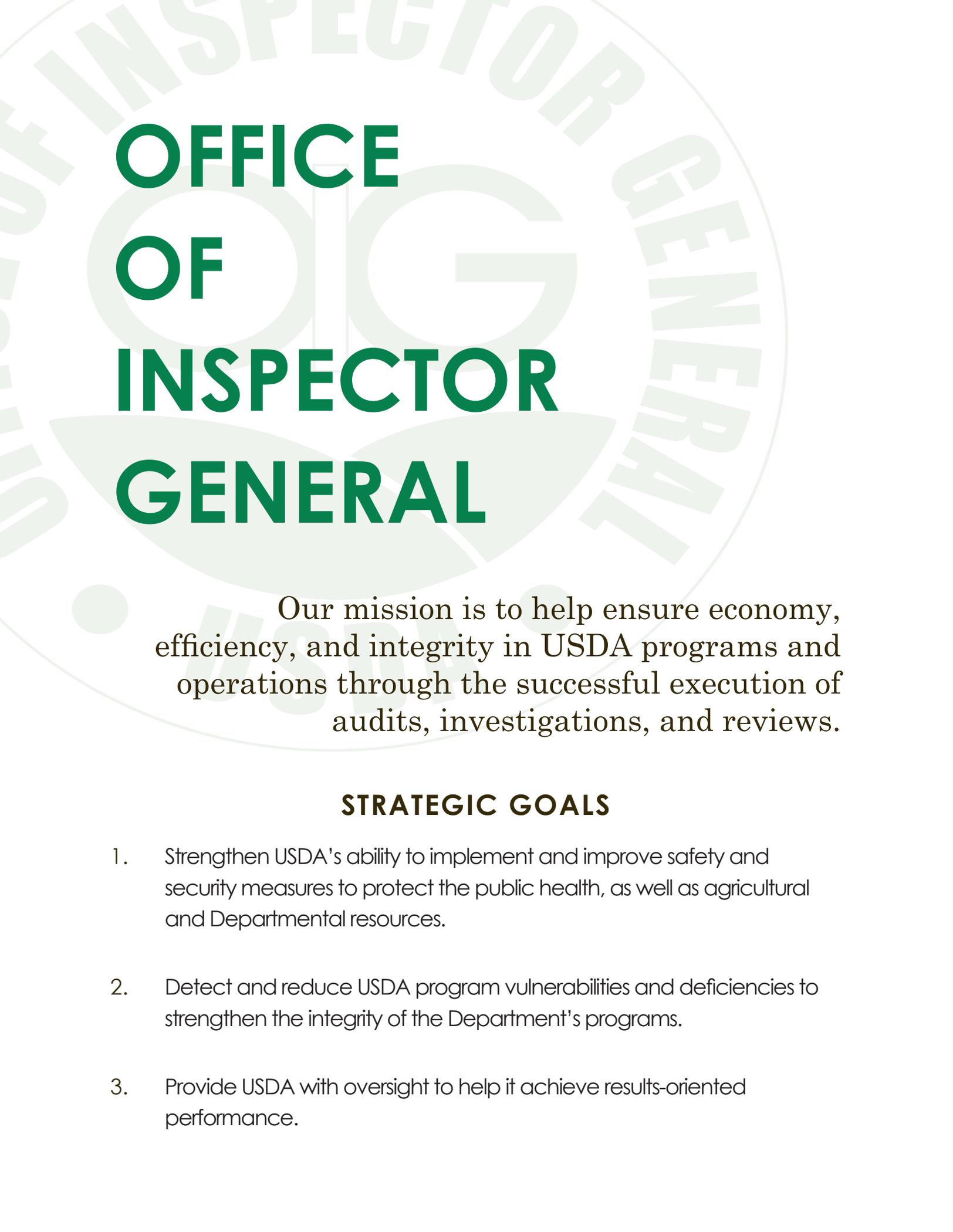




United States Department of Agriculture



OFFICE OF INSPECTOR GENERAL



# OFFICE OF INSPECTOR GENERAL

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

## **STRATEGIC GOALS**

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. Detect and reduce USDA program vulnerabilities and deficiencies to strengthen the integrity of the Department's programs.
3. Provide USDA with oversight to help it achieve results-oriented performance.

# Message from the INSPECTOR GENERAL

This *Semiannual Report to Congress* (SARC) covers the 6-month period ending March 31, 2017, and summarizes the most significant accomplishments of the U.S. Department of Agriculture’s (USDA) Office of Inspector General (OIG). During this period, our office has worked extensively with the Department, Congress, and other Federal agencies to safeguard the integrity and efficiency of USDA programs and investigate those who allegedly abuse them.

Among our recent accomplishments, we completed audits that resulted in 93 recommendations. Our investigations led to 544 arrests, 237 indictments, and 247 convictions as well as \$190.5 million in recoveries and restitutions. Our activities are described according to our strategic goals, as outlined in the OIG Strategic Plan for fiscal years (FY) 2017-2022. The highlights of these activities, discussed below, demonstrate OIG’s ongoing commitment to curtailing fraud, waste, and abuse in USDA programs.

**Goal 1—Safety and Security**—OIG provides independent audits and investigations that focus on the ongoing challenges of agricultural inspection activities, the safety of the food supply, homeland security, and information technology (IT) security and management. While USDA is working to improve its IT security posture, the Office of the Chief Information Officer (OCIO) has not implemented 22 of 61 previously agreed-upon corrective actions. Our testing identified that security weaknesses still exist in many areas. We noted, however, that OCIO continues to take positive steps toward improving the Department’s security posture.

OIG investigates cases of cruelty to animals, such as dog fighting, which often involve wide-ranging criminal activity. A recent OIG investigation determined that a family was involved with staging dog fights, breeding American pit-bull terriers, and selling those dogs for use in animal fighting ventures. In April 2016, the father pled guilty to a variety of charges, including exhibiting and sponsoring an animal for the purpose of participation in a fighting venture, possession of a firearm

and ammunition by a felon, and possession with intent to distribute marijuana plants. The wife and son later pled guilty to related charges. In October 2016, all three were sentenced to jail time followed by supervised probation.

**Goal 2—Integrity of Benefits**—As part of OIG’s goal to ensure that benefits reach those for whom they are intended, we conducted a variety of audits and investigations designed to confirm that recipients are eligible and that payments are calculated properly. For example, OIG investigators work to ensure the integrity of the Supplemental Nutrition Assistance Program (SNAP), one of the largest programs in the Federal Government. An especially noteworthy recent investigation in Palm Beach County, Florida, revealed an identity theft scheme in which a suspect used stolen identities to obtain SNAP electronic benefit transfer (EBT) cards. He then took the EBT cards to the Opa-Locka Hialeah Flea Market and exchanged the fraudulently obtained SNAP benefits for cash. The subsequent investigation resulted in 26 arrests. To date, 17 retailers have been convicted in U.S. District Court, Southern District of Florida. All were incarcerated for periods ranging from 12 to 46 months, to be followed by 36 months of supervised release and, in one instance, deportation. The retailers were also ordered to pay fines and restitution cumulatively totaling more than \$13 million.

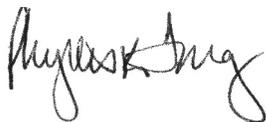
One of our reviews found that the Natural Resources Conservation Service (NRCS) could improve how it made changes in identifying wetlands in the “prairie pothole region” (Iowa, Minnesota, North Dakota, and South Dakota). If farmers are receiving a wide range of USDA benefits, then they may not bring wetlands into agricultural production. NRCS is responsible for making technical determinations regarding whether a wetland exists on a given tract of land. A farmer who converts wetlands to production may receive a violation, and the farmer can lose USDA farm program payments. After receiving a complaint concerning recent changes in how NRCS makes these determinations, OIG found that, in response to a backlog of requests for wetland determinations, NRCS made significant changes in its process for wetland determinations that allowed producers to drain and farm more wetlands. The process for making this change was not carried out in a transparent manner. NRCS generally agreed with our recommendations to issue official guidance reinforcing correct and current rules and clarifying procedures for making wetland determinations and certifications.

**Goal 3—Oversight to Achieve Results-Oriented Performance**—OIG also works to help improve the effectiveness and efficiency with which USDA manages its assets in areas such as financial management and accountability, research, real property management, and employee integrity. For example, working with the Delaware Attorney General’s Office, OIG has recently investigated a case involving 14 Delaware Health and Social Services employees who opened 84 SNAP accounts for homeless individuals and received a total of \$1.5 million in fraudulent SNAP benefits. Our investigation has resulted in seven arrests, six convictions, and sentences ranging from 24 months of imprisonment to 12 months of probation.

Ordinarily, USDA presents a complete set of consolidated financial statements in its Agency Financial Report. However, in 2015, USDA received a disclaimer of opinion on its statements. In 2016, USDA decided to present only the consolidated balance sheet for audit. OIG audited USDA’s consolidated balance sheet for FY 2016 and assessed internal controls over financial reporting and compliance with laws and regulations. OIG determined that USDA’s consolidated balance sheet presents fairly, in all material respects, USDA’s financial position as of September 30, 2016, in accordance with accounting principles generally accepted in the United States. In addition, we noted certain matters involving internal controls that we consider to be significant deficiencies. Specifically, we identified weaknesses in USDA’s overall financial management, IT security program, and controls over financial reporting. We determined that the first two deficiencies are also material weaknesses. The Department concurred with our findings and recommendations.

These accomplishments are the result of the dedicated work of OIG’s professional staff and the support of program officials throughout USDA. In the future, we look forward to working closely with Secretary Perdue and the new USDA management team, as well as interested Congressional Committees and Members of Congress, to ensure that USDA programs are accomplishing their intended missions.

Phyllis K. Fong



**INSPECTOR GENERAL**

## REPORTS

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22

FINAL REPORTS



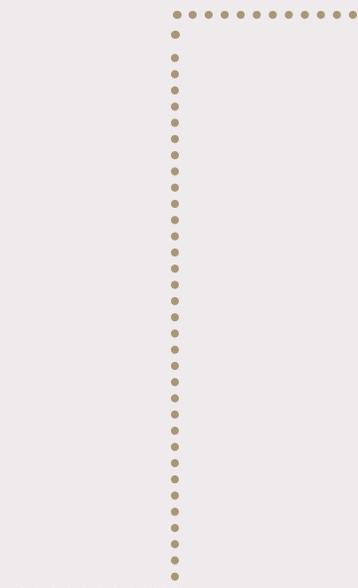
3

INTERIM REPORTS



93

REPORT RECOMMENDATIONS

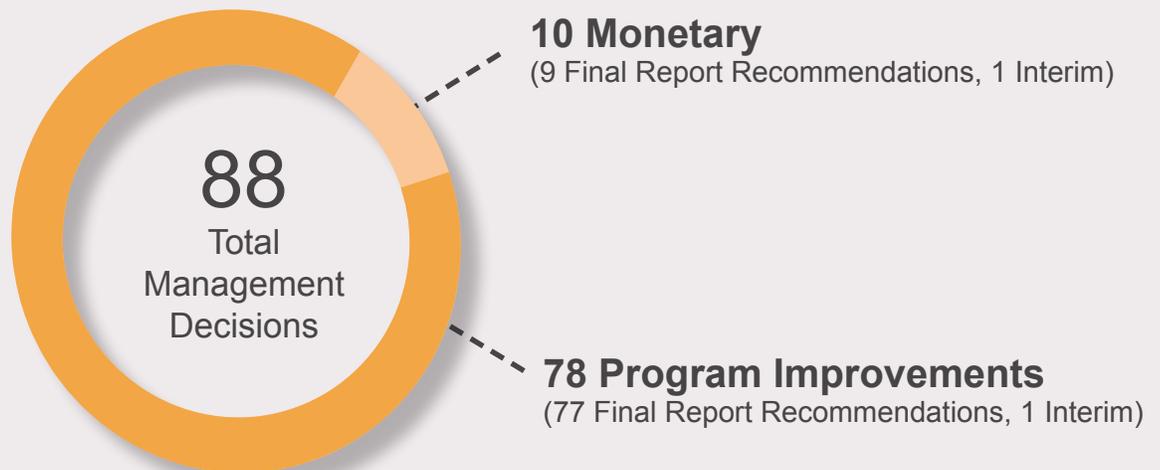


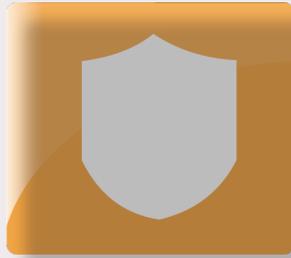
# ACTIVITIES SUMMARY

## Program Improvement Recommendations

A number of our audit recommendations are not monetarily quantifiable. However, their impact can be immeasurable in terms of safety, security, and public health. They also contribute considerably to the economy, efficiency, and effectiveness of USDA's programs and operations.

## MANAGEMENT DECISIONS





172

REPORTS ISSUED



237

INDICTMENTS



247

CONVICTIONS



544

ARRESTS

# ACTIVITIES SUMMARY

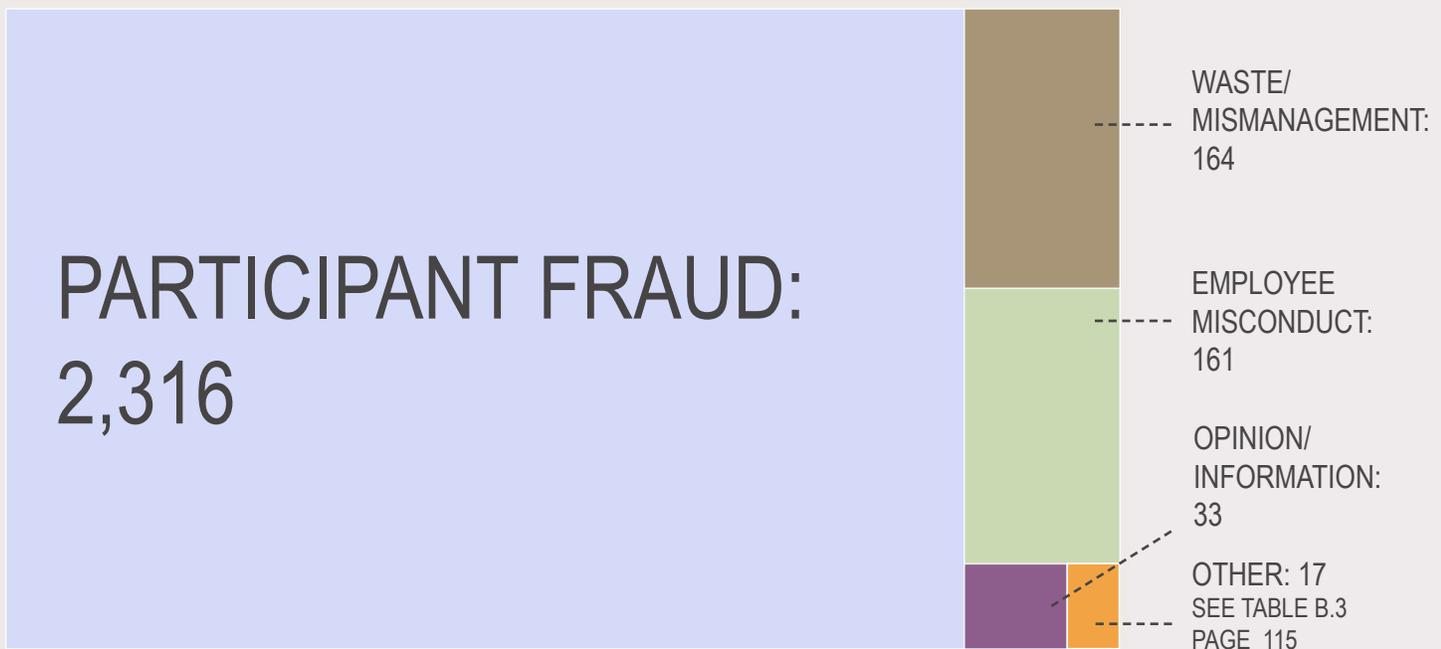


## Hotline Complaints

During this reporting period, the Hotline received 2,691 complaints, including allegations of participant fraud, employee misconduct, mismanagement, safety issues, bribery, reprisal, and opinions about USDA programs.

2,691

## HOTLINE COMPLAINTS BY TYPE



INVESTIGATIONS TOTAL DOLLAR IMPACT

**\$190.5 million**



# TABLE OF CONTENTS

Goal 1 ..... 1

Goal 2 ..... 9

Goal 3 ..... 41

Inspector General Act Reporting Requirements ..... 59

Assessing the Impact of OIG ..... 62

Performance Results Under Our Strategic Goals ..... 64

OIG Accomplishments for FY 2017, First Half ..... 65

Peer Reviews and Outstanding Recommendations..... 66

Recognition of OIG Employees..... 67

Appendix A: Audit Tables ..... 68

Appendix B: Investigative Reports..... 113

Appendix C: FOIA Activities ..... 121

Acronyms and Abbreviations ..... 122



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

## SUMMARY

For the first half of FY 2017:

**17.2%** of total direct resources were devoted to Goal 1

**100%** of these resources were assigned to critical-risk and high-impact work

## INVESTIGATIONS



**77.8%** of investigative cases resulted in action

**\$2.1 million** in monetary results

**18**  
Indictments



**4**  
Convictions



## AUDIT

**2**  
Audit Reports  
Issued



**1**  
Interim Report  
Issued



## **Examples of Audit and Investigative Work for Goal 1**

### **Increased Oversight and Coordination Needed over USDA's Efforts to Prevent, Detect, and Respond to Agroterrorism**

Agroterrorism is a threat to national security and could result in increased human illnesses and deaths, widespread destruction of crops and livestock, and significant economic loss to the Nation's farmers and ranchers.

OIG reviewed USDA's Office of Homeland Security and Emergency Coordination's (OHSEC) actions related to agroterrorism preparedness and found that OHSEC had not adequately overseen and coordinated USDA's efforts to prevent, detect, and respond to agroterrorism. Also, OHSEC did not demonstrate that USDA was in compliance with Homeland Security Presidential Directive (HSPD)-9 requirements to defend the agriculture and food system against terrorist attacks, major disasters, and other emergencies.

Additionally, OHSEC led USDA's efforts to develop and publish a 2015 Sector Specific Plan, but that effort resulted in limited representation of USDA's efforts to secure the Nation's agriculture and food supply. OHSEC officials explained that they had a process that gathered information from just three USDA agencies. We concluded that OHSEC did not gather information from all appropriate USDA agencies. OHSEC did not maintain any evidence to support the material in the 2015 plan or to assist with preparing the next plan. Thus, USDA may be unable to fully rely on this plan to guide security and resilience efforts for the next 4 years since it may not focus on the sector's critical needs. OHSEC generally agreed with 11 of the 14 recommendations to develop and implement written processes to effectively oversee USDA's agroterrorism prevention, detection, and response activities; develop and implement a comprehensive process to track USDA's compliance with HSPD-9; and improve the process used to create the Sector Specific Plan. We are working with OHSEC to reach agreement on the remaining recommendations. (Audit Report 61701-0001-21)

### **U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2016 Federal Information Security Modernization Act**

USDA is working to improve its IT security posture, but many longstanding weaknesses remain. We continue to find that OCIO has not implemented the corrective actions the Department has committed to take in its response

## **FISMA**

FISMA requires each Federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency.

to prior recommendations from OIG. In FYs 2009 through 2015, OIG made 61 recommendations for improving the overall security of USDA's systems, and 39 have been closed (i.e., the agreed-upon corrective action has been implemented). While work is ongoing for 4 recommendations, 18 are overdue for completion. Our testing identified that security weaknesses still exist in 3 of the 39 closed recommendations.

