United States Department of Agriculture

Office of Inspector General

USDA Management Challenges



August 2014

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250

INFORMATIONAL MEMORANDUM FOR THE SECRETARY

FROM: Phyllis K. Fong
Inspector General

August 15, 2014

SUBJECT: Management Challenges

The Reports Consolidation Act of 2000 requires the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG) to report annually on the most serious management challenges USDA and its agencies face.[1] To identify these Departmental challenges, we examine issued audit reports with recommendations where corrective actions have yet to be taken, assess ongoing investigative and audit work to ascertain significant vulnerabilities, and analyze new programs and activities that could pose significant challenges due to their range and complexity. We discussed our current challenges with USDA officials and considered all comments received.

This year, we have amended our challenges to include several additional issues. Last year's emerging issue regarding the Risk Management Agency's crop insurance program has been incorporated into Challenge 6, which addresses USDA's stewardship of natural resources, and Challenge 8, which addresses improper payments. We have also added a new challenge (Challenge 11) for USDA concerning performance measures. Finally, we discuss several emerging issues that may develop into significant concerns: animal welfare, duplication in USDA programs and operations, and oversight of USDA acquisition management.

We would like to close by expressing our appreciation to you and Deputy Secretary Krysta Harden for your ongoing support of our work and your commitment to excellence at USDA. We look forward to working with the Department to address these management challenges and mitigate any emerging issues.

[1] Public Law 106-531.

If you have any questions or would like to discuss these issues, please contact me (202-720-8001) or Deputy Inspector General David Gray (202-720-7431). You or your staff may also contact Audit's Assistant Inspector General, Gil H. Harden (202-720-6945), or Investigations' Assistant Inspector General, Karen Ellis (202-720-3306).

Attachment:
Major USDA Management Challenges

cc:
Subcabinet Officials
Agency Administrators

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Interagency Communication, Coordination, and Program Integration Need Improvement *(Challenge 1)*

Like many departments within the Federal Government, the Department of Agriculture (USDA) faces a challenge in coordinating the efforts of various agencies and programs within its purview. This challenge is particularly pressing for USDA, as the Department divides responsibilities among several agencies that jointly provide oversight of key mission areas. This requires continual intradepartmental cooperation, and USDA agencies must better understand their interrelationships in order to create a cohesive, integrated system of program administration. Such an approach should increase organizational communication; streamline operations; reduce spending; and improve program efficiency, compliance, and integrity.

When one oversight agency is responsible for the administration and execution of a program that impacts many—if not all—of USDA's agencies, strong intradepartmental communication and clear, unified guidance becomes critical. For example, the Office of the Chief Information Officer (OCIO) is generally responsible for the integrity of USDA's information systems. However, in the case of USDA's Universal Telecommunications Network (UTN)—the data network backbone for USDA customers and agencies—OCIO and the Office of Procurement and Property Management (OPPM) are jointly responsible for various aspects of its operation, including working closely with contracted companies. OCIO relies on OPPM to execute contracts for various aspects of the Department's operation. Additionally, while OPPM acts as the contracting officer (CO), OCIO acts as the contracting officer's representative (COR) and oversees technical aspects of the execution of the contract for CO. This intricate relationship necessitates close coordination between OPPM and OCIO.

In a system as complex as the UTN, success rests heavily upon each involved party's coordination and communication. We found that both OCIO and OPPM need to improve their communication with the CO and COR, as well as with contractors, to ensure that USDA's UTN operates as intended. Due to poor communication between various parties, we found that USDA is paying a contractor for UTN services that are not being provided, and that the UTN network is not meeting security requirements. We found that the previous CO and COR in charge of the task order did not exercise the necessary controls to ensure the network was secure; additionally, OPPM's CO and OCIO's COR were unaware of some security requirements. Due to a lack of oversight, required UTN network features were not complete, and security and data loss prevention measures were not fully implemented. To resolve this, we recommended an overall increase in oversight and communication at multiple levels. OPPM should implement procedures for reassigning contracts and task orders to COs to ensure they understand their newly assigned responsibilities and monitor contractors' performance. Similarly, OCIO, the CO, and the COR should work together to improve internal processes for overseeing task orders. We also recommended the CO work closely with a contractor to ensure it meets its contractual obligations within established timeframes—and emphasized that both the CO and COR should be included on all communications with the contractor regarding changes and disputes. OCIO also needs to work with the contractor to strengthen UTN security measures to meet Departmental regulations and task order terms and conditions.[1]

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[1] *Management and Security over USDA's Universal Telecommunications Network* (88501-0002-12, July 2014).

With interwoven roles between agencies, monitoring multi-agency programs can be a complex undertaking. For example, the Trade Adjustment Assistance for Farmers (TAAF) Program is jointly administered by three agencies: the Foreign Agricultural Service (FAS), which provides oversight; the Farm Service Agency (FSA), which approves producer applications and makes payments to producers; and the National Institute of Food and Agriculture (NIFA), which provides training and technical assistance for producers. We found that FAS did not effectively monitor or conduct reviews of the other agencies' day-to-day program administration. Additionally, FAS did not provide FSA with guidance on when to review records that supported program participants' eligibility. In addition, FSA did not take adequate corrective actions to prevent program participants from receiving TAAF Program benefits prior to meeting all training requirements. As a result, 85 ineligible producers participated in the TAAF Program and received approximately $284,000 in benefits to which they were not entitled.[2]

Continual communication ensures that various Departmental agencies are effectively and collaboratively meeting the Department's goals. Over the years, USDA has made progress in improving lines of communication and clarifying Departmentwide guidance. As the Department works to address future challenges facing U.S. agriculture, particularly in a time when the Government is asked to operate with fewer resources, we encourage agencies to strategize how best to accomplish mutual goals and use shared resources. This can help ensure that USDA's processes are safeguarded against potential weaknesses, and that its programs benefit from the combined expertise present throughout USDA's agencies.

Examples of Work We Anticipate Completing in the Future

- *FSA—Livestock Forage Program*. In prior audits, we have found that FSA should coordinate closely with the Natural Resources Conservation Service (NRCS) and the Risk Management Agency (RMA). This audit will assess whether existing procedures and practices ensure participants meet eligibility requirements and comply with program requirements, payments are accurately computed and properly paid, and compliance operations are effective.[3]

- *USDA Beginning Farmers and Ranchers Programs.* We will evaluate the Department's activities related to beginning farmers and ranchers. Specifically, we will review outreach and coordination at the Department level and among the various agencies which provide assistance to beginning farmers and ranchers, including the Office of Advocacy and Outreach (OAO), FSA, NRCS, NIFA, Rural Development (RD), and RMA.

[2] *American Recovery and Reinvestment Act—Trade Adjustment Assistance for Farmers Program* (50703-0001-23, October 2013).
[3] In the *USDA Management Challenges* for fiscal year (FY) 2013, we also listed this audit as one we anticipated completing in the future. We are currently drafting this report.

USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs (*Challenge 2*)

USDA managers oversee critical elements of our Nation's agriculture, nutrition, and natural resources policy. In order to bring about desired results, they must design effective internal systems for program implementation.[4] These internal controls are comprised of the policies, procedures, and organizational structures that collectively determine how a program is managed and how its requirements are met. In effect, internal controls are the tools managers use to ensure that 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—e.g., unrealized goals and improper payments—managers must continuously assess and improve their internal control systems. When they identify a widespread deficiency, they must fix the problem before it undermines the program.

