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COVID-19—Farmers to Families Food Box Program Administration

Inspection Report 01801-0001-22

In our final report, we assessed the controls AMS developed and implemented to ensure awardees fulfilled the obligations of their contracts.

OBJECTIVE

In June 2022, we issued Interim Inspection Report 01801-0001-22(1) describing our results and findings related to our first three inspection objectives: AMS' design of the program's solicitation, award process, and funding allocation for Round 1 contracts.

This report is on the fourth and final objective of our inspection, which was to determine what controls AMS developed and implemented to ensure awardees fulfilled the obligations of the contract.

REVIEWED

We assessed AMS procedures to review invoices and ensure food box deliveries prior to paying Round 1 awardees.

RECOMMENDS

We recommend AMS establish and implement a policy that includes assessing risks and implementing effective controls when responding to national emergencies.

WHAT OIG FOUND

The United States Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) administers programs that create domestic and international marketing opportunities for United States producers of food, fiber, and specialty crops. In response to the coronavirus disease 2019 (COVID-19) pandemic, the Department—under AMS—established the Farmers to Families Food Box Program (Food Box Program) on April 17, 2020, to connect food to non-profits through regional and local distributors. As the responsible agency, AMS released a solicitation requesting proposals from regional and local distributors to supply the following food box types: fresh fruits and vegetables; pre-cooked meat (chicken and pork); dairy products; and fluid milk. For the period of performance from May 15, 2020, through June 30, 2020 (hereafter referred to as "Round 1"), AMS spent more than \$951.5 million for Round 1 for this program.

We found that AMS did not develop and implement adequate internal controls to ensure that the Food Box Program awardees fulfilled contract obligations, such as delivering food boxes to recipients. Without performing a risk assessment and developing adequate controls, AMS had reduced assurance that awardees fulfilled contract obligations—particularly as AMS rapidly implemented the program.

AMS agreed with our finding and recommendation, and we accepted management decision on the recommendation.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: August 15, 2023

INSPECTION

NUMBER: 01801-0001-22

TO: **Bruce Summers**
Administrator
Agricultural Marketing Service

ATTN: **Kenneth Robinson**
Branch Chief
Internal Controls and Audit Branch

FROM: **Janet Sorensen**
Assistant Inspector General for Audit

SUBJECT: COVID-19—Farmers to Families Food Box Program Administration

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for all inspection recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our inspection fieldwork and subsequent discussions. This report contains publicly available information and only publicly available information will be posted to our website (<https://usdaoig.oversight.gov>) in the near future.

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Background and Objectives

Background

The United States Department of Agriculture’s (USDA) Agricultural Marketing Service (AMS) administers programs that create domestic and international marketing opportunities for United States producers of food, fiber, and specialty crops. AMS’ mission is to facilitate marketing agricultural products in domestic and international markets while ensuring fair trading practices and promoting a competitive and efficient marketplace for producers, traders, and consumers of these crops.

In response to the coronavirus disease 2019 (COVID-19) pandemic, Congress enacted the Families First Coronavirus Response Act¹ and the Coronavirus Aid, Relief, and Economic Security Act.² These acts provided more than \$35.8 billion to USDA to use for relief efforts through its agencies and programs. On April 17, 2020, USDA exercised its authority under the Families First Coronavirus Response Act to create the Farmers to Families Food Box Program (Food Box Program) under AMS to purchase and distribute agricultural products to people impacted by the COVID-19 pandemic. According to AMS, the Food Box Program sought to address three critical needs simultaneously: to provide markets for farmers faced with declining demand and the crisis of food rotting in fields and animals being euthanized; to provide for the food needs of newly unemployed Americans; and to help put suppliers and distributors back to work. The purpose of the Food Box Program was to connect food—which would have been sold to restaurants, hotels, schools, and other food service entities that were closed due to COVID-19—to regional and local distributors (referred to here as “awardees” or “contractors”)³ for them to purchase and deliver fresh produce, dairy, and meat products to non-profit and governmental organizations serving those in need. Through partnerships with regional and local awardees, AMS anticipated purchasing \$100 million per month for each of the following food box types: fresh fruits and vegetables; pre-cooked meat (chicken and pork); dairy products; and fluid milk.

