifically, the young tree acreage calculation, which is complicated and prone to errors, was not treated as high-risk during the review process, and the process of reviewing supporting documentation was not consistently completed. As a result, grant personnel issued eight improper payments, totaling more than \$7.5 million, to Florida citrus producers affected by Hurricane Irma.

We also found 31 grant participants that did not timely apply for the Wildfires and Hurricanes Indemnity Program, which is a prerequisite for the block grant program. As this issue was addressed in a prior OIG audit report, we made no additional recommendations in this report. Additionally, we found

that the Florida FSA State office issued an Emergency Conservation Program (ECP) payment of more than \$50,000 for expenses already paid by the Citrus Recovery Block Grant Program. We informed the FSA national office of this issue and they agreed to work with the Florida State office to review this payment and determine whether collecting the ECP payment from the producer is warranted. We agreed with FSA's proposed actions and questioned the amount of the ECP payment. FSA generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

<sup>11</sup> Audit Report 10702-0001-23, *Hurricane Disaster Assistance—Emergency Watershed Protection Program*, June 2021.

<sup>12</sup> Audit Report 03702-0001-22, *Florida Citrus Recovery Block Grant Program*, June 2021.

## Challenge 2: Safety and Security

OIG provides independent audits, investigations, inspections, data analytics, and other reviews to help USDA and the American people meet critical challenges in safety, security, public health, and animal welfare. Our work focuses on issues such as the ongoing challenges of agricultural inspection activities, the safety of our Nation's food supply, homeland security, and IT security and management.

### Key Challenge Indicators



Compliance with Information Technology Laws and Regulations

### Key Challenge Indicator:

#### Compliance with Information Technology Laws and Regulations

Cybersecurity is a major factor in any organization, and USDA is no different. USDA continues to face threats to its security, including threats from bad actors who seek to find and exploit information system vulnerabilities. While the Department has made great efforts to strengthen its information technology (IT) infrastructure, compliance with IT laws and regulations remains a major concern, particularly with ongoing technological advancements and an ever-changing cyber realm.

For example, a recent audit found that USDA continues to take positive steps to improve its IT security posture, but many weaknesses remain.<sup>13</sup> OMB establishes

standards for an effective level of security and considers “Managed and Measurable”<sup>14</sup> to be a sufficient level. However, USDA OIG found the Department’s maturity level to be at the “Consistently Implemented”<sup>15</sup> level. Based on OMB’s criteria, the Department’s overall score indicates an ineffective level of security.

Due to existing security weaknesses identified, OIG continues to report a material weakness in USDA’s IT security that should be included in the Department’s Federal Managers Financial Integrity Act report. The Office of the Chief Information Officer (OCIO) generally agreed with our findings and

<sup>13</sup> Audit Report 50503-0005-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2021 Federal Information Security Modernization Act*, Oct. 2021.

<sup>14</sup> “Managed and Measurable” means that quantitative and qualitative measures on the effectiveness of policies, procedures, and strategies are collected across the organization and used to assess them and make necessary changes.

<sup>15</sup> “Consistently Implemented” means that policies, procedures, and strategies are formalized and documented, and are consistently implemented, but quantitative and qualitative effectiveness measures are lacking.



**Figure 6.** *The Office of Inspector General regularly audits the Department to help ensure compliance with information technology laws and regulations. Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.*

recommendations, and we have reached agreement on the planned corrective actions to address them.

Furthermore, OIG performed an inspection of four mission areas within USDA to determine if the mission areas were identifying and mitigating vulnerabilities on their public-facing web applications and websites.<sup>16</sup> We reviewed vulnerability scanning policies, procedures for identifying and mitigating vulnerabilities, as well as public-facing web application and website inventories. OIG also reviewed the four mission areas' processes pertaining to website and web application vulnerability management. OCIO and the mission areas generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

OIG also performed an inspection of the OCIO to determine whether

USDA followed Federal and Departmental incident response guidance.<sup>17</sup> We interviewed OCIO staff to gain an understanding of OCIO's incident handling process and reviewed documentation provided by staff to determine if OCIO's incident handling process complies with applicable laws and regulations. We determined that USDA follows Federal incident response guidance for incident handling; however, OCIO did not follow all Departmental guidance. OCIO generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

<sup>16</sup> Audit Report 50801-0002-12, *Security Over USDA Web Applications*, Oct. 2021.