Large programs present unique challenges that require particularly strong internal controls to safeguard against potential fraud, waste, and abuse. For instance, we reviewed the Rural Housing Service's Single Family Housing (SFH) Direct Loan Program, which allows very low and low income households (that would not otherwise have sufficient credit) to receive SFH direct loans to purchase housing. As administrator of the program, the Centralized Servicing Center (CSC) oversees a loan portfolio of over 325,000 loans, with an outstanding principal balance exceeding $16 billion. We found that although CSC performed reviews of borrower income and generally made accurate payment subsidy eligibility and recapture determinations, CSC processors inaccurately calculated the final recapture receivables for 13 of the 100 borrower accounts in our sample—which statistically projects to 8,103 borrower recapture receivable accounts, with a total value of $33 million. CSC also lacked formal procedures to actively monitor borrower occupancy and did not always establish final payment subsidy recapture receivables in a timely manner. Also, for 7 of the 100 borrower accounts, CSC inaccurately calculated the borrowers' payment subsidy—which projects to a total value of $4.9 million for 7,784 borrower accounts. We recommended CSC expand its secondary review process, improve how it tracks loans, and implement procedures to monitor borrower occupancy and track household income.[5]

We maintain that implementing corrective actions and strengthening internal controls in response to audit recommendations is key for program integrity and effectiveness. In recent years, USDA agencies have generally been more responsive in implementing corrective action plans to address issues identified in audits. However, individual issues, when viewed comprehensively, can sometimes point to weaknesses in the overall system of internal controls. As stewards of Federal resources, "[a]gencies should carefully consider whether systemic weaknesses exist that adversely affect internal control across organizational or program lines," and senior USDA managers should work to identify and correct such issues. When USDA and its agencies strengthen their overall internal controls, they also strengthen their programs.

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[4] We have drawn from the Office of Management and Budget's (OMB) description of Federal managers' obligations in *Management's Responsibility for Internal Control* (Circular A-123, 2006 revision).
[5] *Single Family Housing Direct Loan Servicing and Payment Assistance Recapture* (04601-0001-31, July 2014).

Examples of Work We Anticipate Completing in the Future[6]

- *USDA's Controls Over Economy Act Transfers and Greenbook Program Charges.* This audit will evaluate the adequacy of management controls over the Department's Economy Act transfers, whether such transfers of funds were properly executed, and whether funds were used in accordance with their specified purposes. We will also evaluate the Department's collection and use of funds under Departmentwide reimbursable agreements, commonly referred to as Greenbook charges.

- *Plant Protection and Quarantine Preclearance Program.* We will assess the Animal and Plant Health Inspection Service's (APHIS) management controls for detecting and eradicating problematic pests and plants in their countries of origin, facilitating safe trade by monitoring imports, protecting against the introduction of pests in pre-cleared products, and assisting exporters. We will also follow up on prior audit recommendations.

[6] In the *USDA Management Challenges* for FY 2013, we cited our ongoing review, *RMA–Controls Over Prevented Planting*, as upcoming work related to this challenge. We issued that report in September 2013 and have included some of our review results in Challenge 8, "Identifying, Reporting, and Reducing Improper Payments Can Strengthen USDA Programs" for the current year.

Information Technology Security Needs Continuing Improvement (*Challenge 3*)

Typically, USDA's work is thought of in terms of the benefits and services the Department provides, which touch almost every aspect of American life. To accomplish its mission, USDA must manage vast amounts of data associated with its many programs and operations. This critical information ranges from agricultural statistics that drive domestic and global markets to data-driven inspection systems that help ensure our food is safe. Department employees must be able to access, use, and communicate this information to deliver programs effectively. Additionally, the general public can apply for many program benefits and other services via the internet. It is therefore critical that the Department protect the security, confidentiality, and integrity of its information technology (IT) infrastructure.

With the passage of the Federal Information Security Management Act of 2002 (FISMA), the Office of Inspector General (OIG) has annually reviewed the Department's cybersecurity initiatives, including those that shield IT equipment and systems from theft, attack, and intrusion. In the past year, USDA has improved its IT security. For instance, USDA's National Information Technology Center became compliant with the Federal Risk and Authentication Management Program in June 2013—one year earlier than the mandatory date.[7] However, even with these advances, our reviews have reported that USDA's IT systems remain vulnerable in many key areas.

We continue to recommend that OCIO work with USDA agencies to identify overall risks, and then prioritize those risks so that it will have a solid basis for a time-phased plan to systematically mitigate them. Again, in FY 2013, we reported that OCIO has not (1) developed Departmentwide policies, procedures, or strategies for continuous monitoring or risk management; (2) monitored agencies for compliance with baseline configurations and ensured known vulnerabilities were fixed; (3) deleted separated employees' access to computer systems, and developed and implemented a policy to detect and remove unauthorized network connections; and (4) issued policy for information security oversight of systems that contractors or other entities operate on USDA's behalf, including cloud computing systems and services.[8, 9]

Since our 2013 FISMA review, OCIO has improved USDA's IT security posture by releasing three critical Departmentwide policies in the latter part of FY 2013 and the beginning of FY 2014.[10] While this is a positive step, USDA's overall compliance with FISMA and other security guidance is also based upon individual agencies' performance. In coming years, USDA's challenge will be to ensure that OCIO provides the necessary oversight, and that its

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[7] *Office of the Chief Information Officer, Fiscal Year 2013 Federal Information Security Management Act Report* (50501-0004-12, November 2013).

[8] Cloud computing is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.

[9] *Office of the Chief Information Officer, Fiscal Year 2013 Federal Information Security Management Act Report* (50501-0004-12, November 2013).

[10] While we believe these policies to be a positive step, we could not evaluate their effectiveness because they were not in effect for most of FY 2013. We will be evaluating the implementation of these policies during our FY 2014 FISMA work.

agencies make efforts to implement OCIO's policies and adapt them into agency-specific procedures.

OCIO's responsibility is to provide high-level oversight of the information systems that touch every aspect of USDA's operations. However, OCIO has not always taken appropriate steps to ensure that these systems are adequately safeguarded. As noted in Challenge 1, we found significant security issues with USDA's UTN, which serves as the data network backbone for USDA customers and agencies. Because USDA is not adequately overseeing and monitoring its contract with a contractor—which was tasked with key security roles—this contractor has not provided several of these services. OCIO also was not adequately performing some of its own duties and had not effectively implemented all recommendations from a prior OIG audit.[11] While OCIO has now created eight plans of action and milestones (POA&Ms) to address some known problems, as of June, only five POA&Ms were being addressed; three were delayed.

While OCIO is responsible for overseeing overall USDA security, each agency must also use controls recommended by the National Institute of Standards and Technology (NIST) to reduce risks to Federal systems. In our reviews, we noted that individual agencies do not always fulfill these duties. For example, during the course of another IT-related audit, we found that, although the National Agricultural Statistics Service (NASS) consistently performs monthly security scans of its network, it is not remediating the identified IT vulnerabilities in a timely manner. We found 4,858 critical, high, and medium-risk vulnerabilities on 899 devices, which could compromise the system if not addressed timely. NASS also did not create any POA&Ms to resolve these vulnerabilities once they were detected, as required. Without creating a POA&M in the Cyber Security Assessment and Management (CSAM)[12] system for each vulnerability, USDA agencies cannot track their progress in addressing these IT vulnerabilities.[13]

Looking forward, OCIO needs to lay the foundation for an effective, comprehensive IT security plan. It is then each agency's responsibility to create and implement agency-specific procedures based on Departmental policy. With 34 agencies and offices to protect, many with their own IT infrastructure, managing IT security will remain a formidable responsibility for USDA.

Examples of Work We Anticipate Completing in the Future

- *CIGIE Cloud Computing Initiative—Status of Cloud Computing Environments within the Federal Government*. We will evaluate selected agencies' efforts to adopt cloud computing technologies and review executed contracts between agencies and cloud service providers for compliance with applicable standards. This audit is being conducted in conjunction with a Governmentwide initiative by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

[11] *Management and Security over USDA's Universal Telecommunications Network* (88501-0002-12, July 2014).
[12] CSAM is a comprehensive system developed by the Department of Justice, which facilitates achieving FISMA compliance.
[13] *Security Review of the National Agricultural Statistics Service's Lockup Procedures* (26501-0001-12, February 2014).

- *FY 2014 Federal Information Security Management Act Audit*. The objective of this audit is to evaluate OCIO and USDA agencies' progress in implementing a Department/agency-wide security program. We intend to evaluate the effectiveness of the Department's security program as well as review corrective actions taken to implement prior audit recommendations.