Our testing also identified weaknesses in eight subject areas as defined for review by the Federal Information Security Modernization Act (FISMA): risk management, contractor systems, configuration management, identity and access management, security and privacy training, Information Security Continuous Monitoring program maturity level, incident response program maturity level, and contingency planning. Due to these outstanding recommendations and weaknesses, we continue to report a material weakness in USDA's IT security that should be included in the Department's Federal Managers Financial Integrity Act report. Based on these outstanding recommendations and the findings in this report, OIG concludes that the Department lacks effective information security programs and practices. We noted that OCIO continues to take positive steps toward improving the Department's security posture. OCIO released two critical policies in FY 2016 that, once implemented, should improve IT security within USDA. It also began implementing the Continuous Diagnostic and Mitigation project. OCIO concurred with the findings in this report and agreed with our recommendations to continue its progress by resolving outstanding recommendations. (Audit Report 50501-0012-12)

### **Security Protocols and Connections for USDA's Public-Facing Websites—Interim Report**

USDA has increased its use of the Internet for information dissemination and business interactions with both internal and external customers and partners. USDA partners with other Federal agencies and State and local governments in information and data sharing activities using common databases and web-enabled applications. With the increased use of the Internet come cybersecurity-related risks. To combat these risks, such as eavesdropping of communication by unknown attackers, the Office of Management and Budget (OMB) requires the encryption of sensitive data to prevent the loss, misuse, or unauthorized access to or modification of such data. Given the use of the Internet to share information, protection of these sensitive data can be difficult if adequate security protocols are not implemented to protect the content. As part of our annual review of the Department's compliance with FISMA, we evaluated whether USDA's

public-facing websites were using adequate security protocols as required by the National Institute of Standards and Technology. We found that the Department could strengthen its security protocols, and OCIO concurred with our findings and recommendations. While we released a summary of the work performed, the full report was not publicly released due to sensitive security information. (Audit Report 50501-0012-12(2))

## Animal Welfare Cases

### Three Individuals Violate the Lacey Act by Transporting White-Tailed Deer from Texas to Mississippi

In January 2017, in U.S. District Court, Southern District of Mississippi, the third and final defendant in a case involving Lacey Act violations was sentenced to 45 days of house arrest, 3 years' probation, and ordered to pay a \$10,000 fine. The judicial ruling on the amount of the defendant's restitution is pending. This OIG investigation disclosed that for a period exceeding 5 years, three individuals made false statements to APHIS and violated the Lacey Act by transporting numerous white-tailed deer from Texas



White tailed deer taken from Texas to Mississippi—a violation of the Lacey Act.

*Photo by OIG.*

to Mississippi. The three defendants were charged with various Lacey Act violations and false statements. In August 2016, all three subjects entered guilty pleas. Previously, the other two defendants were each sentenced to 3 years' probation and ordered to pay a \$10,000 fine. This investigation was conducted jointly with the U.S. Fish and Wildlife Service and the Mississippi Department of Wildlife, Fisheries, and Parks.

### **Family Members Sentenced for Their Roles in a Dog Fighting Operation in North Carolina**

A joint investigation with the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) and the Halifax County Sheriff's Office determined that a family (father, wife, and son) was involved with staging dog fights, breeding American pit-bull terriers, and selling those dogs for use in animal fighting ventures. In April 2016, the father pled guilty in the Eastern District of North Carolina to exhibiting and sponsoring an animal for the purpose of participation in a fighting venture; attending an animal fighting venture; possession of an animal for the purpose of participation in a fighting venture; possession of a firearm and ammunition by a felon; possession with intent to distribute more than 50 but fewer than 100 marijuana plants; maintaining drug-involved premises; and aiding and abetting. The wife and son later pled guilty to related charges. In October 2016, the father was sentenced to 72 months in prison and 36 months of supervised probation, while his wife was sentenced to 4 months in prison and 60 months of supervised probation. Their son was sentenced to 6 months in prison and 36 months of supervised probation.

### **Iowa Kennel Owner Sentenced for Providing False Statements to the U.S. Department of Justice**

In November 2016, in U.S. District Court, Northern District of Iowa, the owner of a large-scale dog kennel and breeding facility was sentenced to 36 months' probation, ordered to pay an additional \$200 per month toward his civil judgment, and ordered to comply with all Animal and Plant Health Inspection Service (APHIS) regulations related to his kennel operation. At the conclusion of an APHIS compliance investigation concerning the Kingsley, Iowa, operation, the U.S. Attorney's Office, Northern District of Iowa, filed an \$18,000 civil penalty for a variety of violations. During the process, the operator submitted financial affidavits disclosing his financial status. It was later determined that he withheld banking and other financial information. In May 2016, the operator was indicted on three counts of false statements, and in July 2016, he pled guilty to providing false statements during the civil case.

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

**U.S. Marshals Service Fugitive Task Forces.** During this reporting period, OIG agents in California, Minnesota, North Dakota, and Ohio continued to participate on U.S. Marshals Service Fugitive Task Forces, which were established under the Presidential Protection Act of 2000. The primary mission of these task forces is to investigate and arrest (through joint law enforcement operations) persons who have active State and Federal warrants for their arrest. In addition to providing assistance in locating fugitives, these task forces also provide help in serving warrants. Overall, this joint effort results in improving public safety and reducing violent crime. For example, in San Diego, California, our agency participates in the Regional Fugitive Task Force. Each participating agency agrees to refer cases for investigation by this task force. Targeted crimes will primarily include violent crimes against persons, weapons offenses, felony drug offenses, and failure to register as a sex offender. OIG's participation on these task forces has enhanced the team's ability to locate fugitives through OIG's access to SNAP benefit information.

#### **Animal Protection Task Forces and Pest Risk Committees.**

OIG special agents continued to participate in the Central California Animal Fighting Working Group along with agents from the Federal Bureau of Investigation (FBI), ATF, Drug Enforcement Administration, U.S. Postal Inspection Service, and Homeland Security Investigations (HSI) during this reporting period. Agents in the San Bernardino area are members of the local Animal Cruelty Task Force. Additionally, in Minnesota, OIG participates in the Minnesota Pest Risk Committee, which is composed of Federal, State, and local representatives who focus on the efforts used in Minnesota to intercept and control invasive plants, insects, and animals that are detrimental to Minnesota.

#### **FBI Joint Terrorism Task Forces and Anti-Terrorism Advisory**

**Councils.** OIG agents participate in the FBI's Joint Terrorism Task Forces located throughout the United States. In these task forces, agents work with other task force entities to provide OIG and other USDA agencies critical information, as appropriate, regarding individuals or groups that may have connections to terrorist activity or may provide support for terrorist activity against the United States, its citizens (domestic and abroad), or the U.S. food supply. OIG agents also participate on Anti-Terrorism Advisory Councils. 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.

**Federal Audit Executive Council IT Subcommittee FISMA Metrics Workgroup.** OIG auditors are members of this workgroup and helped draft and finalize the FY 2017 Inspector General (IG) FISMA maturity model metrics, which include cybersecurity framework security functions.

## ONGOING REVIEWS

- » National Organic Program international trade arrangements (Agricultural Marketing Service (AMS)),
- » agency activities for agroterrorism prevention, detection, and response (APHIS, Agricultural Research Service (ARS), Food Safety and Inspection Service (FSIS)),
- » commodity purchases for international food assistance programs (Farm Service Agency (FSA)),
- » drug enforcement on National Forest System lands (Forest Service (FS)),
- » review of controls over explosives and magazines (FS),
- » deferred maintenance (FS),
- » follow-up on 2007 and 2008 audit initiatives (FSIS),
- » evaluation of equivalency assessments of exporting countries (FSIS),
- » controls over declaring allergens on product labels (FSIS),
- » Continuous Diagnostics and Mitigation Program assessment—Option Year 2 (OCIO),
- » FY 2017 FISMA audit (OCIO), and
- » reviewing the integrity of USDA Scientific Research Program (ARS, Economic Research Service (ERS), FS, NRCS, Office of the Chief Scientist (OCS)).

*Detect and reduce USDA program vulnerabilities and deficiencies to strengthen the integrity of the Department's programs*

## SUMMARY

For the first half of FY 2017:

**44.2%** of total direct resources were devoted to Goal 2

**97.7%** of these resources were assigned to critical-risk and high-impact work

## INVESTIGATIONS



**80.2%** of investigative cases resulted in action

**\$184.5 million**  
in monetary results

**215**  
Indictments



**239**  
Convictions



## AUDIT

**7**  
Audit Reports  
Issued



**1**  
Interim Report  
Issued



100% of audit recommendations under Goal 2 resulted in a management decision within 1 year

## **Examples of Audit and Investigative Work for Goal 2**

### **Rural Housing Service’s Controls over Originating and Closing Single Family Housing Direct Loans—Interim Report**

This interim report was issued as part of an ongoing audit evaluating whether the Rural Housing Service’s (RHS) controls over originating and closing Single Family Housing (SFH) direct loans and the construction of new homes are adequately designed and effectively operating. In the audit, our objective is to determine whether SFH direct loans are made only for eligible properties to eligible borrowers. We issued this interim report in response to a hotline complaint regarding the construction of a particular new dwelling. OIG assessed whether RHS had adequately followed program policies and procedures for the SFH Direct Loan Program regarding this particular dwelling. OIG made two recommendations and accepted the agency’s response for both recommendations. (Audit Report 04601-0001-22(1))

### **USDA Farm Programs—FSA, Risk Management Agency, and NRCS—Must Improve Upon Current Reporting and Data Sharing Practices**

To ensure payments are made in accordance with individual program rules, farmers must meet compliance requirements for various FSA, Risk Management Agency (RMA), and NRCS programs. When USDA agencies share data, they reduce the burden on participants and improve program eligibility determinations. USDA agencies have implemented a variety of data sharing processes and coordinated efforts for the purpose of assuring compliance with program requirements. However, USDA needs to take additional steps to improve its agencies’ data sharing practices.

For the period reviewed, we found the participating agencies’ lack of adequate planning and coordination in the development of a USDA data sharing initiative called the Acreage Crop Reporting Streamlining Initiative (ACRSI) resulted in a system that does not fully achieve its intended goals. Specifically, the development effort did not include adequate project management, lacked an integrated master schedule to track and measure development milestones and activities, and did not include USDA OCIO involvement on a regular basis. In addition, though agencies have manual processes in place to share data, they lack automated processes that help manage programs and reconcile data used by multiple programs. We also found that RMA proceeded with the ACRSI pilot project without



An aerial view of the prairie pothole region near Wing, North Dakota.

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

proper approval, such as an authorization to test or authorization to operate. The agencies generally concurred with our recommendations to revise and implement a detailed plan to correct these deficiencies.  
(Audit Report 50601-0003-22)

### **NRCS Wetland Conservation Provisions in the Prairie Pothole Region**

If farmers are receiving a wide range of USDA benefits, then they may not bring wetlands into agricultural production. NRCS is responsible for making technical determinations regarding whether a wetland exists on a given tract of land. If a farmer converts wetlands to production, a violation may be issued, and the farmer can lose USDA farm program payments. After receiving a complaint concerning recent changes in how NRCS makes these determinations, OIG reviewed determinations made in the “prairie pothole region” (Iowa, Minnesota, North Dakota, and South Dakota). We found that, in response to a backlog of requests for wetland determinations, NRCS made significant changes in its process for wetland determinations that allowed producers to drain and farm more wetlands. The process for making this change was not carried out in a transparent manner. NRCS generally agreed with our finding and recommendations to issue official guidance reinforcing correct and current rules and clarifying procedures for making

wetland determinations and certifications, including the status of pre-1996 determinations. (Audit Report 10601-0003-31)

### **Farmer Sentenced for Reporting Falsified Production on Crop Insurance Claim**

In December 2016, in U.S. District Court, Central District of Illinois, a farmer pled guilty to one count of making false statements. He was sentenced to 36 months of probation and ordered to pay \$300,759 in restitution to his crop insurance company. The investigation disclosed that he failed to report his total production to the Federal Crop Insurance Corporation (FCIC) and was paid two inflated indemnity payments of approximately \$125,000 for two claims of loss. In 2010, the farmer's partnership certified in its Supplemental Revenue Assistance Payment (SURE) Program application to producing a total of 378,759.7 bushels of corn in the 2010 crop year. A payment for \$206,308 was issued September 25, 2012, to cover the claimed production loss. Subsequently, FSA became aware of the aforementioned guilty plea in which he admitted to making false statements to influence his crop insurance claim. As a result, FSA determined him ineligible to receive the 2010 SURE payment and prohibited him from participating in the SURE program for 5 years. With this determination, FSA required a refund of the 2010 and 2011 SURE payments totaling \$498,880 with applicable interest.

### **Brothers in Kentucky Convicted in Crop Insurance Fraud Scheme**

In December 2016, in U.S. District Court, Western District of Kentucky, two brothers who jointly operated multiple farming operations each pled guilty to one count of aiding and abetting crop insurance fraud. From 2009 through 2012, the defendants and other family members received approximately \$6.5 million in RMA crop insurance indemnities. OIG's investigation disclosed that they perpetrated a scheme to defraud the Federal crop insurance program through submission of applications containing falsified statements and reports. They also farmed with other producers in the area and conspired to hide shares in the jointly produced crops. One brother was sentenced to 4 months in prison, followed by 24 months of supervised release, and ordered to pay a \$250,000 fine as well as reimbursement of the cost of his incarceration and prosecution. The other brother was sentenced to 1 day in prison, 6 months of in-home confinement, and 24 months of supervised release. He was also assessed a \$250,000 fine, reimbursement of the cost of in-home confinement, and reimbursement of the cost of prosecution. Prior to sentencing, the brothers

paid a combined total of \$2.2 million in restitution to FCIC.

### **Oklahoma Resident Falsely Receives *Keepseagle* Claim**

In February 2017, in U.S. District Court, Northern District of Oklahoma, a defendant was sentenced to 36 months' probation, 8 months' home confinement, and was ordered to pay \$62,500 in restitution for misrepresentation that resulted in her receiving payment under the *Keepseagle* settlement. This investigation determined that she received a settlement under both *Pigford v. Glickman* and *Keepseagle v. Vilsack*. The condition of participation in these discrimination settlements precludes an individual from seeking relief under more than one settlement. It was determined that she lied on the *Keepseagle* claim form and certified she did not receive a *Pigford* settlement. The investigation also revealed the woman was not a member of a federally recognized tribe at the time of the alleged discrimination. Due to these false representations, she fraudulently received a payment for \$62,500.

### **Northern Iowa Producer Sentenced for Role in Illegal Grain Sales**

In October 2016, in U.S. District Court, Northern District of Iowa, an FSA borrower was sentenced to 6 months in prison, 24 months' supervised release, and ordered to pay \$137,682 in restitution for his role in selling grain that had been pledged as security on FSA loans. The investigation disclosed that between December 2014 and September 2015, the borrower sold over 102,000 bushels of corn, thereby receiving \$332,803; however, he failed to apply proceeds from the sale to his FSA loans in accordance with the loan agreement. In May 2016, the producer was indicted on one count of conversion of mortgaged property and subsequently pled guilty in July 2016. During the course of the investigation, the borrower's program payments, including Agriculture Risk Coverage and Price Loss Coverage payments, were applied to offset his debt to the agency.

### **Wisconsin Borrower Sentenced for Converting Crop Sales Proceeds to Personal Use**

In January 2017, in U.S. District Court, Western District of Wisconsin, a producer was sentenced to 36 months' probation and ordered to pay \$85,425 in restitution to FSA. Our investigation determined that the producer and his wife converted mortgaged crops and failed to account for the disposition or remit sales proceeds to FSA. In May 2016, the man was charged with converting mortgaged property to his own use and, in October 2016, he pled guilty to the charge. The loan proceeds were used for personal



Corn is transferred from corn combine to trailer. FSA's Farm Loan Programs offer assistance to farmers and ranchers.

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



expenses including a truck, a car, a boat, a student loan, and a vacation to Mexico.

### **Missouri Farmer Engaged in Fraud Scheme Causing Nearly \$300,000 Loss**

A Missouri farmer engaged in a three-part fraud scheme that caused a loss of \$293,772. The farmer sold approximately 114 head of his FSA-mortgaged cattle—valued at approximately \$138,452—without remitting the proceeds to FSA. The farmer also removed ear tags from 646 head of cattle that were owned by others and had been placed in his care to graze. The farmer then commingled these cattle with his own cattle and sold \$124,000 worth of cattle that did not belong to him. Additionally, the farmer made false statements to his insurance company by claiming the cattle had died. As a result, he received \$31,320. The farmer entered a guilty plea to one count of fraud using property mortgaged to a farm credit agency. Subsequently, in October 2016, he was sentenced in U.S. District Court, Western District of Missouri, to 24 months in prison, 36 months' probation, and ordered to pay \$262,450 in restitution.

### **Seattle Resident is Convicted for Felony Theft in Federal and Local Investigation**

In January 2017, in King County Court, Seattle, Washington, a woman was convicted of theft of Rural Development (RD) funds and monies stolen from an elderly victim and sentenced to 50 months in prison and ordered to pay \$157,809 in restitution. In October 2016, OIG received information from the King County Prosecutors Office that a woman they were investigating for theft may have received funds from a RD program. The investigation disclosed that this woman claimed about \$2,000 annual income on an RD housing subsidy application in order to obtain approximately \$36,000 in RD subsidies over the course of approximately 4 years. She failed to disclose approximately \$144,000 she obtained illegally by stealing from an elderly woman in Seattle, Washington. Although obtained illegally, the \$144,000 should have been reported income and made her ineligible for the housing subsidy she received. In December 2016, the woman pled guilty to three felony counts including attempted theft and two theft counts, which includes a vulnerable victim aggravator.

### **Pennsylvania Resident Charged with Unlawfully Underwriting Loans through RD**

In December 2016, in U.S. District Court, Western District of Pennsylvania,

a man was sentenced to 60 months' probation, and ordered to pay \$27,500 in restitution, a \$1,000 fine, and a \$100 special assessment. This investigation was initiated as a result of a hotline complaint alleging that this individual was representing himself as a USDA employee and working to obtain RD loans for individuals to build houses with his company. He had previously been convicted in two other Federal fraud cases. The investigation uncovered that he was portraying himself and his company as a large construction group in the process of building single family housing under the RD Section 502 loan program. As part of this scheme, he at times portrayed himself as working for, or authorized by USDA, to underwrite RD Section 502 loans. He sought out numerous customers and submitted RD Section 502 loan documents on their behalf. Three customers gave him money for "preconstruction costs," and an investor gave him money to be part of the projects. He never started or constructed any houses, and none of the people who gave him money received anything in return. Although the investigation identified \$24,425 in losses to customers and investors, USDA had no direct losses as a result of this scheme. His scheme was disrupted when customers and potential partners became wary of his activity and learned about his



FSA's mission is to equitably serve all farmers, ranchers, and agricultural partners through the delivery of effective, efficient agricultural programs for all Americans.

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

## SNAP: REVIEW OF MANAGEMENT CONTROLS

prior fraud convictions. In December 2015, he was charged in a five-count indictment with mail fraud and wire fraud. In August 2016, he pled guilty to one count of wire fraud.

### **The Food and Nutrition Service Should Design Controls and Use Data Analysis to Detect SNAP Trafficking**

The Food and Nutrition Service's (FNS) SNAP issues billions of dollars in benefits annually. To identify potential fraud, OIG reviewed approximately 1.56 billion SNAP transactions representing approximately \$23 billion. We found that 3,394 authorized SNAP retailers used Social Security Numbers

USDA has partnered with the Farmers Market Coalition to provide eligible farmers markets and direct marketing farmers with free electronic benefit transfer (EBT) equipment necessary to process SNAP benefits.

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



(SSN) that matched SSNs of deceased people. Additionally, 193 retailers listed owners who were not at least 18 years of age. While FNS did have some controls to edit or verify SNAP retail owner information, these controls were not adequate to ensure owner information accuracy. During the 21-month period, OIG reviewed 3,394 retailers who reported SSNs of at least one deceased person. These 3,394 retailers redeemed about \$2.6 billion in SNAP benefits. In addition, 193 retailers had at least one owner who reported a birthdate that indicated the owner was younger than 18. These 193 retailers redeemed \$41 million during the period under review.

