



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

Second Half

April 1, 2016-September 30, 2016



Fiscal Year 2016

Number 76

November 2016

KEY OIG ACCOMPLISHMENTS IN THIS REPORTING PERIOD (April 1, 2016–September 30, 2016)*

Reports Issued

Number of Final Reports	17
Number of Interim Reports	1
Number of Final Report Recommendations	137
(119 program improvements / 18 monetary)	
Number of Interim Report Recommendations	0
(0 program improvements / 0 monetary)	

Total Dollar Impact of Reports at Issuance (Millions)	\$126.5
Questioned / Unsupported Costs	\$10.9
Funds to Be Put to Better Use	\$115.6

Management Decisions Reached

Number of Final Reports	15
Number of Interim Reports	0
Number of Final Report Recommendations	147
(132 program improvements / 15 monetary)	

Reports Issued	151
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Impact of Investigations

Indictments	454
Convictions	367
Arrests	317

Total Dollar Impact (Millions)	\$101.7
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Administrative Sanctions	531
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* Throughout this report, we generally round numerical values to one decimal place.

MANAGEMENT CHALLENGES

(1) USDA Needs to Improve Oversight and Accountability for its Programs	Related material can be found on pages 1-2, 10, 24-27
(2) Information Technology Security Needs Continuing Improvement	Related material can be found on pages 2, 24, 26
(3) USDA Needs to Strengthen Program Performance and Performance Measures	Related material can be found on pages 8-10
(4) USDA Needs to Strengthen Controls Over Improper Payments and Financial Management	Related material can be found on pages 23-24
(5) USDA Needs to Improve Outreach Efforts	N/A
(6) Food Safety Inspections Need Improved Controls	Related material can be found on pages 2-3, 6
(7) FNS Needs to Strengthen SNAP Management Controls	Related material can be found on pages 14-16

Message from the Inspector General

This *Semiannual Report to Congress* (SARC) covers the 6-month period, April 1, 2016, through September 30, 2016, and summarizes the most significant accomplishments of the U.S. Department of Agriculture's (USDA) Office of Inspector General (OIG). During this period, our Office has worked extensively with the Department, Congress, and other Federal agencies to safeguard the integrity and efficiency of USDA programs. To improve our own efficiency, we created an Office of Data Sciences (ODS) whose function is to apply data analytics to support audits, investigations, and other activities. Since its formation, ODS has been using predictive data analytics to identify anomalies and potential fraud patterns in the Supplemental Nutrition Assistance Program (SNAP).

Our investigations during the past 6 months led to 317 arrests, 367 convictions, and \$101.7 million in recoveries and restitutions. We also issued 17 final audit reports and 1 interim report, which included 119 recommendations for program improvements as well as almost \$126.5 million in questioned costs or funds to be put to better use. The highlights of these activities, discussed below, are described according to our strategic goals, as outlined in the OIG *Strategic Plan* for fiscal years (FY) 2013-2018.

Goal 1—Safety and Security—Strengthen USDA's ability to implement and improve safety and security measures to protect the public health, as well as agricultural and Departmental resources

In response to an article published in *The New York Times*, OIG reviewed how the Agricultural Research Service (ARS) operates the U.S. Meat Animal Research Center (USMARC) in Nebraska. While we did not find systemic problems with animal welfare at USMARC (as alleged in the article), we did find that ARS could improve its oversight of animal welfare at the facility and take steps to make its research more transparent to the public. In general, the controls for overseeing animal welfare at USMARC lacked specificity, and the steps ARS took to perform inspections or handle complaints were not carefully documented. ARS also did not make it a priority to establish, maintain, and monitor compliance with animal welfare-related policies and procedures. We recommended that ARS establish adequate policies, procedures, and processes related to the oversight of animal welfare at USMARC. ARS agreed with our recommendations.

An OIG investigation found that the married owners of an organic alfalfa farm were selling conventional alfalfa seed as USDA-certified "organic" alfalfa seed. The pair purchased the conventional seed for an average of \$2.40 per pound and sold the seed as "organic" for an average of \$3.86 per pound. In June 2016, in U.S. District Court, District of Idaho, the husband was sentenced to 36 months in prison followed by 36 months of supervised release and ordered to pay \$1.9 million in forfeiture, a \$7,500 fine, and a \$250 special assessment. His wife was sentenced to 36 months of supervised probation and ordered to pay a \$500 fine and a \$250 special assessment.

Goal 2—Integrity of Benefits—Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance

In audit work relating to this goal, OIG found that weaknesses in State and county financial management controls and a lack of effective Food and Nutrition Service (FNS) oversight led to inaccurate program financial reporting and questioned costs. OIG determined that FNS and the States should strengthen their financial management controls to improve efficiency and the effective use of over \$3.6 billion of SNAP administrative funds. OIG also found FNS could be more proactive in analyzing and containing

variances in SNAP cost-per-case, which range from \$10 per case to as high as \$34 per case in States with county-administered programs, which suggests possible waste and operational inefficiencies. We recommended that FNS de-obligate over \$111 million in invalid obligations, recover \$3.6 million in questioned costs, and issue guidance to its regional offices for conducting reviews and to the States for filing claims. FNS generally concurred with our findings and recommendations.

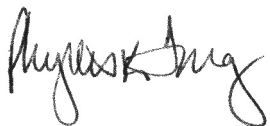
During this reporting period, a significant portion of OIG investigative resources was devoted to ensuring the integrity of SNAP by combating the practice of exchanging benefits for cash or other ineligible items. This important work resulted in a total of 279 arrests, 327 convictions, and \$63 million in recoveries and restitutions.

OIG also dedicates investigative resources to other program areas, such as farm fraud. One such investigation found that a Missouri farmer set up a fictitious farming entity in order to obtain Direct and Counter-Cyclical Program payments to which he was not entitled. On August 16, 2016, the farmer was sentenced in U.S. District Court, Eastern District of Missouri, to 24 months in prison plus 36 months of supervised release, and ordered to perform 100 hours of community service and pay \$448,096 in restitution, a \$50,000 fine, and a \$400 special assessment.

Goal 3—Management Improvement Initiatives—Provide USDA with oversight to help it achieve results-oriented performance

OIG found that the Natural Resources Conservation Service (NRCS) needs to improve controls over the Conservation Stewardship Program (CSP). We found problems with 59 of 115 contracts, involving total estimated contract costs of more than \$11.5 million. This occurred because NRCS lacked adequate controls over CSP to detect erroneous participant-reported information affecting eligibility and payment amounts. For example, CSP participants inconsistently delineated their agricultural operations—they excluded land under their control, enrolled lands they did not control, and/or enrolled agricultural operations unsubstantially separate from other operations. We also found that NRCS had inadequate controls over contracting for and documenting implementation of conservation enhancements. We recommended that NRCS improve its controls over the program and more actively collaborate with other USDA agencies, especially the Farm Service Agency (FSA). NRCS generally agreed with our recommendations, and we continue to work with the agency to reach agreement on the outstanding recommendations.

Together, these accomplishments are the result of the dedicated work of OIG's professional staff and their commitment to ensuring the efficiency and effectiveness of USDA programs. Our success, in large part, is due to the continued support of USDA Secretary Thomas J. Vilsack and Acting Deputy Secretary Michael Scuse, as well as interested Congressional Committees and Members of Congress.



Phyllis K. Fong
Inspector General

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Goal 1: Safety and Security

Strengthen USDA's ability to implement and improve safety and security measures to protect the public health, as well as agricultural and Departmental resources

To help USDA and the American people meet critical challenges in safety, security, and public health, OIG continues to provide independent audits and investigations in these areas. Our work focuses on such issues as the ongoing challenges of agricultural inspection activities, the safety of the food supply, homeland security, and information technology (IT) security and management. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. One of the more significant dangers USDA faces is a cyber attack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gain.

In the second half of fiscal year (FY) 2016, we devoted 16.1 percent of our total direct resources to Goal 1, with 100 percent of these resources assigned to critical-risk and high-impact work. A total of 80 percent of our investigative cases under Goal 1 resulted in criminal, civil, or administrative action. OIG's investigations under Goal 1 yielded 36 indictments, 8 convictions, and approximately \$11,000 in monetary results during this reporting period. Furthermore, OIG issued one audit report and one interim report under Goal 1 during this reporting period.

Management Challenges Addressed Under Goal 1

- USDA Needs to Improve Oversight and Accountability for its Programs (Challenge 1)
- Information Technology Security Needs Continuing Improvement (Challenge 2)
- Food Safety Inspections Need Improved Controls (Challenge 6)

Examples of Audit and Investigative Work for Goal 1

Improved Oversight and Transparency Needed for USMARC

ARS is USDA's chief scientific in-house research agency. USMARC, located in Clay Center, Nebraska, is an ARS research facility operated in collaboration with the University of Nebraska-Lincoln. On January 19, 2015, *The New York Times* published an article containing a number of statements regarding animal care and mortality levels at USMARC. In response to Congressional requests, OIG initiated an audit to examine ARS' oversight and monitoring of USMARC, evaluate USMARC's research practices and operations, and address concerns regarding animal welfare. We selected 33 specific statements from the article to determine their accuracy. Of these 33 statements, we determined that only 7 were materially

accurate—26 were inaccurate, lacked sufficient context, or were uncorroborated. Overall, we did not find evidence indicating a systemic problem with animal welfare at USMARC.

Although we found the article did not always accurately present animal welfare at USMARC, we did find that ARS could improve its oversight of animal welfare at the facility and take steps to make its research more transparent to the public. In general, the controls for overseeing animal welfare at USMARC lacked specificity, and the steps ARS took to perform inspections or handle complaints were not carefully documented. Furthermore, ARS did not make it a priority to establish, maintain, and monitor compliance with animal welfare-related policies and procedures. As a result, ARS had reduced assurance that proper safeguards over animal welfare were



Figure 1: USDA has taken important steps toward improving its IT security, such as this biometric fingerprint check during the enrollment process for a USDA LincPass card.

This photo is taken from USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

in place at the facility. ARS concurred with our findings and recommendations to establish adequate policies, procedures, and processes related to oversight of animal welfare at USMARC and to consider taking steps to increase the transparency of USMARC's research. (Audit Report 02007-0001-31)

Interim Report on USDA's National Security Systems and Personally Identifiable Information

In December 2015, President Obama signed into law the Cybersecurity Act of 2015. The Act requires Inspectors General (IG) of certain agencies to submit agency information regarding Federal computer systems in a report to Congress by August 14, 2016 (240 days after enactment). Although USDA does not have any national security systems that would be covered by this requirement, the 26 entities we reviewed reported computer systems that contain personally identifiable information (PII). OIG collected and reconciled data related to these systems, but we did not test, validate, or verify the information. We are not making any conclusions

or recommendations at this time. OIG will incorporate appropriate information from this report in our upcoming 2016 Federal Information Security Modernization Act (FISMA) report. (Audit Report 50501-0012-12(1))

California Man Guilty of Submitting False Testing Certificate of Analysis of Meat Product

On May 5, 2016, in U.S. District Court, Central District of California, the Hazard Analysis and Critical Control Points coordinator for a meat packing company was sentenced for providing false *Escherichia coli* (or *E. coli*) test result certificates to the Food Safety and Inspection Service (FSIS). The man was sentenced to 12 months and 1 day of home monitoring, 36 months of probation, and 200 hours of community service. He was also ordered to pay \$307,696 in restitution to a specific food company and ordered to pay a \$100 special assessment. OIG received a referral from FSIS officials that they had discovered various suspicious discrepancies in laboratory test result certificates for *E. coli* testing of beef product.

OIG initiated an investigation, and a search warrant was executed at the meat packing/processing facility where the man worked. A recall was initiated for beef product soon after the warrant was executed and the falsified testing documents were discovered. Falsifying the testing documents posed a possible threat to public health since the results did not accurately reflect whether the beef product contained *E. coli*. On November 14, 2014, a criminal complaint was filed, charging the man with providing false documents to FSIS. In December of 2014, the man was indicted on six counts of making a false statement. The man pled guilty in November of 2015 to one count of the indictment.

