



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

First Half

October 1, 2017–March 31, 2018



Fiscal Year 2018

Number 79

May 2018

The background features a large, faint, circular seal of the Office of Inspector General, USDA. The seal contains the text "OFFICE OF INSPECTOR GENERAL" around the top and "USDA" at the bottom. In the center of the seal is a stylized eagle with its wings spread, perched on a shield. The eagle's head is turned to the left. The shield has a vertical line down the center and a small circle at the bottom. The text "OFFICE OF INSPECTOR GENERAL" is written in a serif font, and "USDA" is in a sans-serif font.

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* covers the 6-month period ending March 31, 2018, 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.

During this 6-month period, our Office of Audit issued 23 final and interim reports that resulted in 105 recommendations and \$14.5 million in questioned/unsupported costs or funds to be put to better use. Our Office of Investigations reported 217 arrests, 280 indictments, and 272 convictions, as well as \$84.9 million in recoveries and restitutions. We also received 7,353 complaints through our OIG Hotline during this period.

Our activities are described according to our strategic goals, as outlined in the *OIG Annual Plan—Fiscal Year 2018*. The highlights of these activities, as discussed below, demonstrate OIG's ongoing commitment to promote economy, efficiency, and effectiveness in USDA's programs and operations, as well as prevent and detect fraud and abuse.

Goal 1—Safety and Security—Strengthen USDA's Ability to Implement and Improve Safety and Security Measures to Protect the Public Health, as well as Agricultural and Departmental Resources

OIG provides independent audits and investigations focusing on issues such as the ongoing challenges of agricultural inspection activities, the safety of the food supply, homeland security, and information technology (IT) security and management. A recent audit report of the Forest Service's (FS) controls to monitor and secure explosives and munitions found that FS did not have overall accountability over explosives magazines, which left explosives vulnerable to theft and misuse, increasing the threat of public harm. Specifically, we found that FS officials did not maintain a centralized and secure database on the locations of both FS- and permittee-owned magazines. We also found that officials at 12 of the 26 magazine sites we visited did not perform required inventories or accurately record the amount of explosives. This occurred because FS had not established a position with oversight responsibility for the agency's explosives program. FS generally agreed with our findings and recommendations to designate a responsible official for correcting these vulnerabilities.

During the last year, we completed a joint investigation with the Animal and Plant Health Inspection Service's (APHIS) Investigative and Enforcement Services (IES). The investigation determined that a

father and son transported quarantined citrus trees from Florida to Michigan with the intention of selling and distributing the trees for profit through retail sales online. The individuals purchased the citrus trees from a nursery stock supplier in Florida and traveled by vehicle with other family members to take delivery. Upon their return to Michigan, the individuals repackaged the trees and sold them throughout the United States via online sales in violation of the citrus quarantine. The movement of trees from a quarantined area to the rest of the United States, without proper USDA inspection, created the potential to spread citrus-related diseases to other States. In October 2017, the father and son pled guilty and were sentenced and fined.

Goal 2—Integrity of Benefits—Detect and Reduce USDA Program Vulnerabilities and Deficiencies to Strengthen the Integrity of the Department’s Programs

A significant portion of OIG’s investigative and audit resources in the first half of fiscal year (FY) 2018 has been dedicated to ensuring the integrity of USDA’s programs. Working closely with the Food and Nutrition Service (FNS), OIG has concluded a number of investigations and prosecutions related to the Supplemental Nutrition Assistance Program (SNAP) to combat the practice of exchanging benefits for currency or other ineligible items.

In U.S. District Court, Middle District of Florida, the owners of a convenience store in Orlando, Florida, were sentenced in December 2017 for trafficking SNAP benefits. The investigation disclosed that the two owners gave customers cash, alcoholic beverages, and tobacco products in exchange for SNAP benefits. The owners pled guilty to wire fraud and were sentenced to 33 months in prison, followed by 24 months of supervised release. They were also ordered to pay joint restitution totaling \$3.4 million.

OIG has also completed significant audit work regarding key USDA benefits, particularly regarding the Risk Management Agency’s (RMA) crop insurance programs, which provide agricultural producers with effective, market-based risk management tools that strengthen producers’ economic stability. We reviewed the adequacy of a pilot program that delivers crop insurance for pistachios based on actual production history. We found that four of the five producer claim files from one approved insurance provider (AIP) did not contain the required evidence to support the paid insurance indemnities. As a result, we found that nearly \$7.7 million of indemnity payments paid to these four producers were questionable. RMA officials generally concurred with our recommendations to require the AIP to include adequate evidence to support post-harvest field inspections and, if adequate supporting evidence is not available, recover from the AIP approximately \$7.7 million in indemnities.

Goal 3—Management Improvement Initiatives—Provide USDA with Oversight to Help It Achieve Results-Oriented Performance

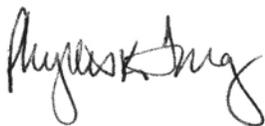
OIG’s audits and investigations focus on areas such as improved financial management and accountability, research, real property management, and employee integrity. The effectiveness and efficiency with which USDA

manages its assets are critical and help instill public trust. For example, continued audit work has illustrated the need for FNS to improve its controls over the Summer Food Service Program (SFSP). We found that FNS' monitoring and oversight procedures did not sufficiently substantiate that States were properly administering SFSP and complying with program requirements. Specifically, management evaluation reviews, FNS' primary monitoring control process for ensuring SFSP integrity, lacked the necessary documentation to confirm whether they were completed correctly and contained valid conclusions. OIG also found that FNS waived SFSP regulatory requirements on a nationwide basis through policy memoranda without following requirements set by law. Lastly, we found that FNS had not adequately assessed SFSP's risk for improper payments because it based the program's risk assessments on "readily available" information instead of a comprehensive program review. FNS generally concurred with our findings and recommendations to improve its controls over the program.

An investigation into construction contracts issued under programs designed to create set-aside Federal contracts for small businesses uncovered a massive fraud scheme in South Carolina. Using nominee owners, the subjects of this investigation conspired to create seemingly eligible contractors that actually operated under the control of a few ineligible businesses. They received more than \$165 million in set-aside contracts to which they were not entitled from USDA, the Department of Defense, and other Federal agencies. In total, seven individuals and two companies were indicted for varying offenses including misprision of felony, wire fraud, conspiracy, false statements, and major fraud against the Government. To date, six individuals have pled guilty and been sentenced in U.S. District Court, District of South Carolina, to terms ranging from 36 months of probation to 24 months in prison. Additionally, 29 individuals and entities have been suspended from doing business with the Government, pending the final outcome, and one corporation has paid a \$500,000 fine.

These accomplishments are the result of the dedicated work of OIG's professional staff and their commitment to our mission. In addition, we would like to thank the USDA staff for their coordination and cooperation with our audits and investigations. We also wish to acknowledge the interest and support of USDA Secretary Sonny Perdue, Deputy Secretary Stephen Censky, as well as key Congressional Committees and Members of Congress. Our success, in large part, is due to their commitment and continued support of this Office.

Phyllis K. Fong

A handwritten signature in black ink, appearing to read "Phyllis K. Fong". The signature is fluid and cursive, with the first name being the most prominent.

Inspector General

REPORTS



20

FINAL

3

INTERIM



105

RECOMMENDATIONS

Effective recommendations encourage improvements in the conduct of government programs and operations.

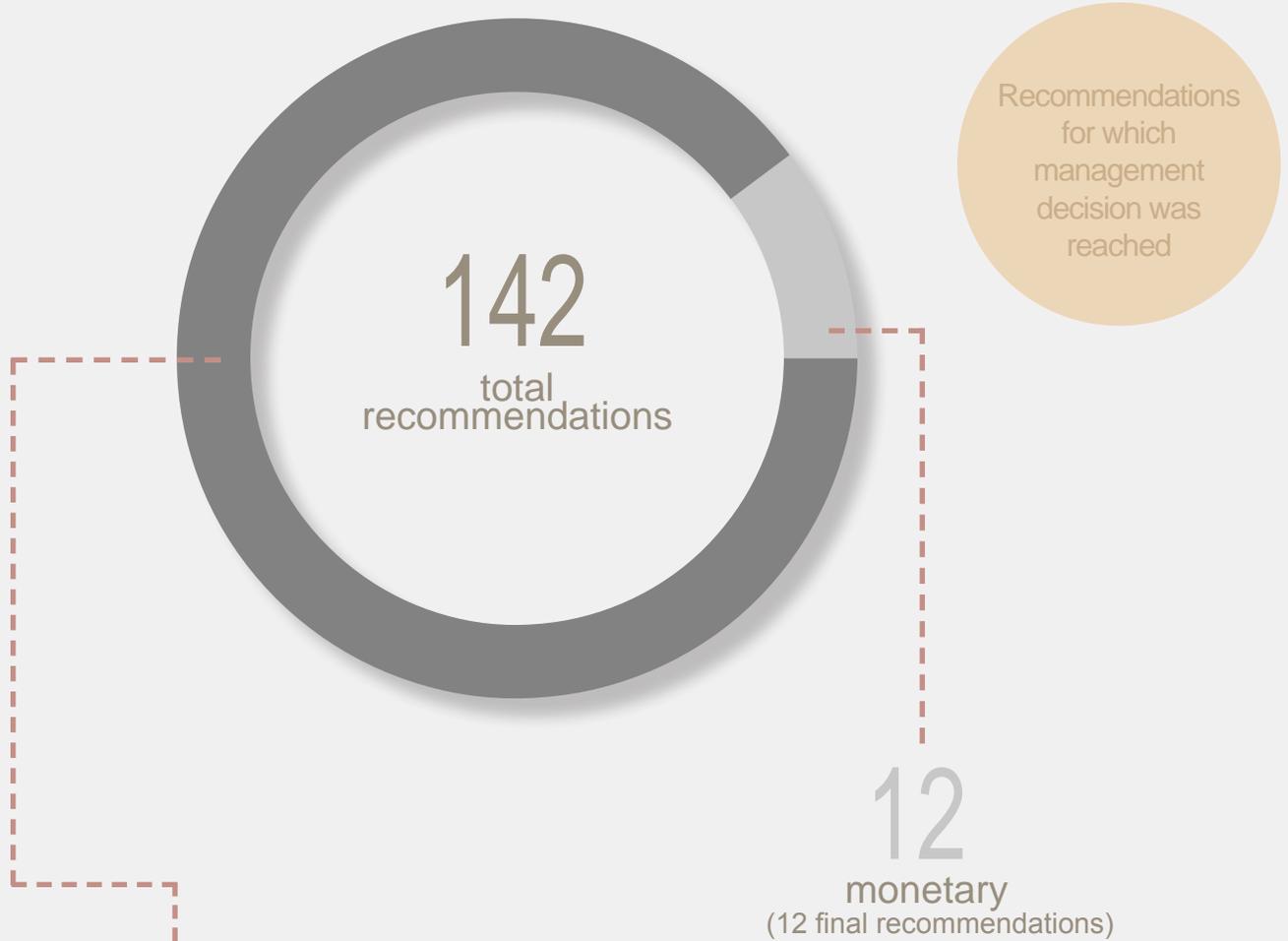


22

REPORTS IN WHICH
MANAGEMENT DECISION
WAS REACHED

After a recommendation is issued to an agency, the agency responds with the corrective actions it will take. If OIG agrees that the corrective action addresses the recommendation, management decision is reached.

ACTIVITIES SUMMARY



AUDIT TOTAL DOLLAR IMPACT

**\$14.5
million**

PROGRAM IMPROVEMENT RECOMMENDATIONS

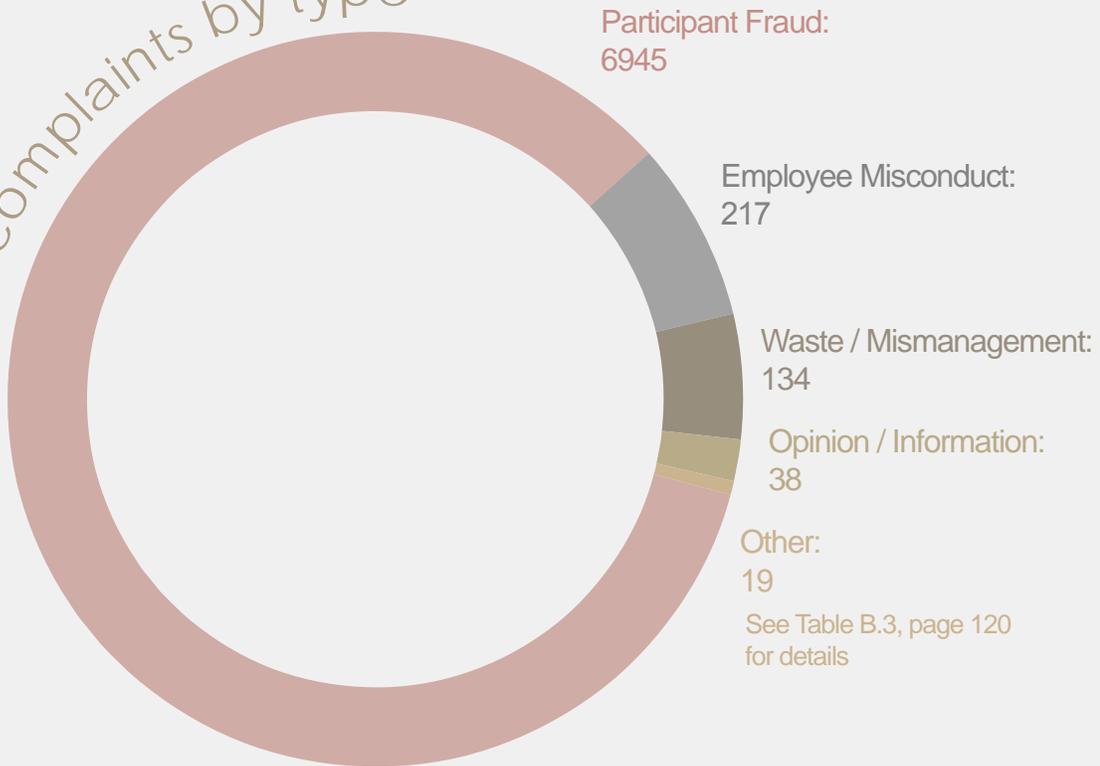
A number of our audit recommendations play a critical role in protecting our country's safety, security, and public health, and contribute considerably to the economy, efficiency, and effectiveness of USDA's programs and operations.



Hotline Complaints

During this reporting period, the Hotline received **7,353** complaints, including allegations of participant fraud, employee misconduct, mismanagement, safety issues, bribery, reprisal, and opinions about USDA programs.

hotline complaints by type



ACTIVITIES SUMMARY



280

INDICTMENTS



272

CONVICTIONS



217

ARRESTS



135

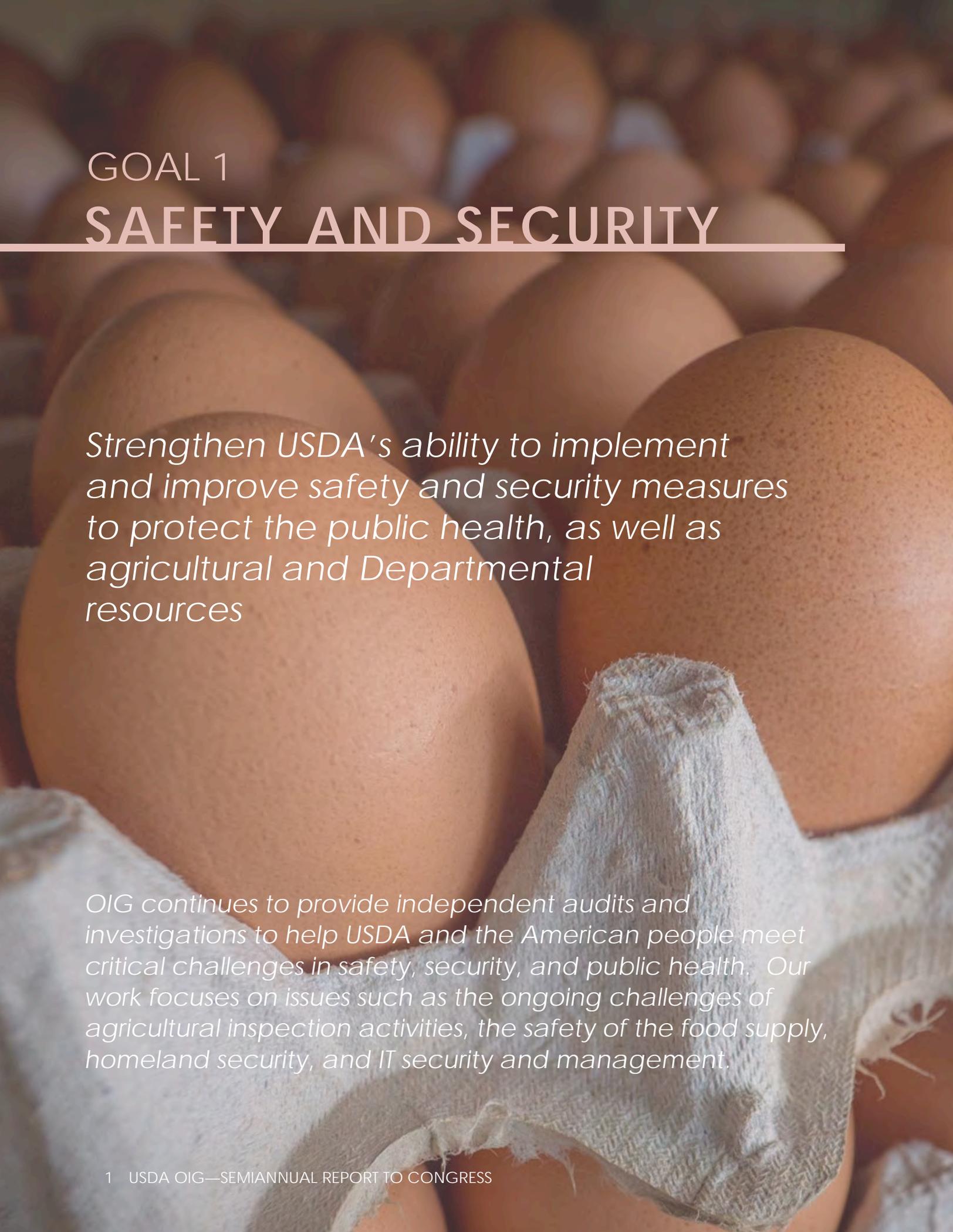
REPORTS ISSUED

INVESTIGATIONS TOTAL DOLLAR IMPACT

\$84.9 million

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GOAL 1

SAFETY AND SECURITY

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

OIG continues to provide independent audits and investigations to help USDA and the American people meet critical challenges in safety, security, and public health. Our work focuses on issues such as the ongoing challenges of agricultural inspection activities, the safety of the food supply, homeland security, and IT security and management.