FNS uses two information systems to administer SNAP—Store Tracking and Redemption System (STARS) and Anti-fraud Locator using EBT Retailer Transactions (ALERT). Both systems should reflect the same monetary data. However, we found that, of the 243,595 retailers authorized during the period of our review, 241 retailers recorded different monthly transaction totals in the two systems. For the 21 months of data we compared, these discrepancies totaled approximately \$43 million. FNS generally concurred with our recommendations to: (1) review information concerning retail owners' SSNs, matching those of deceased people as well as owners who may be under the age of 18, and take appropriate corrective action; (2) design controls to identify data that may indicate these types of problems; and (3) finalize procedures to identify and reconcile STARS and ALERT data discrepancies. (Audit Report 27901-0002-13)

## **Review of States' Compliance with SNAP Regulations**

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

## **Compilation Report of States' Compliance with SNAP Certification of Eligible Household Requirements**

OIG contracted with an independent public accounting firm to conduct an agreed-upon procedures engagement to assess selected aspects of States' compliance with SNAP certification of eligible household requirements. The five States selected were Kentucky, New Hampshire, New Mexico, Michigan, and Missouri. The reports for the work completed in three States were issued during the last reporting period. The objective of the consolidated report was to summarize the work performed by the firm. The firm's consolidated report noted that three or more of the five States reviewed had common noncompliances with SNAP regulations related to students, SSNs, disqualification for intentional program violations, office operations and application processing, and work provisions. To ensure States participating in SNAP effectively implement requirements related to determining eligible households, the firm recommended that FNS provide additional guidance, technical assistance, and tools to the States. Specifically, the firm recommended that FNS issue clarification memoranda for those shared areas of noncompliance, develop a process to notify Electronic Disqualified Recipient System staff when a State does not report intentional program violations, and require States to perform periodic reconciliations of all intentional program violations. FNS concurred with the findings presented by the firm. (Audit Report 27601-0007-10)

## **Kentucky Must Provide Complete Documentation of Compliance with SNAP Certification of Eligible Households Requirements**

OIG contracted with an independent certified public accounting firm to conduct an agreed-upon procedures engagement to assess selected aspects of Kentucky's compliance with SNAP regulations, specifically focusing on compliance with the certification of eligible household requirements. The agreed-upon procedures were comprised of two parts. In the first part, the firm disclosed that Kentucky did not always report intentional program violations to FNS timely. In the second part, the firm disclosed that Kentucky did not always maintain required documentation and verify income prior to certification, comply with work registration requirements, and record an allowable expense as a deduction. FNS concurred with the findings and recommendations and agreed to implement corrective actions. (Audit Report 27601-0005-10)

## **Michigan Needs to Make Improvements Toward Consistently Complying with SNAP Certification of Eligible Household Requirements**

OIG contracted with an independent certified public accounting firm to conduct an agreed-upon procedures engagement to assess selected aspects of Michigan's compliance with SNAP regulations, specifically focusing on compliance with the certification of eligible household requirements. The agreed-upon procedures were comprised of two parts. In the first part, the firm disclosed that Michigan did not always comply with SNAP regulations related to SSNs and disqualification for intentional program violations. In the second part, the firm disclosed that Michigan did not comply with SNAP regulations related to office operations and application processing, work provisions, requirements for change reporting households, and recertification. FNS concurred with the findings and recommendations. (Audit Report 27601-0004-10)

*In addition to the aforementioned reviews, OIG also contracted with the same firm to assess whether States were complying with SNAP requirements for participating State agencies' regulations. The firm's assessment was comprised of two parts: to assess the States' policies, procedures, and processes; and to assess their compliance through review of active case files. Five additional States were selected for review—Georgia, Nebraska, Pennsylvania, South Carolina, and Washington—and a separate report will be issued at the completion of work in each State. During this reporting period, we issued a report based on the work completed in Nebraska, highlighted below. The work completed in the remaining States should be issued during the next reporting period.*

## **Nebraska Must Comply with SNAP Certification of Eligible Household Requirements**

OIG contracted with an independent certified public accounting firm to conduct an agreed-upon procedures engagement to assess selected aspects of Nebraska's compliance with SNAP regulations, specifically focusing on compliance with the requirements for participating State agencies. The agreed-upon procedures were comprised of two parts. In the first part, the firm disclosed that Nebraska did not maintain evidence that an independent verification was performed for the Prisoner Verification System matches and did not provide households notice of its results. In addition, Nebraska did not provide a notice of deceased matching system results to the household of its match results. In the second part, the firm disclosed that Nebraska did not



Farmers markets can accept SNAP benefits converted into tokens like the ones shown above. Market staff swipe the shopper's SNAP EBT card at a centrally located point of sale device, debiting the amount requested by the customer in exchange for tokens, which can then be used to "purchase" eligible food items from farmers at the market. The farmers are then reimbursed at the market center.

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

maintain evidence that an Income and Eligibility Verification System check was performed. FNS concurred with the findings and recommendations. (Audit Report 27601-0009-10)

## **SNAP Retailer Investigations**

*A significant portion of OIG's investigative resources are dedicated to ensuring the integrity of SNAP by combating the practice of exchanging benefits for currency or other ineligible items. Working closely with FNS, OIG has concluded a number of SNAP-related investigations and prosecutions in the first half of FY 2017. Below are several examples of SNAP investigations resulting in significant convictions and monetary results:*

## **Store Owner Convicted of Assault on a Federal Officer and SNAP Trafficking**

In February 2017, in U.S. District Court, Northern District of Ohio, an owner of a store was sentenced to 33 months in prison and ordered to pay \$2.5 million in restitution for SNAP fraud. As part of this investigation, 29 SNAP recipients were charged with SNAP fraud and were sentenced to a combined total of 22 months in prison, 78 years of probation, and ordered to pay \$214,000 in restitution to FNS. Our investigation disclosed that the store owner was trafficking SNAP benefits. During the execution of a search warrant at the store owner's residence, he pointed a firearm at OIG agents and local law enforcement officers. Consequently, as was reported in a previous SARC, the store owner was convicted in 2015 of assault on a Federal officer and possession of a firearm in connection with a violent felony. He was sentenced to 84 months in prison for the assault/firearms conviction.

## **Michigan Store Owner Sentenced for Role in SNAP Trafficking Scheme**

In October 2016, in U.S. District Court, Eastern District of Michigan, a store owner was sentenced pursuant to charges of SNAP and wire fraud. He was ordered to serve 30 months in prison, 24 months' supervised release, and ordered to pay approximately \$1.3 million in restitution to FNS. Additionally, \$38,195 in assets tied to the fraud scheme have been subjected to forfeiture action. From April to June 2014, multiple SNAP trafficking transactions for cash and non-food items occurred at the store in Hamtramck, Michigan. The store owner also conspired with the owners of another store in an effort to conceal/laundry fraudulent SNAP transactions at his store. In September 2014, Federal search and arrest warrants were served at both stores and the residences of both store owners. In May 2015, this store owner was indicted on charges of wire fraud and SNAP fraud, and in February 2016, he pled guilty to wire fraud and SNAP fraud. This investigation was conducted with the assistance of HSI personnel.

## **North Dakota Retailer Sentenced for Role in SNAP Trafficking Conspiracy**

In May 2016, a Fargo, North Dakota, store owner was taken into custody by U.S. Customs and Border Protection in Charlotte, North Carolina, as he tried to return from Iraq to the United States. The individual had been a fugitive since being indicted in November 2014 on multiple counts of unauthorized use of benefits, conspiracy to defraud USDA, and money laundering. Our investigation determined that the store owner, manager, and an employee



20.00	→	25.00	230.00
30.00	→	37.50	240.00
40.00	→	50.00	250.00
50.00	→	63.00	260.00
60.00	→	75.00	270.00
70.00	→	87.50	280.00
80.00	→	100.00	290.00
90.00	→	113.00	300.00
100.00	→	125.00	310.00
110.00	→	138.00	320.00
120.00	→	150.00	330.00
130.00	→	163.00	340.00
140.00	→	175.00	350.00
150.00	→	188.00	360.00
160.00	→	200.00	370.00
170.00	→	213.00	380.00
180.00	→	225.00	390.00
190.00	→	238.00	400.00
200.00	→	250.00	450.00
210.00	→	263.00	500.00
220.00	→	275.00	550.00
			600.00

(First Image): This box of “produce” is actually plastic staged to make one of the flea market’s stands appear as if it was well stocked with eligible food items. (Middle Image): This handwritten ledger is a list of exchange rates found at the flea market during the search warrants. For each pair of columns, the amount on the right is the SNAP amount and the amount on the left is the amount of cash offered in exchange for that SNAP amount.

Photos by OIG.

(who is a relative) knowingly distributed cash to customers in exchange for SNAP benefits. When interviewed, the store owner and manager admitted to distributing cash for SNAP benefits for numerous customers, and further admitted to taking the cash obtained from the fraudulent SNAP transactions and purchasing jewelry from a store in Nashville, Tennessee. Simultaneous search warrants at the store and related residences resulted in the seizure of jewelry and \$3,000 in U.S. currency, all of which was subjected to forfeiture. In June 2015, the manager and store employee pled guilty to conspiracy to defraud USDA and to a forfeiture count. They agreed that any real property associated with the above crimes would be subject to forfeiture by the U.S. Government, and they stipulated that their illegal activity caused a loss to the U.S. Government of \$365,058. In December 2015, the store manager was sentenced to time served (1 day), 60 days’ home confinement, 200 hours’ community service, 36 months’ probation, and ordered to pay \$365,058 in restitution. The store employee was sentenced to 90 days’ home confinement,



A suspect used this briefcase to carry one of the mobile point-of-sale terminals that were instrumental for the flea market retailers (who had no land line or data lines) to conduct SNAP transactions. These suspects regularly moved the terminals between multiple stalls. Point-of-sale terminals allow retailers to scan SNAP benefit cards for the individuals that they serve.

*Photo by OIG.*

100 hours' community service and 24 months' probation. In November 2016, the store owner was sentenced to 60 days' home confinement, 36 months' probation and 200 hours' community service.. The three individuals agreed to forfeit items to satisfy the loss amount owed to the government of \$365,058, jointly and severally. This case was investigated with the assistance of the U.S. Postal Inspection Service.

### **Multi-Agency, Large-Scale SNAP Fraud Investigation Results in 17 Convictions**

This joint investigation was conducted with the Palm Beach County Sheriff's Office, Florida Department of Law Enforcement, HSI, Florida Department of Children and Families, Florida Department of Financial Services-Division of Public Assistance Fraud, the Florida Attorney General's Office of Statewide Prosecution, and FNS-Retailer Investigations Branch (RIB). The case was initiated based on information provided by the State of Florida regarding an

identity theft scheme taking place in Palm Beach County, Florida. OIG and the Palm Beach County Sheriff's Office determined that the suspect obtained SNAP EBT cards with stolen identities. He then took the EBT cards to the Opa-Locka Hialeah Flea Market and exchanged the fraudulently obtained SNAP benefits for cash. OIG was already conducting an investigation involving numerous retailers at the Opa-Locka Hialeah Flea Market suspected of providing SNAP recipients with cash in exchange for benefits. The two investigations were combined and, in May 2015, a massive search warrant and arrest warrant operation was conducted at the flea market. The operation resulted in 26 arrests. To date, 17 subjects have been convicted in U.S. District Court, Southern District of Florida. All were incarcerated for periods ranging from 12 to 46 months, to be followed by 36 months of supervised release and, in one instance, deportation. They were also ordered to pay fines and restitution cumulatively totaling \$13.1 million.

### **California Resident Convicted for Trafficking SNAP Benefits for Cash at Fish Market**

In November 2016, in Superior Court of California, Riverside County, a fish market owner was sentenced to 16 months in State prison and ordered to repay \$297,667 in restitution to USDA. The investigation began in March 2015 when OIG received information that the owner was exchanging SNAP benefits for cash. During the OIG investigation, numerous SNAP trafficking transactions occurred involving the owner. On September 6, 2016, the store owner surrendered to the Riverside County Sheriff's Department pursuant to felony charges filed against her for food stamp fraud, grand theft, and diversion of funds. All charges carried an aggravated white-collar crime enhancement. In September 2016, the woman made her initial court appearance while in custody. Her bail was set at \$298,000, and she was remanded to the custody of the Riverside County Sheriff's Department. In October 2016, she pled guilty to a felony food stamp fraud violation and a felony grand theft violation and stipulated to the restitution amount of \$297,667.

### **New Jersey Store Employees Charged with Unlawfully Redeeming \$1.5 Million in SNAP Benefits**

In December 2016, in U.S. District Court, District of New Jersey, two grocery store employees were each sentenced to 36 months' probation and ordered to pay \$1.5 million in restitution jointly and severally. Each was also ordered to pay a \$100 special assessment fee. This investigation was initiated as a result of a compliance investigation conducted by FNS-RIB, during which

ineligible items and U.S. currency were exchanged for SNAP benefits. The joint investigation between OIG and the Paterson, New Jersey, Police Department revealed that between September 2012 and December 2014, these two store employees were exchanging SNAP benefits for U.S. currency at a discounted rate. In February 2015, a criminal complaint was filed charging the two store employees with conspiracy to embezzle, steal, purloin, and convert to their own use, and the use of others, money from SNAP. In February 2015, the two were arrested and a Federal search warrant was executed at the store. In September 2015, one of the store employees pled guilty to a criminal information charging him in a conspiracy to steal Government property. In April 2016, the other store employee pled guilty to a criminal information charging him with conspiracy to steal government property.

### **Rhode Island Store Owner Guilty of Defrauding Food Program**

In October 2016, in U.S. District Court, District of Rhode Island, a store owner was sentenced to 60 months' probation with the condition that he will serve 730 days of "intermittent confinement" at a specified detention facility. He was also ordered to pay \$1.2 million in restitution and a \$200 special assessment. Forfeited funds totaling \$73,713 were applied toward the ordered restitution. Our joint investigation with the FBI, assisted by FNS-RIB, determined that this store was trafficking in SNAP benefits. In December 2015, a search warrant was executed at the store and \$2,077 in U.S. currency was seized from the store and the owner during the course of the search warrant. In addition, the FBI executed a seizure warrant on a bank account associated with the store. In March 2016, the store owner was charged with conspiracy to commit SNAP fraud and money laundering; he pled guilty to the charges in April 2016.

## **Other FNS Investigations**

### **Longtime Fugitive Returned to the United States and Sentenced for Illegal SNAP Trafficking**

In December 2016, in U.S. District Court, Northern District of Ohio, a longtime fugitive was sentenced to 54 months in prison and ordered to pay \$3.2 million in restitution to FNS for stealing, more than two decades ago, millions in SNAP benefits. In 1991, our investigation revealed that the subject was engaged in SNAP fraud. In 1994, he pled guilty to food stamp fraud and tax charges, but did not appear for his sentencing. It was later discovered that he fled to the Middle East. He was a fugitive until 2016, when he was arrested in Jerusalem and returned to the United States.

### **Southeast Michigan Retailer Sentenced for Role in WIC and SNAP Trafficking**

A joint investigation with the Internal Revenue Service-Criminal Investigation (IRS-CI) and Michigan State Police led to convictions of two Southeast Michigan store owners for felony Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC) and SNAP trafficking. Our investigation determined that the owners and employees exchanged SNAP and WIC benefits for cash from October 2011 through August 2012. In September 2012, a Federal search warrant was executed at the store, which resulted in the seizure of a multitude of evidence to include credit ledgers used to track illicit WIC and SNAP transactions. Furthermore, IRS-CI agents served a seizure warrant on the store's SNAP and WIC bank account, which resulted in the capture of \$23,341. In July 2014, the two store owners were indicted on charges of conspiracy to commit government program fraud and SNAP and WIC trafficking. In November 2015, one store owner pled guilty to WIC fraud, and in April 2016, was sentenced to 18 months in prison, followed by 24 months' supervised release, and ordered to pay \$927,729 in restitution to FNS. In October 2016, the second store owner was sentenced to 28 months in prison, 24 months' supervised release, and ordered to pay approximately \$2.2 million in restitution.

### **Oklahoma Resident to Serve 27 Months in Prison for Committing Health Care Fraud and SNAP Fraud**

Our investigation revealed that an Oklahoma City resident opened a behavioral health counseling agency and obtained a contract with the Oklahoma Health Care Authority. This contract allowed her to receive

reimbursement from Medicaid for providing behavioral health counseling services to Medicaid-eligible children. She submitted false Medicaid claims for behavioral health counseling services that were not provided and instead used the funds for her personal gain. She did not report this income to the State of Oklahoma and continued to receive \$511 per month in SNAP benefits that she was not entitled to receive. In February 2017, she was sentenced to 27 months in prison, 36 months' probation, and ordered to pay restitution in the amount of \$204,334 to Medicaid and \$4,959 to SNAP.

### **Florida Resident Fraudulently Obtained SNAP Benefits in Identity Theft Scheme**

This joint investigation with Social Security Administration (SSA) OIG, Housing and Urban Development (HUD) OIG, IRS-CI and the Manatee County Sheriff's Office disclosed that the subject used the identities of numerous beneficiaries to defraud multiple government programs. She diverted Social Security benefits from their intended recipients to a residence for which she fraudulently received HUD housing assistance. Using the identities of the Social Security beneficiaries, she filed fraudulent tax returns and applied for SNAP benefits. In January 2017, the U.S. District Court, Middle District of Florida, accepted her plea of guilty to charges of aggravated identity theft, wire fraud, and false statements to the Government. She was sentenced to 24 months in prison for the charge of aggravated identity theft and a consecutive 15 months in prison for the charges of wire fraud and false statements to a Government agency. Her imprisonment will be followed by 36 months of supervised release. She was also ordered to pay \$48,926 in restitution and the court issued a forfeiture money judgment for \$36,355.

### **Eight Members of Religious Community in Utah and Arizona Sentenced in Multi-Agency SNAP Fraud Investigation**

In December 2016 and January 2017, in U.S. District Court, District of Utah, eight individuals in a religious community were sentenced to time served and ordered to participate in SNAP benefits training provided by FNS. This investigation began in August 2014, when agents from the FBI contacted OIG to inquire about individuals receiving SNAP benefits and stores accepting SNAP in Hildale, Utah, and Colorado City, Arizona. This area is known as Short Creek. The investigation, conducted by members of OIG, the FBI, IRS-CI, and the Washington County, Utah, Sheriff's Office, determined that members of a religious community in Short Creek were directed by their leaders to turn over their SNAP benefits by using their EBT cards at stores owned by the religious community in the Short Creek area. In



An EBT terminal uses a wireless connection, allowing consumers to use their SNAP benefits.

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

February 2016, search warrants were served on several businesses in Short Creek, and 11 people were arrested (including the bishop of Short Creek) for conspiracy to commit SNAP fraud and money laundering. In December 2016 and January 2017, six individuals pled guilty to one misdemeanor count of SNAP fraud, and two other individuals pled guilty to felony SNAP fraud. In June 2016 after being released to home confinement, the bishop slipped out of his ankle monitor and absconded. Judicial action is pending for one and charges were dropped for another. The bishop remains a fugitive and a warrant has been issued for his arrest.

### **Salesperson Helped Unauthorized Stores Obtain EBT Terminals and Redeem \$7 Million in SNAP Benefits**

In January 2017, in U.S. District Court, Eastern District of New York, a former account executive for a third party processor was sentenced to 21 months in prison, to be followed by 36 months' supervised release, and was ordered to pay \$1.5 million in restitution. This man had been employed as an account executive for a third party processor of EBT cards. As an

account executive, he sold EBT terminals to stores authorized to participate in SNAP in and around New York City. However, our investigation revealed that he was also selling EBT terminals to stores not authorized to participate in SNAP. Between April 2012 and September 2014, he provided EBT terminals to approximately 50 unauthorized stores that used the terminals to redeem SNAP benefits totaling approximately \$6.5 million. In September 2014, he was arrested by OIG agents with assistance from the U.S. Marshals Service. He was released on a \$75,000 secured bond. Also in September 2014, a total of 26 search warrants were executed at his home office and 25 stores that were using unauthorized EBT terminals purchased from him. Eight of the stores where search warrants were executed also exchanged SNAP benefits for U.S. currency and ineligible items during the course of our investigation. In January 2015, he was indicted for theft of Government funds, wire fraud, and a criminal forfeiture allegation. In July 2016, he pled guilty to one count of wire fraud.

