



United States Department of Agriculture

# Office of Inspector General



## KEY OIG ACCOMPLISHMENTS IN THIS REPORTING PERIOD—October 2013-March 2014

### SUMMARY OF AUDIT ACTIVITIES

Reports Issued	
Number of Final Reports	17
Number of Interim Reports	0
Number of Final Report Recommendations (74 program improvement / 21 monetary)	95
Number of Interim Report Recommendations	0
Total Dollar Impact of Reports at Issuance (Millions)	\$104.1
Questioned/Unsupported Costs	\$0.9
Funds To Be Put To Better Use	\$103.2
Management Decisions Reached	
Number of Reports	8
Number of Recommendations* (28 program improvements / 14 monetary)	42

### SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued	178
Impact of Investigations	
Indictments	312
Convictions	270
Arrests	507
Total Dollar Impact (Millions)	\$231.8
Administrative Sanctions	182

### OIG MAJOR USDA MANAGEMENT CHALLENGES (August 2013)

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

*Related material can be found on page 11.*

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

*Related material can be found on pages 5, 16, 17, and 19.*

(3) Information Technology Security Needs Continuing Improvement

*Related material can be found on pages 18 and 19.*

(4) Departmental Outreach Efforts Need to be More Transparent

*Related material can be found on page 18.*

(5) A Proactive, Integrated Strategy Is Necessary to Increase Agricultural Commerce and Trade

*No work reported during this period.*

(6) Action Needed to Improve Natural Resources Stewardship

*No work reported during this period.*

(7) Food Safety Inspection Systems Need Improved Controls

*No work reported during this period.*

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

*No work reported during this period.*

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

*No work reported during this period.*

(10) FNS Needs to Strengthen SNAP Management Controls

*No work reported during this period.*

\*Please refer to examples of program improvement recommendations cited on the inside back cover.

# Message from the Inspector General

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I am pleased to provide the Semiannual Report to Congress (SARC) for the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), for the 6-month period ending March 31, 2014. Overall, our investigations and audits have led to significant accomplishments during this period, including 507 arrests, 270 convictions, \$231.8 million in investigative monetary results, 74 program improvement recommendations, and \$104.1 million in audit financial recommendations.

OIG continues to work extensively with the Department, Congress, and other Federal agencies to ensure the integrity and efficiency of USDA programs, safeguard the taxpayers' investment in these programs, and pursue those who abuse them. Our activities are described according to our strategic goals, as outlined in the OIG Strategic Plan for fiscal years (FY) 2013-2018:

- **Safety, Security, and Public Health**—As a result of OIG's investigation of allegations of the mistreatment of cattle destined for slaughter and the adulteration of meat distributed to the National School Lunch Program, six defendants agreed to a civil settlement in which they agreed to pay \$155 million to the United States. The other defendants agreed to pay amounts ranging from \$10,000 to \$75,000 to an animal welfare group, and from \$240,000 to \$1.8 million to the U.S. Government. During the next reporting period, we expect to issue audit reports related to the Animal and Plant Health Inspection Service's (APHIS) Plant Protection and Quarantine preclearance program and the Food Safety and Inspection Service's (FSIS) implementation of the Public Health Information System for domestic inspection.
- **Integrity of Benefits**—OIG continues its work to safeguard the integrity of the Supplemental Nutrition Assistance Program (SNAP); our cases have resulted in 213 SNAP-related convictions and \$32.8 million in monetary results during this reporting period. In a particularly noteworthy case, a husband and wife who owned six retail stores in California were sentenced to serve 40 and 18 months in prison, respectively, and to pay over \$6.5 million in restitution. We also found that USDA agencies should strengthen controls over Trade Adjustment Assistance for Farmers (TAAF), a program authorized by the American Recovery and Reinvestment Act of 2009. While we found that information was reported on Recovery.gov as required, the three USDA agencies involved did not have the appropriate controls in place to ensure that TAAF participants were eligible, payments were accurate, or oversight was sufficient.
- **Management Improvement Initiatives**—OIG determined that the National Agricultural Statistics Service (NASS) needs to enforce critical procedures and physical security measures meant to protect the security of NASS information. Notably, although they are banned, OIG was able to bring a cell phone into lockup and witnessed a reporter using an iPad during lockup. As a result, sensitive information could be compromised or leaked before its official release, which could adversely affect equitable trading in commodity markets. OIG also evaluated the claims process for the *In re* Black Farmers Discrimination Litigation (BFDL) settlement before the deciding official finalized decisions regarding claims. Overall, we found that the claims process was implemented in accordance with the BFDL settlement agreement. We did, however, identify three findings. In response, the claims administrator and the deciding official addressed our findings and detailed actions they planned to take prior to the final adjudication of claims.

I also wish to note that OIG has revised how it reports its accomplishments in its semiannual reports, adding several charts so that readers can better track certain reporting categories. For details of the additional material we are reporting, please see page 24.

Our accomplishments are the direct result of the dedicated work of USDA OIG's professional staff and exemplify our commitment to ensuring the efficiency and effectiveness of the programs USDA administers. Our success is also due, in large part, to the continued support and interest of USDA Secretary Thomas J. Vilsack, Deputy Secretary Krysta Harden, and interested Committees and Members of Congress.

Phyllis K. Fong  
Inspector General

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# Safety, Security, and Public Health

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## OIG Strategic Goal 1:

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

To help USDA and the American people meet critical challenges in safety, security, and public health, OIG provides independent audits and investigations in these areas. Our work addresses such issues as the ongoing challenges of agricultural inspection activities, safety of the food supply, and homeland security.

In the first half of FY 2014, we devoted 7.5 percent of our total direct resources to Goal 1, with 100 percent of these resources assigned to critical-risk and high-impact work. A total of 86 percent of our investigative cases under Goal 1 resulted in criminal, civil, or administrative action. OIG's investigations under Goal 1 yielded 3 indictments, 21 convictions, and \$172.4 million in monetary results during this reporting period. OIG did not issue any audit reports under Goal 1 during this reporting period, but has significant ongoing work related to food safety (see page 4 for a list of ongoing reviews).

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## EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

### \$155 Million Settlement Approved Against California Slaughter Facility

As a result of an investigation of allegations of the mistreatment of cattle destined for slaughter and the adulteration of meat distributed to the National School Lunch Program, a California probate court in November 2013 approved a multi-million-dollar settlement agreement. Six defendants agreed to a civil settlement in which one of the subsidiary companies agreed to enter into a consent judgment of \$155 million in favor of the United States. The other defendants agreed to pay the United States approximately \$2.7 million and to pay an animal welfare group approximately \$112,000. Two defendants had previously entered into a settlement agreement to pay the United States over \$304,000 and to pay an animal welfare group over \$19,000. The settlements resulted from a *qui tam* civil complaint filed by the animal welfare group against the company and its entities, which prompted an investigation by OIG and the U.S. Attorney's Office for the Central District of California. Additionally, in December 2013, the U.S. Court of Federal Claims ruled in favor of the Government's counterclaim, in the amount of \$13.6 million, which stemmed from a civil suit filed by one of the companies in April 2009.

OIG's involvement in this matter dates back to February 2008, when both civil and criminal investigations were initiated into the allegations. That month, the San Bernardino District Attorney's Office filed complaints in the Superior Court of California, County of San Bernardino, against two company employees for multiple felony and

misdemeanor counts of cruelty to animals and movements of a non-ambulatory animal. In March 2008, one of the employees pled guilty to three misdemeanor counts and was sentenced to 180 days in county jail, 24 months' probation, and ordered to pay a fee to the victim's restitution fund. The same employee was deported after his 180 days of time served was completed. In June 2008, the other employee pled guilty to two misdemeanor counts and two felony counts. In September 2008, he was sentenced to 270 days' incarceration and 36 months' probation.

### Nebraska Meat Company Owners Sentenced for Roles in Distributing Mislabeled and Uninspected Meat

In December 2013, in U.S. District Court, District of Nebraska, the co-owner of a meat processing plant that distributed mislabeled and uninspected meat was sentenced to 18 months of incarceration, followed by 12 months of supervised release, and ordered to pay a fine of \$8,450 and a \$100 special assessment. His wife was sentenced in March 2014 to 24 months of probation and ordered to pay a \$25 special assessment fee. Our investigation determined that the couple, who owned the plant, directed their employees to falsely label packages of ground beef with the Federal mark of inspection, although the packages contained meat that had been processed without USDA inspection. The mislabeled meat products were sold to a public school system. Uninspected meat products were also sold to a food cooperative. The owners were charged with violations of the Federal Meat Inspection Act. The man pled guilty in September 2013 to the sale of misbranded meat. His wife pled guilty in October 2013 to a misdemeanor count of sale of misbranded meat.

### **Two California Brothers Attempt to Steal a Truckload of Beef**

In January 2014, a man was sentenced in U.S. District Court, District of Kansas, to 12 months and 1 day in prison followed by 24 months of supervised release, and his brother was sentenced to 12 months of supervised release. The two brothers attempted to steal a truckload of beef valued at \$87,000 from a meat plant in southwest Kansas. They pretended to be operating as a legitimate trucking company that had a contract to transport the meat. Their attempt to steal the trailer of meat was unsuccessful due to a suspicious freight broker who noticed irregularities in paperwork and contacted law enforcement.

### **Timber Fraudster Apprehended and Sentenced to More than 9 Years in Prison**

A salesman representing numerous lumber companies engaged in fraudulent transactions totaling more than \$1 million with U.S. companies as well as international customers in China, Egypt, Poland, and Vietnam. In a variety of transactions, the salesman transmitted fraudulent phytosanitary certificates with the forged signature of an

Animal and Plant Health Inspection Service (APHIS) inspector to induce his victims to wire funds to him; he then sent uninspected wood products to foreign victims, or sent no products at all. In addition, our investigation revealed that the salesman was a fugitive from justice being sought in five States. In October 2012, he and his fiancée were arrested. Two co-conspirators were subsequently arrested, including the salesman's estranged wife. All were subsequently charged with conspiracy to commit wire fraud and wire fraud, and the salesman was charged with aggravated identity theft. The salesman pled guilty and was sentenced in January 2014 to 116 months' imprisonment to be followed by 36 months' supervised release, and was ordered to pay a \$500 special assessment. The judge will rule on proposed restitution in the amount of \$1.1 million at a later date. The salesman's fiancée entered into a deferred prosecution agreement with the Government. One co-conspirator pled guilty in January 2014; his sentencing is pending and trial is pending for the other co-conspirator.

## GOVERNMENTWIDE ACTIVITIES—GOAL 1

### ***Participation on Committees, Working Groups, and Task Forces***

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- *The Federal Bureau of Investigation's (FBI) National and Local Joint Terrorism Task Forces.* One OIG special agent is assigned full time to the national task force, and other special agents work with local task forces. While the national task force special agent attends threat briefings and provides terrorist intelligence products to OIG and other USDA agencies and offices, local task forces work on matters that involve both the investigation of criminal activity and intelligence-gathering concerning individuals or entities that may have connections to terrorist activity or may provide support for terrorist activity. Overall, OIG's participation provides an excellent conduit for sharing critical law enforcement intelligence and has broadened FBI's and other law enforcement agencies' knowledge of how to conduct criminal investigations connected to food and agriculture.
- *FBI's Joint Interagency Agroterrorism Working Group.* OIG's Emergency Response Team continues to participate in this working group, which develops protocols and procedures for FBI, APHIS, and OIG to coordinate their response to agroterrorism.
- *U.S. Marshals Service Fugitive Task Forces.* OIG agents in Michigan, Minnesota, Mississippi, North Dakota, and Ohio participate on these task forces, which were established under the Presidential Threat Protection Act of 2000. The purpose of these task forces is to locate and apprehend the most dangerous fugitives and assist in high-profile investigations. In addition to providing assistance in locating fugitives, task forces can provide help in serving warrants.
- *Arrowhead Counter-Terrorism Task Force.* OIG participates in a group of regional law enforcement and emergency response providers, led by the FBI field office in Duluth, Minnesota, which meets monthly for training sessions and to share information on various terrorist organizations, as well as related topics such as crisis response scenarios.
- *Anti-Terrorism Advisory Councils.* OIG participates on Anti-Terrorism Advisory Councils in many judicial districts throughout the country. These councils are umbrella organizations including local, State, and Federal agencies and private-sector security representatives that work with the U.S. Attorney's Offices for their geographic areas to disrupt, prevent, and prosecute terrorism through intelligence-sharing, training, strategic planning, policy review, and problem-solving.

- *San Bernardino Rural Crimes Task Force and San Bernardino Animal Cruelty Task Force.* OIG is one of several law enforcement agencies participating on task forces to combat crimes in rural areas in southeastern California, with a special focus on animal-fighting investigations.

## **ONGOING REVIEWS FOR GOAL 1**

- implementation of the Public Health Information System for Domestic Inspection (Food Safety and Inspection Service (FSIS)),
- ground turkey inspection and safety protocols (FSIS),
- controls over introduction of genetically engineered organisms (APHIS),
- Wildlife Services—wildlife damage management (APHIS),
- procurement and inspection of fruits and vegetables (Agricultural Marketing Service (AMS)),
- Plant Protection and Quarantine Preclearance Program (APHIS),
- adequacy of controls to prevent the release of sensitive technology (Agricultural Research Service (ARS)), and
- oversight of research facilities (APHIS).

# Integrity of Benefits

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## OIG Strategic Goal 2:

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

OIG conducts audits and investigations to ensure or restore integrity in various USDA benefit and entitlement programs, including a variety of programs that provide payments directly and indirectly to individuals or entities. Some of the programs are among the largest in Government: SNAP alone accounts for approximately \$82 billion in FY 2014 benefits, while over \$17 billion is spent on USDA farm programs. Intended beneficiaries of these programs include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and other rural residents. These programs support nutrition, farm production, and rural development.

#### Management Challenges Addressed Under Goal 2

- **Interagency Communication, Coordination, and Program Integration Need Improvement (Challenge 1)**
- **USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs (Challenge 2)**

In the first half of FY 2014, we devoted 47.3 percent of our total direct resources to Goal 2, with 91.3 percent of these resources assigned to critical/high-impact work. A total of 100 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 83 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued three audit reports under Goal 2 during this reporting period. OIG's investigations under Goal 2 yielded 305 indictments, 244 convictions, and about \$58.9 million in monetary results during this reporting period.

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## EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

### Rural Development (RD) Needs to Improve Its Monitoring of Funding for Procurement Contracts

OIG found that during FYs 2009-2012, Rural Development (RD) funded a contract in the amount of \$99.9 million, while expending a total of only \$1.6 million during the 4-year period. Although RD deobligated \$61.5 million in the third year, it continued its practice of significantly over-funding the contract for the next 2 years. In this case, RD staff requested excessive funds without considering current and prior year expenditures, and the contracting officer authorized the obligation of funds without ensuring the amounts were needed. As a result, the contract was over-funded by almost \$36.8 million, which prevented the funds from being allocated to other Government projects or programs.

