



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

Second Half

April 1, 2018–September 30, 2018



Fiscal Year 2018

Number 80

November 2018

The background of the slide features a large, light gray circular seal. 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.

OFFICE OF INSPECTOR GENERAL

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

STRATEGIC GOALS

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

Message from the INSPECTOR GENERAL

This *Semiannual Report to Congress* (SARC) covers the 6-month period ending September 30, 2018, and summarizes the most significant accomplishments of the U.S. Department of Agriculture's (USDA) Office of Inspector General (OIG). This year, we are marking the 40th anniversary of the Inspector General Act and the statutory creation of the original 12 OIGs, including USDA OIG. In 1964, USDA OIG was administratively established by the Secretary of Agriculture to provide oversight of USDA programs. Since 1978, we have been part of a community that has grown to include 73 statutory Inspectors General (IG) who collectively oversee the operations of nearly every aspect of the Federal Government.

During the past 6 months, our Office of Investigations issued 119 reports of investigation leading to 430 arrests, 230 indictments, 269 convictions, and \$241.5 million in recoveries and restitutions. We also received 4,953 complaints through our OIG Hotline during this period. Our Office of Audit completed 24 interim and final reports that resulted in 117 recommendations and \$27.9 million in questioned costs or funds to be put to better use. In addition, we completed two final action verification reports.

The highlights of these activities, discussed below, are described according to our strategic goals, as outlined in *OIG's Annual Plan—Fiscal Year 2018*. We believe these actions demonstrate our 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

Among the highlights in this reporting period is an extensive criminal investigation that was initiated after the massive recall of more than 1 million pounds of meat and poultry. The case revealed that the facility in question had been operating for years and was processing millions of pounds of meat without the benefit of Federal inspection. In addition, the facility was misbranding the products produced at another location, which enabled uninspected product to be sold to the public as if it had passed inspection. On September 20, 2018, the corporation was sentenced to 60 months of probation, required to abide by a compliance program plan, and ordered to pay a \$1 million fine and a \$400 special assessment fee.

A recent audit related to agroterrorism and emergency preparedness reviewed steps that three USDA agencies—the Animal and Plant Health Inspection Service (APHIS), the Agricultural Research Service (ARS), and the Food Safety and Inspection Service (FSIS)—have taken to prepare for agroterrorism. We found that these agencies developed plans and initiated actions to prevent, detect, and respond to agroterrorism threats or attacks. However, these agencies did not have information readily available to respond to USDA’s Office of Homeland Security’s requests for information. Additionally, all three agencies needed to make improvements to track and implement corrective actions from exercises or actual incidents. The agencies generally agreed with our recommendations.

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

As part of our effort to ensure the integrity of USDA programs, one audit reviewed how the Natural Resources Conservation Service (NRCS) administers the Conservation Innovation Grants (CIG) program. This program awards grants to improve fertilizer, water, and on-farm energy use to innovate environmental markets and make agriculture more resilient to weather extremes. We determined that NRCS needed to strengthen its program monitoring policies and procedures to properly monitor CIG because NRCS reimbursed nearly \$4.4 million to grantees who did not adhere to the terms of grant agreements. This effort will ensure that NRCS is making adequate progress toward achieving the grant project’s objectives, maintaining sufficient records for matching funds, and including program data in its reports to Congress. NRCS generally agreed with our recommendations.

A recent investigation uncovered an elaborate scheme in which forged Rural Business-Cooperative Service (RBS) Business and Industry (B&I) Guaranteed Loan Program (GLP) documents were offered for sale to an investment firm on the financial secondary market. The conspirators subsequently entered into plea agreements and pled guilty in Federal court. While out on bond awaiting sentencing for the initial fraud, the leader of the conspiracy devised another scheme to defraud RBS. He convinced the U.S. District Court to delay his sentencing by stating that he was assisting the victims of his fraud to recover their money. Instead, he was using the time to carry out additional fraud. The leader of the conspiracy used alias names, email accounts, telephone numbers, and internet web pages to create three fraudulent projects that were later guaranteed under the RBS B&I GLP. Posing as a loan officer with a foreign financial institution, he sent emails and other correspondence to RBS to carry out the fraud related to the three fictitious projects. He was aided in his scheme by a new co-conspirator, who also posed as a foreign banking employee.

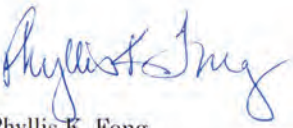
In January 2018, prior to sentencing for the initial fraud, the leader of the conspiracy was apprehended while attempting to flee the United States. On March 6, 2018, he pled guilty to five counts of wire fraud in U.S. District Court for the Northern District of Illinois. He was sentenced to 300 months in prison and 48 months of supervised release and ordered to pay \$174.7 million in restitution and forfeiture.

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

OIG's audits and investigations focused on areas such as improved financial management and accountability, property management, and employee integrity. For example, a recent audit reviewed how USDA oversees the 41,000 vehicles it owns or leases—a \$260 million operation. In 2017, we concluded that both FSIS and the Office of Property and Fleet Management (OPFM) needed to improve their controls over the handling of alleged employee vehicle misuse complaints. We followed up by reviewing vehicle management activities at APHIS and the Forest Service (FS) and identified similar issues at both the agency and Departmental levels. We discovered that neither OPFM nor the agencies took effective actions to manage the continued use of more than 23,000 underutilized vehicles. In addition, the agencies did not properly investigate allegations that employees misused Government vehicles. Agency employees also operated Government vehicles without sufficient documentation to support authorization and qualification requirements. This occurred because OPFM did not provide agencies with procedures to ensure drivers met requirements. OPFM officials concurred with our findings and recommendations.

In May 2016, OIG received information that a private contractor was paying kickbacks in the form of money and a vehicle to an NRCS contracting officer. After an OIG investigation, the NRCS contracting officer was sentenced on August 1, 2018, to 14 months in Federal prison and ordered to return a vehicle received as part of a kickback. On August 29, 2018, in U.S. District Court, District of Utah, the contracting company was sentenced to 60 months of probation and ordered to pay \$326,324 in restitution and a \$400 special assessment fee.

In summary, these accomplishments are the result of the dedicated work of OIG's professional staff and their commitment to ensuring the efficiency and effectiveness of USDA programs. As we commemorate the 40th anniversary of the signing of the IG Act, we look forward to continuing our efforts to provide independent and effective oversight of USDA and working with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) on important issues that cut across our Government. And, finally, we appreciate the continued support of USDA Secretary Sonny Perdue, Deputy Secretary Stephen Censky, and key Congressional committees and Members of Congress.



Phyllis K. Fong
Inspector General

REPORTS



22

FINAL

2

INTERIM

2

FINAL ACTION
VERIFICATION

117

RECOMMENDATIONS

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

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.



21

REPORTS IN WHICH
MANAGEMENT DECISION
WAS REACHED
(FINAL AND INTERIM)

ACTIVITIES SUMMARY



103
program improvements
(100 final recommendations, 3 interim)

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.

25
monetary
(23 final recommendations, 2 interim)

AUDIT TOTAL DOLLAR IMPACT

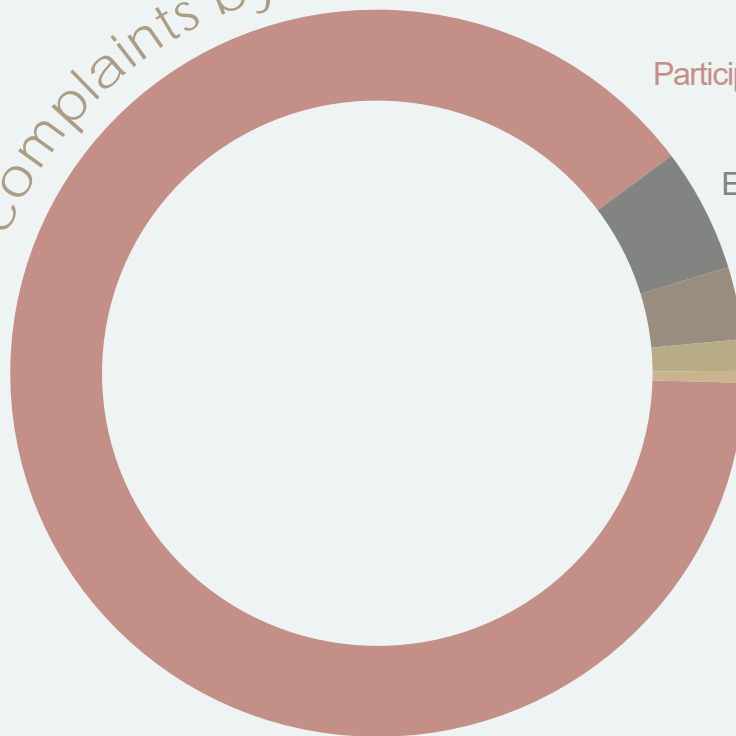
\$27.9
million



Hotline Complaints

During this reporting period, the Hotline received **4,953** complaints, including allegations of participant fraud, employee misconduct, mismanagement, safety issues, bribery, reprisal, and opinions about USDA programs.

hotline complaints by type



Participant Fraud: 4,427

Employee Misconduct: 272

Waste / Mismanagement: 159

Opinion / Information: 69

Other: 26

See Table B.3, page 111
for details

ACTIVITIES SUMMARY



230

INDICTMENTS



269

CONVICTIONS



430

ARRESTS



119*

REPORTS ISSUED

*includes two from the Office of Compliance and Integrity

INVESTIGATIONS TOTAL DOLLAR IMPACT

\$241.5 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 information technology security and management.

16.8% of total direct resources were devoted to Goal 1

98.5% of these resources were assigned to critical-risk and high-impact work

AUDIT



5 reports issued
(including 1 interim report)



28 recommendations

approx. **\$1.4 million** in monetary results

INVESTIGATIONS



81% of cases resulted in action



24 indictments



44 convictions

approx. **\$62,000** in monetary results

USDA Program Highlights in Support of Goal 1

Improve the Safety and Security of:

Departmental Resources

IT Security

Public Health and Agriculture

- Continuous Diagnostics and Mitigation Assessment*
- Improper Usage of USDA's IT Resources*†
- Security Over Select USDA Agencies' Networks and Systems*

* Represents cross-agency activities or reviews
† Interim Report

- Agroterrorism Prevention, Detection, and Response*
- Commodity Purchases for International Food Assistance Programs (AMS)
- Federal Meat Inspection Program (FSIS)
- Dog and Cock Fighting (APHIS)
- Animal Quarantine Program (APHIS)
- Plant Quarantine Program (APHIS)

Scorched trees from Beaver Creek Fire, west of Halley, Idaho. 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

USDA Agency Activities for Agroterrorism Prevention, Detection, and Response

Agroterrorism is a threat to national security and could result in human illness and death, destruction of crops and livestock, and economic loss to farmers and ranchers. OIG focused on three USDA agencies with mission areas related to agroterrorism and emergency preparedness: APHIS, ARS, and FSIS. We found the agencies developed plans and initiated actions to prevent, detect, and respond to agroterrorism threats or attacks. However, we identified improvements the agencies can make to better track and report these actions.

First, OIG found that the three agencies did not have information readily available to respond to USDA's Office of Homeland Security's (OHS) requests related to the Homeland Security Presidential Directive-9 tracking document, the Sector Critical Infrastructure Protection Annual Report, and the Food and Agriculture Sector-Specific Plan. Also, APHIS and ARS did not report vulnerability assessment actions or results to OHS. FSIS did report vulnerability assessments, but did not have sufficient information to indicate the status of corrective actions to address vulnerabilities. Finally, all three agencies need to make improvements to track and implement corrective actions from exercises or actual incidents. The agencies generally agreed with our recommendations, and OHS stated these recommendations should bolster its efforts to oversee USDA's agroterrorism preparedness. (Audit Report 50701-0001-21)

Agricultural Marketing Service's Commodity Purchases for International Food Assistance Programs

The Agricultural Marketing Service's (AMS) mission is to oversee programs that create domestic and international marketing opportunities. For international commodity purchases, AMS' Kansas City Commodity Operations International Procurement Division (IPD) manages procurement of food assistance on behalf of the United States Agency for International Development and USDA's Foreign Agricultural Service (FAS).

Although OIG did not identify any issues with vendor outreach or vendor qualification, there are some controls AMS could strengthen in this program. OIG found, within the scope of our review, that IPD did not close out 1,109 of

SAFETY AND SECURITY

1,171 completed commodity contracts within the required 6-month timeframe. This occurred because IPD did not have an established method to track when contract closeout procedures should begin. We also found that IPD did not have a method to monitor whether contracts were closed in a timely manner. We identified that unliquidated obligation amounts associated with the backlog totaled over \$640,000.

Further, we found that IPD did not effectively manage unliquidated obligations for completed contracts to ensure that excess funds were released. This occurred because the Fund and Commodity Management Office provided incomplete and inconsistent unliquidated obligation monitoring reports to IPD for review. As of July 2017, there were more than \$1.35 million of unliquidated obligations from completed contracts, which includes the \$640,000 backlog. These are funds that could otherwise be used for program activities. AMS agreed with our findings and OIG accepted the actions AMS proposed to address the recommendations.
(Audit Report 03601-0002-41)

Improper Usage of USDA's Information Technology Resources—Interim Report

We initiated a review of USDA's controls in place to protect information technology (IT) resources, including Government-issued computers and mobile devices and the USDA network, from inappropriate use.