### **Owners of Michigan Fish Market Sentenced for Role in Trafficking WIC Benefits**

In November 2016, in U.S. District Court, Eastern District of Michigan, the manager of a Detroit-based fish market was sentenced to 12 months and 1 day in prison, 24 months' supervised release, and \$421,059 in restitution payable to FNS for his role in a longstanding financial fraud conspiracy. His brother (the store owner) was sentenced in August 2016 to 6 months in prison, 6 months' home confinement, and 24 months' supervised release, and was ordered to pay \$204,250 in restitution. This investigation was conducted to determine if the owner and employees of the fish market trafficked SNAP and WIC benefits. The investigation was worked jointly with Michigan State Police-Bridge Card Enforcement Team and IRS-CI. During the investigation, SNAP and WIC benefits were exchanged for cash multiple times between June 2011 through August 2012. During the course of our investigation, the brother admitted to taking SNAP and WIC EBT cards, which he had purchased from recipients at the fish market, to six different stores to exchange for cash, credit, or ineligible items. In September 2012, Federal search warrants were executed at the fish market, the owner's residence, and his brother's residence. A seizure warrant was executed by IRS-CI personnel on a bank account associated with the fish market, that resulted in the seizure of over \$11,700. Investigation further disclosed that the market's owner and his wife, and the brother and his wife, fraudulently received over \$218,400 in welfare benefits from 2003 through 2012, including SNAP and WIC benefits, State Emergency Relief Funds, and Medicaid subsidies. These two families falsified numerous welfare benefit applications by understating income and assets, thereby making them eligible for welfare benefits.

## **Georgia WIC Employee and Store Owners Sentenced in WIC Fraud Scheme**

In February 2017, a Georgia WIC program quality assurance specialist, who was responsible for inspecting and authorizing WIC stores throughout Georgia, was sentenced in U.S. District Court, Northern District of Georgia, to 12 months and 1 day for his role in accepting bribes in a large-scale conspiracy. The employee was also removed from employment with the State. A joint investigation with IRS-CI led to the conviction of the State WIC employee and five store owners on charges of conspiracy to defraud the United States. The investigation revealed that the five store owners consisted of a wife and husband, her two sisters, and a family friend. They all paid bribes to a State employee to have their stores authorized without inspection. Further, when a store would become disqualified for program violations, the State employee accepted bribes to provide a WIC vendor authorization stamp that belonged to legitimate authorized stores in other parts of Georgia. The investigation also revealed that the store owners, at the advice of the State employee, were submitting false FNS certificates to the Georgia WIC program that indicated their stores were authorized to accept SNAP. Multiple search and seizure warrants were executed, resulting in the seizure of several vehicles, cash, jewelry, and a home in an exclusive suburb of Atlanta. All seized property has been forfeited to the Government. In February 2017, the store owner and her husband were sentenced and received 18 and 24 months in prison, respectively. The owner's two sisters were sentenced in January 2017. Both received 36 months' probation and 12 months' home confinement. The family friend was also sentenced in January 2017 to 1 year and 1 day in prison.

## **Former Arkansas State Employee Sentenced to Prison in Scheme to Steal USDA Funds Intended to Feed Hungry Children**

Several recent cases concern a conspiracy in Arkansas to defraud a USDA meal program for disadvantaged schoolchildren. In the first of these cases, a former State of Arkansas employee responsible for processing applications from sponsors who applied to participate in feeding programs pled guilty to one count of bribery and one count of conspiracy to commit wire fraud. Our investigation determined that feeding program sponsors made bribe payments to the employee to ensure their applications were approved. Some sponsors would claim that hundreds of children were fed at their sites, when few or no children were actually fed. In January 2017, the employee was sentenced to 108 months in prison, followed by 24 months' probation,



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

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

ordered to pay restitution in the amount of \$7.6 million, jointly and severally with her other co-conspirators, and ordered to forfeit \$17,681. This case is one of many cases which we uncovered as part of a larger conspiracy involving multiple State of Arkansas employees and feeding program sponsors. The three cases below are involved in this larger conspiracy. There are other cases at various investigative stages and thus are not reported in this SARC.



### **Arkansas Resident Sentenced to Prison for Role in Stealing USDA Funds Intended to Feed Hungry Children**

A Little Rock, Arkansas, man who was a sponsor for a feeding program falsely claimed to the State of Arkansas that he fed as many as 300 children each day, which resulted in payments to him totaling approximately \$182,000 in USDA program funds that were intended to feed children in need. Our investigation determined he never actually fed any children, and paid approximately 50 percent of the \$182,000 in USDA funds to the husband of a former State of Arkansas employee who approved the sponsor's application to participate in the feeding program. The sponsor pled guilty to one count of conspiracy to commit mail fraud, and in November 2016 was sentenced to 21 months in prison, 36 months of probation, and ordered to pay \$182,728 in restitution.



FNS works to end hunger and obesity through the administration of 15 Federal nutrition assistance programs including WIC, SNAP, and school meals.

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

## **Sponsor Sentenced to Prison for Role in Scheme to Steal USDA Funds Intended to Feed Hungry Children**

A Dallas, Texas man, who was a sponsor for an Arkansas feeding program, falsely claimed to the State of Arkansas that he fed as many as 287 children per day at one site, and 244 children per day at another site. Witnesses stated that no more than 10 and 15 children were fed each day, respectively. Additionally, he paid approximately 40 percent of the \$380,000 in USDA funds to the husband of a former State of Arkansas employee who approved the sponsor's application to participate in the feeding program. The sponsor pled guilty to one count of conspiracy to commit wire fraud and in January 2017 was sentenced to 24 months in prison, 24 months' probation, and ordered to pay \$380,055 in restitution. As a result of the inflated claims, the sponsor received approximately \$380,000 in USDA funds that were intended to feed children in need.

## **Arkansas Resident Sentenced to Prison for Role in Scheme to Steal USDA Funds Intended to Feed Hungry Children**

A Little Rock, Arkansas woman, who was a sponsor for a feeding program, falsely claimed to the State of Arkansas that she had an average daily attendance ranging from 63 to 450 children she claims to have fed at her two sites. Witnesses stated that fewer than 20 children were fed each day at the two sites she ran as part of the feeding program. As a result of the inflated claims, the sponsor received approximately \$575,917 in USDA funds that were intended to feed children in need. From the money the sponsor received as a result of the inflated claims, she paid cash back to a State of Arkansas employee for her application approval to participate in the feeding program. The sponsor pled guilty to one count of conspiracy to commit wire fraud and in January 2017 was sentenced to 30 months in prison, 24 months' probation, and ordered to pay \$575,917 in restitution.

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

**Operation Talon.** OIG began Operation Talon in 1997 to apprehend fugitives who are also receiving, or who have received, SNAP benefits in violation of 7 U.S.C. Sec. 2015(k). Operation Talon has led to the arrests of thousands of fugitive felons since its inception. In the first half of FY 2017, Talon operations were conducted in 6 States, resulting in 245 arrests. OIG combines forces with Federal, State, and local law enforcement agencies to arrest fugitives for offenses such as arson, assault, drug charges, offenses against family and children, robbery, sex crimes, and weapons violations.

**Suspicious Activity Report (SAR) Review Teams.** OIG investigators across the country continued to participate in SAR Review Teams, which are coordinated by the U.S. Department of Justice through the U.S. Attorneys' Offices. The primary goals of a SAR Review Team are to systematically review all SARs that affect a specific geographic jurisdiction, identify individuals who may be engaged in criminal activities, and coordinate and disseminate leads to appropriate agencies for follow-up. The composition of these teams includes representatives from law enforcement and various regulatory agencies. Coordination among the respective agencies results in improved communication and more efficient resource allocation. OIG agents participate on SAR review teams coordinated by the U.S. Attorneys' Offices in Arkansas, Arizona, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Oregon, South Dakota, Texas, and the State of Washington.

**Bridge Card Enforcement Team.** OIG investigators continue to work with this team to investigate criminal SNAP and WIC violations. Team members include the Michigan State Police and IRS-CI. During this reporting period, we also worked with the FBI and HSI. Since 2007, our teamwork has resulted in 187 arrests and service of 307 search warrants. The U.S. Attorneys' Offices for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, resulting in 182 guilty pleas, lengthy prison terms, and over \$45.3 million in court-ordered fines and restitution. The U.S. Attorneys' Offices have initiated forfeiture proceedings totaling over \$5.46 million.

**Money Laundering and Organized Crime Task Forces.** OIG investigators in Ohio continued to participate on the U.S. Secret Service's Money Laundering Task Force with representatives of Federal, State, and local law enforcement, as well as the U.S. Attorney's Offices. This task

force focuses on various types of fraud cases, all of which involve money laundering, in order to discuss and assist one another in investigations with manpower, intelligence, and technology. The wide range of jurisdiction allows the task force to prosecute each case more effectively. Additionally, our agents in Illinois participate in the Cook County State's Attorney's Office Regional Organized 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, the U.S. Secret Service, HSI, and numerous other State and local law enforcement agencies that serve the citizens of Cook County, Illinois.

**Bankruptcy Fraud, Social Services Fraud, and Identity Theft Working Groups.** During this reporting period, OIG agents in Kansas, Missouri, and Ohio participated in the bankruptcy fraud working groups in their areas. These groups are composed of agents from various Federal law enforcement agencies, U.S. Attorney's Offices, as well as the U.S. Trustee Office, to investigate bankruptcy fraud in ongoing cases. In Ohio, the U.S. Trustee Office has a Special Assistant United States Attorney assigned to coordinate prosecutions with the U.S. Attorney's Offices. OIG agents in Kansas and Missouri are part of an Identity Theft Working Group. This group is comprised of Federal and State law enforcement agencies that meet periodically to discuss investigations. They also jointly identify and discuss current trends, leads, and other identity theft-related topics. OIG agents in Florida also participate in the South Florida Identity Theft Strike Force. In Arizona, Colorado, Idaho, and Ohio, OIG agents participate in Social Services (or Welfare) Fraud Working Groups. These groups are comprised of the FBI and OIG representatives from U.S. Department of Labor, U.S. Health and Human Services, HUD, SSA, USDA, and Department of Veterans Affairs. In Ohio, the SSA OIG has a Special United States Attorney who works with the group to bring cases where individuals are defrauding multiple social services programs. In Idaho, the Social Services Fraud Working Group targets social service crimes. In Colorado and Arizona, the Social Services Fraud Working Group combines the assistance of city, county, and State authorities with Federal authorities, including the OIGs of HUD, SSA, USDA, and the FBI. The goal of this group is to use combined efforts to combat fraud in large-scale social services, supplemental security income, Medicaid, SNAP, and housing. In Florida, our agents participate in the Government Housing Operations Special Task Force aimed at detecting and investigating housing fraud through combining the resources of multiple agencies and jurisdictions.

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

**H.R. 2532, Bonuses for Cost-Cutters Act of 2016.** In October 2016, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) circulated a draft amendment to H.R. 2532, the Bonuses for Cost-Cutters Act of 2016. OIG identified several provisions in the draft amendment that might appear to put IGs in a position of making prohibited program operating and policy-making determinations, therefore impeding oversight of such determinations. See 5 U.S.C. app. 3, §§ 2, 9. OIG also noted that the draft amendment partly defined “surplus salaries and expenses funds” as amounts “the rescission of which would not be detrimental to the full execution of the purposes for which the amounts were made available.” OIG recommended that the draft amendment contain clarification of when a rescission would and would not be detrimental.

**H.R. 732, Stop Settlement Slush Funds Act of 2017.** The Stop Settlement Slush Funds Act of 2017 set forth a mandatory annual audit requirement for IGs of each Federal agency to submit a report to specified Committees “on any settlement agreement entered into in violation of [the Act] . . . by that agency.” We noted that the annual audit requirement could utilize many of OIG’s limited resources and possibly shift vital resources from focusing on high risk and critical impact work. Therefore, we recommended amending the provision to make the annual reporting requirement discretionary. This would provide OIG with the discretion to determine where best to allocate resources in order to fulfill its mission.

### CIGIE

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CIGIE is an independent entity established within the executive branch to address integrity, economy, and effectiveness issues that transcend individual Government agencies and aid in the establishment of a professional, well-trained, and highly skilled workforce in the Offices of Inspectors General.

## ONGOING REVIEWS

- » Summer Food Service Program in Texas—sponsor costs (FNS),
- » compliance with SNAP requirements for participating State agencies (Georgia, Pennsylvania, South Carolina, and Washington) (FNS),
- » Agriculture Risk Coverage and Price Loss Coverage Programs—survey (FSA),
- » controls over originating and closing Single Family Housing direct loans (RHS),
- » indemnity payments to pistachio producers (RMA),
- » underwriting (RMA),
- » controls over conservation innovation grants (NRCS),
- » formula grant program controls over fund allocations to States (National Institute of Food and Agriculture),
- » Texas boll weevil eradication foundation grant (APHIS), and
- » Intermediary Relending Program (Rural Business-Cooperative Service (RBS)).



Cotton boll weevil feeds on a cotton plant.

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

# GOAL 3

# MANAGEMENT IMPROVEMENT INITIATIVES

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

## SUMMARY

*For the first half of FY 2017:*

**38.6%** of total direct resources were devoted to Goal 2  
**99.5%** of these resources were assigned to critical-risk and high-impact work

## INVESTIGATIONS



**58.8%** of investigative cases resulted in action\*

**\$3.9 million**  
in monetary results

**4**

Indictments



**4**

Convictions



## AUDIT

**13**

Audit Reports Issued



**1**

Interim Report Issued



100% of audit recommendations under Goal 2 resulted in a management decision within 1 year

\*Because some indictments may have occurred in prior reporting periods, the indictments and convictions for a reporting year may not correlate.

## Examples of Audit and Investigative Work Department Financial Statements

### USDA Consolidated Balance Sheet for FY 2016

Ordinarily, USDA presents a complete set of consolidated financial statements in its Agency Financial Report. However, in 2015, USDA received a disclaimer of opinion on its statements. In 2016, USDA seemed likely to receive another disclaimer of opinion on its full set of consolidated financial statements and decided instead to present only the consolidated balance sheet for audit. OIG audited USDA's consolidated balance sheet for FY 2016 and assessed internal controls over financial reporting and compliance with laws and regulations. OIG determined that USDA's consolidated balance sheet presents fairly, in all material respects, USDA's financial position as of September 30, 2016, in accordance with accounting principles generally accepted in the United States.

OIG's review of USDA's internal controls over financial reporting identified three significant deficiencies, two of which are material weaknesses. Specifically, two of USDA's component agencies need to make further improvements to their overall financial management. Also, USDA needs to improve its IT security and controls, as many long-standing weaknesses remain. Moreover, USDA needs to improve its controls over financial reporting, as our review again disclosed deficiencies related to obligations and abnormal year-end balances. Additionally, leases and work-in-progress were not always classified properly or in the correct amount. Finally, USDA did not substantially comply with the Federal Financial Management Improvement Act of 1996 and violated the Anti-Deficiency Act.

The Department concurred with our findings and generally agrees with our recommendations that the Office of the Chief Financial Officer (OCFO) provide additional oversight to ensure controls over financial reporting are strengthened and maintained, including those over unliquidated obligations, and ensure property is classified properly, including work-in-progress and lease agreements. (Audit Report 50401-0011-11)

OIG also reported other matters in a management letter related to the consolidated balance sheet that was not publicly released. The management letter presented certain matters that were noted during the audit. These matters, involving internal control and other operational matters, have no material effect on the consolidated balance sheet and are presented for the Department's consideration. The findings and recommendations will be

considered in future audits. (Audit Report 50401-0014-11)

### **USDA Closing Package Reclassified Balance Sheet for FY 2016**

OIG audited the Department's closing package reclassified balance sheet for FY 2016 and assessed internal controls over financial reporting and compliance with reporting requirements. USDA received an unmodified opinion from OIG's audit of USDA's closing package reclassified balance sheet. We determined that the Department's closing package reclassified balance sheet for FY 2016 fairly presented the Department's financial position in all material respects as of September 30, 2016, and was prepared in accordance with accounting principles generally accepted in the United States. This includes the notes related to the closing package reclassified balance sheet.

Our consideration of USDA's internal control over financial reporting for the closing package reclassified balance sheet did not identify any deficiencies in internal control. Also, the results of our tests of compliance with the U.S. Department of Treasury's financial manual disclosed no reportable instances of noncompliance. This report did not contain any recommendations. (Audit Report 50401-0012-11)

## **Agency Financial Statements**

*In addition to auditing USDA's consolidated financial statements, OIG either performed or oversaw contractors as they performed audits of five USDA agencies' financial statements:*

**Commodity Credit Corporation—Unmodified Opinion on the FY 2016 Balance Sheet.** Ordinarily, the Commodity Credit Corporation (CCC) presents a complete set of consolidated financial statements in its Agency Financial Report. However, in 2016, CCC seemed likely to receive a disclaimer of opinion on its consolidated financial statements and decided instead to present only its consolidated balance sheet for audit. An independent certified public accounting firm audited the balance sheet for the fiscal year ending September 30, 2016. CCC received an unmodified opinion on the balance sheet as well as an assessment of CCC's internal controls over financial reporting and compliance with laws and regulations. The accounting firm reported that the balance sheet presents fairly, in all material respects, CCC's financial position as of September 30, 2016, in accordance with accounting principles generally accepted in the United States. The independent auditor's report identified three deficiencies in CCC's controls over financial reporting: (1) accounting estimates,

(2) maintenance of accounting records, and (3) general information technology controls. The first two deficiencies were considered to be material weaknesses and the last one to be a significant deficiency. The results of the accounting firm's tests of compliance with laws and regulations disclosed an instance of noncompliance with the Federal Financial Management Improvement Act (FFMIA). CCC generally concurred with the findings and recommendations, but was in disagreement with the instance of noncompliance with FFMIA. (Audit Report 06401-0006-11)

**FNS—Unmodified Opinion on FY 2016/2015 Financial Statements.**

FNS received an unmodified opinion from OIG's audit of FNS' consolidated financial statements. We determined that the agency's financial statements for FYs 2016 and 2015 present FNS' financial position fairly, in all material respects, and were prepared in accordance with accounting principles generally accepted in the United States. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements. Our consideration of FNS' internal control over financial reporting identified no material weaknesses. However, our consideration of compliance with laws and regulations identified that FNS' high-risk programs were not compliant with the requirements of the Improper Payments Information Act of 2002, as amended by the Improper Payment Elimination and Recovery Act of 2010. The report did not include any recommendations. (Audit Report 27401-0001-11)

**NRCS—Unmodified Opinion on FY 2016 Balance Sheet.** Ordinarily, NRCS presents a complete set of consolidated financial statements in its Agency Financial Report. In 2016, NRCS decided to present only its consolidated balance sheet for audit. An independent certified public accounting firm audited NRCS' balance sheet for FY 2016. NRCS received an unmodified opinion on the balance sheet as well as an assessment of NRCS' internal controls over financial reporting and compliance with laws and regulations. The accounting firm reported that the balance sheet presents fairly, in all material respects, NRCS' financial position as of September 30, 2016, in conformity with accounting principles generally accepted in the United States. The independent auditor's report identified two deficiencies considered to be material weaknesses: (1) accounting and controls over obligations and undelivered orders and (2) accounting and controls over expenses. The results of these tests of compliance with laws and regulations disclosed instances of noncompliance with FFMIA. NRCS concurred with the findings. (Audit Report 10401-0007-11)

**FFMIA**

FFMIA's purpose is to advance Federal financial management by ensuring that financial management systems provide accurate, reliable, and timely financial management information to managers.



NRCS' mission is to ensure productive lands are in harmony with a healthy environment. OIG audited NRCS' FY 2016 balance sheet.