Departmental Outreach Efforts Need to be More Transparent *(Challenge 4)*

USDA is dedicated to ensuring that its programs and benefits are accessible to all communities it serves. In an April 2009 memorandum to all USDA employees, the Secretary of Agriculture reiterated the importance of civil rights, emphasizing that there was significant progress to be made in working with communities to address past civil rights issues. The Department has received public attention with respect to various discrimination complaints that have been filed in Federal district court, including *Pigford I*,[14] the *Black Farmers Discrimination Lawsuit* (*BFDL*),[15] *Keepseagle*,[16] and *Garcia/Love*.[17] Settlements have been reached in *Pigford I*, *BFDL*, and *Keepseagle*, and a voluntary administrative claims process has been established for Hispanic and women farmers and ranchers claimants (*Garcia/Love*).

As part of our work under the Claims Resolution Act of 2010, which provided $1.15 billion for the payment of claims in *BFDL*, OIG conducted a performance audit of the claims process for the *BFDL* settlement. The *BFDL* settlement agreement provided two external entities—the claims administrator and a deciding official (known as the neutral)—would be responsible for processing and approving or denying claims, respectively. Overall, nothing came to our attention to indicate that the claims process was not implemented in accordance with the *BFDL* settlement agreement. We did, however, identify that the neutral's adjudicators reached different conclusions for similar claims—approving some and denying others. The claims administrator also had not identified all instances where multiple claims may have been filed for a single farming operation or an individual class member. Finally, the neutral had provisionally approved at least 20 persons who were ineligible for a BFDL award because they had already participated in the *Pigford I* settlement. The claims administrator and the neutral addressed our findings,[18] and we are currently testing the effectiveness of their corrective actions in an ongoing audit.[19]

As the Department moves forward to address civil rights disputes and reaches out to the communities it serves, we emphasize the importance of strong internal controls—such as formalized procedures, documentation, and oversight—which will, in the long run, ensure more transparent, consistent, and equitable treatment of all those seeking to participate in USDA programs.

Examples of Work We Anticipate Completing in the Future

- *Recipient Eligibility and Compliance Consideration for Section 2501 Grants Awarded FYs 2010-2011*. This audit will evaluate OAO's policies, procedures, and internal controls related to its grant management process during FYs 2010 and 2011, as well as

[14] *Pigford v. Glickman*, No. 97-1978 (D.D.C.).
[15] *In re Black Farmers Discrimination Litigation*, No. 08-mc-511 (D.D.C.).
[16] *Keepseagle v. Vilsack*, No. 1:99 CV 03119 (D.D.C.).
[17] *Garcia v. Vilsack*, No. 1:00CV02445 (D.D.C.) and *Love v. Vilsack*, No. 1:00CV02502 (D.D.C.).
[18] *In re Black Farmers Discrimination Litigation* (50601-0001-21, December 2013).
[19] *In re Black Farmers Discrimination Litigation—Adjudicated Claims* (50601-0003-21, work in process).

the grants awarded during that period, to ensure that grant recipients were eligible and that they expended grants in accordance with regulations.[20]

- *USDA StrikeForce Initiative*. This audit will examine whether: (1) USDA agencies properly transferred funds to OAO for use in the StrikeForce Initiative pilot program, (2) OAO properly approved and Departmental Management's Financial Management Division properly disbursed funds to community-based organizations (CBOs), and (3) CBOs used the funds in accordance with Federal requirements and rules established as part of the StrikeForce Initiative pilot program.

[20] This audit was also listed as work we anticipated completing in the *USDA Management Challenges* for FY 2013. We are currently drafting the report.

Strategic Plan on Trade Should be Strengthened to Assess the Impact of Agricultural Commerce and Trade (*Challenge 5*)

Given the importance of U.S. agriculture to the economy—in 2013, the Nation's farms and ranches produced $445 billion in goods[21]—USDA has a deeply-rooted and longstanding interest in promoting the export of our commodities worldwide. Over the last few years, the total monetary value of U.S. agricultural exports has risen significantly because of several factors, including adverse weather conditions in major agricultural areas, the U.S. dollar's declining value, and increased demand in countries such as India and China. The value of U.S. agricultural exports has grown from $115.8 billion in FY 2010 to $144.1 billion in FY 2013.

In this positive environment for U.S. agricultural goods, USDA's challenge is to capitalize on the historic moment. The Secretary emphasized the importance of the Department's strategic plan on trade, saying, "We need to remain focused on keeping up the incredible momentum we've seen over the past five years."[22] Agricultural commerce and trade is one of the primary goals in the Department's current strategic plan for FY 2014-2018. However, creating a focused and results-oriented approach remains a challenge for USDA—which in turn makes it difficult to determine the overall impact of increased exports on our Nation's rural economies.

In monitoring the Department's efforts, we have found that this is an area for continued improvement. We reported in 2007 that USDA had not integrated its country-specific marketing strategies into a focused, global strategy capable of responding effectively to international market trends. At that time, we recommended that the Department develop a global market strategy to increase U.S. export opportunities and competitiveness and, in 2010, the Department announced a global market strategy in answer to the President's call for an export initiative.[23, 24]

In FY 2013, we reported a similar issue: FAS' recently updated strategic plan—which is in effect through FY 2015—needed to be strengthened. FAS helps U.S. food and agricultural exporters take full advantage of market opportunities through trade promotion and trade policy, and serves as the principal coordinator for international activities within USDA. We found that while FAS' updated strategic plan did include measurable goals and objectives, these goals and objectives (which measure the dollar value of exports) do not present the whole picture of how FAS' actions are affecting the global market for American agricultural goods. To resolve these issues, we recommended that FAS refine its performance measures to contextualize changes to U.S. market share; incorporate clear, outcome-based performance measures into the

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[21] Value of agricultural sector production forecast for 2013, as of February 2014.

[22] "Vilsack: U.S. farm exports hit a record $140.9 billion last fiscal year," *Des Moines Register* (November 15, 2013, http://blogs.desmoinesregister.com/dmr/index.php/2013/11/15/vilsack-u-s-farm-exports-hit-a-record-140-9-billion-last-fiscal-year/article).

[23] *Foreign Agricultural Service: Implementation of the Trade Title of the 2002 Farm Bill and the 2002 President's Management Agenda* (50601-0012-At, March 2007).

[24] In March 2010, the President issued the National Export Initiative, an executive order to enhance and coordinate Federal efforts to facilitate the creation of jobs in the United States through the promotion of exports and to ensure the effective use of Federal resources. This initiative supports the Administration's goal of doubling exports from 2010 to 2015.

2013 Country Strategy Statements; and work with the Department to update certain strategies and performance measures.[25]

While the Department is taking steps to respond to OIG's past findings, further work is still needed. In its latest FY 2015 budget hearing before Congress, FAS showed a willingness to consider market share and dollar values as part of its goals—a step we have recommended FAS take since our 2007 trade report. FAS' challenge is to strengthen its measure for estimating the number of U.S. jobs created by this rise in exports.[26] Secretary Vilsack emphasized that the Department's trade promotion efforts—which return $35 in economic benefits for every $1 invested—not only provide "a great value for producers who gain access to additional market opportunities abroad," but could also create a profound, beneficial impact upon the "rural communities that depend on a solid agriculture sector to create and support jobs."[27]

With the Department's emphasis in measuring its impact on rural economies, determining FAS' actual impact is of key importance. At present, FAS still cannot validate the estimates that it has projected; it has agreed, however, to consider changing the goal to better measure the impact FAS has on the rural economy. In coming years, we plan to monitor FAS' efforts to improve its strategic plan. This plan is essential to fulfilling USDA's overarching goal of increasing prosperity in rural communities.

Examples of Work We Anticipate Completing in the Future[28]

- *FAS—Implementation of the Administration's Trade Agreement Initiatives.* We plan to evaluate whether the Department is effectively coordinating and monitoring its implementation of the Administration's trade agreement initiatives—the Transpacific Partnership and Transatlantic Trade and Investment Partnership—and whether the Department has effectively integrated these trade initiatives into its trade strategies.

