



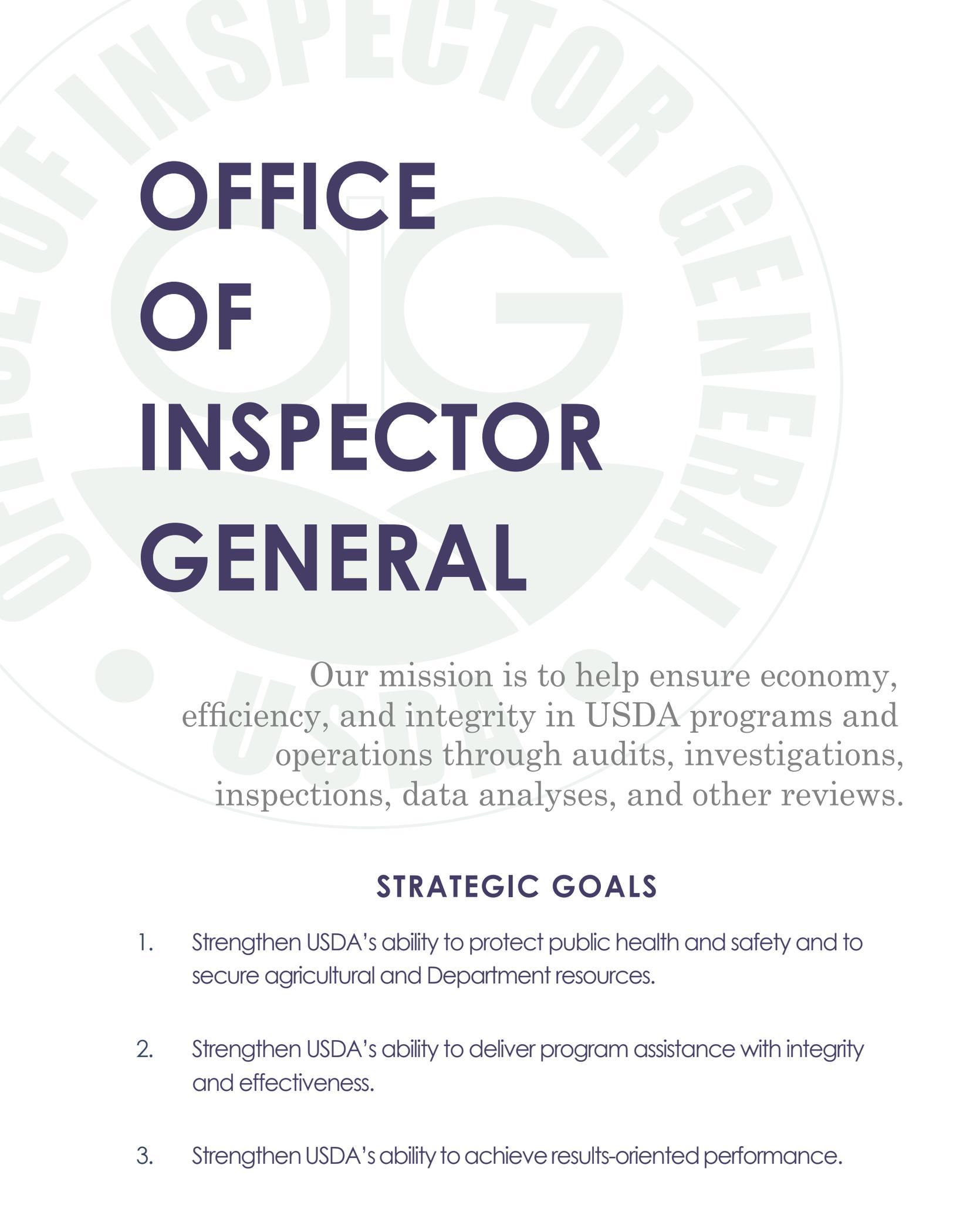
United States Department of Agriculture

USDA Management Challenges



September 2020

OFFICE OF INSPECTOR GENERAL



OFFICE OF INSPECTOR GENERAL

Our mission is to help ensure economy, efficiency, and integrity in USDA programs and operations through audits, investigations, inspections, data analyses, and other reviews.

STRATEGIC GOALS

1. Strengthen USDA's ability to protect public health and safety and to secure agricultural and Department resources.
2. Strengthen USDA's ability to deliver program assistance with integrity and effectiveness.
3. Strengthen USDA's ability to achieve results-oriented performance.

Message from the **INSPECTOR GENERAL**

The Office of Inspector General (OIG) provides oversight to U.S. Department of Agriculture (USDA) programs and operations to help ensure that USDA is able to provide the best possible service to the public and American agriculture. OIG focuses its efforts to advance the value, safety and security, and integrity of USDA programs. In providing such oversight, OIG makes recommendations to address agency programs and core management functions that may be vulnerable to waste, fraud, abuse, and mismanagement. These vulnerabilities can affect USDA's ability to achieve its mission.¹ Since the Reports Consolidation Act of 2000, OIG has annually reported on the Department's progress in addressing its most critical management challenges.² The COVID-19 pandemic, and USDA's increased responsibilities for program delivery, have made addressing these challenges even more important.³

Beginning in late 2019, OIG started a process to improve how we present USDA's management challenges. Our goal is to develop a more forward-looking approach for identifying and reporting these challenges, one that will emphasize new challenges on the horizon. To that end, a number of OIG personnel—auditors, investigators, data analysts, and communications specialists—have initiated work to revise this report for future years. Our hope is that this new approach, which we plan to implement by 2021, will be even more beneficial for the Secretary, Congress, and other stakeholders throughout the Government.

This year, we have continued to focus on seven major challenges for USDA and its specific programs. These challenges represent areas in which OIG believes USDA could improve its efforts to achieve overall excellence for the Department. We have highlighted the Department's progress towards addressing each challenge, referencing OIG work from June 1, 2019, to May 31, 2020, as well as OIG findings discussed in the

¹ GPRA Modernization Act of 2010, Pub. L. No. 111-352, 124 Stat. 3866.

² Pub. L. No. 106-531, 114 Stat. 2537.

³ USDA OIG contributed to the Pandemic Response Accountability Committee's *Top Challenges Facing Federal Agencies: COVID-19 Emergency Relief and Response Efforts*, June 2020.

previous year. We have moved away from presenting a detailed list of recommendations from prior reports for each challenge. That list may instead be found in the appendices of our most recent semiannual report to Congress (see Appendices A.10 and A.13 of that document, available online).⁴

In closing, we would like to express our sincere appreciation to the Secretary and the Deputy Secretary for their support of our mission and their commitment to excellence across USDA. We look forward to working with the Department and its agencies to further address these management challenges in the coming year.

If you have any questions or would like to discuss these management challenges, please contact me (202-720-8001). You or your staff may also contact Audit's Assistant Inspector General, Gil H. Harden (202-720-6945), Investigations' Acting Assistant Inspector General, Peter P. Paradis, Sr. (202-720-3307), or Analytics and Innovation's Assistant Inspector General, Jenny Rone (202-720-5168).



Phyllis K. Fong

Inspector General

cc: Subcabinet Officials, Agency Administrators

⁴ *Semiannual Report to Congress, First Half October 1, 2019–March 31, 2020*, May 2020.
https://www.usda.gov/oig/webdocs/sarc2020_1st_half_508.pdf.

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CHALLENGE 1

USDA NEEDS TO IMPROVE OVERSIGHT AND ACCOUNTABILITY FOR ITS PROGRAMS





The Challenge

In 2019, USDA's 29 agencies and approximately 100,000 employees were responsible for delivering \$144 billion in public services. Administering these programs successfully while providing the appropriate level of oversight poses significant challenges to USDA program managers. In 2020, the COVID-19 pandemic struck, resulting in the Department's increased responsibility for more than \$34 billion in funding for pandemic relief activities from the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, and other related legislation.⁵ By acting now to improve oversight and accountability over its programs, USDA can help ensure that programs are functioning as intended and reaching eligible program participants.

