

USDA Management Challenges



August 2021

OFFICE OF INSPECTOR GENERAL

Message from the Inspector General

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

As discussed in the 2020 *USDA Management Challenges*, OIG started the process to improve how we present future *USDA Management Challenges*.⁴ We continued to focus on seven major challenges for USDA and its specific programs, highlighting the Department's progress towards addressing each challenge as well as OIG findings discussed in the previous year. However, we moved away from presenting a detailed list of recommendations from prior reports for each challenge.

This year, OIG has continued to refine the way we present the management challenges. While the current challenges USDA faces are similar to the ones from the previous year, we sought to provide the Secretary and other policymakers with a more streamlined report that improves clarity and gives significant information greater prominence. To accomplish this goal, we referenced OIG work from June 1, 2020, to May 31, 2021, and analyzed the product

portfolio, associated findings, and recommendations against the seven major challenges. As a result, we have consolidated and reduced the previous seven major challenge areas to four: Program Oversight and Accountability; Safety and Security; Program Performance, Results, and Outreach; and Financial Management. We also highlight what OIG considers "key challenge indicators"⁵ within the four areas as a means to assist USDA to focus its attention to address the challenges. These changes, outlined in Figure 1, allow OIG to develop a more forward-looking approach to identify and report these challenges—one that will emphasize new challenges on the horizon.

We believe this new, streamlined approach will assist Departmental leadership to address and resolve the broad challenges that affect multiple agencies, as well as the unique challenges specific to certain agencies.

¹ Government Performance and Results (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.

⁴ *USDA Management Challenges*, Sept. 2020.

⁵ Key challenge indicators are areas of focus that are derived from our findings and can help the Department address the challenges more effectively.

Message from the Inspector General (continued)

As the Department strives to address these four management challenges and respective key challenge indicators through corrective actions, USDA should continue its efforts to address outstanding audit recommendations in order to safeguard the integrity of its many programs. As of March 31, 2021, OIG reported there were 338 recommendations pending corrective action, of which 58 are pending collection, 276 are pending final action, and 4 are pending management decision.⁶

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

	2020 Challenge Area	2021 Challenge Area	Key Challenge Indicators
	Program Oversight and Accountability	Program Oversight and Accountability	Program Process Improvements for Enhanced Integrity
	Information Technology (IT) Security	Safety and Security	Accurate Improper Payment Reporting Compliance with Information Technology Laws and Regulations
	Program Performance and Performance Measures	Program Performance, Results, and Outreach	Program Performance Monitoring Data Quality and Integrity to Measure Performance and Impact
	Improper Payments and Financial Management	Program Oversight and Accountability Financial Management	Accurate Improper Payment Reporting Internal Controls and Compliance with Federal Laws and Regulations
	Outreach Efforts	Program Performance, Results, and Outreach	Program Performance Monitoring Data Quality and Integrity to Measure Performance and Impact
	Food Safety and Inspections	Safety and Security	Improved Processes Related to Food Safety
	Supplemental Nutrition Assistance Program (SNAP) Management Controls	Program Oversight and Accountability Program Performance, Results, and Outreach	Program Process Improvements for Enhanced Integrity Program Performance Monitoring

⁶ *Semiannual Report to Congress First Half October 1, 2020–March 31, 2021*, Appendix A.10, “List of OIG Audit and Inspection Reports with Recommendations Pending Corrective Action.”

Figure 1. Crosswalk of major changes to the USDA Management Challenges.

Message from the Inspector General (continued)

impact. As USDA develops new approaches to address these Management Challenges and key challenge indicators, focusing on data quality and integrity should help improve program effectiveness and efficiency.

Similarly, as the Department continues to implement programs related to the COVID-19 pandemic pursuant to the four laws dating from March 2020,⁷ it should focus on the challenges and key challenge indicators outlined in this report. This should help to ensure that the programs are implemented with appropriate oversight and accountability, safety and security measures, program performance monitoring, outreach efforts, and the means and data to adequately measure and report program impact. For example, our Office of Analytics and Innovation (OAI) recently reported that the majority (greater than 50 percent) of Food Safety and Inspection Service (FSIS) inspectors' responses to questions about their safety both prior to the pandemic and in the current work environment were in the positive (generally, "agree").⁸

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

If you have any questions or would like to discuss these management challenges and related key challenge indicators, please contact me (202-720-8001). You or your staff may also contact Audit's Assistant Inspector General, Gil H. Harden (202-720-6945), Investigations' Assistant Inspector General, Kevin Tyrrell (202-734-8052), or Analytics and Innovation's Assistant Inspector General, Jenny Rone (202-306-4444).