14.5% of total direct resources were devoted to Goal 1

99.9% of these resources were assigned to critical-risk and high-impact work

AUDIT



5 reports issued



21 recommendations

INVESTIGATIONS



100% of cases resulted in action



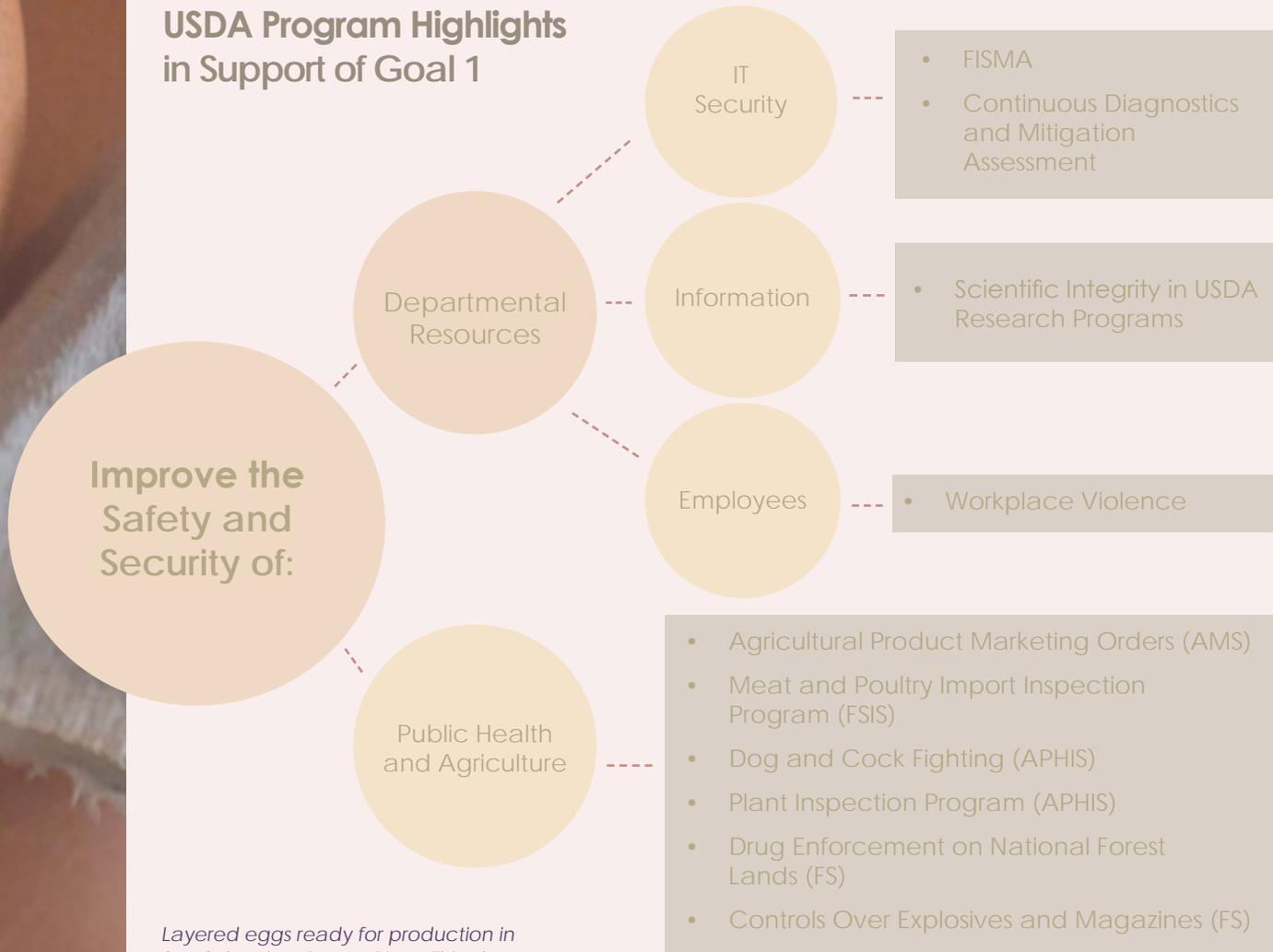
12 indictments



14 convictions

\$610,046 in monetary results

USDA Program Highlights in Support of Goal 1



Layered eggs ready for production in San Sebastian, Puerto Rico. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

GOAL 1

Examples of Audit and Investigative Work for Goal 1

FY 2017 Federal Information Security Modernization Act

As required by the Federal Information Security Modernization Act (FISMA), OIG reviewed USDA's ongoing efforts to improve its IT security program and practices during FY 2017. We found that the Department continues to take positive steps to improve its IT security posture, but many longstanding weaknesses remain. In FYs 2009–2016, OIG made 67 recommendations for improving the overall security of USDA's systems; 26 of the 27 open recommendations are overdue. We also noted that 40 prior recommendations have been closed, but our testing shows weaknesses still exist in 5 of the 40 recommendations. We are not making any new recommendations because the recommendations made in prior FISMA reports address these security weaknesses.

The Office of Management and Budget (OMB) considers “managed and measurable” to be an effective level of security. Since we found the Department's maturity level to be at the “defined” level, we determined that the Department's overall score would indicate an ineffective level, according to OMB's criteria. The Department needs to implement the controls that it has defined. The Department and its agencies must cooperate to develop and implement an effective plan to mitigate security weaknesses identified in the prior recommendations.

We also noted that the Office of the Chief Information Officer (OCIO) continues to implement its Continuous Diagnostics and Mitigation project (CDM). This should expand USDA's continuous diagnostics capabilities by increasing network sensor capacity, automating sensor collections, and prioritizing risk alerts. Further, due to existing security weaknesses identified, 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. The Department agreed with our findings and stated it has developed corrective actions and project plans to address prior year recommendations. OIG recommended that the Department continue its progress by issuing critical policy and completing actions on the 27 outstanding recommendations from the FYs 2009–2016 FISMA reviews. (Audit Report 50501-0015-12)

SAFETY AND SECURITY

CDM Assessment

CDM provides Federal departments and agencies with capabilities and tools that identify cybersecurity risks on an ongoing basis, prioritizes these risks based upon potential impacts, and enables cybersecurity personnel to mitigate the most significant problems first. Congress established CDM to provide adequate, risk-based, and cost-effective cybersecurity and more efficiently allocate cybersecurity resources. OIG contracted with a private IT consulting firm to independently assess USDA's implementation of CDM and to recommend best practices. The independent firm issued a third report to OIG on the results of the CDM assessment based on the analysis it has performed to date. The full report for this review was not publicly released due to the ongoing work and the sensitive nature of the information it contains. This assessment was performed as a non-audit service and, therefore, Government auditing standards were not applied. (Report 50501-0016-12)

Review of FS Controls over Explosives and Magazines

Our review of FS' controls to monitor and secure explosives and munitions stored on National Forest System (NFS) land found that, although the agency made improvements in its controls over military weapons and munitions,



The Forest Service uses explosives for fire suppression, tree and rock removal, avalanche control, road construction and maintenance, and other construction projects.

OIG Photo.

FS did not have overall accountability over explosives magazines and inventories of explosives. This lack of accountability by FS left explosives vulnerable to theft and misuse, increasing the threat of public harm. Our review disclosed that FS did not ensure that the corrective actions proposed to address 19 of the 26 prior audit recommendations effectively improved the controls over explosives magazines.

Specifically, we found that FS officials did not maintain a centralized and secure database on the locations of both FS- and permittee-owned magazines. We also found that officials at 12 of the 26 magazine sites we visited did not perform required inventories or accurately record the amount of explosives. This occurred because FS had not established a position with oversight responsibility for the agency's explosives program. As a result, some issues we previously reported continued to exist, and FS officials could not account

The Forest Service uses explosives, military-grade weapons, and munitions for purposes such as avalanche control.

OIG Photo.



for some items. We also found that FS did not always perform required 7-day or annual inspections. While FS issued manuals and guidance for the explosives program, such criteria sometimes lacked specific timeframes or requirements for documentation. As a result, there is an increased risk that unauthorized persons could obtain or maintain access to explosives without detection. FS generally agreed with our findings and recommendations to designate an official to be responsible for correcting these vulnerabilities. (Audit Report 08016-0001-23)

Reviewing the Integrity of USDA’s Scientific Research Program

USDA sponsors scientific research for the benefit of the Nation’s agriculture. To ensure that the public, policymakers, and stakeholders receive accurate and unbiased results, research agencies must maintain a culture of scientific integrity. We conducted a survey to assess USDA scientists’ perceptions and the Department’s efforts to support that culture. Based on the timing of this audit, we designed our fieldwork and the accompanying survey to focus on the 2013 Scientific Integrity Policy (SIP). About 83 percent of survey respondents said they felt their agencies “strongly” or “somewhat” promote a culture of scientific integrity.

However, we found there were survey respondents who indicated a perception that their research findings had been altered or suppressed for reasons other than technical merit. Even a perception of such activity could have a negative effect on the credibility of Department-sponsored research. Our survey also showed that the Department’s primary tool for promoting and ensuring scientific integrity had limited perceived impact on USDA scientists and their work. Additionally, ambiguities in the SIP could have misinformed scientists on key aspects of the policy.

Although the SIP and other resources have recently been improved, this knowledge gap could cause researchers to misinterpret responsibilities, which places them at risk of either intentionally or unintentionally committing a scientific integrity violation in their research. The Department generally agreed with our findings and recommendations. (Audit Report 50601-0006-31)

Survey of USDA Scientists Regarding Scientific Integrity

As a companion to our aforementioned audit report, Reviewing the Integrity of USDA’s Scientific Research Program, our Office of Data Sciences issued a report documenting the methodology, analysis, and results of the survey to assess whether USDA scientists perceive they have, within reason, an



During a site visit to the Sequoia National Forest, the Office of Inspector General observed sleeping bags, trash, fertilizer, and chemicals left by marijuana growers on a grow site eradicated in 2016.

OIG Photo.

unhindered ability to perform and communicate all aspects of their research assignments or projects. The survey was sent to 2,212 USDA research-grade scientists in 4 USDA agencies—the Agricultural Research Service (ARS), the Economic Research Service (ERS), FS, and the Natural Resources Conservation Service (NRCS). This survey was completed by 1,312 scientists. Survey results indicated that 81 percent “agreed” or “strongly agreed” that their research findings had not been altered or suppressed for reasons other than technical merit. (Office of Data Sciences Product 16-010-01)



(Left Photo) Office of Inspector General auditors observed the irrigation system set up to water marijuana plants. (Right Photo) Although this marijuana grow site in the Plumas National Forest was eradicated in 2015 by FS' LEI, trash and cooking supplies remained when OIG visited in April 2017.

OIG Photos.

Drug Enforcement on NFS Lands

OIG evaluated the effectiveness of controls over the detection and eradication of marijuana grown on NFS lands and reviewed the effectiveness of site rehabilitation methods. We found that FS officials were conducting effective actions to detect and eradicate marijuana grown on NFS lands. However, we found that FS did not always reclaim and rehabilitate marijuana grow sites after plants were eradicated, and FS was unaware of the overall impact these marijuana grow sites pose to the forest ecosystems. This occurred because of a lack of FS resources and expertise, as well as a lack of communication and coordination between FS' Law Enforcement and Investigations (LEI) and NFS staff. As a result, trash and chemicals such as pesticides and fertilizers are still present on these grow sites, thereby putting the public, wildlife, and

the environment at risk of contamination. In addition, FS has not conducted an overall assessment of the effect that marijuana cultivation has on the forest ecosystems. As a result, FS does not have adequate information needed to prioritize its limited resources to reduce the risk to the public and the environment.

Also, FS does not track the status of reclamation and rehabilitation activities at grow sites or consistently document marijuana plants eradicated from or hazardous materials found at these sites. Without these data, FS is unable to determine the presence, types, and locations of hazardous materials left in the national forests. Consequently, it cannot prioritize grow sites for reclamation and rehabilitation efforts to minimize the sites' risk to the public and wildlife. FS generally agreed with our findings and recommendations to: (1) assess how marijuana cultivation affects water, wildlife, and forests; (2) develop and implement guidance on cleaning up and monitoring grow sites; (3) document hazardous materials at grow sites; and (4) clean up these grow sites based on highest risk. We accepted management decision for six of the seven recommendations; however, further action from the agency is needed before management decision can be reached for the remaining recommendation. (Audit Report 08003-0001-22)

Indiana Acting Superintendent of Parks and Animal Control Assisted Dog Fighters

On January 16, 2018, the acting local superintendent of Parks and Animal Control was sentenced in U.S. District Court, Northern District of Indiana, to 3 months of home detention and 6 months of supervised release. Our investigation revealed that, as the acting superintendent, the man oversaw the city's animal control and shelter programs. He befriended a dog fighter, whom he assisted in dog fighting activities by providing him with medications, supplies, and housing for fighting dogs. He also admitted to transferring two pit bulls from the city's animal shelter to his dog fighting friend. He did this knowing that his friend intended to transfer the dogs to other people without completing the standard adoption paperwork for these transfers.

Michigan Family Members Convicted of Smuggling Citrus Trees Out of Florida

A joint investigation with APHIS' IES determined that a father and son transported quarantined citrus trees from Florida to Michigan with the intention of selling and distributing the trees for profit through retail sales online. The father and son arranged for the purchase of the citrus trees from



Disease has devastated Florida’s citrus industry. One disease, citrus greening, has been particularly destructive—it renders the fruit unusable and reduces life span of a citrus tree from 50 years to only 5–10 years. As authorized under the 2010 Plant Protection Act, the Secretary of Agriculture placed the State of Florida under a full quarantine that prohibits the transportation of most citrus plants across Florida’s borders. The quarantine was enacted to prohibit the spread of two diseases—citrus canker and citrus greening—to other citrus-producing areas of the United States.

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

a nursery stock supplier in Florida and traveled by vehicle with other family members to take delivery. Upon their return to Michigan, the individuals repackaged the trees and sold them throughout the United States via online sales in violation of the citrus quarantine. In February 2017, the father and son were indicted in U.S. District Court, Eastern District of Michigan, on charges of conspiracy to transport quarantined citrus trees for sale in interstate commerce, unauthorized movement of a plant for distribution for sale, obstruction of an agency proceeding, and false statements. After pleading guilty, they were sentenced in October 2017. Collectively, they were ordered to pay a \$5,000 fine and a \$300 special assessment fee. The son was also sentenced to 1 day in prison and 12 months of home confinement.

Multiple Individuals Sentenced for Dog Fighting and Narcotics in North Carolina

This investigation was initiated by the Wilmington Safe Streets Task Force of the Federal Bureau of Investigation (FBI) as a narcotics investigation in the winter of 2015–2016. In addition to narcotics trafficking in and around Onslow County, North Carolina, the investigation also identified that the individuals were involved with various aspects of illegal dog fighting. These activities included breeding, selling, training, and sponsoring dog fighting contests. On November 21, 2016, 10 individuals were indicted in U.S. District Court, Eastern District of North Carolina, on charges of animal fighting and narcotics possession and distribution. On November 28, 2017, three individuals were sentenced. The first was sentenced to 48 months in prison followed by 60 months of supervised release; the second was sentenced to 6 months of home detention followed by 48 months of probation; and the third was sentenced to 100 hours of community service followed by 48 months of probation. These three individuals were ordered to pay special assessment fees ranging from \$25 to \$100. On December 1, 2017, three additional individuals were sentenced to prison for 96 months, 60 months, and 57 months, respectively, with each prison sentence followed by 36 months of supervised release. The first two were each ordered to pay a \$25,000 fine and a \$200 special assessment fee, and the third was ordered to pay a \$5,000 fine and a \$325 special assessment fee. On December 22, 2017, the last two individuals were sentenced to prison terms of 48 months and 108 months, respectively, with each prison sentence followed by 36 months of supervised release. Both of these individuals were ordered to pay a \$200 special assessment fee. The indictment for one individual was dismissed and one individual passed away while in custody awaiting sentencing.

Participation on Committees, Working Groups, and Task Forces

Animal Protection Task Forces and Pest Risk Committees.

OIG agents continue to actively participate in the Central California Animal Fighting Working Group along with agents from the FBI; Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); Drug Enforcement Administration; U.S. Postal Inspection Service; and Homeland Security Investigations (HSI), as well as local law enforcement partners. Agents in the San Bernardino, California, 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 various efforts in Minnesota to intercept and control invasive plants, insects, and animals.

Human Trafficking and Crime Suppression. In Virginia, an OIG agent is supporting the Hampton Roads Human Trafficking Task Force, spearheaded by HSI, and in New Jersey, another OIG agent participates in the District of New Jersey Anti-Human Trafficking Coordination Team. OIG agents in Minnesota participate on the Federal Multi-Agency Victim/Witness Task Force, made up of Federal agency members who work for and protect crime victims and witnesses in the criminal justice process. Agents in southern Ohio participate with other regional law enforcement officers to investigate crimes affecting multiple jurisdictions.

Environmental Crimes. In Colorado, New Jersey, Oregon, and Washington, OIG agents participate in the Federal Environmental Crimes Task Force/Working Groups. Also in Colorado, one of our agents participates in the Cactus Smuggling Working Group.

FBI Joint Terrorism Task Forces. In California, Illinois, Ohio, and Oregon, OIG agents are members of the FBI's Regional Joint Terrorism Task Force (JTTF). In Seattle, Washington, an OIG agent is a member of the Inland Northwest Intelligence Officers through the JTTF. Working with other task force entities, JTTF agents provide OIG and other USDA agencies critical information, as appropriate, regarding individuals or groups that may have connections to or provide support for terrorist activity against the United States, its citizens (domestic and abroad), or the U.S. food supply.

Anti-Terrorism/Counter-Terrorism Advisory Council. In Minnesota, OIG participates in the Arrowhead Counter-Terrorism Advisory Council. This advisory council is an umbrella organization that includes local, State, and Federal agencies and private-sector security representatives who work with the U.S. Attorneys' Offices (USAO) for their geographic areas to disrupt, prevent, and prosecute terrorism through intelligence-sharing, training, strategic planning, policy review, and problem solving.

U.S. Marshals Service Fugitive Task Force. OIG agents in California, Michigan, Minnesota, North Dakota, and Ohio participate on the U.S. Marshals Service Fugitive Task Force, which was established under the Presidential Threat Protection Act of 2000. The primary mission of this task force is to investigate and arrest, as part of joint law enforcement operations, persons who have active State and Federal warrants for their arrest. In addition to providing assistance in locating fugitives, this task force also provides assistance in serving warrants. Overall, this joint effort improves public safety and reduces violent crime. For example, in San Diego, California, OIG participates in the Regional Fugitive Task Force. Each participating agency agrees to refer cases for investigation by the regional task force. Targeted crimes will primarily include violent crimes against persons, weapons offenses, felony drug offenses, failure to register as a sex offender, and crimes committed by individuals who have a criminal history involving violent crimes, felony drug offenses, or weapons offenses.

Federal Audit Executive Council IT Committee. OIG auditors are members of the Federal Audit Executive Council IT Committee, which discusses changes and provides feedback and input on the draft FY 2018 FISMA metrics. OIG FISMA metrics are designed to assess the maturity level of IT security at the Department and its agencies. Additionally, these standards promote a consistent and comparable metric to assess an agency's security posture while also providing OIGs with a meaningful independent assessment framework.

ONGOING REVIEWS

- » Commodity purchases for international food assistance programs (Agricultural Marketing Service (AMS)),
- » Cooperative interstate shipment program (Food Safety and Inspection Service (FSIS)),
- » Oversight of the New Poultry Inspection System (FSIS),
- » CDM assessment—2018 first half (OCIO),
- » Security over select agencies' IT networks and systems—FY 2018 (USDA),
- » Improper usage of IT resources (USDA), and
- » Agency activities for agroterrorism prevention, detection, and response (APHIS, ARS, FSIS).

GOAL 2

INTEGRITY OF BENEFITS

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

OIG conducts audits and investigations to help ensure or restore integrity in various USDA benefit and entitlement programs, including a variety of programs that provide payments directly and indirectly to individuals or entities. Some of the programs are among the largest in the Federal Government and support nutrition, farm production, and rural development.