Our recent audits have shown that USDA's agencies need to strengthen oversight and accountability over their programs. For example, one audit evaluated the Rural Housing Service's (RHS) controls over tenant eligibility to occupy multi-family rental housing in rural areas. Based on our review of rental assistance payments from fiscal years (FY) 2016 to 2018, RHS provided more than \$2.9 billion on behalf of low-income tenants residing in approximately 14,000 multi-family housing (MFH) apartment complexes. To ensure the eligibility of tenants residing in these apartments, property management must verify and document tenant eligibility in the tenant's file. Our review found that 11 of 100 selected MFH tenant certification files from

USDA managers are responsible for establishing an effective internal control system, ensuring a culture of compliance with those controls, and holding employees accountable for implementing those controls. Managers use these controls to ensure programs achieve intended results efficiently and effectively; they provide for program integrity and proper stewardship of resources. Since systemic control flaws can yield systemic program weaknesses, managers must continuously assess and improve their internal control systems.

⁵ USDA OIG, *OIG Plan—Oversight of COVID-19 Funding*, Apr. 2020. <https://www.usda.gov/oig/reports/oig-plan-oversight-covid-19-funding>.

Aerial view of a new farmer's dragon fruit, cherimoya, and avocado orchards. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

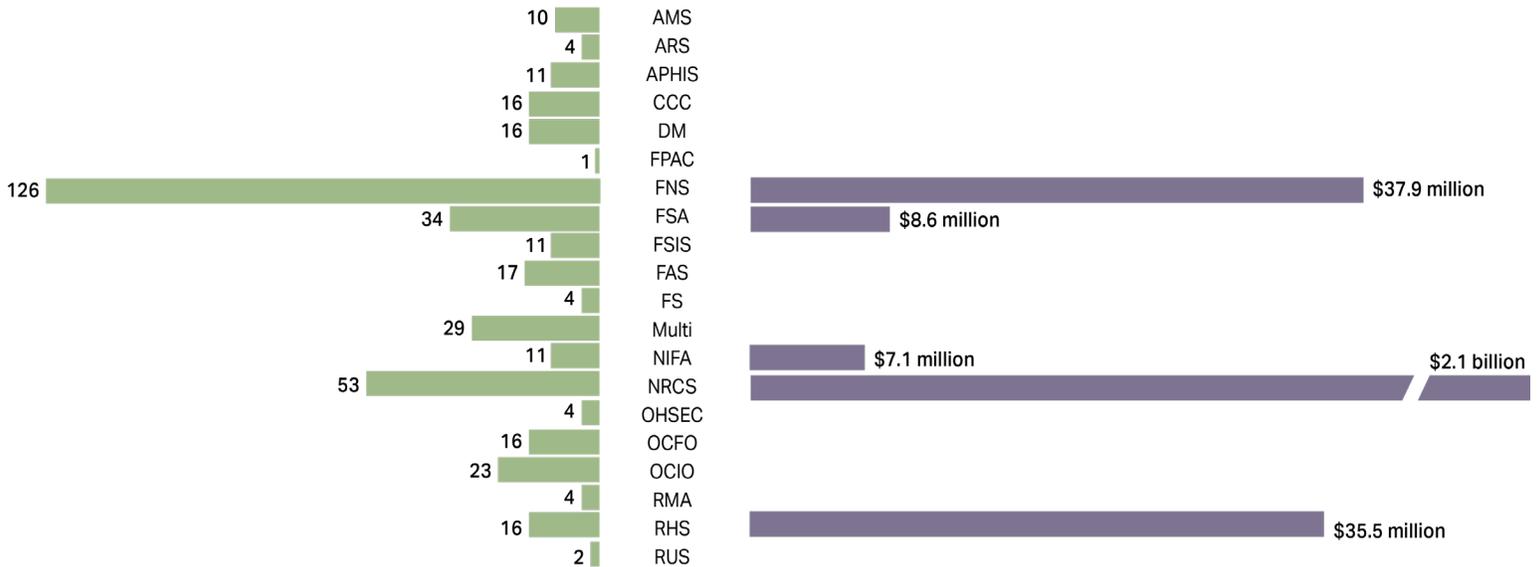
selected States contained either inadequate documentation, errors in calculations, or both. Based on our statistical sample, we estimated that approximately 74,652 tenants received a total of approximately \$26.9 million in inaccurate rental assistance. The property management's lack of oversight can impair the agency's efforts to verify tenant eligibility and provide accurate benefits to MFH tenants. RHS agreed to take corrective action on all 10 recommendations.⁶

In another recent audit, OIG reviewed how the Natural Resources Conservation Service (NRCS) administers the Environmental Quality Incentives Program (EQIP), which provides producers with financial and technical assistance to implement conservation projects, and whether EQIP payment schedules were cost effective and represented producers' costs to implement the conservation practices. While OIG did not question the quality of the conservation practices implemented, NRCS' use of EQIP regional payment schedules did not consistently represent the producer cost to implement conservation practices. We found that NRCS did not annually review the component prices as required, and also did not consistently utilize a process for States to submit component price reconsiderations, which help ensure component prices more accurately reflect producer costs. As a result, NRCS' component cost list was significantly outdated. Since prices can fluctuate, accurate and current component prices are crucial to avoid inaccurate compensation and to maximize environmental benefits. Because NRCS relied on outdated and inaccurate component prices to calculate payment schedules, we questioned more than \$2.16 billion, which was obligated during the scope of our review, FYs 2016–2017. We recommended that NRCS improve the effectiveness of the EQIP payment schedule process, including developing and implementing a process to validate component prices and ensuring the national cost team follows the improved payment schedule process. NRCS generally agreed with our recommendations.⁷

⁶ Audit Report 04601-0003-31, *Multi-Family Housing Tenant Eligibility*, Feb. 2020.

⁷ Audit Report 10601-0005-31, *Environmental Quality Incentives Program Payment Schedules*, Sept. 2019.

Figure 1. Recommendations Pending Action and Corresponding Potential Monetary Impact, by Agency, the First Half of FY 2020 (October 1, 2019–March 31, 2020)



OIG’s audit recommendations provide a useful starting point for helping USDA improve its program oversight. While we report in detail our audit recommendations pending corrective action in our semiannual report to Congress, Figure 1 on the opposite page shows the current number of open audit recommendations and the corresponding potential monetary impact, by agency.

Although the Department continues to make progress implementing corrective actions, oversight and accountability for its programs remains a critical challenge for USDA. In order to address this challenge, USDA should continue its efforts to implement all of our outstanding audit recommendations.



CHALLENGE 2

**INFORMATION TECHNOLOGY
SECURITY NEEDS
CONTINUOUS IMPROVEMENT**

The Challenge

In order to provide benefits and services to the American public, USDA must efficiently manage vast amounts of data. This information is crucial to not only program administration, but also the public's daily lives. Members of the public apply for and access many USDA programs, benefits, and other services through online or mobile portals, which can require the transfer of information. Some of this information, such as personally identifiable information or market data, is sensitive. Its inappropriate release could cause significant problems. In recent years, significant breaches of information systems have increased public concern over how Government agencies protect sensitive data. Therefore, one of the Department's primary challenges is protecting the security, confidentiality, and integrity of its IT infrastructure while still allowing authorized users to access and use this information.

Like other Departments, USDA faces threats to its information technology (IT) security, including threats from bad actors with the goal to exploit information system vulnerabilities. Despite efforts to strengthen its IT security posture, the Department still has not fully complied with the standards for safeguarding IT systems.