<sup>17</sup> Inspection Report 88801-0001-12, *USDA's Information Technology Incident Response Consideration*, June 2021.

# Challenge 3: Program Performance, Results, and Outreach

USDA manages more than 300 programs that provide a variety of services to the American public. These programs include grants and loans for rural communities, food assistance for schools and private citizens, and research and technical assistance for environmental projects. For such a diverse portfolio of programs, the Department must have well-designed programs to be a diligent steward of Federal funds. However, designing, developing, and implementing programs that reliably achieve their intended results has been a recurring challenge for the Department. Monitoring program performance is also essential to ensure that USDA programs and benefits are delivered effectively and are accessible to all of the communities USDA serves. Lastly, sustained outreach efforts are crucial to ensuring that USDA programs reach their intended recipients.

## Key Challenge Indicators



Program Performance Monitoring



Data Quality and Integrity to Measure Performance and Impact



Outreach Efforts

## Key Challenge Indicator:

### Program Performance Monitoring

OIG has found that USDA agencies do not have adequate reviews or controls to report the metrics necessary to evaluate program performance. In some programs, agencies failed to put performance measures in place. As a result, some agencies are using inaccurate or unreliable data to report their program performance and therefore cannot ensure that program benefits are delivered to the intended recipients.

For example, OIG found that the Office of Partnerships and Public Engagement (OPPE) needed to establish performance goals for the Outreach and Assistance to Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program (the 2501 Program).<sup>18,19</sup> The 2501 Program provides eligible organizations with grant funds for outreach, training, education, and technical assistance.

<sup>18</sup> Audit Report 91601-0001-21, *Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program (2501 Program) in Fiscal Years 2018 and 2019*, Nov. 2021.

<sup>19</sup> The purpose of the 2501 Program is to assist socially disadvantaged and veteran farmers and ranchers in owning and operating farms and ranches while increasing their participation in agricultural programs and services provided by USDA.

**Figure 7.** A repurposed shed and trailer, which serves as a sturdy mobile shelter for chickens, at a workshop to help educate military service veterans about rare breed animal and poultry options for farming enterprises. The 2501 Program enhances the viability and profitability of small farms and ranches, beginning farmers and ranchers, and socially disadvantaged farmers and ranchers by providing eligible organizations with grant funds for outreach, training, education, and technical assistance, such as this workshop. Photo by Lance Cheung from USDA's Flickr account. It does not depict any particular audit or investigation.



We determined that OPPE did not establish a performance plan and set performance goals and indicators to measure and assess its progress towards achieving the 2501 Program's purpose. This occurred because OPPE found it challenging to set goals and establish performance indicators<sup>20</sup> to measure and assess the level of performance the program should accomplish each year. As a result, OPPE cannot meet its requirement to report annually on its accomplishments and evaluate if the grants awarded were successful in meeting the objectives of the 2501 Program. Furthermore, by not establishing performance goals, OPPE cannot determine if improvements are needed to meet the objectives of the 2501 Program. OPPE generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

In another report, OIG found that APHIS needs to improve several areas pertaining to the Federal Select Agent Program (FSAP).<sup>21</sup> FSAP is jointly administered by APHIS and the Centers for Disease Control and Prevention. APHIS oversees the possession, use, and transfer of biological select agents and toxins, which have the potential to pose a severe threat to public, animal, or plant health, or to animal or plant products. We found that the Electronic FSAP (eFSAP) system, which APHIS uses to monitor entities' compliance with Federal regulations, did not always include accurate and complete information. Although APHIS stated that it requires file managers to review information uploaded to eFSAP and approve the possession use, or transfer of select agents, APHIS lacked oversight control procedures to ensure that file managers performed these reviews and that information was complete and

accurate. As a result, APHIS may not be able to ensure select agents and toxins are adequately secured by registered entities. APHIS generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

<sup>20</sup> The GPRA Modernization Act of 2010, Pub. L. No. 111-352, 124 Stat. 3868 and 3871.