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

The accounting firm also reported other matters in a management letter related to the consolidated balance sheet that was not publicly released. The management letter presented certain matters that were noted during the audit. These matters, involving internal control and other operational matters, have no material effect on the consolidated balance sheet and are presented for NRCS' consideration. The findings and recommendations will be considered in future audits. (Audit Report 10401-0008-11)

**RD—Unmodified Opinion on FY 2016/2015 Financial Statements.** RD received an unmodified opinion on its financial statements for FYs 2015 and 2016. OIG determined that the agency's financial statements fairly present

RD's financial position for FYs 2015 and 2016, in all material respects, and were prepared in accordance with accounting principles generally accepted in the United States. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements. Our consideration of RD's internal control over financial reporting identified no material weaknesses, and one significant deficiency concerning strengthening the controls over a new credit reform econometric model. Our consideration of compliance with laws and regulations noted noncompliance with the Debt Collection and Improvement Act of 1996 and the Fair Credit Reporting Act. RD concurred with our findings and recommendations to refine policies and procedures over the model implementation process and ensure controls are adequate and model inputs and outputs are reliable and complete. (Audit Report 85401-0006-11)

OIG also reported other matters in a management letter related to the financial statements that was not publicly released. The management letter presented certain matters that were noted during the audit. These matters, involving internal control and other operational matters, have no material effect on the financial statements and are presented for RD's consideration. The findings and recommendations will be considered in future audits. (Audit Report 85401-0008-11)

**FCIC/RMA—Unmodified Opinion on FY 2016/2015 Financial Statements.** FCIC/RMA received an unmodified opinion from OIG's audit of FCIC/RMA's financial statements. As of September 30, 2016, and 2015, we determined that the agency's financial statements present fairly, in all material respects, FCIC/RMA's financial position in accordance with accounting principles generally accepted in the United States. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements. Our consideration of FCIC/RMA's internal control over financial reporting identified no material weaknesses. Also, our consideration of FCIC/RMA's compliance with applicable laws and regulations did not identify exceptions. The report does not include any recommendations. (Audit Report 05401-0007-11)

OIG also reported other matters in a management letter related to the financial statements that was not publicly released. The management letter presented certain matters that were noted during the audit. These matters, involving internal control and other operational matters, have no material effect on the financial statements and are presented for

FCIC/RMA's consideration. The findings and recommendations will be considered in future audits. (Audit Report 05401-0008-11)

## **Other Examples of Audit and Investigative Work for Goal 3**

### **FSIS Needs to Improve its Process for Handling Vehicle Misuse Complaints**

USDA agencies own nearly 84 percent of their motor vehicles and lease the remaining 16 percent from the General Services Administration (GSA). FSIS leases 2,256 vehicles, which accounts for almost 35 percent of all USDA vehicles leased from GSA. When the public makes complaints about alleged government vehicle misuse to GSA's "How's My Driving Program," GSA forwards all USDA-related complaints to the Department.

OIG found that FSIS did not implement effective policies and procedures to resolve alleged vehicle misuse complaints from GSA. Specifically, we found that FSIS did not have a sufficient process in place to handle public complaints of alleged employee vehicle misuse through the GSA reporting system. Although FSIS' Internal Controls Staff (ICS) is required to assess the validity of vehicle misuse allegations, it did not review any of the 43 complaints in our sample. We found that FSIS' procedures did not include specific instructions for ICS to review GSA's publically submitted complaints; FSIS' fleet manager received them instead. This method of handling complaints is problematic, as our sample included complaints with multiple risk factors that had not been resolved. Furthermore, FSIS supervisors inconsistently resolved complaints. FSIS' responses for handling and resolving complaints varied among different offices and supervisors.

OIG also found that FSIS did not have an effective system for logging the publically submitted complaint data and had not monitored its employees' qualifications and authorizations to operate a Government vehicle. FSIS officials concurred with our findings and recommendations requiring ICS to assess all publically submitted alleged vehicle misuse complaints; developing and implementing specific procedures for supervisors to follow when investigating complaints forwarded to them by FSIS' fleet manager; developing a system to log complaint data; and developing and implementing periodic procedures to review employee authorization for operating Government vehicles. (Audit Report 50099-0002-21)



FAS works with foreign governments, international organizations, and the Office of the U.S. Trade Representative to establish international standards and rules for U.S. trade.

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

## **The Foreign Agricultural Service Needs to Better Ensure that it Effectively Promotes the Department's Goals and Interests as well as the Administration's Trade Agreement Initiatives**

OIG evaluated the effectiveness of Foreign Agricultural Service's (FAS) coordination and monitoring of USDA's responsibilities for negotiation of the Administration's trade agreement initiatives. FAS officials showed extensive knowledge about trade agreement negotiations while working on the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. We found, however, that FAS officials did not document their process to coordinate and monitor the trade agreement negotiations while working with the Office of the United States Trade Representative (USTR). FAS also lacked the written policies and procedures needed to assess its performance throughout the process. As a result, FAS could not provide support that it effectively incorporated USDA's goals and interests while working to promote the Administration's initiatives.

Specifically, we found four weaknesses where FAS did not: (1) specifically list the Administration's top trade priorities of negotiating specific multinational trade agreements in the FAS Strategic Plan; (2) document a process for ensuring its trade action plan action items were assessed by FAS officials and appropriately provided USTR officials for possible inclusion in the negotiations; (3) establish written procedures to consistently update how it coordinates and monitors the tracking documents used for negotiations; and (4) assess the agency's trade negotiation process. Overall, we believe FAS needs to address these four issues to better ensure that it effectively promotes the Department's goals and interests as well as the Administration's trade agreement initiatives. The agency generally concurred with our recommendations. (Audit Report 07601-0002-23)

### **USDA's Implementation of the Digital Accountability and Transparency Act of 2014 Readiness Review Interim Report**

The purpose of the Digital Accountability and Transparency Act of 2014 (DATA Act) is to establish government-wide financial data standards and increase the availability, accuracy, and usefulness of Federal spending information displayed on a single searchable public website (USASpending.gov, or its successor). To aid in the implementation of the DATA Act, the Department of the Treasury and the Office of Management and Budget issued a DATA Act Implementation Playbook. This consisted of an eight-step plan for agencies to follow.

OIG reviewed the Department's efforts to complete the first four steps of this plan and found that USDA has:

- » Organized a team of subject matter experts with knowledge spanning the organization,
- » Reviewed the DATA Act elements and participated in the data definition standardization,
- » Identified the appropriate source systems to extract the needed data and understand any gaps (e.g., data not captured, or difficult to extract), and
- » Captured award identity data that would link financial data to agency management systems, and developed a comprehensive implementation plan.

We reported these results in an interim report that contained no recommendations. Our ongoing audit will evaluate USDA's implementation of the remaining four steps of the plan. (Audit Report 11601-0001-23(1))

## **Employee Misconduct**

*When necessary, OIG also conducts investigations to address allegations of misconduct on the part of USDA employees. The following cases are examples of this work.*

### **Contractor Sentenced to 204 Months in Prison on Child Pornography Charges**

A joint investigation with the Fairfax County Police Department's Child Exploitation Unit revealed that a contractor for FNS possessed approximately 53 gigabytes of child pornography and child exploitation material, which included approximately 11,736 illegal images and 822 videos. The investigation also revealed that on at least two occasions, the contractor distributed child pornography through an online web service. He pled guilty to the possession and distribution of child pornography and was subsequently sentenced in November 2016 to serve 204 months in prison to be followed by lifetime supervised release. He is required to register as a sex offender and was ordered to pay a \$100 special assessment.

### **Multiple Co-Conspirators Charged and Sentenced with Defrauding SNAP in New Mexico**

A State of New Mexico employee conspired with five other individuals to defraud the United States through the unauthorized use of SNAP benefits. During this time, the employee was responsible for determining applicants' eligibility and benefit level for SNAP benefits. The former employee used names and personal identifiers he obtained from his co-conspirators to establish fraudulent SNAP accounts, sometimes in exchange for cash or other things of value. The former employee also established and used a fraudulent SNAP account to fraudulently obtain approximately \$1,468 in SNAP benefits for himself. In total, the former employee fraudulently established 150 separate SNAP accounts to obtain a total of about \$230,000 in fraudulent SNAP benefits. The former employee was sentenced to 12 months in prison, 36 months' probation, and ordered to pay \$181,398 in restitution. In January 2017, one of the co-conspirators was sentenced to 24 months of probation and also ordered to pay restitution in the amount of \$4,678. The other co-conspirators were previously sentenced to probation while one was sentenced to 6 months in prison, followed by 36 months' supervised release, and ordered to pay restitution ranging from \$2,444 to \$8,382 for their roles. There are five additional individuals who are going through the criminal process in State court.

## **Delaware State Employees Conspire to Defraud SNAP**

In October 2016, in Delaware Superior Court, a former Delaware Health and Social Services (DHSS) employee was sentenced to 24 months in prison, ordered to pay \$378,880 in restitution, and ordered to perform 120 hours of community service. Another former DHSS employee was sentenced to 24 months' probation and ordered to pay \$8,092 in restitution. A third former DHSS employee was sentenced to 12 months' probation and ordered to pay \$726 in restitution. The Delaware Attorney General's Office received information from the DHSS Audit and Recovery Management Services regarding the creation of alleged fraudulent SNAP case files by DHSS employees. Audit and Recovery Management Services identified numerous statewide "SNAP only" public assistance files with the recipients' addresses listed as homeless individuals using a Delaware State Service Center location as their mailing address. In a large majority of these SNAP files, the SSNs assigned to the recipients were found to be invalid or mismatched based on SSA information.

Upon further investigation, 14 DHSS employees were identified as opening 84 fraudulent SNAP cases totaling \$1.5 million in fraudulent SNAP benefits being paid to those accounts. In July 2015, OIG, with the assistance of investigators from the Delaware Department of Justice and the Wilmington Police Department, executed a search warrant at the home of one of the employees. Her residence was identified as an address to which fictitious EBT cards were being sent via the U.S. mail. In November 2015, the three former DHSS employees were arrested. All three Dover, Delaware, women were charged and arrested for theft, unlawful use of a payment card, and official misconduct. Another former DHSS employee was arrested in April 2016 on the same charges and, in June 2016, the remaining four of seven employees were charged with various crimes including, but not limited to, falsifying business records, official misconduct, forgery, and unlawful use of a payment card. Collectively, the State employees are charged with defrauding SNAP of more than \$950,000. All of the DHSS employees involved are no longer employed by the State of Delaware. The case is being prosecuted by the Delaware Attorney General's Office.

## **Former OIG Employee Convicted in Fraud Scheme to Avoid Paying Medical Bills**

In December 2016, a former IT Specialist with USDA OIG, Office of Investigations, Technical Crimes Division, was sentenced in Federal court for using stolen money order receipts in a fraud scheme to avoid paying

his medical bills. He used the stolen money order receipts—taken in the course of his USDA OIG employment as he participated in an FBI criminal investigation—as fraudulent evidence in court, both to defend himself against a lawsuit by his creditors and to pursue his own lawsuit against his creditors. In U.S. District Court, Western District of Missouri he was sentenced to 48 months in prison without parole and ordered to pay \$18,000 in restitution. This case was investigated by the FBI, the U.S. Postal Inspection Service, and USDA OIG’s Office of Compliance and Integrity.

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

**Public Corruption Teams.** During this reporting period, an agent in Idaho participated in The Guardian Project. The mission of this project is to coordinate and synchronize law enforcement efforts between the FBI and various OIGs committed to serving Native Americans. This project joins forces, shares assets and responsibilities, and promotes contracts and grants. Ultimately, the project's goal is to investigate and prosecute those who may seek to exploit Federal funds set aside for Native American communities.

**Financial Statement Audit Network (FSAN) Workgroup.** OIG auditors are members of the FSAN workgroup, whose main purpose is to provide the audit community with a forum to share ideas, knowledge, and experience concerning Federal financial statement audits. Through coordination with FSAN, OIG hosts the annual CIGIE/Government Accountability Office Financial Statement Audit Conference.

**DATA Act Working Group.** OIG auditors and members from the Office of Data Sciences participate in the DATA Act Working group that was created in response to the May 2014 DATA Act (which required three bi-annual IG reviews beginning in 2016). However, Federal agencies are not required to submit spending data in compliance with the DATA Act until May 2017. As a result, IGs were not able to report in FY 2016 on the spending data submitted under the DATA Act, as this information would not exist until 2017. For this reason, CIGIE developed an approach to address the reporting date anomaly. This revised plan is for the IGs to provide Congress with the first required reports in November 2017, one year later than the due date in the statute. Subsequent reports will follow on a 2-year cycle, to be issued in November 2019 and November 2021, respectively. The IG community established a working group to coordinate with the Government Accountability Office, develop an audit methodology, and identify tools for the required analyses. These reviews assess the completeness, timeliness, quality, and accuracy of spending data submitted by Federal agencies, and each Federal agency's implementation and use of data standards established by Treasury and OMB.

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

**H.R. 702, Federal Employee Antidiscrimination Act of 2017.** H.R. 702, the Federal Employee Antidiscrimination Act of 2017, was intended to strengthen the NO FEAR Act of 2002 and to generally enhance enforcement of antidiscrimination laws by Federal agency employers. OIG reviewed an identical bill in 2015 (under H.R. 1557, the Federal Employee Antidiscrimination Act of 2015) and previously noted its specific support for a provision (Section 8 “Non-Disclosure Agreement Limitation”) that would make it a prohibited personnel practice for a Federal agency employer to implement an agreement (including an equal employment opportunity settlement agreement) that would prevent an employee/complainant from disclosing to Congress, an OIG, or the Office of Special Counsel information regarding a violation of law, instance of mismanagement, or gross waste of funds. OIG noted its belief that employees should be free to bring such information forward as appropriate.

**OMB Guidance Implementing the Privacy Act.** OIG provided comments to OMB on draft Circular A-108, Federal Agency Responsibilities for Review, Reporting, and Publication Under the Privacy Act. The Circular was intended to update and promote consistency in agencies’ implementation of the Privacy Act. While we support OMB’s efforts, OIG raised concerns regarding the role of the Senior Agency Official for Privacy and potential infringement upon OIG independence with respect to certain functions set out by this Circular such as OIG’s transmittal of new or modified OIG systems of records to OMB and Congress. We suggested that OMB consider editing the Circular to address these independence concerns.

**H.R. 69, Thoroughly Investigating Retaliation Against Whistleblowers Act.** H.R. 69 would give the Office of Special Counsel statutory authority to access agency records under its jurisdiction. As drafted, records could be withheld if the Attorney General or the IG state that the disclosure of the records would interfere with an ongoing criminal investigation or prosecution, upon written report from the Attorney General or applicable “agency head.” This would require OIG to disclose sensitive criminal investigative information to the agency. However, the IG Act expressly establishes IGs as “independent and objective” entities within their given establishments (See 5 U.S.C. app. 3, § 2). We recommended amending the provision to include the IG among those authorized to provide written reports directly to the Office of Special Counsel.

**H.R. 5709, Federal Records Modernization Act.** This proposal contained provisions to improve compliance with Federal and Presidential recordkeeping requirements. OIG suggested clarification regarding a provision concerning OIG referrals. The bill also had provisions regarding use of personal accounts for official business by the President and his staff, the Vice President and his staff, and the staff within the Executive Office of the President. The provision required that allegations that such officials had engaged in related violations of law be referred to the “Inspector General of the agency.” However, OIG noted that there is no “Inspector General of the agency” that has jurisdiction over the listed officials. We also noted that the proposed requirements that all IGs review legislation and regulations relating to Federal records and report on their impact on Departmental efficiency and effectiveness was likely duplicative of existing provisions in the IG Act.

## ONGOING REVIEWS

- » utilization of contracted data mining results (RMA),
- » watershed management (FS),
- » next generation and legacy air tanker contract awards (FS),
- » plan for addressing climate change (FS),
- » Secure Rural Schools Program (FS),
- » pre-award controls over service contracts (FS),
- » initiatives to address workplace misconduct (FS),
- » Regional Conservation Partnership Program controls (NRCS),
- » Statement of Standards for Attestation Engagement No. 18 Report on Controls at National Finance Center, October 1, 2016 to July 2017 (OCFO),
- » implementation of the Digital Accountability and Transparency Act of 2014—Readiness Review (OCFO),
- » USDA’s 2017 Compliance with the DATA Act (OCFO),
- » Departmental oversight of final action on OIG audit recommendations (OCFO),
- » controls over Summer Food Service Program (FNS),
- » Animal Welfare Act—marine mammals (Cetaceans) (APHIS),
- » implementation of suspension and debarment tools in USDA (AMS, APHIS, FNS, FS, FSA, FSIS, OCFO, Office of Procurement and Property Management (OPPM), RD),
- » CIGIE Purchase Card Initiative—USDA’s controls over purchase card use (OPPM),

- » USDA's FY 2016 Compliance with Improper Payment Requirements (CCC, FNS, FS, FSA, NRCS, OCFO, RD, RMA),
- » FY 2016 Executive Order 13520, Reducing Improper Payments High Dollar Overpayment Review (CCC, FNS, FS, FSA, NRCS, OCFO, RD, RMA),
- » USDA's management over the use of government vehicles (APHIS, FS, OPPM),
- » WebTA expense reimbursement (Departmental Management, (OCFO),
- » FY 2015 firm fixed price contract award price reasonableness determinations (Food, Nutrition, and Consumer Services),
- » consolidated financial statements for FYs 2017 and 2016 (USDA),
- » reviews of agency financial statements for FYs 2017 and 2016 (FCIC, FNS, and RD), and
- » reviews of agency financial statements for FY 2017 (CCC, NRCS).



This family-owned wholesale business (depicted above) benefited from NRCS' Regional Conservation Partnership program when the business turned to NRCS to discuss a greenhouse roof drainage system that harvests rainwater. This system not only captures the water from greenhouse roofs, it also allows water to be blended with water from well systems and/or reclaimed water from a local management agency.

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

# INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

IG Act Section	IG Act Description	USDA OIG Reported SARC March 2017
Section 4(a)(2)	Review of Legislation and Regulations	Pages 38, 54-55
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-58
Section 5(a)(2)	Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-58
Section 5(a)(3)	Significant Recommendations from Agency's Previous Reports on which Corrective Action has not been Completed	Appendix A.10 Pages 81-96
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	Appendix B.1 and B.2 Pages 113-114
Section 5(a)(5)	Matters Reported to the Head of the Agency	n/a
Section 5(a)(6)	Reports Issued During the Reporting Period	Appendix A.6 Pages 73-77
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2, and 3 Pages 1-58
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Pages 69-70
Section 5(a)(9)	Statistical Table: Recommendations that Funds be Put to Better Use	Appendix A.3 Page 71
Section 5(a)(10)(A)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for which No Management Decision Has Been Made	Appendix A.7 Pages 78-79
Section 5(a)(10)(B)*	Summary of Audit Reports for which the Department has not Returned Comment within 60 Days of Receipt of the Report	Appendix A.15 Page 112
Section 5(a)(10)(C)*	Summary of Audit Reports for which there are Outstanding Unimplemented Recommendations, Including Aggregate Potential Cost Savings of those Recommendations	Appendix A.13 Pages 99-110
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 80
Section 5(a)(12)	Significant Management Decisions with which the Inspector General is in Disagreement	Appendix A.9 Page 80

IG Act Section	IG Act Description	USDA OIG Reported SARC March 2017
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996.	Appendix A.11 Page 97
Section 5(a)(14) and (15)	Peer Reviews of USDA OIG	Page 66
Section 5(a)(16)	Peer Reviews Conducted by USDA OIG	Page 66
Section 5(a)(17) and 5(a)(18)*	Statistical tables showing the number of investigative reports; number of persons referred to the Department of Justice (DOJ) for criminal prosecution; number of persons referred to State/local authorities for criminal prosecution; number of indictments/criminal informations as a result of OIG referral; a description of the metrics used for developing the data for such statistical tables.	Appendix B.4 Page 116-117
Section 5(a)(19)*	Report on each OIG investigation involving a senior Government employee where allegations of misconduct were substantiated.	Appendix B.5 Page 118
Section 5(a)(20)*	Any instance of whistleblower retaliation.	Appendix B.6 Page 118
Section 5(a)(21)*	Attempts by Department to interfere with OIG independence including budget constraints and incidents where the Department restricted or significantly delayed access to information.	Appendix B.7 Page 119
Section 5(a)(22)*	Detailed description of situations where an inspection, evaluation, and audit was closed and not disclosed to the public; and an investigation of a senior Government employee was closed and not disclosed to the public.	Appendix A.12 A.14, and B.8 Pages 98, 111, and 120

\*The starred requirements were enacted pursuant to the Inspector General Empowerment Act, which amended the IG Act, on December 16, 2016.

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

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

## **National Defense Authorization Act for FY 2008**

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Section 845

Contract Audit Reports with Significant Findings

Appendix A.4  
Page 72

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# ASSESSING THE IMPACT OF OIG

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

## Measuring Progress Against the OIG Strategic Plan

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

- » Strengthen USDA's ability to implement and improve safety and security measures to protect the public health as well as agricultural and Departmental resources.
- » Detect and reduce USDA program vulnerabilities and deficiencies to strengthen the integrity of the Department's programs.
- » Provide USDA with oversight to help it achieve results-oriented performance.