Idaho Husband and Wife Cheat National Organic Program of \$1.9 Million

In June 2016, in U.S. District Court, District of Idaho, the owners of an organic alfalfa farm were sentenced for selling conventional alfalfa seed as USDA-certified “organic” alfalfa seed. The husband was sentenced to 36 months in prison, followed by 36 months of supervised release, and ordered to pay \$1.9 million in forfeiture, a \$7,500 fine, and a \$250 special assessment. His wife was sentenced to 36 months of supervised probation and ordered to pay a \$500 fine and a \$250 special assessment. From 2010 through 2015, the couple shipped approximately

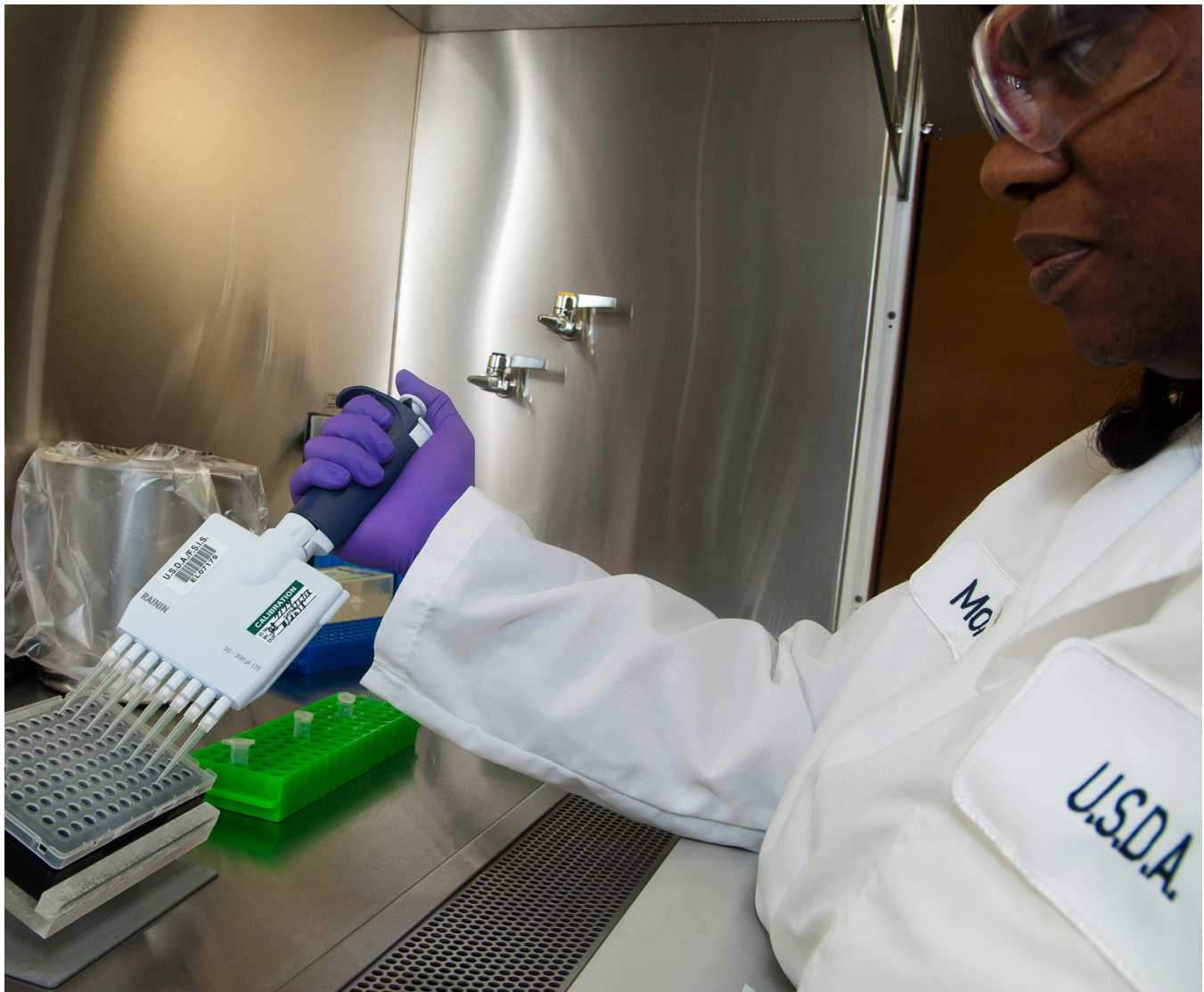


Figure 2: A USDA scientist tests for *E. coli* in beef product.

This photo is taken from USDA's Flickr feed. It does not depict any particular OIG audit or investigation.



Figure 3: Organically grown sprout.

This photo is taken from stock photographs on USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

1.3 million pounds of conventional alfalfa seed through a third-party processor, which were then sold as organic seed. The pair purchased the conventional seed for an average of \$2.40 per pound and sold the seed as “organic” for an average of \$3.86 per pound. This discrepancy resulted in a financial gain of approximately \$1.9 million. In March 2016, the husband and wife were charged with wire fraud, money laundering, and delivery of misbranded food product.

GOVERNMENT-WIDE ACTIVITIES—GOAL 1

Participation on Committees, Working Groups, Task Forces, and Other Activities

Federal Bureau of Investigation Joint Terrorism Task Forces and Anti-Terrorism Advisory Councils

During this reporting period, OIG has continued to actively participate in the Joint Terrorism Task Forces (JTTF) and Anti-Terrorism Advisory Councils. OIG has several agents assigned to JTTF with Federal, State, and local entities. Through these task forces, OIG agents provide OIG and other USDA agencies with critical information regarding individuals or groups that may have connections to terrorist activity or may provide support for terrorist activity against the United States, its citizens (domestic and abroad), or its food supply.

Specifically, in Washington, D.C., an OIG special agent is assigned to the Federal Bureau of Investigation's (FBI) National JTTF. A Portland, Oregon-based OIG special agent is a member of the FBI's Regional JTTF. In Seattle, Washington, an OIG agent is a member of the Inland Northwest Intelligence Officers through the JTTF. A Mississippi-based agent is a member of the local JTTF, which focuses on authorized FNS retailers who are suspected of SNAP benefit trafficking and are using the fraudulently obtained USDA funds to support terrorist activities abroad. In addition to JTTFs, OIG participates on Anti-Terrorism Advisory Councils in many judicial districts, including the Northern District of Ohio and Minnesota. These councils are umbrella organizations including Federal, State, and local agencies and private-sector security representatives, which work with the relevant U.S. Attorney's Offices to disrupt, prevent, and prosecute terrorism through intelligence-sharing, training, strategic planning, policy review, and problem-solving.

U.S. Marshals Service Fugitive Task Forces

OIG agents continued their participation in the U.S. Marshals Service Fugitive Task Forces during this reporting period. OIG agents in California, Minnesota, North Dakota, and Ohio participate on U.S. Marshals Service Regional Fugitive Task Forces, which were established under the Presidential Threat Protection Act of 2000. The primary mission of these task forces is to investigate and arrest, as part of joint law enforcement operations, persons who have active State and Federal warrants for their arrest. In addition to providing assistance in locating fugitives, these task forces also assist in serving warrants. Overall this joint effort results in improved public safety and reduced violent crime. For example, in San Diego, California, OIG participates in the Regional Fugitive Task Force. Each participating agency agrees to refer cases for investigation by that task force. Targeted crimes primarily include: violent crimes against persons, weapons offenses, felony drug offenses, failure to register as a sex offender, crimes committed by subjects who have a criminal history involving violent crimes, felony drug offenses, and/or weapons offenses.

Office of Management and Budget Draft Guidance on Preparing for and Responding to a Breach of PII

OIG provided comments on a draft Office of Management and Budget guidance document regarding PII breaches. The draft guidance reflected recent changes in the law, policy, and best practices in the area of PII planning and breach mitigation. Of particular concern were the provisions requiring Departmental Senior Agency Officials for Privacy (SAOP) to approve all agency components' breach response plans, and requiring that agency

PII breach incidents be escalated to a Department breach response team. OIG commented that these provisions could impair OIG independence under the IG Act, which requires IGs to be subject only to the general supervision of the Secretary or Deputy Secretary of a Department (and not other Departmental officials including, for example,

a SAOP). We noted that OIGs sharing breach response plans with the SAOP, without seeking the SAOP's approval, and consulting and coordinating with the Department's breach response team, as appropriate, would be a way to meet the intent of the guidance without impairing OIG independence.

Ongoing Reviews

- National Organic Program international trade arrangements (Agricultural Marketing Service (AMS)),
- controls over explosives and magazines (Forest Service (FS)),
- deferred maintenance (FS),
- controls over declaring allergens on product labels (FSIS),
- evaluation of equivalency assessments of exporting countries (FSIS),
- follow-up on 2007 and 2008 audit initiatives (FSIS),
- FY 2016 Federal Information Security Modernization Act (FISMA) audit (Office of the Chief Information Officer (OCIO)),
- agro-terrorism prevention, detection, and response (Office of Homeland Security and Emergency Coordination (OHSEC)), and
- integrity of USDA's scientific research program (ARS, Economic Research Service, FS, NRCS, Office of the Chief Scientist).

Goal 2: Integrity of Benefits

Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance

OIG conducts audits and investigations to help ensure or restore integrity in various USDA benefit and entitlement programs, including a variety of programs that provide payments directly and indirectly to individuals or entities. Some of the programs are among the largest in the Federal Government: SNAP alone accounts for approximately \$84 billion (40 percent) of USDA's FY 2016 budget, while about \$40 billion is allocated to USDA farm programs, the second largest category after nutrition assistance. Intended beneficiaries of these programs include the working poor, hurricane and other disaster victims, schoolchildren, and farmers and other rural residents. These programs support nutrition, farm production, and rural development.

In the second half of FY 2016, we devoted 46.8 percent of our total direct resources to Goal 2, with 96.1 percent of these resources under Goal 2 assigned to critical/high-impact work. A total of 100 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 79.6 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued eight audit reports under Goal 2 during this reporting period with monetary findings of \$115 million. OIG's investigations under Goal 2 yielded 406 indictments, 354 convictions, and \$99.3 million in monetary results during this reporting period.

Management Challenges Addressed Under Goal 2

- USDA Needs to Improve Oversight and Accountability for its Programs (Challenge 1)
- USDA Needs to Strengthen Program Performance and Performance Measures (Challenge 3)
- FNS Needs to Strengthen SNAP Management Controls (Challenge 7)



Figure 4: OIG audits and investigations help to ensure the integrity of USDA's food assistance programs. In this photo, children benefit from FNS' National School Lunch Program, which provides nutritionally balanced, low-cost, or free lunches in school each day.

This photo is taken from photographs on USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

Examples of Audit and Investigative Work for Goal 2

The Natural Resources Conservation Service Needs to Develop Clear Guidance and Consistent Controls for Highly Erodible Land and Wetland Conservation

OIG reviewed the Natural Resources Conservation Service's (NRCS) controls to ensure compliance with requirements for Highly Erodible Land and Wetland Conservation provisions. We found that NRCS has not supplied its State offices with guidance for effective gully erosion control and has not reviewed State-level guidance to determine if this guidance is sufficient. NRCS relies on State and local offices to facilitate compliance reviews of tracts subject to Highly Erodible Land conservation provisions in the Food Security Act of 1985. However, these offices developed inadequate guidance for reviews and for evaluating and correcting gully erosion. Conflicting guidance caused inconsistent compliance determinations. Likewise, unclear national policy caused incorrect interpretation

of compliance rules. As a result, producers do not know the level of treatment required for controlling all types of gully erosion and could receive inconsistent compliance evaluations. Also, NRCS State and field staff used inconsistent approaches when performing the wetland conservation portion of the compliance reviews and had differing opinions about NRCS' response when the field conditions of tracts did not match the historical imagery and the wetland inventory maps.

When developing the sample for the 2015 compliance reviews, NRCS used a flawed universe of tracts that inadvertently omitted tracts from entire States, had inaccurate and invalid tract data, and overlooked tracts located in two-digit administrative county codes. As a result, NRCS cannot determine an accurate rate of compliance for calendar year 2015 since it did not generate a representative sample. NRCS concurred with our recommendations to clarify the level of treatment required for control of all



Figure 5: This producer used an approved conservation plan, but soil erosion still formed a gully on the tract.

OIG Photo



Figure 6: A Pennsylvania mother and her children walk from a chicken house that was built, in part, with a \$20,000 Rural Energy for America Program grant. This program provides grants and loans to agricultural producers and small rural businesses for renewable energy development and energy efficiency improvement activities.

This photo is taken from USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

types of gully erosion as well as to conduct a review of State-issued guidance for controlling gully erosion to ensure it is adequate and consistent. In addition, NRCS agreed to clarify its guidance to address instances where wetland imagery does not match conditions noted in the field. (Audit Report 50601-0005-31)

Rural Energy for America Program Must Accurately Complete Project Performance Data and Check for Duplicate Funding

The Rural Business-Cooperative Service (RBS), an agency within Rural Development (RD), is responsible for administering the Rural Energy for America Program (REAP). OIG reviewed the Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loan and Grant Program, which provides grants and

loans to agricultural producers and small rural businesses for renewable energy development and energy efficiency improvement projects. We found that RBS needs to strengthen its internal controls for approving and servicing REAP loans and grants. Specifically, REAP award and project performance data maintained in the Guaranteed Loan System (GLS) were unreliable because (1) REAP recipients did not always submit project performance reports as required, (2) the amount of energy produced or saved by the funded projects was not accurately reported, and (3) the REAP information maintained in GLS was incomplete or inaccurate.

Additionally, we found that RBS did not check for duplicate funding of REAP projects with other USDA agencies. As a result, 1 of the 30 award recipients in our sample received duplicate funding. Finally, we found that RBS officials had not documented the justification and approval of priority points awarded by a State director.

Overall, OIG concluded RBS needs to strengthen its internal controls over GLS data integrity and grant award determinations. The agency concurred with our findings and recommendations to implement procedures and controls for entering REAP data into GLS, cross-checking for any duplicate payments in the system, and issuing guidance to ensure State director priority points are justifiable based on documentation in the recipient award file. (Audit Report 34001-0001-21)

Rural Utilities Service's Energy Efficiency and Conservation Loan Program Needs Quantifiable Performance Measures

The Food, Conservation, and Energy Act of 2008 made energy efficiency an eligible purpose for Rural Utilities Service (RUS) loan funds. In response, RUS created the Energy Efficiency and Conservation Loan Program (EECLP), which provides financing for energy efficiency and conservation activities. OIG reviewed RUS' implementation of the program to determine if established controls to properly administer

EECLP were present. Such controls include whether loans were made to eligible borrowers, loans were being used as required, loans were producing the intended results, and whether there were ongoing evaluations to assess the need for the program. Our review found that RUS did not have relevant quantitative performance measures needed to assess and monitor EECLP performance, or a process to obtain appropriate and reliable performance information.