The Federal Acquisition Regulation (FAR) Part 18, *Emergency Acquisitions*, provides agencies with flexibilities to streamline the acquisition process under certain circumstances, such as when the President of the United States issues an emergency declaration. The former Secretary of Agriculture used this authority to procure commodities to deliver to non-profit and governmental organizations to assist with distributing food to Americans during the pandemic. The Department created the Food Box Program and released a solicitation requesting proposals that would supply food boxes from a pre-approved portfolio of fresh fruit, vegetables, dairy, and/or meat products.⁴ AMS established an evaluation panel to review received proposals and, on May 8, 2020, AMS issued awards for the first round of purchases for the period of performance from May 15, 2020, through June 30, 2020 (hereafter referred to as “Round 1”).

¹ Families First Coronavirus Response Act, Pub. L. No. 116-127 (Mar. 2020).

² Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 (Mar. 2020).

³ Throughout this report, we refer to distributors as “awardees” or “contractors.”

⁴ Solicitation AG-12-3J14-20-R-0377 (Apr. 24, 2020), and amendment 1 (Apr. 29, 2020).

As part of the Food Box Program, AMS required awardees to conduct food distribution supply-chain processes to get the procured food to people impacted by the COVID-19 pandemic through non-profit and governmental organizations. Specifically, each awardee had to construct a commodity supply chain to obtain and distribute the food to a network of non-profit and governmental recipient entities, as well as mechanisms to track and maintain evidence of the food delivered to those recipients. The following AMS image illustrates the Food Box Program’s food distribution process.

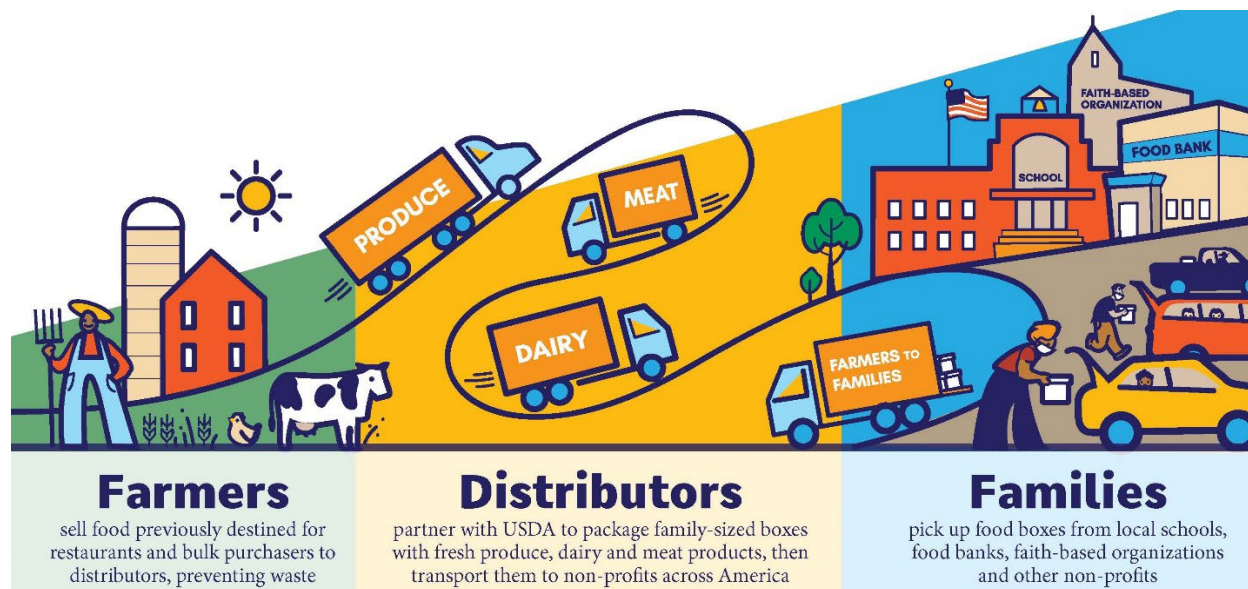


Figure 1: Infographic from AMS’ website:

<https://www.ams.usda.gov/sites/default/files/media/FarmerstoFamiliesFoodBox.pdf>. Last accessed Jan. 6, 2022.

Awardees and non-profit organizations arranged mutually agreeable quantities, delivery locations, and delivery schedules. AMS required awardees to submit an invoice package for payment that indicated the number of boxes delivered, contents of the boxes, and proof of delivery to a non-profit or other organization as described in the contract. Awardees received more than \$951.5 million delivering food boxes during Round 1 of the program.