Phyllis K. Fong
Inspector General

⁷ Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Families First Coronavirus Response Act; the Coronavirus Response and Relief Supplemental Appropriations Act, 2021; and the American Rescue Plan of 2021.

⁸ Analytics and Innovation Report No. 21-001-01, *Survey of Food Safety and Inspection Service Inspectors' Perceptions of COVID-19 Safety in the Work Environment*, June 2021.

Table of Contents

- Challenge 1: Program Oversight and Accountability 1
- Challenge 2: Safety and Security 6
- Challenge 3: Program Performance, Results, and Outreach..... 10
- Challenge 4: Financial Management 15
- Appendix A: Referenced Reports 17
- Appendix B: Acronyms and Abbreviations 19

Challenge 1: Program Oversight and Accountability

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

Key Challenge Indicator:

Program Process Improvements for Enhanced Integrity

The Department must employ effective processes within its programs to ensure program integrity and mitigate instances of fraud, waste, and abuse. Three of our recent audits identified weaknesses in the integrity of USDA program processes. For example, an audit of USDA's Single Family Housing Guaranteed Loan Program (SFHGLP) found internal control vulnerabilities in its appraisal review process.⁹

SFHGLP provides eligible low- and moderate-income households an opportunity to own decent, safe, and sanitary dwellings in rural areas by guaranteeing private sector loans. USDA's Rural Housing Service (RHS), an agency within Rural Development,

Related 2020 Challenge Areas:



Program Oversight and Accountability



SNAP Management Controls



Improper Payments and Financial Management

administers SFHGLP through national, State, and local area offices. In fiscal years (FY) 2016–2018, SFHGLP provided 366,619 loan guarantees valued at more than \$52.5 billion. RHS staff review loan applications, including property appraisals, to verify that the proposed loan guarantees made to lenders for eligible borrowers meet agency requirements.

Although RHS had controls to assess that appraisals met agency and Uniform Standards of Professional Appraisal Practice requirements prior to guaranteeing an SFHGLP loan, we found that RHS needed additional controls to ensure the quality of appraisals the agency receives. In addition, some appraisals were not SFHGLP compliant, and RHS did

⁹ Audit Report 04601-0001-41, *Single Family Housing Guaranteed Loan Program Appraisals*, June 2020.



Figure 2. Bees are one of nature's many pollinators for flowers and crops and are crucial in production for fruits and vegetables. The Farm Service Agency's Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program provides financial assistance to eligible producers of livestock, honeybees, and farm-raised fish for losses due to disease, certain adverse weather events, or other loss conditions. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

not effectively communicate the results of its pre-closing technical appraisal and quality control reviews to confirm that the appraisal reports are compliant. As a result, RHS may continue to risk accepting appraisals that may not be suitable for the agency's use and issuing conditional commitments for those properties. RHS agreed with our findings

and we have reached agreement on how to address the report's recommendations.

Another audit revealed weaknesses in the Farm Service Agency's (FSA) Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP), specifically relating to the honeybee producers' applications and

payments.¹⁰ ELAP provides financial assistance to eligible producers of livestock, honeybees, and farm-raised fish for losses due to disease, certain adverse weather events, or other loss conditions.

USDA OIG found miscalculations in payment processes that resulted in higher payments than were allowed and ELAP applications that were not properly reviewed for accuracy. Further, OIG found that district directors either did not perform required oversight reviews or did not report the results of these reviews to State offices. As a result, State officials were unaware of the county offices' implementation of ELAP, thus increasing the agency's risk of erroneous payments. In total, OIG questioned costs of more than \$10.1 million.

OIG reviewed another FSA program, the Wildfires and Hurricanes Indemnity Program (WHIP), which provided payments to eligible producers to offset losses from hurricanes and wildfires that occurred in the 2017 calendar year. During our review, we identified discrepancies with eligibility documentation, payment calculations, and producer certifications on the applications.¹¹ These issues occurred because of inadequate guidance

¹⁰ Audit Report 03702-0001-23, *2017 Emergency Assistance for Honeybee Claims*, Sept. 2020.