53.1% of total direct resources were devoted to Goal 2

99.3% of these resources were assigned to critical-risk and high-impact work

AUDIT



4 reports issued (1 interim)



17 recommendations

\$14.2 million in monetary results

INVESTIGATIONS



90% of cases resulted in action



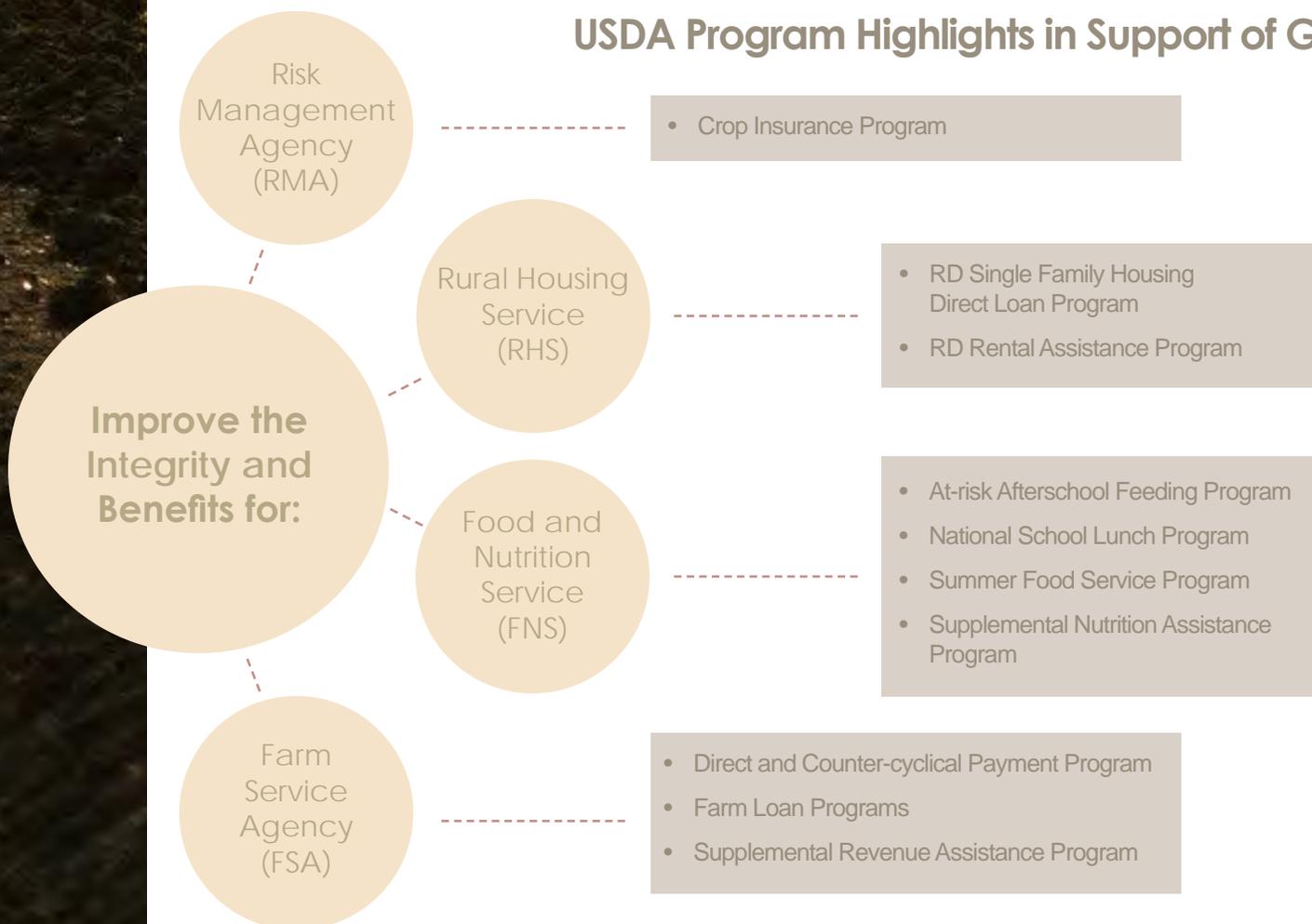
244 indictments



236 convictions

\$82.2 million in monetary results

USDA Program Highlights in Support of Goal 2



Tomato plants thrive from water filtered through a sand media filtration tank system and along underground drip irrigation tubes. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.

GOAL 2

New York's Controls over SFSP—Interim Report

SFSP provides nutritious meals to children from needy areas during the summer months when schools are closed. OIG reviewed New York's controls over FNS' SFSP as well as sponsor compliance with food safety. We found that an SFSP site approved to serve summer meals to children did not have sufficient food storage equipment available to maintain adequate temperatures for milk. At this site, staff held milk in crates for more than 5 hours because the sponsor did not ensure that sufficient refrigerator storage space or coolers were available to hold milk at the correct temperature. As a result, site personnel risked increasing the potential for contamination.

At this Summer Food Service Program sponsor's site, the Office of Inspector General observed a refrigerator full of milk, illustrating the lack of cold space for additional milk deliveries.

OIG Photo.



INTEGRITY OF BENEFITS

Federal regulations require meals not prepared at the food service sites to be delivered no earlier than 1 hour prior to the beginning of meal service unless the site has adequate equipment for holding hot or cold meals within the temperatures required by State or local health regulations. In addition, New York State and local health regulations require potentially hazardous food to be maintained at 45° F or below at all times except: (1) during necessary times of preparation; or (2) while food is waiting to be served, but for no more than 2 hours. New York State Education Department (NYSED) officials agreed that the sponsor's site was not in compliance with Federal and State requirements and informed us that they contacted the sponsor to initiate corrective actions. FNS officials concurred with our finding and recommendations to: (1) ensure that NYSED officials require the sponsor to submit an action plan to correct food storage and temperature requirement deficiencies identified during OIG's site visit, (2) ensure that all sites it operates are in compliance with State and local food storage and temperature requirements, and (3) ensure that NYSED officials monitor the sponsor's correction of deficiencies and compliance with State and local food safety requirements. (Audit Report 27004-0001-23(1))

Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans

Rural Development (RD), through the Rural Housing Service (RHS), administers the Section 502 Direct Loan Program, also known as the Single Family Housing (SFH) Direct Loan Program. This program provides direct loans to assist both low and very-low-income individuals in obtaining decent, safe, and sanitary housing in eligible rural areas. For this audit, we reviewed RHS' controls over SFH direct loans in Arkansas, Florida, Kentucky, and Texas.

We found that, for 12 borrowers in Kentucky, RD officials either did not secure primary lien position or have adequate legal documentation to determine if the agency was the primary lien holder for its mortgages. We also found internal control weaknesses in all four States. For 55 of the 71 reviewed loans, RD field officials did not always follow underwriting standards and procedures. Specifically, officials did not: (1) calculate borrowers' income using all feasible methods, (2) review and document analyses of borrowers with adverse credit, and (3) re-verify borrowers' employment prior to closing. Last, borrowers' loan files did not always contain required documentation such as loan closeout documents that

ensure protections for borrowers or guide letters for assistance in repairing home structural defects. RHS generally agreed with our findings and recommendations to review past and current SFH loans, amend loan-closing instructions, and provide guidance and training for loan officials. (Audit Report 04601-0001-22)

Compilation Report of States' Compliance with SNAP Requirements for Participating State Agencies (7CFR, Part 272)

OIG contracted with an independent certified public accounting (CPA) firm to conduct agreed-upon procedure engagements to assess selected aspects of Georgia, Nebraska, Pennsylvania, South Carolina, and Washington's compliance with SNAP requirements set forth in CFR Title 7, Part 272, Requirements for Participating State Agencies. Individual reports were issued for each State review. The independent firm prepared a consolidated report to summarize the findings and recommendations from the agreed-upon procedure engagements performed at the five States. The accounting firm's consolidated report noted common incidences of noncompliance with SNAP regulations related to the Automated Data Processing/ Client Integrity Systems, Deceased Matching System, State Income and Eligibility Verification System, Nondiscrimination Compliance, Prisoner Verification System, and Systematic Alien Verification for Entitlements Program. Overall, FNS generally agreed with the CPA firm's findings and recommendations to strengthen its management evaluation tools, provide clarification guidance to States, and review specific sections of SNAP regulations to determine the section(s) and/or related guidance that merit revisions. (Audit Report 27601-0013-10)

RMA Indemnity Payments to Pistachio Producers

RMA promotes the economic stability of U.S. agriculture through the Federal Crop Insurance Corporation (FCIC). RMA's mission is to deliver crop insurance programs to agricultural producers with effective, market-based risk management tools that strengthen producers' economic stability. In 2011, FCIC approved a pilot program for the delivery of actual production history crop insurance for pistachios. OIG found that four of the five producer claim files from one AIP did not contain the required evidence to support the paid insurance indemnities. Specifically, three claim files did not contain sufficient evidence of the loss adjuster's field inspections, and four claim files did not contain evidence documenting the loss adjuster's determination that all pistachio trees were completely harvested. According to the AIP, this



Raw shelled and unshelled pistachios. The Office of Inspector General reviewed RMA's indemnity payments to pistachio producers.

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

occurred because AIP staff did not include the required documentation in the respective claim files. As a result, indemnity payments of nearly \$7.7 million paid to four pistachio producers are questionable. RMA officials generally concurred with our recommendations to require the AIP to include adequate evidence to support the post-harvest field inspections and, if adequate supporting evidence is not available, recover from the AIP approximately \$7.7 million in indemnities paid to the four pistachio producers. RMA officials also concurred with our recommendation to require the AIP to provide staff with training on documentation that must be included in claim files to

The Farm Service Agency's mission is to equitably serve all farmers, ranchers, and agricultural partners with effective and efficient programs for all Americans.

This photo is from USDA's Flickr account. The cattle shown are not part of any particular audit or investigation.



support losses. We were able to reach management decision on one of the two recommendations. (Audit Report 05601-0001-41)

South Dakota Cattle Farmer Sentenced for Loan Fraud

Our investigation of a South Dakota cattle farmer uncovered the submission of fraudulent loan applications to the Farm Service Agency (FSA) and subsequent unauthorized sale of cattle by an FSA borrower. Between August 2015 and October 2016, the borrower sold 54 head of FSA-mortgaged livestock, received \$73,540, and failed to provide the proceeds of the sale to FSA, as required by his loan agreement. In April 2017, the borrower was charged with five counts of conversion and one count of false statements. During plea negotiations, the borrower admitted that he did not own the cattle pledged as security to obtain the FSA loans. In November 2017, in U.S. District Court, District of South Dakota, the borrower pled guilty to one count of conversion and, in February 2018, was sentenced to 12 months in prison



and ordered to pay \$275,404 in restitution to FSA and a \$100 special assessment fee.

Iowa Producer Convicted of Crop Insurance, Bankruptcy, and Loan Fraud

Our joint investigation with the FBI and RMA personnel in Iowa led to the imprisonment and a restitution order for a producer convicted of orchestrating large-scale crop insurance, loan, and bankruptcy fraud. The producer's insurance adjuster brought the matter to the attention of investigators, alleging that, during the spring of 2016, when surveying the producer's fields as part of a 2015 insurance claim, he noticed that most of the crops had not been harvested. Subsequent investigation determined that the individual submitted altered scale tickets from the 2014 crop year, and filed loss claims for 2012 through 2015. Scale tickets and settlement sheets were obtained from various grain elevators, which showed the individual's sale of grain from 2012 through 2015. These sales were then compared to production reports. The analysis determined that the individual received \$662,518 in insurance subsidy and indemnity payments to which he was not entitled. The investigation further determined that the producer obtained approximately \$1 million in commercial loans from 2013–2015. His overstating of the amount of grain he had in storage and the number of acres he was farming caused inflated loan amounts. The borrower subsequently filed for bankruptcy, and during the process, submitted fraudulent bankruptcy documents and lied under oath during bankruptcy hearings. In August 2017, the individual pled guilty to providing false statements on crop insurance documents, loan and credit applications, and bankruptcy fraud. In February 2018, following his plea, he was sentenced in U.S. District Court, Northern District of Iowa, to 18 months in prison and 36 months of probation and ordered to pay \$1.1 million in restitution.

Convicted Sex Offender in Oregon Assumed Identity of Deceased Infant

On February 16, 2018, in the Circuit Court of Oregon, Clackamas County, a convicted sex offender pled guilty and was sentenced to 40 months in prison and 20 months of probation and ordered to pay \$97,414 in restitution, \$18,176 payable to USDA. He was convicted of six counts of theft in the first degree, two counts of identity theft, and two counts of perjury. Our joint investigation with the Canby Police Department, Social

Security Administration OIG, Department of Health and Human Services OIG, and the Oregon Department of Justice was initiated in July 2015. The investigation revealed the individual had assumed the identity of a deceased infant who was born and subsequently passed away in 1952 in Saint Petersburg, Florida. In May 1970, the individual was arrested in California for rape, convicted for crimes against children, and was required to register as a sex offender. In August 1981, the individual assumed the deceased infant's identity in order to obtain a Social Security card. He continued to utilize the stolen identity to receive multiple Federal benefits, including Medicaid benefits since 1993, Social Security benefits since 1995, SNAP benefits since 2004, and RD rental assistance program benefits since 2005. On March 20, 2017, three search warrants were served and the individual confessed to stealing the identity of the deceased infant. On August 25, 2017, he was indicted on multiple counts of theft in the first degree, identity theft, and perjury.

Louisiana Producer Ordered to Pay \$5.9 Million to USDA for Fraud in Farm Program

On December 19, 2017, in U.S. District Court, Western District of Louisiana, a producer was sentenced to 108 months of prison and ordered to pay \$4.3 million in restitution to FSA and RMA. The court also ordered the individual to pay a \$1.6 million forfeiture judgment to USDA. OIG conducted this investigation to determine if the producer conspired with others to defraud USDA by falsifying documents submitted to FSA. OIG determined that, during a 6-year period, the producer created fraudulent farming entities to obtain subsidy payments from the Direct and Countercyclical Program, the Crop Assistance Program, and the Supplemental Revenue Assistance Program. He was found guilty in a jury trial on charges related to mail fraud and money laundering.

Agricultural Board Employee in Oklahoma Sentenced to 57 Months in Prison

On January 4, 2018, in U.S. District Court, Western District of Oklahoma, a former employee of a State agricultural commodity board was sentenced to 57 months in prison followed by 60 months of supervised release. Additionally, she was ordered to pay \$3 million in restitution, including \$2.3 million to the State agricultural commodity board and \$617,044 in back taxes to the Internal Revenue Service (IRS). This investigation determined that the former employee embezzled \$2.6 million from certain agricultural producer assessments collected under a Federal research and promotion

program. She wrote checks to herself, but managed to avoid scrutiny by logging them into the State agricultural commodity board's general ledger as pass-through payments to other similar State agricultural commodity boards and vendors. She was charged with one count of bank fraud and one count of filing a false Federal income tax return.

Mortgage Loan Servicing Company Employees Guilty of Defrauding Ginnie Mae

On December 15, 2017, in U.S. District Court, District of Massachusetts, an accountant for a mortgage-loan servicer was sentenced to 12 months of supervised probation and ordered to pay \$108,241 in restitution and a \$25 special assessment fee. This investigation was conducted jointly with the Department of Housing and Urban Development (HUD) OIG, the Department of Veterans Affairs (VA) OIG, and the FBI. The investigation revealed that a mortgage-loan servicer and its president and founder defrauded the Government National Mortgage Association (Ginnie Mae), which guarantees the timely payment of principal and interest to investors in bonds backed by Government-sponsored mortgage loans, such as those offered by the Federal Housing Administration, VA, and USDA. Specifically, the company president misappropriated, for his personal and business uses, borrower payments and loan payoffs totaling approximately \$2.5 million. He also attempted to cover up his scheme by providing false reports to Ginnie Mae about the status of the loans his company was servicing. On August 16, 2016, a criminal bill of information charged the company's accountant with making false statements. On August 17, 2016, the company president was charged with conspiracy and wire fraud. This indictment also contained a wire fraud forfeiture allegation. On August 18, 2016, OIG agents from HUD, VA, USDA, and the FBI arrested the company president. On September 14, 2016, the accountant pled guilty to making false statements. On October 4, 2017, the company president pled guilty to conspiracy and wire fraud; his sentencing is pending.

SNAP FRAUD INVESTIGATIONS

A significant portion of OIG's investigative resources is 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 2018. Below are several examples of SNAP investigations resulting in significant convictions and monetary results.

New York Store Owner Ordered to Pay \$1.1 Million in Restitution

On January 18, 2018, in U.S. District Court, Eastern District of New York, a store owner was sentenced to 60 months of probation and ordered to pay \$1.1 million in restitution. This investigation began after a compliance investigation conducted by the FNS' Retailer Investigations Branch (RIB) determined that this store exchanged SNAP benefits for U.S. currency at a discount. During the course of our investigation, the store owner and one store clerk exchanged SNAP benefits for U.S. currency. Since August 2015, the total SNAP redemptions for this retailer exceeded \$1 million. On March 9, 2017, law enforcement agents executed a search warrant at the business, during which they seized cash and arrested the owner. On June 14, 2017, the store owner pled guilty to one count of SNAP trafficking.

New York Store Owner Used Three Stores to Commit SNAP Fraud

On January 10, 2018, in U.S. District Court, Southern District of New York, a store owner was sentenced to 12 months and 1 day in prison and 36 months of supervised release. The owner was also ordered to pay \$3.2 million in restitution and a \$100 special assessment fee. This investigation was initiated as a result of information obtained from the New York City Police Department (NYPD), which indicated that this store was violating SNAP rules and regulations by exchanging SNAP benefits for U.S. currency at a discount. In June 2012, a joint criminal investigation was initiated with NYPD. During the course of the investigation, the store owner exchanged SNAP benefits for U.S. currency at a discount. In approximately May 2014, the store ceased use of its electronic benefit transfer (EBT) machine despite remaining authorized to participate in SNAP. This was done to avoid further detection at the original store. Instead, the store accepted SNAP benefits that were processed through EBT machines assigned to two related stores.

From August 2010 through April 2014, the original store redeemed approximately \$1.9 million in SNAP benefits. From June 2014 to September 2016, the new stores redeemed approximately \$1.8 million in SNAP benefits.

On November 9, 2016, search warrants were executed at all three stores. A criminal complaint was filed, charging the store owner with conspiracy to commit theft of Government funds and SNAP fraud. The store owner was subsequently arrested. On July 24, 2017, he pled guilty to conspiracy, theft of Government funds, and SNAP trafficking.

Ohio Store Owner Convicted of SNAP Fraud and Sentenced to 30 Months in Prison

This investigation determined that a retailer in Cleveland, Ohio, was involved in SNAP fraud. The true owner of this store had an extensive criminal history, including a 2007 Federal money laundering conviction. To conceal this conviction, the true owner paid a false owner to put the store ownership and associated bank accounts in her name. During the period March 2012 through February 2014, the market redeemed \$274,750 in SNAP benefits, all of which are fraudulent due to the false ownership. On August 8, 2017, a bill of information was filed against the true owner in



The electronic benefit transfer system allows State welfare departments to issue benefits via a magnetically encoded payment card.

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

U.S. District Court, Northern District of Ohio, charging him with two counts of SNAP fraud. On August 31, 2017, the true owner pled guilty to both counts. On December 18, 2017, the true owner was sentenced to 30 months in prison and was ordered to pay \$274,750 in restitution.