Since 2002, OIG has annually reviewed the Department's cybersecurity initiatives, including those that shield IT equipment and systems from theft, attack, and intrusion. Our reviews have consistently found that the Department faces challenges in complying with the Federal Information Security Modernization Act of 2014 (FISMA).⁸ As noted in the FY 2019 FISMA report, Department leadership has emphasized overcoming these challenges and eventually reaching full compliance, but many longstanding weaknesses remain. Based on Office of Management and Budget (OMB) criteria for effective levels of IT security, the Department's overall score indicates an ineffective level. In our detailed testing of the 67 FISMA reporting metrics, we found the Department increased its maturity level for 22 metrics. One metric's maturity level was downgraded because of a new requirement related to supply chain risk management, and the maturity level did not change for 44 metrics.

⁸ Pub. L. No. 113-283, 128 Stat. 3073.

In FYs 2009–2018, OIG made a total of 75 recommendations for improving the overall security of USDA’s systems—71 recommendations are completed and 4 recommendations are scheduled for closure. We have also issued three new recommendations based on security weaknesses identified in FY 2019, including one recommendation that was reopened because the agency did not effectively implement the agreed-upon corrective action. The Department and its agencies must also develop and implement an effective plan to mitigate security weaknesses identified in recommendations from prior fiscal years.⁹

OIG also examined another aspect of the Department’s IT security, encryption. Encryption—a primary method Government agencies use to protect sensitive data—renders information unreadable to those without authorization. Our recent assessment of 7 agencies’ encryption security posture for 17 different systems found that the Department and agencies did not fully implement the Federally-mandated controls to encrypt data. Until USDA is able to comply with Federal requirements and best practices, its systems and the sensitive data they contain could be at risk.¹⁰

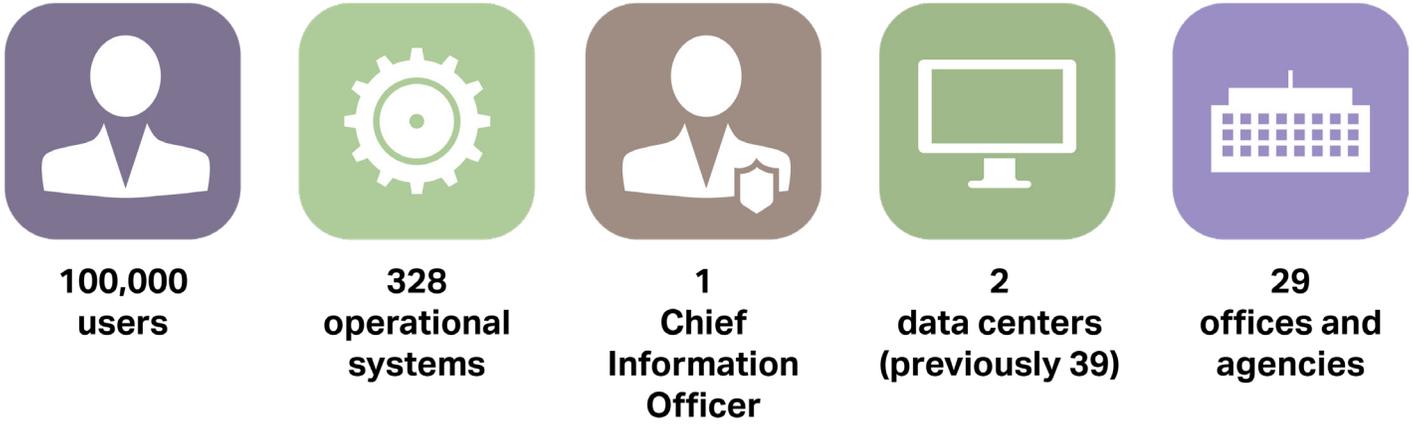
The Department’s challenge is further complicated because, in order for USDA to attain a sustainable and secure IT posture, all of its many agencies must consistently implement Departmental policy. Figure 2 on the opposite page shows that, while the Office of the Chief Information Officer (OCIO) provides IT oversight to all USDA, each of USDA’s 29 agencies and offices must take measures to monitor and ensure that all systems and workstations are secure.

USDA must not only be responsive to IT security needs, but also must be vigilant to the potential for misuse of USDA’s IT systems. OIG receives a number of allegations concerning misuse of the Department’s IT systems. As a result, OIG’s Office of Investigations

⁹ Audit Report 50503-0002-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2019 Federal Information Security Modernization Act*, Oct. 2019.

¹⁰ Audit Report 50501-0021-12, *Data Encryption Controls Over Personally Identifiable Information on USDA Information Technology Systems*, Aug. 2019.

Figure 2. OCIO Oversight



reviews each allegation carefully and considers what action to undertake when addressing this potential criminal or improper activity within the Department.

CHALLENGE 3

USDA NEEDS TO STRENGTHEN PROGRAM PERFORMANCE AND PERFORMANCE MEASURES



The Challenge

The Government Performance and Results Modernization Act of 2010 set requirements for regular and recurring performance assessment. The Department has made progress in measuring the success of its programs through its continual development and improvement of outcome-based performance measures; however, OIG continues to identify the need for stronger program performance and performance measures at USDA.

Our audits continue to examine the need to strengthen performance in agency programs. For example, a recent audit of the Agricultural Marketing Service's (AMS) storage and handling of commodities for international food assistance programs found that warehouse operators did not consistently apply sanitation and safety standards to safeguard export food aid.¹¹ During our review, we observed instances where warehouse operators stored export food aid in: (1) unsanitary facilities, (2) facilities with evidence of rodent harborage or other pests, and (3) conditions that could impact worker safety. This occurred because the current language in the Export Food Aid Commodity (EFAC) Licensing Agreement for warehouse operators is too broad and can therefore be left open to interpretation, leading to discrepancies in the application of standards by operators.

We also determined that 759 metric tons (over 1.6 million pounds) of export food aid were reported as losses during storage and handling, and that a portion of these losses could have been minimized if EFAC program guidance allowed for a more cost-effective method to repair damaged EFAC bags. Inconsistent safety and sanitation standards, coupled with the large amount of food losses, resulted in AMS delivering less export food aid to help reduce hunger and

Each of USDA's agencies should design, develop, and implement programs that reliably achieve their intended results. OIG has found that agencies do not always have adequate reviews or controls in place to supply the metrics necessary to evaluate programs.

¹¹ Audit Report 01601-0002-41, *AMS Storage and Handling of Commodities for International Food Assistance Programs*, Dec. 2019.

malnutrition in countries in need. We recommended that AMS update the relevant guidance for sanitation and safety standards and repairing EFAC bags. AMS officials concurred with our 10 recommendations.

The Food and Nutrition Service (FNS) administers the Food Distribution Program on Indian Reservations (FDPIR) at the Federal level through its national and regional offices. Locally, the program is administered by either an Indian Tribal Organization (ITO) or a State agency. A recent audit FDPIR found that neither of the two Indian Tribal Organizations (ITO) we reviewed had submitted financial and participation reports by the required deadlines. One ITO's final close-out FY 2017 financial report was 271 days past due. The same ITO also had two FY 2017 reports on the monthly distribution of donated food to financial units that were 32 and 34 days past due. This occurred because FNS' Southwest Regional Office does not have controls or processes in place to ensure that ITOs submitted required reports in a timely manner.

It is critical that the ITOs develop procedures to timely provide their financial reports because the Food and Nutrition Service (FNS) uses these reports to ensure ITOs are regularly drawing down funds as well as to identify whether ITOs have overdrawn their allocated funds. The financial reports also allow FNS to determine if an ITO has expended more or less than it had withdrawn. FNS uses the participation reports to track program activity at ITOs, occasionally reporting this information to Congress.