¹¹ Audit Report 03702-0002-31, *Wildfires and Hurricanes Indemnity Program*, Sept. 2020.

and oversight. For example, while FSA guidance requires a second-party review of all applications prior to payment, the guidance does not detail what should be included in the review. As a result, we identified more than \$8 million in improper payments in Florida and Georgia.

We also found that more than 1,160 producers were placed on registers, which allowed applications to be processed after the deadline. In addition, more than 1,650 producers' applications were initiated in a quasi-register without proper documented approval. This occurred because the FSA national office reportedly granted a blanket approval to use registers, which deviated from established procedure, without adequate documentation. As a result, FSA issued more than \$103 million in WHIP payments to producers in Florida and Georgia who did not submit signed applications by the designated deadline. Until FSA improves its guidance and oversight, there is a continued and increased risk that county offices may not properly administer the program and more erroneous payments could occur. FSA concurred with our findings and most of our recommendations, and we continue to work to obtain agreement on the outstanding recommendations.

OIG also identified a systemic vulnerability that increases the potential



Figure 3. A U.S. Air National Guard member surveys an area affected by Hurricane Irma during a disaster relief mission. Hurricane Irma was one of the hurricanes eligible under the Wildfires and Hurricanes Indemnity Program. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

for fraud involving Federal funds intended for authorized beneficiaries of the Food and Nutrition Service's (FNS) SNAP. OIG found, through both ongoing and completed investigations, that the layered relationships and varied degrees of information-sharing between FNS, individual States and commonwealths, the various

contractors engaged by the States and commonwealths to administer SNAP, and the companies that process electronic payments through the electronic benefits transfer (EBT) system, appear to lack adequate safeguards to prevent payments to retail stores not authorized to participate in SNAP. Ultimately, this lack of safeguards created a



Figure 4. An electronic card reader using a wireless connection allows consumers to use the U.S. Department of Agriculture's Food and Nutrition Service's Supplemental Nutrition Assistance Program electronic benefits transfer cards and other forms of payment. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

program vulnerability by allowing the processing of SNAP transactions at unauthorized retail stores by third-party payment processors in contravention of SNAP rules and regulations. Until this program vulnerability is addressed, SNAP will continue to be at risk for the unauthorized redemption of SNAP benefits.

OIG also issued two alerts to the Department regarding known fraud schemes related to the application process for Coronavirus Food Assistance

Programs 1.0 and 2.0. In the alerts, OIG provided information about data characteristics related to the fraudulent applications. OIG provided the information for USDA's awareness and attempts to mitigate the risk by engaging in thorough review and analysis of the applications.

Key Challenge Indicator:

Accurate Improper Payment Reporting

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

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

We found that USDA was not compliant with the Payment Integrity and Information Act of 2019.¹² USDA reported mandatory improper payment information for 15 high-risk programs for FY 2020. We

found that 6 of the 15 high-risk programs either did not meet annual reduction targets or reported gross improper payment rates of greater than 10 percent. This occurred because some programs' policies and procedures were not followed by staff, and the corrective actions have not yielded the desired results.

We also identified an incorrect improper payment rate, erroneous statements, and unsupported statements in the payment integrity section of USDA's Agency Financial Report. These errors reduced the quality of USDA's improper payment reporting and affected stakeholders' ability to use the report to make informed decisions. In addition, we found that USDA did not issue any FY 2020 high-dollar overpayment reports, which are required by Executive Order 13520. USDA agencies agreed with our findings and we accepted management decision for all of the recommendations in this report.

¹² Audit Report 50024-0001-24, *USDA's Fiscal Year 2020 Compliance with Improper Payment Requirements*, June 2021.

Challenge 2: Safety and Security

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

Related 2020 Challenge Areas:



IT Security



Food Safety and Inspections

Key Challenge Indicator:

Improved Processes Related to Food Safety

USDA FSIS is the public health regulatory agency that helps prevent foodborne illness by performing food safety inspection activities at more than 6,000 establishments nationwide, ensuring that inspections align with existing and emerging risks, and maximizing domestic and international compliance with food safety policies. The agency also helps ensure safety through a series of policies and regulations that define how establishments can operate to produce a safe and wholesome product. The *Salmonella* Initiative Program (SIP) offers incentives to meat and poultry slaughter establishments to control *Salmonella* in their operations.

Specifically, this program grants waivers of certain regulatory requirements with the condition that establishments test for *Salmonella* and other foodborne illnesses and share all sample results with FSIS.