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[25] *Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals* (50601-0001-22, March 2013).
[26] FAS developed its performance measure based on the Economic Research Service annual macroeconomic models that estimate the number of jobs created and additional economic activity generated from the export of agricultural products at both farm and non-farm levels.
[27] "Vilsack: U.S. farm exports hit a record $140.9 billion last fiscal year," *Des Moines Register* (November 15, 2013, http://blogs.desmoinesregister.com/dmr/index.php/2013/11/15/vilsack-u-s-farm-exports-hit-a-record-140-9-billion-last-fiscal-year/article).
[28] In the *USDA Management Challenges* for FY 2013, we cited our planned review, *FAS—Commodity Credit Corporation Export Credit GSM-102 Guarantee Program*, which would assess whether FAS effectively implemented the program to meet the Department's trade strategic goal, and whether FAS has adequate controls to ensure the program is effectively administered in accordance with program regulations, policies, and procedures. Although the audit has been postponed, we will initiate the review in the future.

Action Needed to Improve Natural Resources Stewardship *(Challenge 6)*

One of USDA's mission areas is ensuring the health of the land through sustainable management and conservation of the Nation's natural resources. Recently, Congress has emphasized conservation efforts. For example, for the first time ever, the Agricultural Act of 2014 (2014 Farm Bill) has tied Federal crop insurance program eligibility to compliance with conservation practices.[29] NRCS plays a key role in managing the Nation's natural resources by working with private landowners to help them conserve, maintain, and improve their natural resources. Over the years, USDA's agencies—particularly NRCS—have had to balance budgetary concerns with the increasing demands placed on our Nation's public and private lands, as well as the logistical issues of managing vast and geographically diverse natural resources. We have found that without strong controls in place to ensure compliance and effective program operations, NRCS cannot ensure that its budget for conservation efforts—$4.25 billion in FY 2013—is used efficiently or correctly. As NRCS now faces growing concerns such as climate change, increasing land development, and conservation measures that affect human safety, successfully managing these demands will continue to pose a challenge in future years.

For instance, NRCS' controls over the Environmental Quality Incentives Program (EQIP) need to be strengthened in order to meet its goal of providing financial and technical assistance to participants to build practices that will address pressing environmental concerns. EQIP is NRCS' largest program—for FYs 2009 through 2011, it received nearly $3.5 billion. Despite the program's prominence, we found that even though the allocation method adequately considered environmental concerns on the national level, NRCS' State-level allocation processes did not. Second, State offices did not make onsite visits for all practices to ensure they were completed by the participant, as required by contract. Instead, States allowed contractors and participants to self-certify. Third, we found that, of the participants with projects that were significantly behind schedule, NRCS did not take action to identify those that were noncompliant with their contracts (or modifications to their contracts). In the future, this could limit NRCS' ability to take corrective action. Finally, NRCS did not require followup visits to ensure practices were in working order for their intended lifespan—which resulted in several practices at locations we visited not being maintained. Without effective monitoring controls to address these issues, NRCS may not be effectively obtaining the environmental benefits that are expected of EQIP practices.

We recommended that NRCS implement controls and schedule an analysis to ensure State allocation formulas are tied to environmental concerns, and implement controls to ensure that participants who do not meet contractual timelines are identified as noncompliant. NRCS should also require onsite verification to ensure practices are actually complete and obtain a formal opinion from the Office of the General Counsel on whether participants must maintain practices for the estimated lifespan.[30]

We also found that NRCS has an opportunity to improve how it monitors landowner compliance with conservation easement program goals. Since 1992, NRCS has protected and restored over

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[29] Agricultural Act of 2014, Pub. L. No. 113-79, tit. II, subtit. G, 128 Stat. 649, 762-766.
[30] *Environmental Quality Incentives Program* (10601-0001-31, July 2014).

3 million acres of wetlands, grasslands, forests, and farmlands through the various easement programs it administers. As a result, NRCS has a long-term responsibility to ensure the different easement program objectives are achieved and statutory requirements are met on these lands. NRCS carries this out through annual monitoring. Currently, NRCS monitors more than 15,000 easements annually. Since these easements are for 30 years or for perpetuity, and since their number is growing, NRCS must establish effective systems to monitor them. We reviewed records or made site visits to easements under the Wetland Reserve Program, the Emergency Watershed Protection Program's Flood Plain Easements, the Grassland Reserve Program, and the Farm and Ranch Lands Protection Program.

We found that the personnel performing onsite monitoring are not detecting violations, mistakes, and outdated items, both on easements and in the related files. As a result, NRCS is not consistently detecting violations, properly reporting easement status, or correcting noncompliances, all of which could compromise the environmental benefits of the easements and diminish the agency's ability to effectively monitor its easement investments. We also found that NRCS is not effectively tracking easement monitoring. We recommended that NRCS make improvements to its conservation easement compliance activities. NRCS generally agreed with our recommendations.[31]

Responsible management is the key to ensuring that all Americans benefit from our country's rich and diverse natural resources. USDA agencies must strike a balance between production and conservation demands, while at the same time working to safeguard American communities. With growing concern over issues such as climate change, we encourage NRCS to be vigilant in putting its limited resources to the best use.

Examples of Work We Anticipate Completing in the Future

- *NRCS Controls Over Land Valuations for Conservation Easements*. This audit will evaluate the adequacy of NRCS' controls over the land valuation process for conservation easements. We will also evaluate the reliability and accuracy of NRCS' information systems related to conservation easements that we obtain and analyze as part of our sample.

- *Controls Over the Conservation Stewardship Program*. This audit will determine whether NRCS has adequate controls over the Conservation Stewardship Program (CSP). Specifically, we will evaluate the accuracy of eligibility determinations and payments, as well as producer compliance with CSP requirements. In addition, we plan to follow up on recommendations made in a prior report on the Conservation Security Program, to the extent they apply to the CSP.

[31] *NRCS Conservation Easement Compliance* (10601-0002-31, July 2014).

Food Safety Inspection Systems Need Improved Controls
(Challenge 7)

Because food-borne pathogens and food contamination can put consumer health in jeopardy, USDA inspection systems work to protect the safety of the U.S. food supply. The Department provides a range of safety measures, from placing qualified inspectors in livestock slaughtering facilities to creating comprehensive inspection and testing programs that pinpoint likely risks at processing facilities. To maintain the confidence of consumers, Congress, and other stakeholders, USDA's food safety agencies should continue to improve their inspection processes and technology systems to accurately assess risk and effectively prevent contamination. USDA's challenge is to remain vigilant and proactive in ensuring that American consumers receive wholesome foods.

Even in the face of budget constraints, food safety agencies—like the Food Safety and Inspection Service (FSIS)—are responsible for ensuring the safety of the Nation's food supply. Our review of FSIS' and the Agricultural Marketing Service's (AMS) efforts in maintaining food safety raised concerns about how FSIS was addressing this challenge. We found that some FSIS inspectors are working many hours above a normal schedule of 80 hours per two-week pay period—more than 400 of FSIS' approximately 10,000 inspectors averaged more than 120 hours each pay period for all of FY 2012. Overworked FSIS inspectors may be risking the public's health as well as their own, especially if they are fatigued while performing crucial food safety-related tasks.