Also, RD's Procurement Management Division did not adequately review unliquidated obligations that were inactive for over a year to ensure funds were still needed. Procurement staff believed they could wait until the contract was completed to deobligate excess funds. As a result, we identified \$1.2 million in excess funds that did not have justification in the contract file to remain obligated. In addition, RD does not have assurance that obligation balances were properly reported, used in the appropriate period, or made available for other uses. RD concurred with our recommendations and has instituted contract and procurement management controls and training. (Audit Report 50601-0001-41, Rural Development Procurement Controls)

### RBS Needs to Consolidate Duplicate Programs

OIG found that, while Congress created each Rural Business-Cooperative Service (RBS) grant and loan program to serve specific needs, 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—they share similar purposes and serve some of the same organizations. In the budget request for FY 2014, Rural Development and the Office of Management and Budget proposed a new grant program that would consolidate these same five programs. However, the proposed program lacked any analysis of potential cost savings and efficiencies to be gained. According to agency officials, due to these duplicate programs, Rural Development staff must be continuously trained on the specific needs of multiple programs, some of which are small and minimally funded. We also found that one of the eight entities we reviewed improperly received grants for the same purpose, as RBS approved two grant applications that were almost identically worded. Another entity out of the eight did not properly manage the grants it was awarded. We concluded that RBS is at risk for potentially making improper payments for duplicate activities and imprudent use of resources. We recommended that RBS conduct the necessary research and analyses to determine if efficiencies can be gained from the proposal for a new, consolidated grant program. Also, RBS should establish procedures at the national office level to require States to implement controls for preventing duplication. The agency generally agreed with our five recommendations. (Audit Report 34601-0001-31, Rural Development: Rural Business—Cooperative Service Grant Programs—Duplication)

#### **Illinois Family Pays \$5.4 Million to Resolve False Claims Allegations Related to Farm Subsidy Payment Limits**

In December 2013, a Sangamon County, Illinois, family collectively with several of their corporations and limited partnerships, signed a settlement agreement with the U.S. Attorney's Office, Central District of Illinois, and USDA's Office of the General Counsel in which they agreed to pay \$5.4 million. The agreement resolved allegations that the family had set up numerous farming partnerships to conceal their true ownership interests and obtain more farm subsidy payments than they were eligible to receive. The family made the final payment on the \$5.4 million agreement on January 28, 2014.

#### **North Dakota Producer Sentenced for Selling Loan Collateral**

In January 2014, in U.S. District Court, District of North Dakota, a producer was sentenced to 24 months of probation, ordered to serve 50 hours of community service, and ordered to pay \$85,619 in restitution and a \$25 special assessment. Our investigation disclosed that the producer converted cattle pledged as security for an FSA operating loan by selling, without FSA's knowledge, 44 head of cattle that

were secured in his own name, as well as 94 head of cattle secured in his brother's name. He then had his brother either transfer the proceeds to his bank account or cash the checks and give him the proceeds. In December 2012, the producer was charged with one count of conversion of mortgaged property, to which he later pled guilty.

#### **Couple Ordered to Pay \$1.4 Million for Submitting Bogus Claims to FSA**

In January 2014, a South Dakota Federal judge ordered a couple to pay almost \$1.4 million in a civil judgment for submitting phony claims for loan deficiency payments to FSA. The couple presented 132 separate requests for wool loan deficiency payments over a 6-year period when, in fact, they owned no sheep; as a result, they were paid nearly \$340,000 to which they were not entitled. As a result of our investigation, the couple pled guilty to the criminal charge of conspiracy to defraud FSA and, in 2012, they were sentenced to 60 months' probation, fined \$60,000, and ordered to pay restitution of \$303,890 to the Commodity Credit Corporation (CCC).

#### **Former Louisiana Mayor Sentenced for Loan Fraud**

In February 2014, a producer who was the former mayor of a Louisiana town was sentenced in U.S. District Court, Western District of Louisiana, to 12 months and 1 day of incarceration and 36 months of supervised release, and was ordered to pay \$322,356 in restitution. The former mayor completed and submitted a request for loan assistance to FSA and subsequently received loans totaling \$354,300 in March 2009. Additionally, he requested a renewal of a FSA guaranteed line of credit from a local bank in April 2009 and received \$909,500. The man fraudulently omitted over \$350,000 in debt from his loan applications. If the debts had been reported, FSA would not have approved the loans, which all subsequently went into default. In addition, he failed to report approximately 140 acres of property as an asset, which precluded FSA from taking a secured interest in the property. This property was ultimately sold by the former mayor, and the profits of this sale were not applied to the loan debt.

#### **Kansas Man Sells Son's Mortgaged Cattle**

In December 2013, a Kansas man was sentenced in U.S. District Court, District of Kansas, to 21 months' incarceration and 60 months' supervised release and ordered to pay \$100,000 in restitution. Our investigation determined that, in May 2008, he falsely represented that his son would qualify for and use an FSA operating loan to buy and raise cattle

while the son attended a local college. From September 2011 through March 2012, the man sold cattle that had been pledged as security on his son's FSA operating loan, on which his son defaulted. He pledged those same cattle as security for a commercial loan.

#### **Iowa Man Guilty of Crop Insurance Fraud**

In January 2014, in U.S. District Court, Southern District of Iowa, a producer who filed a fictitious crop insurance claim was sentenced to time served, 36 months of supervised release, 6 months of home confinement with electronic monitoring, and ordered to pay a \$6,000 fine. No restitution was ordered because crop insurance indemnity payments were stopped pending investigative findings, so there was no loss to the Government. Our investigation determined that, beginning in October 2012, the producer illegally sold at least 39,000 bushels of corn to an ethanol refinery using a fictitious farm name. He concealed this corn from his financial lender and from his insurance crop loss adjustor, which resulted in a fraudulent crop insurance claim of approximately \$367,220. He pled guilty to one count of false statements in September 2013.

#### **Maine Man and His Girlfriend Stole Identities of Minor Children to Commit Benefits Fraud**

A Maine man and the mother of his child used their children's social security numbers to obtain employment and then failed to report the income to the various government agencies from which they were receiving benefits. The man received rental assistance from RD as well as SNAP benefits from USDA, and Temporary Assistance for Needy Families (TANF) administered by the Maine Department of Health and Human Services. His girlfriend and the mother of his child likewise received SNAP and TANF benefits. The pair were charged during 2012 with Social Security fraud, theft of Federal funds, aggravated identity theft, and making false statements. As we reported in the *Semiannual Report, Second Half of FY 2013*, the man pled guilty and was subsequently sentenced to 48 months' imprisonment to be followed by 36 months' supervised release and was ordered to pay \$21,382 restitution. His girlfriend pled guilty and was sentenced in December 2013 to 2 weeks' imprisonment, to be followed by 3 years' supervised release, and was ordered to pay \$19,015 in restitution.

#### **Volunteer Fire/Rescue Department President and Fire Chief Plead Guilty to Theft From an Organization Receiving Federal Funds**

Due to an OIG investigation, both the chief and the president of a Virginia volunteer fire/rescue department were sentenced for misusing a \$3.7 million RD loan intended to fund the renovation of the organization's fire station. The president pled guilty to theft from an organization receiving Federal funds, funds which he then used to pay his mortgage. He was sentenced in November 2013 to serve 24 months on probation and pay \$40,132 in restitution and a \$100 special assessment. The chief pled guilty to wire fraud and filing false individual income tax returns. In December 2013, the chief was sentenced to 24 months' incarceration, 24 months' supervised release, ordered to pay \$209,828 in restitution, and charged a \$200 special assessment. Other agencies involved in investigating the matter included FBI and Internal Revenue Service-Criminal Investigation (IRS-CI).

#### **Mississippi Man Impersonates an RD Employee and Fraudulently Obtains Money From Several Unsuspecting Citizens**

In March 2014, in U.S. District Court, Northern District of Mississippi, a Mississippi man was sentenced to 12 months of probation and ordered to pay \$1,000 in restitution. In March and April 2012, the man falsely identified himself as a RD employee to several Mississippi Delta residents who were seeking rental housing. The man required the residents to pay him \$500 to process their applications. He also required the residents to provide him with personal information, including social security numbers and birth certificates of their children. The man accepted a total of \$1,500 in cash from these individuals and falsely led them to believe the money was being used as a deposit towards the rental of a RD home.

#### **SNAP Trafficking Cases**

A significant portion of OIG's investigative resources are dedicated to ensuring the integrity of SNAP by combating the practice of exchanging benefits for cash (trafficking). Working closely with the Food and Nutrition Service (FNS), OIG has concluded the following SNAP-related investigations and prosecutions in the first half of FY 2014:

- **Long Island Store Owner and Employees Guilty of Defrauding SNAP.** In September 2013, in U.S. District Court, Eastern District of New York, the owner of a Long Island retail food store was found guilty of conspiracy to commit SNAP fraud, conspiracy to commit wire fraud,

and making false statements. He was sentenced in December 2013 to imprisonment for a period of 96 months and ordered to pay \$490,247 in restitution. Two store employees also pled guilty to conspiracy to commit SNAP fraud and were sentenced to probation. During the course of our joint investigation with FBI, the store employees exchanged SNAP benefits for U.S. currency at a discount. Following the execution of a search warrant at the store, the owner admitted to instructing his employees to discount SNAP benefits. In addition, our investigation revealed that the owner was previously convicted for SNAP trafficking.

- **Rhode Island Store Owners Guilty of Defrauding Food Program.** Our joint investigations with IRS-CI, the Rhode Island State Police, and FNS-Retailer Investigations Branch resulted in two Rhode Island store owners pleading guilty to charges related to SNAP trafficking and money laundering. One of the store owners was sentenced in December 2013 to imprisonment for 12 months and 1 day, to be followed by 36 months' supervised release, including 8 months of home confinement, and was ordered to pay \$399,000 in restitution. The other store owner was sentenced in February 2014 to spend 18 months in prison followed by 36 months' supervised release, including 6 months of home confinement, and ordered to pay \$398,000 in restitution.
- **Philadelphia Grocery Store Owner and Employee Plead Guilty to SNAP Trafficking.** In July 2009, information was received that a supermarket in Philadelphia was trafficking in SNAP benefits. During the course of the investigation, the owner and an employee of the store exchanged SNAP benefits for U.S. currency. In March 2012, in U.S. District Court, Eastern District of Pennsylvania, the employee was charged with five counts of SNAP trafficking. The employee pled guilty to these charges in November 2012, and in October 2013 was sentenced to 12 months and 1 day of imprisonment to be followed by 36 months' supervised release. In April 2013, the store owner pled guilty to SNAP fraud, money laundering, and conspiracy. In January 2014, the owner was sentenced to 16 months' imprisonment to be followed by 36 months' supervised release. Both were ordered to pay \$2.3 million in restitution, jointly and severally.
- **New Jersey Store Owner Convicted of SNAP Trafficking.** This investigation was initiated based upon information received from the New Jersey State Police and the New York City Police Department regarding SNAP trafficking at

a store in Newark. During the course of the investigation, the owner of the store exchanged SNAP benefits for the purchase of ineligible items, including electronics and a variety of household items, at the store and three additional related stores. In May 2013, the owner was arrested and charged in a New Jersey court with financial facilitation of criminal activity, theft by deception, and unauthorized use of a SNAP benefits card in violation of New Jersey statutes. In September 2013, the owner pled guilty to theft by deception and in January 2014 was sentenced to 84 months' imprisonment and ordered to pay \$831,830 in restitution.

- **Four Individuals Sentenced for SNAP Trafficking at Baltimore Pawn Shop.** OIG special agents participated in a joint warrant operation involving FBI, IRS-CI, the U.S. Postal Inspection Service, the Baltimore Police Department, and the Baltimore County Police Department, which revealed that a Baltimore pawn shop owner was trafficking SNAP benefits. In October 2013, the owner entered a guilty plea to a misdemeanor charge of conspiracy to commit theft in violation of Maryland law. The pawn shop owner was sentenced to 36 months' supervised release and ordered to pay \$1,200 in restitution to USDA. Three SNAP recipients also entered guilty pleas and were sentenced to 24 months' supervised release in a pre-trial diversion program.
- **Southern Ohio Retailer Sentenced for SNAP Fraud.** This investigation was conducted to determine if the owner and employees of a market in Fairborn, Ohio, were trafficking SNAP benefits for ineligible items and cash. The investigation was conducted jointly with the U.S. Secret Service and the Ohio Department of Public Safety-Investigative Unit. On several occasions during the course of this investigation, the store owner and a store employee exchanged SNAP benefits for ineligible items, including a motor vehicle and cash. In December 2013, the owner was sentenced in U.S. District Court, Southern District of Ohio, to 14 months in prison and 36 months' supervised release, and was ordered to pay a \$300 special assessment for buying SNAP benefits for cash and ineligible items, including a motor vehicle, and for illegally receiving unemployment insurance. The owner was also ordered to pay \$133,000 and he forfeited \$65,000 that had been seized during the investigation. The employee was sentenced to 60 months' probation and was ordered, along with the owner, to pay \$200,000 in restitution.