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

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

For audits, we present:

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

For investigations, we present:

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

# PERFORMANCE RESULTS UNDER OUR STRATEGIC GOALS

PERFORMANCE MEASURES	FY 2016 ACTUAL	FY 2017 TARGET	FY 2017 First Half ACTUAL
OIG direct resources dedicated to critical-risk and high-impact activities.	97.5%	96%	98.8%
Audit recommendations where management decisions are achieved within 1 year.	100%	95%	100%
Mandatory, Congressional, Secretarial, and Agency requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (includes verbal commitments).	100%	95%	100%
Closed investigations that resulted in a referral for action to Department of Justice, State, or local law enforcement officials, or relevant administrative authority.	91.5%	85%	91.2%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	78.6%	80%	77.4%

# OIG ACCOMPLISHMENTS FOR FY 2017, FIRST HALF (OCTOBER 1, 2016—MARCH 31, 2017)

<b>SUMMARY OF AUDIT ACTIVITIES</b>	<b>FY 2017 1st Half</b>
Number of Final Reports	22
Number of Interim Reports	3
Number of Final Report Recommendations (79 program improvement / 9 monetary)	88
Number of Interim Report Recommendations (4 program improvement / 1 monetary)	5
Total Dollar Impact of Reports at Issuance (Millions)	0
Questioned / Unsupported Costs	0
Funds to Be Put to Better Use	0
Management Decisions Reached	
Number of Final Reports	18
Number of Final Report Recommendations (77 program improvements / 9 monetary)	86
Number of Interim Reports	1
Number of Interim Report Recommendations (1 program improvement / 1 monetary)	2
<b>SUMMARY OF INVESTIGATIVE ACTIVITIES</b>	<b>FY 2017 1st Half</b>
Reports Issued	172
Indictments	237
Convictions	247
Arrests	544
Administrative Sanctions	567
Total Dollar Impact (Millions)	\$190.5

# PEER REVIEWS AND OUTSTANDING RECOMMENDATIONS

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

## **Audit**

During the current reporting period, there were no peer reviews conducted of USDA OIG's audit organization. USDA 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 U.S. Department of Health and Human Services OIG in December 2015. In that report, there were no recommendations and no letter of comment.

## **Investigations**

In October 2016, the U.S. Department of Housing and Urban Development (HUD) OIG issued its final report on the peer review it conducted of USDA OIG Office of Investigations. The report found that USDA OIG was compliant with the Quality Standards for Investigations established by CIGIE. HUD OIG issued a letter of observations offering two suggestions for USDA OIG's consideration.

## **Peer Reviews Performed by USDA OIG**

During the current reporting period, USDA OIG did not conduct a peer review of another OIG's audit organization. However, prior to the current reporting period, USDA OIG conducted a peer review of the U.S. Agency for International Development OIG's audit organization and issued a report in June 2016. There are six outstanding recommendations that the U.S. Agency for International Development OIG intends to implement corrective actions for in FY 2017.

# RECOGNITION OF OIG EMPLOYEES BY THE INSPECTOR GENERAL COMMUNITY

## **Council of the Inspectors General on Integrity and Efficiency (CIGIE) Awards—Presented in October 2016**

**Gaston L. Gianni, Jr. Better Government Award**—In recognition of efforts, accomplishments, or actions that have enhanced the public's confidence and exemplified the highest ideals of Government service.

**USDA Rancho Investigation**—In recognition of the efforts to prosecute individuals who disregarded food safety standards and misled the public about the company's food safety practices that resulted in the recall of 8.7 million pounds of potentially contaminated beef.

**Barry R. Snyder Joint Award**—In recognition of significant contributions made through a cooperative effort in support of the mission of the CIGIE.

**Federal Audit Executive Council DATA Act Working Group 2016**—In recognition of excellence in leading the IG community's initial response to the DATA Act.

## **USDA Award for Excellence: Audit**

**USDA Discrimination Claims Processes Audits Team**—In recognition of outstanding effort of the Black Farmers Discrimination Litigation and the Hispanic and Women Farmers and Ranchers Litigation audit teams to ensure the integrity of the discrimination claims processes.

## **USDA Award for Excellence: Information Technology**

**USDA Information Technology Division**—In recognition of the outstanding efforts of the Information Technology Division Team, which timely shut down the Recovery Accountability and Transparency Board IT systems.

## **USDA Award for Excellence: Investigations**

**Carson Helicopter Investigation**—In recognition of the extraordinary investigative efforts and interagency cooperation to prosecute violators who disregarded safety standards and practices by falsifying critical documents that resulted in nine fatalities.

# Appendix A: Audit Tables

## Appendix A.1: Activities and Reports Issued

### Summary of Audit Activities, October 1, 2016—March 31, 2017

Reports Issued: 22	Audits Performed by OIG	15
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	7
Management Decisions Made: 86	Number of Reports	18
	Number of Recommendations	86
Total Dollar Impact (Millions) of Management-Decided Reports: \$0	Total Questioned/Unsupported Costs	0
	—Recommended for Recovery	0
	—Not Recommended for Recovery	0
	Funds to Be Put to Better Use	0

### Summary of Interim Reports Issued, October 1, 2016—March 31, 2017

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 issued three Interim Reports during this reporting period.

Reports Issued: 3	Audits Performed by OIG	3
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	0
Management Decisions Made: 2	Number of Reports	1
	Number of Recommendations	2
Total Dollar Impact (Millions) of Management-Decided Reports: \$0	Total Questioned/Unsupported Costs	0
	—Recommended for Recovery	0
	—Not Recommended for Recovery	0
	Funds to Be Put to Better Use	0

## Appendix A.2: Inventory of Final Audit Reports with Questioned Costs and Loans (October 1, 2016—March 31, 2017)

Category	No.	Questioned Costs and Loan	Unsupported <sup>a</sup> Costs and Loans
Reports for which no management decision had been made by October 31, 2016. <sup>b</sup>	3	\$12,237,253	\$7,316,969
Reports which were issued during the reporting period.	1	\$12,517	\$0
<b>Total reports with Questioned Costs and Loans</b>	<b>4</b>	<b>\$12,249,770</b>	<b>\$7,316,969</b>
Of the four reports, those for which management decision was made during the reporting period.	1	Recommended for recovery	\$12,517
		Not recommended for recovery	\$0
		Costs not disallowed	\$0
Of the four reports, those for which no management decision has been made by the end of this reporting period.	3	\$12,237,253	\$7,316,969

<sup>a</sup> Unsupported values are included in questioned values.  
<sup>b</sup> Carried over from previous reporting periods.

## Appendix A.2: Inventory of Interim Audit Reports with Questioned Costs and Loans (October 1, 2016—March 31, 2017)

Category	No.	Questioned Costs and Loan	Unsupported <sup>a</sup> Costs and Loans
Reports for which no management decision had been made by October 31, 2016. <sup>b</sup>	0	\$0	\$0
Reports which were issued during the reporting period.	1	\$11,343	\$0
<b>Total reports with Questioned Costs and Loans</b>	<b>1</b>	<b>\$11,343</b>	<b>\$0</b>
Of the one report, those for which management decision was made during the reporting period.	1	Recommended for recovery	\$0
		Not recommended for recovery	\$0
		Costs not disallowed	\$11,343
Of the one report, those for which no management decision has been made by the end of this reporting period.	0	\$0	\$0

<sup>a</sup> Unsupported values are included in questioned values.  
<sup>b</sup> Carried over from previous reporting periods.

## Appendix A.3: Inventory of Final 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 31, 2016. <sup>a</sup>	2	\$115,589,227	
Reports which were issued during the reporting period.	0	\$0	
<b>Total reports with recommendations that Funds Be Put to Better Use</b>	<b>2</b>	<b>\$115,589,227</b>	
Of the two reports, those for which management decision was made during the reporting period.	0	Disallowed costs	\$0
		Costs not disallowed	\$0
Of the two reports, those for which no management decision has been made by the end of this reporting period.	2	\$115,589,227	

<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, 2016 through March 31, 2017.

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

A number of our audit recommendations are not monetarily quantifiable. However, their impact can be immeasurable in terms of safety, security, and public health. They also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 83 program improvement recommendations, and management agreed to implement a total of 78 program improvement recommendations that were issued this period or earlier. Examples of those recommendations issued during this reporting period include the following (see the main text of this report for a summary of the audits that prompted these recommendations):

- » OHSEC should develop and implement written processes to effectively oversee USDA's agroterrorism prevention, detection, and response activities.
- » NRCS should issue official guidance to reinforce correct and current rules regarding "prairie pothole" determinations and to clarify procedures for making wetland determinations and certifications.
- » FNS should design and implement a control to identify store owners whose information matches that of deceased persons and correct or update this information as needed.

## Appendix A.6: Audit Reports

OIG issued 22 audit reports, including 7 performed by others. During this same period, 3 interim reports were issued. The following is a summary of those audit products by agency:

### Audit Report Totals

Total Funds to Be Put to Better Use	\$0
Total Reports with Questioned Costs and Loans <sup>a</sup>	\$12,517

<sup>a</sup> Unsupported values of \$0 are included in the questioned values.

### Summary of Audit Reports Released from October 1, 2016, through March 31, 2017

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	16	\$12,517	\$0	\$0
Multi-Agency Audit	6	\$0	\$0	\$0
Total Completed Under Contract <sup>b</sup>	7			
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, which are included in single agency total.

### Summary of Interim Reports Released from October 1, 2016, through March 31, 2017

Agency Type	Interim 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	2	\$11,343	\$0	\$0
Multi-Agency Audit	1	\$0	\$0	\$0
Total Completed Under Contract	0			
Issued Audits Completed Under The Single Audit Act	0			

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

## Audit Reports Released and Associated Monetary Values (October 1, 2016—March 31, 2017)

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
<b>CCC: Commodity Credit Corporation</b>					
06401-0006-11	FA	11/22/16	Commodity Credit Corporation's Balance Sheet for Fiscal Year 2016		
<b>Total: 1</b>					
<b>FNS: Food and Nutrition Service</b>					
27401-0001-11	FA	11/18/16	Food and Nutrition Service's Financial Statements for Fiscal Years 2016 and 2015		
27601-0004-10	PA	10/25/16	Michigan's Compliance with SNAP Certification of Eligible Households Requirements	\$12,517	
27601-0005-10	PA	01/09/17	Kentucky's Compliance with SNAP Certification of Eligible Households Requirements		
27601-0007-10	PA	03/27/17	Compilation Report of States' Compliance with SNAP Certification of Eligible Households Requirements		
27601-0009-10	PA	03/30/17	Nebraska's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)		
27901-0002-13	PA	01/05/17	Detecting Potential SNAP Trafficking Using Data Analysis		
<b>Total: 6</b>					

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
<b>FAS: Foreign Agricultural Service</b>					
07601-0002-23	PA	12/05/16	FAS Monitoring of the Administration's Trade Agreement Initiatives		
<b>Total: 1</b>					
<b>Multi-Agency</b>					
50099-0002-21	PA	03/27/17	FSIS' Process for Handling Vehicle Misuse Complaints		
50401-0011-11	FA	12/06/16	Department of Agriculture's Consolidated Balance Sheet for Fiscal Year 2016		
50401-0012-11	FA	12/06/16	Department of Agriculture's Closing Package Reclassified Balance Sheet for Fiscal Year 2016		
50401-0014-11	FA	02/03/17	Department of Agriculture's Fiscal Year 2016 Consolidated Balance Sheet Audit Management Letter		
50501-0012-12	PA	11/10/16	FY 2016 FISMA Audit		
50601-0003-22	PA	01/27/17	Coordination of USDA Farm Program Compliance—FSA, RMA, and NRCS		
<b>Total: 6</b>					
<b>NRCS: Natural Resources Conservation Service</b>					
10401-0007-11	FA	11/14/16	Natural Resources Conservation Service's Balance Sheet for Fiscal Year 2016		
10401-0008-11	FA	01/12/17	Fiscal Year 2016 Natural Resources Conservation Service's Balance Sheet Audit Management Letter		
10601-0003-31	PA	01/19/17	NRCS: Wetland Conservation Provisions in the Prairie Pothole Region		
<b>Total: 3</b>					

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
<b>OHSEC: Office of Homeland Security and Emergency Coordination</b>					
61701-0001-21	PA	03/27/17	Agroterrorism Prevention, Detection, and Response		
<b>Total: 1</b>					
<b>RMA: Risk Management Agency</b>					
05401-0007-11	FA	11/07/16	Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2016 and 2015		
05401-0008-11	FA	01/04/17	Federal Crop Insurance Corporation/Risk Management Agency's Fiscal Years 2016 and 2015 Financial Statement Audit Management Letter		
<b>Total: 2</b>					
<b>Rural Development</b>					
85401-0006-11	FA	11/08/16	Rural Development's Financial Statements for Fiscal Years 2016 and 2015		
85401-0008-11	FA	02/24/17	Rural Development's Fiscal Years 2016 and 2015 Financial Statement Audit Management Letter		
<b>Total: 2</b>					
<b>Grand Total: 22</b>				<b>\$12,517</b>	<b>\$0</b>
* Performance audits (PA), financial audits (FA)					

**Interim Reports Released and Associated Monetary Values  
from October 1, 2016, through March 31, 2017**

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
<b>Multi-agency</b>					
50501-0012-12(2)	PA	11/09/16	Security Protocols and Connections of USDA's Public-Facing Websites		
<b>Total: 1</b>					
<b>OCFO: Office of the Chief Financial Officer</b>					
11601-0001-23(1)	PA	02/09/17	USDA Implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act)—Readiness Review		
<b>Total: 1</b>					
<b>RHS: Rural Housing Service</b>					
04601-0001-22(1)	PA	12/22/16	Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans	\$11,343	
<b>Total: 1</b>					
<b>Grand Total: 3</b>				<b>\$11,343</b>	<b>\$0</b>
* Performance audits (PA), financial audits (FA).					

## Appendix A.7: Management Decisions

The following three audits did not have management decisions made within the 6-month limit imposed by Congress.

### Audit Reports Previously Reported but Not Yet Resolved

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount with No Management Decision (in dollars)
FNS	09/29/16	SNAP Administrative Costs (27601-0003-22)	\$114,975,080	\$3,575,424
NRCS	09/28/15	NRCS Controls over Land Valuations for Conservation Easements (10601-0001-23)	\$1,344,860	\$1,344,860
	09/27/16	Controls over the Conservation Stewardship Program (10601-0001-32)	\$11,506,540	\$7,557,573
<b>Total Previously Reported But Not Yet Resolved: 3</b>				

### Audit Without Management Decision—Narrative for New Entries

**SNAP Administrative Costs**—OIG determined that FNS and the States should strengthen their financial management controls to improve efficiency and the effective use of SNAP administrative funds. We found that FNS could be more proactive in analyzing and containing variances in SNAP costs-per-case, which range from \$10 per case to as high as \$34 per case in States with county-administered programs, suggesting possible waste and operational inefficiencies. We also found that weaknesses in State and county financial management controls and a lack of effective FNS oversight led to inaccurate program financial reporting and questioned costs. California did not properly establish financial obligations, resulting in \$111 million in unsupported obligations for FY 2014. Although required to ensure State compliance with Federal financial management regulations, FNS Western Regional Office management allowed California to submit estimates rather than the required actual costs. In Ohio, the State and counties inappropriately commingled costs, rendering \$3.6 million in questioned costs. States and counties reported expenditures for payment

in FY 2014 for costs that were incurred in FY 2013 because FNS continues to allow States to use a process that is out of compliance with Federal law. We accepted management decisions for 13 of the 14 recommendations. We are working with FNS to reach agreement on the one remaining recommendation. (Audit Report 27601-0003-22)

**Controls over the Conservation Stewardship Program**—OIG found that NRCS lacked adequate controls over Conservation Stewardship Program (CSP) to detect erroneous participant-reported information affecting eligibility and payment amounts. We also found that NRCS had inadequate controls over contracting for and documenting implementation of conservation enhancements. We took exception to 59 contracts, involving total estimated contract costs of more than \$11.5 million. We accepted management decisions for 11 of the report's 26 recommendations. In the 15 recommendations without management decision, OIG generally recommended that NRCS coordinate with and use the data of other USDA agencies—especially FSA—to validate information provided by applicants for CSP benefits; implement additional controls to ensure all eligible land in the applicant's agricultural operation is enrolled and to prevent contracting for incompatible enhancements; provide additional outreach to ensure CSP participants understand the program's documentation requirements; and recover improper payments. For 8 of the 15 open recommendations, we agree with NRCS' planned corrective actions, but await additional information needed to achieve management decision, e.g., bills for collection of amounts owed to the Government. For an additional two open recommendations, NRCS proposed to formulate a detailed corrective action plan to prevent contracting for incompatible enhancements, contingent upon the outcome of the Conservation Delivery Streamlining Initiative and CSP Reinvention. Generally, for the remaining five open recommendations, NRCS does not agree that it should use additional FSA data to validate CSP applicant information; NRCS stated that consistency in information across USDA may not be necessary or appropriate depending upon the nature of specific agency authorities. We are working with NRCS to reach agreement on the remaining 15 recommendations. (Audit Report 10601-0001-32)

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

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

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

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

## Appendix A.10: List of OIG Audit Reports with Recommendations Pending Corrective Action for Period Ending March 31, 2017, by Agency

Grand Total	Total No. of Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
	441	20	399	22

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
<b>AMS: Agricultural Marketing Service</b>							
01601000141	AMS Procurement and Inspection of Fruits and Vegetables	02/16/2016	11		11		Pending Final Action: 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
01601000232	National Organic Program—Organic Milk Operations	07/15/2013	1		1		Pending Final Action: 2
50601000223	Evaluation of USDA's Process Verified Programs	12/09/2015	10		10		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
50601000231	FSIS' and AMS' Field Level Workforce Challenges (Multi-Agency Audit)	07/31/2013	4		4		Pending Final Action: AMS: 8, 9, 10, 11
<b>Total</b>			<b>26</b>		<b>26</b>		

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
<b>ARS: Agricultural Research Service</b>							
02007000131	U.S. Meat Animal Research Center Review	09/30/2016	5		5		Pending Final Action: 1, 2, 3, 4, 5
02601000121	Adequacy of Controls to Prevent the Release of Sensitive Technology	03/21/2016	8		8		Pending Final Action: 2, 6, 8, 10, 11, 17, 20, 21
50601000112	Research, Education, and Economics' Compliance with Contractor Past Performance Reporting Requirements	03/23/2016	2		2		Pending Final Action: 1, 2
506010006TE	Controls over Plant Variety Protection and Germplasm Storage	03/04/2004	6		6		Pending Final Action: 1, 2, 3, 5, 6, 9
506010010AT	Follow-up Report on the Security of Biological Agents at USDA Laboratories	03/08/2004	1		1		Pending Final Action: 2
<b>Total</b>			<b>22</b>		<b>22</b>		
<b>APHIS: Animal and Plant Health Inspection Service</b>							
33601000141	Oversight of Research Facilities	12/09/2014	1		1		Pending Final Action: 15
50601000132	Controls Over APHIS' Introduction of Genetically Engineered Organisms	09/22/2015	4		4		Pending Final Action: 2, 3, 4, 8

<b>Audit Number</b>	<b>Audit Title</b>	<b>Issue Date</b>	<b>Total Pending Recommendations</b>	<b>Total Pending Collection (OCFO)</b>	<b>Total Pending Final Action (OCFO)</b>	<b>Total Pending Management Decision (OIG)</b>	<b>Recommendation Detail</b>
506010008TE	APHIS Controls Over Issuance of Genetically Engineered Organism Release Permits	12/08/2005	3		3		Pending Final Action: 1, 2, 3
506010016TE	Controls Over Genetically Engineered Animal and Insect Research	05/31/2011	1		1		Pending Final Action: 2
<b>Total</b>			<b>9</b>		<b>9</b>		
<b>CCC: Commodity Credit Corporation</b>							
06401000511	Commodity Credit Corporation's Financial Statements for Fiscal Years 2015 and 2014	02/12/2016	19		19		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19
06401000611	Commodity Credit Corporation's Balance Sheet for Fiscal Year 2016	11/22/2016	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
064010020FM	Commodity Credit Corporation's Financial Statements for Fiscal Years 2005 and 2004	11/09/2005	1		1		Pending Final Action: 12
<b>Total</b>			<b>26</b>		<b>26</b>		
<b>DM: Departmental Management</b>							
50024000413	Review of the Department's Fleet Charge Card Data	09/02/2015	5		5		Pending Final Action: 2, 3, 4, 5, 6
<b>Total</b>			<b>5</b>		<b>5</b>		