Objectives⁵

On June 24, 2022, we issued an interim report addressing the following objective questions:⁶

1. Did AMS design the solicitation according to the requirements of the FAR and Departmental guidance?
2. Did AMS award the contracts in accordance with the solicitation requirements?
3. What methodology did AMS develop and use to equitably allocate funding to the contractors?

⁵ Our inspection objective questions related to Round 1 of the AMS Food Box Program.

⁶ Interim Inspection Report 01801-0001-22(1), *COVID-19—Farmers to Families Food Box Program Administration*, June 2022.

This report addresses our last objective question for this inspection:

4. What controls did AMS develop and implement to ensure awardees fulfilled the obligations of the contract?

Objective 4: What controls did AMS develop and implement to ensure awardees fulfilled the obligations of the contract?

While we found that AMS implemented some oversight activities, the agency did not implement effective controls to ensure that the Food Box Program awardees fulfilled contract obligations, such as delivering food boxes to recipients. This occurred because AMS: (1) had not established an enterprise risk management (ERM) process to identify and assess risks prior to operating the Food Box Program; and (2) did not develop effective internal controls to mitigate risks related to awardees fulfilling their obligations. Without performing a risk assessment and developing effective controls, AMS had reduced assurance that awardees fulfilled contract obligations—particularly as AMS rapidly implemented the program and spent more than \$951.5 million for Round 1 of the program.

According to the Office of Management and Budget (OMB) Circular A-123, management is responsible for developing and maintaining effective internal controls that are consistent with its established risk appetite and tolerance levels.⁷ The circular also defines management’s responsibilities for ERM and states that identifying risk is a continuous process and requires establishing and integrating internal control into its operations in a risk-based and cost-beneficial manner.⁸ The Standards for Internal Control in the Federal Government state that changing conditions often create new risks, or changes to existing risks can prompt management to perform a risk assessment to identify, analyze, and respond to any new, resulting risks.⁹

In September 2020, the Government Accountability Office (GAO) reported that according to USDA, AMS did not have time to evaluate internal controls for its implementation efforts prior to the first two rounds of the program.¹⁰ During our fieldwork, we requested an AMS risk assessment to determine what risks and associated controls AMS applied in Round 1 to mitigate awardees’ not fulfilling their contract obligations. In response, AMS officials stated that the agency had “not completed a risk assessment of the program given the [short] amount of time the program had to be established.” While AMS officials stated that a risk assessment was not performed and internal controls were not evaluated, they did share some oversight activities the agency implemented to monitor awardees’ contract activities and payments.

Although we acknowledge the following examples of activities, AMS did not demonstrate effective oversight of the Food Box Program, specifically how the agency confirmed that awardees fulfilled their contract obligations.

⁷ OMB, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123 (July 2016).

⁸ OMB defines ERM as “an effective Agency-wide approach to addressing the full spectrum of the organization’s external and internal risks by understanding the combined impact of risks as an interrelated portfolio, rather than addressing risks only within silos.”

⁹ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

¹⁰ GAO, *COVID-19: Federal Efforts Could Be Strengthened by Timely and Concerted Actions*, GAO-20-701 (Sept. 21, 2020).

Internal Program Review and Audit

AMS officials stated that the agency provided oversight throughout the contract period and conducted robust audits to ensure food safety plans were followed, that only domestic produce was provided, and that quality products were delivered, among other contract administration matters. Furthermore, AMS officials stated that USDA also tracked contractor performance in several ways, including daily and cumulative totals of the number and type of boxes delivered, recipient organizations, and location, among other factors. Prior to being paid, the contractor must have submitted delivery confirmation from the recipient organization along with the invoice details. However, we found that AMS did not effectively verify that food boxes were delivered to non-profit organizations.

AMS conducted an internal review to verify that non-profit organizations received the food boxes purchased through awardees, and that those awardees submitted appropriate invoices to AMS for payment. Completed in October 2020, AMS' review was unable to verify deliveries for 77 of 366 (21 percent) of the recipient organizations for various reasons, such as disconnected phone numbers, or because recipients did not respond to calls, voicemails, or emails. When AMS reviewers could not reach the recipient organizations, they did not follow up with awardees to verify that these recipient organizations existed or to request additional information from awardees to support their invoices. Thus, we determined that AMS had not established effective controls to verify that the invoices awardees submitted supported the non-profit organizations' receipt of food boxes.