- **Southeast Michigan Store Owner Sentenced for Defrauding Nutrition Programs.** A joint investigation with IRS-CI and the Michigan State Police determined that, between August 2011 and September 2012, the owner of a Dearborn, Michigan, retail establishment defrauded SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) of more than \$1 million. In February 2013, the store owner confronted and threatened to kill an individual who assisted in the investigation. In March 2013, the owner was indicted in U.S. District Court, Eastern District of Michigan, on charges of wire fraud and witness tampering, and in August 2013 pled guilty to wire fraud. In November 2013, the owner was sentenced to 36 months' incarceration, 36 months' supervised release, and \$1.2 million in restitution. In addition, \$89,700 in fraud proceeds seized during a search warrant were subjected to forfeiture by the U.S. Attorney's Office, Civil Division.
  - **Operation Crackdown in Duluth, Minnesota, Results in the Arrest of 37 Individuals.** A 3-month joint investigation with the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Duluth Police Department, the Lake Superior Drug and Violent Crimes Task Force, and the North Star Fugitive Task Force targeted SNAP trafficking, narcotics trafficking, firearms violations, and prostitution in the Duluth area. In February 2013, search warrants were served resulting in the arrests of 37 individuals. Of the arrestees, eight individuals have been charged with welfare fraud related to SNAP trafficking, with two individuals subsequently being sentenced to incarceration periods of 27 and 88 months, respectively. The remaining six arrestees were charged with drug-related offenses and welfare fraud: two have active warrants issued for their arrest; one has been sentenced to 2 years of probation; two others have been sentenced to incarceration periods of 57 and 108 months, respectively; and one was scheduled for trial in March 2014.
  - **Kansas City Store Owner and Wife Sentenced for SNAP Fraud.** In December 2013, in U.S. District Court, Western District of Missouri, a Kansas City store owner was sentenced to 15 months' incarceration, followed by 36 months' supervised release, and his wife was sentenced to 60 months' supervised release. A co-defendant was previously sentenced to time served (16 months) and 36 months' supervised release. The husband, wife, and co-defendant were all ordered to pay \$151,000 in restitution jointly and severally. The owner and his wife were also ordered to forfeit three pieces of property. The co-defendant was a "runner" who recruited homeless people in the Kansas City area to give him their SNAP electronic benefit transfer (EBT) cards and personal identification numbers in exchange for cash. The runner provided the EBT cards to the store owner and his wife.
  - **California Husband and Wife Sent to Prison and Ordered to Pay Over \$6.5 Million in Restitution for SNAP Fraud at Six Stores.** In October 2013, a husband and wife—owners of six retail stores where SNAP trafficking took place—were sentenced in U.S. District Court, Central District of California, to serve 40 and 18 months in prison, respectively; pay over \$6.5 million in restitution jointly; and serve 36 months of supervised release once their prison time is complete. The owners were also ordered to forfeit over \$300,000 in cash, six pieces of real property, and a vehicle. In June 2013, each of the store owners pled guilty to one count of food stamp trafficking and one count of conspiracy.
  - **California Convenience Store Owner Sentenced to 42 Months in Prison and Ordered to Pay \$3.5 Million in Restitution.** In November 2013, the owner of a convenience store/gas station was sentenced in U.S. District Court, Central District of California, to serve 42 months in prison, pay \$3.5 million in restitution and a \$100 assessment fine, and serve 36 months of supervised release once his prison time is completed. In June 2013, the store owner pled guilty to food stamp trafficking and aiding and abetting.
- Massachusetts Sex Offender and Identity Thief Sentenced to Prison, Deportation**
- The Social Security Administration (SSA) OIG provided information regarding a convicted sex offender who admitted in State court to using the identity of another individual. Our joint investigation with SSA-OIG revealed that the man used the false identity to fraudulently obtain \$13,110 in SNAP benefits, as well as Supplemental Security Income from SSA, and Emergency Aid to Elders, Disabled and Children from the State of Massachusetts. He was charged with theft of public money, use of a falsely obtained social security number to obtain benefits, and aggravated identity theft. He subsequently pled guilty in U.S. District Court, District of Massachusetts, and was sentenced in December 2013 to imprisonment for 42 months, to be followed by deportation, and was ordered to pay \$7,426 in restitution.

## **Two Portland Individuals Fraudulently Applied for Federal Benefits and Deepwater Horizon Oil Spill Funds**

In October 2013, two Portland, Oregon, individuals were sentenced in U.S. District Court, District of Oregon. One individual was sentenced to 24 months of probation and ordered to pay \$22,377 in restitution. The other individual was sentenced to 60 months of probation and 4 months of home confinement, and ordered to pay \$21,000 in restitution. The joint investigation with the U.S. Postal Inspection Service, U.S. Secret Service, and Health and Human Services OIG found that these two individuals fraudulently applied for SNAP benefits, housing benefits, and TANF benefits. The couple, who were originally from Louisiana, also fraudulently applied for Deepwater Horizon Oil Spill funds related to fraudulent claims of lost work. In March 2013, the woman was charged with one count of false statements to government agencies and the man was charged with one count of mail fraud. Both pled guilty in June 2013.

## **Brother and Sister Involved in Sex Trafficking Conspiracy**

In July 2013, in U.S. District Court, Eastern District of Missouri, a Missouri man was sentenced to serve 120 months of incarceration and ordered to be under supervised release for life. His Federal sentence will run consecutively with his State term of imprisonment for failure to register as a sex offender after a prior crime; once released on that charge, he will be transferred to Federal custody to serve his Federal term. In February 2014, in U.S. District Court, Eastern District of Missouri, his sister was sentenced to 120 months in prison and ordered to be under supervised release for the remainder of her life. From approximately January 2010 to December 2011, the siblings recruited and maintained women, physically assaulted them, and forced them to engage in prostitution in Missouri and Illinois for the siblings' own financial benefit. The siblings also confiscated the women's EBT cards as a method of control and discipline and used the women's SNAP benefits to buy food for themselves.

## **Couple Defrauds Child Care Feeding Program**

In 2009, OIG reviewed FNS' Child and Adult Care Food Program (CACFP), which revealed that a large non-profit child care organization in New York, New York, inflated CACFP claims and misappropriated CACFP funds. The subsequent criminal investigation, conducted jointly with IRS-CI, the Nassau County Police Department, and the New York State Department of Health, revealed that the organization's executive director engaged in a conflict of

interest by using CACFP funds to pay for supplies from a company operated by her husband; misappropriated CACFP funds to pay for personal expenses, including the purchase of real estate and administrative support for other corporations they owned and operated; and instructed teachers to inflate the number of children/meals on CACFP claims for reimbursement and to submit fraudulent eligibility paperwork, thereby inflating the number of children that were eligible for free and reduced cost meals. In November 2010, seven search warrants were executed at child care facilities operated by the organization in Manhattan, Brooklyn, and Queens. In September 2011, a criminal complaint was filed charging the executive director and her husband with theft or bribery concerning programs receiving Federal funds. Both subsequently pled guilty and were ordered in October 2013 to pay restitution in the amount of \$2.2 million and to forfeit \$3 million. The executive director was sentenced to 57 months' imprisonment to be followed by 36 months' supervised release, ordered to perform 300 hours of community service, and pay a fine of \$100,000. Her husband was sentenced to 36 months' probation, to include 12 months' home confinement with electronic monitoring, and was ordered to perform 300 hours of community service, and pay a fine of \$7,500. The New York State Department of Health has proposed the couple's removal from participation in CACFP.

## **Former Georgia Teacher Sentenced to 14 Years in an \$8 Million Fraud and Money Laundering Conspiracy**

As we first reported in the *Semiannual Report to Congress, Second Half of FY 2012*, our investigation determined that an organized group of individuals opened 13 storefront operations in Georgia to defraud SNAP and WIC. In June 2013, a store owner and two employees were found guilty at trial of conspiracy to commit wire fraud and conspiracy to commit money laundering. Evidence presented at trial showed that this criminal organization purchased over \$8 million in SNAP benefits and WIC vouchers between February 2009 and June 2011. In November 2013, the store owner was sentenced to 168 months in prison and was ordered to pay \$8.3 million in restitution. Also in November 2013, the store manager was sentenced to 145 months in prison and the store employee was sentenced to 70 months in prison. To date, this investigation has resulted in 16 individuals being sentenced to prison terms. This case was worked jointly with the Savannah-Chatham Metropolitan Police Department, IRS-CI, and the U.S. Secret Service.

## Georgia Store Owner Sentenced to Prison for WIC Fraud

An investigation, which was conducted jointly with the U.S. Secret Service, disclosed that the owner of a small store in Georgia purchased WIC vouchers for cash. Additionally, the store owner sold fraudulent social security cards and Georgia driver's licenses. Between October 2010 and January 2012, approximately \$170,000 in WIC vouchers were deposited into the store owner's bank accounts. A review of the financial records disclosed that the owner purchased only \$31,000 worth of eligible inventory during that same time period. The owner was charged in U.S. District Court, Northern District of Georgia, with WIC fraud, theft of public funds, and identification documents fraud. The owner pled guilty and was sentenced in October 2013 to 18 months in prison and 36 months of probation, including 5 months of home confinement. She was also ordered to pay \$195,275 in restitution to the Georgia Department of Public Health.

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## RECOVERY ACT

### USDA Agencies Should Strengthen Controls Over Trade Adjustment Assistance for Farmers

Authorized under the American Recovery and Reinvestment Act of 2009, the Trade Adjustment Assistance for Farmers (TAAF) Program is designed to offer technical and financial assistance to farmers and fishermen affected by import competition. It is administered by three agencies: the Foreign Agricultural Service (FAS), the lead oversight agency; the Farm Service Agency (FSA); and the National Institute of Food and Agriculture (NIFA). While we found that FAS reported information on Recovery.gov as required, the three agencies did not have the appropriate controls in place to ensure that TAAF participants were eligible, payments were accurate, or oversight was sufficient. Specifically, FAS did not return unobligated and unneeded FY 2009 program funds to the Treasury, which amounted to approximately

\$65.1 million. Further, FAS granted broad approval for certain commodity producers to participate in the program; however, two of these approvals did not meet eligibility criteria. We found that 13 of 37 producers we reviewed did not individually show how they were affected by imports, and received approximately \$64,600. FAS also did not effectively monitor or review FSA's administration of the program, which allowed 85 producers to receive approximately \$284,000 in benefits to which they were not entitled. Finally, we found that NIFA did not ensure that the TAAF program database was compliant with Federal information system security requirements. FAS, FSA, and NIFA generally agreed with our recommendations. (Audit Report 50703-0001-23, American Recovery and Reinvestment Act—Trade Adjustment Assistance for Farmers Program)

As of March 31, 2014, OIG has completed 79 Recovery Act projects. Two projects remain outstanding.

## GOVERNMENTWIDE ACTIVITIES—GOAL 2

### ***Review of Legislation, Regulations, Directives, and Memoranda***

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▪ *Notice and Request for Information—Enhancing Retail Food Store Eligibility in SNAP.* OIG reviewed and provided comments on FNS’ notice and request for information regarding its proposal to enhance retail food store eligibility in SNAP. The notice requested responses to 14 questions on how best to enhance retailer definitions and requirements in order to improve access to healthy food choices for SNAP participants and program integrity, as well as how to ensure that only retailers that effectuate the purpose of SNAP are authorized to participate in the program. OIG noted that, although access to healthy food choices can be a reasonable priority for establishing SNAP store eligibility criteria, other priorities are equally important. For example, program integrity is a reasonable priority for establishing SNAP store eligibility criteria to best limit waste, fraud, and abuse in the program and best ensure that the program funds are used as intended. We noted that recent audit work has demonstrated that FNS needs to improve the agency’s controls for authorizing, reauthorizing, and disqualifying retailers that participate in SNAP. OIG also noted that all available resources should be utilized to carry out key oversight and enforcement activities to address SNAP retailer fraud and to prevent multiple instances of fraud.

▪ *Rural Housing Service (RHS)—Interim Final Rule—Single Family Housing Guaranteed Loan Program.* OIG reviewed RHS’ interim final rule, which provided an exception authority for the agency when a determination is made that application of the requirement would adversely affect the Government’s interest. OIG recommended that the provision be amended to reflect the requirement that exception authority reasons be documented. The rule also identified eligible costs for the use of loan funds associated with the acquisition of a dwelling. OIG recommended that eligible costs include the cost to design and construct access to broadband services within the approved home. Further, the rule provided for a mortgage recovery advance where the “agency will also allow lenders to advance funds on behalf of borrowers in amounts necessary to bring defaulted loans current, up to 30 percent of the unpaid principle balance of the loans. Upon request, the agency will reimburse the lender for eligible advances.” OIG recommended that only when a valid loss claim has been submitted to the agency by the lender should the Government determine whether it should reimburse the lender for these costs in accordance with the Government’s guaranty percentage.

▪ *APHIS Notice—Petition to Amend Animal Welfare Act Regulations to Prohibit Public Contact with Big Cats, Bears, and Nonhuman Primates.* OIG reviewed and provided comments on an APHIS notice of a petition to amend the Animal Welfare Act regulations. In the notice, APHIS asked for input regarding whether licensees should be explicitly prohibited from allowing persons to come into direct physical contact with any big cats, bears, and nonhuman primates; and whether exhibitors and dealers should be required to keep additional documentation regarding these animals. OIG suggested that APHIS consider broadening any prohibition barring direct contact to cover additional animals such as exotic canines. Additionally, OIG recommended clarifying regulations and guidance related to the definition of “sufficient distance” and barriers in order to better assure the safety of animals and the viewing public. Finally, OIG recommended that APHIS require licensed animal exhibitors to keep documentation of exhibition activities and escapes and attacks involving dangerous animals.

### ***Participation on Committees, Working Groups, and Task Forces***

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▪ *Interagency Fraud and Risk Data Mining Group.* The OIG Data Analysis and Special Projects Division participates in this working group to learn from experts in the fields of data mining and risk analysis. The group brings together investigators and auditors within the Federal community to share fraud detection and prevention best practices, modeling tools and techniques, and emerging issues that can be integrated with existing data mining practices, tools, and techniques.

▪ *Operation Talon.* OIG began Operation Talon in 1997 to catch fugitives, many of them violent offenders, who are current or former SNAP recipients. Since its inception, Operation Talon has led to the arrests of thousands of fugitive felons. During the first half of FY 2014, Talon operations were conducted in 4 States, resulting in more than 200 arrests. OIG combined forces with Federal, State, and local law enforcement agencies to arrest fugitives for such offenses as arson, assault, blackmail, drug charges, offenses against family and children, robbery, sex offenses, and weapons violations.

▪ *Bridge Card Enforcement Team.* OIG investigators work with this team to investigate criminal SNAP and WIC violations. Team members include the Michigan State Police and IRS-CI investigators. During this reporting period, we have also worked with the Lansing Police Department’s Special Operations Division and Homeland Security Investigations. Since 2007, our teamwork has resulted in 152 arrests and 241 search warrants served. The U.S. Attorney’s Offices for

the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office are pursuing multiple criminal prosecutions, with cases so far resulting in 139 guilty pleas. Sentences have included lengthy incarceration periods and \$26 million in court-ordered fines and restitution. The U.S. Attorney's Offices have initiated forfeitures totaling over \$4.5 million.

- *Cook County State's Attorney's Office Regional Crime Task Force.* OIG investigators work with this team to investigate criminal SNAP and WIC violations. Team members include the Illinois State's Attorney's Office, Illinois State Police, Chicago Police Department, U.S. Secret Service, U.S. Immigration and Customs Enforcement Homeland Security Investigations, and numerous other State and local law enforcement agencies that serve the citizens of Cook County, Illinois. In August 2013, the task force opened its 5,000-square-foot state-of-the-art regional operations center that is the Midwest hub for the battle against organized crime. This first-of-its-kind public/private partnership could be a model for future initiatives. The Cook County State's Attorney's Office is pursuing multiple criminal prosecutions, with cases so far resulting in three guilty pleas for organized financial crime related to SNAP.

- *Suspicious Activity Reports Review Teams.* OIG agents in a number of States participate on suspicious activity review teams, which are coordinated by the U.S. Department of Justice through the U.S. Attorney's Offices. These review teams systematically review all reports of suspicious activity that affect a specific geographic jurisdiction, identify individuals who may be engaged in criminal activities, and coordinate and disseminate leads to appropriate agencies for followup. These teams generally include representatives from law enforcement and various regulatory agencies, with the U.S. Attorney's Office and IRS-CI typically in lead roles. OIG focuses specifically on reports of suspected criminal activities by business entities and individuals involved in USDA programs, including SNAP and WIC violations, stolen infant formula, and farm-related cases. Coordination among the respective agencies results in improved communication and more efficient resource allocation.