California Store Owner Sentenced for SNAP Fraud

On November 27, 2017, in U.S. District Court, Central District of California, a store owner was sentenced to 24 months of probation, which included 12 months of home detention, and ordered to pay \$725,382 in restitution and a \$100 special assessment fee. In June 2013, OIG received a referral from FNS' RIB regarding possible SNAP trafficking at the store. On April 7, 2017, the store owner was indicted on several counts of SNAP benefit fraud and wire fraud, and an arrest warrant was issued. On April 26, 2017, OIG agents arrested the store owner without incident. On September 6, 2017, the store owner pled guilty to one count of trafficking in SNAP benefits.

Ten Members of Religious Community in Utah and Arizona Sentenced for SNAP Fraud

Between December 2016 through February 2017, in U.S. District Court, District of Utah, nine individuals of 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 the FBI contacted OIG to inquire about individuals receiving SNAP benefits and stores accepting SNAP in Hildale, Utah, and Colorado City, Arizona (a.k.a., Short Creek). The investigation, conducted jointly with the FBI, IRS, and the Washington County, Utah, Sheriff's Office, determined that members of the 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. On February 23, 2016, search warrants were executed on several businesses in Short Creek, and 11 people, including the bishop of Short Creek, were arrested for conspiracy to commit SNAP fraud and money laundering.

Between December 2016 and February 2017, seven individuals pled guilty to one misdemeanor count of SNAP fraud and two other individuals pled guilty to felony SNAP fraud. On June 20, 2016, after being released to home confinement, the bishop slipped out of his ankle monitor and absconded. On June 16, 2017, he was apprehended in South Dakota after being recognized by a pawnshop owner when he tried to pawn some tools. The bishop was then transported back to Utah where he pled guilty to one count of felony SNAP fraud and one count of felony failure to appear.

On December 13, 2017, he was sentenced to 57 months in Federal prison (45 months for the fraud plus 12 months for failure to appear) followed by 36 months of supervised release and ordered to pay \$1 million in restitution, payable to FNS.

The court recognized that the church leadership forced their members into participating in this scheme. As a result, the three individuals who pled guilty to felonies were all church leaders. The storeowners were in essence shell owners as the church leaders dictated how and where the income from EBT transactions would be spent. In fact, the bishop used the money as a personal expense account that he accessed freely and even used the funds to purchase a truck for his own use.



Office of Inspector General investigators found electronic benefit transfer cards while executing a search warrant at the Orlando, Florida, convenience store discussed on the next page. Store owners accepted these electronic benefit transfer cards to traffic Supplemental Nutrition Assistance Program benefits.

OIG Photo.

Florida Business Partners Sentenced to Prison for SNAP Benefits Trafficking

In December 2017, in U.S. District Court, Middle District of Florida, the owners of a convenience store in Orlando, Florida were sentenced for trafficking SNAP benefits. A joint investigation with the Orange County Sheriff's Office and HSI disclosed that the two individuals gave customers cash, alcoholic beverages, and tobacco products in exchange for SNAP benefits. The owners pled guilty to wire fraud and were sentenced to 33 months in prison, respectively, followed by 24 months of supervised release. They were also ordered to pay joint restitution totaling \$3.4 million.

Three Missouri Defendants Sentenced in SNAP Fraud Scheme

On December 21, 2017, in U.S. District Court, Eastern District of Missouri, a store employee was sentenced to 12 months of probation and ordered to pay \$5,474 in restitution, jointly and severally with the store owner and another employee. Previously, on November 8, 2017, the store owner was sentenced to 13 months in prison and 24 months of supervised release and ordered to pay a \$100 special assessment fee and \$145,408 in restitution, jointly and severally with two employees. FNS had previously permanently disqualified this store from SNAP due to program violations. This investigation disclosed that the store owner and two employees conspired to illegally acquire and use 233 SNAP benefit cards to purchase over \$145,000 in merchandise from St. Louis grocery stores. The three men were indicted for conspiracy to commit SNAP fraud. The employees were also charged with two counts each of illegally acquiring and using SNAP benefits. On September 21, 2017, the first employee was sentenced to 3 months of home confinement with location monitoring and 60 months of probation and ordered to pay a \$300 special assessment fee and \$145,408 in restitution, jointly and severally with the store owner. This was a joint investigation with the Missouri Department of Social Services' Division of Legal Services and HSI.

Two in Louisiana Ordered to Pay \$1.3 Million in Restitution for SNAP Trafficking

On November 29, 2017, in U.S. District Court, Western District of Louisiana, a store owner was sentenced to 12 months in prison and 36 months of probation. On the same day, his father (a co-conspirator) was sentenced to 60 months of probation. Additionally, they were ordered to pay \$1.3 million in restitution, jointly and severally. OIG conducted this investigation to determine if the owners of the store were trafficking SNAP benefits with

multiple SNAP recipients. This investigation determined the individuals received more than \$1 million from SNAP trafficking activities.

Other SNAP Fraud Investigations

Amtrak Employee Sentenced for Fraudulently Receiving SNAP Benefits

On January 18, 2018, an Amtrak employee was sentenced in U.S. District Court, Northern District of Illinois, to 24 months of probation and ordered to pay \$69,091 in restitution. Our investigation revealed that she applied for SNAP benefits and did not disclose her employment and earnings at Amtrak to the Illinois Department of Human Services. Because she did not disclose her Amtrak income, she fraudulently obtained approximately \$72,750 in SNAP benefits over the course of 10 years. She earned varying amounts of income while employed at Amtrak, including up to \$3,000 a month. She is no longer employed by Amtrak. USDA OIG and Amtrak OIG investigated the case jointly.

Final Defendant Sentenced in Kansas for Conspiracy to Defraud the Government

On November 17, 2017, in U.S. District Court, District of Kansas, the final individual in this case was sentenced to 27 months in prison and ordered to pay \$2,852 in restitution. Additionally, on October 2, 2017, another individual was sentenced to 18 months in prison and 24 months of supervised release and ordered to pay \$541,059 in restitution. The sentences followed guilty pleas of conspiracy to defraud the Government and mail fraud. These two individuals were the employees of an individual who owned a number of businesses. The owner and her employees created a series of fictitious companies, and then filed fraudulent tax returns for non-existent employees. The owner and employees also applied for unemployment benefits using stolen Social Security numbers and falsified SNAP applications in order to receive benefits to which they were not entitled. Previously in July 2017, the owner was sentenced to 75 months in prison and 36 months of supervised release and ordered to pay \$894,000 in restitution. One other employee was previously sentenced in August 2017 to time served in prison and 36 months of supervised release and ordered to pay \$278,603 in restitution.

Fourth Individual Sentenced in Mississippi Disaster Benefit Scheme

On November 6, 2017, in U.S. District Court, Northern District of Mississippi, an individual was sentenced to 60 months of probation and ordered to pay \$15,877 in restitution. On October 17, 2017, another individual was sentenced to 8 months in prison and 60 months of supervised release and ordered to pay \$9,343 in restitution. These sentencing stem from an investigation into disaster benefits paid after a 2014 tornado damaged an apartment complex in Mississippi. This investigation was initiated to determine if individuals who claimed to have lived in this particular apartment complex made fraudulent statements to obtain disaster benefits from the Federal Emergency Management Agency (FEMA) and FNS. The investigation revealed that five women fraudulently received FEMA disaster benefits by claiming to reside at this apartment complex, when in fact they resided elsewhere. Each of them was charged with making false claims to receive disaster benefits. One woman was previously sentenced in 2015 for her role, and another woman was sentenced in 2016. The fifth and final woman was found guilty by a petit jury for making false claims to receive disaster benefits. She is awaiting sentencing.

Other FNS Investigations

Pastor Fraudulently Obtained Over \$700,000 from SFSP

On October 6, 2017, the founding pastor of a non-denominational church and his wife were sentenced in U.S. District Court, Central District of Illinois. The pastor was sentenced to 37 months in prison and 36 months of supervised release and ordered to pay \$440,964 in restitution, jointly and severally with the co-defendants. His wife was sentenced to 12 months and 1 day in prison and 36 months of supervised release and ordered to pay \$40,001 in restitution, jointly and severally with the co-defendants. The church operated an SFSP site for low-income children and was one of the largest recipients of SFSP funds in Illinois. The pastor and associates submitted or caused to be submitted approximately \$714,123 in false and fraudulent claims to the Illinois State Board of Education. The pastor and his wife admitted they embezzled more than \$100,000 from the program, including more than \$60,000 in direct payments to themselves.

In September 2017, three other associates were sentenced in the same court. The church's business administrator was sentenced to 10 months of home detention and 50 months of probation and ordered to pay restitution

of \$40,001, jointly and severally with the co-defendants. The program operations manager was sentenced to 5 months in prison, 5 months of home detention, and 36 months of supervised release and ordered to pay \$49,964 restitution, jointly and severally with the co-defendants. His wife, who worked as an assistant for the program, was sentenced to 5 months in prison, 5 months of home detention, and 36 months of supervised release and ordered to pay \$49,964 in restitution, jointly and severally with the co-defendants.

Delaware Food Service Management Company Sentenced in Fraud Scheme

On March 13, 2018, in U.S. District Court, District of Delaware, an employee of a food service company, which participated in the National School Lunch Program (NSLP), was sentenced to 36 months of probation and ordered to pay \$72,022 in restitution and a \$200 special assessment fee. On October 19, 2017, the owner of the company was sentenced to 23 months in prison followed by 36 months of supervised release and ordered to pay \$1.2 million in restitution. In April 2014, IRS' Criminal Investigation (CI) contacted OIG regarding a food service company possibly defrauding NSLP. During school years 2009 through 2014, the company operated as the primary food service company for several charter schools in Philadelphia, Pennsylvania. As such, the company was responsible for ensuring that meals were served only to eligible students.

This joint investigation conducted by OIG and IRS-CI revealed that the company inflated the number of meals served in various schools and failed to report income when filing taxes. This failure was due to the company removing U.S. currency from the school cafeterias' cash registers. Interviews conducted determined that false statements were made and inflated claims for reimbursement were submitted to USDA through the Pennsylvania Department of Education. This investigation also revealed that the owner paid some of his employees in cash rather than by check. One employee received a larger portion of her salary in cash so that she could continue receiving welfare benefits and collect unemployment benefits by not reporting income. On June 9, 2014, a Federal search warrant was executed at the company. On March 22, 2016, the owner was charged with NSLP fraud, aiding and abetting, and structuring monetary transactions. On March 30, 2017, he pled guilty. On April 4, 2017, the employee was indicted on charges of tax evasion, SNAP fraud, and mail fraud. She pled guilty on November 30, 2017.

Arkansas Man Sentenced for His Role in Feeding Program Fraud

On October 19, 2017, in U.S. District Court, Eastern District of Arkansas, the husband of an Arkansas Department of Human Services (ADHS) employee was sentenced to 175 months in prison and ordered to pay \$3.3 million in restitution, jointly and severally. He recruited sponsors for the At-Risk Afterschool Program and encouraged inflated applications and reimbursement claims in a conspiracy with his spouse. As a result of their scheme, they received bribe payments from several sponsors. His spouse was an ADHS employee with responsibility for approving such applications. She was previously sentenced in July 2017 to 108 months in prison and ordered to pay \$9.6 million in restitution. This case is part of a larger scheme detailed and associated with the four cases that follow.

Arkansas Sponsor Sentenced in Feeding Program Fraud

On January 9, 2018, in U.S. District Court, Eastern District of Arkansas, a sponsor of an SFSP and At-Risk Afterschool Program was sentenced to 33 months in prison followed by 36 months of supervised release and ordered to pay \$1.3 million in restitution, jointly and severally. This sentence followed her guilty plea to one count of bribery and one count of conspiracy to commit wire fraud. The sponsor admitted to submitting inflated claims of the number of children fed under her organization that caused her to receive \$1.3 million fraudulently from ADHS. Additionally, the sponsor admitted she paid an ADHS employee's husband part of the money she received from ADHS. The husband of the ADHS employee recruited her to participate in this scheme.

Children's Feeding Program Sponsor in Arkansas Ordered to Pay \$3 Million in Restitution

On December 6, 2017, in U.S. District Court, Eastern District of Arkansas, a sponsor of an SFSP and At-Risk Afterschool Program was sentenced to 150 months in prison and 36 months of supervised release, ordered to forfeit several properties, and pay more than \$3 million in restitution, jointly and severally. For 3 school years, this sponsor received more than \$2.7 million from this program. OIG's investigation determined that the sponsor paid \$79,000 in bribes to two ADHS employees for approving her program applications containing inflated estimates of the number of children to be fed. The numbers of meals claimed by the sponsor for payment were not scrutinized by ADHS so long as the number was below the application

amounts. OIG's investigation also determined that she took approximately \$950,000 from the feeding program funds for personal use.

Arkansas Sponsor Sentenced in Feeding Program Fraud

On February 16, 2018, in U.S. District Court, Eastern District of Arkansas, a sponsor of an At-Risk Afterschool Program was sentenced to 15 months in prison and 24 months of supervised release and ordered to pay \$697,236 in restitution, jointly and severally. This sponsor had three approved feeding sites located in Arkansas and claimed to ADHS that his organization fed as many as 872 children each day at these three sites. However, the investigation showed no children were ever actually fed at one of the sites, and very few children were fed at the two other sites. Due to the inflated claims, the sponsor fraudulently received approximately \$697,236 in ADHS funds intended to feed children in need. The sponsor pled guilty to conspiring to commit wire fraud.

Children's Feeding Program Sponsor in Arkansas Ordered to Pay \$1 Million in Restitution

On February 28, 2018, in U.S. District Court, Eastern District of Arkansas, a sponsor of an SFSP and At-Risk Afterschool Program was sentenced to 33 months in prison and 36 months of supervised release. Additionally, he was ordered to pay \$1 million in restitution and to forfeit property. This sponsor operated 14 feeding site locations in Arkansas during the 2012 through 2015 contract years. He falsely claimed to ADHS that he served up to 175 children at some of his feeding sites, greatly inflating the number of children that were actually fed. He made approximately 44 claims and received approximately \$1.3 million in ADHS funds intended to feed children in need. The sponsor pled guilty to conspiring to commit wire fraud.

Testimonies

The House Committee on Appropriations’ Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies. On March 15, 2018, Inspector General (IG) Phyllis Fong testified on OIG’s recent oversight of USDA programs. She noted that OIG strives to further the mission of promoting economy, efficiency, effectiveness, and integrity in USDA’s programs and operations and emphasized OIG’s noteworthy work during the past year. Her testimony highlighted OIG’s oversight of food safety inspection activities, IT security, agency oversight of entitlement programs, and management improvement initiatives, and she briefly discussed upcoming work for FY 2018. IG Fong also noted that OIG’s FY 2017 audit and investigative work had potential monetary results of over \$388.2 million, with 47 audit reports issued and 518 convictions obtained.

Operation Talon led to an arrest in California in which the defendant was in possession of a loaded firearm not registered to him.

OIG Photo.



Participation on Committees, Working Groups, and Task Forces

Operation Talon. OIG began Operation Talon in 1997 to apprehend fugitive felons 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 2018, Talon operations were conducted in 8 States, resulting in 83 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.

Bridge Card Enforcement Team. OIG investigators continue to work with the Bridge Card Enforcement Team to investigate criminal violations in SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). 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 197 arrests and service of 318 search warrants. The USAO for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, resulting in 199 guilty pleas, lengthy prison terms, and over \$48 million in court-ordered fines and restitution.

Money Laundering Task Forces. OIG agents in Pennsylvania participate on the U.S. Secret Service's (USSS) Money Laundering Task Force with representatives of Federal, State, and local law enforcement, as well as the USAO. This task force brings forth various types of fraud cases, all of which involve money laundering, in order to discuss and assist one another in the investigations with manpower, intelligence, and technology. In Northern Ohio, OIG participates in the USSS Financial Crimes Task Force, which combines local, State, and Federal law enforcement resources to investigate all types of financial fraud. The wide range of jurisdiction allows the task forces to prosecute each case more effectively.

Electronic Crimes and Organized Crime Task Forces. In California, OIG agents from the Diamond Bar office participate in the USSS High Tech Crimes Task Force for SNAP investigations and the Organized Retail Crime Association, while in Sacramento, agents participate in the SNAP Fraud Joint Investigations Group comprised of OIG, the FBI, and County Human Services officials. Additionally, our agents in Illinois participate in the Cook County State Attorney's Office Regional Organized Crime Task Force.

OIG agents 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, USSS, HSI, and numerous other State and local law enforcement agencies that serve the citizens of Cook County, Illinois.

Bankruptcy Fraud and Identity Theft Working Groups. In Kansas, Missouri, and Ohio, OIG agents participate in the bankruptcy fraud working groups in their areas. These groups consist of agents from various Federal law enforcement agencies and USAO to investigate bankruptcy fraud and to be a force multiplier in ongoing cases. OIG agents in Kansas, Missouri, and New Hampshire are part of Identity Theft (IDT) working groups in their areas. These IDT groups are comprised of Federal and State law enforcement agencies who meet periodically to discuss previous IDT investigations, as well as collaborate on current investigations. They also jointly identify and discuss current trends, leads, and other IDT-related topics geared toward combating IDT. OIG agents in Florida participate in the South Florida Identity Theft Strike Force.

Social Services Fraud/Welfare Fraud Working Groups. In California, Colorado, Idaho, and Oregon, OIG agents participate in Social Services (or Welfare) Fraud Working Groups. These groups are comprised of the FBI and OIG representatives from the Departments of Labor, Health and Human Services, HUD, USDA, and VA as well as the Social Security Administration. In Idaho, the Social Services Fraud Working Group targets social service crimes, including Medicare, Medicaid, and Social Security program fraud; SNAP fraud; identity theft; and a variety of other types of fraud. In California, OIG agents participate in the Pacific Northwest Document Benefit Fraud Task Force. In Florida, OIG 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. In Texas, one OIG agent is part of the new Hurricane Harvey Working Group, a Department of Justice-formed group including representatives from Federal and State agencies. The purpose of this group is to investigate fraudulent activities that occurred related to disaster benefits intended to help individuals and entities affected by Hurricane Harvey.

Draft Bill Regarding Payment Integrity. OIG provided comments to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) on a draft bill regarding improper payments. The draft bill’s language provided



that OIGs and agencies “may enter into computer matching agreements” for program integrity and improper payments purposes. OIGs and agencies OIG noted that a provision in the proposed bill pertaining to computer matching agreements may be inconsistent with the IG Act’s codified exemption of OIGs from its computer matching agreement requirements.



Grain storage bins destroyed by Hurricane Harvey in Texas.

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

ONGOING REVIEWS

- » Oversight of the farmer’s market and local food promotion program (AMS),
- » Agriculture risk coverage and price loss coverage programs (FSA),
- » Single family housing guaranteed loan program—liquidation value appraisals (RHS),
- » Annual forage program and followup on pasture, rangeland, and forage program recommendations (RMA),
- » Controls over the export credit guarantee program (Foreign Agricultural Service (FAS)),
- » Controls over conservation innovation grants (NRCS),
- » Environmental Quality Incentives Program Payment schedules (NRCS),
- » Formula grant programs controls over fund allocations to States (National Institute of Food and Agriculture (NIFA)),
- » Compliance with requirements for the issuance and use of SNAP program benefits (7 CFR, Part 274)—Illinois, Iowa, Louisiana, Maryland, and Massachusetts (FNS),
- » Compilation report of States’ compliance with requirements for the issuance and use of SNAP benefits (7 CFR, Part 274) (FNS),
- » SFSP in Texas—sponsor costs (FNS),
- » Controls over SFSP—California, Florida, New York, and Texas (FNS),
- » Texas boll weevil eradication foundation cooperative agreement (APHIS),



- » Adjusted gross income compliance verification process (FSA, NRCS), and
- » Actual revenue history underwriting for sweet cherries (RMA.)