An audit of FSIS' SIP found that, while FSIS project managers received adequate documentation to make their overall waiver assessment conclusions,¹³ FSIS did not adequately document its analysis of the information used to support its decisions regarding line speed waivers and did not consistently use the FootPrints system for maintaining

¹³ Audit Report 24601-0007-31, *Food Safety and Inspection Service Waiver of Regulatory Requirements*, Mar. 2021.

records.¹⁴ Further, project managers found FootPrints difficult to use. If FSIS does not have ready access to the documentation and analysis used to support waiver decisions, the waiver process loses transparency and diminishes confidence in the FSIS protocol. FSIS concurred with our recommendations.



Figure 5. Food Safety and Inspection Service inspectors examine chickens. The Food Safety and Inspection Service waives certain regulatory requirements with the condition that meat and poultry slaughter establishments test for foodborne illnesses and share all sample results. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

¹⁴ FootPrints is the main system for all new technology submissions, including waivers. The system provides FSIS with a place to attach and document items such as: the submission from the requestor (the poultry slaughter establishment), all supporting documents, all technical review team's files, and final issuances.

Key Challenge Indicator:

Compliance with Information Technology Laws and Regulations

Like other Departments, USDA faces threats to its security, including threats from bad actors who seek 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 reviewed the Department’s cybersecurity initiatives annually, 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. In our 2020 report, although we found that USDA continues to take positive steps to improve its IT security posture, many longstanding weaknesses remain.¹⁵ The Office of Management and Budget (OMB) establishes standards for an effective level of security and considers “managed and measurable” to be a sufficient level. However, we found the Department’s maturity level to be at the “consistently implemented” level, which indicates an ineffective level of security. In FYs 2009–2019, there were 14 outstanding recommendations that remained unresolved. Of those

14, 11 recommendations were completed, and 3 recommendations were scheduled for closure after the date of our report. We also issued nine new recommendations based on security weaknesses identified in FY 2020. The Department and its agencies must develop and implement an effective plan to mitigate security weaknesses identified in the prior FY recommendations. Due to existing security weaknesses identified, we continue to report a material weakness in USDA’s IT security. The Office of the Chief Information Officer (OCIO) concurred with the findings and recommendations.

OIG also examined another aspect of the Department’s IT security: access management and logging controls. Specifically, we audited four mission areas within USDA to provide an assessment of the management and security of the Department’s IT resources as they pertain to access management and logging controls. We reviewed relevant laws, regulations, and industry best practices to gain sufficient knowledge to evaluate USDA’s IT security posture and ultimately found that the Department did not fully implement Federally mandated controls.¹⁶

¹⁵ Audit Report 50503-0003-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2020 Federal Information Security Modernization Act*, Oct. 2020.

¹⁶ Audit Report 50501-0022-12, *Security Over Select USDA Agencies’ Networks and Systems FY 2019*, Sept. 2020.

OCIO concurred with our findings, and we continue to work to reach agreement on the outstanding recommendations.

We also audited USDA's Research, Education, and Economics (REE) mission area to test its ability to prevent, detect, mitigate, and recover from a ransomware attack. Ransomware is a subset of malware, the most common external threat to IT security, which can cause widespread damage and necessitate extensive recovery efforts for most organizations. We found that the mission area did not fully implement Federally mandated controls in other areas relating to ransomware.¹⁷ Until USDA is able to fully comply with Federal requirements and best practices, its systems and the sensitive data they contain could be at risk. REE agreed with our recommendations, and we accepted management decision on all recommendations.