- *Mortgage Fraud Task Forces.* OIG investigators participate in mortgage fraud task forces in California, Minnesota, and North Carolina, in addition to a national mortgage fraud working group that meets monthly in Washington, D.C. These task forces identify trends, share information, and coordinate investigations related to mortgage fraud. They are working to improve efforts across the Federal executive branch, and with State and local partners, investigate and prosecute significant mortgage crimes, combat discrimination in the lending and

financial markets, and recover proceeds for victims of financial crimes. The task forces are headed by representatives from U.S. Attorney's Offices and FBI. They are strategically placed in locations identified as high-threat areas for mortgage fraud. They include participants from Federal program agencies and regulatory agencies including Housing and Urban Development, IRS, SSA, local district attorney's offices, and police departments.

- *Organized Retail Theft Task Forces.* As a member of the Retail Merchants Association of North Carolina Retail Theft Initiative, OIG agents coordinate, plan, and meet regularly with various retail merchants in North Carolina to discuss a proactive investigative strategy to develop cases involving retail theft. This working group coordinates investigations of convenience stores and retail outlets that may be involved in the theft and resale of infant formula, electronics, and other retail items. As members of the Bay Area Organized Retail Crime Association in California, OIG agents work with other area law enforcement agencies and organized retail crime investigators from major retailers to identify and coordinate action against organized retail theft rings, as well as to identify retail items susceptible to theft by such organized groups.

- *The Guardians.* USDA OIG is a member of this task force in Montana consisting of other OIGs and FBI. The task force was convened by the U.S. Attorney's Office to coordinate and synchronize law enforcement efforts among various Departments that have a significant financial commitment in Native American communities in Montana. The participating agencies join forces; share assets and responsibilities; promote citizen disclosure of public corruption, fraud, and embezzlement in Federal programs, contracts, and grants; and investigate and prosecute crimes against Montana's Native American communities.

- *Western Regional Inspectors General Councils and Intelligence Working Groups.* OIG investigators work with various councils and groups to share information, discuss ongoing and potential work of mutual interest, and strengthen working relationships. In addition, Western Region OIG investigators organize and participate in meetings to enhance coordination among Federal, State, and local law enforcement agencies throughout the region. Inspector General (IG) councils meeting in other regions of the country also include USDA OIG representatives.

- *Small Business Innovative Research Working Group.* OIG investigators and auditors participate in a working group hosted by the National Science Foundation OIG. The working group is focused on addressing Congress' concerns about the persistence of fraud in this research program, as well as the

IGs' annual reporting requirements on their work in this program area.

- *Environmental Crimes Working Groups.* OIG agents continue to participate in working groups convened by U.S. Attorney's Offices in the District of New Hampshire, the Eastern District of North Carolina, and the Western District of Washington State, to improve cooperation and coordination among Federal, State, and local law enforcement agencies enforcing environmental laws, as well as to exchange information and provide prosecutorial support and training opportunities.

- *Minnesota Pest Risk Committee.* OIG participates in this committee, which is composed of Federal, State, and local representatives who focus on efforts used in Minnesota to intercept and control invasive plants, insects, and animals that are detrimental to the State.

- OIG agents participated in other task forces and working groups related to benefits fraud, including the *Northern California Financial Fraud Investigators Association*; a bankruptcy fraud working group and white-collar crime working group in Kansas and Missouri; the *Identity Theft Working Group* in New Hampshire; social services/welfare fraud working groups in Oregon and Washington State; the *Colorado Welfare Fraud Council*; and SNAP fraud joint investigative groups in Arizona, California, and Mississippi, including a *U.S. Secret Service High Tech Crimes Task Force*.

- *Ohio Organized Crime Investigations Commission Task Force.* An OIG investigator is participating on the Ohio Organized Crime Investigations Commission Task Force in Dayton. The task force provides assistance to local law enforcement agencies in the investigation of organized criminal activity. OIG investigators have participated on the task force since 1996 and have conducted investigations involving welfare recipients, food stamp trafficking, mortgaged farm equipment stolen from farmers, stolen property trafficking, illegal drugs, and dog fighting.

## ONGOING REVIEWS FOR GOAL 2

- economic adjustment assistance to users of upland cotton (FSA),
- review of Water and Waste Disposal Loan and Grant Program hotline complaint (RUS),
- States' food costs for WIC (FNS),
- Noninsured Crop Disaster Assistance Program (FSA),
- Federal Crop Insurance Program—enterprise units (Risk Management Agency (RMA)),
- beginning farmers and ranchers programs (FSA, RMA, Natural Resources Conservation Service (NRCS), Office of Advocacy and Outreach (OAO), NIFA, and RBS),
- SNAP error rate (FNS),
- National School Lunch and School Breakfast Programs (FNS),
- Single Family Housing direct loan servicing and payment assistance recapture (RD),
- compliance activities (FSA),
- Environmental Quality Incentives Program (NRCS),
- Microloan Program (FSA),
- eligibility and compliance consideration for Section 2501 Grants Awarded FYs 2010-2011 (OAO),
- Single Family Housing direct loan servicing and payment (RD), and
- Lessons Learned—American Recovery and Reinvestment Act of 2009, Roll-Up of OIG Work Performed in USDA Agencies and Program Areas.

# Management Improvement Initiatives

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## OIG Strategic Goal 3:

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

OIG conducts audits and investigations that focus on such areas as improved financial management and accountability, information technology (IT) security and management, research, real property management, employee integrity, and the Government Performance and Results Act. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. One of the more significant dangers USDA faces is a cyber attack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gain.

#### Management Challenges Addressed Under Goal 3

- **USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs (Challenge 2)**
- **Information Technology Security Needs Continuing Improvement (Challenge 3)**
- **Departmental Outreach Efforts Need to be More Transparent (Challenge 4)**

In the first half of FY 2014, we devoted 45.2 percent of our total direct resources to Goal 3, with 99.2 percent of these resources assigned to critical/high-impact work. A total of 100 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 72 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued 14 audit reports under Goal 3 during this reporting period. OIG's investigations under Goal 3 yielded 4 indictments, 5 convictions, and approximately \$500,000 in monetary results during this reporting period.

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## EXAMPLES OF AUDIT AND INVESTIGATIVE WORK

### FOR GOAL 3

#### FAS Needs to Strengthen Controls Over the Food for Progress Program

FAS' Food for Progress Program, which totals approximately \$734.5 million, seeks to improve agricultural productivity and expand agricultural trade. OIG's prior reviews of FAS' food aid programs disclosed internal control weaknesses with its monitoring and closing of food aid agreements. As a result of our previous audits, FAS has implemented corrective actions, such as developing and implementing a Food Aid Information System for administering food aid program agreements, providing staff training, issuing new regulations, and hiring consultants to assess its management controls over its food aid programs.

However, our current audit of FAS' Food for Progress Program identified similar, significant program management

control weaknesses. FAS does not have effective controls in place to monitor and close out agreements. Also, FAS' controls did not ensure that: (1) private voluntary organizations (PVO) reported financial information completely and accurately in their semiannual reports; (2) PVOs established separate bank accounts to administer agreements; and (3) interest earnings were remitted on advanced CCC administrative funds. These problems occurred because FAS lacks strong management controls over the program. We found that FAS had not fully overseen these program agreements, nor had it implemented performance indicators or measures to assess its accomplishments. These weaknesses resulted in questioned and unsupported costs totaling \$685,646, and funds to be put to better use totaling \$8,481. Without strengthening its oversight of Food for Progress Program agreements, FAS cannot ensure Federal resources are used efficiently and effectively. FAS generally agreed with our recommendations. (Audit Report 07601-0001-22, Private Voluntary Organization Grant Fund Accountability)

## AMS Should Improve Its Oversight of the Cattlemen's Beef Promotion and Research Board (Beef Board)

Based on our review of relevant provisions of the Beef Research and Information Act and the Beef Promotion and Research Order, and our review of the contractual association between the beef board and the National Cattlemen's Beef Association, as well as other industry-related organizations, we found no cause to question the current relationship between the parties. However, our review of the Agricultural Marketing Service's (AMS) and the Beef Board's procedures for monitoring activities related to the beef checkoff program concluded that AMS oversight as an internal control function needs improvement. In our view, agency officials had reduced assurance that beef checkoff funds were collected, distributed, and expended in accordance with the Act, as well as with the Order. AMS had not conducted periodic management reviews of the Beef Board, and the agency's procedures for conducting these reviews could be improved. AMS needs to develop and implement oversight procedures specific to the Beef Board and perform management reviews of the beef checkoff program. OIG also recommended that the Beef Board require detailed estimates of project implementation costs. AMS agreed with our recommendations. (Audit Report 01099-0001-21, AMS: Oversight of the Beef Promotion and Research Board's Activities) (This is a reissuance of our audit report originally dated March 29, 2013. In response to a complaint we received on the quality of our report, we removed the original report from our website. We re-engaged with the agency and conducted additional audit and quality control procedures; our subsequent report reaffirmed the finding and recommendations. OIG published its revised report January 2014.)

## USDA FY 2013/2012 Consolidated Financial Statements

USDA's FY 2013/2012 consolidated financial statements fairly presented, in all material respects, USDA's financial position. Our review of USDA's internal controls over financial reporting identified four significant deficiencies, two of which are material weaknesses. Additionally, our report included a finding related to USDA's lack of substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), and a finding related to a violation of the Anti-Deficiency Act. The Department concurred with our findings and generally agrees with our recommendations. (Audit Report 50401-0005-11, USDA's Consolidated Financial Statements for Fiscal Years 2013 and 2012)

In addition to auditing USDA's consolidated financial statements, OIG either performed or oversaw contractors as they performed audits of six USDA agencies' financial statements, as well as USDA's special purpose financial statements:

- *RD—Unmodified Opinion on FY 2013/2012 Financial Statements.* RD received an unmodified opinion on its financial statements for FYs 2013 and 2012. Our consideration of internal controls over financial reporting identified no material weaknesses. However, our consideration of compliance with laws and regulations noted an instance of noncompliance with the Improper Payments Elimination and Recovery Act of 2010. (Audit Report 85401-0003-11, Rural Development's Financial Statements for Fiscal Years 2013 and 2012)
- *Forest Service (FS)—Unmodified Opinion on FY 2013/2012 Financial Statements.* FS received an unmodified opinion on its financial statements for FYs 2013 and 2012. An independent certified public accounting firm conducted the FY 2013 audit and identified significant deficiencies in internal controls over IT; property, plants, and equipment; validity and accuracy of unliquidated obligations; timely recording of cash activity; and payroll accrual. (Audit Report 08401-0003-11, Forest Service's Financial Statements for Fiscal Years 2013 and 2012)
- *CCC—Unmodified Opinion on FY 2013/2012 Financial Statements.* An independent certified public accounting firm audited CCC's financial statements for FYs 2013 and 2012 and issued an unmodified opinion. The report identified two significant deficiencies: CCC's funds control and controls over child agency financial reporting. The auditors considered the first significant deficiency to be a material weakness. CCC generally acknowledged the significant deficiencies and is implementing corrective action. (Audit 06401-0003-11, Commodity Credit Corporation's Financial Statements for Fiscal Years 2013 and 2012)
- *NRCS—Disclaimer of Opinion on FY 2013 Financial Statements.* An independent certified public accounting firm audited NRCS' financial statements for FY 2013 and issued the agency a disclaimer of opinion. The auditors' report identified weaknesses in NRCS' accounting and controls over undelivered orders, financial reporting, expenses, revenue and accounts receivable, and property, plants, and equipment. The auditing firm considered the first four deficiencies to be material weaknesses, and the last one to be a significant

deficiency. Additionally, the auditors tested for compliance with laws and regulations and disclosed instances of noncompliance with FFMIA. (Audit Report 10401-0003-11, Natural Resources Conservation Service's Financial Statements for FY 2013)

▪ **Federal Crop Insurance Corporation (FCIC)/RMA—Unmodified Opinion on FY 2013/2012 Financial Statements.** An independent certified public accounting firm audited FCIC/RMA's consolidated financial statements for FYs 2013 and 2012 and issued an unqualified opinion. The audit identified one significant deficiency for estimated losses on insurance claims calculation. The accounting firm considered this to be a material weakness. FCIC/RMA is implementing corrective action. (Audit Report 05401-0003-11, Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2013 and 2012)

▪ **FNS—Unmodified Opinion on FY 2013/2012 Financial Statements.** OIG audited FNS' financial statements for FYs 2013 and 2012 and issued an unmodified opinion. Although our consideration of compliance with laws and regulations disclosed one instance of noncompliance with the Improper Payments Elimination and Recovery Act of 2010, we reported no significant deficiencies or weaknesses. (Audit Report 27401-0003-21, Food and Nutrition Service's Financial Statements for Fiscal Years 2013 and 2012)

▪ **USDA—Unmodified Opinion on FY 2013/2012 Special Purpose Financial Statements.** USDA's special purpose financial statements received an unmodified opinion, and OIG found no material weaknesses. (Audit Report 50401-0006-11, Department of Agriculture's Closing Package Financial Statements for Fiscal Years 2013 and 2012)

#### **Claims Process Implemented in Accordance With *In re* Black Farmers Discrimination Litigation Settlement Agreement**

In 1997, a group of black farmers brought a class action lawsuit against USDA for alleged discriminatory actions when they applied for farm credit or benefits. The case, *Pigford, et. al v. Glickman* (known as *Pigford*), was settled by the parties in 1999. The 2008 Farm Bill afforded judicial recourse for late filers in the original *Pigford* settlement who had not previously obtained a determination on the merits of a *Pigford* claim. The 2008 Farm Bill also provided that the Secretary of Agriculture was to make \$100 million available for payments and debt relief to satisfy the claims under this second case, known as *In re* Black Farmers Discrimination Litigation (BFDL). The *Claims Resolution Act of 2010* provided another \$1.15 billion for BFDL claims. OIG conducted a performance audit of the claims process for the BFDL settlement before the deciding official (known as the Neutral)

finalized decisions regarding claims. 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 three findings. First, the Neutral's adjudicators reached different conclusions for claims that essentially contained the same information. For claims that were similar, they approved some and denied others. We identified 8 such claims in our random sample of 100 claims. Second, the Claims Administrator had not identified all instances where multiple claims may have been filed for a single farming operation or an individual class member. We identified seven such claims in our random sample. Third, the Neutral had provisionally approved at least 20 persons who were ineligible for a BFDL award because they had already participated in the *Pigford* settlement. The Claims Administrator and the Neutral addressed our findings and detailed actions they planned to take prior to the final adjudication of claims. We concluded that their stated actions should mitigate our audit findings, and therefore issued no recommendations. We plan to test the effectiveness of the actions in a subsequent audit. (Audit Report 50601-0001-21, *In re* Black Farmers Discrimination Litigation)

#### **USDA Needs to Resolve Longstanding Material Weaknesses in its IT Security**

Although USDA continues to improve the security posture of its IT infrastructure and associated data, OIG has found that many longstanding weaknesses remain. In FYs 2009 through 2012, OIG made 49 recommendations for improving the overall security of USDA's systems, but only 19 of these have been closed. Again this year, we continued to report a material weakness in USDA's IT security. The Department has not: (1) established a program 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; (4) developed and implemented a policy to detect and remove unauthorized network connections; or (5) finalized and issued policy for information security oversight of systems that contractors or other entities operate on USDA's behalf. The Department should continue its progress by issuing critical policy and addressing outstanding recommendations, as well as the six new recommendations in this year's report. We reached

management decision on four recommendations, and the Office of the Chief Information Officer (OCIO) is working closely with OIG to resolve the remaining two. (Audit Report 50501-0004-12, U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2013 Federal Information Security Management Act)

#### **FAS Needs to Establish a Comprehensive Management Control Environment for Section 632(a) Funds**

In June 2010, the U.S. Agency for International Development (USAID) transferred \$86.3 million to USDA for capacity-building activities in Afghanistan. OIG found that senior managers at FAS were aware of general control weaknesses before first receiving the funding and hired a consulting firm to review FAS processes for managing Section 632(a) funds from USAID. Although the firm identified several deficiencies, FAS did not adequately implement corrective actions to strengthen its control environment before accepting the funds. Specifically, we found that FAS had not implemented performance monitoring plans for all projects until over 2 years after the first project began, which meant that FAS did not have adequate methods to monitor recipients' accomplishment of program goals and objectives. Also, FAS did not finalize or implement a grant management structure that would facilitate effective monitoring of recipients' fund use.