The Agricultural Marketing Service administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. The purpose of the Agricultural Marketing Service’s Farmer’s Market Promotion Program is to increase domestic consumption of, and access to, locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets.

This OIG photo does not depict any audit or investigation.

GOAL 3

MANAGEMENT IMPROVEMENT INITIATIVES

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

OIG conducts audits and investigations that focus on areas such as improved financial management and accountability, research, real property management, employee integrity, and the Government Performance and Results Act. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. While our work related to IT security is reported under Goal 1, other IT work, primarily related to financial reporting, is reported under Goal 3.

32.4% of total direct resources were devoted to Goal 3

95.3% of these resources were assigned to critical-risk and high-impact work

AUDIT



14 reports issued (2 Interim)



55 recommendations

\$0.3 million in monetary results

INVESTIGATIONS



80% of cases resulted in action



24 indictments



22 convictions

\$2 million in monetary results

USDA Program Highlights in Support of Goal 3



Farm-produced hay intended to feed livestock in Fairplay, Maryland. This photo is from OIG's Flickr account. It does not depict any particular audit or investigation.

GOAL 3

Examples of Audit and Investigative Work for Goal 3

FNS Controls Over SFSP

SFSP, run by FNS in the summer months when school is not in session, provides nutritious meals to low-income children. SFSP is a federally-funded, State agency-administered program, and FNS is responsible for State oversight. OIG reviewed FNS' controls over SFSP to determine whether its controls were sufficient and found several areas for improvement. First, we found that FNS monitoring and oversight procedures did not sufficiently substantiate that States are properly administering SFSP and complying with program requirements. Specifically, management evaluation reviews, FNS' primary monitoring control process for ensuring SFSP integrity, lacked the necessary documentation to confirm whether they were completed correctly and contained valid conclusions. OIG also found that FNS waived SFSP regulatory requirements on a nationwide basis through policy memoranda without following documentation requirements set by law. Lastly, we found that FNS had not adequately assessed SFSP's risk for improper payments because it based the program's risk assessments on "readily available" information instead of a comprehensive program review. FNS generally concurred with our findings and recommendations to modify SFSP management evaluation review guidance so the reviews will contain adequate documentation. FNS agreed to be briefed by the Office of the General Counsel (OGC) regarding the parameters of the Secretary's authority to waive statutory and regulatory provisions. In addition, FNS agreed to assess on a case-by-case basis any proposed use of the statutory waiver authority consistent with statutory requirements and with additional guidance by OGC. (Audit Report 27601-0004-41)

FS Initiatives to Address Workplace Misconduct—Interim Report

We are evaluating whether FS actions in response to sexual harassment and sexual misconduct complaints addressed workplace concerns sufficiently. During the course of this audit, we identified one issue that needed prompt attention and issued an Interim Report. Specifically, we found that, while FS has taken steps to improve its process of handling sexual harassment and sexual misconduct complaints, the process could be further improved. Specifically, while FS updated its sexual harassment policy in July 2017 to require all allegations of sexual harassment and sexual misconduct be investigated, FS primarily used its own internal investigators to perform

MANAGEMENT IMPROVEMENT INITIATIVES

these investigations. Although our review to date of the FS' Pacific Southwest Region (Region 5) has not found any direct evidence that FS' internal investigators were unfair or biased, we noted that in FYs 2014–2016, FS used only internal investigators to investigate sexual harassment and sexual misconduct complaints in Region 5. In FY 2017, FS used internal investigators for 10 of Region 5's 14 sexual harassment and sexual misconduct complaints. Through interviews of 69 current and former FS employees in Region 5, we found that 33 (nearly half) of them expressed some level of mistrust in FS' process for handling sexual harassment and sexual misconduct complaints. These interviews showed a lack of trust in the process, and the practice of using internal investigators may deepen that mistrust.

An official from the Office of the Assistant Secretary for Civil Rights (OASCR) strongly believed that FS should be using contract investigators to investigate all of its sexual harassment and sexual misconduct complaints. An official from the Office of Human Resources Management expressed support for using investigators from other Federal agencies to perform the investigations, should FS choose to use them. FS officials generally agreed with our findings and recommendations, and agreed, for a period of at least 1 year, that they will use only contract investigators or investigators from other Federal agencies who are not former FS employees to investigate complaints of sexual harassment and sexual misconduct. This audit is ongoing and the final report should be issued later this fiscal year. (Audit Report 08601-0008-41(1))

Survey of FS Region 5 Regarding Sexual Harassment

In response to concerns expressed by members of Congress regarding sexual harassment in FS, we conducted a survey and issued a report documenting our methodology, analysis, and results. The survey and analysis was conducted to help determine whether and how Region 5 employees perceived the occurrence of sexual harassment in their work environment. We conducted this survey separately from any other OIG work in this subject area. The survey was sent to 4,810 employees in Region 5 and 1,907 (across a range of roles, tenures, genders, and ethnic identities) completed the survey. The survey results indicated that a majority of respondents “agree” or “agree strongly” that they were aware that FS has a zero-tolerance policy on sexual harassment. In addition: (1) a small number of respondents reported directly experiencing sexual harassment while a larger number reported knowing someone who had been harassed in Region 5 or elsewhere in FS, (2) most of those who indicated direct experience as a victim of sexual

harassment did not report it, (3) a noticeable minority of respondents viewed harassment behaviors as problematic in Region 5, and (4) the survey results indicated that common forms of harassment appear to be verbal rather than physical. (Office of Data Sciences Product 17-028-01)

USDA Consolidated Balance Sheet for FY 2017

Ordinarily, USDA presents a complete set of consolidated financial statements in its agency financial report. However, similar to its approach in FY 2016, USDA presented only the consolidated balance sheet for FY 2017 for audit. OIG determined that USDA's consolidated balance sheet presents fairly, in all material respects, USDA's financial position as of September 30, 2017, in accordance with accounting principles generally accepted in the United States. In addition, 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. Additionally, this report included findings related to USDA's lack of substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), violations of the Anti-Deficiency Act, and noncompliance with the Digital Accountability and Transparency Act of 2014 (DATA Act). The Department concurred with our findings and generally agreed with our recommendation for additional oversight to ensure that financial reporting controls over unliquidated obligations are strengthened and maintained. The Department stated that it will develop corrective action plans with milestones to address the findings within 60 days of our report. As agreed, the Department provided its corrective action plans with milestones to address the findings in January 2018. (Audit Report 50401-0013-11)

USDA Closing Package Reclassified Balance Sheet for FY 2017

OIG audited the Department's closing package reclassified balance sheet for FY 2017 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. OIG determined that the closing package reclassified balance sheet presents fairly, in all material respects, the financial position of USDA as of September 30, 2017, 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 controls over financial reporting for the closing package reclassified balance sheet did not identify any deficiencies in internal control that were considered to be significant deficiencies or material weaknesses. Also, the results of our tests of compliance with the Department of the Treasury's financial manual disclosed no instances of noncompliance or other matters that are required to be reported. The report did not contain any findings or recommendations. (Audit Report 50401-0015-11)

Agency Financial Statements

In 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's (CCC) Balance Sheet for FY 2017

Ordinarily, CCC presents a complete set of consolidated financial statements in its agency financial report. However, similar to its approach in FY 2016, CCC presented only its consolidated balance sheet for FY 2017 for audit. An independent CPA firm audited the balance sheet for the fiscal year ending September 30, 2017. 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, 2017, in accordance with accounting principles generally accepted in the United States. The independent auditor's report identified two deficiencies in CCC's internal control over financial reporting: (1) accounting for budgetary transactions and (2) accounting estimates. The accounting firm considered these two deficiencies to be material weaknesses. The results of the firm's tests of compliance with laws and regulations disclosed instances of noncompliance with FFMIA. (Audit Report 06401-0008-11)

FNS Financial Statements for FY 2017

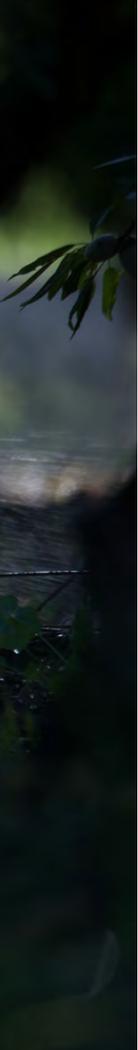
FNS received an unmodified opinion from OIG's audit of FNS' consolidated financial statements. We determined that the agency's financial statements for FYs 2017 and 2016 present FNS' financial position as of September 30, 2017, and 2016 fairly, in all material respects, and were



The Natural Resources Conservation Service’s mission is to provide resources to farmers and landowners to aid them with conservation. Shown here is a micro irrigation system that uses micro sprinklers to spray water from a low height for a distance of several feet. The numerous sprinklers keep water on the trees’ root zones, and water is sprayed at a predetermined rate to customize the efficient irrigation of each tree.

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

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 controls 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, as amended by the Improper Payment Elimination and Recovery Act of 2010. This report did not include any recommendations. (Audit Report 27401-0002-11)



NRCS' Balance Sheet for FY 2017

Ordinarily, NRCS presents a complete set of consolidated financial statements in its agency financial report. However, similar to its approach in FY 2016, NRCS presented only its consolidated balance sheet for FY 2017 for audit. An independent CPA firm audited NRCS' balance sheet as of September 30, 2017. 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, 2017, in conformity with accounting principles generally accepted in the United States. The independent auditor's report identified two deficiencies considered material weaknesses: (1) accounting and controls over obligations and undelivered orders, and (2) accounting and controls over expenses. The results of the firm's tests of compliance with laws and regulations disclosed instances of noncompliance with FFMIA. NRCS generally concurred with the findings. (Audit Report 10401-0009-11)

RD Financial Statements for FYs 2017 and 2016

RD received an unmodified opinion on its consolidated financial statements for FYs 2017 and 2016. OIG determined that the agency's financial statements fairly present RD's financial position as of September 30, 2017, 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. However, our consideration of compliance with laws and regulations noted noncompliance with the DATA Act of 2014, the Debt Collection and Improvement Act of 1996, and the Fair Credit Reporting Act. This report did not contain any recommendations. (Audit Report 85401-0007-11)

Federal Crop Insurance Corporation/Risk Management Agency's (FCIC/RMA) Financial Statements for FYs 2017 and 2016

OIG audited the financial statements of FCIC/RMA for FYs 2017 and 2016. FCIC/RMA received an unmodified opinion from OIG's audit of the agency's financial statements. We determined that the agency's financial statements for FYs 2017 and 2016 present 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 considerations of FCIC/RMA's internal control over financial reporting identified one significant deficiency. Specifically, improvements are needed in RMA's general IT controls. Our consideration of FCIC/RMA's compliance with applicable laws and regulations did not identify exceptions. FCIC/RMA concurred with our findings and recommendations to: (1) establish an effective disaster recovery program, failover system, and alternate processing facility; (2) perform annual testing of its contingency plan; (3) develop and implement an effective process for the timely maintenance, monitoring, and reporting of the plan of action and milestones (POA&M); and (4) implement a process to verify that vulnerabilities that continue to exist over 30 days are entered as POA&Ms, approved, and remediated timely. (Audit Report 05401-0009-11)

CIGIE Purchase Card Initiative—USDA Controls Over Purchase Card Use

As part of a Government-wide initiative by the CIGIE IT committee, OIG conducted an audit to review USDA's controls over purchase card transactions. This initiative provided common data analytical and statistical tools to assist participating agencies within the OIG community in data mining purchase card transactions for potentially illegal, improper, or erroneous transactions. USDA has over 12,000 cardholders who use commercial credit cards to procure and purchase needed supplies and services. Within USDA, the Office of Procurement and Property Management (OPPM) administers these purchase cards and provides policy and oversight to USDA agencies regarding their use.

Our review of these cards found that OPPM needs stronger controls over its purchase card program. We used a data analysis tool to identify "high risk" purchase card transactions that were potentially illegal, improper, or erroneous, such as transactions that occurred on weekends or holidays, transactions made to prohibited or questionable vendors, transactions with sales tax, transactions to third-party vendors, and subsequent transactions indicative of split purchases. We found that 58 of the 100 transactions reviewed had one or more of these exceptions. OPPM generally agreed with our recommendations to establish requirements for documenting the use of non-required sources, issuing guidance for identifying split purchases, and creating guidelines for documenting the recovery of sales tax. We reached agreement on three of the four recommendations; however, further action

from OPPM is needed before management decision can be reached on the remaining recommendation. (Audit Report 50024-0001-22)

RMA's Utilization of Contracted Data Mining Results

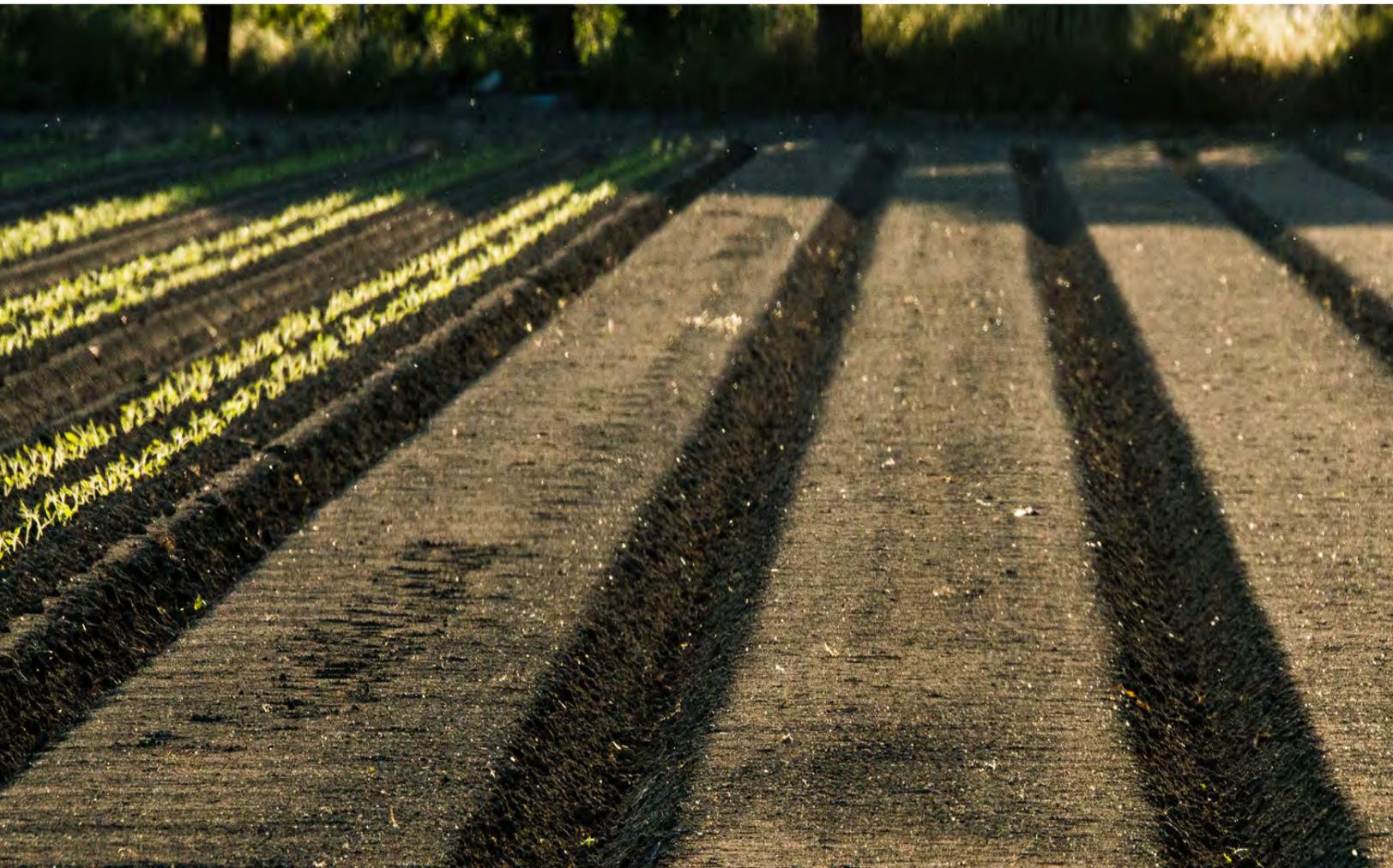
OIG reviewed RMA's and approved insurance providers' use of contracted data mining results. We found RMA needs to make improvements to maximize its use of data mining results to safeguard the integrity of the Federal Crop Insurance Program (FCIP). RMA was not obtaining the information necessary to identify and implement controls that mitigate potential problem areas and weaknesses. Therefore, RMA had reduced assurance that potential FCIP vulnerability, fraud, waste, or abuse was detected and addressed. In addition, RMA was not effectively reviewing anomalous insurance agents and loss adjusters on the Agricultural Risk Protection Act of 2000 (ARPA) List. ARPA required data mining and data warehousing to improve compliance with, and the integrity of, FCIP. To address this requirement, RMA contracted with the Center for Agribusiness Excellence to develop those technologies. Since 2001, the Center for Agribusiness Excellence has annually generated a list of producers with anomalous losses over time. This is called the "spot check list." While RMA has been proactive in updating the list's cost-avoidance methodology since its 2001 inception, additional factors could be relevant when determining cost avoidance. As a result, RMA's reported spot check list cost avoidance of about \$1.16 billion since 2001 could be inaccurate.

RMA agreed with our findings and recommendations to develop and implement a process to: (1) obtain more detailed, actionable data from spot check list reviews conducted by approved insurance providers, (2) design and implement controls to mitigate identified problem areas and weaknesses, (3) ensure all identified anomalous agents or loss adjusters are reviewed, and (4) validate the spot check list cost-avoidance methodology. (Audit Report 05601-0005-31)

NRCS Regional Conservation Partnership Program Controls (RCPP)—Interim Report

We are assessing NRCS' RCPP proposal review process and determining the adequacy of NRCS' controls over RCPP partner adherence to RCPP provisions, including the reimbursement of RCPP partner expenses. During the course of this audit, we identified one issue that needed prompt attention and issued an Interim Report. NRCS is responsible for working in close partnership with farmers, ranchers, and private forest landowners. The 2014 Farm Bill created RCPP, which provides partner-

driven opportunities with producers to increase the restoration and sustainable use of natural resources. We found that NRCS reimbursed an RCPP partner for technical assistance without being able to identify which producers received the technical assistance. This occurred because NRCS accepted supporting documentation on which the RCPP partner redacted all personally identifiable information (PII) and denied NRCS access to unredacted documents that were pertinent to the Federal award. As a result, NRCS has made payments of \$267,410 to this partner without being able to determine if the payment requests qualified for reimbursement. NRCS generally agreed with the issues identified in the finding; however, we could not reach management decision on the recommendations. OIG recommended



that NRCS issue guidance to the Oregon State office to discontinue RCPP payments when a partner does not provide unredacted supporting documentation. We also recommended that the State office request and review producer information on all previously made payments based on redacted information. In order to reach management decision on the recommendations, additional actions are required for each recommendation. Our audit is ongoing and the final report will be issued later this fiscal year. (Audit Report 10601-0004-31(2))



The Natural Resources Conservation Service has partnerships with many people and groups that care about the quality of America’s natural resources. Cropland, forestland, pastureland, and rangeland comprise the major land uses in the United States.