To permit agency managers to make informed program decisions early in the program, RUS would benefit by developing specific EECLP performance measures and reliable performance data. Additionally, OIG found that RUS had not fully trained staff or updated existing policies and procedures, including monitoring borrower compliance with EECLP regulations. Without this oversight, RUS lacks sufficient assurance that borrowers are complying with the program's unique regulatory requirements. RUS generally agreed with our findings and recommendations to establish and report quantitative, outcome-based performance measures that reflect EECLP's successes, and develop policies and procedures to periodically monitor and assess EECLP borrowers' compliance with program requirements. OIG accepted management decision on some of the recommendations and is working with the agency to reach agreement on the remaining recommendations. (Audit Report 09601-0001-41)

FSA Borrower in Iowa Sentenced for Conversion of Livestock and Hay

In July 2016, a producer was sentenced to 24 months in prison, 36 months of supervised release, and ordered to pay \$395,968 in restitution. The investigation had determined the producer conspired with others to sell 133 head of livestock (valued at approximately \$215,294) and hay (valued at \$10,875) which had been put up for collateral on a USDA loan. In May 2015, in U.S. District Court, Southern District of Iowa, the producer was indicted on one count of



Figure 7: The OIG investigation determined that the borrower conspired with others to sell 133 head of livestock (valued at approximately \$215,294) and hay (valued at \$10,875) which had been put up for collateral on a USDA loan.

This photo is taken from USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

a scheme to commit bank fraud, two counts of wire fraud, one count of conversion of mortgaged property, one count of theft of government property, and one count of making a false statement. The producer pled guilty to one count of wire fraud and one count of conversion.

California Farming Enterprise Abuses Payment Limitations Program Rules

In May 2016, in U.S. District Court, Northern District of California, the owners of a farming enterprise in Colusa County, California, agreed to a civil settlement of \$325,000. From 1995 through 2010, the farming enterprise misrepresented facts and falsified documents to obtain FSA payments. The enterprise certified the farm operating plans as a five-person partnership, which allowed the enterprise to receive Direct and Counter-Cyclical Program payments for five entities. The enterprise was actually a three-person partnership, which resulted in an overpayment by FSA of \$1.1 million. In May 2016, the three partners associated with the farming enterprise agreed to a civil settlement for violations of the Civil False Claims Act. The civil settlement of \$325,000 was representative of the final 2 years in which the fraud occurred. The matter was accepted by the Civil Division of the United States Attorney's Office.

Vice President of Mississippi Bank Sentenced in Bank Fraud Scheme

This investigation determined a vice president/loan officer of a Mississippi bank misused his position and manipulated bank records, misapplied funds, issued fraudulent letters of credit, and forged signatures on loan documents and check endorsements pertaining to FSA guaranteed loans. These fraudulent activities resulted in FSA-guaranteed loan losses in excess of \$1 million and losses in additional bank loans in excess of \$2.5 million, bringing the total amount of loss to over \$3.6 million. He was charged with one count of bank fraud and one

count of embezzlement. In July 2016, in U.S. District Court, Southern District of Mississippi, the man was sentenced to 24 months in prison, 60 months of probation, and ordered to pay \$3.3 million in restitution.

Former Executive Director Colluded with Mother to Embezzle from Texas Housing Authority

OIG received a referral from Housing and Urban Development (HUD) OIG alleging that a former executive director of a local housing authority and other staff members misappropriated HUD and RD funds. The investigation determined the former executive director, who was ineligible to be hired because she was a convicted felon, was hired by her mother, the chairperson of the board of commissioners. The former executive director wrote local housing authority checks in the amount of \$7,888 to herself for contract labor for services or work that was not performed at the HUD public housing units and RD units. The local housing authority required two signatures for checks to be written on HUD and RD supported units, and the former executive director colluded with her mother to sign the checks in order to embezzle the funds. The former executive director and her mother were each charged with theft of government property and aiding and abetting. In July 2016, the former executive director was sentenced in U.S. District Court, Northern District of Texas, to 6 months of home confinement, 24 months of probation, and ordered to pay \$7,887 in restitution (joint and several), and a \$25 special assessment. Her mother was sentenced to 12 months of probation, and ordered to pay \$7,887 in restitution (joint and several), and a \$25 special assessment. Both women were required to agree to a voluntary exclusion for suspension and debarment.

Home Builder Convicted of Mortgage Fraud Scheme

In July 2016, in U.S. District Court, District of South Carolina, the owner of a residential

construction company pled guilty to one count of conspiracy to make false statements to influence mortgage lenders. He was then sentenced to 60 months of probation and ordered to pay \$361,471 in restitution. From May 2012 through May 2013, he built houses to sell to individuals through the RD Single Family Housing Guaranteed Loan Program and HUD's Federal Housing Administration Loan Program. The defendant and a co-conspirator knowingly assisted borrowers in making false statements to USDA and HUD in order to obtain federally guaranteed or insured housing loans. In addition, covered expenses, free appliances, and incentive payments were not listed on HUD-1 settlement statements for the purchased residences. On November 10, 2015, the co-conspirator was sentenced to 60 months of probation and ordered to pay \$82,779 in restitution.

Missouri Farmer Convicted of Establishing False Farming Entity

On August 16, 2016, a farmer was sentenced in U.S. District Court, Eastern District of Missouri, to 24 months in prison followed by 36 months of supervised release, ordered to perform 100 hours of community service, and pay \$448,096 in restitution, a \$50,000 fine, and a \$400 special assessment. Prior to sentencing, he paid the restitution amount of \$448,096. This investigation was conducted to determine if a farming entity was created for the sole purpose of obtaining additional Direct and Counter-Cyclical Program (DCP) payments from the Commodity Credit Corporation (CCC). The case was initiated when the Risk Management Agency (RMA) determined that an individual, whose name was represented in the fictitious farming entity's name, failed to show he had an insurable interest in a 2010 indemnity payment paid to the farming entity. Further, RMA determined that he had made intentional misrepresentations pertaining to the Multi-Peril Crop Insurance Policy. OIG's investigation disclosed the individual was a longtime farm employee, and that the farmer set up a fictitious farming entity in the employee's name in order

to obtain additional DCP payments. The farmer was already obtaining the maximum amount of DCP payments for his farming operation. Utilizing the fictitious farming entity he created, the farmer obtained additional DCP payments that he otherwise was ineligible to receive.

In March 2013, a search warrant was executed at the farmer's office, and records were seized that detailed plans to create additional false farming entities. A stamp-like device was seized, which was used to sign the employee's signature onto various documents, including FSA crop insurance forms and financial documents. It was determined that between 2007 and 2012, the employee's fictitious entity received \$240,367 in DCP payments and \$207,729 in Multi-Peril Crop Insurance indemnities, premium subsidies, and administrative subsidies. The farmer controlled and profited from all of these payments. Additionally, during the winter months, the farmer filed false claims with the Missouri Division of Employment Security, claiming that his employees were laid off. This resulted in more than \$60,000 in unemployment benefits being paid illegally to his employees while they were still employed. This was a joint investigation with the Missouri State Highway Patrol-Rural Crimes Division and the U.S. Department of Labor OIG. On December 17, 2015, the farmer was charged with making false statements to CCC and the Federal Crop Insurance Corporation. He was also charged with wire fraud and theft of government funds. On May 17, 2016, he pled guilty to two counts of making false statements regarding crop insurance benefits, one count of theft of government property, and one count of wire fraud.

Review of SNAP Management Controls

FNS and the States Should Strengthen Their Financial Management Controls to Improve the Use of SNAP Administrative Costs

OIG reviewed FNS' and the States' oversight and monitoring of reimbursable SNAP administrative costs from programs administered by counties. During our review, we determined that FNS and the States should strengthen their financial management controls to improve efficiency and the effective use of over \$3.6 billion of SNAP administrative funds. Also, we found FNS could be more proactive in analyzing and containing variances in SNAP cost-per-case, which range from \$10 per case to as high as \$34 per case in States with county-administered programs, suggesting possible waste and operational inefficiencies. The agency's regional offices' financial management reviews and risk assessments are not consistent, and the national office has not developed guidance to ensure consistent results.

Weaknesses in State and county financial management controls and a lack of effective FNS oversight led to inaccurate program financial reporting and questioned costs. California did not properly establish financial obligations, resulting in \$111 million in unsupported obligations for FY 2014. Although required to ensure State compliance with Federal financial management regulations, FNS' Western Regional Office management allowed California to submit estimates rather than the required actual costs. In Ohio, the State and counties inappropriately commingled costs, rendering \$3.6 million in questioned costs. States and counties reported expenditures for payment in FY 2014 for costs incurred in FY 2013 because FNS continues to allow States to use a process that is out of compliance with Federal law. We recommended that FNS de-obligate over \$111 million in invalid obligations in California, and recover \$3.6 million from Ohio. Also, FNS needs to identify the causes for the cost-per-case variances between States. Finally, the agency should issue

guidance to its regional offices for conducting financial management reviews, and to the States for filing expenditure claims and reports in accordance with Federal laws. FNS generally concurred with our recommendations and OIG was able to accept management decision for some of the recommendations. Further action from the agency is needed before management decision can be reached for the remaining recommendations. (Audit Report 27601-0003-22)

FNS and States Face Challenges Implementing SNAP Provisions Regarding the Able-Bodied Adults without Dependents Program

OIG reviewed FNS' oversight of State agency controls over SNAP to determine if only eligible able-bodied adults without dependents (ABAWD) are receiving benefits. We found that SNAP provisions regarding ABAWD are difficult for States to implement. FNS can approve States' requests to temporarily waive the time limit in areas with high unemployment or insufficient jobs, but some States are requesting and receiving time limit waivers to reduce the burden of tracking ABAWD time limits. Therefore, in some States, an ABAWD may not be subject to the work requirements based on those States' decisions to avoid the burden of tracking the ABAWD time limits since the related authorizing statutes and implementing regulations provide the States with the latitude to adapt their program to meet their needs. Yet, even with this flexibility, the States have difficulty implementing provisions because the ABAWD requirements are complex. As a result, implementation of ABAWD requirements can be error prone, and, when ABAWD policy is applied inaccurately, eligible ABAWDs are denied SNAP benefits while other ineligible ABAWDs are provided benefits.

We also found FNS is inconsistently implementing the age limits set forth by the Personal Responsibility and Work Opportunity

Reconciliation Act of 1996 because FNS interpreted the word “over” in the same statute in two different ways. In addition, we found that FNS was not fully utilizing its information system, Management Evaluation Management System (MEMS), due to contradictory instructions concerning which information to enter into the system. We commend FNS for already taking steps to address this issue by implementing another system, MEMS Next

Generation. FNS agreed with our findings and recommendations to conduct a study and/or perform analysis to identify the most troublesome areas for States and develop best practices for implementing the complex ABAWD provisions; review regulations to verify FNS is consistently implementing laws regarding SNAP age limits; and ensure that valid, accurate, complete, and timely information is included in MEMS Next Generation. (Audit Report 27601-0002-31)

Review of States’ Compliance with SNAP Regulations

As the largest program within USDA and one of the largest programs in the Federal Government, SNAP presents a unique challenge for its program managers. Given its size, taxpayer-funded assistance may not be delivered or used as intended. To assist with our work, OIG contracted with an independent certified public accounting firm to assess whether States are properly determining eligible households in accordance with the appropriate SNAP regulations. The firm’s assessment was comprised of two parts: to assess the State’s policies, procedures, and processes; and to assess its compliance through review of active case files. Five States were selected for review, and a separate report will be issued at the completion of work in each State. OIG will also publish a consolidated report describing noncompliances that were identified among all five States visited. During this reporting period, we issued reports based on work in three States.