<sup>21</sup> Audit Report 33701-0002-21, *Controls Over Select Agents*, July 2021.

## Key Challenge Indicator:

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### Data Quality and Integrity to Measure Performance and Impact

OIG has found that USDA faces challenges with data quality and integrity as it pertains to measuring performance and impact. The Department must have sufficient controls to ensure data are comprehensive and correct. These controls are needed because the Department uses these data to evaluate program performance, measure impact, ensure that outreach efforts are effective, and make evidence-based decisions.

For example, OIG reviewed USDA's implementation of the Digital Accountability and Transparency Act (DATA Act).<sup>22</sup> The DATA Act requires USDA to submit to the U.S. Department of the Treasury (Treasury) Federal contract, loan, and grant spending information for Federal programs so that taxpayers and policymakers can more effectively track Federal spending. OIG is responsible for reviewing a sample of the spending data submitted by USDA and submitting to Congress a publicly available report assessing the completeness, timeliness, and accuracy of the sampled data.

We found that, although USDA transmitted its FY 2020 fourth quarter submission to the Treasury's DATA Act Broker, its submission was not complete and contained records that were not accurate or timely, according to DATA Act reporting standards. We

also found that USDA component agencies and offices did not consistently implement and use Governmentwide financial data standards established by OMB and the Treasury. As a result, the intended users of the data—as outlined by the DATA Act—do not have consistent, reliable, and searchable USDA spending data available on USAspending.gov. In addition, without the consistent use of standards, USDA cannot attest to the reporting of reliable, transparent, and consistent Federal spending data for public use. Departmental and agency officials generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

<sup>22</sup> Audit Report 11601-0002-12, *USDA's Digital Accountability and Transparency Act Compliance Efforts for Fiscal Years 2020 and 2021*, Nov. 2021.



**Figure 8.** A hand is raised for questions during a joint USDA and Environmental Protection Agency National Civil Rights Conference. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

## Key Challenge Indicator:

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### Outreach Efforts

It is crucial that USDA sustain its outreach efforts to ensure its programs reach their intended recipients. As part of those efforts, the Department has stressed the importance of civil rights, highlighting that significant progress needs to be made in working with communities when addressing past civil rights issues. Due to the public's perception of how USDA has historically treated members of socially disadvantaged groups, the Department is continually challenged to find effective ways to encourage and support all citizens in their agribusiness endeavors, especially those within underrepresented groups.

For example, an audit of USDA's Office of the Assistant Secretary for Civil Rights (OASCR) found internal control weaknesses over the civil rights complaints process.<sup>23</sup> USDA's 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. We 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 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. When faced with lengthy timeframes to process their complaints, individuals who have a legitimate claim of discrimination and would otherwise be eligible for USDA programs may not continue to pursue their complaint or not file a

<sup>23</sup> Audit Report 60601-0001-21, *USDA Oversight of Civil Rights Complaints*, Sept. 2021.

complaint at all. OASCR generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

In the past, USDA has emphasized its efforts to improve outreach. An example of USDA's improved outreach efforts is with the implementation of the Rural Business-Cooperative Service (RBCS) Business and Industry (B&I) Guaranteed Loan Program.

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. A recent inspection determined how RBCS implemented the B&I CARES Act Guaranteed Loan Program and made modifications to help guaranteed lenders with existing borrowers experiencing cash flow issues.<sup>24</sup> One of the inspection's objectives was to determine how the agency conducted outreach to rural businesses to provide access to funding for sustaining operations.