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

FS Controls over Service Contracts

OIG reviewed FS' controls to ensure service contracts were awarded competitively and the agency was obtaining the best value for the Government. OIG found that FS overpaid for certain types of service contracts. Specifically, FS did not provide for competition for two different types of contracts. First, FS did not take advantage of an existing national contract that would have allowed it to save on one of its leadership training courses. Likewise, OIG found that FS did not compete 14 contracts that were awarded to small disadvantaged businesses (also known as Section 8(a) contracts). FS had the option to request approval from the Small Business Administration (SBA) to compete the Section 8(a) contracts, but did not do so because it was either unaware they could be competed or it was not required. As a result, FS overpaid for these service contracts and reduced the healthy competition that creates higher contractor performance standards.

In addition, we found that the FS national oversight of the contracting process was lacking at both the regional and forest levels. FS also did not conduct supervisory reviews of its service contracts prior to award at four of the six sites we visited. As a result, FS lacked assurance that its contracting process complies with agency policies, laws, and regulations intended to safeguard against fraud, waste, and abuse. Finally, we found that 92 percent of FS' contract files we reviewed were missing at least one piece of key documentation.

We recommended that FS officials issue guidance for competing contracts, establish guidelines for supervisory reviews, and require regions to use the national contract for the leadership training course when appropriate. At report issuance, we were able to reach agreement on 12 of the 14 recommendations, and have since reached agreement on the remaining recommendations. (Audit Report 08601-0007-41)

USDA's 2017 Compliance with the Digital Accountability and Transparency Act (DATA Act)

The DATA Act required USDA to submit to the Department of the Treasury Federal contract, loan, and grant spending information for Federal programs so taxpayers and policymakers can more effectively track spending. The cognizant OIG is responsible for reviewing a sample of the spending data submitted by its Federal agency and submitting to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled.

Our review found that, although USDA submitted and certified second quarter files to the Department of the Treasury's broker by the April 30, 2017, reporting deadline, these files were incomplete and of insufficient quality. Specifically, USDA submitted data that only contained 1 of 670 required Treasury account symbols, 6 of 576 program activities, and a third blank file, even though the third file was supposed to include all financial award data for the quarter. In part, this occurred because USDA's DATA Act repository was not fully functional at the time of the second quarter submission, the Office of the Chief Financial Officer (OCFO) did not have formalized policies and procedures in place to govern the DATA Act submission and reconciliation process within USDA, and not all USDA agencies submitted the required financial and award data to OCFO for processing to the Department of the Treasury.

OCFO generally concurred with most of our recommendations that, as the Department moves forward, USDA should take appropriate action to improve the quality of its data by ensuring its future quarterly data submissions are timely, complete, and accurate for display on USASpending.gov. Further action from the agency is needed before agreement can be reached for the remaining recommendation. (Audit Report 11601-0001-22)

Massive Federal Construction Fraud Scheme in South Carolina

The individuals being investigated conspired to obtain construction contracts issued under SBA's 8(a) Business Development program; SBA's Economically Disadvantaged Women-Owned Small Business program; and VA's Service-Disabled Veteran-Owned Small Business program. The programs are designed to award set-aside Federal contracts to specific categories of small businesses. Using nominee owners, the defendants conspired to create seemingly eligible contractors that actually operated under the control of a few ineligible businesses.

The contractors received more than \$165 million in set-aside contracts to which they were not entitled from USDA, the Department of Defense (DOD), and other Federal agencies. In total, seven individuals and two companies were indicted for varying offenses including misprision of felony, wire fraud, conspiracy, false statements, and major fraud against the Government. To date, six individuals have pled guilty and been convicted in U.S. District Court, District of South Carolina. From October 2017 through February 2018, they were sentenced to terms ranging from 36 months of probation to 24 months in prison. To date, 29 individuals and entities have been suspended from doing business with the Government pending the

final outcome, and one corporation has paid a \$500,000 fine. Parallel civil proceedings are ongoing. This investigation was worked jointly with the Defense Criminal Investigative Service, SBA OIG, the U.S. Air Force Office of Special Investigations, the U.S. Army Criminal Investigation Command, VA OIG, and the Department of Energy OIG.

Former USDA Contract Employee in Missouri Sentenced for Child Pornography

On October 25, 2017, in District Court, Johnson County, Kansas, a former OCIO contract employee was sentenced to serve 310 months in prison, with an additional 32 months to run concurrently, for pleading guilty to exploitation of a child and rape. Additionally, he was sentenced to lifetime post-release supervision. OIG received information from the USDA's Agriculture Security Operations Center that an employee may have been accessing child pornography sites on his Government-issued computer. OIG determined that the man, a USDA contract employee who worked at a USDA facility in Missouri, was, in fact, accessing child pornography on his USDA-issued laptop.

OIG immediately notified the contractor of the employee's illegal activities, and his employment was subsequently terminated. The investigation also determined that he and his wife had served as foster parents for approximately 30 young girls. The man was charged with multiple counts of sexual crimes pertaining to children. When OIG and local law enforcement went to his Kansas residence to arrest him, they discovered he had left the United States and was working as a contractor for a firm in Iraq. OIG worked closely with his employer and Federal personnel to locate him and ultimately return him to the United States to face prosecution.

Illinois Man Sentenced for Receiving Child Pornography and Theft of Funds

On December 12, 2017, a former local economic development association official was sentenced in U.S. District Court, Southern District of Illinois, to 108 months in prison and 60 months of supervised release and ordered to pay \$54,800 in restitution. OIG opened this investigation to determine if the official stole Intermediary Relending Program (IRP) funds that RD provided to the development association, and if he possessed, or was involved in, the production of child pornography. The investigation disclosed that he knowingly received child pornography. Regarding IRP funds, the investigation determined that the official paid himself above and beyond his authorized salary. Additionally, after his termination from the association,

he directed a business to send monthly IRP loan payments intended for the developmental association to his personal post office box. He later deposited those IRP funds in his personal bank account, fraudulently obtaining \$51,800 in IRP funds. He pled guilty to four counts of receiving child pornography and one count of mail fraud pertaining to the theft of IRP funds.

Former FS Employee in California Sentenced in Arson Investigations

In February 2018, in U.S. District Court, Eastern District of California, a former FS employee was sentenced on two counts of false statements



CAL FIRE photographed the burned out Forest Service truck as evidence for an arson case OIG investigated.

This image was released by CAL Fire for OIG to use.

to 41 months in prison and 24 months of supervised release and ordered to pay a \$200 special assessment fee. In June 2012, a joint investigation was conducted with Forest Service, Law Enforcement and Investigations, the ATF, and the California Department of Forestry and Fire Protection (CAL FIRE) concerning a FS vehicle being set on fire in the El Dorado National Forest in Camino, California. The investigation revealed that the FS employee had willfully and purposely misled investigators regarding the destruction of his vehicle, and that he had taken a video recording and photographs of the fire using his personal cell phone. In May 2012, another fire-related incident concerning a Federal Government-owned warehouse occurred where the FS employee was the last person inside the building before it caught fire. The investigation ruled out all potential causes of both fires except for arson. Further, a CAL FIRE investigator determined that the vehicle fire was caused by arson. The FS employee was indicted in January 2015 on charges of arson, obstruction of justice, and false statements, and he was subsequently arrested in March of the same year. After a jury trial, he was found guilty of two counts of false statements, and not guilty of one count of false statements. The jury was unable to reach a verdict on the arson and obstruction of justice charges.

Participation on Committees, Working Groups, and Task Forces

Security, Information Sharing, and Management Committees. In Pennsylvania, OIG agents participate in the facility security group and the crime-sharing group. In New Jersey and New York, an agent participates in the Federal OIG Forum to discuss and share issues affecting the OIG community. In California, OIG agents participate in the Western Region Inspector General Council, Bay Area Federal Law Enforcement Executive Association, and the San Francisco Federal Executive Board. In California and Oregon, OIG agents are members of USAO’s “Head Fed” groups. Additionally, we participate in the California Chapter of the Association of the Inspectors General, the Northwest Council of Inspectors General, and the Rocky Mountain Special Agents in Charge Association. Within the CIGIE and Federal law enforcement community, an OIG agent is on the CIGIE Firearms Working Group and another agent is an adjunct instructor for the IG Academy. Within the OIG community, OIG agents participate in the Policy Working Group Committee, Law Enforcement Coordinating Committee, Technical Advisory Committee, and Peer Support Committee.

Public Corruption Teams. An OIG agent in Utah is a member of the FBI’s Public Corruption Task Force in Salt Lake City. The task force investigates matters involving individuals in elected, appointed, and other Government positions. In Florida, OIG agents are active members of the South Florida Organized Fraud Task Force. In Idaho, an OIG agent participates in the Guardian Project, which coordinates law enforcement efforts between agencies whose Departments have a significant financial commitment in Native American communities. This project joins forces, shares assets and responsibilities, and promotes contracts and grants. Ultimately, the goal is to prosecute those crimes as a means of holding accountable those who may be tempted to steal Federal funds intended for Montana’s Native American communities. In the Washington, D.C. area, an OIG agent is a member of the Small Business Innovation Research Investigations Working Group, spearheaded by the National Science Foundation OIG.

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 (GAO) Financial Statement Audit Conference.

DATA Act Working Group. OIG auditors continue to participate in the Federal Audit Executive Council DATA Act working group. Also, as part of the IG community, OIG coordinates its DATA Act work with GAO. Some of the recent discussions include lessons learned from FY 2017 audits, considerations for updates to the Government-wide DATA Act policy, and guidance and the ongoing and planned GAO reviews.

American Indian/Alaskan Native Working Group. CIGIE has established a working group involving all IG offices that have Federal programs serving American Indian and Alaskan Native communities. This collaborative effort was initiated after several IG offices found significant weaknesses affecting programs serving these communities. CIGIE chose this area for study given the level of funding and the number of agencies involved, as well as the Federal Government's special obligation to protect American Indian and Alaskan Native interests and fund vital services. OIG meets monthly with the other IG offices to discuss project efforts and coordination of reviews to promote efficiency and effective outcomes.

CIGIE Disaster Assistance Working Group. OIG is participating in the CIGIE Disaster Assistance Working Group. This working group, initially established after Hurricane Katrina, serves to coordinate and align IGs' audit, inspection, and investigative activities. Membership is comprised of those IGs whose agencies will be involved in the response and recovery efforts after a significant disaster.

Review of Legislation, Regulations, Directives, and Memoranda

S. 1869, Whistleblower Protection Coordination Act. This bill would amend the Inspector General Act of 1978, 5 U.S.C. app. 3, §§ 113 (IG Act), in order to reauthorize and rename the position of Whistleblower Ombudsman to be the Whistleblower Protection Coordinator. OIG provided one substantive comment on the bill. OIG noted that the IG Act prohibits Ombudsmen from acting as legal representatives, agents, or advocates of employees. However, S. 1869 contained a provision that could be viewed as changing the nature of the Ombudsman/Coordinator position to an advocacy

position. OIG expressed concern that the proposed change could affect OIG independence.

Request for Information, “Improving Civil Rights,” 83 Fed. Reg. 10825 (March 13, 2018). OIG provided comments on USDA’s proposed notice regarding realignment of OASCR. First, OIG noted that the proposed realignment properly recognizes OIG’s statutory independence with respect to USDA, including that OIG has a separate civil rights office which advises OIG leadership on civil rights matters and that guides OIG personnel through the use of the equal employment opportunity complaints process. Also, OIG noted our past audit work regarding civil rights programs and operations at USDA, including equal employment opportunity complaints processing, and that OIG would consider examining the realignment in our future audit planning.

ONGOING REVIEWS

- » Review of agency financial statements for FY 2018 (CCC, NRCS),
- » Review of agency financial statements for FYs 2018 and 2017 (FCIC/RMA, FNS, and RD),
- » Consolidated financial statements for FY 2018 (USDA),
- » Initiatives to address workplace misconduct (FS),
- » Controls over contract closeout (FS),
- » Transfer of settlement funds (FS),
- » Regional conservation partnership program controls (NRCS),
- » Statement of Standards for Attestation Engagements No. 18, Report on Controls at the National Finance Center for FYs 2018 and 2017 (OCFO),
- » Agreed-upon procedures: employee benefits, withholdings, contributions, and supplemental headcount reporting submitted to OPM FY 2018 (OCFO),
- » USDA's FY 2017 compliance with improper payment requirements (CCC, FNS, FS, FSA, NRCS, OCFO, RD, and RMA),
- » General application controls work for USDA's financial statement audits for FYs 2017 and 2018 (USDA),
- » Controls over the eligibility of contract recipients (Office of Small and Disadvantaged Business Utilization),
- » Department of Agriculture's management over the misuse of Government vehicles (USDA), and
- » Controls over inspection of exported grain (AMS).

INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

IG Act Section	IG Act Description	USDA OIG Reported SARC March 2018
Section 4(a)(2)	Review of Legislation and Regulations	Pages 59-60
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-61
Section 5(a)(2)	Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-61
Section 5(a)(3)	Significant Recommendations from Agency's Previous Reports on which Corrective Action Has Not Been Completed	Appendix A.10 Pages 83-104
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	Appendix B.1 and B.2 Pages 118-119
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 76-80 Appendix C Page 127
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2, and 3 Pages 1-61
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Page 72-73
Section 5(a)(9)	Statistical Table: Recommendations that Funds be Put to Better Use	Appendix A.3 Page 74
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 Page 81
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 117
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 107-115

IG Act Section	IG Act Description	USDA OIG Reported SARC March 2018
Section 5(a)(11)	Significantly Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 82
Section 5(a)(12)	Significant Management Decisions with which the Inspector General is in Disagreement	Appendix A.9 Page 82
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	Appendix A.11 Page 105
Section 5(a)(14) and (15)	Peer Reviews of USDA OIG	Page 67
Section 5(a)(16)	Peer Reviews Conducted by USDA OIG	Page 67
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 for criminal prosecution; number of persons referred to State/local authorities for criminal prosecution; number of indictments/ criminal information as a result of OIG referral; and a description of the metrics used for developing the data for such statistical tables	Appendix B.4 Pages 121-122
Section 5(a)19*	Report on each OIG investigation involving a senior Government employee where allegations of misconduct were substantiated	Appendix B.5 Pages 123-124
Section 5(a)(20)*	Instances of whistleblower retaliation	Appendix B.6 Page 125
Section 5(a)(21)*	Attempts by the 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 125
Section 5(a)(22)*	Detailed description of situations where an inspection, evaluation, or 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 106, 116, and 126

*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; and
- » Freedom of Information Act results, and hotline complaint results.

National Defense Authorization Act for FY 2008

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.

PEER REVIEWS AND OUTSTANDING RECOMMENDATIONS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended the IG 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 audit peer reviews of USDA OIG's audit organization. However, during this reporting period, OIG received notification from the Treasury Inspector General for Tax Administration (TIGTA) that it planned to initiate its review of OIG's audit organization in the near future. We anticipate completion of this review during the next semiannual reporting period.

Investigations

In October 2016, 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 Conducted by USDA OIG

There are no outstanding recommendations from any report (or letter of comment accompanying any report) on a peer review conducted by USDA OIG of another OIG's audit organization.

USDA OIG Office of Audit has initiated a peer review of the General Services Administration OIG's audit operations during the current reporting period. We anticipate the final report to be issued during the next semiannual reporting period.

During the current reporting, USDA OIG Office of Investigations conducted a peer review of DOD OIG. The review determined that DOD OIG was in compliance with the Quality Standards for Investigations as established by CIGIE.

PERFORMANCE RESULTS UNDER OUR STRATEGIC GOALS

PERFORMANCE MEASURES	FY 2017 ACTUAL	FY 2018 TARGET	FY 2018 1st Half ACTUAL
OIG direct resources dedicated to critical-risk and high-impact activities	98.7%	96%	98.1%
Audit recommendations where management decisions are achieved within 1 year	99.6%	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	89.8%	85%	91.7%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result	76.3%	80%	89.3%

OIG ACCOMPLISHMENTS FOR FY 2018, FIRST HALF (OCTOBER 1, 2017–MARCH 31, 2018)

SUMMARY OF AUDIT ACTIVITIES	FY 2018 1st Half
Number of Final Reports	20
Number of Interim Reports	3
Number of Final Report Recommendations (85 program improvements/11 monetary)	96
Number of Interim Report Recommendations (8 program improvements/1 monetary)	9
Total Dollar Impact of Final and Interim Reports at Issuance (millions)	\$14.5
Questioned / Unsupported Costs	\$14.5
Funds to Be Put to Better Use	\$0
Management Decisions Reached	
Number of Final Reports	20
Number of Final Report Recommendations (123 program improvements/12 monetary)	135
Number of Interim Reports	2
Number of Interim Report Recommendations (7 program improvements/0 monetary)	7
SUMMARY OF INVESTIGATIVE ACTIVITIES	FY 2018 1st Half
Reports Issued	135
Indictments	280
Convictions	272
Arrests	217
Administrative Sanctions	317
Total Dollar Impact (millions)	\$84.9

RECOGNITION OF OIG EMPLOYEES BY THE INSPECTOR GENERAL COMMUNITY

CIGIE Awards—Presented in October 2017

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

CIGIE Leadership Development Team—In recognition of exceptional collaborative efforts leading to the successful launch and adoption of the CIGIE Fellowship Program and Annual Leadership Forum.

Award for Excellence: Audit

SNAP Administrative Costs Review Team—In recognition of extraordinary efforts to identify weaknesses in USDA SNAP and recommend pragmatic solutions to ensure that SNAP resources are properly used.

U.S. Meat Animal Research Center Review Team—In recognition of extraordinary efforts in evaluating the operations of the U.S. Meat Animal Research Center and investigating allegations of egregious animal mistreatment at the facility.

APPENDIX A: AUDIT TABLES

Appendix A.1: Activities and Reports Issued

Summary of Audit Activities, October 1, 2017–March 31, 2018

Reports Issued: 20	Audits Performed by OIG	16
	Audits Performed Under the Single Audit Act	0
	Audits and Non-Audit Services Performed by Others	4 ^a
Management Decisions Made: 135	Number of Reports	20
	Number of Recommendations	135
Total Dollar Impact (millions) of Management-Decided Reports: \$9.6	Total Questioned/Unsupported Costs	\$9.6 ^{b,c}
	—Recommended for Recovery	\$0
	—Not Recommended for Recovery	\$9.6
	Funds to Be Put to Better Use	\$0

^a One of these was performed as a non-audit service, which is not covered by Government auditing standards.

^b These were the amounts the auditees agreed to at the time of management decision.

^c The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due USDA.

Summary of Interim Reports Issued, October 1, 2017–March 31, 2018

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: 7	Number of Reports	2
	Number of Recommendations	7
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, 2017–March 31, 2018)

Category	No.	Questioned Costs and Loans	Unsupported ^a Costs and Loans	
Reports for which no management decision had been made by October 1, 2017 ^b	2	\$10,367,128	\$7,316,969	
Reports which were issued during the reporting period	2	\$14,216,523	\$7,667,067	
Total Reports with Questioned Costs and Loans	4	\$24,583,651	\$14,984,036	
Of the 4 reports, those for which management decision was made during the reporting period	2	Recommended for recovery	\$0	\$0
		Not recommended for recovery	\$9,599,615	\$0
		Costs not disallowed	\$0	\$0
Of the 4 reports, those for which no management decision has been made by the end of this reporting period	2	\$14,984,036	\$14,984,036	

^a Unsupported values are included in questioned values.

^b Carried over from previous reporting periods.