A report by the Centers for Disease Control and Prevention has shown that working long hours is not only detrimental to the health and well-being of employees, it also decreases employee productivity while on the job. Similarly, the Occupational Safety and Health Administration found that extended or unusual work shifts can lead to an increased risk of operator error, injuries, or accidents. The FSIS union contract stipulates that field inspectors are generally not to work more than 10 or 12 hours in one day, depending on their duties. Additionally, Federal regulations state that Departments must schedule the basic work week so as to consist of five consecutive 8-hour days.[32] However, we found that some inspectors are working these hours six and even seven days a week. Because of these extended hours, OIG believes FSIS inspectors could have decreased productivity, which might impair their ability to perform functions that are critical to public food safety. FSIS disagreed that the hours were affecting its field staff's work, but agreed to take measures to better understand the effects of these long hours on its employees, such as conducting an internal review to assess whether FSIS effectively limits inspectors' required overtime hours, implementing any additional safeguards needed, and setting limitations on extended overtime hours. FSIS agreed to all recommendations.[33]

Because of its vital importance in public health and safety, we will continue to monitor the Department's efforts in addressing pressing food safety concerns. For example, FSIS is

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[32] These regulations do offer some flexibility. For example, the Department may depart from the basic work week in those cases where maintaining such a schedule would seriously handicap the Department in carrying out its function.

[33] *FSIS' and AMS' Field-Level Workforce Challenges* (50601-0002-31, July 2013).

implementing a new information system to improve public health, which will collect, consolidate, and analyze data. The Public Health Information System (PHIS) is intended to serve as a comprehensive data analysis system and includes four components: domestic inspection, import activities, export activities, and predictive analytics. FSIS implemented PHIS for domestic inspection in April 2011, and PHIS for import activities in May 2012—the remaining two components are currently being implemented. In large part, FSIS anticipates that PHIS should improve upon past FSIS information systems that we have reviewed, such as the Performance Based Inspection System and the Automated Import Information System.

The task of ensuring the safety of America's food is a vast responsibility, and we recognize the difficulties USDA faces in maintaining daily vigilance. If the Department continues to meet its food safety challenge through strengthening its inspection processes and technology systems, then consumers can be confident that USDA's measures effectively safeguard against the risk of contaminants entering the food supply.

Examples of Work We Anticipate Completing in the Future

- *Followup on 2007 and 2008 Audit Initiatives*. This audit will evaluate FSIS' implementation of corrective actions resulting from OIG's major audit initiatives in 2007 and 2008. These corrective actions include changes to management control systems, staffing and supervision of in-plant inspectors, oversight of the Humane Methods of Slaughter Act, and removal of specified risk materials.[34]

- *Implementation of PHIS for Domestic Inspection*. In this audit, we are evaluating whether the design and subsequent implementation of PHIS adequately addresses its key mission elements. We will also evaluate FSIS' collection of establishment profile data for each establishment's food safety systems, operations, and demographics. In addition, we will evaluate policies and procedures to secure and protect data within PHIS.

[34] This audit was mentioned as upcoming work in our *USDA Management Challenges* for FY 2013; however, due to other priorities and limited resources, we are just now initiating this work.

Identifying, Reporting, and Reducing Improper Payments Can Strengthen USDA Programs *(Challenge 8)*

USDA delivers approximately $159 billion in public services annually through more than 300 programs. In FY 2013, USDA reported that 16 of its programs and activities were vulnerable to significant improper payments ("high risk" programs) and estimated $6.2 billion in improper payments for that year—a 5.36 percent error rate, and an increase from FY 2012's 5.11 percent error rate. The Department needs to continue efforts to identify the root causes of improper payments and implement corrective actions to reduce its improper payments based on those causes.

Improper payments occur when funds go to a wrong or ineligible recipient, the proper recipient receives an incorrect amount of funds or uses funds in an improper manner, or documentation is not available to support a payment. Not all improper payments involve fraud or waste—most payment errors are inadvertent and often based on missing documentation. However, all improper payments affect the integrity of Government programs and compromise citizens' trust in government.

In recent years, the President's 2009 Executive Order, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (EO 13520), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) have all increased the Government's accountability for reducing Federal improper payments. These measures not only require more stringent reporting, they also help agencies reduce improper payments by identifying and correcting underlying problems. Additionally, they require OIGs to evaluate agencies' progress in implementing these requirements. We found that USDA continues to struggle to fully comply, particularly with requirements involving USDA's reporting practices and preventative measures.

One necessary step towards improving the accuracy of USDA's payments is improving the transparency and quality of its reports. Without accurate reporting, USDA cannot fully assess and communicate its efforts to eliminate the highest improper payments in its programs. As in previous years, we found that USDA is not submitting timely and complete quarterly reports. Although FY 2013's reports were generally more timely as the year progressed, agencies still fell significantly short of their required timelines—ranging from 222 days late in the first quarter to 65 days late in the fourth quarter. We also found that the Office of the Chief Financial Officer (OCFO) omitted the entire first quarter reports for two agencies—and as a result, their overpayments were not reported throughout the entire fiscal year.[35]

With every lapse in its internal controls, USDA risks increased improper payments. During our IPERA review for FY 2013, we reported that, collectively, eight programs administered by the Food and Nutrition Service (FNS), FSA, NRCS, and RMA did not comply with the requirement of meeting their FY 2013 improper payment reduction targets. Had they done so, they could have avoided $416 million in reported improper payments. Agencies with particularly high error

[35] *Fiscal Year 2013 Executive Order 13520, Reducing Improper Payments, High-Dollar Overpayments Reports Review* (50024-0006-11, August 2014).

rates need to strengthen their internal controls to more effectively prevent and identify overpayments when they occur. For example, NRCS' Farm Security and Rural Investment Act programs missed their target by 6.90 percent, which resulted in the reporting of over $157 million in additional estimated improper payments. RMA's Federal Crop Insurance Corporation also missed its target by 1.23 percent, which resulted in the reporting of over $133 million in additional estimated improper payments. RMA determined that one of the companies we sampled grossly underestimated the resources it needed for the crop insurance claim load—which caused the majority of RMA's excessive errors. Both NRCS and RMA have agreed to take corrective actions—including improvements to testing, additional training, updated policy, and detailed reviews to ensure the same errors are not repeated in future years.[36, 37]

Although USDA began implementing processes to reduce the risk of improper payments and comply with IPERA, for the third consecutive year, it did not comply with the law—falling short on three of the seven requirements. Looking forward, OCFO and USDA agencies must complete several actions—such as FNS developing a reliable method to estimate improper payments for meals claimed in its Child and Adult Care Food Program—to assess results and achieve compliance. We note that USDA—and particularly OCFO—is taking measures to strengthen some internal controls. For example, in an effort to prevent payments from going to deceased individuals, USDA implemented a monthly comparison of payment recipients against the Social Security Administration's Death Master File. In addition, agencies began requesting access to the Department of the Treasury's Do Not Pay Portal. OCFO anticipates that most agencies will have fully implemented this process by the end of the fiscal year. When all of the tools are available, USDA plans to utilize the Do Not Pay Portal to help prevent payments being processed to ineligible participants on the list.

As USDA works to address improper payments by implementing necessary internal controls, we continue to emphasize the importance of complying with IPERIA, IPERA, EO 13520, and other requirements. If USDA addresses key weaknesses, the public can be more confident that USDA conscientiously and effectively accounts for, uses, and recovers taxpayer dollars.

Examples of Work We Anticipate Completing in the Future

- *FNS National School Lunch and School Breakfast Programs*. This audit will evaluate the methods FNS is using to lower error rates for both the National School Lunch Program and the School Breakfast Program. Specifically, we will determine if FNS, State agencies, and School Food Authorities have adequate controls to ensure that children approved for free and reduced price meals meet the eligibility requirements, and that meal claims are supported and accurately reimbursed.

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[36] Additionally, RMA stated that the company in question was under close monitoring for the 2013 crop year and would not be approved for 2014 unless it made additional corrective actions and improvements.
[37] *U.S. Department of Agriculture Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal Year 2013* (50024-0005-11, April 2014)

- *USDA Improper Payments Elimination and Recovery Act of 2010 Review for FY 2014.* This audit reviews USDA's FY 2014 Agency Financial Report and accompanying information to determine whether the agency was compliant with the Improper Payments Information Act of 2002, as amended in 2010 and 2012.

USDA Needs to Increase Efforts for Appropriately Training and Preparing Human Resources *(Challenge 9)*

In the current economic climate, USDA—like most of the Federal Government—has been asked to accomplish more with fewer employees. For many agencies, this means appropriately training and utilizing their available staff.