Additionally, FNS uses participation reports to track households' certification versus participation to identify discrepancies as well as to track the inventories of food commodities on hand to ensure they correlate with participation levels. Without the necessary controls in place to ensure the reports are submitted on time, the metrics from those reports, such as expenses and participation levels, are unavailable to stakeholders; without those metrics, FNS cannot timely and effectively assess program data to ensure program compliance and address any potential issues that may arise.¹²

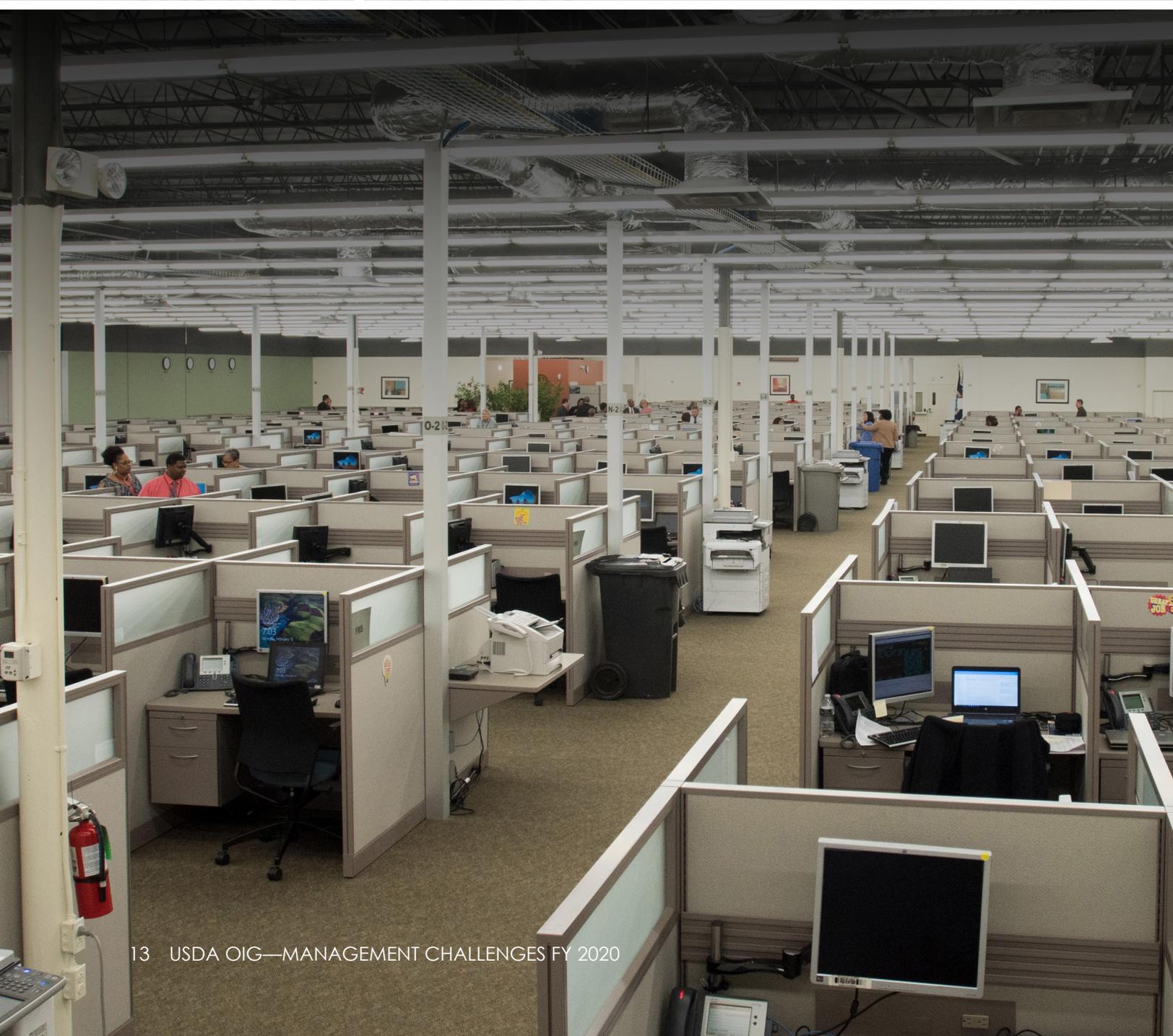
¹² Audit Report 27601-0001-21, *Food Distribution Program on Indian Reservations*, Feb. 2020.

Stored USDA commodities at the Genesee County Community Action Resource Department in Flint, Michigan. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.



CHALLENGE 4

USDA NEEDS TO STRENGTHEN CONTROLS OVER IMPROPER PAYMENTS AND FINANCIAL MANAGEMENT



The Challenge

As USDA receives significant additional funding to implement its pandemic-related responsibilities, the Department should focus its efforts on strengthening financial management and minimizing improper payments. Each year, the Department's annual financial reports provide the public, Congress, and the President with information regarding the funds spent on public services. These reports account for USDA's costs and revenues, assets and liabilities, and other information. OIG reviews the Department's financial reports annually, as required by law, to verify accuracy and compliance with Federal rules regarding high-dollar overpayments and improper payments.

USDA continues to be noncompliant with Federal requirements for improper payments. Also, the Department needs to address internal control deficiencies to resolve ongoing problems with financial management and reporting.

OIG has found that USDA needs to address internal control deficiencies to resolve ongoing problems with financial management and reporting. Although USDA received an unmodified opinion from OIG's annual audit of the Department's consolidated financial statements, our consideration of USDA's internal controls over financial reporting identified three significant deficiencies: (1) two of USDA's component agencies need to improve their overall financial management; (2) USDA needs to improve its IT security and controls, as many longstanding weaknesses remain;¹³ and (3) USDA needs to improve its controls over unliquidated obligations. We determined the first two deficiencies are material weaknesses.¹⁴ Additionally, our review of compliance with laws and regulations identified noncompliance with the Federal Financial Management Improvement Act of 1996, the Antideficiency Act, and the Improper

¹³ Based on information from Audit Report 50503-0002-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2019 Federal Information Security Modernization Act*, Oct. 2019.

¹⁴ A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements* (Aug. 27, 2019).

Payments Elimination and Recovery Act of 2010, as amended.¹⁵ The Department concurred with our findings.¹⁶