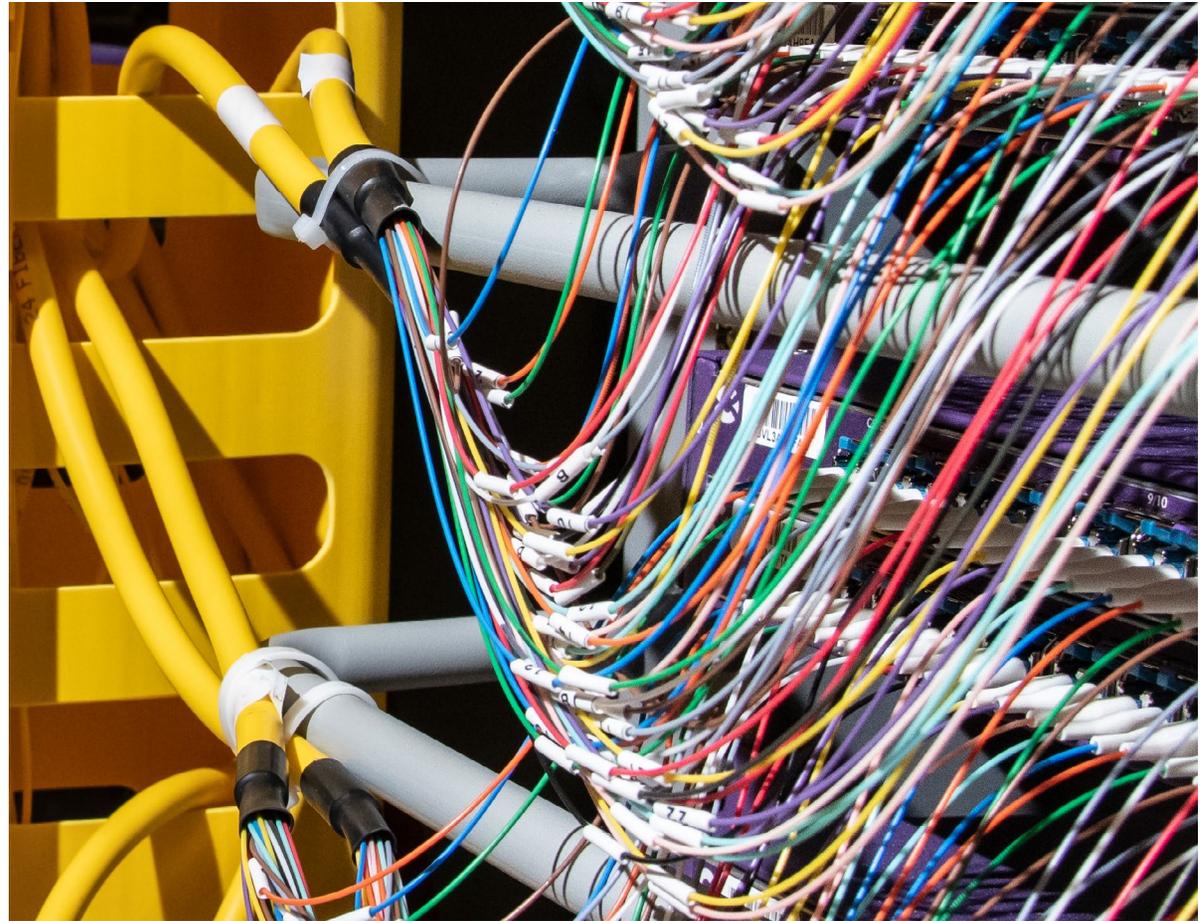


Figure 6. Fiber optic cables at a data center. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

¹⁷ Audit Report 50501-0024-12, *USDA's Security Controls Over the Prevention and Mitigation of Ransomware*, Feb. 2021.

Challenge 3: Program Performance, Results, and Outreach

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

Key Challenge Indicator:

Program Performance Monitoring

OIG has found that USDA agencies do not have adequate reviews or controls to report the metrics necessary to evaluate program performance. In some programs, the strategy for measuring performance is missing altogether. As a result, some agencies are using inaccurate or unreliable data to report their program performance and therefore cannot ensure that program benefits are delivered to the correct recipients.

Related 2020 Challenge Areas:



Outreach Efforts



Program Performance and Performance Measures



SNAP Management Controls

For example, a recent consolidated audit of the Summer Food Service Program (SFSP) found that additional controls were needed to enhance SFSP efficiency and effectiveness.¹⁸ SFSP, which is managed by FNS, provides free meals to children in needy areas when school is not in session. SFSP is a Federally funded, State agency-administered program, and FNS is responsible for State oversight. We consolidated the results and common control issues identified by OIG based on six

¹⁸ Audit Report 27601-0005-41, *Consolidated Report of FNS and Selected State Agencies' Controls Over SFSP*, Sept. 2020.

SFSP audits conducted in four States. First, we found that three of the four State agencies we reviewed needed to improve SFSP application processes to assess certain eligibility and program requirements prior to approving the sponsors' applications. Specifically, we found that FNS could strengthen instructions to the States on how to assess the applicants' eligibility and program compliance in two areas: financial capability and approval of sites in near proximity.