New Hampshire Must Comply with SNAP Certification of Eligible Household Requirements

OIG contracted with an independent certified public accounting firm to conduct an agreed-upon procedures engagement to assess selected aspects of New Hampshire’s compliance with SNAP regulations, specifically focusing on compliance with the certification of eligible household requirements. The agreed-upon procedures were comprised of two parts. In its first part, the firm disclosed that New Hampshire did not always submit satisfactory explanations for recipients who did not provide Social Security Numbers (SSN), and New Hampshire did not disqualify these recipients accordingly. In addition, New Hampshire did not consistently include the date the certification period expired in its notice of expiration. In the second part, the firm disclosed that New Hampshire did not properly record that a household member had abandoned his/her job; therefore, the information

could not be properly considered to determine the household’s eligibility. In another instance, New Hampshire did not update a recipient’s shelter costs correctly. As a result of the reported weaknesses, FNS has reduced assurance that New Hampshire fully complies with SNAP requirements related to the certification of eligible households. FNS generally concurred with the findings and recommendations. (Audit Report 27601-0001-10)

New Mexico Must Comply with SNAP Certification of Eligible Household Requirements

OIG contracted with an independent certified public accounting firm to conduct an agreed-upon procedures engagement to assess selected aspects of New Mexico’s compliance with SNAP regulations, specifically focusing on compliance with the certification of eligible household requirements. The agreed-upon procedures were comprised of two parts. In its

first part, the firm disclosed that New Mexico did not always adequately verify student exemptions or determine student enrollment, document satisfactory explanations for recipients who did not provide SSNs, disqualify these recipients accordingly, and report intentional program violations to FNS timely. In the second part, the firm disclosed that New Mexico processed some cases without complying with specific SNAP requirements. As a result, FNS has reduced assurance that New Mexico fully complies with SNAP requirements related to the certification of eligible households. FNS generally concurred with the findings and recommendations. (Audit Report 27601-0003-10)

Missouri Must Comply with SNAP Certification of Eligible Household Requirements

OIG contracted with an independent certified public accounting firm to conduct an agreed-upon

procedures engagement to assess selected aspects of Missouri's compliance with SNAP regulations, specifically focusing on compliance with the certification of eligible household requirements. The agreed-upon procedures were comprised of two parts. In its first part, the firm disclosed that Missouri did not accurately determine a student's eligibility, record or verify a SSN when provided, and timely report intentional program violations to FNS. In its second part, the firm disclosed that Missouri processed some cases without complying with SNAP requirements for office operations and application processing, student eligibility, and work provisions. As a result, FNS has reduced assurance that Missouri fully complies with SNAP requirements related to the certification of eligible households. FNS generally concurred with the findings and recommendations. (Audit Report 27601-0006-10)



Figure 8: The electronic card reader uses a wireless connection, allowing consumers to use their SNAP benefits.

This photo is taken USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

SNAP Retailer Investigations

A significant portion of OIG's investigative resources is dedicated to ensuring the integrity of SNAP by combating the practice of exchanging benefits for cash or other ineligible items. Working closely with FNS, OIG has concluded the following SNAP-related investigations and prosecutions in the second half of FY 2016.

Owner and Employee of Michigan Market Sentenced for SNAP Trafficking Scheme

In May 2016, in U.S. District Court, Eastern District of Michigan, a store owner and his employee were each sentenced to 24 months in prison, followed by 36 months of supervised release, and were ordered to pay approximately \$5.7 million in restitution (joint and several) and a \$100 special assessment. Our investigation determined that SNAP trafficking had occurred at the location from 2006 through 2011. In September 2011, Federal search warrants were conducted at the business and the residence of the store owner, during which evidence relating to SNAP fraud was obtained.

Tennessee Store Owner Convicted of Trafficking SNAP Benefits

In June 2016, the owner of a convenience store in Jackson, Tennessee, pled guilty to one count of aiding and abetting the unauthorized use of SNAP benefits. This joint investigation with the United States Secret Service and the Jackson Police Department disclosed the store owner fraudulently redeemed benefits under a

previous owner's SNAP authorization number and gave customers cash in exchange for their benefits. In June 2016, in U.S. District Court, Western District of Tennessee, he was sentenced to 36 months of probation and ordered to pay \$406,558 in restitution.

New York Store Owner Convicted in \$1.7 Million SNAP Trafficking and Marriage Fraud

Our investigation revealed the store owner and a family member (who was an employee at the store) fraudulently exchanged \$1.7 million in SNAP benefits for cash and ineligible items. Our investigation also revealed the store owner paid a third party \$10,000 to fraudulently marry the family member so he could remain in the United States. The family member had overstayed his F-1 student visa. The store owner and family member were indicted and convicted by the U.S. District Court, Northern District of New York. In April 2015, the store owner was sentenced to serve 48 months in prison and 36 months of supervised release; the family member/employee was sentenced to serve 18 months in prison and 36 months of supervised release. Both subjects were ordered to pay restitution jointly and severally in the amount of approximately \$1.7 million. In April 2016, the third party, who received cash to commit marriage fraud, was convicted via jury trial and was sentenced to 14 months in prison followed by 36 months of supervised release.

Pennsylvania Meat Market Redeemed SNAP Benefits in Excess of \$1.1 Million

This investigation, conducted jointly with ICE-HSI, revealed that the store owner and a store manager illegally traded SNAP benefits for U.S. currency on multiple occasions between



Figure 9: During a raid on the Jackson, Tennessee, store, OIG investigators found stacks of money awaiting recipients wishing to exchange their SNAP benefits. OIG Photo

2012 and 2013. The meat market redeemed over \$1.1 million in SNAP benefits during the 12-month period. In December 2013, a Federal search warrant was executed on the business. In April 2015, the store manager was indicted for conspiracy to commit SNAP fraud and SNAP fraud.

In August 2015, the owner was indicted for wire fraud and SNAP benefit fraud. In January 2016, the store manager was sentenced in U.S. District Court, Eastern District of Pennsylvania, to 1 day in prison, to be followed by 36 months of supervised release, and was ordered to work in a soup kitchen monthly and give presentations to school children relating to crime and behavior. The store manager was also ordered to pay \$439,468 in restitution. In June 2016, the store owner was sentenced to 36 months in prison, followed by 36 months of supervised release, and ordered to pay \$1.1 million in restitution and a \$400 special assessment.

Massachusetts Store Owner Sentenced to Prison and \$3.5 Million Restitution for SNAP Fraud

A compliance investigation conducted by FNS' Retailer Investigations Branch, resulted in an OIG investigation that determined that the owner of a Massachusetts retail store with very little food inventory violated SNAP rules and regulations by exchanging SNAP benefits for cash. In October 2014, a search warrant was executed at the store. In September 2015, the store owner was charged in U.S. District Court, District of Massachusetts, with conspiracy to commit SNAP fraud and money laundering. The store owner subsequently pled guilty and was sentenced in July 2016 to 12 months and 1 day in prison, followed by 36 months of supervised release, and ordered to pay \$3.5 million in restitution. Additionally, an order of forfeiture was issued for \$3.5 million.

Georgia Store Manager Sentenced to Prison and \$5.1 Million Restitution for SNAP Fraud

In July 2016, in U.S. District Court, Middle District of Georgia, a manager of a Macon, Georgia, SNAP-authorized retail store was sentenced to 60 months of incarceration, 3 years of supervised release, and ordered to pay \$5.1 million in restitution. This sentence resulted from the manager's guilty plea to wire fraud for his role in exchanging SNAP benefits for cash and ineligible items. During this joint SNAP trafficking investigation with Internal Revenue Service-Criminal Investigation (IRS-CI), IRS-CI personnel executed a seizure warrant on a business bank account and seized \$3,105 in cash. Additionally, an order of forfeiture was issued for a home and a car (both were paid for in full with cash). Since the store owner falsely reported household income on a SNAP application, he received 5 years of probation and was ordered to pay \$10,100 in fines and \$24,853 in restitution.



Figure 10: An OIG investigator captured the illegal exchange of SNAP benefits for cash during surveillance of a Massachusetts store. OIG Photo

Other FNS Investigations

Metropolitan Detroit Store Owners Sentenced to Imprisonment and Restitution

In April 2016, in U.S. District Court, Eastern District of Michigan, one of two store owners was sentenced to 18 months in prison, followed by 24 months of supervised release, and ordered to pay \$927,298 in restitution and a \$100 special assessment fee. This investigation was conducted to determine if the owner and/or employees of a suburban Detroit market trafficked SNAP and Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits via the

electronic benefit transfer (EBT) system. The investigation was worked with IRS-CI and the Michigan State Police-Bridge Card Enforcement Team. Our investigation determined the store owners and an employee exchanged SNAP and WIC benefits for cash from October 2011 through August 2012. During September 2012, a Federal search warrant executed at the store resulted in the seizure of evidence related to SNAP and WIC trafficking. A seizure warrant was executed by IRS-CI personnel on the store's SNAP and WIC bank account, which resulted in the seizure of \$23,341.

GOVERNMENT-WIDE ACTIVITIES—GOAL 2

Participation on Committees, Working Groups, Task Forces, and Other Activities

Suspicious Activity Reports (SAR) Review Teams

OIG agents participate on SAR review teams coordinated by the U.S. Attorney's Offices in Arizona, Arkansas, Kansas, Massachusetts, Minnesota, Missouri, Ohio, Oregon, Texas, Washington, and Wisconsin. The primary goals of a SAR review team are to systematically review all SARs that affect a specific geographic jurisdiction, identify individuals who may be engaged in criminal activities, and coordinate and disseminate leads to appropriate agencies for follow-up. The composition of these teams includes representatives from various law enforcement and regulatory agencies. Coordination among the respective agencies results in improved communication and more efficient resource allocation.

Michigan State Police—Bridge Card Enforcement Team

OIG investigators continue to work with this team to investigate criminal activities associated with SNAP and WIC. Team members include the Michigan State Police and IRS-CI investigators. During this reporting period, we also worked with the FBI and ICE-HSI. Since 2007, this teamwork has resulted in 183 arrests and 297 search warrants served. The U.S. Attorney's Offices for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, so far resulting in 176 guilty pleas and sentences (some with lengthy incarceration periods), and over \$41 million in court-ordered fines and restitution. The U.S. Attorney's Offices have initiated forfeitures totaling over \$5.4 million.

Social Services Fraud, Identity Theft, and White Collar Fraud Working Groups

In Kansas and Missouri, OIG investigators participate in the White Collar Fraud Working Group and Identity Theft Working Group. This group of Federal and State law enforcement agencies from Kansas and Missouri meets periodically to discuss previous identity theft investigations, current trends, leads, and other topics related to combating identity theft. OIG agents in Florida also participate in the South Florida Identity Theft Strike Force. OIG participates in the Cleveland, Ohio, Social Services Fraud working group composed of the Social Security Administration (SSA) OIG, HUD OIG, Health and Human Services (HHS) OIG, Department of Labor OIG, and Department of Veterans Affairs OIG. SSA OIG has a Special United States Attorney assigned that works with the group to bring cases where individuals are defrauding multiple social services programs.

In Idaho, the Social Services Fraud Working Group targets social service crimes. This includes: Medicare, Medicaid, Social Security program fraud, identity theft, SNAP, workers' compensation, voucher fraud, mental disability, threats to law enforcement officers, insurance fraud, missing person/body cases, employment theft, bankruptcy fraud, tax evasion, Drug Enforcement Administration diversion, Veterans Affairs, HUD fraud, passport fraud, and social services fugitive felons. In Colorado and Arizona, the Social Services Fraud Working Group combines the assistance of city, county, and State authorities with Federal authorities, including USDA OIG, SSA OIG, HUD OIG, and the FBI. The goal of this group is to use combined efforts to combat large-scale social services, supplemental security income, Medicaid, SNAP, and housing fraud.

Data Act Working Group

Our Office of Audit and the new Office of Data Sciences participates in the Data Act Working Group that was created in response to the May 2014 DATA Act (which established three bi-annual IG reviews beginning in 2016.) The IG community established a working group to coordinate with the Government Accountability Office, develop an audit methodology, and identify tools for the required analyses.

These reviews assess the completeness, timeliness, quality and accuracy of spending data submitted by Federal agencies, and each Federal agency's implementation and use of data standards established by Treasury and the Office of Management Budget.

Data Analytics Working Group

The Office of Data Sciences also participates in the Data Analytics Working Group which consists of data analytic staff from a number of IG offices and promotes the use of data analytics within the IG community. During this SARC period, the working group presented an option to the Council of the Inspectors General on Integrity and Efficiency IT Committee which would allow IG offices without a formal data analytics staff the opportunity to use centrally provided analytic services. The working group also endorsed a community-wide joint data analytics/audit project.

Bonuses for Cost-Cutters Act of 2015

OIG reviewed a draft amendment to Senate Bill S.1378, the Bonuses for Cost-Cutters Act of 2015, and identified several provisions that might appear to interfere with the independence of IGs. First, OIG identified one provision that appeared to put the IG in the position of determining agency appropriations expenditures.

Similarly, OIG commented on a provision that would require the IG and the chief financial officer to issue "standards and definitions for purposes of making determinations relating to potential surplus salaries and expenses funds identified by an employee . . ." We noted this could also potentially give IGs authority to engage in substantive policy-making and decision-making as to certain agency salaries and expenses.

OIG also noted that the draft amendment partly defined "surplus salaries and expenses funds" as amounts "the rescission of which would not be detrimental to the full execution of the purposes for which the amounts were made available." OIG recommended that the draft amendment clarify when a rescission would and would not be detrimental.

Ongoing Reviews

- controls over summer food service program (FNS),
- detecting potential SNAP trafficking using data analysis (FNS),
- Kentucky's and Michigan's compliance with SNAP certification of eligible households requirements (FNS),
- coordination of USDA farm program compliance (FSA, NRCS, RMA),
- wetland conservation provisions in the Prairie Pothole Region (NRCS),
- Intermediary Relending Program (RBS),
- controls over originating and closing Single Family Housing direct loans (RHS),
- Risk Management Agency underwriting (RMA), and
- formula grant program controls over fund allocations to States (National Institute of Food and Agriculture).



Figure 11: OIG has recently initiated an audit of USDA's Summer Food Service Program, which ensures low-income children continue to receive nutritious meals when school is not in session.