Responding to Complaints

AMS had informal processes for responding to issues or complaints in the Food Box Program. Procurement, operations, and compliance offices in the agency were responsible for responding to issues or complaints, but they lacked written policy or procedure to process, monitor, or resolve complaints in the Food Box Program. AMS stated that there was no time to develop a customized complaint process for the Food Box Program given the urgency to implement the new program. Instead, the agency informally adapted procedures it used to process complaints received in acquiring or distributing products for USDA nutrition programs for the Food Box Program.¹¹

Further, AMS lacked a formal policy to account for and monitor disposition of Food Box Program complaints received by email. AMS established a specific email address to receive inquiries or complaints about the program. According to AMS, over 18,000 emails were stored after the program had ended, but staff lacked access to the email because storage was controlled by the Department.¹² Because only one address received all program email, complaints were not separately identified or stored from other email.

¹¹ The complaint process for USDA nutrition programs was established in the AMS *Customer Feedback Review Process*, CPP [Commodity Procurement Program] Procedure 1000 (Feb. 11, 2020).

¹² During our fieldwork, AMS stated that it no longer had access to the emails and that the emails were archived with the Department's Office of the Chief Information Officer.

Consequently, neither AMS nor OIG could identify how many email complaints AMS received, processed, and resolved related to awardees not fulfilling their obligations.

Although AMS did not have a risk assessment policy that included assessing risks when responding to potential national emergencies (such as a pandemic), AMS stated that it was working to enhance its existing risk and emergency management programs and procedures, including drafting policies, procedures, and systems to identify potential emergencies and risks and plan responses to them based on expected likelihood and impact. Also, AMS added that it was enhancing its Emergency Management Program to align with recently updated Department regulations and establishing a formal ERM Program. We agree that these actions may assist AMS in future emergencies to mitigate the risk of fraud, which may be higher in disasters than under normal circumstances because the need to provide services quickly can hinder the effectiveness of existing controls and create additional opportunities for individuals to engage in fraud.

Recommendation

Establish and implement a policy that includes assessing risks and developing effective controls when responding to national emergencies.

Agency Response

AMS agrees with OIG's recommendation, which is that AMS establish and implement a policy that includes assessing risks and implementing effective controls when responding to national emergencies. AMS plans to have the policy drafted by December 31, 2023.

OIG Position

We accept AMS' management decision on this recommendation.

Scope and Methodology

Our inspection scope covered AMS' contracts awarded for Round 1 of the Food Box Program—totaling up to \$1.2 billion—for the period of performance from May 15, 2020, through June 30, 2020. We conducted our fieldwork with AMS' Commodity Procurement Program officials from July 2020 through June 2023.

To accomplish our inspection objectives, we:

- Interviewed agency officials (through videoconferencing and email communication).
- Reviewed laws, regulations, written policies, procedures, and other guidance to gain sufficient knowledge and understanding of the program and the award process.
- Reviewed procedures for addressing complaints and program issues.
- Reviewed procedures AMS implemented to review invoices and ensure food boxes were delivered prior to payment.

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that we obtain sufficient, competent, and relevant evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our inspection objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations.

Abbreviations

AMS.....	Agricultural Marketing Service
COVID-19.....	coronavirus disease 2019
ERM.....	enterprise risk management
FAR.....	Federal Acquisition Regulation
GAO.....	Government Accountability Office
OIG.....	Office of Inspector General
OMB.....	Office of Management and Budget
USDA.....	United States Department of Agriculture

**Agricultural Marketing Service
Response to Audit Report**

Subject: Agricultural Marketing Service's Management Response to the Office of Inspector General Audit of the Farmers to Families Food Box Program (Number 01801-0001-22)

To: Janet M. Sorensen, [REDACTED] [\[REDACTED\]@oig.usda.gov](mailto:[REDACTED]@oig.usda.gov)
Assistant Inspector General for Audit, Office of Inspector General

From: Bruce Summers, Bruce.Summers@usda.gov
Administrator, Agricultural Marketing Service

The U.S. Department of Agriculture's Agricultural Marketing Service (AMS) Commodity Procurement Program agrees with the Office of Inspector General's (OIG) Recommendation 4 in the Farmers to Families Food Box audit report Number 01801-0001-22.

Please find AMS' response to OIG's recommendations below.

Recommendation 4: OIG recommends that AMS establish and implement a policy that includes assessing risks and implementing effective controls when responding to National emergencies.

Agency Response: AMS agrees with OIG's Recommendation 4, which is that AMS establish and implement a policy that includes assessing risks and implementing effective controls when responding to National emergencies. AMS plans to have the policy drafted by December 31, 2023.

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