OIG's Technical Crimes Division employs a digital intelligence forensic imaging kit. Digital forensic examiners use this tool to extract and authenticate electronically stored information while protecting it from alteration.

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

During the course of our work, we found that USDA and agency controls do not prevent USDA users from improperly using USDA IT resources, nor do they consistently detect inappropriate activity. We sent an interim report to Office of the Chief Information Officer (OCIO) for immediate corrective action. OCIO generally accepted our findings and recommendations. We expect to complete our work and issue a final report in fiscal year (FY) 2019. (Audit Report 50501-0020-12(1))

Continuous Diagnostics and Mitigation Program Assessment

Continuous Diagnostics and Mitigation (CDM) provides Federal departments and agencies with capabilities and tools that identify cybersecurity risks on an ongoing basis, prioritizes these risks based on 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 to more efficiently allocate cybersecurity resources. OIG contracted with a private IT consulting firm to independently assess USDA's implementation of CDM and recommend best practices. The independent firm issued a report to OIG, which was provided to OCIO, on the results of the CDM assessment based on the analysis it has performed to date. (Report 50025-0001-12)

Security Over Select USDA Agencies' Networks and Systems, FY 2018

OIG performed an audit of each USDA agency and staff office to provide an overall assessment of the management and security of the Department's IT resources. We reviewed: (1) relevant laws, regulations, and industry best practices in order to gain sufficient knowledge to evaluate USDA's IT security posture; and (2) each entity's responses to OIG's IT security survey and followup interviews. We requested evidence, including IT and other related organizational policies and procedures, to support the answers to selected questions. We found that the Department did not fully implement these federally mandated controls. OCIO agreed with the findings and recommendations and stated that it has initiated corrective actions. (Audit Report 50501-0017-12)

Custom Slaughterhouse Owner in Washington Sentenced for Adulteration of Meat

On May 11, 2018, a custom slaughterhouse owner and operator was sentenced in U.S. District Court, Western District of Washington, to 90 days in prison and 12 months of probation and ordered to pay a \$2,500 fine.



Office of Inspector General special agents discovered this pig/hog scalding rack, which indicated the owner was slaughtering pigs in an unsanitary manner. This investigation led to the slaughterhouse owner being indicted for two felony counts of adulterating meat being held for sale and one count of inhumane slaughtering.

OIG photo.

On February 14, 2018, he pled guilty to adulteration of meat being held for sale because of the unsanitary condition of the equipment used to slaughter the animals. On October 26, 2017, he was indicted on two felony counts of adulteration of meat being held for sale and one count of inhumane slaughtering. The investigation began in October 2016, after OIG received information that the operator was illegally slaughtering animals. On March 2, 2017, OIG agents along with investigators from FSIS, the King County Sheriff's Office, King County Animal Services, and the Washington State Department of Agriculture conducted a search warrant at the illegal slaughterhouse and the operator's residence.

Six Individuals Sentenced in Multi-State Animal Fighting Investigation

This investigation was initiated as a result of information received from the Drug Enforcement Administration (DEA) regarding a possible animal fighting ring. On November 17, 2015, during the execution of a drug search warrant in Vineland, New Jersey, DEA agents saw six pit bull terrier puppies and dogs crated in the basement, a slap/treadmill, and vials of liquids believed to be some type of steroid. On November 19, 2015, OIG agents, with the assistance of the DEA, executed a search warrant at the same location and seized the six pit bull terriers and associated animal fighting paraphernalia. On June 1, 2016, 10 search warrants were executed in the District of Columbia, Illinois, Indiana, New Jersey, and New Mexico, and 10 people were arrested and charged. To date, 98 dogs have been rescued and either surrendered or forfeited to the Government as part of this case, dubbed “Operation Grand Champion.” As a result, six individuals have pled guilty to charges including: sponsoring or exhibiting a dog in an animal fighting venture; possessing a dog intended for use in an animal fighting venture; and conspiracy to buy, sell, receive, transport, deliver, and possess dogs intended for use in an animal fighting venture. They have been sentenced to more than 100 months of imprisonment collectively and have been ordered to pay special assessment fees and fines up to \$7,500 each. The most recent sentencing occurred in August 2018. Four individuals have yet to enter pleas, and their trials should begin in early FY 2019.

California Corporation and Owners/Operators Sentenced for Illegal Meat and Poultry Processing

On September 20, 2018, the owner of a California meat and poultry processing plant was sentenced in the Central District of California to 24 months of probation, ordered to pay a \$5,000 fine and a \$50 special assessment fee, and required to complete 100 hours of community service. The manager was sentenced to 24 months of probation, ordered to pay a \$20,000 fine and a \$50 special assessment fee, and required to complete 100 hours of community service. In addition, the corporation was sentenced to 60 months of probation, required to abide by a compliance program plan, and ordered to pay a \$1 million fine and a \$400 special assessment fee. An extensive criminal investigation was initiated soon after a massive detention and recall of over 1 million pounds of meat was initiated in February 2012. The facility had been in operation for years and was processing millions of pounds of meat without the benefit of Federal inspection. In addition, the facility was misbranding the products produced

GOVERNMENT-WIDE ACTIVITIES—GOAL 1

at another location. This misbranding enabled the non-federally inspected product to be presented for sale to the public as product that passed inspection. On June 11, 2018, the owner and the manager pled guilty. On July 31, 2018, the three co-defendants entered pleas.

Participation on Committees, Working Groups, and Task Forces

Animal Protection Task Forces and Pest Risk Committees.

OIG special agents continue to actively participate in the Central California Animal Fighting Working Group, along with agents from the Federal Bureau of Investigation (FBI); the Bureau of Alcohol, Tobacco, Firearms and Explosives; the DEA; U.S. Postal Inspection Service; and Homeland Security Investigations (HSI); and local law enforcement partners. Agents in the Sacramento and San Bernardino, California, areas are members of their local anti-animal cruelty task forces. Additionally, in Minnesota, OIG participates in the Minnesota Pest Risk Committee, which is comprised of Federal, State, and local representatives who focus on the efforts used 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. OIG agents in Minnesota also 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. In San Bernardino County, our agents actively participate in the rural crimes task force. In Georgia, one of our agents participates in a working group to combat human trafficking. This group is comprised of Federal, State, and local welfare and law enforcement agencies who jointly investigate fraudulent activities involving marginalized members of society who are susceptible to human trafficking.

Environmental Crimes. In Colorado, New Jersey, and Washington, our agents participate in Federal environmental crimes task force/working groups. In Oregon, an OIG agent participates in the environmental crime working group, commonly known as the “Green Team.” Also in Colorado, OIG agents participate in the Cactus Smuggling Working Group.

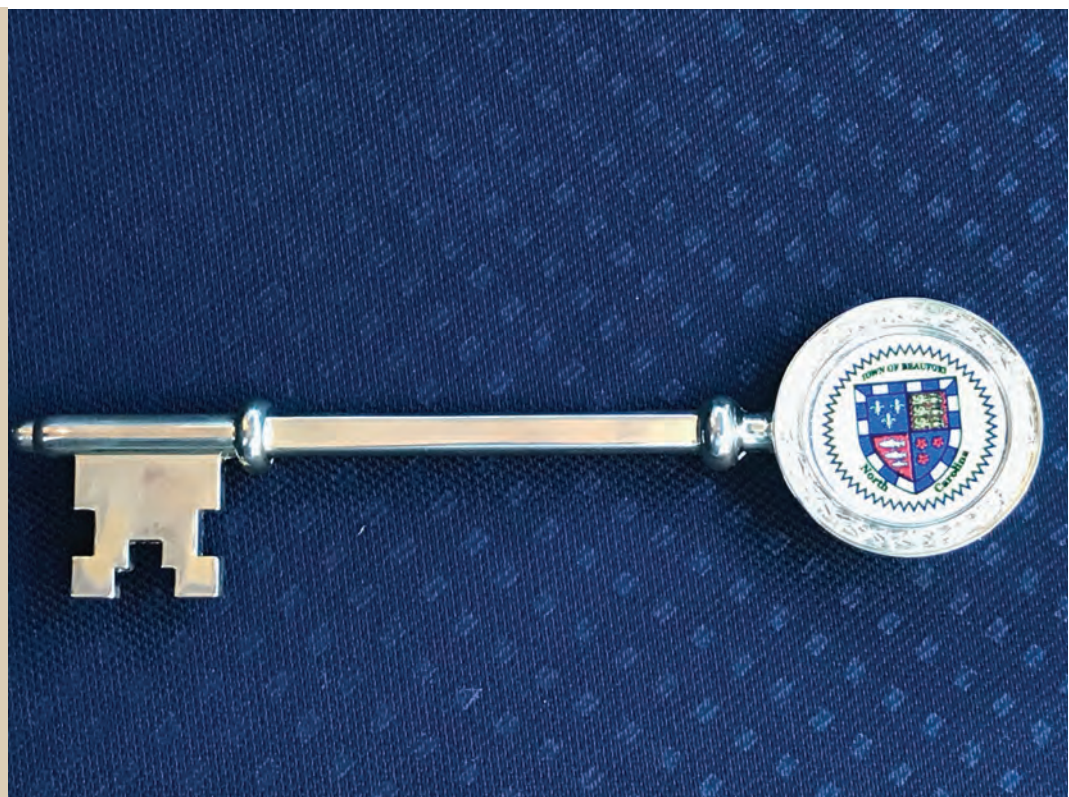
FBI Joint Terrorism Task Forces. In California, Illinois, Ohio, and Oregon, OIG agents are members of the FBI's Regional Joint Terrorism Task Force (JTTF). In Seattle, Washington, an OIG agent is a member of the Inland Northwest Intelligence Officers through the JTTF. Working with other task force entities,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

Anti-Terrorism/Counter-Terrorism Advisory Councils. In Minnesota, OIG participates in the Arrowhead Counter-Terrorism Task Force. The FBI leads this group of regional law enforcement and emergency response providers, which meets monthly for training sessions and sharing information on various terrorist organizations. This better enables the disruption, prevention, and prosecution of terrorism.

U.S. Marshals Service Fugitive Task Forces. OIG agents in Arizona, Michigan, Minnesota, North Dakota, and Ohio participate on the U.S. Marshals Service Fugitive Task Forces, which were established under the Presidential Protection Act of 2000. Their primary mission is to

Office of Inspector
General agents
participating in
the response to
Hurricane Florence
were presented
with the key to the
city of Beaufort,
North Carolina, one
of the affected
communities.

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



investigate and arrest, as part of joint law enforcement operations, persons who have active Federal and State warrants for their arrest. In addition to providing assistance in locating fugitives, these task forces also provide help in serving warrants. Overall, this joint effort results in improving public safety and reducing violent crime.

Emergency Support Function-13 Activation. As part of the Federal response to provide assistance during and in the aftermath of Hurricane Florence, 11 OIG agents deployed as a Quick Reaction Team. The agents were assigned to the Nevada Urban Search and Rescue Team providing security during rescue operations. As a result of their efforts, they were presented a symbolic “key to the city” from Beaufort, North Carolina.

Federal Audit Executive Council IT Committee. OIG auditors are members of the Federal Audit Executive Council IT Committee, which, among other things, discussed changes and provided feedback on the draft FY 2018 metrics relating to the Federal Information Security Management Act of 2002 (FISMA). 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

- » Controls over imported meat and poultry products (FSIS),
- » Storage and handling of commodities for international food assistance programs (AMS),
- » Cooperative Interstate Shipment Program (FSIS),
- » Controls over meat, poultry, and egg product labels (FSIS),
- » Compliance with written recall procedures (FSIS),
- » Oversight of the New Poultry Inspection System (FSIS),
- » National Veterinary Stockpile oversight (APHIS),
- » FY 2018 Federal Information Security Modernization Act (OCIO),
- » FY 2019 Federal Information Security Modernization Act (OCIO),
- » Data encryption controls over personally identifiable information on IT systems (USDA),
- » Improper usage of IT resources (USDA), and
- » Controls to prevent the unauthorized transfer of research technology (USDA).





Foreign countries that export meat, poultry, and egg products to the United States are required to establish and maintain inspection systems equivalent to those of the United States. The Food Safety and Inspection Service reviews foreign inspection systems and reinspects meat and poultry at the port-of-entry to ensure that foreign countries have maintained equivalent inspection systems.

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



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.