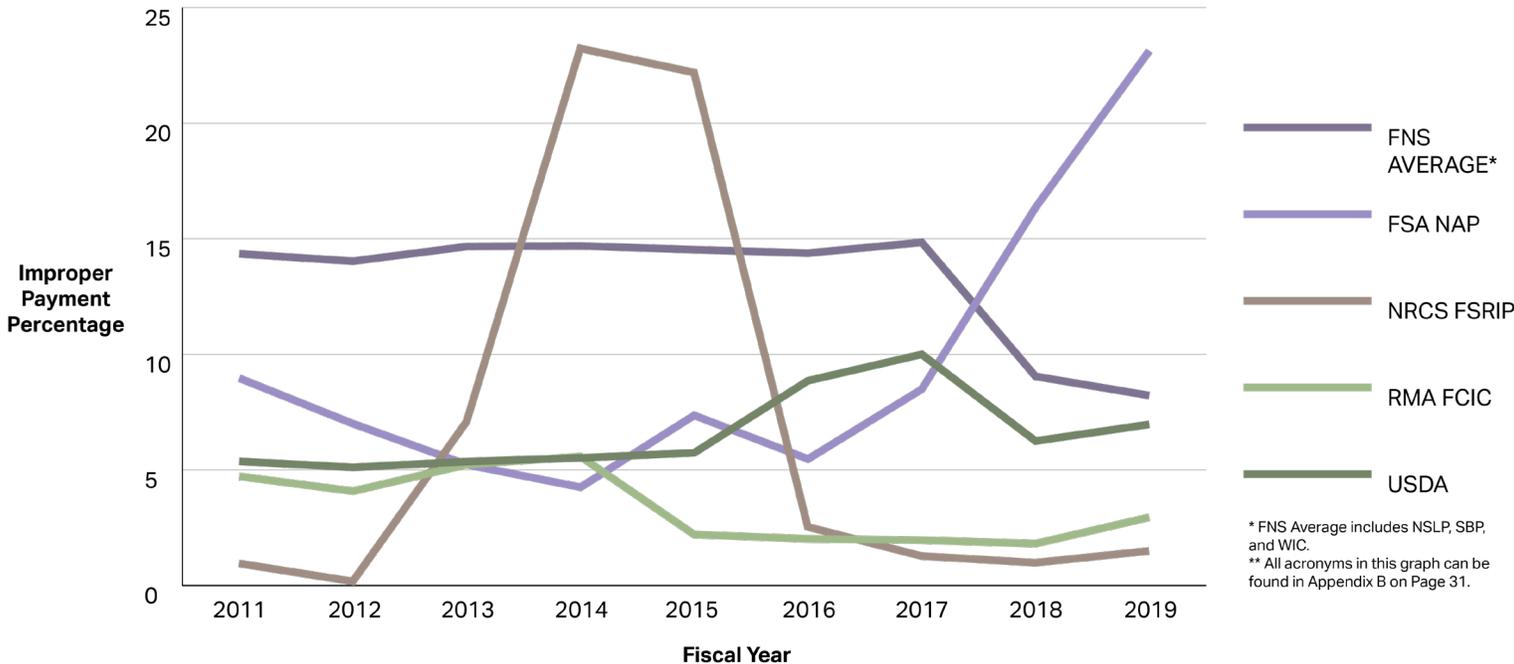
Further, in our annual assessment of USDA’s compliance with improper payment requirements, we found that USDA continued to report noncompliance with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended. In FY 2018, USDA’s overall improper payment rate trended downward; however, there was a slight increase upward in FY 2019.¹⁷ Figure 3 below shows the trends for these programs and for USDA overall from FY 2011 through FY 2019.

¹⁵ Pub. L. No. 104-208, 110 Stat. 3009; 31 U.S.C. § 1341; and Pub. L. No. 111-204, 124 Stat. 2224, as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012 (Pub. L. No. 112-248, 126 Stat. 2390), respectively.

¹⁶ Audit Report 50401-0018-11, *USDA’s Consolidated Financial Statements for Fiscal Years 2019 and 2018*, Nov. 2019.

¹⁷ The chart only includes high-risk programs that had a published improper payment rate for each of the last 9 consecutive FYs. FNS’ Supplemental Nutrition Assistance Program (SNAP) and the Child and Adult Care Food Program have been identified as high-risk programs, but they are excluded from the FNS Average line in Figure 3 because FNS did not publish an improper payment rate for SNAP in FYs 2016 and 2017 and for the Child and Adult Care Food Program in FYs 2013 through 2017.

Figure 3. Improper Payment Percentage by Agency



Of the 12 high-risk programs identified for FY 2019, OIG found that 5 did not comply with one or both of the following requirements: meeting annual reduction targets or reporting gross improper payment rates of less than 10 percent. This occurred because the programs' corrective actions have not yielded the desired results and some programs' policies and procedures were not followed by staff. It is important for USDA to ensure these reports are accurate and timely so that USDA's financial management is transparent and addresses control issues in component agencies to resolve ongoing problems with financial management. USDA generally agreed with our findings and three of the four planned corrective actions.¹⁸

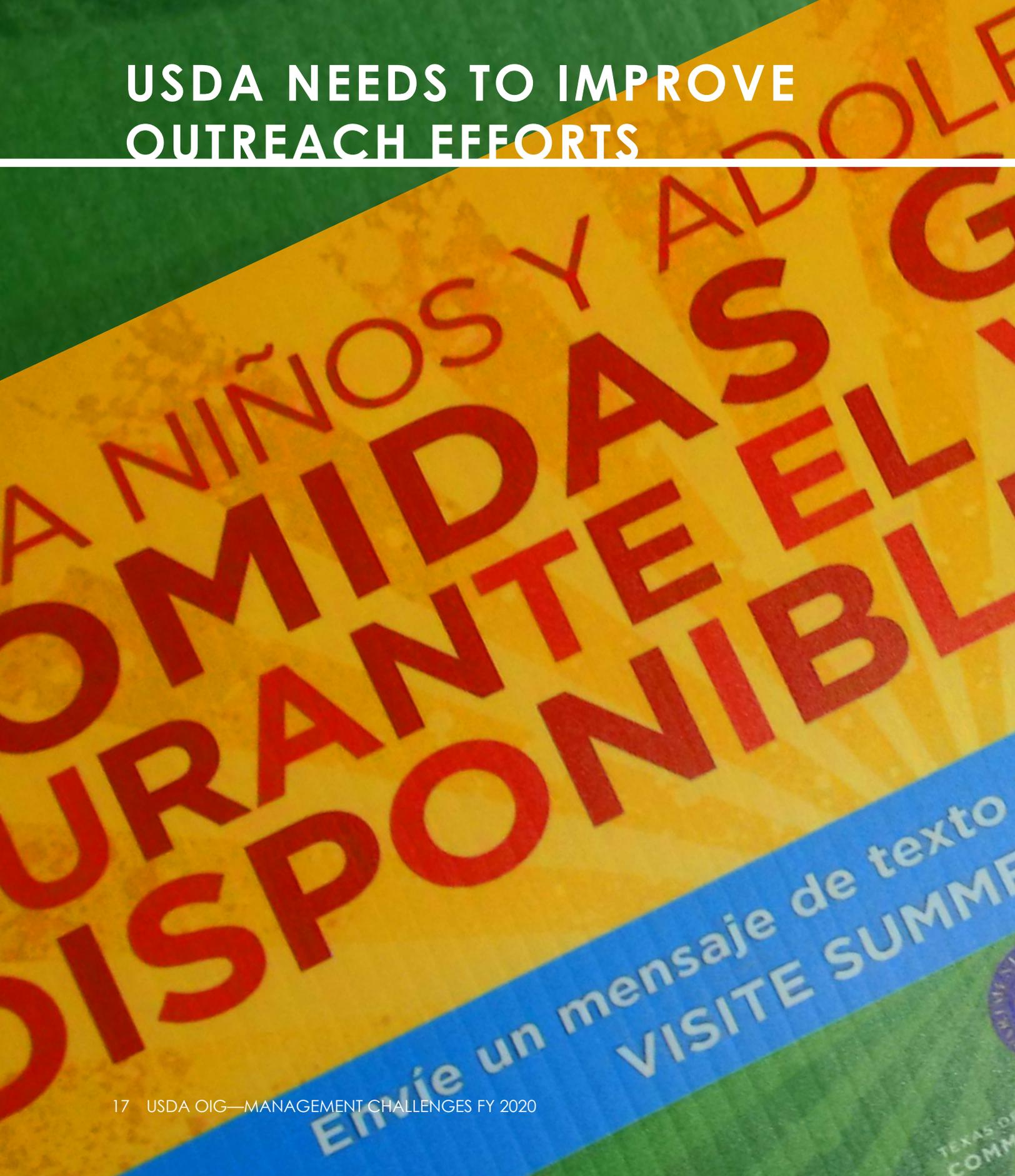
Our investigations also identify opportunities for improvement that, if corrected, would help the Department reduce improper payments and limit opportunities for fraud, waste, and abuse. During a recent misconduct investigation, our investigators learned that an acting loan officer was overriding the Farm Service Agency's (FSA) online farm loan management checklist to process farm loans.¹⁹ Overriding the approval process allowed the acting farm loan officer to approve loans without the next level of management approving the loan. Circumventing the controls for the loan approval process in this way created a serious financial control weakness. By correcting control weaknesses such as this, USDA can improve its controls over how FSA makes loans and thereby its overall control of its program funds.