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
<b>FSA: Farm Service Agency</b>							
030060001TE	1993 Crop Disaster Payments—Brooks/Jim Hogg Cos., TX	01/02/1996	1	1			Pending Collection: 1A
030060002SF	Disaster Assistance Program—1994—Fresno County, CA	03/29/1996	1	1			Pending Collection: 4
030990181TE	Farm Service Agency Payment Limitation Review In Louisiana	05/08/2008	1	1			Pending Collection: 2
03501000112	Review of Farm Service Agency's Initiative to Modernize and Innovate the Delivery of Agricultural Systems (MIDAS)	05/26/2015	3		3		Pending Final Action: 1, 3, 4
03601000122	Farm Service Agency Compliance Activities	07/31/2014	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
03601000222	Economic Adjustment Assistance to Users of Upland Cotton	07/31/2014	3		3		Pending Final Action: 4, 5, 7
03601000322	Farm Service Agency Microloan Program	09/23/2015	7		7		Pending Final Action: 1, 2, 3, 4, 5, 6, 7
036010007TE	Emergency Feed Program in Texas	09/18/1996	3	3			Pending Collection: 4A, 5B, 6A

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
036010012AT	Tobacco Transition Payment Program—Quota Holder Payments and FlueCured Tobacco Quotas	09/26/2007	2	2			Pending Collection: 2, 6
036010018-CH	Farm Service Agency Farm Loan Security	08/10/2010	1		1		Pending Final Action: 2
036010023KC	Hurricane Relief Initiatives: Livestock Indemnity and Feed Indemnity Programs	02/02/2009	1	1			Pending Collection: 4
036010028KC	Biomass Crop Assistance Program: Collection, Harvest, Storage and Transportation Matching Payments Program	05/30/2012	3	3			Pending Collection: 16, 21, 24
03702000132	Farm Service Agency Livestock Forage Program	12/10/2014	10	2	8		Pending Collection: 2, 4 Pending Final Action: 1, 3, 5, 6, 7, 8, 9, 10
500990011SF	Natural Resources Conservation Service and Farm Service Agency: Crop Bases on Lands with Conservation Easement—State of California	08/27/2007	2	2			Pending Collection: 2, 6

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
506010015AT	Hurricane Indemnity Program—Integrity of Data Provided by the Risk Management Agency	03/31/2010	1	1			Pending Collection: 5
<b>Total</b>			<b>48</b>	<b>17</b>	<b>31</b>		
<b>FNS: Food and Nutrition Service</b>							
27002001113	Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts	09/28/2012	1		1		Pending Final Action: 3
27004000122	State Agencies' Food Costs for the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children	09/25/2014	1		1		Pending Final Action: 6
270990049TE	Disaster Food Stamp Program for Hurricanes Katrina and Rita—Louisiana, Mississippi, and Texas	09/04/2007	1		1		Pending Final Action: 1
27601000110	Compliance with SNAP Certification of Eligible Households Requirements	07/26/2016	7		7		Pending Final Action: 1, 2, 3, 4, 5, 6, 7
27601000123	National School Lunch Program—Food Service Management Company Contracts	01/03/2013	4		4		Pending Final Action: 7, 8, 12, 13
27601000131	FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers	07/31/2013	7		7		Pending Final Action: 4, 9, 10, 11, 15, 17, 20

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
27601000231	FNS Controls Over SNAP Benefits for Able-bodied Adults Without Dependents	08/29/2016	3		3		Pending Final Action: 1, 2, 3
27601000241	FNS Quality Control Process For SNAP Error Rate	09/23/2015	6		6		Pending Final Action: 1, 7, 11, 14, 18, 19
27601000310	New Mexico's Compliance with SNAP Certification of Eligible Households Requirements	09/27/2016	18		18		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18
27601000410	Michigan's Compliance with SNAP Certification of Eligible Households Requirements	10/25/2016	10		10		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
27601000510	Kentucky SNAP Determination of Eligibility	01/09/2017	11		11		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11
27601000610	Missouri's Compliance with SNAP Certification of Eligible Households Requirements	09/13/2016	14		14		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14
27601000910	Nebraska's Compliance With SNAP Certification of Eligible Households Requirements	03/30/2017	3		3		Pending Final Action: 1, 2, 3

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
27601000710	Compilation Report of States' Compliance with SNAP Certification of Eligible Households Requirements (7 CFR, Part 273)	03/27/2017	5		5		Pending Final Action: 1, 2, 3, 4, 5
27901000213	Detecting Potential SNAP Trafficking Using Data Analysis	01/09/2017	1		1		Pending Final Action: 1
506010014AT	Effectiveness and Enforcement of Suspension and Debarment Regulations in the U.S. Department of Agriculture	08/16/2010	1		1		Pending Final Action: 11
<b>Total</b>			<b>93</b>		<b>93</b>		
<b>FSIS: Food Safety and Inspection Service</b>							
24601000431	FSIS Ground Turkey Inspection and Safety Protocols	07/29/2015	1		1		Pending Final Action: 8
506010006HY	Assessment of USDA's Controls to Ensure Compliance with Beef Export Requirements	07/15/2009	1		1		Pending Final Action: 2
24601000123	Implementation of the Public Health Information System for Domestic Inspection	08/18/2015	5		5		Pending Final Action: 1, 4, 5, 6, 8
<b>Total</b>			<b>7</b>		<b>7</b>		
<b>FAS: Foreign Agricultural Service</b>							
07601000122	Private Voluntary Organization Grant Fund Accountability	03/31/2014	5		5		Pending Final Action: 1, 2, 6, 9,10

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
07601000223	FAS' Monitoring of the Administration's Trade Agreement Initiatives	12/05/2016	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
50601000216	Section 632 (a) Transfer of Funds from USAID to USDA for Afghanistan	02/06/2014	2		2		Pending Final Action: 1, 2
50601000122	Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals	03/28/2013	4		4		Pending Final Action: 1, 3, 4, 5
<b>Total</b>			<b>17</b>		<b>17</b>		
<b>FS: Forest Service</b>							
08601000241	FS: Firefighting Cost Share Agreements with NonFederal Entities	12/24/2015	1		1		Pending Final Action: 8
08601000441	Forest Service Wildland Fire Activities—Hazardous Fuels Reduction	07/29/2016	11		11		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11
<b>Total</b>			<b>12</b>		<b>12</b>		
<b>MultiAgency</b>							
50024000911	USDA's Fiscal Year 2015 Compliance with Improper Payment Requirements	05/13/2016	1		1		Pending Final Action: NRCS: 1
50099000112	Review of Expenditures Made by the Office of the Assistant Secretary for Civil Rights	09/14/2015	2		2		Pending Final Action: OASCR: 2 OPPM: 8

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
50501000512	CIGIE Cloud Computing Initiative—Status of Cloud—Computing Environment Within USDA (OCIO/ NRCS/ RMA)	09/26/2014	3		3		Pending Final Action: OCIO: 3, 7 RMA: 5
50601000221	Hispanic and Women Farmers and Ranchers Claim Resolution Process	03/31/2016	2		2		Pending Final Action: OPPM: 1 RD: 2
50601000222	Department's Controls over Prioritizing and Funding Agricultural Research	02/24/2016	3		3		Pending Final Action: 1, 2, 3
50601000322	Coordination of USDA Farm Program Compliance—Farm Service Agency, Risk Management Agency, and Natural Resources Conservation Service	01/27/2017	7		7		Pending Final Action: FFAS: 1 FSA, RMA, NRCS: 2 RMA: 3 FSA, RMA: 4 FSA, RMA, NRCS: 5 RMA: 6, 7
50601000431	USDA's Response to Antibiotic Resistance	03/30/2016	15		15		Pending Final Action: FSIS: 13, 14 APHIS: 7, 8, 9, 15, 16, 19 ARS: 1, 2, 3, 11, 12, 17 OCS: 10

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
50703000123	American Recovery and Reinvestment Act, Trade Adjustment Assistance for Farmers Program	10/18/2013	1	1			Pending Collection: FSA: 9
61701000123	FY 2016 Classification Management (Assistant Secretary for Administration (ASA) and OHSEC)	09/27/2016	3		3		Pending Final Action: ASA: 1, 4 OHSEC: 3
<b>Total</b>			<b>37</b>	<b>1</b>	<b>36</b>		
<b>NRCS: Natural Resources Conservation Service</b>							
10099000131	NRCS' Administration of Easement Programs in Wyoming	09/27/2013	3		3		Pending Final Action: 1, 2, 7
10601000123	NRCS Controls Over Land Valuations for Conservation Easements	09/28/2015	1			1	Pending Management Decision: 6
10601000132	Controls Over the Conservation Stewardship Program	09/27/2016	26		11	15	Pending Management Decision: 1, 2, 3, 4, 5, 7, 8, 9, 10, 16, 17, 18, 21, 22, 26  Pending Final Action: 6, 11, 12, 13, 14, 15, 19, 20, 23, 24, 25
10601000231	NRCS Conservation Easement Compliance	07/30/2014	4		4		Pending Final Action: 1, 5, 10, 11

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
106010004KC	Natural Resources Conservation Service's Conservation Security Program	06/25/2009	2		2		Pending Final Action: 8, 9
50601000531	USDA Monitoring of Highly Erodible Land and Wetland Conservation Violations	06/21/2016	5		5		Pending Final Action: 1, 2, 3, 4, 5
<b>Total</b>			<b>41</b>		<b>25</b>	<b>16</b>	
<b>OHSEC: Office of Homeland Security and Emergency Coordination</b>							
61701000121	Agroterrorism Prevention, Detection, and Response	03/27/2017	14		11	3	Pending Final Action: 1, 2, 3, 5, 6, 7, 9, 10, 11, 12, 14  Pending Management Decision: 4, 8, 13
<b>Total</b>			<b>14</b>		<b>11</b>	<b>3</b>	
<b>OCFO: Office of the Chief Financial Officer</b>							
50099000123	USDA's Controls Over Economy Act Transfers and Greenbook Program Charges	09/18/2014	1		1		Pending Final Action: 10
50401001111	Department of Agriculture's Consolidated Balance Sheet for Fiscal Year 2016	12/06/2016	2		2		Pending Final Action: 1, 2
<b>Total</b>			<b>3</b>		<b>3</b>		

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
<b>OCIO: Office of the Chief Information Officer</b>							
505010001IT	USDA's Management and Security Over Wireless Handheld Devices	08/15/2011	2		2		Pending Final Action: 1, 2
50501000212	USDA, OCIO, Fiscal Year 2011 Federal Information Security Management Act	11/15/2011	3		3		Pending Final Action: 1, 4, 5
505010002IT	USDA, OCIO, Fiscal Year 2010 Federal Information Security Management Act	11/15/2010	4		4		Pending Final Action: 3, 6, 14, 19
50501000312	USDA, Office of the Chief Information Officer, Fiscal Year 2012 Federal Information Security Management Act	11/15/2012	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
50501000412	USDA, Office of the Chief Information Officer, Fiscal Year 2013 Federal Information Security Management Act	11/26/2013	2		2		Pending Final Action: 2, 4
50501000612	USDA, Office of the Chief Information Officer, Fiscal Year 2014 Federal Information Security Management Act	11/07/2014	1		1		Pending Final Action: 2
50501000812	USDA, OCIO, Fiscal Year 2015 Federal Information Security Modernization Act	11/10/2015	4		4		Pending Final Action: 1, 2, 3, 4

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
50501001212 (2)	Security Protocols and Connections for USDA's PublicFacing Websites	11/09/2016	3			3	Pending Management Decision: 1, 2, 3
505010015FM	USDA, OClO, Fiscal Year 2009 Federal Information Security Management Act	11/18/2009	1		1		Pending Final Action: 8
88401000112	Audit of the Office of the Chief Information Officer's FY's 2010 and 2011 Funding Received for Security Enhancements	08/02/2012	3		3		Pending Final Action: 1, 2, 4
88501000212	Management and Security Over USDA's Universal Telecommunications Network	07/17/2014	1		1		Pending Final Action: 5
<b>Total</b>			<b>30</b>		<b>27</b>	<b>3</b>	
<b>RMA: Risk Management Agency</b>							
05601000122	Risk Management Agency National Program Operations Reviews	04/30/2015	4		4		Pending Final Action: 1, 2, 3, 4
056010015TE	Crop Loss and Quality Adjustments for AflatoxinInfected Corn	09/30/2008	1	1			Pending Collection: 1
<b>Total</b>			<b>5</b>	<b>1</b>	<b>4</b>		

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
<b>RD: Rural Development</b>							
04601000122 (1)	Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans—Interim Report	12/22/2016	2		2		Pending Final Action: 1, 2
04601000131	Rural Development: Single Family Housing Direct Loan Servicing and Payment Subsidy Recapture	07/18/2014	1		1		Pending Final Action: 10
04601000231	Rural Development Single Family Housing Direct Loan Program Credit Reporting	03/28/2016	8		8		Pending Final Action: 1, 2, 4, 5, 6, 7, 8, 9
046010018 CH	Rural Development's Project Cost and Inspection Procedures for the Rural Rental Housing Program	09/27/2012	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
04901000113	Review of Rural Rental Housing's Tenant and Owner Data Using Data Analytics	09/24/2015	8		8		Pending Final Action: 1, 3, 4, 5, 6, 7, 8, 9
09601000141	RUS—Energy Efficiency and Conservation Loan Program	09/19/2016	7		7		Pending Final Action: 1, 2, 3, 4, 5, 6, 7
34001000121	Rural Energy for America Program	08/08/2016	10		10		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
34601000131	Rural Business-Cooperative Service Grant Programs—Duplication	03/25/2014	1		1		Pending Final Action: 1

Audit Number	Audit Title	Issue Date	Total Pending Recommendations	Total Pending Collection (OCFO)	Total Pending Final Action (OCFO)	Total Pending Management Decision (OIG)	Recommendation Detail
346010006AT	Rural Business-Cooperative Service's Intermediary Relending Program	06/25/2010	1	1			Pending Collection: 1
85401000511	Rural Development's Financial Statements for FY 2015 and 2014	11/12/2015	1		1		Pending Final Action: 1
85401000611	Rural Development's Financial Statements for Fiscal Years 2016 and 2015	11/08/2016	1		1		Pending Final Action: 1
<b>Total</b>			<b>46</b>	<b>1</b>	<b>45</b>		

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

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

During FY 2016, USDA evaluated its financial management systems to assess compliance with FFMIA. The Department reported that it was not compliant with Federal Financial Management System Requirements, applicable accounting standards, U.S. Standard General Ledger at the transaction level, and FISMA requirements. As noted in its Management's Discussion and Analysis in the Department's annual Agency Financial Report, USDA continues its work to meet FFMIA and FISMA objectives. OIG concurs with the Department's assessment and discussed the noncompliance issues in OIG's report on the Department's Consolidated Balance Sheet for FY 2016. Although the Department continues to move forward with remediation plans to achieve compliance for longstanding Department-wide weaknesses related to systems security, noncompliance with accounting standards, and the Standard General Ledger, it assessed the timeframes and plans to achieve compliance in all areas by the end of FY 2017.

## Appendix A.12: Canceled Audits

The following audit was canceled and not publically disclosed.

Agency	Date Closed	Title of Report	Reason for Cancellation
OASCR	11/04/16	OASCR Processing of EEO Complaints	OIG canceled this audit due to the occurrence of an active OIG investigation covering the same subject matter.

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**Total Audits Canceled and Not Publically Released: 1**

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## Appendix A.13: Reports without Agency Comment or Unimplemented Recommendations and Potential Cost Savings—Funds To Be Put To Better Use and Questioned Costs

USDA agencies had 42 outstanding recommendations with a potential value of \$215.9 million. Monetary amounts listed represent questioned costs and funds that could be put to better use for those recommendations which management decision has been reached, but remain unimplemented. With the exception of audits issued from 1992 to 1996, the cited reports can be viewed on OIG’s website: <https://www.usda.gov/oig/>

Report #	Recommendation Cited	Management Decision Date	Released Amount
<b>TOTAL</b>			<b>\$215,935,180</b>
<b>AMS: Agricultural Marketing Service</b>			
50601000231	FSIS' and AMS' Field-Level Workforce Challenges		
	In the interim, AMS needs to work with NFC to identify and bill establishments for ongoing uncollected monthly interest charges, and identify and recover the estimated \$40,000 in interest charges that should have accrued on delinquent establishments with past due accounts, as of December 12, 2012, and those amounts uncollected forward to the present date.	07/31/13	\$40,000
01601000141	AMS Procurement and Inspection of Fruits and Vegetables		
	Complete the closeout process for the 2,198 completed contracts cited in the finding, and deobligate \$19,652,098 in funds associated with those contracts.	02/16/16	\$19,652,098
	Require Officers-in-Charge to obtain documentation and include a narrative in the purchase order folder that supports AMS' trace-back determination. Also, ensure that documentation is maintained in the purchase order file.	02/16/16	\$34,730,512

Report #	Recommendation Cited	Management Decision Date	Released Amount
<b>FNS: Food and Nutrition Service</b>			
27002000113	Analysis of Kansas' Supplemental Nutrition Assistance Program (SNAP) Eligibility Data		
	Require the Kansas Department of Social and Rehabilitation Services to review the data of 883 individuals identified in this report and determine if participants have received improper payments. Recover improper payments, as appropriate.	11/23/11	\$109,845
27601000123	National School Lunch Program—Food Service Management Companies and Cost-Reimbursable Contracts		
	Instruct the State agency to assist two School Food Authorities (SFA) in recovering \$1,400 in uncredited rebates from their contracted Food Service Management Company (FSMC). Also, conduct a review of all SFAs that contracted with this FSMC to determine if other SFAs are owed additional purchase rebates.	03/26/13	\$1,400
	Work with the State agency to (1) ensure the SFA collects from its contracted FSMC the \$21,460 in credits for USDA-donated foods, and (2) fully account for the \$457,000 in USDA-donated foods to ensure that the SFAs receive full credit.	03/26/13	\$478,460
	Work with the State agency to determine if the \$1.2 million in program funds should be recovered from the cited FSMCs.	01/03/13	\$1,200,000
27601000322	SNAP Administrative Costs		
	Deobligate \$111,399,656 in invalid unliquidated obligations reported by CDSS.	09/29/16	\$111,399,656
27601000410	Michigan's Compliance with SNAP Certification of Eligible Households Requirements		
	Require Michigan DHHS to thoroughly review the five identified cases to determine if payments were improper and warrant establishment of a claim.	10/25/16	\$12,517

Report #	Recommendation Cited	Management Decision Date	Released Amount
27601000131	FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers		
	Review all 51 permanently disqualified owners to determine whether the transfers of ownership circumvented disqualification and take the appropriate corrective action.	07/31/13	\$5,300,000
<b>FS: Forest Service</b>			
08601000241	FS Firefighting Cost Share Agreements with Non-Federal Entities		
	Establish policies and procedures to ensure that indirect cost rates submitted by the local fire cooperators on cooperative fire protection agreements are accurate and reasonable.	12/24/15	\$4,584,383
<b>FSA: Farm Service Agency</b>			
030060001TE	1993 Crop Disaster Payments—Brooks/Jim Hogg Cos., TX		
	Coordinate with OIG Investigations before taking administrative action regarding the cited 27 producers whose eligibility we questioned. Take administrative action to recover payments on cases that are not handled through the legal system.	07/01/02	\$2,203,261
030060002SF	Disaster Assistance Program—1994—Fresno CO CA		
	Instruct the Fresno county office (CO) to coordinate with OIG-Investigations before taking corrective actions on producers A, B, C, D, and E. Upon conclusion of the review by Investigations, take the appropriate corrective action. If administrative action is pursued in cases involving lack of good faith, the Fresno CO should recover the entire disaster payments made to the producers, totaling \$32,587 plus interest accrued from the date of disbursement.	08/05/96	\$32,587