52.1% of total direct resources were devoted to Goal 2

99.4% of these resources were assigned to critical-risk and high-impact work

AUDIT



13
reports issued
(including 1 interim
report)



66
recommendations

over **\$14.5 million**
in monetary results

INVESTIGATIONS



90%
of cases
resulted in
action



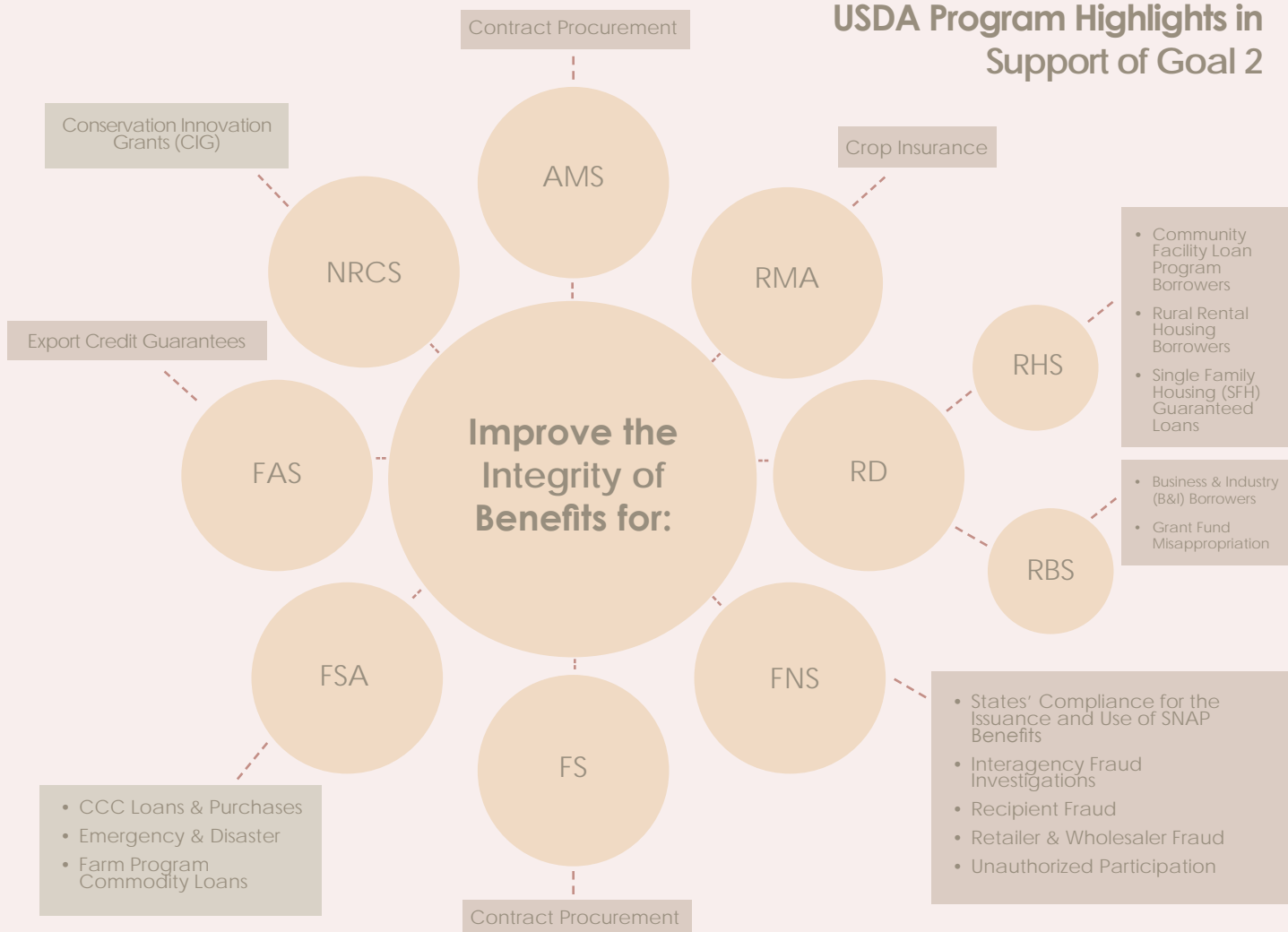
200
indictments



218
convictions

approx. **\$240.4 million** in monetary results

USDA Program Highlights in Support of Goal 2



Detail of a tree outside of the Jamie L. Whitten Building in Washington, D.C. This photo does not depict any particular audit or investigation. OIG photo.

GOAL 2

Examples of Audit and Investigative Work for Goal 2

Controls Over the CIG Program

NRCS administers the CIG program by awarding grants to State and local governments or nongovernmental organizations, Native American tribes, and individuals to improve fertilizer, water, and on-farm energy use.

These grants help to improve water quality and to make agriculture more resilient to weather extremes. We determined NRCS needs to strengthen its program monitoring policies and procedures. Specifically, we found that



The Farm Security and Rural Investment Act of 2002 established the Conservation Innovation Grant program to stimulate development and adoption of innovative conservation approaches and technologies in conjunction with agricultural production. Grantees have worked with the Natural Resources Conservation Service, farmers, ranchers, and forest landowners to develop next generation conservation approaches and technologies.

This photo does not depict any audit or investigation. Photo from USDA Flickr.

INTEGRITY OF BENEFITS

NRCS did not: (1) properly monitor CIG to ensure adequate progress toward achieving the grant project's objectives; (2) maintain sufficient records for matching funds for 4 out of the 11 CIG awards we reviewed; (3) include any State CIG program data relating to award funding and project results in NRCS' FY 2014 and FY 2016 reports to Congress; (4) make timely payments on 100 of 229 CIG payment requests; or (5) establish a conflict of interest policy or maintain copies of the required forms.

These issues occurred because NRCS' existing procedures and policies for reviewing and monitoring CIG are insufficient. More specifically, NRCS reimbursed nearly \$4.4 million to grantees who did not adhere to the terms of grant agreements; NRCS cannot confirm that grantees collected and used matching funds from non-Federal sources during their projects; and NRCS national officials could not determine whether State CIGs facilitated the adoption of approaches to address the Nation's natural resource concerns. Also, in the absence of a conflict of interest policy, NRCS approving officials could have a vested interest in the work conducted under CIGs or in the grant recipients. NRCS generally agreed with our recommendations. (Audit Report 10099-0001-23)

Agriculture Risk Coverage and Price Loss Coverage Programs

The 2014 Farm Bill authorized the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. The ARC portion of the program protects producers against revenue shortfalls. Two options were available under ARC: county coverage (ARC-CO), which offered protection based on county average yields; and individual coverage, which based protection on an individual farm's yields. The PLC portion of the program protects producers against price declines.

We found that the Farm Service Agency (FSA) issued documentation that may have incorrectly characterized ARC-CO as revenue protection, while the Department characterized the program differently. This occurred because FSA did not properly coordinate with appropriate groups when implementing ARC-PLC. As a result, the public may not understand the goal of the program clearly. We also found that FSA made ARC-CO payments based on each farm's administrative county instead of the county where the farm was physically located. The agency did not consider whether physical location was a more reasonable approach when implementing the 2014 Farm Bill. Lastly, we found that 10 of 30 PLC yields we reviewed were incorrect based on our review of production records and historical FSA records. This occurred because either PLC yields were calculated incorrectly or FSA's spot-check

review process was not robust enough to identify errors with retained yields. As a result, FSA made \$109,580 in improper payments combined for crop years 2014 and 2015. FSA agreed with our findings and recommendations. (Audit Report 03601-0002-31)

Actual Revenue History Underwriting for Sweet Cherries

Actual revenue history (ARH) crop insurance plans protect producers from losses due to low yields, low prices, low quality, or any combination of these events. Cherry crops insured under ARH are in a pilot program only available in a limited number of States and counties. This plan requires the producers to accurately report and self-certify their revenues and farming operations annually by March 1 in California and January 15 in all other States. Approved insurance providers (AIP) use producers' self-certified revenues to compute and determine the ARH and related premiums, liabilities, and subsidies for each policy.

The Risk Management Agency's (RMA) controls and oversight of the AIPs' underwriting of ARH sweet cherry crop insurance policies were generally sufficient to ensure that the two OIG-reviewed AIPs complied with underwriting and quality control requirements. However, we identified revenue reporting errors and supporting documentation issues in approximately 33 percent of the policies in the non-statistical sample we reviewed. This occurred because revenue histories provided by producers for these policies were not subject to AIP quality control reviews, and the AIPs were unable to obtain acceptable supporting documents from producers for four policies. As a result, the two AIPs we reviewed made policy determinations based on inaccurate revenue histories, and, in one instance, overpaid an indemnity by \$3,683. RMA generally agreed with our recommendations, and OIG accepted RMA's decisions on all three recommendations. (Audit Report 05601-0003-22)

Texas Boll Weevil Eradication Foundation Cooperative Agreement

APHIS, the Texas Boll Weevil Eradication Foundation (TBWEF), and the Texas Department of Agriculture have shared a long-standing commitment to eradicate the boll weevil from cotton acreage in Texas. Together, these entities have removed the boll weevil from 97 percent of Texas. While APHIS officials generally fulfilled the agency's requirements for approving the cooperative agreement with TBWEF, we identified



Cherry crops insured under actual revenue history are in a pilot program only available in a limited number of States and counties. This plan requires the producers to accurately report and self-certify their revenues and farming operations annually.

This photo does not depict any audit or investigation. Photo from USDA Flickr.

concerns with APHIS' cooperative agreement monitoring process as well as APHIS' oversight of how TBWEF used Federal funding to pay for expenditures.

Specifically, we identified three weaknesses: (1) APHIS officials did not adequately maintain internal control over the cooperative agreement with TBWEF to ensure Federal funding was properly expended; (2) TBWEF used FY 2015 Federal funds for expenses it incurred in FY 2014; and (3) APHIS did not establish a conflict of interest policy for its FY 2015 and FY 2016 cooperative agreements with TBWEF. APHIS needs to address these weaknesses to ensure TBWEF uses Federal funds in the most effective manner to eradicate the boll weevil from Texas. APHIS generally agreed with our recommendations. (Audit Report 33099-0001-23)

Single Family Housing Guaranteed Loan Program— Liquidation Value Appraisals—Interim Report

The Rural Housing Service (RHS), an agency within the Rural Development (RD) mission area, administers the Single Family Housing (SFH) GLP. This program is designed to provide low- and moderate-income persons in rural areas with an opportunity to own decent, safe, and sanitary dwellings. The program reduces a private lender's risk of loss because the Federal Government will reimburse up to 90 percent of the original loan amount to the lender if a borrower defaults on a loan. This payment is considered a "loss claim." A lender receives a loss claim payment on unsold real estate owned property. Once sold, the lender reports the final sale of the property. If the sale price is greater than the liquidation value appraisal amount, the lender pays a future recovery amount calculated by the Guaranteed Loan System (GLS).

During this audit, we found a loan in GLS that displayed an incorrectly calculated future recovery amount. We informed Customer Service Center (CSC) officials, who stated this occurred because a GLS automation control was disabled in July 2015. As a result, GLS and RHS did not identify future recovery amounts due for the loan we identified. CSC officials also identified additional loans with recovery amounts affected by the disabled automation control. In total, CSC calculated applicable lenders owed RD approximately \$768,722 in future recovery on 80 loans. RD, RHS, and CSC officials concurred with our finding and recommendations. This audit is ongoing and the final report should be issued in FY 2019.
(Audit Report 04601-0001-23(1))

FAS' Export Credit Guarantee Program

USDA's Export Credit Guarantee Program, administered by FAS, provides payment guarantees to U.S. exporters to facilitate the financing of commercial exports of U.S. agricultural commodities. FAS administers the Export Credit Guarantee Program on behalf of the Commodity Credit Corporation (CCC). The program was designed to increase exports of U.S. agricultural commodities, expand access to trade and finance, and assist developing countries and emerging markets in meeting their food and textile needs.

We found that, although FAS has adequate controls in place to help ensure that the Export Credit Guarantee Program is administered correctly, the agency has not conducted compliance reviews of the program since FY 2015. This occurred because FAS made significant changes to the

regulations governing the program in FY 2015 and suspended further compliance reviews of the program until it updates both the overall process for conducting these reviews and its review guide to account for the regulation changes. We consider these reviews an important component of FAS' controls over the Export Credit Guarantee Program because, without these reviews, there is no assurance that exporters participating in the program are complying with requirements or that the program is protected from fraud, waste, and abuse. FAS officials informed us that a new review guide is in development, but no issue date has been established. FAS agreed with our finding and recommendations. (Audit Report 07601-0001-41)

New York's Controls Over the Summer Food Service Program

The Summer Food Service Program (SFSP) provides nutritious meals for children in low-income areas when school is not in session. The New York Education Department (State agency) oversees and reimburses sponsors for serving the Food and Nutrition Services' (FNS) SFSP meals. In order to effectively operate SFSP, the State agency must have adequate controls that ensure compliance with FNS requirements.