¹⁸ Audit Report 50024-0015-11, *U.S. Department of Agriculture's Fiscal Year 2019 Compliance with Improper Payment Requirements*, May 2020.

¹⁹ U.S. Attorney for the Western District of Texas, *Former U.S.D.A. Farm Service Agency Loan Officer in Uvalde Sentenced to Two Years in Federal Prison in Farm Loan Fraud Case*, Offices of the United States Attorneys (Apr. 9, 2019), <https://www.justice.gov/usao-wdtx/pr/former-usda-farm-service-agency-loan-officer-uvalde-sentenced-two-years-federal-prison>.

CHALLENGE 5

USDA NEEDS TO IMPROVE OUTREACH EFFORTS



The Challenge

It is crucial that USDA sustain its outreach efforts to ensure its programs—such as various nutrition assistance programs—reach their intended recipients. For example, USDA has provided significant financial resources to provide nutritious meals for children in low-income areas when school is not in session through the Summer Food Service Program (SFSP). In the past 3 years, OIG has undertaken a series of audits to determine if State agencies had adequate controls to assess SFSP sponsor eligibility and monitor sponsor compliance with program requirements. We conducted audit work in five States. In three States, we identified noncompliances with FNS’ outreach requirements, resulting in recommendations for FNS to direct the State agencies to develop and implement review procedures to identify and address sponsor noncompliances.²⁰ For example, our work in Florida found that, although the Florida State agency invested more than \$3.3 million in outreach efforts from 2014 through 2017, all five sponsors we reviewed could improve their outreach efforts. Specifically, these five sponsors did not consistently ensure that all sites complied with FNS requirements and guidance related to outreach, promoted the program effectively, or served meals as announced in the State media campaign.

USDA has emphasized its efforts to improve outreach, stressing that the Department must make significant progress to address past civil rights issues. Due to public attention concerning how USDA has treated members of socially disadvantaged groups, the Department faces challenges in earning those groups’ trust.

Figure 4 on the following page illustrates the outreach issues the team encountered during its site visits. A number of the issues highlighted in the figure resulted in the program’s intended recipients—children from low-income areas—potentially not accessing meals. To support improvements to SFSP sponsor outreach efforts at sites, we determined the Florida State agency should provide additional sponsor training on SFSP site-level

²⁰ Audit Report 27004-0001-41, *California’s Controls Over Summer Food Service Program*, Nov. 2018; Audit Report 27004-0001-23, *New York’s Controls Over Summer Food Service Program*, Sept. 2018.

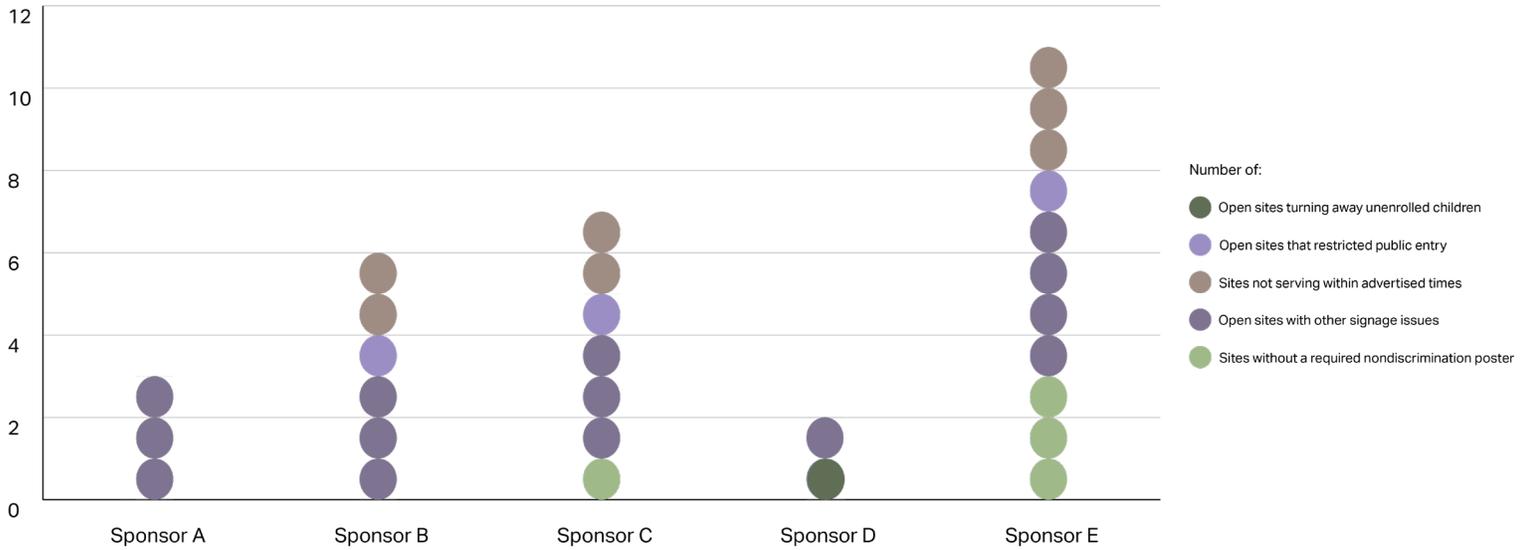


Figure 4. SFSP Outreach Issues Identified by Sponsor

outreach and strengthen its enforcement actions during site reviews.²¹

In another audit, OIG identified areas where the Rural Utilities Service (RUS) and Rural Development can better track their efforts to administer rural infrastructure programs that provide assistance to eligible Native American governments and communities, also known as Substantially Underserved Trust Areas (SUTA). We found that, although Rural Development officials did perform outreach in two States we reviewed, they did not document their outreach activities for the Water and Environmental Programs in their designated system of record, Resource One. This occurred because, according to the State officials, recording their outreach activities in Resource One was neither required nor a priority. According to RUS, implementing SUTA provisions of the 2008 Farm Bill is critical to RUS' broader efforts to make all programs more accessible to tribal governments and communities. By tracking activities in Resource One, Rural Development can more easily demonstrate that it conducted outreach in a timely and equitable manner.²²

²¹ Audit Report 27004-0001-31, *Florida's Controls Over Summer Food Service Program*, Aug. 2019.

²² Audit Report 09601-0002-41, *Infrastructure Funding for Substantially Underserved Trust Areas (SUTA)*, June 2019.

The Department has, however, made progress in improving its outreach efforts. Aside from conducting outreach to socially disadvantaged groups, USDA has emphasized its efforts to improve outreach to new and beginning farmers and ranchers, local and regional food producers, women, and veterans. For example, the AMS Farmers Market and Local Food Promotion Program provides a competitive grants process to expand access to locally-produced agriculture products and to develop new market opportunities for farmers, ranchers, and local/regional food businesses. In a recent audit of this program, we found that AMS officials effectively conducted program outreach and appeared cognizant of grant requirements.²³

OIG's review of Food Safety and Inspection Service's (FSIS) Cooperative Interstate Shipment (CIS) Program provides another example of the Department improving outreach for local and regional food producers. This program provides the opportunity to eligible State-inspected establishments with 25 or fewer employees located in participating States to ship meat and poultry products across State lines and export them to foreign countries. In a recent audit of the CIS program, one of OIG's objectives was to determine whether FSIS is providing adequate enforcement and outreach; we found that FSIS' enforcement and outreach for the CIS Program was adequate and we had no reportable findings for this objective.²⁴

²³ Audit Report 01601-0001-24, *AMS Oversight of the Farmers Market and Local Food Promotion Program*, Mar. 2020.

²⁴ Audit Report 24601-0002-22, *Cooperative Interstate Shipment Program*, Dec. 2019.