Report #	Recommendation Cited	Management Decision Date	Released Amount
036010007TE	Emergency Feed Program in Texas		
	Instruct the Reeves County CED to recover the cited ineligible benefits from Producer A (\$30,773) and Producer B (\$21,620).	01/12/01	\$52,393
	(5b) If the County Committee determines a scheme or device was used to defeat the purpose of the Emergency Feed Program, instruct the Reeves County County Executive Director to recover the \$70,529 in benefits paid this producer for crop years 1994 and 1995 and cancel the \$12,350 in benefits which otherwise are available for the 1995 crop year. (NOTE: \$30,773 of this amount is also included in Recommendation No. 4.)	01/12/01	\$52,106
	Instruct the Reeves County Committee to review the validity of the 1994 Emergency Feed Program form CCC-651 for Producer B and determine the eligibility of the producer and the \$32,546 in benefits paid for crop year 1994. (NOTE: \$21,620 of this amount is also included in Recommendation No. 4.)	01/12/01	\$10,926

Report #	Recommendation Cited	Management Decision Date	Released Amount
500990011SF	Crop Bases on Lands with Conservation Easements		
	Direct FSA's California State office to remove crop bases from the 33 easement-encumbered lands and to recover \$1,290,147 in improper payments.	01/15/09	\$1,290,147
	Direct the California FSA State office to remove crop bases from Grassland Reserve Program easement-encumbered lands and to recover \$20,818 in improper payments from producers who received farm subsidy payments.	01/15/09	\$20,818
036010012AT	Tobacco Transition Payment Program—Quota Holder Payments and Flue-Cured Tobacco Quotas		
	If an adverse determination is made for Recommendation 1, collect program payments subject to limitation for each year for which a scheme or device was adopted and for the subsequent year. (The producers' payments subject to limitation totaled over \$1.4 million for the 2000 through 2002 crop years.)	02/26/08	\$119,568
	For each application for which it is determined (under Recommendation 3) that the third-party statements and/or beginning inventory documentation omitted from the application did not meet program requirements, recover resultant overpayments.	03/18/09	\$26,992
030990181TE	Farm Service Agency Payment Limitation Review in Louisiana		
	If an adverse determination is made for Recommendation 1, collect program payments subject to limitation for each year for which a scheme or device was adopted and for the subsequent year. (The producers' payments subject to limitation totaled over \$1.4 million for the 2000 through 2002 crop years.)	01/30/09	\$1,432,622

Report #	Recommendation Cited	Management Decision Date	Released Amount
036010023KC	Hurricane Relief Initiatives: Livestock and Feed Indemnity Programs		
	For each application for which it is determined (under Recommendation 3) that the third-party statements and/or beginning inventory documentation omitted from the application did not meet program requirements, recover resultant overpayments.	03/16/11	\$860,971
506010015AT	Hurricane Indemnity Program—Integrity of Data Provided by RMA		
	FSA should recover the \$815,612 in Hurricane Indemnity Program (HIP) overpayments that have been identified, and recover any other overpayments resulting from RMA's review of the approved insurance providers' changes to cause of loss and date of damage. (Following shown as rec 06 in report, but coded as part of rec 05.) RMA should determine whether the 18 policies that OIG identified with unsupported changes and that resulted in \$246,346 in HIP payments need to be corrected. Direct the approved insurance providers to reverse the changes, and provide FSA a list of these corrections.	09/30/10	\$1,061,958
036010028KC	Biomass Crop Assistance Program: Collection, Harvest, Storage, and Transportation Matching Payments		
	Require the field office in Johnson County, Missouri, to (1) review all delivery documents submitted by participating owners in support of disbursed matching payments; (2) identify all improperly established dry weight ton equivalents of biomass material eligible for matching payments (i.e., all those not reduced to zero percent moisture); and (3) recover all associated improper payments.	09/20/12	\$3,352
	Require, through direction to the appropriate State offices, that county offices recover the improperly issued matching payments associated with deliveries of biomass material completed prior to approval of the owners' collecting, harvesting, storing, and transporting applications.	09/20/12	\$280,142

Report #	Recommendation Cited	Management Decision Date	Released Amount
	Based on the determinations reached regarding scheme or device, initiate appropriate administrative actions including the termination of any violated facility agreements and the recovery of any improperly disbursed matching payments plus interest. Coordinate with OIG Investigations prior to initiating any administrative actions.	09/20/12	\$95,675
50703000123	Trade Adjustment Assistance for Farmers Program Phase II		
	Collect TAAF Program payments, totaling \$84,000, from those producers whose self-certification was not supported by their records submitted to OIG.	09/10/14	\$84,000
03702000132	Livestock Forage Program		
	Review and recover improper overpayments of \$358,956 due to errors in calculating LFP payments.	09/18/15	\$358,956
	Determine whether the producer falsely certified claimed livestock on the 2010 and 2011 LFP applications. If it is determined that the producer falsely certified livestock on the 2010 and 2011 applications, recover improper payments of \$67,838 and take action as deemed necessary and appropriate. If it is determined that the producer did not falsely certify livestock on the 2010 and 2011 applications, recover any identified improper payments based on ineligible livestock.	09/18/15	\$67,838

Report #	Recommendation Cited	Management Decision Date	Released Amount
<b>NRCS: Natural Resources Conservation Service</b>			
106010004KC	Conservation Security Program		
	Review and take the appropriate administrative remedy for Conservation Security Program (CSP) contracts for samples 36 and 36b and recover CSP disbursements of \$45,622, as appropriate. These contracts have a remaining expected value of \$196,864. Determine whether the participants were part of a scheme or device and also assess liquidated damages and interest as applicable.	09/23/11	\$45,622
	Collect all payments made under the contract, assess liquidated damages, and assess interest provided by the contract (sample 36a) as appropriate. This producer was paid \$27,860 in 2006 and 2007 and was expected to receive an additional \$191,728 over the life of the CSP contract. Determine whether the contract participant adopted a scheme or device and, as appropriate, terminate the contract and the participant's interest in all conservation stewardship contracts.	09/23/11	\$27,860

Report #	Recommendation Cited	Management Decision Date	Released Amount
10601000132	Controls Over the Conservation Stewardship Program		
	For the remaining six contracts in which the agricultural operations were inconsistently delineated, direct the Arkansas and Oklahoma State Conservationists to modify and/or terminate the contracts and to deobligate funds, as appropriate.	09/27/16	\$720,000
	For each of the 29 contracts on which the participants claimed payment shares inconsistent with their reported member shares of the operation, if the State Conservationist determines the participants engaged in any misrepresentation, scheme, or device to avoid payment limitation, terminate the participants' interests in all CSP contracts and deobligate funds, as appropriate. Also, determine whether there is cause for consideration of suspension and debarment for the participants.	09/27/16	\$1,781,950
	Direct the Arkansas State NRCS Office to make operational adjustment modifications to, or cancel, as appropriate, each of the 15 contracts identified as containing incompatible enhancements that occupy, or may occupy, the same space. Deobligate funds for the contracts as appropriate.	09/27/16	\$1,051,055

Report #	Recommendation Cited	Management Decision Date	Released Amount
<b>OASCR: Office of the Assistant Secretary for Civil Rights</b>			
50099000112	Review of Expenditures Made by the Office of the Assistant Secretary for Civil Rights		
	OASCR needs to consult with OGC and, where appropriate, with the Procurement Operations Division (POD), to determine the appropriate legal authority and legal instrument that should have been used for the underlying unauthorized commitments resulting in 130 improper payments, totaling over \$1.94 million, and subsequently determine if those transactions should be ratified or otherwise addressed.	09/14/15	\$1,941,996
	POD needs to properly ratify, where appropriate, or otherwise address, the nine unauthorized commitments.	09/14/15	\$653,749
<b>RBS: Rural Business-Cooperative Service</b>			
346010006AT	Rural Business-Cooperative Service's Intermediary Re-Lending Program		
	Recover \$7.9 million from intermediaries that made loans to borrowers for ineligible purposes, amounts, and non-rural areas.	03/02/12	\$7,909,538

Report #	Recommendation Cited	Management Decision Date	Released Amount
50601000221	Hispanic and Women Farmers and Ranchers Claim Resolution Process		
	Rural Development officials need to appoint a qualified Contracting Officer's Representative (COR) to review the prior COR's activities and the contractor's performance measurements to ensure that the contract was executed in accordance with its terms and conditions (not including the approximately \$144,000 that was overpaid to the contractor for not identifying prior participants during claims administration). This should include assuring that deliverables were in compliance with contract terms, ensuring that the contractor performed requirements of the contract, reviewing certification of invoices for payment, and reviewing all other duties and responsibilities assigned in the COR's Designation Letter. If the appointed COR identifies any discrepancies, work with the CO to ensure appropriate actions are taken to meet regulations, including any penalties that may be assessed.	03/31/16	\$144,011
34001000121	Rural Energy for America Program		
	Farm Service Agency (FSA) recovered \$2,906 from the recipient for duplicate payments funded by the Farm Storage Facility Loan Program (FSFLP). RBS needs to obtain from FSA and provide to the Office of the Chief Financial Officer (OCFO) evidence of the amount collected.	08/08/16	\$2,906
<b>RHS: Rural Housing Service</b>			
04601000231	Rural Development Single Family Housing Direct Loan Program Credit Reporting		
	Review the status of the \$130,951 in Rural Development funds obligated to the Department of Housing and Urban Development (HUD) for Credit Alert Verification Reporting System costs and deobligate any excess balance.	03/28/16	\$130,951

Report #	Recommendation Cited	Management Decision Date	Released Amount
04601000122(2)	Rural Housing Service's Controls Over Originating and Closing Single Family Housing		
	Credit the borrower's outstanding loan balance by \$11,343 plus interest accrued for the payment provided to the contractor.	12/22/16	\$11,343
<b>RMA: Risk Management Agency</b>			
056010015TE	Crop Loss and Quality Adjustments for Aflatoxin-Infected Corn		
	Issue administrative findings to recover the improper payments resulting from the approximately \$15,951,016 in calendar year 2005 aflatoxin-infected corn claims for Texas that were calculated using market values of \$.25 or less per bushel.	09/20/12	\$15,951,016

## Appendix A.14: Audit Reports That Were Not Publically Released (as of March 31, 2017)\*

Audit had four reports that were not released to the public during the October 1, 2016, through March 31, 2017, reporting period. These reports were management letters related to the financial statement audits. The management letters present to management certain matters that were noted during our financial statement audits. These matters, involving internal control and other operational matters, have no material effect on the financial statements and are presented for agency consideration. The comments and recommendations contained within the management letters were discussed with appropriate members of management and are intended to improve internal controls or result in other operational efficiencies. Agencies are not required to respond to OIG on management letters, and the recommendations are not tracked for official final action. However, the findings and recommendations will be considered in future audits.

Audit Number	Release Date	Title of Report
05401-0008-11	01/04/17	Federal Crop Insurance Corporation's Fiscal Years 2016 and 2015 Financial Statements Audit Management Letter
10401-0008-11	01/12/17	Natural Resources Conservation Service's Fiscal Year 2016 Balance Sheet Audit Management Letter
50401-0014-11	02/03/17	Department of Agriculture's Fiscal Year 2016 Consolidated Balance Sheet Audit Management Letter
85401-0008-11	02/24/17	Rural Development's Fiscal Years 2016 and 2015 Financial Statements Audit Management Letter

The Inspector General Empowerment Act (IGEA), enacted on December 16, 2016, requires IGs to publically disclose all documents with recommendations for corrective action. See 5 U.S.C. app. 3 § 4(e). USDA OIG has not publically disclosed the above mentioned management letters as they were issued in conjunction with the FY 2016 financial statement audit cycle, completed prior to the enactment of IGEA. However, pursuant to the new requirement in IGEA, USDA OIG intends to publically disclose these management letters in the future.

\*This appendix is also intended to report any inspections or evaluations that were not publicly released. We have no instances of an inspection or evaluation that was closed and not disclosed to the public during this reporting period.

## **Appendix A.15: Summary of Audit Reports for which the Department has not Returned Comment within 60 Days of Receipt of the Report**

In this reporting period, there were no instances where the Department did not return comment within 60 days of receipt of an audit report.

## APPENDIX B: INVESTIGATIVE REPORTS

### Appendix B.1: Summary of Investigative Activities, October 1, 2016—March 31, 2017

Reports Issued: 172	Cases Opened	197
	Cases Referred for Prosecution	139
<b>Impact of Investigations</b>	Indictments	237
	Convictions <sup>a</sup>	247
	Searches	132
	Arrests	544
<b>Total Dollar Impact (Millions): \$190.5</b>	Recoveries/Collections <sup>b</sup>	\$1.9
	Restitutions <sup>c</sup>	\$120.7
	Fines <sup>d</sup>	\$1.0
	Asset Forfeitures <sup>e</sup>	\$10.7
	Claims Established <sup>f</sup>	\$4.7
	Cost Avoidance <sup>g</sup>	\$51.4
	Administrative Penalties <sup>h</sup>	\$0.1
<b>Administrative Sanctions: 567</b>	Employees	18
	Businesses/Persons	549

<sup>a</sup> Includes convictions and pretrial diversions. The period of time to obtain court action on an indictment varies widely; therefore, the 247 convictions do not necessarily relate to the 544 arrests or the 237 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

Indictments and Convictions—October 1, 2016–March 31, 2017

Agency	Indictments	Convictions*
AMS	5	3
APHIS	19	3
FNS	179	207
FS	2	0
FSA	19	14
FSIS	3	1
OCIO	1	0
OIG	1	1
RBS	2	7
RHS	2	5
RMA	4	6
Totals	237	247

\*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 2,691 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 2017.

### Number of Complaints Received

Type	Number
Employee Misconduct	161
Participant Fraud	2,316
Waste/Mismanagement	164
Health/Safety Problem	12
Opinion/Information	33
Bribery	3
Reprisal	2
<b>Total Number of Complaints Received</b>	<b>2,691</b>

### Disposition of Complaints

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	62
Referred to Other Law Enforcement Agencies	1
Referred to USDA Agencies for Response	344
Referred to FNS for Tracking	2,093
Referred to USDA or Other Agencies for Information—No Response Needed	163
Filed Without Referral—Insufficient Information	15
Referred to State Agencies	13

## Appendix B.4: Additional Investigations Information

In fulfillment of IGEA’s reporting requirements, the following table shows the number of investigative reports OIG has issued in this reporting period, the number of persons OIG referred to DOJ for criminal prosecution, the number of persons OIG referred to State/local authorities for criminal prosecution, the number of indictments/criminal informations that resulted from OIG referral, and a description of the metrics used for developing the data for such statistical tables.

Description of Data	Number	Explanation	Source of Data
Number of reports issued	172	N/A	This is a number routinely reported in our quarterly reporting.
Number of people referred to DOJ	175	Referred for criminal prosecution federally in this reporting period	Created a report from the database to show cases referred for prosecution during this reporting period. Queried each case in the database to determine how many individuals were referred and to whom they were referred.
Number of people referred to DOJ	9	Of the 175 people reported above, 9 of them were referred for both federal criminal and civil prosecution.	See above.
Number of people referred to State/local authorities	55	Referred for criminal prosecution to state/local authorities in this reporting period	Created a report from the database to show cases referred for prosecution during this reporting period. Queried each case in the database to determine how many individuals were referred and to whom they were referred.
Number of people referred to State/local authorities	24	People referred to both federal and state entities	See above.

Description of Data	Number	Explanation	Source of Data
Indictments from prior referrals	172	N/A	Created a report from the database to show cases that had indictments and/or convictions claimed during this reporting period, regardless of when they were referred.
Convictions from prior referrals	236	Convictions include pre-trial diversions.	Created a report from the database to show cases that had indictments and/or convictions claimed during this reporting period, regardless of when they were referred.

## **Appendix B.5: OIG Investigations Involving a Senior Government Employee Where Allegations of Misconduct Were Substantiated**

We have no instances of OIG investigations involving a senior Government employee where allegations of misconduct were substantiated during this reporting period.

## **Appendix B.6: Instances of Whistleblower Retaliation**

We have no instances of whistleblower retaliation during this reporting period.

## **Appendix B.7: Attempts by Department to Interfere with OIG Independence Including Budget Constraints and Incidents Where the Department Restricted or Significantly Delayed Access to Information**

We have no instances of the Department interfering with OIG independence that caused budget constraints or restricted or significantly delayed access to information during this reporting period.

## **Appendix B.8: Instances of an Investigation of a Senior Government Employee that was Closed and Not Disclosed to the Public**

We have no instances of an investigation of a senior Government employee that was closed and not disclosed to the public during this reporting period.

## APPENDIX C: FREEDOM OF INFORMATION ACT (FOIA) ACTIVITIES

### **FOIA and Privacy Act Requests October 1, 2016–March 31, 2017**

Data on OIG's activities pertaining to the Freedom of Information Act (FOIA) for the most recent fiscal year can be found in the comprehensive USDA Annual FOIA Reports on USDA's web page.

<https://www.dm.usda.gov/foia/reading.htm#reports>

# ACRONYMS AND ABBREVIATIONS

ASA	Assistant Secretary for Administration
ACRSI	Acreage Crop Reporting Streamlining Initiative
ALERT	Anti-Fraud Locator using EBT Retailer Transactions
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
CCC	Commodity Credit Corporation
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CSP	Conservation Stewardship Program
DATA Act	Digital Accountability and Transparency Act of 2014
DHSS	Delaware Health and Social Services
DOJ	Department of Justice
EBT	electronic benefit transfer
ERS	Economic Research Service
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Modernization Act
FNS	Food and Nutrition Service
FNS-RIB	Food and Nutrition Service-Retailer Investigations Branch
FOIA	Freedom of Information Act
FS	Forest Service
FSA	Farm Service Agency
FSAN	Financial Statement Audit Network
FSIS	Food Safety and Inspection Service
FY	fiscal year
GSA	General Services Administration
HSI	Homeland Security Investigations
HSPD	Homeland Security Presidential Directive
HUD	Housing and Urban Development

IGEA	Inspector General Empowerment Act
IG	Inspector General
IRS-CI	Internal Revenue Service-Criminal Investigation
IT	information technology
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCS	Office of the Chief Scientist
OHSEC	Office of Homeland Security and Emergency Coordination
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPM	Office of Procurement and Property Management
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
SAR	Suspicious Activity Reports
SARC	Semiannual Report to Congress
SFH	Single Family Housing
SNAP	Supplemental Nutrition Assistance Program
SSA	Social Security Administration
SSN	Social Security Number
STARS	Store-Tracking and Redemption System
SURE	Supplemental Revenue Assistance Payment
USDA	United States Department of Agriculture
USTR	United States Trade Representative
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

# USDA MANAGEMENT CHALLENGES

## What are management challenges?

Management challenges are agency programs or management functions with greater vulnerability to waste, fraud, abuse, and mismanagement, where a failure to perform well could seriously affect the ability of an agency or the federal government to achieve its mission or goals, according to the Government Performance and Results Modernization Act of 2010.

1. USDA Needs to Improve Oversight and Accountability for its Programs: Pages 2, 10-11, 47
2. Information Technology Security Needs Continuous Improvement: Pages 2-4
3. USDA Needs to Strengthen Program Performance and Performance Measures: Pages 48-49
4. USDA Needs to Strengthen Controls Over Improper Payments and Financial Management: Pages 11-12, 42-47, 49
5. USDA Needs to Improve Outreach Efforts: Page 98
6. Food Safety Inspections Need Improved Controls: Page 8
7. FNS Needs to Strengthen SNAP Management Controls: Pages 17-21

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## How to Report Suspected Wrongdoing in USDA Programs

### Fraud, Waste, and Abuse

File complaint online: [www.usda.gov/oig/hotline.htm](http://www.usda.gov/oig/hotline.htm)

### Monday–Friday, 9:00 a.m.– 3:00 p.m. ET

In Washington, DC 202-690-1622

Outside DC 800-424-9121

TDD (Call Collect) 202-690-1202

### Bribes or Gratuities

202-720-7257 (24 hours)



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