We found that all five of the New York SFSP sponsors we reviewed had multiple instances of sponsor noncompliance, including unsupported and questionable costs and reimbursements, inaccurate meal reimbursement rates, and recurring issues identified in previous reviews. State agency officials did not detect or correct these noncompliances because they did not adequately review sponsor information or did not take sufficient corrective action on any errors they found. Additionally, we found that sponsor oversight needs improvement. We found that 6 of the 10 meal sites we visited had 14 SFSP noncompliances, including improper meal counts, incomplete delivery receipts, and other issues. These occurred because sponsors did not ensure that site staff were trained adequately or that the sites were monitored sufficiently. We also found that one of the five sponsors we reviewed did not comply with outreach requirements due to its lack of awareness of program requirements. As a result of these as well as additional findings, there was reduced assurance of program integrity. FNS generally agreed with our findings and recommendations. (Audit Report 27004-0001-23)

Reviews of States' Compliance with Requirements for the Issuance and Use of Supplemental Nutrition Assistance Program Benefits (7 CFR, Part 274)

As the largest program within USDA and one of the largest programs in the Federal Government, the Supplemental Nutrition Assistance Program (SNAP) presents a unique challenge for its program managers. Given its size, taxpayer-funded assistance may not always be delivered or used as intended. To assist with our work, OIG contracted with an independent certified public accounting (CPA) firm to conduct agreed-upon procedure engagements to assess whether States are complying with SNAP requirements and to provide FNS with recommendations to enhance program efficiency and effectiveness. The assessments focused exclusively on compliance with select aspects of Title 7 CFR Part 274, Issuance and Use of Program Benefits. The firm's assessment consisted of three parts: obtain an understanding of the State agencies, including their operations, systems, and operating environments; test the State's compliance with 7 CFR, Part 274 at a high level (e.g., policies and procedures); and test compliance on a more granular level through selection of non-statistical samples for six specific areas of 7 CFR, Part 274. Five States were selected for review—Illinois, Iowa, Louisiana, Maryland, and Massachusetts—and a separate report was issued at the completion of work in each State. During this reporting period, we issued reports based on the work completed in these five States and a consolidated report to summarize the work performed by the firm related to these five States.

Illinois' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)

In this review, the contracted CPA firm disclosed that Illinois did not always comply with SNAP regulations related to exempt retailers who, due to the nature of their business or clientele, receive free point-of-sale equipment from the State to process electronic benefit transfer (EBT) card transactions. Specifically, the firm disclosed that Illinois did not properly maintain exempt retailer agreements. Further, agreements were missing minimum required content, including: (1) the requirements that the agreement comply with program regulations with respect to retailer participation in the program and treatment of SNAP households; or (2) the delineation of liabilities during system downtime and the associated responsibilities of each

party with respect to the use of off-line and/or manually entered data, paper vouchers, and re-presented vouchers. The firm recommended that FNS require the State to maintain exempt retailer agreements so that these agreements are obtainable within a reasonable time for inspection, audit, investigation, judicial proceedings, or authorized purposes and also ensure that new agreements contain minimum required content. FNS concurred with all three recommendations. (Audit Report 27601-0014-10)

Iowa's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)

In this review, the contracted CPA firm disclosed that Iowa did not always comply with regulations governing the issuance and use of program benefits. Specifically, the firm disclosed that Iowa did not properly maintain exempt retailer agreements and did not execute a new agreement when retailer information changed. The firm recommended that FNS require the State to: (1) maintain exempt retailer agreements such that agreements are obtainable within a reasonable time for inspection, audit, investigation, judicial proceedings, or other authorized purposes; and (2) ensure that all future exempt retailers with a name change, have a complete, compliant, and executed agreement on file. FNS concurred with the two recommendations. (Audit Report 27601-0015-10)

Louisiana's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)

In this review, the contracted CPA firm disclosed that Louisiana did not always comply with SNAP regulations governing the issuance and use of program benefits. Specifically, the firm reported that Louisiana did not properly maintain exempt retailer agreements and recommended that FNS require the State to maintain exempt retailer agreements such that agreements are obtainable within a reasonable time for inspection, audit, investigation, judicial proceedings, or other authorized purposes. FNS concurred with our recommendation. (Audit Report 27601-0016-10)

Maryland's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)

In this review, the contracted CPA firm disclosed that Maryland did not always comply with SNAP regulations. Specifically, the review focused on Maryland's compliance with statutes governing the issuance and use of program benefits. The firm disclosed that Maryland did not properly maintain exempt retailer agreements and ensure they contained the minimum required content, such as content regarding compliance with all program regulations with respect to retailer participation in the program and treatment of SNAP households. The firm recommended that FNS require the State to maintain exempt retailer agreements such that agreements are obtainable within a reasonable time for inspection, audit, investigation, judicial proceedings, or other authorized purposes. The firm also recommended that FNS require the State to ensure all future exempt retailer agreements contain the minimum required content in the final executed agreement. FNS concurred with our two recommendations. (Audit Report 27601-0017-10)

Massachusetts' Compliance with Requirements for the Issuance and Use of SNAP Program Benefits (7 CFR, Part 274)

In this review, the contracted CPA firm disclosed that Massachusetts did not always comply with SNAP regulations governing the issuance and use of program benefits. Specifically, the firm disclosed that Massachusetts did not properly maintain exempt retailer agreements. Further, other agreements did not contain the minimum required content. The firm recommended that FNS require the State to: (1) maintain exempt retailer agreements so that agreements are obtainable within a reasonable time for inspection, audit, investigation, judicial proceedings, or other authorized purposes; (2) ensure all future exempt retailer agreements contain the minimum required content in the final executed agreement; and (3) ensure that the exempt retailer agreement that the contractor was unable to locate during our fieldwork is on file and includes all required content. FNS concurred with all three recommendations. (Audit Report 27601-0018-10)

Compilation Report of States' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)

The contracted CPA firm prepared a consolidated report that noted common noncompliances with SNAP regulations related to 7 CFR § 274.3, Retailer Management. Specifically, the firm's consolidated report noted that the five assessed States did not properly maintain exempt retailer agreements or ensure they contained the minimum required content. The firm recommended that FNS issue clarification memoranda reiterating the importance of: (1) States' compliance with 7 CFR § 274.3, Retailer Management; and (2) State agencies' and their EBT contractors' requirement to maintain and make available necessary records to determine program compliance. The firm also recommended FNS review specific sections within 7 CFR, Part 274 to determine which sections or related guidance merit revision. FNS generally concurred with all three recommendations. (Audit Report 27601-0019-10)

California Father and Son Sentenced to Prison for Million Dollar Fraud

On September 17, 2018, in U.S. District Court, Southern District of California, a father and son were sentenced for submitting false statements in order to be awarded more than \$4 million of Federal contracts from AMS. They were convicted of wire fraud, wire fraud conspiracy, and falsely making a writing to obtain money from the United States. The father was sentenced to 57 months in prison and 36 months of supervised release and ordered to pay \$1.7 million in restitution (most of which was joint and several with his son). His son was sentenced to 12 months in prison and 36 months of supervised release and ordered to pay \$1.5 million in restitution jointly and severally with his father. These sentences followed their February 8, 2018, guilty pleas. The father and son had submitted to AMS falsified company financial information that overstated the company's ability to perform. They did this so that their company could become an approved vendor to bid on and receive contracts from AMS. From April through August 2014, the company received five contracts from AMS totaling \$4.3 million. The father and son then diverted substantial sums from the company to themselves and defaulted on four of the contracts. On November 2, 2016, the company and the father and son were charged in a 10-count indictment with wire fraud, money laundering, wire fraud



Blueberries are grown commercially in 38 States, including Michigan and Oregon.

This photo does not depict any audit or investigation. Photo from USDA Flickr.

conspiracy, and criminal forfeiture. On September 27, 2017, the father was charged with a superseding indictment, adding one additional count of wire fraud conspiracy.

Michigan Organic Blueberry Farm Owner Sentenced for Misappropriation of Grant Funds

On April 20, 2018, in U.S. District Court, Western District of Michigan, a farm owner/operator was sentenced to 7 months in prison and 24 months of supervised release and ordered to pay \$103,360 in restitution to RD's RBS. RBS offers competitive grants as part of the Value-Added Producer Grant (VAPG) program. These grants provide up to \$200,000 in working capital. Applicants must be independent producers who own 50 percent or more of the agricultural commodities that are the subject of an award. Applicants must demonstrate that grant funds will be matched on a one-to-one basis by individual contributions. Under a VAPG award, USDA pays for 50 percent of eligible expenses, up to the total value of the award, based on awardees' cost-reimbursement requests. In September 2014, this farm owner was awarded a \$200,000 VAPG to continue her organic blueberry farming operation in southwest Michigan.



Dry corn ready for grinding.

This photo does not depict any audit or investigation. Photo from USDA Flickr.

The investigation determined that she diverted grant funds to her personal use. On January 4, 2018, via a bill of information, she was charged with making false, fictitious, or fraudulent claims, and she pled guilty on January 11, 2018.

Farmer in Virginia Sentenced to Prison

On June 25, 2018, a Virginia farmer was sentenced to 6 months in prison and paid \$150,807 in court-ordered restitution pursuant to our Farm Program Commodity Loan fraud investigation. In October 2014, the farmer and his wife obtained a Non-Recourse Marketing Assistance Loan for \$249,600. They pledged 120,000 bushels of corn as collateral, which was equivalent to about 100 tractor-trailer loads. Between October 2014 and May 2015, they sold the collateral without notifying the local FSA office or repaying the loan. On January 3, 2018, the farmer was indicted in the Eastern District of Virginia, and, on March 6, 2018, he pled guilty to one count of conversion of mortgaged property. The farmer remitted payment in full for restitution prior to sentencing, and the additional amount of the loan was offset by program payments he would have received from other USDA programs in which he participated.

Massive Federal Construction Fraud Scheme in South Carolina

This joint investigation identified several individuals who were conspiring to obtain construction contracts issued under the Small Business Administration's (SBA) 8(a) Business Development program, SBA's Economically Disadvantaged Women-Owned Small Business program, and the Department of Veterans Affairs' (VA) 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 subjects conspired to create seemingly eligible contractors who 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, and other Federal agencies. In total, eight 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, seven individuals have pled guilty and been convicted in U.S. District Court, District of South Carolina. From October 2017 through September 2018, they were sentenced to terms ranging from 24 months of probation to 72 months in prison. Additionally, 21 entities or individuals have been debarred from doing business with the Government and 8 entities or individuals have been suspended. The entities and individuals receiving suspensions and debarments include some who were not indicted but were associated with the scheme. One corporation has paid a \$500,000 fine. The court issued a forfeiture order for \$2.6 million for one individual, and \$240,056 of that amount has been recovered. Sentencing for one individual is pending. 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.

Executive Director of a New Hampshire Forestry Institute Sentenced for Making False Statements

On June 15, 2018, in U.S. District Court, District of New Hampshire, a nonprofit organization's executive director was sentenced to 12 months in prison followed by 24 months of supervised release and ordered to pay a \$1,200 special assessment and \$81,195 in restitution to USDA. The investigation was initiated in April 2013, when the Colebrook,

New Hampshire Police Department provided information to OIG based on a complaint it received. The complaint alleged that the executive director had provided fraudulent invoices to RBS in connection with a Rural Business Enterprise Grant. Our investigation revealed that she submitted 12 Request for Advance or Reimbursement forms (Standard Form 270) containing false information and supporting documentation, thereby creating the impression that the nonprofit organization spent funds for authorized grant purposes in order to draw down grant funds. She admitted to RBS personnel that the 2012 grant funds were not used in accordance with the approved scope of work, and that she manufactured contractor invoices. On February 10, 2016, she was charged with 12 counts of making false statements, and, on January 26, 2017, after a jury trial, she was found guilty on all 12 counts.

Guaranteed Loan Fraud Scheme Revealed in Florida


While doing business as a nontraditional lender in RBS' B&I GLP, the individuals and entities investigated devised an elaborate scheme in which forged B&I guaranteed loan documents, purporting to reflect legitimate borrowers, were offered for sale to an investment firm on the financial secondary market. The firm's clientele included several investment funds and financial institutions in Florida, Illinois, and Wisconsin. Via wire transfer, the victim later purchased the fictitious B&I guaranteed loans. The conspirators subsequently entered into plea agreements and pled guilty in the U.S. District Court for the Northern District of Illinois.

While out on bond and awaiting sentencing for the initial fraud, the leader of the conspiracy devised another scheme to defraud RBS. He convinced the U.S. District Court for the Northern District of Illinois to delay his sentencing by representing to the court that he was assisting the victim in recovering money he obtained from the fraud. Instead, he was using the time to carry out additional fraud. The leader of the conspiracy used alias names, email accounts, telephone numbers, and internet web pages to create three fraudulent projects that were later guaranteed under the RBS B&I GLP. Posing as a loan officer with a foreign financial institution, he sent numerous emails and correspondence to RBS to carry out the fraud related to the three fictitious projects. He was aided in his scheme by a new co-conspirator who also posed as a foreign banking employee. The three loans were for purported assisted living facilities in Florida.



Ranchers sometimes pledge livestock as collateral to private banks in order to receive loans.

This stock photo does not depict any audit or investigation. Photo from USDA Flickr.



In January 2018, prior to sentencing for the initial fraud, the leader of the conspiracy was apprehended attempting to flee the United States. After his bond was revoked and he was remanded to custody awaiting sentencing, he continued to provide detailed instructions, via jail telephone calls, to his co-conspirator on how to continue the scheme. He explicitly instructed the co-conspirator on how to access web pages and email accounts that were previously created to give the façade of a legitimate business. He also instructed the co-conspirator on who to contact at the RD State office in Florida and at the secondary market purchaser of the guaranteed loans. On March 6, 2018, he pled guilty to five counts of wire fraud in U.S. District Court for the Northern District of Illinois. He was sentenced to 300 months in prison and 48 months of supervised release and ordered to pay \$174.7 million in restitution and forfeiture.