CHALLENGE 6

FOOD SAFETY INSPECTIONS NEED IMPROVED CONTROLS



The Challenge

In pursuit of its mission of protecting the public health by ensuring the safety of the Nation's commercial supply of meat, poultry, and processed egg products, FSIS is responsible for reducing contamination and limiting illnesses through the regulation of agricultural food products. OIG has found that, although the agency has made progress, FSIS continues to face challenges, such as gathering reliable data. Reliable data can help ensure safety verification tasks are completed, effective, and consistent. Collecting data will be even more vital as USDA and FSIS respond to the reported impact of the COVID-19 pandemic on FSIS inspectors, employees at meat and poultry slaughter and processing plants, and workers in the food production supply chain.²⁵

Food safety is vital to protecting the public health. Despite progress, FSIS continues to need improved controls in order to ensure the Nation's supply of meat, poultry, and egg products is correctly handled, processed, labeled, and packaged.

FSIS inspections need improved controls to ensure that imported meat and poultry products are safe, wholesome, and correctly labeled and packaged. For example, OIG's recent audit of FSIS' controls over imported meat and poultry found control weaknesses that increase the risk that ineligible products could enter U.S. commerce. While we did not identify any issues related to the effectiveness of FSIS' Public Health Information System import module, we did observe that seven of eight inspection program personnel (IPP) did not verify all labels on imported meat and poultry products. This occurred because of a lack of training for IPP on the label verification process. Consequently, 225 of 232 lots in our sample were not properly reinspected to determine if the imported products complied with U.S. labeling requirements, which are intended to ensure compliance with an eligible exporting country's food safety inspection system.

²⁵ USDA OIG, *USDA Management Challenges for Pandemic-Related Responsibilities*, June 2020.

A stamp used by USDA meat inspectors and graders. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

Additionally, we determined that the actual lot unit count related to 6 of 53 shipments of imported meat and poultry products did not match the numbers listed on the corresponding official foreign inspection certificates for those shipments. We attributed this condition to agency instructions not clearly stating the expected procedures for verifying numbers on official foreign inspection certificates and to inadequate oversight of IPP. While we found no evidence that the product in the shipments did not meet U.S. quality standards, the control weaknesses increase the risk that ineligible product could enter U.S. commerce.²⁶

FSIS is responsible not only for certifying the safety of imported products, but also for conducting inspections to ensure the Nation's domestic meat, poultry, and egg products are correctly labeled and packaged. To confirm that labels are truthful and not misleading, FSIS' Labeling and Program Delivery Staff (LPDS) review label applications and either approve product labels or request changes. FSIS also has personnel responsible for verifying that labels and related files meet requirements. During OIG's recent audit of FSIS' control over labels, we determined that 9 of 60 required label application packages were either incomplete, inaccurate, or unsupported. We also found that 11 of 60 generic label application packages were either not supported or had an applicable mandatory feature that was missing or inaccurate. In addition, while we determined that LPDS requested changes to 657 of 878 generic labels to ensure these labels met requirements, three establishments we visited did not make the required modifications in their final generic labeling records. As a result, meat, poultry, and egg product labels may reflect inaccurate statements and claims made by the establishment. FSIS generally agreed with our recommendations and we accepted management decisions on all five recommendations.²⁷

²⁶ Audit Report 24601-0003-21, *Controls Over Imported Meat and Poultry Products*, June 2020.

²⁷ Audit Report 24601-0002-23, *Controls Over Meat, Poultry, and Egg Product Labels*, June 2020.

Figure 5. Meat labels at a grocery store showing various labeling requirements including, but not limited to, safe handling instructions, nutrition facts, and USDA inspection legend.



OIG photo. It does not depict any particular audit or investigation.

CHALLENGE 7

FNS NEEDS TO STRENGTHEN SNAP MANAGEMENT CONTROLS



The Challenge

As the largest benefit program within USDA and one of the largest in the Federal Government, SNAP presents a unique challenge. FNS administers SNAP, and during FY 2018, SNAP served an average of 39.7 million people each month, at a total annual cost of \$64.9 billion, \$60.4 billion of which went to SNAP benefits. The remaining \$4.5 billion went to other costs such as the Federal share of State administrative costs, nutrition education, employment and training programs (E&T), benefit and retailer redemption and monitoring, payment accuracy monitoring, and other SNAP-associated costs.²⁸ Considering SNAP's size and importance, fraud, waste, and abuse are critical concerns. OIG works to combat these problems by conducting audits designed to identify waste and abuse by program administrators and investigating fraudulent activities by retailers and program participants.

SNAP is a critical safety net for many families and individuals in financial need. FNS needs to improve its oversight and quality control processes, or else taxpayer-funded assistance may not be delivered or used as intended.

As OIG's audit work focuses on improving program administration and maintaining the integrity of Federal funds, that work has determined that FNS needs to strengthen its oversight of States' administration of SNAP. For example, OIG recently audited FNS' launch of SNAP E&T pilot projects in 10 States. These projects were intended to help SNAP recipients gain and retain employment—thereby reducing their need for public assistance. We found that FNS did not have sufficient oversight of States' spending to identify that 6 of the 10 State offices may have replaced over \$27.5 million of State funds with Federal pilot grant funds they were not entitled to spend in their existing E&T programs. Going forward, it is important that FNS adequately monitor States' administration of its largest program.²⁹

Strong oversight controls of a large nutrition assistance program, including SNAP, Disaster-SNAP, or any additional supplemental

²⁸ SNAP-19-CHAR, *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2018*, Nov. 2019.

²⁹ Audit Report 27601-0004-22, *SNAP Employment and Training Pilot Projects*, Dec. 2019.

nutrition funding, become even more crucial when FNS responds to natural disasters. In September 2017, Hurricane Irma and Hurricane Maria devastated Puerto Rico. FNS provided some nutrition assistance; however, because Puerto Rico does not have the authority to operate a disaster nutrition assistance program, Congress granted it \$1.27 billion in supplemental nutrition assistance funding in October 2017. We found that FNS and ADSEF were not able to distribute essential disaster nutrition grant funding to survivors in Puerto Rico until 6 months after the hurricanes. Since Puerto Rico was unable to operate a disaster nutrition assistance program, FNS and ADSEF were unable to adequately plan before the hurricanes. We also found that neither FNS nor ADSEF effectively coordinated with other agencies to quickly distribute the disaster grant funding to hurricane survivors.

We also found that ADSEF’s eligibility system did not always accurately determine benefits for households, resulting in

more than \$2.9 million in over and underpayments and OIG questioning more than \$1.2 million in monthly benefits to deceased recipients.³⁰ Addressing these weaknesses will ensure future disaster aid is more swiftly disbursed to those in need.

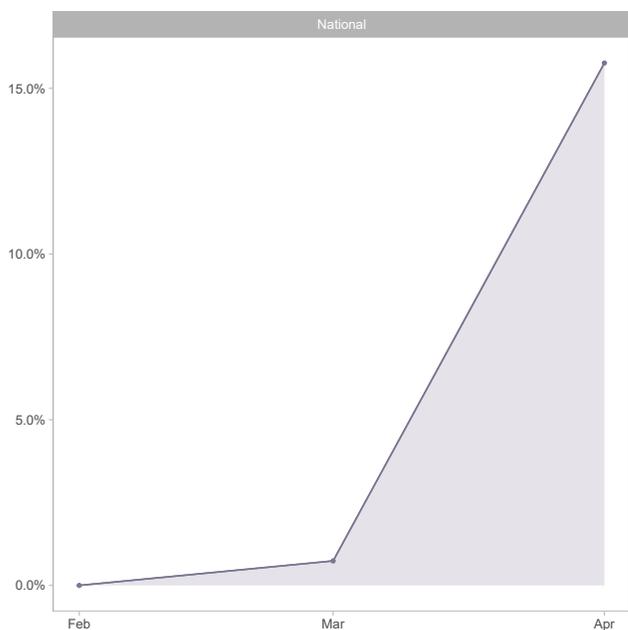
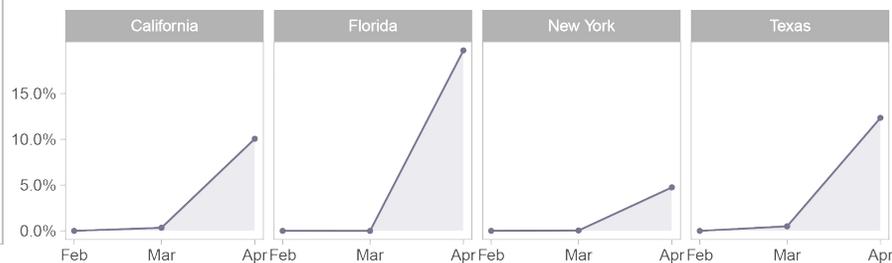