FAS managers and senior officials did not clearly understand who was responsible for correcting control deficiencies and implementing recommendations. Additionally, FAS did not identify or adopt procedures from its other program areas to assist in monitoring and oversight. Without adequate management controls in place, FAS cannot effectively monitor Section 632(a)-funded projects in Afghanistan and faces difficulty in providing adequate assurance that the funds are effectively accomplishing program goals. We did not, however, identify any specific instances where transferred funds were not used in accordance with the memorandum of agreement or the cooperative agreement. While FAS agreed with all recommendations, we accepted management decision on one of the two recommendations. (Audit Report 50601-0002-16, Section 632(a) Transfer of Funds from U.S. Agency for International Development to the U.S. Department of Agriculture for Afghanistan)

#### **NASS Needs to Improve the Security of Its Sensitive Commodity Market Data**

NASS did not adequately enforce critical procedures and physical security measures meant to protect the security of NASS information. Notably, although smartphones and other

electronic devices are banned, OIG staff was able to bring a cell phone into lockup and witnessed a reporter using an iPad during lockup. NASS had also not taken mitigating actions to address outstanding IT vulnerabilities, thereby placing NASS' systems at risk. As a result, sensitive information could be compromised or leaked before its official release, which could adversely affect equitable trading in commodity markets. Faced with three early releases, NASS requested the Office of the Chief Information Officer/Agriculture Security Operations Center to perform a technology-related review of the press release process.

We noted that NASS has not established a formal process for effectively monitoring lockup, nor a systematic process for documenting and following up on recommendations. Managers also did not review lockup procedures for gaps, did not adequately oversee contracted guards and equipment inventories, and were unaware of or did not have resources to meet Federal security requirements. NASS stated that it has taken action to address the majority of the issues found, and management decision has been reached for 14 of the 17 recommendations. (Audit Report 26501-0001-12, Security Review of NASS' Lockup Procedures)

#### **Former NRCS Employee Embezzles Government Funds**

In December 2013, in U.S. District Court, Western District of Louisiana, a former NRCS employee was sentenced to 40 months' incarceration and 60 months of supervised release, and ordered to pay \$450,000 in restitution. Between December 2005 and September 2010, while employed with NRCS, the former employee made seven false applications to a bank on behalf of a resource conservation and development council requesting new loans or loan extensions totaling \$175,555. From 2007 thru 2009, she obtained over \$100,000 in assets and income embezzled from the resource conservation and development council. This investigation was conducted jointly with FBI.

#### **FS Employee Pilfers Credit Cards Intended for Students at Job Corps Center**

A former FS employee was convicted in U.S. District Court, Western District of Wisconsin and was ordered in October 2013 to serve 4 months' home confinement and pay restitution of \$7,818, after an investigation determined he stole prepaid credit cards intended to pay student travel expenses. The employee was assigned to a Job Corps center in Wisconsin, and used the stolen

credit cards to purchase tools, gasoline, and other supplies for his personal truck and race car. The employee also gave some of the stolen prepaid credit cards to friends and family members. This investigation was worked in conjunction with FS' Law Enforcement and Investigations.

## GOVERNMENTWIDE ACTIVITIES—GOAL 3

### Testimonies

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▪ *The House Committee on Appropriations' Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.* On March 5, 2014, Inspector General Phyllis Fong testified on OIG's recent oversight of USDA programs. OIG's FY 2013 audit and investigative work garnered potential monetary results totaling over \$1.2 billion, with 54 audit reports issued and 551 convictions obtained. She noted that OIG's work has demonstrated that the Department and its agencies need to focus more on how they monitor their programs and ensure that participants are complying with requirements. Because OIG's recommendations help to improve these programs, our work will have a lasting impact that reaches far beyond quantified cost savings. The Inspector General also detailed OIG's achievements in building a leaner and more effective agency, enabling OIG to continue performing its oversight role despite functioning at the lowest level of staffing in its history.

### Review of Legislation, Regulations, Directives, and Memoranda

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▪ *S. 1410, the Smarter Sentencing Act of 2014.* OIG reviewed S. 1410, the Smarter Sentencing Act of 2014, which would, among other things, make certain sentencing changes for Federal drug offenses. The bill would also require Federal agencies to report the number of Federal agency referrals of criminal regulatory offenses to the Department of Justice for prosecution for each of the past 15 years. OIG commented that the requirement to report referrals for each of the past 15 years may present a significant reporting burden and suggested that consideration be given to shortening the number of years required to be reported, or reducing the reporting burden in some other way.

▪ *USDA Draft Regulations—Freedom of Information Act.* OIG reviewed a draft update of USDA's Freedom of Information Act (FOIA) regulations. The draft update was intended to incorporate 2008 amendments to FOIA and to make the regulation more customer-focused and reader-friendly. OIG provided several comments to the Department. First, OIG had concerns with a provision that mandates processing requests where fees are assessed or outstanding. OIG also commented regarding a provision regarding the manner in which notification to, and processing of, complex requests involving unusual circumstances is effected. OIG recommended that USDA follow the Department of Justice's

FOIA regulations regarding both these draft provisions. Finally, OIG noted that it should be exempted, because of its statutory independence, from the draft provision requiring that USDA's OGC concur on any FOIA appeal determinations.

▪ *OMB Substitute Amendment to S. 994, the Digital Accountability and Transparency Act of 2014.* OIG reviewed OMB's substitute amendment to S. 994 and provided comments. The bill would require, among other things, Federal agencies to expand reporting on budgetary resources, and to better link spending on Federal contracts, loans, and grants to programs. One section of the bill would require OIGs, in consultation with the Government Accountability Office, to review a sample of Federal agency spending data and to report on the completeness, timeliness, quality, and accuracy of such data periodically to Congress. OIG's comments related to clarifying the requirement for and the timing of certain reports.

### Participation on Committees, Working Groups, and Task Forces

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▪ *Intra-Departmental Coordinating Committee on International Affairs.* OIG auditors continue to participate in this committee's meetings. Headed by FAS, the purpose of the committee, which includes most USDA agencies, is to coordinate international activities. Some of the issues considered by the group include agricultural trade promotion and trade policy, country strategy statements, climate change initiatives, and international food security and assistance.

▪ *Federal Audit Executive Council.* OIG participates in the Federal Audit Executive Council, whose main purpose is to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to members. The council has six standing committees: Audit, Financial Statements, Information Technology, Professional Development, Contracting, and the Annual Conference. OIG's Assistant Inspector General for Audit serves as the Chair of the Audit Committee.

▪ *USDA Credit Reform Workgroup.* The Financial Audit Operations Division of OIG participates on this workgroup, which is composed of representatives from all USDA credit agencies. The purpose of this workgroup is to address accounting, auditing, budgeting, and reporting issues encountered by agencies subject to the Federal Credit Reform Act of 1990.

▪ *Financial Statement Audit Network (FSAN) Workgroup.*

OIG auditors are members of the FSAN workgroup, whose main purpose is to share ideas, knowledge, and experience concerning Federal financial statement audits. Through coordination with FSAN, annually OIG hosts the Council of the Inspectors General on Integrity and Efficiency (CIGIE)/Government Accountability Office Financial Statement Audit Conference.

- *Conference Spending Reporting Requirements.* OIG worked with other IGs on the implementation of the conference reporting requirements outlined in Section 3003 of the Consolidated and Further Continuing Appropriations Act of 2013.

- *Hurricane Sandy Disaster Rebuilding Task Force.* OIG participated in and monitored USDA's efforts related to Hurricane Sandy recovery efforts.

- *Whistleblower Ombudsman Working Group.* An OIG employee serves as USDA's Whistleblower Protection Ombudsman and continues to participate in the OIG Whistleblower Ombudsman Working Group. This group was established following the enactment of the Whistleblower Protection Enhancement Act of 2012 to assist newly

designated ombudsmen with implementing the Act's requirements concerning the education of Federal employees about prohibitions against retaliation for protected disclosures of fraud, waste, and abuse, and their rights and remedies if retaliation does occur.

- *Financial Fraud Enforcement Task Force (formerly the National Procurement Fraud Task Force).* OIG is a member of this task force, formed by the Department of Justice in October 2006 as a partnership among Federal agencies charged with investigating and prosecuting Government contracting and grant illegalities. The purpose of the task force has been expanded to include a wider variety of financial crimes, from securities fraud to identity theft. The task force is working to better allocate resources, improve coordination in financial fraud cases, and accelerate its investigation and prosecution. OIG investigation field offices in all OIG regions participate in procurement fraud task forces.

- *FBI's Public Corruption Working Group/Task Force.* OIG agents are members of these groups in Mississippi and Utah, which are focused on combating corruption involving Government officials and employees.

### ONGOING REVIEWS FOR GOAL 3

- Department of Agriculture’s FY 2013 compliance with the Improper Payments Elimination and Recovery Act of 2010 (Office of the Chief Financial Officer (OCFO)),
- FY 2013 Executive Order 13520, Reducing Improper Payments, High Dollar Overpayment Report (OCFO),
- Department of Agriculture’s consolidated financial statements for FY 2014 and 2013 (USDA),
- CIGIE Cloud Computing Initiative—status of cloud-computing environment within USDA (OCIO),
- review of the Department’s U.S. Bank purchase card and convenience check data (Office of Procurement and Property Management (OPPM)),
- review of USDA contractor databases (OPPM),
- USDA Strikeforce Initiative (OAO),
- Hispanic and women farmers and ranchers claim resolution process (USDA),
- National Program Operations Reviews (RMA),
- effectiveness of the Export Credit Guarantee Program (FAS),
- controls over Economy Act transfers and Greenbook program charges (OCFO),
- conservation easement compliance (NRCS),
- Livestock Forage Program (FSA),
- controls over the Conservation Stewardship Program (NRCS),
- firefighting cost share agreements with non-Federal entities (FS),
- review of selected contract actions (Office of the Assistant Secretary for Civil Rights),
- *In re* Black Farmers Discrimination Litigation—adjudicated claims (USDA),
- FY 2014 Federal Information Security Management Act (OCIO),
- oversight and compliance activities (FS),
- management and security over USDA’s universal telecommunications network (OCIO),
- review of initiative to modernize and innovate the delivery of agricultural systems (FSA),
- agreed upon procedures: employee benefits, withholdings, contributions, and supplemental semiannual headcount reporting submitted to the Office of Personnel Management (OCFO), and
- statement on standards for attestation engagements No. 16, report on controls at the National Finance Center (OCFO).

## Reporting Requirements

### Inspector General Act

<b>IG ACT Section</b>	<b>IG Act Description</b>	<b>USDA OIG Reported</b>
Section 4(a)(2)	Review of Legislation and Regulations	Pages 12 and 21
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-22
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-22
Section 5(a)(3)	Significant Recommendations From Agency's Previous Reports on Which Corrective Action Has Not Been Completed	Appendix A.10 Pages 37-46
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	Appendix B.1 and B.2 Page 48-49
Section 5(a)(5)	Matters Reported to the Head of the Agency	N/A
Section 5(a)(6)	Audit Reports Issued During the Reporting Period	Appendix A.6 Pages 31-33
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2 and 3 Pages 1-22
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Page 29
Section 5(a)(9)	Statistical Table: Recommendations That Funds Be Put to Better Use	Appendix A.3 Page 29
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	Appendix A.7 Pages 34-35
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 36
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General is in Disagreement	Appendix A.9 Page 36
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	Appendix A.11 Page 47
Section 5(a)(14) and (15)	Peer Reviews of USDA OIG	Page 27
Section 5(a)(16)	Peer Reviews conducted by USDA OIG	Page 27

### National Defense Authorization Act for FY 2008

Section 845	Contract Audit Reports with Significant Findings	Appendix A.4 Page 30
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## Gauging the Impact of OIG

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### Measuring Progress Against the OIG Strategic Plan

The first way we gauged our impact was by measuring the extent to which our work focused on the key issues under our strategic goals. These are:

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

### Impact of OIG Audit and Investigative Work on Department Programs

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

For audits we show:

- reports issued,
- total dollar impact of reports issued (questioned costs and funds to be put to better use),
- contract audit reports with significant findings,
- management decisions made (number of reports and recommendations),

- total dollar impact of management-decision reports (questioned costs and funds to be put to better use),
- program improvement recommendations,
- audits without management decision,
- significant revised management decisions made,
- significant management decisions with which the Inspector General is in disagreement; and
- audits with recommendations pending corrective action.

For investigations we show:

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

## Performance Results Total Under Our Strategic Goals

PERFORMANCE MEASURES	FY 2013 ACTUAL	FY 2014 TARGET	FY 2014 First Half ACTUAL
<b>OIG direct resources dedicated to critical-risk and high-impact activities.</b>	96.6%	94%	95.5%
<b>Audit recommendations where management decisions are achieved within 1 year.</b>	94.4%	92%	100%
<b>Mandatory, Congressional, Secretarial, and Agency requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (includes verbal commitments).</b>	100%	90%	100%
<b>Closed investigations that resulted in a referral for action to USDOJ, State, or local law enforcement officials, or relevant administrative authority.</b>	86%	75%	88.6%
<b>Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.</b>	79.7%	70%	81.6%

## Peer Reviews and Outstanding Recommendations

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### *Peer Reviews of USDA OIG*

#### *Audit*

During the current reporting period, there were no peer reviews conducted of USDA OIG's audit organization. USDA OIG received a grade of pass, the best evaluation an audit organization can receive, in the most recent report on its peer review conducted by the Environmental Protection Agency OIG in November 2012. In that report, there were no recommendations. In the letter of comment accompanying that report, there were three recommendations. USDA OIG's audit organization has fully implemented those three recommendations.