During the COVID-19 pandemic, there was a lack of access to much-needed

capital to support business operations and facilities. OIG found that to ensure lenders and borrowers were informed of opportunities for assistance, RBCS conducted outreach in multiple forms, including webinars hosted by itself and by commercial lenders. An RBCS official stated that, although there were no formal agreements between the lenders and USDA to conduct outreach on the agency's behalf, much of the outreach was conducted by lending institutions due to the natural incentive for lenders to make and close loans. Additionally, Federal Register notices published in March and May 2020 included a notification for deferring guaranteed loans, notice of funding availability (NOFA),<sup>25</sup> and guidance on administering the B&I CARES Act Program.

<sup>24</sup> Inspection Report 34801-0001-23, *COVID-19—Business and Industry Guaranteed Loan Modifications in Response to the Pandemic*, Sept. 2021.

<sup>25</sup> The NOFA is a notice published in the Federal Register that describes the type of funding available on a competitive basis and provides a contact where an application may be submitted.

# Challenge 4: Financial Management

As USDA receives significant additional funding to implement its pandemic-related responsibilities, the Department should focus more of its efforts to strengthen financial management. Each year, the Department's annual financial reports provide the public, Congress, and the President with information regarding the funds spent on public services. These reports account for USDA's costs and revenues, assets and liabilities, and other information.

## Key Challenge Indicator:

### Internal Controls and Compliance with Federal Laws and Regulations

As required by law, OIG either conducts or oversees audits of the financial statements for the Department and four component agencies annually to determine if the statements are fairly presented in accordance with generally accepted accounting principles. In addition, OIG reviews internal controls over financial reporting and tests compliance with applicable laws and regulations. For FY 2021, the Department and four component agencies received unmodified opinions on their financial statements.

However, OIG's consideration of USDA's internal controls over financial reporting

## Key Challenge Indicators



Internal Controls and Compliance with Federal Laws and Regulations

identified three significant deficiencies.<sup>26</sup> These are: (1) improvements are needed by three component agencies in their overall financial management; (2) USDA needs to improve its IT security and controls, as many long-standing weaknesses remain;<sup>27</sup> and (3) USDA and RD need to improve controls over unliquidated obligations. We determined the first two deficiencies are material weaknesses.<sup>28</sup>

Two component agencies needed improvement in their controls over financial reporting. The Commodity Credit Corporation (CCC) had one material weakness with its account

<sup>26</sup> Audit Report 50401-0020-11, *USDA's Consolidated Financial Statements for Fiscal Years 2021 and 2022*, Nov. 2021.

<sup>27</sup> This report is also applicable to Management Challenge 2: Safety and Security.

<sup>28</sup> A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements* (Aug. 27, 2019).

for budgetary transactions.<sup>29,30</sup>

NRCS had three material weaknesses with its controls over obligations and unfilled customer orders, controls over expenditures, and entity level controls. The agencies generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

Additionally, our review of compliance with laws and regulations identified noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), the Antideficiency Act, and the Payment Integrity Information Act of 2019.<sup>31</sup> The results of our tests of FFMIA disclosed instances where USDA was not substantially compliant with Federal Financial Management System Requirements (FFMSR), applicable Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The Department generally agreed with our findings and recommendations, and we have reached agreement on the planned corrective actions to address them.

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<sup>29</sup> Audit Report 06403-0004-11, *Commodity Credit Corporation's Financial Statements for Fiscal Years 2021 and 2020*, Nov. 2021.

<sup>30</sup> Audit Report 10403-0004-11, *Natural Resources Conservation Service's Financial Statements for Fiscal Years 2021 and 2020*, Nov. 2021.

<sup>31</sup> Pub. L. No. 104-208, 110 Stat. 3009; 31 U.S.C. § 1341; and Pub. L. No. 111-204, 124 Stat. 2224, as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012 (Pub. L. No. 112-248, 126 Stat. 2390), respectively.