This photo is taken from USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

Goal 3: Management Improvement Initiatives

Provide USDA with oversight to help it achieve results-oriented performance

OIG conducts audits and investigations that focus on areas such as improved financial management and accountability, research, real property management, employee integrity, and the Government Performance and Results Act. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. While our work related to IT security is reported under Goal 1, other IT work, primarily related to financial reporting, is reported under Goal 3.

In the second half of FY 2016, we devoted 37.1 percent of our total direct resources to Goal 3, with 99.9 percent of these resources assigned to critical/high-impact work. A total of 100 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 69.6 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued eight audit reports under Goal 3 during this reporting period with monetary findings of \$11.5 million. OIG's investigations under Goal 3 yielded 12 indictments, 5 convictions, and approximately \$2.13 million in monetary results during this reporting period.

Management Challenges Addressed Under Goal 3

- USDA Needs to Improve Oversight and Accountability for its Programs (Challenge 1)
- USDA Needs to Strengthen Controls over Improper Payments and Financial Management (Challenge 4)

Examples of Audit and Investigative Work for Goal 3

USDA Needs to Improve its Compliance with Improper Payment Requirements

USDA did not comply with improper payment requirements as set forth by the Improper Payments Information Act of 2002 (IPIA), as amended, for a fifth consecutive year. USDA reported mandatory improper payment information for 18 programs identified as susceptible to significant improper payments (high risk). We found that USDA complied with three of the six IPIA requirements, by (1) publishing improper payment information in its FY 2015 Agency Financial Report, (2) conducting risk assessments for each program or activity, and (3) publishing programmatic corrective action plans in the Agency Financial Report. However, 9 of the 18 high-risk programs did not comply with one or more of the following requirements: (1) publishing an improper

payment estimate as required, (2) meeting annual reduction targets, or (3) publishing gross improper payment rates of less than 10 percent. This occurred because one program used insufficient sampling methods to report improper payment estimates, two programs had program or regulatory changes, and six programs' corrective actions were ineffective or have not been implemented long enough to yield desired results. The Department generally agreed with our findings and recommendations. (Audit Report 50024-0009-11)

USDA Needs to Improve Compliance with Executive Order on Reducing Improper Payments

The President issued Executive Order 13520, Reducing Improper Payments, to strengthen efforts to eliminate payment error, waste, fraud, and abuse in Federal programs. As required by the Executive Order, OIG reviewed USDA's FY 2015 quarterly reports on high-dollar overpayments and found continued improvements for FY 2015, specifically addressing reporting errors, deficiencies, and delays in submitting required data. In addition, five of the seven component agencies submitted their reports to the Office of the Chief Financial Officer timely in FY 2015, as compared to three agencies the year before. Lastly, the reports past due had no discernable effect on the timeliness of the Department's overall report.

Though overall quality was sustained, OIG still found instances where agencies made reporting errors. FSA and CCC prematurely reported an overpayment, and inaccurate numbers for payment amounts and overpayments were found in NRCS' and RMA's reports. OIG considered these reporting errors to be inadvertent, and the agency actions or planned actions to remedy these inconsistencies were appropriate. As such, OIG did not make any recommendations, but stressed the need for continued vigilance to ensure accurate, complete, and timely reporting of high-dollar overpayments reports. (Audit Report 50024-0010-11)

Continuous Diagnostics and Mitigation Program Assessment Ongoing

The Continuous Diagnostics and Mitigation (CDM) program provides Federal departments and agencies with capabilities and tools that identify cybersecurity risks on an ongoing basis, prioritizes these risks based upon potential impacts, and enables cybersecurity personnel to mitigate the most significant problems first. Congress established CDM to provide adequate, risk-based, and cost-effective

cybersecurity and to more efficiently allocate cybersecurity resources. OIG contracted with a private IT consulting firm to independently assess the implementation of CDM within USDA and to recommend best practices. This firm issued a report to OIG on the results of its CDM assessment based on the analysis it performed for the period October 2015–April 2016. This assessment was performed as a non-audit service and was not in accordance with Government Auditing Standards. While we released a summary of the work performed, the full report was not publicly released due to the ongoing work and the sensitive nature of the information it contains. In the future, work of this nature will be reported under Goal 1. (Report 50501-0010-12)

FS Needs to Improve Documentation and Formalize Selection and Review of Projects Intended to Reduce the Risk of Catastrophic Wildland Fires

OIG reviewed FS' processes for selecting projects and reporting accomplishments for hazardous fuels reduction treatments. OIG found that FS lacks a consistent, cross-agency process for selecting its highest priority hazardous fuels reduction projects for completion. FS units do not use scientifically based risk assessments to select projects, nor do they document the process used for selecting projects. Furthermore, the national office does not review project decisions made at the regional and district levels. FS' methodology for tracking accomplishments leads to inadequate data. For example, during the scope of our review, FS reported to Congress that it treated 3,703,848 acres for hazardous fuels reduction when it actually treated 3,600,389 acres—an overstatement of 103,459 acres (approximately 2.8 percent). Also, despite guidance directing that time should be documented only for "actual work performed," FS units charged work hours to the Hazardous Fuels Reduction budget line item for work that may not have supported those activities. In response to our 2006 audit, FS developed the Hazardous Fuels Priority Allocation System

(HFPAS) to identify and prioritize fuels reduction projects. However, HFPAS only assists in determining project funding and does not assign priority to actual projects. Therefore, HFPAS does not fully address our earlier recommendations.

Without formal selection and review processes, FS may not apply its limited hazardous fuels reduction resources—which totaled approximately \$600 million during the scope of our review—to areas most in need of treatment. These areas may be at increased risk of

catastrophic wildland fire. Inaccurate reporting and accounting could result in FS not correctly reporting what it spent on hazardous fuels reduction-related work. FS generally agreed with our recommendations to (1) develop and implement risk assessments and guidance across the agency, (2) document and implement a formal review of hazardous fuels reduction project selections, (3) implement new tracking measures, (4) make software modifications to accurately record accomplishments, and (5) require staff to charge costs only for “work actually performed.” (Audit Report 08601-0004-41)



Figure 12: FS manages prescribed fires to reduce hazardous fuels and protect communities.

This photo is taken from USDA's Flickr feed. It does not depict any particular OIG audit or investigation.

National Finance Center's Payroll and Application Hosting Systems

An independent certified public accounting firm examined specified controls at USDA's National Finance Center (NFC). NFC provided the firm with a description of its payroll/personnel and application hosting systems for the period from October 1, 2015, through July 31, 2016. The firm found that NFC's description, in all material aspects, fairly presents the payroll/personnel processing and application hosting systems that NFC designed and implemented throughout the specified period. In the firm's opinion, the described controls were suitably designed and operated effectively, and the controls tested were those necessary to provide reasonable assurance that the associated control objectives would be achieved during the period. No recommendations were made. (Audit Report 11401-0002-12)

Review of NFC's Reporting of Federal Employee Benefits and Enrollment Information to the Office of Personnel Management

OIG performed agreed-upon procedures for assessing information reported by USDA's NFC, which reports Federal employee benefits and enrollment information to the Office of Personnel Management (OPM). Reported information includes headcounts, as well as withholdings and contributions for retirement, health benefits, and life insurance. Additionally, NFC withholds employees' Combined Federal Campaign (CFC) contributions and distributes them to Principal Combined Fund Organizations (PCFO).

In applying agreed-upon procedures, we identified differences through calculations, analyses, and comparisons. For instance, we again identified headcounts for the Civil Service Retirement System and Federal Employees Retirement System that differed from NFC's by more than 2 percent. In general, NFC has initiated corrective actions that will be implemented by the September 2016 Semiannual Headcount Report. Additionally, we identified CFC deductions for employees at duty stations

with no CFC, or attributed to the wrong CFC, sometimes because an incorrect CFC pledge form was used. We also noted some instances where PCFO names and addresses in NFC's system differed from those deemed correct by OPM. Generally, NFC attributed most CFC differences to manual processes and human error. NFC noted a low error rate overall and that it was responsible for very few of these differences.

Our sample document review found 87 differences for benefits entered into the system by personnel officers. Furthermore, we were unable to verify entries for 117 personnel documents because personnel officers were unable to locate the documents covering pay periods selected. We made no recommendations in this report. (Audit Report 11401-0001-31)

NRCS Needs to Improve Controls over the Conservation Stewardship Program

In our 2009 audit report on the Conservation Security Program—the predecessor to the Conservation Stewardship Program (CSP)—we reported NRCS did not have sufficient processes in place to coordinate with other USDA agencies and use their data to validate information provided by applicants for CSP benefits. Despite NRCS' efforts to correct the issues previously reported in our Conservation Security Program audit, our current CSP audit, using FSA data, identified errors in information reported by participants on 40 of the 59 CSP contracts to which we took exception.

We found that NRCS lacks adequate controls to detect erroneous participant-reported CSP information affecting eligibility and payment amounts. For example, CSP participants inconsistently delineated their agricultural operations—they excluded land under their control, enrolled lands they did not control, and/or enrolled agricultural operations unsubstantially separate from other operations—and were able to manipulate payment shares to avoid payment limitation. We also found that NRCS had inadequate controls over contracting for and documenting implementation of conservation

enhancements. We took exception to a total of 59 contracts and total estimated contract costs of more than \$11.5 million.

As a result, we recommended NRCS incorporate specific and ongoing collaboration with other USDA agencies in its compliance strategy, implement controls to ensure CSP applicants' delineations of agricultural operations and CSP payment shares are accurate, and create and implement a control for preventing incompatible enhancements. NRCS generally agreed with our recommendations, but expressed concerns about using additional FSA data to validate CSP applicant information. We continue to work with NRCS to reach agreement on the outstanding recommendations. (Audit Report 10601-0001-32)

The Office of Homeland Security and Emergency Coordination Needs to Improve How It Manages Classified Material

OIG reviewed OHSEC's implementation of recommendations about the Department's internal management controls over classified material. OIG found that OHSEC does not have an internal control structure sufficient to minimize the risk of overclassifying or improperly releasing national security information, despite the agency's agreement to take appropriate actions towards that goal in response to OIG's 2013 audit of classified information.

In OIG's 2013 audit, we made 17 recommendations to improve OHSEC's classification management program. However, during our current audit, we found 11 recommendations were not timely addressed at the time of our fieldwork. Corrective actions were implemented for six recommendations regarding original classification authority guidance, training, and statistical reporting, but weaknesses still exist in four of those recommendations. Because recommended corrective actions have not been implemented, or the implemented policies do not adequately address the recommendations and in some cases were no longer in effect, a higher potential

for misclassification, over-classification, and unauthorized release of national security information exists within USDA.

Management did not supply adequate oversight to monitor audit follow-up activities performed by its staff. OHSEC is currently taking steps to implement our previous recommendations, but it must improve management oversight as it continues to revise guidance and processes for an effective internal control system. The agency agreed with our recommendations that the Assistant Secretary for Administration monitor OHSEC and ensure that it properly completes the previously agreed-to final actions, implement additional management controls and internal review processes, and develop reference guides and training to help employees make appropriate classification decisions. OIG accepted management decision on all recommendations. (Audit Report 61701-0001-23)

State of Missouri Employee Charged with Mail Fraud in Scheme to Steal SNAP Benefits

This investigation determined that a Missouri Department of Social Services employee had illegally obtained and utilized SNAP benefits after program applicants and recipients reported that they no longer wished to apply for or receive benefits. When applicants reported they wanted to discontinue receiving SNAP benefits, the State employee changed the SNAP applicants' addresses to the Missouri Department of Social Services office where she worked. The Missouri office would then issue a new EBT card using the information she had entered. She converted the SNAP benefits for her personal use to purchase items from retail stores. Between 2009 and 2014, she illegally obtained and expended approximately \$52,000 in SNAP benefits. The former employee was charged with one felony count of mail fraud and in June 2016 was sentenced in U.S. District Court, Eastern District of Missouri, to 4 months of home confinement, followed by 60 months of probation, and ordered to pay \$52,268 in restitution and a \$100 special assessment.

Ongoing Reviews

- Animal Welfare Act—marine mammals (Cetaceans) (Animal and Plant Health Inspection Service),
- agency financial statements for FYs 2016 and 2015 (CCC, Federal Crop Insurance Corporation, FNS, NRCS, RD, and USDA),
- closing package financial statements for FYs 2016 and 2015 (USDA),
- implementation of suspension and debarment tools in USDA (Departmental Management, OCFO),
- monitoring of the administration’s trade agreement initiatives (Foreign Agricultural Service (FAS))
- FY 2015 firm fixed price contract award price reasonableness determinations (Food, Nutrition, and Consumer Services),
- pre-award controls over service contracts (FS),
- secure rural schools program (FS),
- plan for addressing climate change (FS),
- next generation and legacy air tanker contract awards (FS),
- watershed management (FS),
- process for handling vehicle misuse complaints (FSIS, Office of Procurement and Property Management),
- internal risk management results report (NRCS),
- implementation of the Digital Accountability and Transparency Act of 2014—readiness review (OCFO),
- oversight of final action on OIG audit recommendations (OCFO), and
- utilization of Contracted Data Mining Results (RMA).