#### *Investigations*

During the current reporting period, there were no peer reviews conducted of USDA OIG Investigations. The most recent peer review, which was conducted by the Treasury Inspector General for Tax Administration (TIGTA) in June 2013, found Investigations to be in full compliance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Investigations.

As a result of the review TIGTA did make four recommendations. Three of the recommendations made will be implemented when our new case management system becomes operational this fiscal year and our directives are updated to reflect the new case management procedures.

The fourth recommendation pertained to the Office of Compliance and Integrity (OCI), which does not fall under the Office of Investigations. OCI is an independent internal affairs office which is specifically positioned outside of Investigations in order to enhance OCI's independence and objectivity. This structure enables OCI to objectively conduct its internal affairs and quality assurance reviews of all OIG operations. As such, OCI has never been within the scope of an Office of Investigations peer review. Although OCI is not situated within Investigations, the fourth recommendation suggested an external peer review of OIG's OCI by another OIG. Despite the fact that this recommendation is beyond the scope of an external peer review of Investigations, OCI is currently voluntarily working to coordinate a peer review by another similarly structured internal affairs OIG office, which would occur next fiscal year. This action is being carried out to address the spirit of TIGTA's recommendation.

### *Peer Reviews Performed by USDA OIG*

USDA OIG did not conduct a peer review of another OIG's audit or investigative organization during the current reporting period. There are no outstanding recommendations from any report (or from any letter of comment accompanying any report) on a peer review conducted by USDA OIG of another OIG's audit or investigative organization prior to the current reporting period.

## Appendix A—Audit Tables

### Appendix A.1—Summary of Audit Activities—October 2013-March 2014

<b>Reports Issued: 17</b>	Audits Performed by OIG	13
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	4
<b>Management Decisions Made: 42</b>	Number of Reports	8
	Number of Recommendations	42
<b>Total Dollar Impact (Millions) of Management-Decided Reports: \$192.5 million</b>	Total Questioned/Unsupported Costs <sup>a, b</sup>	\$0.6
	-Recommended for Recovery	\$0.3
	-Not Recommended for Recovery	\$0.3
	Funds To Be Put to Better Use	\$191.9
<sup>a</sup> These were the amounts the auditees agreed to at the time of management decision.		
<sup>b</sup> The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.		

### Summary of *Interim Reports* Issued—October 2013-March 2014

OIG uses *Interim Reports* to alert management to immediate issues during the course of an ongoing audit assignment. Typically, they report on one issue or finding requiring management's attention. OIG did not issue any *Interim Reports* during this reporting period.

**Appendix A.2—Inventory of Audit Reports with Questioned Costs and Loans from October 1, 2013 through March 31, 2014**

CATEGORY	NUMBER	QUESTIONED COSTS AND LOANS	UNSUPPORTED <sup>a</sup> COSTS AND LOANS
Reports for which no management decision had been made by October 1, 2013. <sup>b</sup>	7	\$400,653,371	\$34,685,259
Reports which were issued during the reporting period.	3	\$946,009	\$633,349
<b>Total reports with questioned costs and loans</b>	<b>10</b>	<b>\$401,599,380</b>	<b>\$35,318,608</b>
Of the 10 reports, those for which management decision was made during the reporting period.	2	<i>Recommended for recovery</i>	\$265,819
		<i>Not recommended for recovery</i>	\$261,253
		<i>Costs not disallowed</i>	\$26,078
Of the 10 reports, those for which no management decision has been made by the end of this reporting period.	8	\$401,046,230	\$35,318,608
<sup>a</sup> Unsupported values are included in questioned values.			
<sup>b</sup> Carried over from previous reporting periods.			

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

CATEGORY	NUMBER	DOLLAR VALUE	
Reports for which no management decision had been made by October 1, 2013. <sup>a</sup>	3	\$182,982,636	
Reports which were issued during the reporting period.	3	\$103,178,578	
<b>Total reports with recommendations that funds be put to better use</b>	<b>6</b>	<b>\$286,161,214</b>	
Of the 6 reports, those for which management decision was made during the reporting period.	2	<i>Disallowed costs</i>	\$191,942,964
		<i>Costs not disallowed</i>	\$0
Of the 6 reports, those for which no management decision has been made by the end of this reporting period.	4	\$97,587,678	
<sup>a</sup> Carried over from previous reporting periods.			

#### **Appendix A.4—Contract Audit Reports with Significant Findings**

OIG is required by the National Defense Authorization Act for FY 2008 to list all contract audit reports issued during the reporting period that contained significant findings. OIG did not issue any such reports from October 1, 2013 through March 31, 2014.

#### **Appendix A.5—Program Improvement Recommendations**

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 74 program improvement recommendations, and management agreed to implement a total of 28 recommendations that were issued this period or earlier. Examples of those issued this period include the following (see the main text of this report for a summary of the audits that prompted these recommendations):

- RBS should review its programs to eliminate duplication, reduce its risk of making improper payments, and ensure that its resources are used prudently.
- FAS needs to establish a comprehensive management control environment for Section 632(a) funds used for agricultural capacity-building activities abroad.
- NASS must better enforce critical procedures and physical security measures meant to protect the security of NASS information so that sensitive information is not leaked before its official release.

## Appendix A.6—Audit Reports

From October 1, 2013, through March 31, 2014, OIG released 17 audit reports, including 4 performed by others. During this same period, no *Interim reports* were issued. The following is a summary of those audit products by agency:

### Audit Report Totals at Issuance

Total funds that can be put to better use	\$103,178,578
Total questioned costs and loans <sup>a</sup>	\$946,009
<sup>a</sup> Unsupported values of \$633,349 are included in the questioned values.	

### Summary of Audit Reports Released from October 1, 2013 through March 31, 2014

AGENCY TYPE	AUDITS RELEASED	QUESTIONED COSTS AND LOANS <sup>a</sup>	UNSUPPORTED COSTS AND LOANS <sup>a</sup>	FUNDS TO BE PUT TO BETTER USE
SINGLE AGENCY AUDIT	10	\$768,524	\$520,464	\$8,481
MULTIAGENCY AUDIT	7	\$177,485	\$112,885	\$103,170,097
TOTAL COMPLETED UNDER CONTRACT <sup>b</sup>	4			
ISSUED AUDITS COMPLETED UNDER THE SINGLE AUDIT ACT	0			
<sup>a</sup> Unsupported values are included in the questioned values.				
<sup>b</sup> Audits performed by others.				

## Audit Reports Released and Associated with Monetary Values from October 1, 2013 through March 31, 2014

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS TO BE PUT TO BETTER USE
Agricultural Marketing Service: 1	01099-0001-21	01/28/14	AMS: Oversight of the Beef Promotion and Research Board's Activities <sup>1</sup>			
Commodity Credit Corporation: 1	06401-0003-11	12/05/13	CCC's Financial Statements for FYs 2013 and 2012			
Food and Nutrition Service: 1	27401-0003-21	12/06/13	FNS' Financial Statements for FYs 2013 and 2012			
Foreign Agricultural Service: 1	07601-0001-22	03/31/14	Private Voluntary Organization Grant Fund Accountability	\$685,646	\$520,464	\$8,481
Forest Service: 1	08401-0003-11	12/09/13	Forest Service's Financial Statements for FYs 2013 and 2012			
Multi-Agency: 7	50401-0005-11	12/13/13	Department of Agriculture's Consolidated Financial Statements for FYs 2013 and 2012			
	50401-0006-11	12/17/13	Department of Agriculture's Closing Package Financial Statements for FYs 2013 and 2012			
	50501-0004-12	11/26/13	USDA Office of the Chief Information Officer, FY 2013, Federal Information Security Management Act			
	50601-0001-21	12/04/13	<i>In Re</i> Black Farmers Discrimination Litigation			
	50601-0001-41	03/24/14	Rural Development Procurement Controls			\$38,070,097
	50601-0002-16	02/06/14	Section 632(a) Transfer of Funds from USAID to USDA for Afghanistan			
	50703-0001-23	10/18/13	American Recovery and Reinvestment Act, Trade Adjustment Assistance for Farmers Program	\$177,485	\$112,885	\$65,100,000

<sup>1</sup> This is a reissuance of our audit report originally dated March 29, 2013. In response to a complaint we received on the quality of our report, we removed the original report from our website. In addition, the FY 2013 annual statistics in our prior semiannual report to Congress were reduced by one report and two program improvement recommendations due to the removal of the audit. We re-engaged with the agency and conducted additional audit and quality control procedures; our subsequent report reaffirmed the finding and recommendations. OIG published its revised report January 2014.

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS TO BE PUT TO BETTER USE
National Agricultural and Statistical Service: 1	26501-0001-12	02/21/14	Security Review of the NASS' Lockup Procedures			
Natural Resources Conservation Service: 2	10401-0003-11	12/09/13	NRCS' Financial Statements for FYs 2013 and 2012			
Risk Management Agency: 1	05401-0003-11	12/12/13	Federal Crop Insurance Corporation/RMA's Financial Statements for FYs 2013 and 2012			
Rural Business-Cooperative Service: 1	34601-0001-31	03/25/14	Rural Development: Rural Business-Cooperative Service Grant Programs - Duplication	\$82,878		
Rural Development: 1	85401-0003-11	12/10/13	Rural Development's Financial Statements for FYs 2013 and 2012			
<b>Grand Total: 17</b>				<b>\$946,009</b>	<b>\$633,349</b>	<b>\$103,178,578</b>

<sup>a</sup> Unsupported values are included in questioned values.

## Appendix A.7—Management Decision

In total, OIG has 10 audits without management decision. Their details are provided in the tables below:

### New for this Reporting Period

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
FNS	07/31/13	FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers (27601-0001-31)	\$77,300,000	\$72,000,000
OHSEC	09/27/13	Classification Management (61701-0001-32)	\$0	\$0
<b>Total New For This Reporting Period: 2</b>				

### Audit Reports Previously Reported but not yet Resolved

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
FS	07/03/12	American Recovery and Reinvestment Act – Forest Service Capital Improvement and Maintenance Projects – Trail Maintenance and Decommissioning (08703-0004-SF)	\$406,534	\$317,741
FS	03/28/13	Recovery Act - Forest Service Hazardous Fuels Reduction and Ecosystem Restoration on Non-Federal Lands (08703-0005-SF)	\$91,773,548	\$58,229,927
FSA	02/02/09	Hurricane Relief Initiatives: Livestock and Feed Indemnity Programs (03601-0023-KC)	\$1,866,412	\$427,276
Multi	11/15/11	FY 2011 Federal Information Security Management Act Report (50501-0002-12)	\$0	\$0
	11/15/12	FY 2012 Federal Information Security Management Act Report (50501-0003-12)	\$0	\$0
	03/28/13	Effectiveness of the Department's Recent Efforts to Enhance Agricultural Trade (50601-0001-22)	\$0	\$0
RMA	03/04/09	RMA's 2005 Emergency Hurricane Relief Efforts In Florida (05099-0028-At)	\$217,256,417	\$217,256,417

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
	09/07/11	Citrus Indemnity Payments Resulting from 2005 Florida Hurricanes (05099-0029-At)	\$44,059,385	\$44,059,385
<b>Total Previously Reported But Not Yet Resolved: 8</b>				

### Audits Without Management Decision—Narrative for new entries

*FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers (27601-0001-31, issued July 31, 2013)*

OIG found 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 within a particular location. In addition, FNS regional offices put their limited resources towards other activities, such as retailer authorization, rather than assessing and enforcing retailer penalties. We accepted management decision for 12 of the 20 recommendations. In the eight recommendations without management decision, OIG recommended that FNS seek legislative changes to retain penalties as a supplement to its annual appropriations for enhancing its oversight of retailer authorization and enforcement actions, and allow FNS the authority to require any applicant of a location that has been previously permanently disqualified for trafficking to have a vested interest. We also recommended FNS revise its regulations to permanently disqualify retail store owners at all authorized retail locations operated by that owner(s) if the owner(s) does not meet the criteria to receive a trafficking civil money penalty in lieu of permanent disqualification and improve controls over assessing penalties. To reach management decision, FNS will need to provide copies of the decision memoranda to the Secretary requesting legislative change that lays out the need for retention of penalties for enhanced enforcement activities and authority to require an applicant to have a vested interest. Additionally, FNS will need to provide revised regulations regarding continued eligibility requirements of permanently disqualified retail store owners for trafficking. FNS will also need to provide documentation of improved controls over assessing trafficking penalties.

*Classification Management (61701-0001-32, issued September 27, 2013)*

We found that the Personnel and Document Security Division (PDSD) lacks proper guidance for key areas relating to classification management and can improve its records management system. We accepted management decision for 12 of the report’s 17 recommendations. In the five recommendations without management decision, OIG directed the agency to improve its guidance in key areas relating to classification management and records management system.

## **Appendix A.8—Significant Revised Management Decisions Made During the Reporting Period**

### *Audit Report 27002-0010-13, Analysis of New York's Supplemental Nutrition Assistance Program (SNAP) Eligibility Data*

We agreed to a change in management decision (and final action) for Recommendation 3. We had recommended that New York's Office of Temporary and Disability Assistance to review the individuals identified in this report and determine if participants have received improper payments and recover improper payments as appropriate. We accepted FNS' request for a change in management decision because we agreed that reviewing the various audit universes would not be an appropriate use of limited resources.

### *Audit Report 24601-0003-31, Food Safety and Inspection Service (FSIS) E.coli Testing of Boxed Beef*

We agreed to a change in management decision (and final action) for Recommendations 2 and 10. We recommended that FSIS prepare a plan with reasonable timeframes to evaluate whether the Public Health Information System should be modified or developed in order to improve FSIS' ability to assign the appropriate *E. coli* sampling program requests, and implement any necessary actions based on the evaluation. We also recommended that FSIS issue additional guidance regarding common profile entry errors that are causing establishments to be placed in inappropriate sampling programs.

In FSIS' request for change in management decision, FSIS reported that, for both recommendations, it issued Notice 81-13, Classification and Expansion of Sampling Eligibility Criteria for the Routine Beef Manufacturing Trimmings (MT60) and Bench Trim (MT55) Sampling Program, in December 2013. We determined that this Notice addresses the issues identified in our audit.

## **Appendix A.9—Significant Management Decisions With Which the Inspector General is in Disagreement**

OIG is required by the IG Act of 1978 to report information concerning any significant management decision during the reporting period with which the Inspector General is in disagreement. There were no such management decisions during this reporting period.