On May 3, 2018, the co-conspirator in the initial fraud scheme pled guilty to one count of wire fraud and was sentenced to 120 months in prison and 24 months of supervised release and ordered to pay \$27.6 million in restitution (jointly and severally with the leader of the conspiracy). On July 2, 2018, the co-conspirator in the second fraud scheme was sentenced to 24 months in prison, followed by 24 months of supervised release, and ordered to pay \$7 million in restitution. The court ordered the forfeiture of \$6.4 million in monetary assets seized from a financial account connected to the conspiracy. Additional action is pending for the leader of the conspiracy for his role in the second fraud scheme. This was a joint investigation with the FBI.

Oklahoma Livestock Operator Sentenced for Loan Fraud

On June 4, 2018, in U.S. District Court, Western District of Oklahoma, a livestock operator was sentenced to 21 months in prison, followed by 60 months of supervised release, and ordered to pay \$651,970 in restitution and a \$100 special assessment. The investigation began when OIG received information from the FBI that a man had defaulted on stocker cattle loans guaranteed by FSA through a bank in Cordell, Oklahoma. The investigation revealed that, from May through September 2014, the man knowingly pledged livestock that did not belong to him as collateral and submitted false statements to a private bank and FSA to refinance a loan totaling \$346,500. On November 27, 2017, he pled guilty to loan application fraud.

Mississippi Men Sentenced for Lacey Act Violations

On September 11, 2018, in U.S. District Court, Southern District of Mississippi, two men were each convicted of one count of conspiracy to violate the Lacey Act. Each was sentenced to 36 months of probation and required to pay a \$10,000 fine along with \$120,000 in restitution jointly and severally. This investigation was conducted jointly with the United States Fish and Wildlife Service and the Mississippi Department of Wildlife, Fisheries, and Parks to determine if the men fraudulently conspired to transport white-tailed deer to Mississippi. This investigation disclosed that from 2010 through 2012, they transported numerous white-tailed deer from Indiana and Pennsylvania to Mississippi in violation of the Lacey Act. On September 8, 2017, both men were charged via a bill of information with Lacey Act violations.

FNS FRAUD INVESTIGATIONS

A significant portion of OIG's investigative resources is dedicated to ensuring the integrity of FNS' SNAP by combating the practice of exchanging benefits for currency or other ineligible items. Working closely with FNS, OIG had a number of prosecutions in SNAP-related investigations in the second half of FY 2018. Below are several examples of investigations involving FNS programs resulting in significant convictions and monetary results.

Brothers in Michigan Sentenced for Conspiring to Defraud SNAP

On April 24, 2018, in U.S. District Court, Eastern District of Michigan, two brothers were each sentenced to 36 months of supervised release and ordered to pay \$440,000 in restitution jointly and severally. The brothers owned two Detroit area convenience stores and were trafficking in SNAP benefits. During the investigation, employees from one store exchanged SNAP benefits for cash, cigarettes, lottery tickets, and other ineligible items. This store participated in SNAP from September 2009 through August 2012. During the investigation it was determined that the second store's employees also exchanged SNAP benefits for cash, cigarettes, lottery tickets, and other ineligible items. This store participated in SNAP from June 2005 through August 2012. In August 2012, agents from OIG and HSI, as well as Michigan State Police personnel, served Federal search warrants at both stores. In December 2017, the brothers pled guilty to one count of conspiracy to defraud SNAP.

California Store Employees Pled Guilty and Were Sentenced for SNAP Fraud

On June 25, 2018, in U.S. District Court, Eastern District of California, a Winton, California, store employee was convicted of conspiracy to commit wire fraud and was sentenced to 27 months in prison and 36 months of supervised release. He was also ordered to pay \$693,235 in restitution jointly and severally with his co-conspirator girlfriend for their roles in trafficking SNAP benefits. The girlfriend, who was also the store manager, was sentenced on June 11, 2018, to 21 months in prison and 36 months of supervised release on the same charge. This investigation began in September 2013, based upon a referral from FNS' Retailer Investigations Branch and the Merced County District Attorney's Office's Investigations Unit. During the execution of an October 2014 search warrant at the business, the employees confessed to SNAP trafficking. On April 21, 2016, both individuals were charged with: one count of conspiracy to commit wire fraud, seven counts of wire fraud, seven counts of unauthorized use or possession of benefits, and one count of structuring financial transactions to evade reporting requirements. Both individuals' assets are also subject to criminal forfeiture.

Brothers from Lansing, Michigan, Sentenced for Roles in SNAP and Special Supplemental Nutrition Program for Women, Infants, and Children Trafficking Scheme

On May 3, 2018, in U.S. District Court, Western District of Michigan, two former store owners were each sentenced to 1 day in prison (credit for time served) and 12 months of supervised release and ordered to pay a \$3,000 fine and a \$100 special assessment. They satisfied a \$140,000 joint and several restitution order by paying FNS prior to sentencing. This investigation determined that the brothers, former owners and operators of the store, conspired to traffic SNAP and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits in exchange for cash, payment of utility bills, cigarettes, and various other ineligible items. OIG agents interviewed the brothers, and both confessed to engaging in SNAP and WIC fraud with customers of the store. Two store employees also confessed to engaging in SNAP and WIC fraud while employed at the store. In September 2017, the brothers were indicted on charges of SNAP fraud. They were later arrested and pled guilty in December 2017.

Pennsylvania Store Owners Unlawfully Redeemed More than \$1 Million in SNAP Benefits

The co-owners of a Reading, Pennsylvania, seafood market were ordered to pay \$1 million in restitution jointly and severally and to serve prison sentences based on the outcome of a joint investigation. During the course of the investigation, the store owners and employees exchanged SNAP benefits for cash on numerous occasions. On December 6, 2016, a search warrant was executed at the store. On July 11, 2017, two store owners were charged with SNAP and wire fraud, and, on January 11, 2018, they pled guilty to 10 counts of SNAP fraud. On April 23, 2018, one of the store owners was sentenced to 24 months in prison, followed by 36 months of supervised release, and, on May 17, 2018, the other store owner was sentenced to 8 months in prison, followed by 36 months of supervised release. This investigation was worked jointly with the Department of Homeland Security, U.S. Immigration and Customs Enforcement, HSI, and the Reading Police Department.

Detroit, Michigan, Store Owner Receives a Second Conviction for SNAP and WIC Trafficking

On July 24, 2018, a former Detroit area store owner was sentenced in U.S. District Court, Eastern District of Michigan, to 41 months in prison and 36 months of supervised release, fined \$100, and ordered to pay approximately \$2.3 million in restitution to FNS, the U.S. Department of Health and Human Services, and the U.S. Department of Education. In 2008, the individual was investigated and convicted of food stamp trafficking for his role in a similar scheme in Atlanta, Georgia. The investigation determined that the store owner redeemed approximately \$31,000 in WIC and \$5,000 in SNAP benefits each month. Throughout the investigation, the individual purchased SNAP and WIC benefits in exchange for cash, cigarettes, and other ineligible items, committing \$2 million in WIC fraud. A parallel investigation determined that the store owner and family members fraudulently received more than \$296,000 in personal welfare benefits including U.S. Department of Education Pell Grants. This investigation was conducted with the assistance of the FBI.

Siblings in Maine Sentenced for SNAP and WIC Fraud Totaling More than \$1.4 Million

On June 18, 2018, in U.S. District Court, District of Maine, a store owner and his brother (a clerk at the store) were sentenced for a SNAP and WIC trafficking scheme. The store owner was sentenced to 36 months in prison, followed by 36 months of supervised release, and was ordered to pay

\$1.4 million in restitution (of which \$954,980 is joint and several with his brother). He was also ordered to forfeit \$80,814. His brother was sentenced to 24 months in prison, followed by 36 months of supervised release, and ordered to pay \$954,980 in restitution. Our joint investigation with the FBI, Internal Revenue Service-Criminal Investigation (IRS-CI), and the Maine Department of Health and Human Services' Fraud, Investigation, and Recovery Unit determined that the individuals were trafficking in SNAP benefits. A third man also operated a tax preparation business from within the store.

During the course of the investigation, the store owner facilitated the submission of a false tax return to the IRS, with the preparation fee paid using SNAP benefits. On April 28, 2016, search warrants were executed at the store and the owner's residence. In addition, the FBI executed a seizure warrant on a bank account associated with the store, and seized more than \$60,000. U.S. currency totaling approximately \$20,000 was seized from the store and numerous bars of gold were seized from the owner's residence. On April 25, 2017, the owner and his brother were charged with conspiracy to defraud and commit offenses against the United States. In addition, the owner was charged with trafficking SNAP and WIC benefits, wire fraud, money laundering, and theft of Government funds. On November 28, 2017, the store owner pled guilty to conspiracy to commit food stamp fraud, WIC trafficking, money laundering, and theft of Government funds. He agreed to pay \$1.4 million in restitution and forfeit the cash seized totaling \$80,814. He also provided the court with an \$80,000 payment toward restitution at the time of his guilty plea. On December 27, 2017, the brother was arrested for violations of the conditions of pretrial release. The brother went to trial and, on January 11, 2018, the jury found him guilty of one count of conspiracy.

Missouri Mobile Meat Company Employee Sentenced for SNAP Scheme

On May 22, 2018, in U.S. District Court, Western District of Missouri, an employee of a mobile meat company was sentenced to 12 months of probation and ordered to pay \$15,217 in restitution. The investigation began when complaints were received from customers that their EBT cards were fraudulently charged by a mobile meat company for nonexistent sales and/or inflated prices. In October 2016, a driver for the mobile vendor company pled guilty to forgery charges and was sentenced to 24 months in prison.

On July 25, 2018, the owner/operator was sentenced to 60 months of probation, ordered to pay \$22,428 in restitution, and ordered to file all past income tax returns within 365 days of sentence.

Brentwood, California, Farmers' Market SNAP Fraud Scheme Dismantled

On May 7, 2018, in the Superior Court of California, Contra Costa County, an Oakley resident was sentenced to 48 months in prison and 24 months of supervised release and ordered to pay \$29,050 in restitution and a \$300 fine. He was convicted of one count of grand theft and one count of identity theft. On April 19, 2018, in the same court, another man was sentenced to 364 days in prison and 36 months of probation and ordered to pay \$1,000 in restitution. He was convicted of one felony count of food stamp forgery. Both men were sentenced for their roles in the theft and fraudulent use of a farmers' market point-of-sale (POS) device used to process EBT cards containing SNAP benefits. The POS device was used to process 55 fraudulent returns of SNAP

Electronic benefit transfer is an electronic system that allows recipients to authorize transfer of their Government benefits to a retailer account to pay for products received.

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



benefits totaling \$59,206 to various recipients' accounts throughout the Bay Area. These fraudulent transactions were linked to an account belonging to a specific farmers' market association. In February 2018, four other individuals were indicted on felony violations of grand theft and food stamp forgery for their roles in the fraud scheme.

This investigation began in October 2016 when OIG was notified of the POS device theft from the farmers' market. A joint investigation conducted by the Brentwood Police Department, Antioch Police Department, Contra Costa County District Attorney's Office, and OIG revealed a complex fraud scheme in which several individuals colluded to transfer funds fraudulently from the farmers' market association to 55 EBT cards. In December 2016, a felony criminal complaint was filed against a woman for: two counts of SNAP fraud; two counts of grand theft; and one count each of computer access fraud, theft, and identity theft. In February 2017, she was convicted of grand theft and one felony count of fraudulently obtaining aid. She was sentenced to 6 months in prison (with credit for time served) and 36 months of probation. She was also ordered to pay \$23,476 in restitution and \$440 in fines and fees. The other individuals' cases are pending.

Oregon Family Living Abroad Defrauds Multiple Benefits Programs

On May 30, 2018, in U.S. District Court, District of Oregon, a former Portland resident, who was recently living abroad, accepted a diversion agreement in lieu of prosecution. She submitted fraudulent applications for SNAP, Social Security, and health care benefit programs by applying for Federal benefits as a resident of Oregon, but failed to report that she was outside of the United States for more than 30 days (in this case, she had been outside the United States for 27 months in a 5-year span). She agreed to pay \$101,446 in restitution for receiving supplemental security income and medical benefits to which she was not entitled. This case began in November 2012, when the U.S. Attorney's Office (USAO), District of Oregon, requested OIG's assistance in a joint investigation with the Department of Justice (DOJ), Social Security Administration (SSA) OIG, Health and Human Services OIG, and the Oregon Department of Human Services. These agencies were investigating a family that was defrauding multiple Federal assistance programs, including SNAP. On March 26, 2013, multiple family members were charged with conspiracy to commit wire fraud. On May 16, 2014, one family member was convicted and sentenced to 4 months in prison and 36 months of supervised release and ordered to pay \$142,337 in restitution. On May 21, 2014, another family member was convicted and subsequently sentenced to 6 months in

prison, followed by 36 months of supervised release, and ordered to pay \$220,565 in restitution and a \$100 special assessment. One family member is a fugitive from justice, and, as a result, his case remains pending.

Arizona School Principal and His Wife Sentenced for Fraud Scheme

On May 7, 2018, in U.S. District Court, District of Arizona, a school principal/superintendent was sentenced to two concurrent 24-month prison sentences and 36 months of supervised release and ordered to pay a \$200 special assessment. On June 18, 2018, he was ordered to pay \$160,574 to the religious education agency that owned the mission school at which he was employed. On November 13, 2017, he pled guilty to one felony count each of wire fraud and money laundering. Additionally, on June 28, 2018, the principal's wife was convicted of one count of theft of public funds, and, on July 9, 2018, she was ordered to pay \$19,562 in restitution and a \$25 special assessment fee.