Inspector General Act Reporting Requirements

IG Act Section	IG Act Description	USDA OIG Reported SARC September 2016
Section 4(a)(2)	Review of Legislation and Regulations	Pages 5-6, 20-21
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-27
Section 5(a)(2)	Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-27
Section 5(a)(3)	Significant Recommendations from Agency's Previous Reports on which Corrective Action has not been Completed	Appendix A.10 Pages 42-50
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	Appendix B.1 and B.2 Pages 52-53
Section 5(a)(5)	Matters Reported to the Head of the Agency	n/a
Section 5(a)(6)	Reports Issued During the Reporting Period	Appendix A.6 Pages 38-40
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2, and 3 Pages 1-27
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Page 36
Section 5(a)(9)	Statistical Table: Recommendations that Funds be Put to Better Use	Appendix A.3 Page 36
Section 5(a)(10)	Summary of Audit Reports Issued before the Commencement of the Reporting Period for which No Management Decision Has Been Made	Appendix A.7 Page 41
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 41
Section 5(a)(12)	Significant Management Decisions with which the Inspector General is in Disagreement	Appendix A.9 Page 41
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	Appendix A.11 Page 51
Section 5(a)(14) and (15)	Peer Reviews of USDA OIG	Page 31
Section 5(a)(16)	Peer Reviews Conducted by USDA OIG	Page 31

Other information that USDA OIG reports that is not part of these requirements:

- performance measures,
- participation on committees, working groups, and task forces,
- recognition (awards received),
- program improvement recommendations,
- Freedom of Information Act (FOIA) results, and
- hotline complaint results.

National Defense Authorization Act for FY 2008

Section 845	Contract Audit Reports with Significant Findings	Appendix A.4 Page 37
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Peer Reviews and Outstanding Recommendations

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended the Inspector General Act of 1978 to require OIG to include in its semiannual reports any peer review results provided or received during the relevant reporting period. Peer reviews are required every 3 years. In compliance with the Act, we provide the following information.

Audit

During this period, there were no peer reviews conducted of OIG's audit organization. From our most recent peer review report issued by the HHS OIG on December 17, 2015, OIG received a grade of pass, the best evaluation an audit organization can receive. The report contained no findings or recommendations, including no letter of comment.

Investigations

During this period, HUD OIG initiated a peer review of USDA OIG's Office of Investigations. We anticipate the final report in this matter will be issued during the first quarter of FY 2017.

Peer Reviews Performed by USDA OIG

USDA OIG conducted an external peer review of the U.S. Agency for International Development (USAID) OIG's audit organization and issued the report on June 29, 2016. USAID OIG received a peer review rating of pass with deficiencies, indicating that its system of quality control was suitably designed with the exception of certain deficiencies as outlined in the System Review Report. Our report contained 13 recommendations designed to improve USAID OIG's system of quality control and its established policies and procedures. USAID OIG has implemented corrective actions for 7 of the 13 recommendations and intends to implement corrective actions for the remaining 6 recommendations in FY 2017.

Assessing the Impact of OIG

Measuring Progress against the OIG Strategic Plan

We measure our impact by assessing the extent to which our work is focused on the key issues under our strategic goals. These include:

- Strengthen USDA's ability to implement and improve safety and security measures to protect the public health, as well as agricultural and Departmental resources.
- Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.
- Provide USDA with oversight to help it achieve results-oriented performance.

Impact of OIG Audit and Investigative Work on Department Programs

We also measure our impact by tracking the outcomes of our audits and investigations. Many of these measures are codified in the IG Act of 1978, as amended. The following pages present a statistical overview of the OIG's accomplishments this period.

For audits, we present:

- reports issued,
- management decisions made (number of reports and recommendations),
- total dollar impact of reports (questioned costs and funds to be put to better use) at issuance and at the time of management decision,
- program improvement recommendations, and
- audits without management decision.

For investigations, we present:

- indictments,
- convictions,
- arrests,
- total dollar impact (recoveries, restitutions, fines, and asset forfeiture),
- administrative sanctions, and
- OIG Hotline complaints.

Performance Results under Our Strategic Goals

PERFORMANCE MEASURES	FY 2015 ACTUAL	FY 2016 TARGET	FY 2016 ACTUAL
OIG direct resources dedicated to critical-risk and high-impact activities.	96.7%	94%	97.5%
Audit recommendations where management decisions are achieved within 1 year.	90.9%	92%	100%
Mandatory, Congressional, Secretarial, and Agency requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (includes verbal commitments).	100%	90%	100%
Closed investigations that resulted in a referral for action to Department of Justice, State, or local law enforcement officials, or relevant administrative authority.	88.9%	75%	91.5%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	82.3%	70%	78.6%

OIG Accomplishments for FY 2016 (October 1, 2015–September 30, 2016)

SUMMARY OF AUDIT ACTIVITIES	FY 2016 1st Half	FY 2016 2nd Half	FY 2016 Total
Reports Issued			
Number of Final Reports	23	17	40
Number of Interim Reports	1	1	2
Number of Final Report Recommendations (240 program improvement / 35 monetary)	138	137	275
Number of Interim Report Recommendations	2	0	2
Total Dollar Impact of Reports at Issuance (Millions)	\$87.4	\$126.5	\$213.9
Questioned / Unsupported Costs	\$41.4	\$10.9	\$52.3
Funds to Be Put to Better Use	\$46.0	\$115.6	\$161.6
Management Decisions Reached			
Number of Final Reports	19	15	34
Number of Final Report Recommendations (261 program improvements / 30 monetary)	144	147	291
Number of Interim Reports	1	0	1
Number of Interim Report Recommendations (2 program improvements / 0 monetary)	2	0	2
SUMMARY OF INVESTIGATIVE ACTIVITIES			
Reports Issued	149	151	300
Impact of Investigations			
Indictments	315	454	769
Convictions	254	367	621
Arrests	602	317	919
Total Dollar Impact (Millions)	\$58.4	\$101.7	\$160.1
Administrative Sanctions	490	531	1,021

Appendix A: Audit Tables

Appendix A.1: Activities and Reports Issued

Summary of Audit Activities, April 1, 2016–September 30, 2016

Reports Issued: 17	Audits Performed by OIG	12
	Audits Performed Under the Single Audit Act	0
	Audits and Non-audit Services Performed by Others	5^a
Management Decisions Made: 147	Number of Reports	15
	Number of Recommendations	147
Total Dollar Impact (Millions) of Management-Decided Reports: \$191.5 million	Total Questioned/Unsupported Costs	\$186.9^{b, c}
	—Recommended for Recovery	\$2.9
	—Not Recommended for Recovery	\$184.0
	Funds to Be Put to Better Use	\$4.6
^a One of these five was performed as a non-audit service, which is not covered by Government Auditing Standards. ^b These were the amounts the auditees agreed to at the time of management decision. ^c The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department of Agriculture.		

Summary of Interim Reports Issued, April 1, 2016–September 30, 2016

OIG uses interim reports to alert management to immediate issues during the course of an ongoing audit assignment. Typically, staff report on one issue or finding requiring management's attention. OIG issued one interim report during this reporting period.

Reports Issued: 1	Audits Performed by OIG	1
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	0
Management Decisions Made: 0	Number of Reports	0
	Number of Recommendations	0
Total Dollar Impact (Millions) of Management-Decided Reports: \$0 million	Total Questioned/Unsupported Costs	\$0
	—Recommended for Recovery	\$0
	—Not Recommended for Recovery	\$0
	Funds to Be Put to Better Use	\$0

Appendix A.2: Inventory of Audit Reports with Questioned Costs and Loans, April 1, 2016–September 30, 2016

Category	Number	Questioned Costs and Loan		Unsupported ^a Costs and Loans
Reports for which no management decision had been made by April 1, 2016. ^b	3		\$191,935,877	\$0
Reports which were issued during the reporting period.	5		\$10,908,177	\$7,316,969
Total reports with Questioned Costs and Loans	8		\$202,844,054	\$7,316,969
Of the eight reports, those for which management decision was made during the reporting period.	5	<i>Recommended for recovery</i>	\$2,919,454	\$0
		<i>Not recommended for recovery</i>	\$184,047,864	\$0
		<i>Costs not disallowed</i>	\$3,639,483	\$0
Of the eight reports, those for which no management decision has been made by the end of this reporting period.	3		\$12,237,253	\$7,316,969

^a Unsupported values are included in questioned values.
^b Carried over from previous reporting periods.

Appendix A.3: Inventory of Audit Reports with Recommendations that Funds Be Put to Better Use

Category	Number	Dollar Value	
Reports for which no management decision had been made by April 1, 2016. ^a	1		\$4,584,383
Reports which were issued during the reporting period.	2		\$115,589,227
Total reports with recommendations that Funds Be Put to Better Use	3		\$120,173,610
Of the three reports, those for which management decision was made during the reporting period.	1	<i>Disallowed costs</i>	\$4,584,383
		<i>Costs not disallowed</i>	\$0
Of the three reports, those for which no management decision has been made by the end of this reporting period.	2		\$115,589,227

^a Carried over from previous reporting periods.

Appendix A.4: Contract Audit Reports with Significant Findings

OIG is required by the National Defense Authorization Act for FY 2008 to list all contract audit reports issued during the reporting period that contained significant findings. OIG did not issue any such reports from April 1, 2016 through September 30, 2016.

Appendix A.5: Program Improvement Recommendations

A number of our audit recommendations are not monetarily quantifiable. However, their impact can be immeasurable in terms of safety, security, and public health. They also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 119 program improvement recommendations, and management agreed to implement a total of 132 recommendations that were issued this period or earlier. Examples of those recommendations issued during this reporting period include the following (see the main text of this report for a summary of the audits that prompted these recommendations):

- NRCS' national office needs to clarify its guidance in the National Food Security Act Manual regarding the level of treatment required to stabilize or treat all types of gully erosion, to include both ephemeral and classical.
- FS should fully develop and implement the national risk assessment model for identifying and prioritizing hazardous fuels reduction projects on National Forest System lands.
- FNS should conduct a study and/or perform analysis to identify the most troublesome areas for States and develop best practices for implementing these complex provisions with respect to ABAWD requirements.

Appendix A.6: Audit Reports and Non-Audit Services

OIG issued 17 audit reports, including 5 performed by others. During this same period, one interim report was issued. One report was issued for non-audit services. The following is a summary of those audit products by agency:

Audit Report Totals

Total Funds to Be Put to Better Use	\$115,589,227
Total Reports with Questioned Costs and Loans ^a	\$10,908,177
^a Unsupported values of \$7,316,969 are included in the questioned values.	

Summary of Reports Including Audits and Non-Audit Services Released from April 1, 2016 through September 30, 2016

Agency Type	Audits Released	Questioned Costs and Loans ^a	Unsupported Costs and Loans ^a	Funds to Be Put to Better Use
Single Agency Audit	13	\$10,908,177	\$7,316,969	\$115,589,227
Multi-Agency Audit	4	\$0	\$0	\$0
Total Completed Under Contract ^b	5			
Issued Audits Completed Under The Single Audit Act	0			

^a Unsupported values are included in the questioned values.

^b Audits and non-audit services performed by others, which are included in single agency and multi-agency total.

Summary of Interim Reports Released from April 1, 2016 through September 30, 2016

Agency Type	Interim Released	Questioned Costs and Loans ^a	Unsupported Costs and Loans ^a	Funds to Be Put to Better Use
Single Agency Audit	0	\$0	\$0	\$0
Multi-Agency Audit	1	\$0	\$0	\$0
Total Completed Under Contract	0			
Issued Audits Completed Under The Single Audit Act	0			

^a Unsupported values are included in the questioned values.

Audit Reports Released and Associated Monetary Values from April 1, 2016 through September 30, 2016

Totals by Agency	Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
Agricultural Research Service: 1	02007-0001-31	PA	09/30/16	U.S. Meat Animal Research Center Review		
Food and Nutrition Service: 5	27601-0001-10	PA	07/26/16	New Hampshire's Compliance with SNAP Certification of Eligible Households Requirements		
	27601-0002-31	PA	09/29/16	FNS Controls over SNAP Benefits for Able-bodied Adults without Dependents		
	27601-0003-10	PA	09/27/16	New Mexico's Compliance with SNAP Certification of Eligible Households Requirements	\$11,978	
	27601-0003-22	PA	09/29/16	SNAP Administrative Costs	\$3,575,424	\$111,399,656
	27601-0006-10	PA	09/13/16	Missouri's Compliance with SNAP Certification of Eligible Households Requirements	\$900	
Forest Service: 1	08601-0004-41	PA	07/29/16	FS Wildland Fire Activities—Hazardous Fuels Reduction		
Multi-agency: 4	50024-0009-11	FA	05/13/16	USDA's Fiscal Year 2015 Compliance with Improper Payment Requirements		
	50024-0010-11	FA	09/02/16	Fiscal Year 2015 Executive Order 13520, Reducing Improper Payments High Dollar Overpayment Review		
	50501-0010-12	NAS	06/21/16	CDM Oversight Project		
	50601-0005-31	PA	06/21/16	USDA Monitoring of Highly Erodible Land and Wetland Conservation Violations		
Natural Resources Conservation Service: 1	10601-0001-32	PA	09/27/16	Controls over the Conservation Stewardship Program	\$7,316,969	\$4,189,571
Office of the Chief Financial Officer: 2	11401-0001-31	FA	09/26/16	Agreed-upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Report		
	11401-0002-12	FA	09/27/16	Statement on Standards for Attestation Engagement No. 16 Report on Controls at the National Finance Center for October 1, 2015 to July 2016		
Office of Homeland Security and Emergency Coordination: 1	61701-0001-23	PA	09/27/16	FY 2016 Classification Management		

Totals by Agency	Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
Rural Business-Cooperative Service: 1	34001-0001-21	PA	08/08/16	Rural Energy for America Program	\$2,906	
Rural Utilities Service: 1	09601-0001-41	PA	09/19/16	RUS—Energy Efficiency and Conservation Loan Program		
Grand Total: 17					\$10,908,177	\$115,589,227
* Performance audits (PA), financial audits (FA), and non-audit services (NAS).						