**Appendix A.10—List of OIG Audits with Recommendations Pending Corrective Action  
for Period Ending March 31, 2014**

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
<b>AGRICULTURAL MARKETING SERVICE</b>						
01601-0001-32	NATIONAL ORGANIC PROGRAM - ORGANIC MILK	02/27/12	2	0	6, 7	0
01601-0002-32	NATIONAL ORGANIC PROGRAM - ORGANIC MILK OPERATIONS	07/15/13	6	0	1,2,3,4,5,6	0
50601-0002-31	FSIS' AND AMS' FIELD-LEVEL WORKFORCE CHALLENGES	07/31/13	24	0	2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26	0
50601-0001-23	USDA CONTROLS OVER SHELL EGG INSPECTIONS	11/30/12	1	0	10	0
TOTAL			33	0	33	0
<b>ANIMAL AND PLANT HEALTH INSPECTION SERVICE</b>						
33601-0003-CH	SAFEGUARDS TO PREVENT ENTRY OF PROHIBITED PESTS AND DISEASES INTO THE UNITED STATES	02/20/03	2	0	1, 16	0
33601-0007-CH	REVIEW OF CUSTOMS AND BORDER PROTECTION'S AGRICULTURAL INSPECTION ACTIVITIES	02/21/07	1	0	1	0
33601-0011-CH	USDA'S CONTROLS OVER ANIMAL IMPORT CENTERS	08/13/10	1	0	12	0
33601-0012-CH	EFFECTIVENESS OF THE SMUGGLING, INTERDICTION, AND TRADE COMPLIANCE UNIT	08/24/12	1	0	2	0
50601-0008-TE	CONTROLS OVER APHIS' ISSUANCE OF GENETICALLY ENGINEERED ORGANISMS RELEASE PERMITS	12/08/05	3	0	1, 2, 3	0
50601-0016-TE	CONTROLS OVER GENETICALLY ENGINEERED ANIMAL AND INSECT RESEARCH	05/31/11	1	0	2	0
TOTAL			9	0	9	0
<b>AGRICULTURAL RESEARCH SERVICE</b>						
02703-0001-12	CONTRACT CLOSEOUT PROCESS (RECOVERY ACT)	08/14/13	3	0	1,2,3	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
50601-0006-TE	CONTROLS OVER PLANT VARIETY PROTECTION AND GERMPASM STORAGE	02/10/06	6	0	1, 2, 3, 5, 6, 9	0
50601-0010-AT	FOLLOWUP REVIEW ON THE SECURITY OF BIOHAZARDOUS MATERIAL AT USDA LABORATORIES	07/27/05	1	0	2	0
TOTAL			10	0	10	0
<b>COMMODITY CREDIT CORPORATION</b>						
06401-0020-FM	MONITORING THE AUDIT OF CCC'S FY 2005 FINANCIAL STATEMENTS	11/09/05	1	0	12	0
TOTAL			1	0	1	0
<b>DEPARTMENTAL MANAGEMENT</b>						
TOTAL	NO AUDITS		0	0	0	0
<b>FOREIGN AGRICULTURAL SERVICE</b>						
50601-0001-22	EFFECTIVENESS OF FAS' RECENT EFFORTS TO IMPLEMENT MEASURABLE STRATEGIES ALIGNED TO THE DEPARTMENT'S TRADE PROMOTION AND POLICY GOALS	03/28/13	5	0	1, 3, 4, 5	2
TOTAL			5	0	4	1
<b>FOOD AND NUTRITION SERVICE</b>						
27001-0001-10	OVERLAP AND DUPLICATION IN FNS' NUTRITION PROGRAMS	06/13/13	2	0	1, 2	0
27002-0011-13	ANALYSIS OF FNS' SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM FRAUD PREVENTION AND DETECTION EFFORTS	09/28/12	8	0	1, 2, 3, 4, 5, 6, 8, 9	0
27099-0049-TE	FOOD STAMP PROGRAM FOR HURRICANES KATRINA AND RITA	09/04/07	1	0	1	0
27601-0001-23	NATIONAL SCHOOL LUNCH PROGRAM FOOD SERVICE MANAGEMENT COMPANY CONTRACTS	01/03/13	15	0	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15	0
27601-0001-31	FNS: CONTROLS FOR AUTHORIZING SNAP RETAILERS	07/31/13	20	0	1, 2, 3, 4, 8, 12, 13, 14, 15, 18, 19, 20	5, 6, 7, 9, 10, 11, 16, 17

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
27601-0012-SF	REVIEW OF MANAGEMENT CONTROLS FOR THE CHILD AND ADULT CARE FOOD PROGRAM	11/18/11	15	0	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15	0
27601-0016-AT	FOOD STAMP EMPLOYMENT AND TRAINING PROGRAM	03/31/08	1	0	1	0
27601-0038-CH	VENDOR MANAGEMENT IN FNS' SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	03/29/13	9	0	1, 2, 3, 4, 5, 6, 7, 8, 9	0
27703-0001-22	RECOVERY ACT IMPACTS ON SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM PHASE II	06/13/13	1	1	0	0
50601-00014-AT	EFFECTIVENESS AND ENFORCEMENT OF SUSPENSION AND DEBARMENT REGULATIONS IN USDA	08/16/10	3	0	11, 12, 14	0
TOTAL			75	1	66	8
<b>FOREST SERVICE</b>						
08601-0001-CH	EVALUATION OF FOREST SERVICE'S PROCESS TO OBTAIN AND GRANT RIGHTS-OF-WAY AND EASEMENTS	03/15/12	1	0	2	0
08601-0055-SF	FOREST SERVICE'S ADMINISTRATION OF SPECIAL USE PROGRAM	06/16/11	2	0	2, 17	0
08703-0001-AT	FOREST SERVICE'S USE OF RECOVERY ACT FUNDS FOR WILDLAND FIRE MANAGEMENT ON FEDERAL LANDS	09/28/12	8	0	1, 2, 3, 4, 5, 8, 9, 10	0
08703-0004-SF	RECOVERY ACT - FOREST SERVICE CAPITAL IMPROVEMENT AND MAINTENANCE PROJECTS - TRAIL MAINTENANCE AND DECOMMISSIONING	07/03/12	1	0	0	3
08703-0005-SF	RECOVERY ACT - FOREST SERVICE HAZARDOUS FUELS REDUCTION AND ECOSYSTEM RESTORATION PROJECTS ON NON-FEDERAL LANDS	03/28/13	37	0	1, 2, 3, 5, 6, 12, 13, 14, 19, 20, 21, 24, 25, 26, 27, 28, 30, 32, 37, 38, 40, 42, 48, 49, 51, 56,	8, 9, 10, 11, 22, 23, 31, 47, 50

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
					57, 58	
TOTAL			49	0	39	10
<b>FARM SERVICE AGENCY</b>						
03006-0001-TE	1993 CROP DISASTER PAYMENTS - BROOKS/JIM HOGG COS., TX	01/02/96	1	1A	0	0
03006-0002-SF	DISASTER ASSISTANCE PROGRAM - 1994 - FRESNO COUNTY, CA	03/29/96	1	4	0	0
03099-0181-TE	FSA PAYMENT LIMITATION REVIEW IN LOUISIANA	05/09/08	1	2	0	0
03601-0007-TE	EMERGENCY FEED PROGRAM IN TEXAS	09/18/96	3	4A, 5B, 6A	0	0
03601-0012-AT	TOBACCO TRANSITION PAYMENT PROGRAM – QUOTA HOLDER PAYMENTS AND FLUE-CURED TOBACCO QUOTAS	09/26/07	2	2, 6	0	0
03601-0013-AT	HURRICANE RELIEF INITIATIVES: TREE INDEMNITY PROGRAM	03/10/08	1	5	0	0
03601-0018-CH	FSA FARM LOAN SECURITY	08/10/10	1	0	2	
03601-0023-KC	FSA HURRICANE RELIEF INITIATIVES: LIVESTOCK INDEMNITY AND FEED INDEMNITY PROGRAMS	02/02/09	2	0	4	5
03601-0028-KC	BIOMASS CROP ASSISTANCE PROGRAM: COLLECTION, HARVEST, STORAGE AND TRANSPORTATION MATCHING PAYMENTS PROGRAM	05/30/12	24	16, 21, 24	1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, 19, 20, 22, 23, 26	0
50099-0011-SF	NRCS AND FSA: CROP BASES ON LANDS WITH CONSERVATION EASEMENT – STATE OF CALIFORNIA	08/27/07	2	2, 6	0	0
50601-0015-AT	HURRICANE INDEMNITY PROGRAM – INTEGRITY OF DATA PROVIDED BY RMA	03/31/10	1	5	0	0
50601-0015-KC	ESTABLISHMENT OF AVERAGE YIELDS	08/01/11	1	2	0	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
TOTAL			40	16	23	1
<b>FOOD SAFETY AND INSPECTION SERVICE</b>						
24601-0008-CH	EGG PROCESSING INSPECTION	09/06/07	1	0	1	0
24601-0008-HY	FOLLOW-UP REVIEW OF FSIS CONTROLS OVER IMPORTED MEAT AND POULTRY PRODUCTS	08/04/08	2	0	13, 17	0
24601-0001-31	APPLICATION OF FSIS SAMPLING PROTOCOL FOR TESTING BEEF TRIM FOR <i>E. COLI</i> O157:H7	05/09/12	3	0	2, 4, 5	0
24601-0001-41	FSIS – INSPECTION AND ENFORCEMENT ACTIVITIES AT SWINE SLAUGHTER PLANTS	05/09/13	4	0	3, 7, 8, 9	0
24601-0003-31	FSIS <i>E. COLI</i> TESTING OF BOXED BEEF	03/22/13	8	0	1, 3, 4, 7, 8, 9, 11, 12	0
50601-0006-HY	ASSESSMENT OF USDA'S CONTROLS TO ENSURE COMPLIANCE WITH BEEF EXPORT REQUIREMENTS	07/15/09	1	0	2	0
50601-0001-23	USDA CONTROLS OVER SHELL EGG INSPECTIONS	11/30/12	4	0	1, 2, 3, 7	0
TOTAL			23	0	23	0
<b>NATIONAL AGRICULTURAL STATISTICS SERVICE</b>						
TOTAL	NO AUDITS		0	0	0	0
<b>NATIONAL INSTITUTE OF FOOD AND AGRICULTURE</b>						
TOTAL	NO AUDITS		0	0	0	0
<b>NATURAL RESOURCES CONSERVATION SERVICE</b>						
10099-0001-31	NRCS' ADMINISTRATION OF EASEMENT PROGRAMS IN WYOMING	09/27/13	6	0	1, 2, 3, 4, 5, 7	0
10401-0001-11	NRCS' FINANCIAL STATEMENTS FOR FY 2011	11/08/11	4	0	3, 4, 5, 6	0
10401-0002-11	NRCS' FINANCIAL STATEMENTS FOR FY 2012	11/09/12	7	0	1, 2, 3, 4, 5, 6, 7	0
10401-0002-FM	NRCS' FINANCIAL STATEMENTS FOR FY 2008	11/13/08	2	0	4, 5	0
10401-0003-FM	NRCS' FINANCIAL STATEMENTS FOR FY 2009	11/04/09	4	0	2, 3, 4, 5	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
10401-0004-FM	NRCS' FINANCIAL STATEMENTS FOR FY 2010	11/08/10	6	0	1, 2, 3, 4, 5, 6	0
10601-0001-22	NRCS' OVERSIGHT AND COMPLIANCE ACTIVITIES	02/07/13	4	0	1, 2, 4, 5	0
10601-0004-KC	NRCS' SECURITY PROGRAM	06/25/09	2	0	8, 9	0
10703-0001-31	RECOVERY ACT - NRCS' EASEMENT WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS AND WATERSHED OPERATIONS EFFECTIVENESS REVIEW	03/14/13	1	0	2	0
10703-0001-AT	RECOVERY ACT - REHABILITATION OF FLOOD CONTROLS DAMS	03/25/13	4	0	1, 2, 4, 5	0
10703-0001-KC	NRCS RECOVERY ACT EMERGENCY WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS PHASE I	09/08/10	1	0	4	0
10703-0003-KC	RECOVERY ACT, EMERGENCY WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS, EASEMENT APPLICATIONS ON NON-AGRICULTURAL LAND	03/14/12	3	0	1, 2, 3	0
10703-0005-KC	RECOVERY ACT - NRCS' EASEMENT WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS FIELD CONFIRMATIONS	03/14/13	6	6	1, 2, 3, 4, 5	0
10704-0001-32	NRCS, MIGRATORY BIRD HABITAT INITIATIVE: NRCS' RESPONSE TO ISSUE CAUSED BY THE DEEPWATER HORIZON OIL SPILL	08/09/12	2	2	1	0
TOTAL			52	2	50	0
<b>OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS</b>						
TOTAL	NO AUDITS		0	0	0	0
<b>OFFICE OF THE CHIEF FINANCIAL OFFICER</b>						
50024-0004-11	USDA IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 COMPLIANCE REVIEW FOR FY 2012	03/14/13	1	0	3	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
50401-0003-11	USDA'S CONSOLIDATED FINANCIAL STATEMENTS FOR FYS 2012 AND 2011	11/15/12	1	0	1	0
TOTAL			2	0	2	0
<b>OFFICE OF HOMELAND SECURITY AND EMERGENCY OPERATIONS</b>						
61701-0001-32	CLASSIFICATION MANAGEMENT	09/27/13	17	0	3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16	1, 2, 11, 12, 17
TOTAL			17	0	12	5
<b>OFFICE OF THE CHIEF INFORMATION OFFICER</b>						
50501-0001-IT	USDA'S MANAGEMENT AND SECURITY OVER WIRELESS HANDHELD DEVICES	08/15/11	4	0	1, 2, 3, 4	0
50501-0001-12	USDA'S CONFIGURATION, MANAGEMENT, AND SECURITY OVER DOMAIN NAME SYSTEM SERVERS	04/19/12	1	0	3	0
50501-0002-12	FY 2011 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/11	7	0	1, 2, 3, 4, 5, 7	6
50501-0002-IT	FY 2010 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/10	12	0	3, 4, 5, 6, 7, 9, 10, 14, 15, 17, 18, 19	0
50501-0003-12	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FY 2012 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/12	6	0	2, 3, 4, 5, 6	1
50501-0015-FM	FY 2009 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/18/09	3	0	8, 9, 13	0
88401-0001-11	REVIEW OF SELECTED CONTROLS AT THE NATIONAL INFORMATION TECHNOLOGY CENTER	09/26/12	3	0	1, 2, 3	0
88401-0001-12	AUDIT OF OCIO'S FY 2010 AND 2011 FUNDING RECEIVED FOR SECURITY ENHANCEMENTS	08/02/12	3	0	1, 2, 4	0
88501-0001-12	REVIEW OF SELECTED CONTROLS OF THE EAUTHENTICATION SYSTEM	01/31/13	1	0	5	0
88501-0001-IT	INTERNATIONAL TECHNOLOGY SERVICES SELECTED CONTROLS AUDIT	03/20/12	4	0	2, 3, 4, 5	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
TOTAL			44	0	42	2
<b>RURAL DEVELOPMENT</b>						
04601-0018-CH	RURAL DEVELOPMENT'S RURAL RENTAL HOUSING PROGRAM MAINTENANCE COSTS AND INSPECTION PROCEDURES	09/27/12	6	0	1, 2, 3, 4, 5, 6	0
04601-0020-CH	RURAL RENTAL HOUSING PROGRAM - MIDWEST APARTMENT AND MANAGEMENT GROUP, INC.	05/19/11	2	0	4, 5	0
04703-0002-CH	CONTROLS OVER ELIGIBILITY DETERMINATIONS FOR SINGLE FAMILY HOUSING GUARANTEED LOAN RECOVERY ACT FUNDS (PHASE 2)	09/28/11	23	0	3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 23, 25, 26, 27, 28, 29	0
04703-0003-HY	LOSS CLAIMS RELATED TO SINGLE FAMILY HOUSING GUARANTEED LOANS	02/25/13	20	1, 12	2, 4, 5, 6, 7, 8, 9, 10, 11, 15, 16, 17, 18, 19, 20, 21, 22, 23	0
09703-0001-22	RURAL UTILITIES SERVICE CONTROLS OVER RECOVERY ACT WATER AND WASTE LOANS AND GRANTS EXPENDITURES AND PERFORMANCE MEASURES	03/26/13	3	0	1, 2, 3	0
09703-0001-32	RECOVERY ACT - BROADBAND INITIATIVES PROGRAM - PRE-APPROVAL CONTROLS	03/29/13	5	0	1, 2, 3, 6, 7	0
09703-0002-32	RECOVERY ACT - BROADBAND INITIATIVES PROGRAM - POST-AWARD CONTROLS	08/22/13	4	0	2, 3, 6, 7	0
34099-0002-AT	BUSINESS AND INDUSTRY LOAN PROGRAM OMNIVEST RESOURCES INC.	09/14/01	1	0	6	0
34601-0004-AT	LENDER SERVICING OF B&I GUARANTEED LOANS	01/10/03	5	0	1, 2, 3, 4, 7	0
346010-006-AT	RURAL BUSINESS-COOPERATIVE SERVICE'S INTERMEDIARY RELENDING PROGRAM	06/25/10	6	1	3, 4, 6, 7, 8	0
34601-0015-TE	NATIONAL REPORT ON B&I LOAN PROGRAM	09/30/03	4	0	1, 2, 5, 9	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
34703-0001-32	RECOVERY ACT - BUSINESS AND INDUSTRY GUARANTEED LOANS – PHASE 3	03/29/13	4	0	1, 2, 6, 7	0
34703-0002-TE	RECOVERY ACT - BUSINESS AND INDUSTRY GUARANTEED LOANS, PHASE 2	12/05/11	4	0	1, 2, 3, 4	0
TOTAL			87	3	84	0
<b>RISK MANAGEMENT AGENCY</b>						
05099-0025-AT	RMA ADDED LAND POLICY	04/07/06	1	2	0	0
05099-0027-AT	CITRUS INDEMNITY DETERMINATIONS MADE FOR 2004 HURRICANE DAMAGES IN FLORIDA	03/26/07	1	1	0	0
05099-0028-AT	2005 EMERGENCY HURRICANE RELIEF EFFORTS	03/04/09	5	0	0	2, 3, 4, 8, 11
05099-0029-AT	CITRUS CROP INDEMNITY PAYMENTS FROM HURRICANE WILMA IN FLORIDA	09/07/11	1	0	0	2
05099-0055-TE	1988 AND 1989 SOYBEAN LOSSES IN THREE ARKANSAS COUNTIES	07/06/92	1	1A	0	0
05601-0001-31	CONTROLS OVER PREVENTED PLANTING	09/03/13	3	0	1, 2, 5	0
05601-0004-AT	CROP INSURANCE FOR SPECIALTY CROPS	03/14/01	2	1, 3	0	0
05601-0006-KC	RMA FEDERAL CROP INSURANCE - ORGANIC CROPS	02/22/13	1	0	2	0
05601-0007-TE	WATERMELON CLAIMS IN SOUTH TEXAS	08/17/01	1	4	0	0
05601-0015-TE	CROP LOSS AND QUALITY ADJUSTMENTS FOR AFLATOXIN-INFECTED CORN	09/30/08	1	1	0	0
TOTAL			17	7	9	1
<b>GRAND TOTAL</b>		<b>99</b>	<b>464</b>	<b>29</b>	<b>407</b>	<b>28</b>