This investigation began in September 2016, when OIG joined an ongoing investigation with the FBI and SSA OIG. The investigation was initiated because of allegations that the principal's wife received Social Security disability benefits and had not reported a sizable income she received for her employment at a school. During the course of the investigation, it was discovered that the principal also received a sizable income as the principal/superintendent of the school. In addition, the school received many grants as well as Federal funding from different agencies, including USDA. Since 2009, the school received approximately \$351,000 in funds for its participation in the National School Lunch Program and the School Breakfast Program.

The investigation revealed that the principal and other school employees defrauded and obtained money by making materially false and fraudulent presentations and promises to charitable organizations, the Government, the community, and students in an effort to obtain donations. Many of these donations and/or deposits were wired into one of the many school bank accounts. The principal and other school employees used their debit cards to withdraw these funds and use them for unauthorized purposes. On October 11, 2016, each was indicted on one count of conspiracy to defraud. On January 31, 2017, a superseding indictment was issued for three school employees as well as the principal and his wife. Charges against the three school employees were later dropped.

GOVERNMENT-WIDE ACTIVITIES—GOAL 2

Testimonies

The House Subcommittee on Early Childhood, Elementary, and Secondary Education—Committee on Education and the Workforce.

On July 17, 2018, Assistant Inspector General (AIG) for Audit Gil H. Harden testified on OIG's efforts to help ensure the integrity of FNS' SFSP. He noted that this program's success depends upon strong governing guidance; robust processes to mitigate the risk of food contamination, unallowable meals, or improper payments; and effective coordination between involved parties. Accordingly, he described an ongoing, comprehensive, multi-phased OIG review to identify potential program improvements that could strengthen SFSP controls at the Federal, State, and local levels.

The House Subcommittees on Intergovernmental Affairs and Healthcare, Benefits, and Administrative Rules—Committee on Oversight and Government Reform. On September 26, 2018, AIG for Investigations Ann Coffey testified on OIG's investigative efforts to combat fraud in SNAP. Her testimony provided an overview of SNAP, outlined the role of OIG Investigations, highlighted collaborative efforts between OIG and other agencies to combat SNAP fraud, and discussed several trends regarding SNAP fraud. She emphasized that, given the importance of ensuring SNAP's integrity, OIG devotes about 43 percent of its investigative resources to SNAP-related criminal investigations. This emphasis yields tangible and direct benefits to the Government, including criminal prosecution, significant fines and penalties, restitution, and asset forfeiture. In the past 5 years, OIG has completed 857 SNAP investigations that have resulted in 2,302 indictments and 2,335 convictions, and monetary results of \$463 million.

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. § 2015(k). Operation Talon has led to the arrests of thousands of fugitive felons since its inception. In the second half of FY 2018, Talon operations were conducted in 11 States, resulting in 180 arrests. OIG combines forces with Federal, State, and local law enforcement agencies to arrest fugitives for offenses such as arson, assault, drug crimes, offenses against family and children, robbery, sex crimes, and weapons violations.

Bridge Card Enforcement Team. OIG special agents continue to work with this team to investigate criminal SNAP and WIC violations. Team members include the Michigan State Police and IRS-CI. During this reporting period, we also worked with the FBI and HSI. Since 2007, our teamwork has resulted in 197 arrests and 318 search warrants. The USAOs for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, resulting in 206 guilty pleas, lengthy prison terms, and more than \$51 million in court-ordered fines and restitution.

Money Laundering Task Forces. OIG special 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 Arizona, an OIG agent participates in the International Association of Financial Crimes Investigators. In Northern Ohio, OIG participates in the USSS Financial Crimes Task Force, which combines Federal, State, and local 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. In Sacramento, our agents participate in the Northern California Organized Retail Crime Association and the SNAP Fraud Joint Investigations Group comprised of OIG, the FBI, and county human services officials. In Arizona, our agents participate in the Organized Retail Crime Association, the Electronic Crimes Task Force, and the Hot Spot Liquor Task Force. Additionally, our agents in Illinois participate in the Cook County State Attorney's Office Regional Organized Crime Task Force. OIG special 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, Securities 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



Pictured is a Cellebrite mobile device acquisition adapter kit. Digital forensic examiners must maintain a variety of adapters to ensure access to electronically stored information, wherever it is found.

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

of agents from various Federal law enforcement agencies and USAOs to investigate bankruptcy fraud and to be a force multiplier in ongoing cases. OIG agents in Kansas, Missouri, and New Hampshire are part of an identity theft working group. This group is comprised of Federal and State law enforcement agencies who meet periodically to discuss previous identity theft investigations, as well as de-confliction and collaboration on current investigations. They also jointly identify and discuss current trends, leads, and other identity theft-related topics geared toward combating this type of crime. In Colorado, our agents contribute to the securities fraud working group. OIG agents in Florida participate in the South Florida Identity Theft Strike Force.

Social Services Fraud/Welfare Fraud Working Groups. In Arizona, California, Colorado, Idaho, Oregon, and Utah, OIG agents participate in social services (or welfare) fraud working groups and associations. These groups are comprised of the FBI and OIG representatives from many departments and agencies. In Colorado and Idaho, the working group targets social service crimes, including Medicare, Medicaid, Social Security program fraud, identity theft, SNAP fraud, and a variety of other types of fraud. In Colorado, our agents participate in the Colorado Welfare Fraud Council, which is comprised of Federal, State, county, and city employees who work with the various public assistance programs. The mission is to uphold the

integrity and spirit of public assistance programs' rules and regulations as they relate to fraud. Also in Colorado, we participate in an investigations fraud working group. In California, we participate in the Pacific Northwest Document Benefit Fraud Task Force. In Florida, our agents participate in the Government Housing Operations Special Task Force aimed at detecting and investigating housing fraud through combining the resources of multiple agencies and jurisdictions.

Disaster Fraud Working Groups. In Texas, an agent is part of the new Hurricane Harvey working group, a DOJ-formed group including representatives from Federal and State agencies. The purpose of this group is to investigate fraudulent activities that occur related to eligibility for disaster benefits intended to help individuals and entities affected by Hurricane Harvey. Our agents in Florida are participating in regional disaster fraud task forces in the Middle and Southern Districts of Florida and the U.S. Virgin Islands.

American Indian/Alaskan Native Working Group. CIGIE has established a working group involving OIGs that have Federal programs serving American Indian and Alaskan Native communities. This collaborative effort was initiated after several OIGs found significant weaknesses affecting programs serving these communities. Currently, the Department of the Interior, the Department of Health and Human Services, and USDA OIGs are simultaneously conducting audit fieldwork for Departmental programs for one tribe in Oklahoma. In addition, USDA OIG is conducting audit fieldwork at another tribe in Oklahoma. Specifically, USDA OIG is conducting an audit of the food distribution program on Indian reservations. All of these OIGs plan to complete their respective fieldwork, issue separate audit reports, and then determine if a consolidated report is appropriate.





U.S. Department of Agriculture disaster response efforts include working with producers such as these whose grain bins suffered damage.

This photo does not depict any audit or investigation. Photo from USDA Flickr.

ONGOING REVIEWS

- » Review of internal controls over the delivery of Nutrition Assistance Program disaster funding to Puerto Rico as a result of Hurricanes Irma and Maria (FNS),
- » Oversight of the Farmer's Market and Local Food Promotion Program (AMS),
- » Controls over Specialty Crop Block Grant Program (AMS),
- » 2017 Hurricane Relief Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (FSA),
- » Single Family Housing GLP—liquidation value appraisals (RHS),
- » Multi-family housing tenant eligibility (RHS),
- » Annual Forage Program and followup on Pasture, Rangeland, Forage Program recommendations (RMA),
- » Controls over 2018 supplemental disaster appropriations (FS),
- » Infrastructure funding for substantially underserved trust areas (Rural Utilities Service (RUS)),
- » Environmental Quality Incentive Program payment schedules (NRCS),
- » Equitable relief (NRCS),
- » Agriculture Conservation Easement Program—application process and selection priorities (NRCS),
- » Formula grant programs controls over fund allocations to States (National Institute of Food and Agriculture (NIFA)),
- » California, Florida, and Texas controls over SFSP (FNS),
- » SFSP in Texas—sponsor costs (FNS),



- » Food Distribution Program on Indian Reservations (FNS),
- » Nationwide implementation of WIC EBT (FNS),
- » SNAP employment and training pilot projects (FNS), and
- » Adjusted gross income compliance verification process (FSA and NRCS).



An assortment of pumpkins and gourds in a U.S. farmer's market.

These photos do not depict any audit or investigation. OIG photo.



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.

31.1% of total direct resources were devoted to Goal 3

96.3% of these resources were assigned to critical-risk and high-impact work

AUDIT



8

reports issued
(including 2 final action
verification reports)



23

recommendations

over **\$12 million**
in monetary results

INVESTIGATIONS



77%

of cases
resulted in
action



6

indictments



7

convictions

over **\$988,000** in monetary results

USDA Program Highlights in Support of Goal 3

Management Improvement Initiatives

Cross-Agency
Initiatives

Agency-Specific
Initiatives

- 2017 Compliance with Improper Payment Requirements
- Management Over the Misuse of Government Vehicles
- Employee Misconduct Investigations

- Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to OPM, FY 2018 (NFC)
- Statement of Standards for Attestation Engagements Number 18, Controls at the National Finance Center for FYs 2018 and 2017 (NFC)
- Controls over the Eligibility of Contract Recipients (OSDBU)
- Procurement and Inspection of Fruits and Vegetables (AMS)*
- Regional Conservation Partnership Program Controls (NRCS)
- Wildlife Services—Wildlife Damage Management (APHIS)*

* Final Action Verification Report

Detail of a plant outside of the Jamie L. Whitten Building in Washington, D.C. This photo does not depict any particular audit or investigation. OIG photo.

GOAL 3

Examples of Audit and Investigative Work for Goal 3

USDA's Management Over the Misuse of Government Vehicles

USDA owns or leases close to 41,000 vehicles, a \$260 million operation. OPFM oversees the USDA fleet and provides guidance, but agencies are responsible for enforcing Departmental and Federal requirements. In FY 2017, we concluded that both FSIS and OPFM needed to improve their controls over the handling of alleged employee vehicle misuse complaints. We followed up by reviewing vehicle management activities at APHIS and FS and identified similar issues at both agency and Departmental levels. First, neither OPFM nor the agencies took effective actions to manage the continued use of over 23,000 underutilized vehicles. The agencies did not always submit accurate data, and, as a result, OPFM overstated USDA's fleet inventory and underreported, in reports to General Services Administration (GSA) and Congress, the number of employees who drive their Government vehicles home. Second, the agencies did not properly investigate allegations that employees misused Government vehicles because OPFM did not send complaints to an independent employee misconduct investigative unit, as required, nor did it provide clear guidance on what allegation records to maintain. Third, agency employees operated Government vehicles without sufficient documentation to support that they met authorization and qualification requirements. This occurred because OPFM did not provide agencies with procedures to ensure drivers met requirements. OPFM officials concurred with our findings and recommendations. (Audit Report 50099-0003-21)

USDA's FY 2017 Compliance with Improper Payment Requirements

OIG found that USDA did not comply with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended, for a seventh consecutive year. USDA reported mandatory improper payment information for 10 high-risk programs for FY 2017. We found that 6 of the 10 high-risk programs did not comply with one or more of the following requirements: (1) publishing an improper payment estimate; (2) meeting annual reduction targets; and (3) publishing gross improper payment rates of less than 10 percent. This occurred because one program's sampling method was compromised during the error rate determination process, one program has not developed a sampling methodology program to report a complete improper payment estimate, and some programs'

MANAGEMENT IMPROVEMENT INITIATIVES

corrective actions have not yielded the desired results. We also found that USDA maintained the quality of its high-dollar overpayments reports for FY 2017. Specifically, we noted no overall decline in the accuracy, completeness, and timeliness of the Department's reporting. Though overall quality was sustained, we identified an instance of incomplete reporting in one of the Department's published quarterly high-dollar overpayments reports. Furthermore, in sample selections for RMA, we identified instances of inaccurate reporting. Although USDA maintained its overall reporting quality of high dollar overpayments, we stress continued vigilance to prevent and eliminate errors. The Department generally agreed with our findings and recommendations. (Audit Report 50024-0013-11)

Office of Small and Disadvantaged Business Utilization's Controls Over the Eligibility of Contract Recipients

In FY 2016, USDA awarded a total of 53,769 contracts valued at \$5.2 billion. The mission of USDA's Office of Small and Disadvantaged Business Utilization (OSDBU) is to encourage the Department's purchasing agencies to enter into a certain percentage of contracts with small and disadvantaged businesses. Each Federal agency with procurement powers is required to report to the SBA Administrator regarding how many contracts it has awarded to small and disadvantaged businesses and their dollar values. SBA then sends an annual report to the President describing the number and dollar value of contracts made to these businesses.