Appendix A.2: Inventory of Interim Audit Reports with Questioned Costs and Loans (October 1, 2017–March 31, 2018)

Category	No.	Questioned Costs and Loans	Unsupported ^a Costs and Loans	
Reports for which no management decision had been made by October 1, 2017 ^b	0	\$0	\$0	\$0
Reports which were issued during the reporting period	1	\$267,410	\$0	\$0
Total Reports with Questioned Costs and Loans	1	\$267,410	\$0	\$0
The 1 report for which management decision was made during the reporting period	0	Recommended for recovery	\$0	\$0
		Not recommended for recovery	\$0	\$0
		Costs not disallowed	\$0	\$0
The 1 report for which no management decision has been made by the end of this reporting period	1	\$267,410	\$0	\$0

^a Unsupported values are included in questioned values.

^b 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 1, 2017 ^a	1	\$4,189,571	
Reports which were issued during the reporting period	1	\$19,400	
Total Reports with Recommendations that Funds Be Put to Better Use	2	\$4,208,971	
Of the 2 reports, those for which management decision was made during the reporting period	1	Disallowed costs	\$19,400
		Costs not disallowed	\$0
Of the 2 reports, those for which no management decision has been made by the end of this reporting period	1	\$4,189,571	

^a 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, 2017, through March 31, 2018.

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 93 program improvement recommendations, and management agreed to implement 130 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):

- » FS should develop policies and procedures outlining how to reclaim and rehabilitate marijuana grow sites to ensure consistency across all of the national forests. This guidance should outline the responsibilities and the communication requirements of the various LEI and national forest staff in the reclamation and rehabilitation of the marijuana grow sites.
- » RHS should develop a training strategy for field officials that includes the delivery of targeted training to address identified internal control weaknesses. The training strategy should include a survey of field officials for their input on training needs for administering the SFH Direct Loan Program.
- » RMA should develop and implement a process to obtain more detailed, actionable data from "spot check list" reviews conducted by AIPs. In addition, RMA should develop and implement a process to analyze the data obtained to identify potential problem areas and weaknesses to design and implement controls to mitigate the problem areas and weaknesses identified.

Appendix A.6: Audit Reports and Non-Audit Services

OIG issued 20 audit reports, including 4 performed by others. One of the four reports performed by others was a non-audit service. During this same period, three 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	\$19,400
Total Reports with Questioned Costs and Loans ^a	\$14,483,933

^a Unsupported values of \$7,667,067 are included in the questioned values.

Summary of Audit Reports Released from October 1, 2017 through March 31, 2018

Agency Type	Audit Reports Released	Questioned Costs and Loans ^a	Unsupported Costs and Loans ^a	Funds to Be Put to Better Use
Single Agency Audit	14	\$14,216,523	\$7,667,067	\$19,400
Multi-Agency Audit	6	\$0	\$0	\$0
Total Completed Under Contract ^b	4			
Issued Audits Completed Under The Single Audit Act	0			

^a Unsupported values are included in the questioned values.

^b Audits performed by others, which are included in single agency total.

Summary of Interim Reports Released from October 1, 2017 through March 31, 2018

Agency Type	Interim Reports Released	Questioned Costs and Loans ^a	Unsupported Costs and Loans ^a	Funds to Be Put to Better Use
Single Agency Audit	3	\$267,410	\$0	\$0
Multi-Agency Audit	0	\$0	\$0	\$0
Total Completed Under Contract ^b	0			
Issued Audits Completed Under The Single Audit Act	0			

^a Unsupported values are included in the questioned values.

^b Audits performed by others, which are included in single agency total.

Audit Reports Released and Associated Monetary Values from October 1, 2017 through March 31, 2018

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
CCC: Commodity Credit Corporation					
06401-0008-11	FA	11/09/17	Commodity Credit Corporation's Balance Sheet for FY 2017		
Total: 1					
FNS: Food and Nutrition Service					
27401-0002-11	FA	11/08/17	Food and Nutrition Service's Financial Statements for FYs 2017 and 2016		
27601-0004-41	PA	03/27/18	FNS Controls Over Summer Food Service Program		
27601-0013-10	PA	12/19/17	Compilation Report of States' Compliance with SNAP Requirements For Participating State Agencies (7 CFR, Part 272)		
Total: 3					
FS: Forest Service					
08003-0001-22	PA	03/30/18	Drug Enforcement on National Forest System Lands		
08016-0001-23	PA	12/01/17	Review of Forest Service Controls Over Explosives and Magazines		
08601-0007-41	PA	12/22/17	FS Controls Over Service Contracts		\$19,400
Total: 3					
Multi-agency					
50024-0001-22	PA	03/08/18	CIGIE Purchase Card Initiative—USDA Controls Over Purchase Card Use		

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
50401-0013-11	FA	11/15/17	U.S. Department of Agriculture's Consolidated Balance Sheet for FY 2017		
50401-0015-11	FA	11/16/17	U.S. Department of Agriculture's Closing Package Reclassified Balance Sheet for FY 2017		
50501-0015-12	PA	10/31/17	U.S. Department of Agriculture, Office of the Chief Information Officer, FY 2017 Federal Information Security Modernization Act (FISMA) Audit		
50501-0016-12	NAS	02/12/18	Continuous Diagnostics and Mitigation Program Assessment—2017 2nd Half		
50601-0006-31	PA	02/28/18	Reviewing the Integrity of USDA's Scientific Research Program		
Total: 6					
NRCS: Natural Resources Conservation Service					
10401-0009-11	FA	11/13/17	Natural Resources Conservation Service's Balance Sheet for FY 2017		
Total: 1					
OCFO: Office of the Chief Financial Officer					
11601-0001-22	PA	11/01/17	USDA's 2017 Compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act)		
Total: 1					

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
RMA: Risk Management Agency					
05401-0009-11	FA	11/08/17	Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for FYs 2017 and 2016		
05601-0001-41	PA	02/20/18	Risk Management Agency Indemnity Payments to Pistachio Producers	\$7,667,067	
05601-0005-31	PA	12/19/17	RMA's Utilization of Contracted Data Mining Results		
Total: 3					
RD: Rural Development					
85401-0007-11	FA	11/09/17	RD's Financial Statements for FYs 2017 and 2016		
Total: 1					
RHS: Rural Housing Service					
04601-0001-22	PA	12/18/17	RHS' Controls Over Originating and Closing Single Family Housing Direct Loans	\$6,549,456	
Total: 1					
Grand Total: 20				\$14,216,523	\$19,400

*Performance Audits (PA), Financial Audits (FA), Non-Audit Services (NAS).

Interim Reports Released and Associated Monetary Values from October 1, 2017 through March 31, 2018

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
FNS: Food and Nutrition Service					
27004-0001-23(1)	PA	11/06/2017	New York's Controls Over Summer Food Service Program— Interim Report		
Total: 1					
FS: Forest Service					
08601-0008-41(1)	PA	03/05/2018	Forest Service Initiatives to Address Workplace Misconduct— Interim Report		
Total: 1					
NRCS: Natural Resources Conservation Service					
10601-0004-31(2)	PA	11/13/2017	NRCS Regional Conservation Partnership Program Controls— Interim Report	\$267,410	
Total: 1					
Grand Total: 3				\$267,410	

*Performance Audits (PA), Financial Audits (FA), Non-Audit Services (NAS).

Appendix A.7: Management Decisions

The following audit did not have management decisions made within 60 days or the 6-month limit imposed by Congress.

Audit Report 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)
NRCS	09/27/16	Controls over the Conservation Stewardship Program (10601-0001-32)	\$11,506,540	\$7,316,969
Total Previously Reported But Not Yet Resolved: 1				

Audits Without Management Decision—Narrative for New Entries

There are no new entries to report.

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

There are no significantly revised management decisions for this reporting period.

Appendix A.9: Significant Management Decisions with which the IG is in Disagreement

There are no significant management decisions with which the IG 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, 2018, by Agency

Grand Total	Number of Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
	481	18	454	9

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
AMS: Agricultural Marketing Service							
01601000121	National Organic Program—International Trade Arrangements and Agreements	09/13/2017	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
01601000232	National Organic Program—Organic Milk Operations	07/15/2013	1		1		Pending Final Action: 2
Total			10		10		
ARS: Agricultural Research Service							
02007000131	U.S. Meat Animal Research Center Review	09/30/2016	5		5		Pending Final Action: 1, 2, 3, 4, 5
50601000112	Research, Education, and Economics' Compliance with Contractor Past Performance Reporting Requirements	03/23/2016	2		2		Pending Final Action: 1, 2

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
506010006TE	Controls over Plant Variety Protection and Germplasm Storage	02/10/2006	6		6		Pending Final Action: 1, 2, 3, 5, 6, 9
506010010AT	Followup Review on the Security of Biohazardous Material at USDA Laboratories	07/27/2005	1		1		Pending Final Action: 2
Total			14		14		
APHIS: Animal and Plant Health Inspection Service							
33601000131	APHIS: Animal Welfare Act—Marine Mammals (Cetaceans)	05/30/2017	4		4		Pending Final Action: 1, 4, 5, 6
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	2		2		Pending Final Action: 2, 8
506010008TE	APHIS Controls over Issuance of Genetically Engineered Organism Release Permits	12/08/2005	3		3		Pending Final Action: 1, 2, 3
Total			10		10		

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
CCC: Commodity Credit Corporation							
06401000511	CCC's Financial Statements for FYs 2015 and 2014	02/12/2016	16		16		Pending Final Action: 1, 2, 3, 4, 6, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19
06401000611	CCC's Balance Sheet for FY 2016	11/22/2016	4		4		Pending Final Action: 1, 2, 3, 5
06401000811	CCC's Balance Sheet for FY 2017	11/09/2017	8		8		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8
Total			28		28		
DM: Departmental Management							
50024000122	CIGIE Purchase Card Initiative USDA Controls over Purchase Card Use	03/08/2018	4		3	1	Pending Final Action: 1, 2, 4 Pending Management Decision: 3
Total			4		3	1	
FSA: Farm Service Agency							
030060001TE	1993 Crop Disaster Payments—Brooks/Jim Hogg Cos., TX	01/02/1996	1	1			Pending Collection: 1A
030990181TE	Farm Service Agency Payment Limitation Review in Louisiana	05/09/2008	1	1			Pending Collection: 2

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
03501000112	Review of Farm Service Agency's Initiative to Modernize and Innovate the Delivery of Agricultural Systems (MIDAS)	05/26/2015	1		1		Pending Final Action: 3
03601000122	Farm Service Agency Compliance Activities	07/31/2014	5		5		Pending Final Action: 1, 2, 3, 4, 5
03601000222	Economic Adjustment Assistance to Users of Upland Cotton	07/31/2014	1		1		Pending Final Action: 5
03601000322	Farm Service Agency Microloan Program	09/23/2015	1		1		Pending Final Action: 3
036010007TE	Emergency Feed Program in Texas	09/18/1996	3	3			Pending Collection: 4A, 5B, 6A
036010012AT	Tobacco Transition Payment Program—Quota Holder Payments and Flue-Cured Tobacco Quotas	09/26/2007	2	2			Pending Collection: 2, 6
036010023KC	Hurricane Relief Initiative—Livestock Indemnity and Feed Indemnity Programs	02/02/2009	1	1			Pending Collection: 4

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
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	5	1	4		Pending Collection: 2 Pending Final Action: 1, 5, 6, 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
506010015AT	Hurricane Indemnity Program—Integrity of Data Provided by the Risk Management Agency	03/31/2010	1	1			Pending Collection: 5
Total			27	15	12		

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
FNS: Food and Nutrition Service							
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
27004000131(1)	Florida's Controls over Summer Food Service Program— Interim Report	09/29/2017	3		3		Pending Final Action: 1, 2, 3
27004000141(1)	California's Controls over Summer Food Service Program— Interim Report	09/21/2017	2		2		Pending Final Action: 1, 2
27004000321(1)	Summer Food Service Program—Texas Sponsor Cost— Interim Report	09/07/2017	2		2		Pending Final Action: 1, 2
27004000421(1)	Texas' Controls over Summer Food Service Program— Interim Report	09/28/2017	5		5		Pending Final Action: 1, 2, 3, 4, 5
270990049TE	Food Stamp Program for Hurricanes Katrina and Rita	09/04/2007	1		1		Pending Final Action: 1

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
27601000131	FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers	07/31/2013	5		5		Pending Final Action: 4, 9, 10, 11, 20
27601000231	FNS Controls Over SNAP Benefits for Able-Bodied Adults Without Dependents	09/29/2016	2		2		Pending Final Action: 1, 2
27601000241	FNS Quality Control Process for SNAP Error Rate	09/23/2015	2		2		Pending Final Action: 1, 11
27601000310	New Mexico's Compliance with SNAP Certification of Eligible Households Requirements	09/27/2016	12		12		Pending Final Action: 2, 5, 7, 9, 10, 11, 13, 14, 15, 16, 17, 18
27601000322	SNAP Administrative Costs	09/29/2016	3		3		Pending Final Action: 2, 4, 8
27601000410	Michigan's Compliance with SNAP Certification of Eligible Households Requirements	10/25/2016	5		5		Pending Final Action: 2, 5, 6, 8, 9
27601000441	FNS Controls over Summer Food Service Program	03/27/2018	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
27601000510	Kentucky's Compliance with SNAP Certification of Eligible Households Requirements	01/09/2017	3		3		Pending Final Action: 2, 5, 7
27601000610	Missouri's Compliance with SNAP Certification of Eligible Households Requirements	09/13/2016	2		2		Pending Final Action: 5, 8
27601000810	Georgia's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	06/14/2017	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
27601000910	Nebraska's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	03/29/2017	3		3		Pending Final Action: 1, 2, 3
27601001010	Pennsylvania's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	08/09/2017	5		5		Pending Final Action: 1, 2, 3, 4, 5

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
27601001110	South Carolina's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	09/14/2017	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
27601001210	Washington's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	09/28/2017	8		8		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8
27601001310	Compilation Report of States' Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)	12/19/2017	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
27901000213	Detecting Potential SNAP Trafficking Using Data Analysis	01/09/2017	5		5		Pending Final Action: 1, 2, 3, 4, 5
5060100014AT	Effectiveness and Enforcement of Suspension and Debarment Regulations in the U.S. Department of Agriculture	08/16/2010	1		1		Pending Final Action: 11

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
81099000112	Audit of Food, Nutrition, and Consumer Services' FY 2015 Firm-Fixed-Price Contract Award Price Reasonableness Determinations	08/30/2017	3		3		Pending Final Action: 1, 2, 3
Total			103		103		
FSIS: Food Safety and Inspection Service							
24016000123	FSIS Followup on the 2007 and 2008 Audit Initiatives	06/07/2017	18		18		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18
24601000123	Implementation of the Public Health Information System for Domestic Inspection	08/18/2015	3		3		Pending Final Action: 1, 4, 5
24601000221	Evaluation of FSIS' Equivalency Assessments of Exporting Countries	09/27/2017	7		7		Pending Final Action: 1, 2, 4, 5, 6, 7, 8
24601000431	FSIS Ground Turkey Inspection and Safety Protocols	07/29/2015	1		1		Pending Final Action: 8
24601000531	FSIS' Controls over Declaring Allergens on Product Labels	06/12/2017	10		10		Pending Final Action: 1, 2, 4, 5, 7, 8, 9, 10, 11, 12

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
50099000221	FSIS' Process for Handling Vehicle Misuse Complaints	03/27/2017	1		1		Pending Final Action: 2
506010006HY	Assessment of USDA's Controls to Ensure Compliance with Beef Export Requirements	07/15/2009	1		1		Pending Final Action: 2
Total			41		41		
FAS: Foreign Agricultural Service							
07601000122	Private Voluntary Organization Grant Fund Accountability	03/31/2014	4		4		Pending Final Action: 1, 2, 6, 10
07601000223	FAS' Monitoring of the Administration's Trade Agreement Initiatives	12/05/2016	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
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
50601000216	Section 632(a) Transfer of Funds from USAID to USDA for Afghanistan	02/06/2014	2		2		Pending Final Action: 1, 2
Total			16		16		

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
FS: Forest Service							
08003000122	Drug Enforcement on National Forest System Lands	03/30/2018	7		6	1	Pending Final Action: 1, 3, 4, 5, 6, 7 Pending Management Decision: 2
08016000123	Review of Forest Service Controls over Explosives and Magazines	12/01/2017	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
08099000112	Audit of Forest Service's Next Generation and Legacy Air Tanker Contract Awards	07/07/2017	5		5		Pending Final Action: 1, 2, 3, 4, 5
08601000431	Forest Service Deferred Maintenance	05/22/2017	13		13		Pending Final Action: 1, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15
08601000541	Forest Service's Plan for Addressing Climate Change	08/07/2017	10		10		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
08601000641	Secure Rural Schools Program	08/11/2017	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
08601000741	Forest Service Controls over Service Contracts	12/22/2017	14		14		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
08601000841(1)	Forest Service Initiatives to Address Workplace Misconduct—Interim Report	03/05/2018	4		4		Pending Final Action: 1, 2, 3, 4
Total			68		67	1	
Multi-agency							
50024001111	USDA's FY 2016 Compliance with Improper Payment Requirements	05/05/2017	2		2		Pending Final Action: FSA: 1 FNS: 2
50501000512	USDA's Implementation of Cloud Computing Services	09/26/2014	1		1		Pending Final Action: OCIO: 3
50601000221	Hispanic and Women Farmers and Ranchers Claim Resolution Process	03/31/2016	1		1		Pending Final Action: RD: 2
50601000322	Coordination of USDA Farm Program Compliance—Farm Service Agency, Risk Management Agency, and Natural Resources Conservation Service	01/27/2017	1		1		Pending Final Action: FSA: 2 NRCS: 2 RMA: 2

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
50601000431	USDA's Response to Antibiotic Resistance	03/30/2016	5		5		Pending Final Action: APHIS: 7, 8, 9, 19 ARS: 12
50703000123	American Recovery and Reinvestment Act, Trade Adjustment Assistance for Farmers Program	10/18/2013	1	1			Pending Collection: FSA: 9
Total			11	1	10		
NRCS: Natural Resources Conservation Service							
10401000911	Natural Resources Conservation Service's Balance Sheet for FY 2017	11/13/2017	2		2		Pending Final Action: 1, 3
10601000132	Controls over the Conservation Stewardship Program	09/27/2016	11		7	4	Pending Management Decision: 7, 16, 21, 26 Pending Final Action: 3, 5, 6, 8, 9, 20, 25
10601000231	NRCS Conservation Easement Compliance	07/30/2014	3		3		Pending Final Action: 1, 5, 10

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
10601000431(2)	NRCS Regional Conservation Partnership Program Controls—Interim Report	11/13/2017	2			2	Pending Management Decision: 1, 2
Total			18		12	6	
OHSEC: Office of Homeland Security and Emergency Coordination							
61701000121	Agroterrorism Prevention, Detection, and Response	03/27/2017	13		13		Pending Final Action: 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14
Total			13		13		
OCFO: Office of the Chief Financial Officer							
11601000122	USDA's 2017 Compliance with the Digital Accountability and Transparency Act (DATA Act)	11/01/2017	5		5		Pending Final Action: 1, 2, 3, 4, 5
11601000141	Departmental Oversight of Final Action on OIG Audit Recommendations	09/06/2017	7		7		Pending Final Action: 5, 6, 7, 8, 9, 10, 11
50016000123	Implementation of Suspension and Debarment Tools in USDA	09/28/2017	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
50401001111	Department of Agriculture's Consolidated Balance Sheet for FY 2016	12/06/2016	2		2		Pending Final Action: 1, 2
50401001311	Department of Agriculture's Consolidated Balance Sheet for FY2017	11/15/2017	1		1		Pending Final Action: 1
50601000731	USDA WebTA Expense Reimbursement	09/28/2017	2		2		Pending Management Decision: 1, 2 Pending Final Action: 3
Total			26		26		
OCIO: Office of the Chief Information Officer							
505010001IT	USDA's Management and Security over Wireless Handheld Devices	08/15/2011	2		2		Pending Final Action: 1, 2
50501000212	USDA, Office of the Chief Information Officer, FY 2011 Federal Information Security Management Act	11/15/2011	2		2		Pending Final Action: 1, 4

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
505010002IT	USDA, Office of the Chief Information Officer, FY 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, FY 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, FY 2013 Federal Information Security Management Act	11/26/2013	2		2		Pending Final Action: 2, 4
5050100612	USDA, Office of the Chief Information Officer, FY 2014 Federal Information Security Management Act	11/12/2014	1		1		Pending Final Action: 2

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
50501000812	USDA, Office of the Chief Information Officer, FY 2015 Federal Information Security Modernization Act	11/07/2015	2		2		Pending Final Action: 1, 4
50501001212	USDA, Office of the Chief Information Officer, FY 2016 Federal Information Security Modernization Act	11/10/2016	2		2		Pending Final Action: 1, 2
50501001212(2)	Security Protocols and Connections for USDA's Public-Facing Websites	11/09/2016	3		3		Pending Final Action: 1, 2, 3
505010015FM	USDA, Office of the Chief Information Officer, FY 2009 Federal Information Security Management Act	11/18/2009	1		1		Pending Final Action: 8

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
88401000112	Audit of the Office of the Chief Information Officer's FYs 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 Networks	07/17/2014	1		1		Pending Final Action: 5
Total			29		29		
OCS: Office of the Chief Scientist							
50601000631	Reviewing the Integrity of USDA's Scientific Research Program	02/28/2018	5		5		Pending Final Action: 1, 2, 3, 4, 5
Total			5		5		

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
RMA: Risk Management Agency							
05401000911	Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for FYs 2017 and 2016	11/08/2017	2		2		Pending Final Action: 1, 2
05601000141	RMA Indemnity Payments to Pistachio Producers	02/20/2018	2		1	1	Pending Final Action: 2 Pending Management Decision: 1
05601000531	RMA's Utilization of Contracted Data Mining Results	12/19/2017	7		7		Pending Final Action: 1, 2, 3, 4, 5, 6, 7
056010015TE	Crop Loss and Quality Adjustments for Aflatoxin-Infected Corn	09/30/2008	1	1			Pending Collection: 1
Total			12	1	10	1	
RD: Rural Development							
04601000122	Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans	12/18/2017	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
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	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	4		4		Pending Final Action: 1, 4, 5, 8
046010018CH	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	7		7		Pending Final Action: 1, 2, 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
34601000122	Intermediary Relending Program	04/21/2017	7		7		Pending Final Action: 1, 2, 5, 6, 7, 8, 10

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

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

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, 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 2018, 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 to work to meet FFMIA and FISMA objectives. OIG concurs with the Department's assessment and discussed the compliance issues in OIG's report on the Department's Consolidated Balance Sheet for FY 2017. 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.