More than ever, as agencies address this challenging situation, it is critical to ensure that employees are not duplicating work and that limited resources are focused on areas of the greatest need. Despite declining resources—FSA saw its salary and expense appropriation shrink from $1.57 billion in FY 2010 to nearly $1.4 billion in FY 2013—the agency has not developed an integrated compliance strategy to ensure that its resources are focused on areas posing the most significant risk of noncompliance. Instead, FSA conducts various compliance activities that are not coordinated within an overall strategy. FSA officials stated that they believed that FSA's strategic plan and various handbooks comprised its compliance strategy. However, we found this approach does not go far enough in evaluating FSA's compliance activities as a whole. Specifically, FSA had not evaluated its compliance activities to ensure that the scope and methodology of the various reviews adequately address specific problem areas and risks, and had not developed an overall compliance goal or performance measures for each of its compliance activities. As a result, some of FSA's compliance activities were duplicative and were not achieving their intended results. Therefore, FSA cannot ensure that it is maximizing the use of its limited resources to ensure that its compliance activities focus on areas of greatest risk.[38]

Likewise, FAS needs to work diligently to ensure that it strategically focuses its resources to appropriately meet staffing needs. We found that staffing shortages have affected FAS' ability to monitor active Food for Progress Program agreements. Our review found that FAS' Food Aid Division did not always receive, review, or monitor semiannual reports submitted by private voluntary organizations (PVOs), which in turn has impacted its ability to reasonably ensure the integrity of the financial information in these reports. Additionally, the Food Aid Division cannot confirm that PVOs established separate bank accounts to administer agreements or ensure that PVOs remitted interest earnings on the Commodity Credit Corporation's advanced administrative funds. FAS officials attributed these weaknesses to a lack of staffing and a mandate to cut travel expenses, as well as working in an uncertain budget environment where they did not know what resources they had to oversee and implement corrective actions. FAS officials stated that the agency's ability to perform close out reviews was also affected by vacant positions and a lack of staff. Finally, FAS officials explained that they had given higher priority to awarding grants rather than to monitoring them. Although FAS has agreed with our 11 recommendations, further action is needed to reach management decision on 5 of them.[39]

Like FAS and FSA, both AMS and FSIS could improve human capital management in order to create a more streamlined and effective workforce. We reviewed AMS' and FSIS' methods of compensating for a limited workforce and found that both agencies needed to improve their

[38] *FSA Compliance Activities* (03601-0001-22, July 2014).
[39] *Private Voluntary Organization Grant Fund Accountability* (07601-0001-22, March 2014).

succession planning and how they monitor or bill industry for their services. For instance, we found that FSIS could not adequately reconcile reimbursable overtime charges to industry with the overtime recorded by field staff in its timekeeping system, which could potentially have resulted in inaccurate overtime charges billed to industry. We also found that agreements between the two agencies on how to cross-utilize their workforces were out of date and needed to be revised. The agencies are currently in the process of implementing the recommended changes.[40]

As USDA continues to streamline its operations, it must ensure that its limited resources are sent directly to areas where there is the greatest need. Doing so should reduce error and ensure that USDA is efficient and effective in performing the diverse duties of an evolving Federal workforce.

Examples of Work We Anticipate Completing in the Future

- *State Food Costs for the Women, Infants, and Children (WIC) Program*. This audit will evaluate the factors that contribute to the high average participant food costs reported for various States within the WIC program. We will also review FNS' oversight activities for monitoring program costs.[41]

- *Forest Service (FS) Oversight and Compliance Activities*. Past reviews in other agencies have shown that compliance reviews are not accomplished due to staffing resource constraints. Our objective in reviewing FS' compliance activities and oversight will be to determine if its compliance activities are adequately structured to oversee the effectiveness and efficiency of its operations.

[40] *FSIS' and AMS' Field-Level Workforce Challenges* (50601-0002-31, July 2013).
[41] We initially mentioned this audit in our upcoming work for the *USDA Management Challenges* for FY 2013. We are currently finalizing the report.

FNS Needs to Strengthen SNAP Management Controls
(Challenge 10)

By far the largest program within USDA, the Supplemental Nutrition Assistance Program (SNAP) provides monthly food assistance and nutrition for the health and well-being of more than 47 million low-income individuals. Program participation has grown by 81 percent since 2007, and the program disbursed over $76.07 billion in benefits in FY 2013. Given the program's significance, fraud committed by both SNAP recipients and the retailers that redeem SNAP benefits is a critical concern. With increased participation comes increased risk, and past audit work has found that FNS needs to redouble its efforts not only to enforce its policies against such fraud as trafficking,[42] but also to establish strong internal controls to prevent it.

In recent years, FNS has taken measures to strengthen its oversight of SNAP in three key areas: (1) reducing improper payments and errors, (2) combating the abuse and misuse of benefits, and (3) better pursuing recipient and retailer fraud. FNS' efforts have included improvements to its anti-fraud retailer data system, further plans to upgrade retailer surveillance technology, and promotion of a trafficking hotline number. Moreover, FNS has finalized regulations to implement stronger penalties and sanctions for small retailers.

While FNS has made progress, further efforts are needed to fully utilize available resources. OIG recently analyzed SNAP-related databases at Federal and State levels to identify potentially ineligible recipients. Last year, we reported that 27,044 recipients (0.2 percent) in 10 States were receiving approximately $3.7 million a month in SNAP benefits, even though they were potentially ineligible.[43] FNS has been responsive to our recommendations, reminding States of the importance of data matching and issuing guidance encouraging States to make greater use of USDA fraud data. Currently, FNS is working on developing and implementing a pilot system that will allow five participating States to check for dual participation within this group of States. FNS continues to offer guidance and technical support to the five-State consortium to ensure that the project meets OMB's objectives. The pilot began in June 2014 and is scheduled to run for 12 months, at which point an evaluation report will be provided to FNS. FNS will develop any necessary action plans at that time as a result of decisions regarding any possible future actions. FNS also plans to issue a report that explores the feasibility and options for developing a SNAP recipient fraud rate by the end of FY 2014, as well as a study to determine the feasibility of using a national sample of SNAP retailers for calculating the national trafficking rate.

As FNS updates its technology to monitor and strengthen SNAP, FNS must also ensure that it is making full use of gathered data, and that its agency policies and employee skill sets sufficiently supplement these efforts. In July 2013, we reported that FNS does not have clear procedures and guidance to carry out key oversight and enforcement activities to address SNAP retailer fraud, or adequate authority to prevent multiple instances of fraud, either by a particular owner or at a particular location. We recommended that FNS comprehensively review its policies, procedures, and guidance; require background checks for retailers; make improvements to its automated

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[42] Trafficking is the exchange of benefits for cash or other compensation.
[43] *Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts* (27002-0011-13, September 2012).

retailer data system; create and strengthen safeguards for high-risk stores; and require more supervisory reviews. While we have reached agreement on most of the report's recommendations, FNS needs to make further changes to safeguard SNAP from retailer fraud.[44]

Specifically, FNS needs to seek legislative changes that would provide FNS the authority to require any owner of a location that has been previously permanently disqualified for trafficking to have a vested interest, such as posting a collateral bond or letter of credit, before authorization. Until legislative changes are made, the agency should strengthen oversight and monitoring of store locations that have been permanently disqualified two or more times for trafficking. FNS must also change SNAP regulations and policy to permanently disqualify retail store owners at all authorized retail locations. FNS should also notify store owners that, in the future, any trafficking violation will require the store owner to qualify for and pay a penalty in lieu of permanent disqualification, or be subject to permanent disqualification at all store locations currently authorized for that owner. Finally, FNS must also ensure owners who have been permanently disqualified for trafficking are not granted authorization as a SNAP retailer at new locations.