USDA's controls over contracting with small and disadvantaged businesses were largely effective; however, we found that USDA overstated its goal achievements for 8 of the 50 statistically sampled contracts. Of those eight contracts, four were with businesses that could not support their small and disadvantaged status in the Federal system used for obtaining government contracts. For example, USDA reported (in the Federal procurement system) that four of these eight businesses were women-owned, but these businesses could not support that they were at least 51 percent owned and controlled by a woman. This occurred because USDA relied on the businesses' self-certifications, which were not always accurate. As a result, the Department was not able to report accurate information. Based on our sample, we estimate that USDA should not have counted toward its goals 1,390 of the 8,685 contracts in our universe (valued at more than \$42 million). OSDBU agreed with our findings and recommendations. (Audit Report 50601-0003-23)

NRCS Regional Conservation Partnership Program Controls

The Regional Conservation Partnership Program (RCPP) is a partner-driven, locally led approach to conservation. Through RCPP, NRCS co-invests with partners to benefit agricultural operations. RCPP partners develop project proposals to address specific natural resource objectives. OIG found that NRCS did not always effectively administer or oversee RCPP. We identified inconsistencies regarding the program's administration. Specifically, NRCS inconsistently implemented the RCPP proposal review process because the agency did not issue formal guidance for reviewing or scoring proposals. We also identified documentation retention issues because NRCS did not provide formal guidance stating what documentation from the proposal review process should be retained.

In addition, we found that NRCS' national office did not have a formal oversight process. For FYs 2014 through 2016, we determined that NRCS had selected a total of 199 projects for which it would establish partnership agreements. However, NRCS was not tracking partner contributions and does not know how much partners have actually contributed. We also found that partners were not always submitting annual reports as required. Further, NRCS does not have formal guidance that includes language describing the approval process for an alternative funding arrangement partnership agreement. NRCS concurred with our finding and recommendations. (Audit Report 10601-0004-31)

Statement of Standards for Attestation Engagements Number 18, Report on Controls at the National Finance Center for FYs 2018 and 2017

An independent CPA firm examined specified controls at USDA's National Finance Center (NFC), which provided the firm with a description of its payroll/personnel and application hosting systems for the period from October 1, 2017, through July 31, 2018. The firm found that NFC's description fairly presents, in all material aspects, the payroll/personnel processing and application hosting systems NFC designed and implemented throughout the specified period. Also, in the firm's opinion, the described controls were suitably designed and operated effectively to provide reasonable assurance that associated control objectives would be achieved during the period, if user entities effectively applied controls complementary to the design of NFC's controls. The firm made no recommendations in this report. (Audit Report 11401-0004-12)

Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management, FY 2018

USDA's NFC reports Federal employee benefits and enrollment information to the Office of Personnel Management (OPM). Reported information includes headcounts, as well as withholdings and contributions for retirement, health benefits, and life insurance. In applying agreed-upon audit procedures, we identified differences through calculations, analyses, and comparisons. For instance, for both the Civil Service Retirement System and Federal Employees Retirement System, we identified headcounts that differed from NFC's by more than 2 percent. In general, NFC has initiated corrective actions and is targeting implementation by the March 2019 Semiannual Headcount Report. Our sample document review found 99 differences for benefits entered into the system by agency personnel officers. Furthermore, we were unable to verify all sampled entries because agency personnel officers were unable to locate the documents covering all pay periods selected. We did not make any recommendations in this report. (Audit Report 11401-0003-31)

Final Action Verification Reports

In this reporting period, OIG has initiated a new work product—final action verification reports. These reports determine whether the final action documentation the agency provides to the Office of the Chief Financial Officer (OCFO) supports the agency’s management decision reached with OIG. These verifications are not performed in accordance with Government Auditing Standards. Our objective with these verifications is to determine whether the documentation the agency provided to OCFO is sufficient to close the recommendations. We have published two final action verification reports in this period:

AMS—Final Action Verification—Procurement and Inspection of Fruits and Vegetables

OIG completed a final action verification of all 12 recommendations in our February 2016 report, *AMS Procurement and Inspection of Fruits and Vegetables*. Our objective was to determine whether the documentation AMS provided OCFO was sufficient to close the recommendations. In a memorandum dated September 8, 2017, OCFO reported to AMS that it closed all of the recommendations, and we concurred with this decision. (Report 01026-0001-41)

APHIS—Final Action Verification—Wildlife Services—Wildlife Damage Management

OIG completed a final action verification of all seven recommendations in our September 2015 report, *APHIS Wildlife Services—Wildlife Damage Management*. Our objective was to determine whether the documentation APHIS provided to OCFO was sufficient to close the recommendations made in Audit Report 33601-0002-41. In a memorandum dated September 13, 2016, OCFO reported to APHIS that it closed all seven recommendations, and we concurred with this decision. (Report 33026-0001-41)

Former AMS Employee in Oregon Found Guilty of Using GSA Fleet Card for Personal Use

On June 13, 2018, in U.S. District Court, District of Oregon, a former AMS employee was convicted of one count of theft of Government funds. He was sentenced to 24 months of probation and 40 hours of community



U.S. grade standards for fruits, vegetables, and specialty crops are voluntary and provide the industry with a uniform language for describing the quality and condition of commodities in the marketplace.

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

service and ordered to pay \$1,051 in restitution. This joint investigation with GSA OIG began in November 2016, when it was revealed that the AMS employee was using a GSA-issued fleet card to conduct unauthorized transactions for personal expenses. During the course of the investigation, the employee admitted to fraudulently using the card for personal gain in unauthorized transactions totaling more than \$1,000. On January 11, 2018, charges were filed against the employee for one felony count of theft of Government funds.

Former NRCS Contracting Officer in Utah Sentenced for Taking Kickbacks

On August 29, 2018, in U.S. District Court, District of Utah, a contracting company was sentenced to 60 months of probation and ordered to pay \$326,324 in restitution and a \$400 special assessment fee. On August 1, 2018, an NRCS contracting officer was sentenced to 14 months in Federal prison and ordered to return a vehicle received as part of a kickback. This investigation began in May 2016 after OIG received information that a

private contractor was paying kickbacks in the form of money and a vehicle to an NRCS contracting officer. On February 27, 2018, the contracting officer pled guilty to a bill of information charging one count of receipt of gratuity. On June 19, 2018, the contracting company pled guilty to a bill of information charging one count of wire fraud.

New Jersey Board of Social Services Employee Unlawfully Used SNAP Benefits

This investigation was conducted jointly with the Passaic County, New Jersey, Prosecutor's Office to determine if a Passaic County Board of Social Services employee was unlawfully using SNAP benefits. The investigation revealed that the employee was utilizing the EBT cards belonging to several Passaic County SNAP recipients at various supermarkets in the area. Video surveillance from authorized retailers was obtained documenting this usage. On April 21, 2017, the employee was arrested and charged by summons. On March 23, 2018, the employee pled guilty to theft by deception in the third degree and unauthorized use of food stamps in the fourth degree. A forfeiture of employment order required the employee to forfeit employment at the Passaic County Board of Social Services effective March 23, 2018, and disqualified the employee from any future public employment. On June 22, 2018, the employee was sentenced to 60 months of probation and was ordered to pay \$9,996 in restitution and \$755 in fines.

GOVERNMENT-WIDE ACTIVITIES—GOAL 3

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 and the District of New Jersey, USAO, law enforcement partners' meetings to discuss and share issues affecting the OIG community and the overall law enforcement community. In California, OIG agents participate in the Western Region Inspectors General Council, the Bay Area Federal Law Enforcement Executive Association, and the San Francisco Federal Executive Board. In California and Oregon, our agents are members of the USAOs' "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. An OIG agent in Oregon participates in the contract procurement working group. Within CIGIE and the Federal law enforcement community, an agent is on the CIGIE firearms working group and another agent is an adjunct instructor for the IG training academy. Within the OIG community, our agents participate in the Policy Working Group Committee, the Law Enforcement Coordinating Committee, the Technical Advisory Committee, and the Peer Support Committee.

Public Corruption Teams. An OIG special 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 South Florida, OIG special agents are active members in the South Florida organized fraud task force. In Idaho, one of our special agents 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 investigate, uncover, prove, and prosecute crimes as a deterrent to those who might seek to exploit the people living in Montana's Native American communities. In the National Capital Area, an OIG special agent is a member of the Small Business Innovation Research Investigations Working Group, spearheaded by the National Science Foundation OIG.

Financial Statement Audit Network Workgroup. OIG auditors are members of the Financial Statement Audit Network (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.

Digital Accountability and Transparency Act Working Group and Common Methodology Subgroup. OIG auditors continue to participate in both the Federal Audit Executive Council Digital Accountability and Transparency Act (DATA Act) working group and the common methodology subgroup. The subgroup is responsible for the development of a common audit methodology to be submitted to the CIGIE audit committee for approval and dissemination across the IG community for the FY 2019 DATA Act compliance audit. 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 the ongoing and planned GAO reviews.

Review of Legislation, Regulations, Directives, and Memoranda

Proposed Executive Order to Revoke Executive Order

13520, *Reducing Improper Payments*. OIG provided comments on a proposed Executive Order (EO) to revoke EO 13520, *Reducing Improper Payments* (Nov. 20, 2009). The proposed EO was aimed at reducing burden with respect to agency activities that did not appear to be effectively or efficiently reducing improper payments and was intended to be issued in conjunction with OMB's release of related updated guidance regarding improper payments. OIG supported the proposed EO, but noted that one provision, as drafted, appeared to overlook the IGs' statutory responsibilities relating to improper payments. Therefore, OIG suggested revising the relevant provision to include a reference to these IG responsibilities.

H.R. 5415, *GAO-IG Act or Good Accounting Obligation in Government Act*. OIG provided comments regarding H.R. 5415, which would impose a reporting requirement on Federal agencies regarding the status of OIG/GAO recommendations and related information. OIG noted that it was unclear whether the recommendations required to be reported on were

limited to audit-based recommendations or included those issued by other OIG components such as the Office of Investigations. OIG suggested that it would be helpful to have a common understanding of the scope of the bill's covered recommendations.

Technical Assistance to Congress. OIG provided technical assistance to Congress on issues including the Anti-deficiency Act, remedies for the recoupment of expenditures of misused Government funds, and CIGIE's operations.

CIGIE Peer Review Guide Update. OIG participated in a working group and provided comments and proposed changes to the CIGIE Peer Review Guide based on revisions in the 2018 GAO Yellow Book. The CIGIE Peer Review Guide implements the CIGIE Audit Committee's peer review program. This guidance provides CIGIE member audit organizations with information on the implementation of the *General Standard on Quality Control and Assurance in Government Auditing Standards*, issued by the Comptroller General of the United States.

ONGOING REVIEWS

- » Agency financial statements for FYs 2018 and 2017 (FNS, RD, Federal Crop Insurance Corporation/RMA),
- » Agency and Departmental financial statements for FY 2018 (USDA, CCC, NRCS),
- » General and application controls work for financial statement audits (USDA),
- » Closing package financial statements for FY 2018 (USDA),
- » Initiatives to address workplace misconduct (FS),
- » Controls over contract closeout process (FS),
- » Assessment of WIC's Program Integrity and Monitoring Branch activities (FNS),
- » Controls over crop insurance 508(h) products (RMA),
- » Consolidated report of agency and selected State agencies' controls over SFSP (FNS), and
- » Controls over inspection of exported grain (AMS).

INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

IG Act Section	IG Act Description	USDA OIG Reported SARC September 2018
Section 4(a)(2)	Review of Legislation and Regulations	Page 55–56
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1–57
Section 5(a)(2)	Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1–57
Section 5(a)(3)	Significant Recommendations from Agency’s Previous Reports on which Corrective Action Has Not been Completed	Appendix A.10 Pages 81–96
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	Appendix B.1 and B.2 Pages 109–110
Section 5(a)(5)	Matters Reported to the Head of the Agency	N/A
Section 5(a)(6)	Reports Issued During the Reporting Period	Appendix A.6 Pages 73–78
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2, and 3 Pages 1–57
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Page 69–70
Section 5(a)(9)	Statistical Table: Recommendations that Funds be Put to Better Use	Appendix A.3 Page 71
Section 5(a)(10)(A)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	Appendix A.7 Page 79
Section 5(a)(10)(B)	Summary of Audit Reports for which the Department Has Not Returned Comment Within 60 Days of Receipt of the Report	Appendix A.15 Page 108
Section 5(a)(10)(C)	Summary of Audit Reports for which there are Outstanding Unimplemented Recommendations, Including Aggregate Potential Cost Savings of Those Recommendations	Appendix A.13 Pages 99–106
Section 5(a)(11)	Significantly Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 80
Section 5(a)(12)	Significant Management Decisions with which the Inspector General is in Disagreement	Appendix A.9 Page 80

IG Act Section	IG Act Description	USDA OIG Reported SARC September 2018
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	Appendix A.11 Page 97
Section 5(a)(14) and (15)	Peer Reviews of USDA OIG	Page 61
Section 5(a)(16)	Peer Reviews Conducted by USDA OIG	Page 61
Section 5(a)17 and 5(a)18	Statistical tables showing the number of investigative reports; number of persons referred to DOJ for criminal prosecution; number of persons referred to State/ local authorities for criminal prosecution; number of indictments/criminal informations as a result of OIG referral; and a description of the metrics used for developing the data for such statistical tables	Appendix B.4 Pages 112-113
Section 5(a)19	Report on each OIG investigation involving a senior Government employee where allegations of misconduct were substantiated	Appendix B.5 Page 114
Section 5(a)(20)	Instances of whistleblower retaliation	Appendix B.6 Page 114
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 115
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 98, 107, and 115

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

- » Performance measures;
- » Participation on committees, working groups, and task forces;
- » Program improvement recommendations; and
- » Hotline complaint results.¹

National Defense Authorization Act for FY 2008

Section 845

Contract Audit Reports with Significant Findings

Appendix A.4

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¹ In previous SARCs, OIG reported Freedom of Information Act (FOIA) activities in a separate appendix. Data on OIG's FOIA activities for the most recent fiscal year may now be found in the comprehensive USDA annual FOIA reports on USDA's webpage (<https://www.dm.usda.gov/foia/reading.htm#reports>).