We also found that FNS' State SFSP monitoring requirements did not include sufficient guidance for State agencies to ensure the accuracy of sponsor program payments. Further, sponsors and State agencies we reviewed did not consistently identify SFSP unused reimbursements or ensure the funds were used for authorized purposes.

Lastly, we found that FNS' management evaluation process for SFSP was not sufficient to ensure State agencies provided adequate oversight of the program. As a result, FNS missed opportunities to correct the State weaknesses and improve program integrity. These missed opportunities caused sponsor noncompliance with program eligibility, financial management, and outreach requirements, as we reported to the



Figure 7. A Summer Food Service Program breakfast with an apple and milk. The Summer Food Service Program helps ensure that children from needy areas have access to nutritious meals and snacks when school is not in session. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

States. FNS agreed with our findings and most of our recommendations, and we continue to work to reach agreement on the outstanding recommendations.

In an audit of the Agricultural Marketing Service's (AMS) Specialty Crop Block Grant Program (SCBGP), we found that AMS could improve processes to monitor the program's grants.¹⁹ This effort would improve outreach to farmers who grow specialty crops such as fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops that do not receive direct income support under the Farm Bill. AMS works with a variety of organizations to support rural America and the Nation's agricultural sector by administering programs that improve domestic and international marketing opportunities, including SCBGP.

We evaluated the processes AMS used to award and disburse grant funds to the States, as well as AMS' and States' processes to monitor the grants, and determined that AMS awarded and disbursed SCBGP funds to the States to enhance the competitiveness of specialty crops. However, we found that both AMS and the States need to improve their processes to monitor the grants. We also found that AMS did not effectively oversee States to ensure that funds were expended in accordance with applicable laws and regulations. As a

result, AMS cannot provide reasonable assurance that States disbursed more than \$12.5 million in SCBGP project funds in compliance with program requirements.

Further, we found that two of the three States in our sample did not adequately monitor SCBGP projects. Specifically, the two States did not perform risk assessments or conduct reviews of the 20 projects in our sample. As a result, these States may be unable to ensure that their SCBGP projects achieved measurable performance outcomes and that subrecipients used \$739,355 in project funds in accordance with Federal regulations and AMS' terms and conditions. AMS agreed with our recommendations.

¹⁹ Audit Report 01601-0002-23, *Agricultural Marketing Service Controls Over the Specialty Crop Block Grant Program*, Oct. 2020.

Key Challenge Indicator:

Data Quality and Integrity to Measure Performance and Impact

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

For example, in response to a Congressional request, we recently evaluated FSA's administration of the Market Facilitation Program (MFP) and provided interim results related to FSA's demographic data collection policies. USDA authorized FSA to distribute up to \$25.1 billion in trade mitigation package funding through MFP; the trade mitigation packages were a USDA response to trade damage caused by increased tariffs by foreign trading partners. We found that the manner in which FSA collected demographic information for programs it administers, including MFP, did not always follow USDA policy.²⁰ Departmental regulation prohibits the collection of race, ethnicity, and gender data based on a visual assessment, yet FSA county office employees assigned race, ethnicity,

and/or gender to producers through such means.

This data collection anomaly occurred because FSA's policy and customer data management system continued to require entry of the data after the Departmental regulation was implemented. As a result, the system contains race, ethnicity, and gender data not provided by producers. We noted that the practice of assigning demographic information to applicants and participants may result in the misidentification of race, ethnicity, and gender. As a result, FSA's system contains race, ethnicity, and gender data not provided by producers; and data shared by FSA with third parties, such as National Agricultural Statistics Service, may not accurately represent demographic information for over 530,000 producers within the agency's programs. FSA concurred with our findings and recommendations and we accepted management decision on all recommendations.

In response to Congressional requests, OIG also inspected USDA's REE mission area to assess whether changes in policy and/or processes impacted the publication of scientific reports and other documents or communications. OIG also analyzed the impact of any changes in resources, staff, and staff experience levels on the publication of

²⁰ Audit Report 03601-0003-31(1), *Market Facilitation Program—Interim Report*, Sept. 2020.

research results. REE mission area agencies are responsible for conducting and delivering foundational and applied research, delivering timely and relevant data and information, and creating and disseminating knowledge. OIG's review did not identify an instance where any change in policies and/or processes affected the publication of USDA research results during FYs 2017–2019. However, we were unable to fully evaluate the impacts to USDA-funded research publications because we were unable to identify the complete number of REE publications.²¹

This occurred because REE did not implement a mechanism to either report publications for all REE agencies or accurately identify all publications resulting from USDA-funded research in any particular subject area. As a result, REE could not accurately and timely identify or count the number of scientific publications relevant to its stakeholders. OIG recommended that REE develop a mechanism or strategy across all REE agencies to allow USDA and the public to identify publications from USDA-funded research by subject area. Doing so will allow REE to provide accurate and timely information to both internal and external stakeholders. REE agreed with our recommendation.