Figure 6. National and State Percent Increase in SNAP Participation by Individual, February–April 2020



³⁰ Audit Report 27702-0001-22, *Review of FNS’ Nutrition Assistance Program Disaster Funding to Puerto Rico as a Result of Hurricanes Irma and Maria*, Oct. 2019.

In addition to administrative weaknesses, fraud and crime associated with SNAP pose a continual challenge. OIG devotes significant investigative resources to prosecuting criminals engaged in SNAP fraud. In the first half of FY 2020, OIG's investigative efforts related to SNAP resulted in 85 indictments, 87 convictions,³¹ and 89 arrests, with a dollar impact of \$16.9 million.

Strengthening SNAP's integrity is all the more important because the national emergency resulting from the COVID-19 pandemic will likely result in many more people relying on the program. As Figure 6 shows on the previous page, the four States with the highest SNAP participation have seen significant enrollment increases, from 4.8 percent in New York to 19.7 percent in Florida from February to April 2020.³²

OIG acknowledges that SNAP administration is exceptionally complex. USDA must authorize and oversee hundreds of thousands of SNAP retailers in every State and territory. In addition, the statutes and regulations for delivering SNAP benefits to participants are intricate. As millions of Americans rely on SNAP benefits for nutrition assistance, successful program performance is critical. It is important that FNS strengthen management controls to ensure effective and efficient delivery of services to SNAP recipients.

³¹ Includes convictions and pretrial diversions. The period of time to obtain court action on an indictment varies widely; therefore, the 87 convictions do not necessarily relate to the 89 arrests or the 85 indictments.

³² Information for Figure 6 is from the following websites: California Department of Social Services, *CalFresh Data Dashboard* (Aug. 5, 2020), <https://www.cdss.ca.gov/inforesources/data-portal/research-and-data/calfresh-data-dashboard>; Florida Department of Children and Families, *Access Florida Standard Data Reports* (Aug. 4, 2020), <https://www.myffamilies.com/service-programs/access/StandardDataReports.asp>; New York State, *Supplemental Nutrition Assistance Program (SNAP) Caseloads and Expenditures: Beginning 2002* (July 29, 2020), <https://data.ny.gov/Human-Services/Supplemental-Nutrition-Assistance-Program-SNAP-Cas/dq6j-8u8z>; Texas Health and Human Services, *Supplemental Nutritional Assistance Program (SNAP) Statistics*, <https://hhs.texas.gov/about-hhs/records-statistics/data-statistics/supplemental-nutritional-assistance-program-snap-statistics>; and USDA-FNS, *SNAP Data Tables* (Aug. 14, 2020), <https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>.

APPENDIX A: REFERENCED REPORTS

MC	Agency	Audit Number	Audit Title	Published	Page
1	RHS	Audit Report 04601-0003-31	<i>Multi-Family Housing Tenant Eligibility</i>	Feb. 2020	2
1	NRCS	Audit Report 10601-0005-31	<i>Environmental Quality Incentives Program Payment Schedules</i>	Sept. 2019	3
2	USDA	Audit Report 50501-0021-12	<i>Data Encryption Controls Over Personally Identifiable Information on USDA Information Technology Systems</i>	Aug. 2019	7
2	OCIO	Audit Report 50503-0002-12	<i>U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2019 Federal Information Security Modernization Act</i>	Oct. 2019	7, 14
3	AMS	Audit Report 01601-0002-41	<i>AMS Storage and Handling of Commodities for International Food Assistance Programs</i>	Dec. 2019	10–11
3	FNS	Audit Report 27601-0001-21	<i>Food Distribution Program on Indian Reservations</i>	Feb. 2020	11
4	USDA	Audit Report 50401-0018-11	<i>USDA's Consolidated Financial Statements for Fiscal Years 2019 and 2018</i>	Nov. 2019	14–15
4	USDA	Audit Report 50024-0015-11	<i>U.S. Department of Agriculture's Fiscal Year 2019 Compliance with Improper Payment Requirements</i>	May 2020	14–16
5	FNS	Audit Report 27004-0001-31	<i>Florida's Controls Over Summer Food Service Program</i>	Aug. 2019	18
5	RUS	Audit Report 09601-0002-41	<i>Infrastructure Funding for Substantially Underserved Trust Areas (SUTA)</i>	June 2019	18–19

5	AMS	Audit Report 01601-0001-24	<i>AMS Oversight of the Farmers Market and Local Food Promotion Program</i>	Mar. 2020	19
5	FSIS	Audit Report 24601-0002-22	<i>Cooperative Interstate Shipment Program</i>	Dec. 2019	20
6	FSIS	Audit Report 24601-0003-21	<i>Controls Over Imported Meat and Poultry Products</i>	June 2020	22–23
6	FSIS	Audit Report 24601-0002-23	<i>Controls Over Meat, Poultry, and Egg Product Labels</i>	June 2020	23–24
7	FNS	Audit Report 27601-0004-22	<i>SNAP Employment and Training Pilot Projects</i>	Dec. 2019	26
7	FNS	Audit Report 27702-0001-22	<i>Review of FNS' Nutrition Assistance Program Disaster Funding to Puerto Rico as a Result of Hurricanes Irma and Maria</i>	Oct. 2019	26–27

APPENDIX B: ACRONYMS AND ABBREVIATIONS

Abbreviation	Full Name
ADSEF	Administration for Socioeconomic Development of the Family
AMS.	Agricultural Marketing Service
APHIS.	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CCC	Commodity Credit Corporation
CIS	Cooperative Interstate Shipment
DM	Departmental Management
EFAC	export food aid commodity
E&T	employment and training
EQIP	Environmental Quality Incentives Program
FAS	Foreign Agricultural Service
FCIC	Federal Crop Insurance Corporation
FDPIR.	Food Distribution on Indian Reservations
FISMA.	Federal Information Security Management Act of 2002
FNS	Food and Nutrition Service
FPAC.	Farm Production and Conservation
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FSRIP	Farm Security and Rural Investment Program
FY	fiscal year
IPP.	inspection program personnel
IT.	information technology
ITO	Indian Tribal Organization
LPDS	Labeling and Program Delivery Staff
MFH.	multi-family housing
NAP.	Noninsured Crop Disaster Assistance Program

NIFA National Institute of Food and Agriculture
NRCS Natural Resources Conservation Service
NSLP National School Lunch Program
OCFO Office of the Chief Financial Officer
OCIO Office of the Chief Information Officer
OHSEC Office of Homeland Security and Emergency Coordination
OIG Office of Inspector General
OMB Office of Management and Budget
RHS Rural Housing Service
RMA Risk Management Agency
RUS Rural Utilities Service
SBP School Breakfast Program
SFSP Summer Food Service Program
SNAP Supplemental Nutrition Assistance Program
SUTA Substantially Underserved Trust Areas
USDA Department of Agriculture
WIC Special Supplemental Nutrition Program for Women, Infants, and Children

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