With these changes in mind, it becomes all the more important for FNS to be able to assess SNAP's progress in reducing improper payments. We are currently completing fieldwork on our review of SNAP error rates. State agencies are required to review SNAP payments and identify payment errors for a statistical sample of national households that receive benefits. FNS then selects a sub-sample of these households, verifies the States' findings, and uses these reviews to calculate the States' official error rates. Since SNAP has grown considerably in recent years, it is critical for FNS to ensure that the national payment error rate is calculated correctly and that the program's improper payments are being accurately reported.

Investigating SNAP fraud continues to be a priority for OIG, based upon the level of funding this program receives. OIG has significantly increased the level of investigative resources allocated to combating SNAP fraud from 37 percent in FY 2010 to 55 percent in FY 2013. With this increase has come a high percentage of success: the conviction rate for investigations of SNAP fraud was 94 percent for FY 2013. Typically, OIG's investigations have centered on retailers engaging in SNAP trafficking. After careful analysis of our investigative work and discussions with FNS, we concluded that to address fraud more effectively and ultimately better protect USDA funds, States must also make a concentrated effort to deal with recipient trafficking. With this goal in mind, OIG is working with FNS to address both the retailers and recipients identified through our investigations as engaging in SNAP trafficking. As we continue to review SNAP fraud detection and prevention efforts and investigate instances of fraud, we are dedicated to working with FNS to strengthen SNAP's internal controls.

[44] *Controls for Authorizing Supplemental Nutrition Assistance Program (SNAP) Retailers* (27601-0001-31, July 2013).

Examples of Work We Anticipate Completing in the Future[45]

- *FNS SNAP Error Rate*. Our objective is to determine whether FNS and the State agencies responsible for administering SNAP have adequate controls in place to ensure that SNAP payment error rates are accurately determined and reported, appropriate actions are taken to reduce error rates, and errors are timely corrected when detected.

[45] In the *USDA Management Challenges* for FY 2013, we mentioned that we would commence work on an audit, *FNS Controls Over SNAP Civil Money Penalties*, which would assess FNS' controls over civil money penalties assessed against SNAP retailers, whether FNS correctly calculated penalties, and whether FNS follows through to ensure penalties are collected. This review has been postponed as we work to reach management decision on recommendations from our prior review.

USDA Needs to Develop Effective Performance Measures for its Programs (*Challenge 11)*

The Government Performance and Results Modernization Act of 2010 requires agencies to report the actions taken by programs as outcomes clearly linked to program goals.[46] OIG has consistently identified performance measures as an area in need of improvement. In particular, our review of performance measures for Recovery Act funds illustrated that program and agency goals are not clearly articulated, that performance measures tend to report outputs rather than outcomes, and that the data being reported are of questionable accuracy.[47] As our audits have extended to non-Recovery Act programs, we have found similar issues. Without accurate and meaningful outcome-based performance measures, policymakers will not receive the information they need to make appropriate funding decisions.

A recent audit of FSA's Economic Adjustment Assistance to Users of Upland Cotton Program (EAAP)—a program that authorizes economic assistance to domestic users of upland cotton to ensure the competitiveness of U.S. textile mills in the global marketplace—found that the agency has not (1) established goals for EAAP consistent with its mandate, (2) developed a program evaluation, or (3) established performance measures to determine the impact of economic assistance payments to domestic users of upland cotton. Even though FSA projected that it made payments that would limit market losses, plant closures, and employment declines, the agency has not developed a way to measure this impact. Instead, FSA views paying users in a timely manner and assuring the users spend the money within required timeframes to be its only purpose in administering the program. Therefore, FSA did not develop an assessment of program impact beyond making payments and performing examination reviews. Without established goals and related outcome measures, FSA cannot demonstrate that the $337 million spent between August 2008 and July 2013 has stimulated the U.S. textile industry, or determine to what extent the assistance actually improved the condition of users as they compete in a global market.[48]

We found that although FAS had taken steps to improve the internal control structure of the Food for Progress Program, it had not developed and implemented indicators or measures to assess staff performance in meeting its responsibilities. As a result, FAS cannot readily determine whether private voluntary organizations properly carry out Food for Progress Program agreements, whether projects are on track to achieve intended results, or whether program funds have been used for their intended purposes.[49]

We also found similar problems with how FAS administered Section 632(a) funds for capacity-building projects in Afghanistan. Although senior managers were aware of general control weaknesses in 2010, they did not sufficiently strengthen their control environment before accepting Section 632(a) funds from the United States Agency for International Development (USAID). We found that FAS had not implemented performance monitoring plans for projects

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[46] Public Law 111-352.
[47] *Recovery Act - Recovery Act: NRCS' Emergency Watershed Protection Program Floodplain Easements and Watershed Operations Effectiveness Review* (10703-0001-31, March 2013).
[48] *Economic Adjustment Assistance to Users of Upland Cotton* (03601-0002-22, July 2014).
[49] *Private Voluntary Organization Grant Fund Accountability* (07601-0001-22, March 2014).

being implemented in Afghanistan until over two years after the first project began, which meant that FAS did not have adequate methods to monitor recipient accomplishment of program goals and objectives. We noted that performance plans for some of the projects we reviewed had only recently been developed and agreed to. However, FAS awarded the projects and allocated funds beginning in FY 2011. Therefore, none of the projects started with performance plans, and most had delays of over a year before putting a plan in place. We believe that continued use of the performance plans, along with clear and measurable objectives, is critical to strong FAS oversight of these funds.[50]

Without outcome-based performance measures that are tied to clear program goals, USDA agencies will not be able to accurately report their successes or identify programs in need of improvement.

Examples of Work We Anticipate Completing in the Future

- *FSA Microloans*. This audit will evaluate FSA's administrative controls over loan application processing, eligibility, and security for the Microloan Program and determine if the Microloan Program is effective in serving the operating loan needs of small family farm operations. As part of this audit, we will determine whether the program's established performance measures were effectively met.

[50] *Section 632(a) Transfer of Funds from USAID to USDA for Afghanistan* (50601-0002-16, February 2014).

Emerging Issues

*APHIS' Animal Car*e. APHIS has implemented corrective actions to address recommendations OIG made in 2010 as part of two audits that examined different aspects of animal welfare: APHIS' administration of legislation designed to protect horses in transit for slaughter and ensure horses are protected from the harmful practice of soring in the United States,[51] and APHIS' inspection of problematic dog dealers.[52] However, we continue to receive allegations claiming violations of the Animal Welfare Act and other abuses. These potential violations, along with sustained public attention, indicate that APHIS needs to continue to heighten its vigilance over animal welfare. To monitor APHIS' animal care, OIG is currently conducting work on APHIS' oversight of research facilities.

Potentially Redundant Federal Programs and Operations. Both the President and Congress have cited the need to improve the Government's effectiveness by eliminating redundant programs that result in wasteful spending. In March 2011, the President directed a review of all Departments and agencies involved with increasing trade, exports, and U.S. competitiveness.[53] To assist policymakers in this review, CIGIE created an interdisciplinary working group that compiled OIG reports—including USDA OIG audits—issued during the last 5 years, relating to trade and competitiveness.[54] As it compiled the results, the group identified areas of program inefficiency, overlap, duplication, and other factors that adversely impact the Government's administration of international competitiveness and trade. Several other USDA programs, such as USDA's nutrition programs, are also vulnerable to potential overlap and duplication. In 2010, the Government Accountability Office released a report on potential inefficiency and overlap in FNS' smaller nutrition programs. OIG recently reported that FNS needs to determine whether it has the resources to conduct a study to assess the extent of overlap or duplication, or whether additional appropriated funding will be required.[55] In addition, OIG recently found that while Congress created each Rural Business-Cooperative Service (RBS) grant and loan program to serve a specific niche, additional programs added over the years have led to overlapping goals and objectives. We examined nine RBS programs, and found that five have areas of duplication, overlap, and fragmentation—in that they share similar purposes, while serving some of the same organizations.[56]

Oversight of USDA Acquisition Management. Over the past few years, OIG has audited Departmental oversight and monitoring of acquisition management from the point of requisition through the close-out process. Our work has pointed out the need to strengthen management controls at both the Departmental and agency levels. Departmental acquisitions for FY 2013 totaled around $5.1 billion; simultaneously, Departmental and agency staffing levels have been reduced over the past few fiscal years, complicating agencies' efforts to adequately provide