Interim Reports Released and Associated Monetary Values from April 1, 2016 through September 30, 2016

Totals by Agency	Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
Multi-agency: 1	50501-0012-12(1)	PA	08/12/16	Report on USDA's Covered Systems—Interim Report	\$0	\$ 0
Grand Total: 1					\$0	\$ 0
* Performance audits (PA), financial audits (FA), and non-audit services (NAS).						

Appendix A.7: Management Decisions

In total, OIG has one audit without management decision.

Audit Reports Previously Reported but Not Yet Resolved

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount with No Management Decision (in dollars)
NRCS	09/28/15	NRCS Controls over Land Valuations for Conservation Easements (10601-0001-23)	\$1,344,860	\$1,344,860
Total Previously Reported But Not Yet Resolved: 1				

Audit Without Management Decision—Narrative for New Entries

There are no new entries to report.

Appendix A.8: Significantly Revised Management Decisions Made During the Reporting Period

We have no significantly revised management decisions for this reporting period.

Appendix A.9: Significant Management Decisions with which the Inspector General is in Disagreement

We have no significant management decisions with which the Inspector General is in disagreement for this reporting period.

Appendix A.10: List of OIG Audit Reports with Recommendations Pending Corrective Action for Period Ending September 30, 2016, by Agency

Grand Total	Total Number of Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
	474	21	428	25

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
AMS: Agricultural Marketing Service							
01601000141	AMS Procurement and Inspection of Fruits and Vegetables	02/16/2016	11		11		Pending Final Action: 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
01601000232	National Organic Program—Organic Milk Operations	07/15/2013	1		1		Pending Final Action: 2
50601000223	Evaluation of USDA's Process Verified Programs	12/09/2015	10		10		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
Total			22		22		
ARS: Agricultural Research Service							
02007000131	U.S. Meat Animal Research Center Review	09/30/2016	5		4	1	Pending Management Decision: 5 Pending Final Action: 1, 2, 3, 4
02601000121	Adequacy of Controls to Prevent the Release of Sensitive Technology	03/21/2016	21		21		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21
50601000112	Research, Education, and Economics' Compliance with Contractor Past Performance Reporting Requirements	03/23/2016	2		2		Pending Final Action: 1, 2
506010006TE	Controls over Plant Variety Protection and Germplasm Storage	03/04/2004	6		6		Pending Final Action: 1, 2, 3, 5, 6, 9
506010010AT	Follow-up Report on the Security of Biological Agents at USDA Laboratories	03/08/2004	1		1		Pending Final Action: 2
Total			35		34	1	
APHIS: Animal and Plant Health Inspection Service							
33601000141	Oversight of Research Facilities	12/09/2014	1		1		Pending Final Action: 15
50601000132	Controls over APHIS' Introduction of Genetically Engineered Organisms	09/22/2015	8		8		Pending Final Action: 1, 2, 3, 4, 5, 8, 9, 13

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
506010008TE	APHIS Controls over Issuance of Genetically Engineered Organism Release Permits	12/08/2005	3		3		Pending Final Action: 1, 2, 3
506010016TE	Controls over Genetically Engineered Animal and Insect Research	05/31/2011	1		1		Pending Final Action: 2
Total			13		13		
CCC: Commodity Credit Corporation							
06401000511	Commodity Credit Corporation's Financial Statements for Fiscal Years 2015 and 2014	02/12/2016	19		19		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19
064010020FM	Commodity Credit Corporation's Financial Statements for Fiscal Years 2005 and 2004	11/09/2005	1		1		Pending Final Action: 12
Total			20		20		
DM: Departmental Management							
50024000413	Review of the Department's Fleet Charge Card Data	09/02/2015	5		5		Pending Final Action: 2, 3, 4, 5, 6
Total			5		5		
FSA: Farm Service Agency							
030060001TE	1993 Crop Disaster Payments—Brooks / Jim Hogg Cos., Texas	01/02/1996	1	1			Pending Collection: 1A
030060002SF	Disaster Assistance Program—1994—Fresno County, California	03/29/1996	1	1			Pending Collection: 4
030990181TE	Farm Service Agency Payment Limitation Review in Louisiana	05/08/2008	1	1			Pending Collection: 2
03501000112	Review of Farm Service Agency's Initiative to Modernize and Innovate the Delivery of Agricultural Systems (MIDAS)	05/26/2015	3		3		Pending Final Action: 1, 3, 4
03601000122	Farm Service Agency Compliance Activities	07/31/2014	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
03601000222	Economic Adjustment Assistance to Users of Upland Cotton	07/31/2014	3		3		Pending Final Action: 4, 5, 7

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
03601000322	Farm Service Agency Microloan Program	09/23/2015	7		7		Pending Final Action: 1, 2, 3, 4, 5, 6, 7
036010007TE	Emergency Feed Program in Texas	09/18/1996	3	3			Pending Collection: 4A, 5B, 6A
036010012AT	Tobacco Transition Payment Program—Quota Holder Payments and Flue Cured Tobacco Quotas	09/26/2007	2	2			Pending Collection: 2, 6
036010018CH	Farm Service Agency Farm Loan Security	08/10/2010	1		1		Pending Final Action: 2
036010023KC	Hurricane Relief Initiatives: Livestock Indemnity and Feed Indemnity Programs	02/02/2009	1		1		Pending Final Action: 4
036010028KC	Biomass Crop Assistance Program: Collection, Harvest, Storage and Transportation Matching Payments Program	05/30/2012	3	3			Pending Collection: 16, 21, 24
03702000132	Farm Service Agency Livestock Forage Program	12/10/2014	10	2	8		Pending Collection: 2, 4 Pending Final Action: 1, 3, 5, 6, 7, 8, 9, 10
500990011SF	Natural Resources Conservation Service and Farm Service Agency: Crop Bases on Lands with Conservation Easement—State of California	08/27/2007	2	2			Pending Collection: 2, 6
506010015AT	Hurricane Indemnity Program—Integrity of Data Provided by the Risk Management Agency	03/31/2010	1	1			Pending Collection: 5
Total			48	16	32		
FNS: Food and Nutrition Service							
27004000122	State Agencies' Food Costs for the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children	09/25/2014	1		1		Pending Final Action: 6
270990049TE	Disaster Food Stamp Program for Hurricanes Katrina and Rita—Louisiana, Mississippi, and Texas	09/04/2007	1		1		Pending Final Action: 1
27601000122	Healthy, HungerFree Kids Act of 2010—Controls over Food Service Account Revenue	09/28/2015	4		4		Pending Final Action: 1, 2, 3, 4

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
27601000123	National School Lunch Program—Food Service Management Company Contracts	01/03/2013	8		8		Pending Final Action: 1, 2, 7, 8, 11, 12, 13, 15
27601000131	FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers	07/31/2013	6		6		Pending Final Action: 4, 12, 15, 17, 18, 20
27601000231	FNS Controls over SNAP Benefits for Able-Bodied Adults Without Dependents	08/29/2016	5		5		Pending Final Action: 1, 2, 3, 4, 5
27601000241	FNS Quality Control Process for SNAP Error Rate	09/23/2015	15		15		Pending Final Action: 1, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19
27601000310	New Mexico's Compliance with SNAP Certification of Eligible Households Requirements	09/27/2016	18		18		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18
27601000322	SNAP Administrative Costs	09/29/2016	14		8	6	Pending Management Decision: 1, 2, 4, 10, 12, 13 Recommendation Final Action: 3, 5, 6, 7, 8, 9, 11, 14
27601000610	Missouri's Compliance with SNAP Certification of Eligible Households Requirements	09/13/2016	14		14		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14
506010014AT	Effectiveness and Enforcement of Suspension and Debarment Regulations in the U.S. Department of Agriculture	08/16/2010	1		1		Pending Final Action: 11
27002001113	Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts	09/28/2012	1		1		Pending Final Action: 3
Total			88		82	6	
FSIS: Food Safety and Inspection Service							
24601000141	FSIS—Inspection and Enforcement Activities at Swine Slaughter Plants	05/09/2013	2		2		Pending Final Action: 8, 9
24601000431	FSIS Ground Turkey Inspection and Safety Protocols	07/29/2015	4		4		Pending Final Action: 2, 3, 4, 8
506010006HY	Assessment of USDA's Controls to Ensure Compliance with Beef Export Requirements	07/15/2009	1		1		Pending Final Action: 2

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
24601000123	Implementation of the Public Health Information System for Domestic Inspection	08/18/2015	6		6		Pending Final Action: 1, 3, 4, 5, 6, 8
Total			13		13		
FAS: Foreign Agricultural Service							
07601000122	Private Voluntary Organization Grant Fund Accountability	03/31/2014	5		5		Pending Final Action: 1, 2, 6, 9, 10
50601000216	Section 632 (a) Transfer of Funds from USAID to USDA for Afghanistan	02/06/2014	2		2		Pending Final Action: 1, 2
50601000122	Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals	03/28/2013	4		4		Pending Final Action: 1, 3, 4, 5
Total			11		11		
FS: Forest Service							
08601000241	FS: Firefighting Cost Share Agreements with Non-Federal Entities	12/24/2015	8		8		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8
08601000441	FS Wildland Fire Activities—Hazardous Fuels Reduction	07/29/2016	11		11		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11
Total			19		19		
Multi-Agency							
50601000231	FSIS' and AMS' Field Level Workforce Challenges	07/31/2013	4		4		Pending Final Action: AMS: 8, 9, 10, 11
50024000811	USDA's Fiscal Year 2014 Compliance with Improper Payment Requirements	05/15/2015	1		1		Pending Final Action: FNS: 1
50024000911	USDA's Fiscal Year 2015 Compliance with Improper Payment Requirements	05/13/2016	5		5		Pending Final Action: 1, 2, 3, 4, 5
50099000112	Review of Expenditures Made by the Office of the Assistant Secretary for Civil Rights	09/14/2015	8		8		Pending Final Action: OASCR: 1, 2, 3, 5, 6, 7 OPPM: 4, 8
50501000512	USDA's Implementation of Cloud Computing Services	09/26/2014	3		3		Pending Final Action: OCIO: 3, 7 RMA: 5
50601000221	Hispanic and Women Farmers and Ranchers Claim Resolution Process	03/31/2016	2		2		Pending Final Action: OPPM: 1 RD: 2
50601000222	Department's Controls over Prioritizing and Funding Agricultural Research	02/24/2016	3		3		Pending Final Action: 1, 2, 3

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
50601000431	USDA's Response to Antibiotic Resistance	03/30/2016	15		15		Pending Final Action: FSIS: 13, 14 APHIS: 7, 8, 9, 15, 16, 19 ARS: 1, 2, 3, 11, 12, 17 OCS: 10
50703000123	American Recovery and Reinvestment Act, Trade Adjustment Assistance for Farmers Program	10/18/2013	4	1	3		Pending Collection: FSA: 9 Pending Final Action: FSA: 11, 12, 13
Total			45	1	44		
NRCS: Natural Resources Conservation Service							
10099000131	NRCS' Administration of Easement Programs in Wyoming	09/27/2013	3		3		Pending Final Action: 1, 2, 7
10401000511	NRCS' Financial Statements for Fiscal Year 2015	11/10/2015	5		5		Pending Final Action: 1, 2, 3, 4, 5
10601000123	NRCS Controls over Valuations for Conservation Easements	09/28/2015	2		1	1	Pending Management Decision: 6 Pending Final Action: 2
10601000132	Controls over the Conservation Stewardship Program	09/27/2016	26		11	15	Pending Management Decision: 1, 2, 3, 4, 5, 7, 8, 9, 10, 16, 17, 18, 21, 22, 26 Pending Final Action: 6, 11, 12, 13, 14, 15, 19, 20, 23, 24, 25
10601000231	NRCS Conservation Easement Compliance	07/30/2014	7		7		Pending Final Action: 1, 2, 4, 5, 6, 10, 11
106010004KC	Natural Resources Conservation Service's Security Program	06/25/2009	2	2	0		Pending Final Action: 8, 9
50601000531	USDA Monitoring of Highly Erodible and Wetland Conservation Violations	06/21/2016	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
Total			51	2	33	16	
OHSEC: Office of Homeland Security and Emergency Coordination							
61701000123	Fiscal Year 2016 Classification Management	09/27/2016	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
Total			9		9		
OCFO: Office of the Chief Financial Officer							
50024000511	USDA Improper Payments Elimination and Recovery Act of 2010 Compliance Review for FY 2013	04/15/2014	1		1		Pending Final Action: 2