Appendix A.12: Canceled Audits

We have neither canceled nor publicly disclosed any canceled audits for this reporting period.

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 33 outstanding recommendations with a potential value of \$87.3 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
TOTAL			\$87,320,734
FNS			
27601000410	<i>Michigan’s Compliance with SNAP Certification of Eligible Households Requirements</i>		
	Require Michigan Department of Health and Human Services to thoroughly review the five identified cases to determine if payments were improper and warrant establishment of a claim.	10/25/16	\$12,517
27601000810	<i>Georgia’s Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)</i>		
	Require Georgia Division of Family and Children Services (DFCS) to review the two identified individuals who potentially received benefits while incarcerated for over 30 days and determine if payments were improper and warrant establishment of a claim.	6/14/2017	\$1,427

Report #	Recommendation Cited	Management Decision Date	Released Amount
	Require Georgia DFCS to review the four identified cases where benefits were issued after the deceased individual's date of death and determine if payments were improper and warrant the establishment of a claim, and if the results of the review provide evidence of significant noncompliance and improper payment, ask the State to consider expansion of the review over the remaining 4,195 cases that received a Deceased Matching System match.	6/14/2017	\$969
27601001010	<i>Pennsylvania's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)</i>		
	Require Pennsylvania Department of Human Services to provide guidance and/or training to case workers and new employees to ensure compliance with 7 CFR §272.13 Prisoner Verification System (PVS) requirements, with emphasis on the requirements associated with providing notice to the households of PVS match results and establishment of claims for individuals who have been incarcerated for over 30 days.	08/09/17	\$969
81099000112	<i>Audit of Food, Nutrition, and Consumer Services FY15 Firm-Fixed-Price Contract Award Price Reasonableness Determinations</i>		
	Formalize procedures and implement a sufficient contract file management system to track and maintain the Food, Nutrition, and Consumer Services contract files.	08/30/17	\$43,814,036
FS			
08601000741	<i>Forest Service Controls Over Service Contracts</i>		
	Require FS regions to use the national contract for the L380 Fireline Leadership Training Course when it would result in a cost savings to the Government.	12/22/17	\$19,400

Report #	Recommendation Cited	Management Decision Date	Released Amount
FSA			
030060001TE	<i>1993 Crop Disaster Payments— Brooks/Jim Hogg Cos., TX</i>		
	Coordinate with OIG Investigations before taking administrative action regarding the cited 27 producers whose eligibility was questioned. Take administrative action to recover payments on cases that are not handled through the legal system.	07/01/02	\$2,203,261
036010007TE	<i>Emergency Feed Program in Texas</i>		
	Instruct the Reeves County Executive Director (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 CED 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
500990011SF	<i>Crop Bases on Lands with Conservation Easements</i>		
	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

Report #	Recommendation Cited	Management Decision Date	Released Amount
	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	<i>Tobacco Transition Payment Program—Quota Holder Payments and Flue-Cured Tobacco Quotas</i>		
	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	<i>Farm Service Agency Payment Limitation Review in Louisiana</i>		
	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	<i>Hurricane Relief Initiatives— Livestock and Feed Indemnity Programs</i>		
	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	<i>Hurricane Indemnity Program— Integrity of Data Provided by RMA</i>		
	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 recommendation 6 in report, but coded as part of recommendation 5). 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	<i>Biomass Crop Assistance Program— Collection, Harvest, Storage, and Transportation Matching Payments</i>		
	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

Report #	Recommendation Cited	Management Decision Date	Released Amount
	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
	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	<i>American Recovery and Reinvestment Act Trade Adjustment Assistance for Farmers Program</i>		
	Collect Trade Adjustment Assistance for Farmers 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	<i>Livestock Forage Program</i>		
	Review and recover improper overpayments of \$358,956 due to errors in calculating Livestock Forage Program payments.	09/18/15	\$358,956
NRCS			
10601000132	<i>Controls over the Conservation Stewardship Program</i>		
	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

Report #	Recommendation Cited	Management Decision Date	Released Amount
	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
RBS			
346010006AT	<i>Rural Business-Cooperative Service's Intermediary Relending Program</i>		
	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
50601000221	<i>Hispanic and Women Farmers and Ranchers Claim Resolution Process</i>		
	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 Contracting Officer to ensure appropriate actions are taken to meet regulations, including any penalties that may be assessed.	03/31/16	\$144,011

Report #	Recommendation Cited	Management Decision Date	Released Amount
34601000122	<i>Intermediary Relending Program</i>		
	RBS should take appropriate action to recover funds from the intermediary that invested \$1 million of IRP revolved funds in a 12-month certificate of deposit.	11/20/17	\$1,094,008
	RBS should require the intermediary to return the \$1.9 million into the revolving loan fund and remove the non-IRP loans from the portfolio.	11/20/17	\$1,956,151
RHS			
04601000231	<i>Rural Development Single Family Housing Direct Loan Program Credit Reporting</i>		
	Review the status of the \$130,951 in Rural Development funds obligated to HUD for Credit Alert Verification Reporting System costs and deobligate any excess balance.	03/28/16	\$130,951
04601000122(1)	<i>Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans</i>		
	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
04601000122	<i>Rural Housing Service's Controls over Originating and Closing Single Family Housing Direct Loans</i>		
	Secure first lien holder position for the two loans where the secondary mortgage was recorded prior to RHS' mortgage by obtaining a subrogation agreement with the other lenders.	12/18/17	\$998,739
	Develop a training strategy for field officials that includes the delivery of targeted training to address internal control weaknesses identified in this report. The training strategy should include a survey of field officials for their input on training needs for administering the SFH Direct Loan Program.	12/18/17	\$5,550,717

Report #	Recommendation Cited	Management Decision Date	Released Amount
RMA			
056010015TE	<i>Crop Loss and Quality Adjustments for Aflatoxin-Infected Corn</i>		
	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 \$0.25 or less per bushel.	09/20/12	\$15,951,016

Appendix A.14: Audit Reports that Were Not Publically Released (as of March 31, 2018)*

We have no reports that were not publicly released for this reporting period.

*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: INVESTIGATIONS TABLES

Appendix B.1: Summary of Investigative Activities, October 1, 2017–March 31, 2018

Reports Issued: 135	Cases Opened	133
	Cases Referred for Prosecution	119
Impact of Investigations	Indictments	280
	Convictions ^a	272
	Searches	133
	Arrests	217
	Recoveries/Collections ^b	\$3.3
Total Dollar Impact (Millions): \$84.9	Restitutions ^c	\$56.1
	Fines ^d	\$1.4
	Asset Forfeitures ^e	\$22.8
	Claims Established ^f	\$0.7
	Cost Avoidance ^g	\$0.6
Administrative Sanctions: 317	Administrative Penalties ^h	\$0.04
	Employees	15
	Businesses/Persons	302

^a Includes convictions and pretrial diversions. The period of time to obtain court action on an indictment varies widely; therefore, the 272 convictions do not necessarily relate to the 217 arrests or the 280 indictments.

^b Includes money received by USDA or other Government agencies as a result of OIG investigations.

^c Restitutions are court-ordered repayments of money lost through a crime or program abuse.

^d Fines are court-ordered penalties. This includes court-ordered special assessments.

^e Asset forfeitures are judicial or administrative results.

^f Claims established are agency demands for repayment of USDA benefits.

^g Consists of loans or benefits not granted as the result of an OIG investigation.

^h 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, 2017–March 31, 2018

Agency	Indictments	Convictions*
AMS	4	2
APHIS	9	17
ARS	1	0
FNS	209	210
FS	4	9
FSA	29	21
FSIS	4	1
NIFA	4	0
NRCS	2	0
OCIO	0	1
RBS	4	2
RHS	4	6
RMA	6	3
Totals	280	272

*This category includes pretrial diversions.

Appendix B.3: OIG Hotline

Number of Complaints Received

Type	Number
Employee Misconduct	217
Participant Fraud	6,945
Waste/Mismanagement	134
Health/Safety Problem	17
Opinion/Information	38
Bribery	2
Reprisal	0
Total Number of Complaints Received	7,353

Disposition of Complaints

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	83
Referred to Other Law Enforcement Agencies	2
Referred to USDA Agencies for Response	324
Referred to FNS for Tracking	6,712
Referred to USDA or Other Agencies for Information— No Response Needed	208
Filed Without Referral—Insufficient Information	13
Referred to State Agencies	11

Appendix B.4: Additional Investigations Information

In fulfillment of the Inspector General Empowerment Act's (IGEA) 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 the Department of Justice (DOJ) for criminal prosecution, the number of persons OIG referred to State/local authorities for criminal prosecution, the number of indictments/criminal information 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
1	Number of reports issued	135		Number obtained from the Automated Reporting and General Operations System (ARGOS) database is routinely reported.
2	Number of people referred to DOJ criminal	170	Number of people referred for prosecution federally in FY 2018 first half.	Created a report from the database to show cases referred for prosecution during the first half of FY 2018. Queried each case in the database to determine how many individuals were referred for prosecution and to whom they were referred.
2a	Number of people referred to DOJ civil	21	Of the 169 people reported above, 21 were referred to DOJ for both criminal and civil action.	Same as number 2 above.
3	Number of people referred to State/local authorities	116	Number of people referred to State/local authorities in FY 2018 first half.	Created a report from the database to show cases referred for prosecution during the first half of FY 2018. Queried each case in the database to determine how many individuals were referred for prosecution and to whom they were referred.

	Description of Data	Number	Explanation	Source of Data
3a	Number of people referred to State/local authorities	23	Of the 116 people reported above, 23 were referred to both Federal and State entities.	Same as number 3.
4	Indictments from prior referrals	209	Indictments include other charging mechanisms.	Created a report from the database to show cases that had indictments and/or other charging mechanisms claimed during FY18 first half, regardless of when they were referred.
5	Convictions from prior referrals	257	Convictions includes pre-trial diversions.	Created a report from the database to show cases that had convictions and/or pre-trial diversions claimed during FY18 first half, regardless of when they were referred.

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

Allegation of Misconduct Relating to Personally Identifiable Information

The OIG Office of Compliance and Integrity (OCI) conducted an internal investigation into allegations that personally identifiable information was improperly stored on an OIG database. The investigation determined that an OIG senior Government employee was aware that subordinate employees improperly loaded and stored such information on the database. However, the investigation also determined that none of the aforementioned data were improperly disseminated outside of OIG, or otherwise compromised; as such, no breach occurred. The OIG senior Government employee cooperated with investigators but retired from Federal service prior to the completion of the investigation and issuance of the report.

Allegation of Failure to Fully Disclose Potential Conflict of Interest/Failure to Recuse

OCI conducted an internal investigation into allegations involving an OIG senior Government employee's failure to recuse himself from a separate, high profile internal investigation. The allegations that the employee failed to fully disclose a potential conflict of interest and recuse himself during the high-profile investigation were substantiated. The OIG senior Government employee cooperated with investigators. The employee was verbally counseled regarding his failure to fully recuse himself from the matter, and it was determined that there was no impact to the high profile internal investigation. However, during the investigation of his failure to recuse himself, it was discovered that he failed to disclose information regarding an allegation of sexual harassment. He received a letter of admonishment for failure to report the allegation of sexual harassment.

Allegation of Failure to Properly Secure Equipment and Information

USDA OIG entered into an agreement with another OIG to investigate allegations that a USDA OIG senior Government employee failed to properly secure OIG equipment and information as well as allegations of improper disclosure of official OIG information. The investigation revealed that the employee failed to secure certain OIG equipment and improperly disclosed

certain official OIG information. The employee failed to submit to a scheduled compelled interview, retiring from Federal service instead, prior to completion of the investigation and issuance of the report. The matter was referred to DOJ on October 25, 2017, and was declined on that same date.

Appendix B.6: Instances of Whistleblower Retaliation

We have no instances of whistleblower retaliation to report.

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 attempts by the Department to interfere with OIG independence to report.

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

Allegation of Failure to Report Alleged Sexual Harassment

OCI conducted an internal inquiry into an allegation that an OIG senior Government employee failed to report allegations of sexual harassment. It was alleged that the OIG senior Government employee was made aware of, but failed to report in a timely manner, an allegation of sexual harassment. The allegation was not substantiated.

Allegation of Failure to Disclose Witness Impeachment Information

OCI conducted an internal inquiry into an allegation that an OIG senior Government employee failed to disclose to prosecutors potential impeachment information regarding a former OIG employee. It was alleged the OIG senior Government employee was aware of potential witness impeachment information but failed to disclose the information to prosecutors. The allegation was not substantiated.

APPENDIX C: OFFICE OF DATA SCIENCES TABLES

Appendix C.1: Surveys and Reports Issued

Summary of Office of Data Sciences Activities October 1, 2017–March 31, 2018

Subject of Survey	Agencies Surveyed	Survey Group	Survey Population	Survey Participation		Survey Report Issuance Date
				Number and Percentage		
Scientific Integrity	ARS ERS FS NRCS	Research Grade Scientists, including Senior Level Scientific/ Professional, and Senior Science and Technology Service employees	2,212	1,349 (61%)		February 28, 2018
Sexual Harassment	FS	All Region 5 employees (full-time and part-time)	4,810	1,907 (39.6%)		January 23, 2018

APPENDIX D: FREEDOM OF INFORMATION ACT ACTIVITIES

Freedom of Information Act and Privacy Act Requests, October 1, 2017–March 31, 2018

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

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

ACRONYMS AND ABBREVIATIONS

ADHS	Arkansas Department of Human Services
AIP	approved insurance provider
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARGOS	Automated Reporting and General Operations System
ARPA	Agricultural Risk Protection Act of 2000
ARS	Agricultural Research Service
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
CAL FIRE	California Department of Forestry and Fire Protection
CCC	Commodity Credit Corporation
CDM	Continuous Diagnostics and Mitigation
CED	County Executive Director
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COR	Contracting Officer's Representative
CPA	certified public accounting
DATA Act	Digital Accountability and Transparency Act of 2014
DFCS	Division of Family and Children Services
DOD	Department of Defense
DOJ	Department of Justice
EBT	electronic benefit transfer
ERS	Economic Research Service
FA	financial audit
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FCIP	Federal Crop Insurance Program
FEMA	Federal Emergency Management Agency
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Modernization Act
FNS	Food and Nutrition Service
FS	Forest Service

FSA Farm Service Agency
 FSAN Financial Statement Audit Network
 FSIS Food Safety and Inspection Service
 FY fiscal year
 GAO Government Accountability Office
 Ginnie Mae Government National Mortgage Association
 HIP Hurricane Indemnity Program
 HSI Homeland Security Investigations
 HUD Department of Housing and Urban Development
 IDT identity theft
 IES Investigative and Enforcement Services
 IG Inspector General
 IGEA Inspector General Empowerment Act
 IRP Intermediary Relending Program
 IRS Internal Revenue Service
 IRS-CI Internal Revenue Service Criminal Investigation
 IT information technology
 JTF Joint Terrorism Task Force
 LEI Law Enforcement and Investigations
 MIDAS Modernize and Innovate the Delivery of Agricultural Systems
 NAS non-audit services
 NFS National Forest System
 NIFA National Institute of Food and Agriculture
 NRCS Natural Resources Conservation Service
 NSLP National School Lunch Program
 NYPD New York Police Department
 NYSED New York State Education Department
 OASCR Office of the Assistant Secretary for Civil Rights
 OCFO Office of the Chief Financial Officer
 OCI Office of Compliance and Integrity
 OCIO Office of the Chief Information Officer

OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPM	Office of Procurement and Property Management
PA	performance audit
PII	personally identifiable information
POA&M	plan of action and milestones
PVS	Prisoner Verification System
RBS	Rural Business-Cooperative Service
RCPP	Regional Conservation Partnership Program
RD	Rural Development
RHS	Rural Housing Service
RIB	Retailer Investigations Branch
RMA	Risk Management Agency
RUS	Rural Utilities Service
SBA	Small Business Administration
SFH	Single Family Housing
SFSP	Summer Food Service Program
SIP	Scientific Integrity Policy
SNAP	Supplemental Nutrition Assistance Program
TIGTA	Treasury Inspector General for Tax Administration
USAID	United States Agency for International Development
USAO	U.S. Attorney's Offices
USDA	U.S. Department of Agriculture
USSS	U.S. Secret Service
VA	Department of Veterans Affairs
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 4–7, 17–21, 43, 49–54
2. Information Technology Security Needs Continuous Improvement: Pages 3–4
3. USDA Needs to Strengthen Program Performance and Performance Measures: Page 50
4. USDA Needs to Strengthen Controls Over Improper Payments and Financial Management: Pages 45–49
5. USDA Needs to Improve Outreach Efforts: Pages 43–44
6. Food Safety Inspections Need Improved Controls: Page 14
7. FNS Needs to Strengthen SNAP Management Controls: Page 19

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