**Endnotes:**

- IG Act, Section 5(a)(3) requires the SARC to include “an identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.”
- OIG did not validate statistics as reported in OCFO’s Management Information Tracking System (MITS).
- This information is current as of March 31, 2014.

**Terms Used in Table**

**Pending Collection:** Agencies have completed final action, but collections of disallowed costs are still pending and have not been reported to OCFO.

**Pending Final Action:** Agencies have agreed to implement OIG’s recommendations, but supporting documentation of final action has not been provided to OCFO.

**Pending Management Decision:** Agencies and OIG have not reached agreement on actions to be taken to implement OIG’s recommendations.

## **Appendix A.11—Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996**

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to annually assess whether their financial systems comply substantially with (1) Federal Financial System Requirements, (2) applicable Federal accounting standards, and (3) the Standard General Ledger at the transaction level. In addition, the Federal Information Security Management Act of 2002 (FISMA) requires each agency to report significant information security deficiencies, relating to financial management systems, as a lack of substantial compliance with FFMIA. FFMIA also requires auditors to report in their annual Chief Financial Officer's Act financial statement audit reports whether financial management systems substantially comply with FFMIA requirements.

For FY 2013, USDA reported that it was not substantially compliant with FFMIA with regards to accounting standards, the Standard General Ledger at the transaction level, and FISMA requirements. The Department continues to move forward with remediation plans to achieve compliance by the end of FY 2014 for longstanding Departmentwide weaknesses related to systems security as well as noncompliance with accounting standards and the Standard General Ledger related to two component agencies. OIG will assess that progress, as required, during its audit of the Department's FY 2014 financial statements. That audit is currently in process. At this time, OIG is not aware that USDA, or its component agencies CCC and NRCS, have not met any intermediate target dates established in their remediation plans.

## Appendix B—Investigation Tables

### Appendix B.1—Summary of Investigative Activities—October 2013-March 2014

<b>Reports Issued: 178</b>	Cases Opened	163
	Cases Referred for Prosecution	115
<b>Impact of Investigations</b>	Indictments	312
	Convictions <sup>a</sup>	270
	Searches	154
	Arrests	507
	Recoveries/Collections <sup>b</sup>	\$6.6
<b>Total Dollar Impact (Millions): \$231.8</b>	Restitutions <sup>c</sup>	\$37.2
	Fines <sup>d</sup>	\$2.0
	Asset Forfeitures <sup>e</sup>	\$9.3
	Claims Established <sup>f</sup>	\$172.6
	Cost Avoidance <sup>g</sup>	\$4.1
	Administrative Penalties <sup>h</sup>	\$0.0
	Administrative Sanctions: 182	
Employees	22	
Businesses/Persons	160	

<sup>a</sup> Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 270 convictions do not necessarily relate to the 312 indictments.

<sup>b</sup> Includes money received by USDA or other Government agencies as a result of OIG investigations.

<sup>c</sup> Restitutions are court-ordered repayments of money lost through a crime or program abuse.

<sup>d</sup> Fines are court-ordered penalties.

<sup>e</sup> Asset forfeitures are judicial or administrative results.

<sup>f</sup> Claims established are agency demands for repayment of USDA benefits.

<sup>g</sup> Consists of loans or benefits not granted as the result of an OIG investigation.

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

## Appendix B.2—Indictments and Convictions

From October 1, 2013 through March 31, 2014, OIG completed 178 investigations. We referred 115 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 312 indictments and 270 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 270 convictions do not necessarily relate to the 312 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$231.8 million. The following is a breakdown, by agency, of indictments and convictions for the reporting period.

**Table 12: INDICTMENTS AND CONVICTIONS—October 1, 2013-March 31, 2014**

Agency	Indictments	Convictions*
ARS	2	1
APHIS	7	19
FNS	269	217
FS	2	0
FSA	17	18
FSIS	1	8
NRCS	0	1
RBS	4	2
RHS	2	2
RMA	8	2
<b>Totals</b>	<b>312</b>	<b>270</b>

\* This category includes pretrial diversions.

### Appendix B.3—OIG Hotline

The OIG hotline serves as a national intake point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the hotline received 2,086 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. The following tables are a summary of the Hotline complaints for the first half of FY 2014.

#### Number of Complaints Received

Type	Number
Employee Misconduct	95
Participant Fraud	1,702
Waste/Mismanagement	201
Health/Safety Problem	14
Opinion/Information	73
Bribery	1
Reprisal	0
<b>Total Number of Complaints Received</b>	<b>2,086</b>

#### Disposition of Complaints Received

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	88
Referred to Other Law Enforcement Agencies	5
Referred to USDA Agencies for Response	343
Referred to FNS for Tracking	1,372
Referred to USDA or Other Agencies for Information—No Response Needed	229
Filled Without Referral—Insufficient Information	43
Referred to State Agencies	6

## Appendix C—Freedom of Information Act Activities

Table C.1—FOIA and Privacy Act (PA) Requests for the period October 1, 2013 through March 31, 2014

Categories	Type	Number
<b>FOIA/PA Requests Received/Processed</b>	<b>FOIA/PA Requests Received</b>	54
	Granted	1
	Partially Granted	8
	Not Granted	25
	<b>Total FOIA/PA Requests Processed</b>	<b>34</b>
<b>Reasons for Denial</b>	No Records Available	15
	Referred to Other Agencies	0
	Requests Denied in Full Exemption 5	1
	Requests Denied in Full Exemption 7(A)	3
	Requests Denied in Full Exemption 7(C)	3
	Request Withdrawn	1
	Fee-Related	1
	Not a Proper FOIA Request	0
	Not an Agency Record	0
	Duplicate Request	0
	Other	2
<b>Requests for OIG Reports from Congress and Other Government Agencies</b>	Received	0
	Processed	0
<b>Appeals</b>	<b>Appeals Received</b>	<b>3</b>
	<b>Appeals Processed</b>	<b>3</b>
	Completely Upheld	1
	Partially Reversed	1
	Completely Reversed	1
	Requests Withdrawn	0
	Other	0
	<b>OIG Reports/Documents Released in Response to Requests</b>	7
NOTE 1: A request may involve more than one report.		
NOTE 2: During this 6-month period, 19 audit reports were posted online on the OIG website: <a href="http://www.usda.gov/oig">http://www.usda.gov/oig</a>		

## Abbreviations

Abbreviation	Full Name
<b>AMS</b>	Agricultural Marketing Service
<b>APHIS</b>	Animal and Plant Health Inspection Service
<b>ARS</b>	Agricultural Research Service
<b>BFDL</b>	<i>In re</i> Black Farmers Discrimination Litigation
<b>CACFP</b>	Child and Adult Care Food Program
<b>CCC</b>	Commodity Credit Corporation
<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency
<b>EBT</b>	electronic benefits transfer
<b>FAS</b>	Foreign Agricultural Service
<b>FBI</b>	Federal Bureau of Investigation
<b>FCIC</b>	Federal Crop Insurance Corporation
<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996
<b>FISMA</b>	Federal Information Security Management Act
<b>FOIA</b>	Freedom of Information Act
<b>FNS</b>	Food and Nutrition Service
<b>FS</b>	Forest Service
<b>FSA</b>	Farm Service Agency
<b>FSAN</b>	Financial Statement Audit Network
<b>FSIS</b>	Food Safety and Inspection Service
<b>FY</b>	fiscal year
<b>IG</b>	Inspector General
<b>IRS</b>	Internal Revenue Service
<b>IRS-CI</b>	Internal Revenue Service-Criminal Investigation
<b>IT</b>	information technology
<b>NASS</b>	National Agricultural Statistics Service
<b>NIFA</b>	National Institute of Food and Agriculture
<b>NRCS</b>	Natural Resources Conservation Service
<b>OAo</b>	Office of Advocacy and Outreach
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OCI</b>	Office of Compliance and Integrity
<b>OCIO</b>	Office of the Chief Information Officer
<b>OIG</b>	Office of Inspector General
<b>OPPM</b>	Office of Procurement and Property Management
<b>PA</b>	Privacy Act
<b>PVO</b>	private voluntary organization
<b>RBS</b>	Rural Business-Cooperative Service
<b>RD</b>	Rural Development
<b>RHS</b>	Rural Housing Service
<b>RMA</b>	Risk Management Agency
<b>SARC</b>	Semiannual Report to Congress
<b>SNAP</b>	Supplemental Nutrition Assistance Program
<b>SSA</b>	Social Security Administration
<b>TAAF</b>	Trade Adjustment Assistance for Farmers

<b>TANF</b>	Temporary Assistance for Needy Families
<b>TIGTA</b>	Treasury Inspector General for Tax Administration
<b>USAID</b>	U.S. Agency for International Development
<b>USDA</b>	U.S. Department of Agriculture
<b>WIC</b>	Special Supplemental Nutrition Program for Women, Infants, and Children

## **EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS FOR REPORTS ISSUED DURING THIS REPORTING PERIOD (74 TOTAL)**

- RBS should review its programs to eliminate duplication, reduce its risk of making improper payments, and ensure that its resources are used prudently.
- FAS needs to establish a comprehensive management control environment for Section 632(a) funds used for agricultural capacity-building activities abroad.
- NASS must better enforce critical procedures and physical security measures meant to protect the security of NASS information so that sensitive information is not leaked before its official release.

## **OIG MISSION**

OIG assists USDA by promoting effectiveness and integrity in hundreds of Department programs. These programs encompass a broad spectrum, involving such areas as consumer protection, nutrition, animal and plant health, agricultural production, agricultural product inspection and marketing, rural development, research, conservation, and forestry. They affect our citizens, our communities, and our economy.

## **OIG STRATEGIC GOALS**

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

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

To learn more about OIG, visit our website at  
[www.usda.gov/oig/index.htm](http://www.usda.gov/oig/index.htm)

#### How To Report Suspected Wrongdoing in USDA Programs

##### Fraud, Waste and Abuse

e-mail: [USDA.HOTLINE@oig.usda.gov](mailto:USDA.HOTLINE@oig.usda.gov)

phone: 800-424-9121

fax: 202-690-2474

##### Bribes or Gratuities

202-720-7257 (24 hours a day)



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