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
50099000123	USDA's Controls over Economy Act Transfers and Greenbook Program Charges	09/18/2014	1		1		Pending Final Action: 10
50401000911	USDA Consolidated Financial Statement for FYs 2015 and 2014	02/12/2016	5		5		Pending Final Action: 1, 2, 3, 4, 5
Total			7		7		
OCIO: Office of the Chief Information Officer							
505010001IT	USDA's Management and Security over Wireless Handheld Devices	08/15/2011	2		2		Pending Final Action: 1, 2
50501000212	USDA, OCIO, Fiscal Year 2011 Federal Information Security Management Act	11/15/2011	4		4		Pending Final Action: 1, 4, 5, 6
505010002IT	USDA, OCIO, Fiscal Year 2010 Federal Information Security Management Act	11/15/2010	4		4		Pending Final Action: 3, 6, 14, 19
50501000312	USDA, OCIO, Fiscal Year 2012 Federal Information Security Management Act	11/15/2012	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
50501000412	USDA, OCIO, Fiscal Year 2013 Federal Information Security Management Act	11/26/2013	2		2		Pending Final Action: 2, 4
50501000612	USDA, OCIO, Fiscal Year 2014 Federal Information Security Management Act	11/12/2014	1		1		Pending Final Action: 2
50501000812	USDA, OCIO, Fiscal Year 2015 Federal Information Security Management Act	11/07/2015	4		4		Pending Final Action: 1, 2, 3, 4
505010015FM	USDA, OCIO, Fiscal Year 2009 Federal Information Security Management Act	11/18/2009	1		1		Pending Final Action: 8
88401000112	Audit of OCIO's Fiscal Years 2010 and 2011 Funding Received for Security Enhancements	08/02/2012	3		3		Pending Final Action: 1, 2, 4
88501000212	Management and Security over USDA's Universal Telecommunications Networks	07/17/2014	2		2		Pending Final Action: 4, 5
Total			29		29		
RMA: Risk Management Agency							
05401000511	FCIC/RMA Financial Statements for Fiscal Years 2015 and 2014	11/10/2015	1		1		Pending Final Action: 1

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
05601000122	Risk Management Agency National Program Operations Reviews	04/30/2015	4		4		Pending Final Action: 1, 2, 3,;
05601000131	RMA: Controls over Prevented Planting	09/03/2013	2		2		Pending Final Action: 1, 2
05601000431	RMA: Crop Insurance Compliance Case Management	12/15/2015	5		5		Pending Final Action: 1, 2, 3, 4, 5
056010015TE	Crop Loss and Quality Adjustments for Aflatoxin-Infected Corn	09/30/2008	1	1			Pending Collection: 1
Total			13	1	12		
RD: Rural Development							
04601000131	Rural Development: Single Family Housing Direct Loan Servicing and Payment Subsidy Recapture	07/18/2014	1		1		Pending Final Action: 10
046010018CH	Rural Development's Project Costs and Inspection Procedures for Rural Housing Program	09/27/2012	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
04901000113	Review of Rural Rental Housing's Tenant and Owner Data Using Data Analytics	09/24/2015	8		8		Pending Final Action: 1, 3, 4, 5, 6, 7, 8, 9
09601000141	RUS—Energy Efficiency and Conservation Loan Program	09/19/2016	7		5	2	Pending Final Action: 1, 2, 3, 4, 5 Pending Management Decision: 6, 7
09703000132	American Recovery and Reinvestment Act of 2009—Broadband Initiatives Program—PreApproval Controls	03/29/2013	1		1		Pending Final Action: 3
09703000232	American Recovery and Reinvestment Act of 2009—Broadband Initiatives Program—PostAward Controls	08/22/2013	1		1		Pending Final Action: 3
34001000121	Rural Energy for America Program	08/08/2016	10		10		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
34601000131	Rural Business—Cooperative Service Grant Program—Duplication	03/25/2014	2		2		Pending Final Action: 1, 2
346010006AT	Rural Business—Cooperative Service's Intermediary Relending Program	06/25/2010	1	1			Pending Collection: 1

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
85401000511	Rural Development Financial Statements for FY 2015 and 2014	11/12/2015	1		1		Pending Final Action: 1
Total			38	1	35	2	
RHS: Rural Housing Service							
04601000231	Rural Development Single Family Housing Direct Loan Program Credit Reporting	03/28/2016	8		8		Pending Final Action: 1, 2, 4, 5, 6, 7, 8, 9
Total			8		8		

Appendix A.11: Information Described Under Section 804(b) of the Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) requires agencies to assess annually whether their financial systems comply substantially with (1) Federal Financial Management System Requirements, (2) applicable Federal accounting standards, and (3) the Standard General Ledger at the transaction level. In addition, the Federal Information Security Modernization Act (FISMA) requires each agency to report significant information security deficiencies, relating to financial management systems, as a lack of substantial compliance with FFMIA. FFMIA also requires auditors to report in their annual Chief Financial Officer's Act financial statement audit reports whether financial management systems substantially comply with FFMIA's system requirements.

For FY 2016, USDA reported that it was not substantially compliant with FFMIA with regards to Federal Financial Management System Requirements, accounting standards, the Standard General Ledger at the transaction level, and FISMA requirements. OIG concurs with the Department's assessment and discussed the noncompliance issues in OIG's report on the Department's Consolidated Financial Statements for FYs 2015 and 2014. Although the Department continues to move forward with remediation plans to achieve compliance for longstanding Department-wide weaknesses related to systems security, noncompliance with accounting standards, and the Standard General Ledger, it assessed the timeframes and plans to achieve compliance in all areas by the end of FY 2017.

Appendix B: Investigation Tables

Appendix B.1: Summary of Investigative Activities

Reports Issued: 151	Cases Opened	165
	Cases Referred for Prosecution	135
Impact of Investigations	Indictments	454
	Convictions ^a	367
	Searches	183
	Arrests	317
Total Dollar Impact (Millions): \$101.7	Recoveries/Collections ^b	\$1.8
	Restitutions ^c	\$91.0
	Fines ^d	\$0.3
	Asset Forfeitures ^e	\$5.6
	Claims Established ^f	\$1.9
	Cost Avoidance ^g	\$1.0
Administrative Penalties^h	Administrative Penalties ^h	\$0.1
Administrative Sanctions: 531	Employees	16
	Businesses/Persons	515

^a Includes convictions and pretrial diversions. The period of time to obtain court action on an indictment varies widely; therefore, the 367 convictions do not necessarily relate to the 317 arrests or the 454 indictments.

^b Includes money received by USDA or other Government agencies as a result of OIG investigations.

^c Restitutions are court-ordered repayments of money lost through a crime or program abuse.

^d Fines are court-ordered penalties.

^e Asset forfeitures are judicial or administrative results.

^f Claims established are agency demands for repayment of USDA benefits.

^g Consists of loans or benefits not granted as the result of an OIG investigation.

^h Includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.

Appendix B.2: Indictments and Convictions

From April 1, 2016 through September 30, 2016, OIG completed 151 investigations. We referred 135 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 454 indictments and 367 convictions. The period of time to obtain court action on an indictment varies widely. Therefore, the 367 convictions do not necessarily relate to the 454 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled approximately \$101.7 million. The following is a breakdown, by agency, of indictments and convictions for the reporting period.

Indictments and Convictions—April 1, 2016–September 30, 2016

Agency	Indictments	Convictions*
AMS	0	0
APHIS	37	7
FAS	0	0
FNS	386	338
FS	11	1
FSA	11	14
FSIS	0	1
GIPSA	0	0
NRCS	0	0
OCIO	1	0
RBS	0	0
RHS	5	5
RMA	3	1
Totals	454	367

* This category includes pretrial diversions.

Appendix B.3: OIG Hotline

The OIG Hotline serves as a national intake point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the Hotline received 2,481 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. The following tables are a summary of the Hotline complaints for the second half of FY 2016.

Number of Complaints Received

Type	Number
Employee Misconduct	194
Participant Fraud	2,022
Waste/Mismanagement	204
Health/Safety Problem	13
Opinion/Information	47
Bribery	1
Reprisal	0
Total Number of Complaints Received	2,481

Disposition of Complaints

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	75
Referred to Other Law Enforcement Agencies	1
Referred to USDA Agencies for Response	380
Referred to FNS for Tracking	1,786
Referred to USDA or Other Agencies for Information—No Response Needed	211
Filled Without Referral—Insufficient Information	12
Referred to State Agencies	16

Appendix C: Freedom of Information Act (FOIA) Activities

FOIA and Privacy Act Requests April 1, 2016–September 30, 2016

Categories	Type	Number
FOIA/Privacy Act Requests Received/ Processed	FOIA/Privacy Act Requests Received	62
	Granted	1
	Partially Granted	14
	Not Granted	35
	Total FOIA/Privacy Act Requests Processed	50^a
Reasons for Denial	No Records Available	10
	Referred to Other Agencies	1
	Requests Denied in Full Exemption 5	2
	Requests Denied in Full Exemption 7(A)	2
	Requests Denied in Full Exemption 7(C)	2
	Request Withdrawn	11
	Fee-Related	0
	Not a Proper FOIA Request	1
	Not an Agency Record	1
	Duplicate Request	0
	Other	5
Requests for OIG Reports from Congress and Other Government Agencies	Received	2
	Processed	2
Appeals	Appeals Received	7^b
	Appeals Processed	6
	Completely Upheld	2
	Partially Reversed	2
	Completely Reversed	2
	Requests Withdrawn	0
	Other	0

^a The total number of FOIA/Privacy Act requests processed includes requests received from prior reporting periods.
^b Two of these appeals have been determined to be improper requests.

Acronyms and Abbreviations

Abbreviation	Full Name
ABAWD.....	able-bodied adults without dependents
AMS.....	Agricultural Marketing Service
ARS.....	Agricultural Research Service
CCC.....	Commodity Credit Corporation
CFC.....	Combined Federal Campaign
CSP.....	Conservation Stewardship Program
CDM.....	Continuous Diagnostics Mitigation
DCP.....	Direct and Counter-Cyclical Program
EBT.....	electronic benefit transfer
<i>E. coli</i>	<i>Escherichia coli</i>
EECLP.....	Energy Efficiency and Conservation Loan Program
FA.....	financial audits
FAS.....	Foreign Agricultural Service
FBI.....	Federal Bureau of Investigation
FFMIA.....	Federal Financial Management Improvement Act
FISMA.....	Federal Information Security Modernization Act
FNS.....	Food and Nutrition Service
FOIA.....	Freedom of Information Act
FS.....	Forest Service
FSA.....	Farm Service Agency
FSIS.....	Food Safety and Inspection Service
FY.....	fiscal year
GLS.....	Guaranteed Loan System
HFPAS.....	Hazardous Fuels Priority Allocation System
HHS.....	Health and Human Services
HUD.....	Housing and Urban Development
ICE-HSI.....	Immigration and Customs Enforcement, Homeland Security Investigations
IG.....	Inspector General
IPIA.....	Improper Payments Information Act
IRS-CI.....	Internal Revenue Service-Criminal Investigation
IT.....	information technology
JTTF.....	Joint Terrorism Task Forces
MEMS.....	Management Evaluation Management System
NAS.....	non-audit services
NFC.....	National Finance Center
NRCS.....	Natural Resources Conservation Service
OCIO.....	Office of the Chief Information Officer
ODS.....	Office of Data Sciences
OIG.....	Office of Inspector General
OHSEC.....	Office of Homeland Security and Emergency Coordination
OPM.....	Office of Personnel Management
PA.....	performance audits
PCFO.....	Principal Combined Fund Organizations

PII.....	personally identifiable information
RBS.....	Rural Business-Cooperative Service
RD.....	Rural Development
REAP.....	Rural Energy for America Program
RHS.....	Rural Housing Service
RMA.....	Risk Management Agency
RUS.....	Rural Utilities Service
SAOP.....	Senior Agency Official for Privacy
SAR.....	Suspicious Activity Reports
SARC.....	Semiannual Report to Congress
SNAP.....	Supplemental Nutrition Assistance Program
SSA.....	Social Security Administration
SSN.....	Social Security Number
USAID.....	U.S. Agency for International Development
USDA.....	U.S. Department of Agriculture
USMARC.....	U.S. Meat Animal Research Center
WIC.....	Special Supplemental Nutrition Program for Women, Infants, and Children

Examples of Program Improvement Recommendations Management Agreed to During This Reporting Period (119 Total)

- NRCS' national office needs to clarify its guidance in the National Food Security Act Manual regarding the level of treatment required to stabilize or treat all types of gully erosion, to include both ephemeral and classical.
- FS should fully develop and implement the national risk assessment model for identifying and prioritizing hazardous fuels reduction projects on National Forest System lands.
- FNS should conduct a study and/or perform analysis to identify the most troublesome areas for States and develop best practices for implementing these complex provisions with respect to ABAWD requirements.

OIG'S MISSION

Our mission is to help ensure economy, efficiency, and integrity in USDA programs and operations through the successful execution of audits, investigations, and reviews.

OIG STRATEGIC GOALS

We have focused nearly all of our audit and investigative direct resources on our three goals:

- Strengthen USDA's ability to implement and improve safety and security measures to protect the public health, as well as agricultural and Departmental resources.
- Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.
- Provide USDA with oversight to help it achieve results-oriented performance.

To learn more about OIG, visit our website at
www.usda.gov/oig/index.htm

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