²¹ Audit Report 84801-0001-22, *USDA Research Integrity and Capacity*, Dec. 2020.

Challenge 4: Financial Management

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

Related 2020 Challenge Area:



Improper Payments and Financial Management

Key Challenge Indicator:

Internal Controls and Compliance with Federal Laws and Regulations

As required by law, OIG either conducts or oversees audits of the financial statements for the Department and five component agencies annually to determine if the statements are fairly presented in accordance with generally accepted accounting principles. In addition, OIG reviews internal controls over financial reporting and tests compliance with applicable laws and regulations. For FY 2020, the Department and five component agencies received unmodified opinions on their financial statements.

However, OIG's consideration of USDA's internal controls over financial reporting identified three significant deficiencies.²² These are: (1) improvements are needed by three component agencies in their overall financial management; (2) USDA needs to improve its IT security and controls, as many long-standing weaknesses remain; and (3) USDA needs to improve its controls over unliquidated obligations. We determined the first two deficiencies are material weaknesses.²³ Three component agencies needed improvement in their controls over financial reporting. The Natural

²² Audit Report 50401-0019-11, *U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2020 and 2019*, Dec. 2020.

²³ 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).

Resources Conservation Service (NRCS) had three material weaknesses concerning controls over obligations and undelivered orders, controls over expenses, and entity-level controls.²⁴ The Commodity Credit Corporation (CCC) had two material weaknesses concerning CCC's accounting for budgetary transactions and accrued liabilities.²⁵ The Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) had one material weakness concerning controls over estimating losses on insurance claims.²⁶ The agencies agreed with our findings and recommendations.

Additionally, our review of compliance with laws and regulations identified noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), the Antideficiency Act, and the Payment Integrity Act of 2019.²⁷ The results of the independent auditors' tests of compliance with laws and regulations for both NCRS and CCC disclosed instances of noncompliance with FFMIA. The agencies agreed with our findings and recommendations.

We also found that FNS' high-risk programs did not comply with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recovery Improvement Act of 2012.²⁸ We issued no findings and no recommendations in this report.

OIG also examined the National Finance Center's (NFC) description of its payroll and personnel system for processing user entities' payroll and human resource transactions throughout the period October 1, 2019, to June 30, 2020, based on the criteria identified in assertions by NFC and OCIO.²⁹ The report presented the results of the examination of the suitability of the design and operating effectiveness of NFC's and OCIO's controls included in the description to achieve the related control objectives. The report contained an adverse opinion based on controls that were not suitably designed and operating effectively to provide reasonable assurance that the control objectives would be achieved.

²⁴ Audit Report 10403-0003-11, *Natural Resources Conservation Service's Financial Statements for Fiscal Years 2020 and 2019*, Nov. 2020.

²⁵ Audit Report 06403-0003-11, *Commodity Credit Corporation's Financial Statements for Fiscal Years 2020 and 2019*, Dec. 2020.

²⁶ Audit Report 05401-0012-11, *Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2020 and 2019*, Dec. 2020.

²⁷ 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.

²⁸ Audit Report 27401-0005-11, *Food and Nutrition Service's Financial Statements for Fiscal Years 2020 and 2019*, Nov. 2020.

²⁹ Audit Report 11403-0003-12, *Independent Service Auditor's Report on the National Finance Center's Description of its Payroll and Personnel System and the Suitability of the Design and Operating Effectiveness of its Controls for October 1, 2019 to June 30, 2020*, Nov. 2020.