## Appendix A: Referenced Reports

MC	Agency	Audit Number	Audit Title	Published	Page
1	FNS	Inspection Report 27801-0001-21(1)	COVID-19—Oversight of The Emergency Food Assistance Program—Interim Report	Aug. 2021	1
1	APHIS	Audit Report 33601-0004-23	Follow-up on Smuggling Interdiction and Trade Compliance Program	Sept. 2021	2
1	RD	Audit Report 04601-0001-24	Rural Development's Prioritization of Direct Loans and Grants for Facilities Providing Substance Use Disorder Services	Mar. 2022	2
1	USDA	Audit Report 50024-0002-24	USDA's FY 2021 Compliance with Improper Payment Reporting Requirements	June 2022	4
1	NRCS	Audit Report 10702-0001-23	Hurricane Disaster Assistance—Emergency Watershed Protection Program	June 2021	5
1	FSA	Audit Report 03702-0001-22	Florida Citrus Recovery Block Grant Program	June 2021	5
2	OCIO	Audit Report 50503-0005-12	U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2021 Federal Information Security Modernization Act	Oct. 2021	6
2	USDA	Inspection Report 88801-0001-12	USDA's Information Technology Incident Response Consideration	June 2021	7
2	OCIO	Audit Report 50801-0002-12	Security Over USDA Web Applications	Oct. 2021	8
3	OPPE	Audit Report 91601-0001-21	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program (2501 Program) in Fiscal Years 2018 and 2019	Nov. 2021	8
3	APHIS	Audit Report 33701-0002-21	Controls Over Select Agents	July 2021	9
3	USDA	Audit Report 11601-0002-12	USDA's Digital Accountability and Transparency Act Compliance Efforts for Fiscal Years 2020 and 2021	Nov. 2021	10
3	OASCR	Audit Report 60601-0001-21	USDA Oversight of Civil Rights Complaints	Sept. 2021	11
3	RD	Inspection Report 34801-0001-23	COVID-19—Business and Industry Guaranteed Loan Modifications in Response to the Pandemic	Sept. 2021	12

MC	Agency	Audit Number	Audit Title	Published	Page
4	USDA	Audit Report 50401-0020-11	USDA's Consolidated Financial Statements for Fiscal Years 2021 and 2022	Nov. 2021	13
4	CCC	Audit Report 06403-0004-11	Commodity Credit Corporation's Financial Statements for Fiscal Years 2021 and 2020	Nov. 2021	14
4	NRCS	Audit Report 10403-0004-11	Natural Resources Conservation Service's Financial Statements for Fiscal Years 2021 and 2020	Nov. 2021	14

# Appendix B: Acronyms and Abbreviations

AFR .....	Agency Financial Report	FSAP .....	Federal Select Agent Program	SITC .....	Smuggling Interdiction and Trade Compliance
APHIS.....	Animal and Plant Health Inspection Service	FY .....	fiscal year	TEFAP .....	The Emergency Food Assistance Program
B&I.....	Business and Industry	GPRA .....	Government Performance and Results Modernization Act of 2010	The 2501 Program .....	Outreach and Assistance to Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program
CARES.....	Coronavirus Aid, Relief, and Economic Security Act	IT .....	information technology	Treasury .....	U.S. Department of the Treasury
CCC.....	Commodity Credit Corporation	NOFA .....	notice of funding availability	USDA .....	U.S. Department of Agriculture
COVID-19 .....	coronavirus disease 2019	NRCS.....	National Resources Conservation Service	USDA-foods ...	Federally purchased commodities
DATA Act.....	Digital Accountability and Transparency Act	OASCR.....	Office of the Assistant Secretary for Civil Rights		
ECP.....	Emergency Conservation Program	OCIO.....	Office of the Chief Information Officer		
eFSAP .....	Electronic Federal Select Agent Program	OIG .....	Office of Inspector General		
EWP.....	Emergency Watershed Protection	OMB .....	Office of Management and Budget		
FFMIA .....	Federal Financial Management Improvement Act of 1996	OPPE .....	Office of Partnership and Public Engagement		
FFMSR.....	Federal Financial Management System Requirements	PIIA .....	Payment Integrity and Information Act of 2019		
FNS .....	Food and Nutrition Service	RBCS.....	Rural Business-Cooperative Service		
FSA .....	Farm Service Agency	RD.....	Rural Development		
		RHS .....	Rural Housing Service		

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