[51] "Soring" involves intentionally inflicting pain to a horse's legs or hooves to produce an artificial gait.
[52] *Animal and Plant Health Inspection Service Administration of the Horse Protection Program and the Slaughter Horse Transport Program* (33601-0002-KC, September 2010) and *Animal and Plant Health Inspection Service Inspections of Problematic Dealers* (33002-0004-SF, May 2010).
[53] Presidential Memorandum, *Government Reform for Competitiveness and Innovation* (March 2011).
[54] CIGIE, *Compilation of Prior Inspector General Reports on International Trade and Competitiveness* (May 2011).
[55] *Overlap and Duplication in the Food and Nutrition Service's Nutrition Programs* (27001-0001-10, June 2013).
[56] *Rural Development: Rural Business – Cooperative Service Grant Programs –Duplication* (34601-0001-31, March 2014)

oversight and monitoring of acquisition activities. OIG has also received increasing numbers of hotline referrals on acquisitions, including allegations of conflicts of interest. Our recent work has identified several lapses in acquisitions management. For instance, we noted that OPPM—the entity that supports the Secretary and USDA agencies by setting policy and coordinating acquisitions, procurement, and property management—allowed COs to execute contract actions that exceeded their warrant levels. We also noted weaknesses in the review of invoices by the CO and the COR.[57] In another audit, we noted that the Agricultural Research Service (ARS) was not overseeing and enforcing OMB requirements for reporting contractor performance, and needs to take steps to effectively and efficiently close out construction and architect-engineer contracts.[58] In the future, we plan to review if commitments were properly authorized by the Office of the Assistant Secretary for Civil Rights and OPPM's Procurement Operations Division, and whether personnel adhered to Departmental acquisition policies and procedures.

[57] *Review of Procurement Operations* (92501-0001-12, September 2013).
[58] *Agricultural Research Service's Contract Closeout Process* (02703-0001-12, August 2013).

Audits Cited by Agency

AMS

- *FSIS' and AMS' Field-Level Workforce Challenges* (50601-0002-31, July 2013)

ARS

- *Agricultural Research Service's Contract Closeout Process* (02703-0001-12, August 2013)

APHIS

- *Animal and Plant Health Inspection Service Administration of the Horse Protection Program and the Slaughter Horse Transport Program* (33601-0002-KC, September 2010)
- *Animal and Plant Health Inspection Service Inspections of Problematic Dealers* (33002-0004-SF, May 2010)

FAS

- *American Recovery and Reinvestment Act—Trade Adjustment Assistance for Farmers Program* (50703-0001-23, October 2013)
- *Foreign Agricultural Service: Implementation of the Trade Title of the 2002 Farm Bill and the 2002 President's Management Agenda* (50601-0012-At, March 2007)
- *Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals* (50601-0001-22, March 2013)
- *Private Voluntary Organization Grant Fund Accountability* (07601-0001-22, March 2014)
- *Section 632(a) Transfer of Funds from USAID to USDA for Afghanistan* (50601-0002-16, February 2014)
- *Private Voluntary Organization Grant Fund Accountability* (07601-0001-22, March 2014)

FNS

- *Controls for Authorizing Supplemental Nutrition Assistance Program (SNAP) Retailers* (27601-0001-31, July 2013)
- *Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts* (27002-0011-13, September 2012)
- *Overlap and Duplication in the Food and Nutrition Service's Nutrition Programs* (27001-0001-10, June 2013)

FSA

- *American Recovery and Reinvestment Act—Trade Adjustment Assistance for Farmers Program* (50703-0001-23, October 2013)
- *FSA Compliance Activities* (03601-0001-22, July 2014)
- *Economic Adjustment Assistance to Users of Upland Cotton* (03601-0002-22, July 2014)

FSIS

- *FSIS' and AMS' Field-Level Workforce Challenges* (50601-0002-31, July 2013)

NASS

- *Security Review of the National Agricultural Statistics Service's Lockup Procedures* (26501-0001-12, February 2014)

NIFA

- *American Recovery and Reinvestment Act—Trade Adjustment Assistance for Farmers Program* (50703-0001-23, October 2013)

NRCS

- *Environmental Quality Incentives Program* (10601-0001-31, July 2014)
- *NRCS Conservation Easement Compliance* (10601-0002-31, July 2014)
- *Recovery Act - Recovery Act: NRCS' Emergency Watershed Protection Program Floodplain Easements and Watershed Operations Effectiveness Review* (10703-0001-31, March 2013).

OPPM

- *Management and Security over USDA's Universal Telecommunications Network* (88501-0002-12, July 2014)
- *Review of Procurement Operations* (92501-0001-12, September 2013)

OCIO

- *Management and Security over USDA's Universal Telecommunications Network* (88501-0002-12, July 2014)
- *Office of the Chief Information Officer, Fiscal Year 2013 Federal Information Security Management Act Report* (50501-0004-12, November 2013)

RD

- *Single Family Housing Direct Loan Servicing and Payment Assistance Recapture* (04601-0001-31, July 2014)
- *Rural Development: Rural Business – Cooperative Service Grant Programs –Duplication* (34601-0001-31, March 2014)

USDA

- *In re Black Farmers Discrimination Litigation* (50601-0001-21, December 2013).
- *In re Black Farmers Discrimination Litigation—Adjudicated Claims*, (50601-0003-21, work in process)
- *Fiscal Year 2013 Executive Order 13520, Reducing Improper Payments, High-Dollar Overpayments Reports Review* (50024-0006-11, August 2014)
- *U.S. Department of Agriculture Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal Year 2014* (50024-0005-11, April 2014)

Acronyms and Abbreviations

AMS .... Agricultural Marketing Service
ARS .... Agricultural Research Service
APHIS .... Animal and Plant Health Inspection Service
BFDL...................................... The *Black Farmers Discrimination Lawsuit*
CBO .... community-based organization
CIGIE .... Council of the Inspectors General on Integrity and Efficiency
CO .... contracting officer
COR .... contracting officer's representative
CSAM .... Cyber Security Assessment and Management
CSP .... Conservation Stewardship Program
CSC .... Centralized Servicing Center
EAAP .... Economic Adjustment Assistance Program
EO 13520 .... President's 2009 Executive Order, Reducing Improper Payments and Eliminating Waste in Federal Programs
EQIP....................................... Environmental Quality Incentives Program
FAS .... Foreign Agricultural Service
FISMA .... Federal Information Security Management Act of 2002
FNS .... Food and Nutrition Service
FS .... Forest Service
FSA .... Farm Service Agency
FSIS.. Food Safety and Inspection Service
FY .... fiscal year
IPERA .... Improper Payments Elimination and Recovery Act of 2010
IPERIA................................... Improper Payments Elimination and Recovery Improvement Act
IT.. information technology
NASS .... National Agricultural Statistics Service
NIFA .... National Institute of Food and Agriculture
NIST....................................... National Institute of Standards and Technology
NRCS .... Natural Resources Conservation Service
OAO....................................... Office of Advocacy and Outreach
OCFO..................................... Office of the Chief Financial Officer
OCIO...................................... Office of the Chief Information Officer
OIG .... Office of Inspector General
OPPM..................................... Office of Personnel and Property Management
OMB .... Office of Management and Budget
PHIS....................................... Public Health Information System
POA&M................................. Plan of Action and Milestones
PVO....................................... private voluntary organization
Recovery Act .... American Recovery and Reinvestment Act of 2009
RBS .... Rural Business-Cooperative Service
RMA .... Risk Management Agency
SFH .... Single Family Housing
SNAP .... Supplemental Nutrition Assistance Program
TAAF .... Trade Adjustment Assistance for Farmers

UTN ....Universal Telecommunications Network
USAID ....United States Agency for International Development
USDA.....................................Department of Agriculture
WIC..Women, Infants, and Children

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