Appendix A: Referenced Reports

MC	Agency	Audit Number	Audit Title	Published	Page
1	RHS	Audit Report 04601-0001-41	<i>Single Family Housing Guaranteed Loan Program Appraisals</i>	June 2020	1
1	FSA	Audit Report 03702-0001-23	<i>2017 Emergency Assistance for Honeybee Claims</i>	Sept. 2020	2
1	FSA	Audit Report 03702-0002-31	<i>Wildfires and Hurricanes Indemnity Program</i>	Sept. 2020	2
1	USDA	Audit Report 50024-0001-24	<i>USDA's Fiscal Year 2020 Compliance with Improper Payment Requirements</i>	June 2021	5
2	FSIS	Audit Report 24601-0007-31	<i>Food Safety and Inspection Service Waiver of Regulatory Requirements</i>	Mar. 2021	6
2	OCIO	Audit Report 50503-0003-12	<i>U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2020 Federal Information Security Modernization Act</i>	Oct. 2020	8
2	USDA	Audit Report 50501-0022-12	<i>Security Over Select USDA Agencies' Networks and Systems FY 2019</i>	Sept. 2020	8
2	USDA	Audit Report 50501-0024-12	<i>USDA's Security Controls Over the Prevention and Mitigation of Ransomware</i>	Feb. 2021	9
3	FNS	Audit Report 27601-0005-41	<i>Consolidated Report of FNS and Selected State Agencies' Controls Over SFSP</i>	Sept. 2020	10
3	AMS	Audit Report 01601-0002-23	<i>Agricultural Marketing Service Controls Over the Specialty Crop Block Grant Program</i>	Oct. 2020	12
3	FSA	Audit Report 03601-0003-31(1)	<i>Market Facilitation Program—Interim Report</i>	Sept. 2020	13
3	REE	Audit Report 84801-0001-22	<i>USDA Research Integrity and Capacity</i>	Dec. 2020	14
4	USDA	Audit Report 50401-0019-11	<i>U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2020 and 2019</i>	Dec. 2020	15
4	NRCS	Audit Report 10403-0003-11	<i>Natural Resources Conservation Service's Financial Statements for Fiscal Years 2020 and 2019</i>	Nov. 2020	16
4	CCC	Audit Report 06403-0003-11	<i>Commodity Credit Corporation's Financial Statements for Fiscal Years 2020 and 2019</i>	Dec. 2020	16

MC	Agency	Audit Number	Audit Title	Published	Page
4	FCIC/RMA	Audit Report 05401-0012-11	<i>Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2020 and 2019</i>	Dec. 2020	16
4	FNS	Audit Report 27401-0005-11	<i>Food and Nutrition Service's Financial Statements for Fiscal Years 2020 and 2019</i>	Nov. 2020	16
4	NFC	Audit Report 11403-0003-12	<i>Independent Service Auditor's Report on the National Finance Center's Description of its Payroll and Personnel System and the Suitability of the Design and Operating Effectiveness of its Controls for October 1, 2019 to June 30, 2020</i>	Nov. 2020	16

Appendix B: Acronyms and Abbreviations

AMS.....	Agricultural Marketing Service	FSIS	Food Safety and Inspection Service	SCBGP	Specialty Crop Block Grant Program
CCC.....	Commodity Credit Corporation	FY.....	fiscal year	SFHGLP.....	Single Family Housing Guaranteed Loan Program
COVID-19	coronavirus disease 2019	IT	information technology	SFSP	Summer Food Service Program
EBT	electronic benefits transfer	MFP	Market Facilitation Program	SIP	<i>Salmonella</i> Initiative Program
ELAP	Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program	NFC	National Finance Center	SNAP	Supplemental Nutrition Assistance Program
ELAP	Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program	NRCS.....	Natural Resources Conservation Service	USDA	U.S. Department of Agriculture
FCIC/RMA	Federal Crop Insurance Corporation/Risk Management Agency	OAI.....	Office of Analytics and Innovation	WHIP.....	Wildfires and Hurricanes Indemnity Program
FCIC/RMA	Federal Crop Insurance Corporation/Risk Management Agency	OAI.....	Office of Analytics and Innovation		
FFMIA	Federal Financial Management Improvement Act of 1996	OAI.....	Office of Analytics and Innovation		
FNS	Food and Nutrition Service	OCIO.....	Office of the Chief Information Officer		
FNS	Food and Nutrition Service	OIG	Office of Inspector General		
FSA	Farm Service Agency	OIG	Office of Inspector General		
		OMB.....	Office of Management and Budget		
		OMB.....	Office of Management and Budget		
		REE	Research, Education, and Economics		
		REE	Research, Education, and Economics		
		RHS	Rural Housing Service		



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