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

In August 2018, the U.S. Treasury IG for Tax Administration issued its final report on the peer review it conducted of USDA OIG Office of Audit. USDA OIG received a grade of pass—the best evaluation an audit organization can receive. That report included no recommendations and no letter of comment.

Investigations

In October 2016, the U.S. Department of Housing and Urban Development 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. The Department of Housing and Urban Development OIG issued a letter of observations offering two suggestions for USDA OIG's consideration.

Peer Reviews Conducted by USDA OIG

During the current reporting period, USDA OIG conducted a peer review of GSA OIG's audit organization. GSA OIG received a grade of pass and a letter of comment with one recommendation. GSA OIG agreed with the recommendation and started implementing corrective actions.

ASSESSING THE IMPACT OF OIG

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

Measuring Progress Against the OIG Strategic Plan

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

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

Impact of OIG Audit and Investigative Work on Department Programs

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

For audits, we present:

- » Reports issued;
- » Management decisions made (number of reports and recommendations);
- » Total dollar impact of reports (questioned costs and funds to be put to better use) at issuance and at the time of management decision;
- » Program improvement recommendations; and
- » Audits without management decision.

For investigations, we present:

- » Indictments;
- » Convictions;
- » Arrests;
- » Total dollar impact (recoveries, restitutions, fines, and asset forfeiture);
- » Administrative sanctions; and
- » OIG Hotline complaints.

PERFORMANCE RESULTS UNDER OUR STRATEGIC GOALS

PERFORMANCE MEASURES	FY 2017 ACTUAL	FY 2018 TARGET	FY 2018 2nd Half ACTUAL	FY 2018 FULL YEAR
OIG direct resources dedicated to critical-risk and high-impact activities	98.7%	96%	98.3%	98.2%
Audit recommendations where management decisions are achieved within 1 year	99.6%	95%	89.1%	94.8%
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%	100%
Closed investigations that resulted in a referral for action to DOJ, State, or local law enforcement officials, or relevant administrative authority	89.8%	85%	92.1%	91.9%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result	76.3%	80%	87.8%	88.4%

OIG ACCOMPLISHMENTS FOR FY 2018, SECOND HALF (APRIL 1, 2018–SEPTEMBER 30, 2018)

SUMMARY OF AUDIT ACTIVITIES	FY 2018 2nd Half
Number of Final Reports	22
Number of Interim Reports	2
Number of Final Action Verification Reports	2
Number of Final Report Recommendations (90 program improvements/17 monetary)	107
Number of Interim Report Recommendations (9 program improvements/1 monetary)	10
Total Dollar Impact of Reports at Issuance (millions)	\$27.9
Questioned/Unsupported Costs	\$26.5
Funds to Be Put to Better Use	\$1.4
Management Decisions Reached	
Number of Final Reports	19
Number of Final Report Recommendations (100 program improvements/23 monetary)	123
Number of Interim Reports	2
Number of Interim Report Recommendations (3 program improvements/2 monetary)	5
SUMMARY OF INVESTIGATIVE ACTIVITIES	FY 2018 2nd Half
Reports Issued	119
Indictments	230
Convictions	269
Arrests	430
Administrative Sanctions	259
Total Dollar Impact (millions)	\$241.5

OIG ACCOMPLISHMENTS FOR FY 2018, FULL YEAR (OCTOBER 1, 2017–SEPTEMBER 30, 2018)

SUMMARY OF AUDIT ACTIVITIES	FY 2018 FULL YEAR
Number of Final Reports	42
Number of Interim Reports	5
Number of Final Action Verification Reports	2
Number of Final Report Recommendations (175 program improvements/28 monetary)	203
Number of Interim Report Recommendations (17 program improvements/2 monetary)	19
Total Dollar Impact of Reports at Issuance (millions)	\$42.4
Questioned/Unsupported Costs	\$41.0
Funds to Be Put to Better Use	\$1.4
Management Decisions Reached	
Number of Final Reports	39
Number of Final Report Recommendations (223 program improvements/35 monetary)	258
Number of Interim Reports	4
Number of Interim Report Recommendations (10 program improvements/2 monetary)	12
SUMMARY OF INVESTIGATIVE ACTIVITIES	FY 2018 FULL YEAR
Reports Issued	254
Indictments	510
Convictions	541
Arrests	647
Administrative Sanctions	576
Total Dollar Impact (millions)	\$326.4

APPENDIX A: AUDIT TABLES

Appendix A.1: Activities and Reports Issued

Summary of Audit Activities, April 1, 2018–September 30, 2018

Reports Issued: 22	Audits Performed by OIG	14
	Audits Performed Under the Single Audit Act	0
	Audits and Non-Audit Services Performed by Others	8 ^a
Management Decisions Made: 123	Number of Reports	19
	Number of Recommendations	123
Total Dollar Impact (millions) of Management-Decided Reports: \$17.9	Total Questioned/Unsupported Costs	\$12.4 ^{b c}
	—Recommended for Recovery	\$.2
	—Not Recommended for Recovery	\$12.2
	Funds to Be Put to Better Use	\$5.5

^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 to USDA.

Summary of Interim Reports Issued, April 1, 2018–September 30, 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 two interim reports during this reporting period.

Reports Issued: 2	Audits Performed by OIG	2
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	0
Management Decisions Made: 5	Number of Reports	2
	Number of Recommendations	5
Total Dollar Impact (millions) of Management-Decided Reports: \$1	Total Questioned/Unsupported Costs	\$1.0
	—Recommended for Recovery	\$1.0
	—Not Recommended for Recovery	\$0
	Funds to Be Put to Better Use	\$0

Summary of Final Action Verification Reports Issued, April 1, 2018–September 30, 2018

Final action verification reports determine whether the final action documentation the agency provides to OCFO supports the agency's management decision reached with OIG. These verifications are not performed in accordance with Government auditing standards. Our objective with these verifications is to determine whether the documentation the agency provided to OCFO is sufficient to close the recommendations.

Reports Issued: 2	Performed by OIG	2
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Appendix A.2: Inventory of Final Audit Reports with Questioned Costs and Loans (April 1, 2018–September 30, 2018)

Category	No.	Questioned Costs and Loans	Unsupported ^a Costs and Loans
Reports for which no management decision had been made by April 1, 2018 ^b	2	\$14,984,036	\$14,984,036
Reports which were issued during the reporting period	7	\$25,796,783	\$1,952,503
Total Reports with Questioned Costs and Loans	9	\$40,780,819	\$16,936,539
Of the 9 reports, those for which management decision was made during the reporting period	7	Recommended for recovery	\$205,025
		Not recommended for recovery	\$12,198,941
		Costs not disallowed	\$14,178,917
Of the 9 reports, those for which no management decision has been made by the end of this reporting period	2	\$14,197,936	\$1,904,346

^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 (April 1, 2018–September 30, 2018)

Category	No.	Questioned Costs and Loans	Unsupported ^a Costs and Loans
Reports for which no management decision had been made by April 1, 2018 ^b	1	\$267,410	\$0
Reports which were issued during the reporting period	1	\$768,722	\$0
Total Reports with Questioned Costs and Loans	2	\$1,036,132	\$0
Of the 2 reports, those for which management decision was made during the reporting period	2	Recommended for recovery	\$1,036,132
		Not recommended for recovery	\$0
		Costs not disallowed	\$0
Of the 2 reports, those for which no management decision has been made by the end of this reporting period	0	\$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 April 1, 2018 ^a	1	\$4,189,571	
Reports which were issued during the reporting period	1	\$1,356,610	
Total Reports with Recommendations that Funds Be Put to Better Use	2	\$5,546,181	
Of the 2 reports, those for which management decision was made during the reporting period	2	Disallowed costs	\$5,546,181
		Costs not disallowed	\$0
Of the 2 reports, those for which no management decision has been made by the end of this reporting period	0	\$0	

^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 April 1, 2018, through September 30, 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 99 program improvement recommendations, and management agreed to implement 103 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):

- » OPFM should develop and implement procedures for all USDA agencies to consistently review the authorizations and qualifications of drivers operating Government vehicles. Specifically, these procedures should require agencies to annually review employee records and annually certify that employees have: (1) authorization to operate a vehicle; (2) a valid driver's license; (3) an acceptable driving history; (4) met training requirements; and (5) certified their authorization forms.
- » NRCS should develop and implement a formal national oversight process to assess State and partner compliance with RCPP guidance, policies, and procedures.
- » ARS should develop and implement a process to respond to after-action reports (AAR) when officials participate in agroterrorism-related exercises.

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

OIG issued 22 audit reports, including 8 performed by others. One of the eight reports performed by others was a non-audit service. During this same period, two interim reports were issued as well as two final action verification reports. The following is a summary of those audit products by agency:

Audit Report Totals

Total Funds to Be Put to Better Use	\$1,356,610
Total Reports with Questioned Costs and Loans ^a	\$26,565,505

^a Unsupported values of \$1,952,503 are included in the questioned values.

Summary of Audit Reports Released from April 1, 2018–September 30, 2018

Agency Type	Audits Released	Questioned Costs and Loans ^a	Unsupported Costs and Loans ^a	Funds to Be Put to Better Use
Single Agency Audit	16	\$14,407,274	\$1,952,503	\$1,356,610
Multi-Agency Audit	6	\$11,389,509	\$0	\$0
Total Completed Under Contract ^b	8			
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 April 1, 2018–September 30, 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	1	\$768,722	\$0	\$0
Multi-Agency Audit	1	\$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 the single agency total.

Summary of Final Action Verification Reports Released from April 1, 2018–September 30, 2018

Agency Type	Final Action Verification Released
Single Agency Audit	2

Audit Reports Released and Associated Monetary Values from April 1, 2018–September 30, 2018

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
AMS: Agricultural Marketing Service					
03601-0002-41 **	PA	09/26/18	AMS Commodity Purchases for International Food Assistance Programs		\$1,356,610
Total: 1					
APHIS: Animal and Plant Health Inspection Service					
33099-0001-23	PA	05/31/18	TBWEF Cooperative Agreement	\$1,472	
Total: 1					
FSA: Farm Service Agency					
03601-0002-31	PA	09/20/18	ARC and PLC Programs	\$107,794	
Total: 1					
FNS: Food and Nutrition Service					
27004-0001-23	PA	09/24/18	New York's Controls Over SFSP	\$96,389	
27601-0014-10	PA	09/28/18	Illinois' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)		
27601-0015-10	PA	08/13/18	Iowa's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)		

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
27601-0016-10	PA	09/17/18	Louisiana's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)		
27601-0017-10	PA	06/05/18	Maryland's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)		
27601-0018-10	PA	06/29/18	Massachusetts' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)		
27601-0019-10	PA	09/28/18	Compilation Report of States' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)		
Total: 7					
FAS: Foreign Agricultural Service					
07601-0001-41	PA	07/13/18	FAS' Export Credit Guarantee Program		
Total: 1					
Multi-agency					
50024-0013-11	FA	05/10/18	USDA's FY 2017 Compliance with Improper Payment Requirements		
50025-0001-12	NAS	09/28/18	CDM Program Assessment		
50099-0003-21	PA	09/18/18	USDA's Management Over the Misuse of Government Vehicles		

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
50501-0017-12	PA	09/28/18	Security Over Select USDA Agencies' Networks and Systems		
50601-0003-23	PA	09/28/18	OSDBU's Controls Over the Eligibility of Contract Recipients	\$11,389,509	
50701-0001-21	PA	09/12/18	USDA Agency Activities for Agroterrorism Prevention, Detection, and Response		
Total: 6					
NRCS: Natural Resources Conservation Service					
10099-0001-23	PA	09/11/18	Controls Over the CIG Program	\$13,529,202	
10601-0004-31	PA	06/28/18	NRCS RCPP Controls	\$668,734	
Total: 2					
OCFO: Office of Chief Financial Officer					
11401-0003-31	FA	09/24/18	Agreed-upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to OPM FY 2018		
11401-0004-12	FA	09/21/18	Statement on Standards for Attestation Engagements No. 18, Report on Controls at NFC for October 1, 2017, to July 31, 2018		
Total: 2					

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
RMA: Risk Management Agency					
05601-0003-22	PA	04/09/18	ARH Underwriting for Sweet Cherries	\$3,683	
Total: 1					
Grand Total: 22				\$25,796,783	\$1,356,610

*Performance Audits (PA), Financial Audits (FA), Non-audit Service (NAS).

**This audit was initiated under FSA. Due to USDA reorganization, the program being audited was moved from FSA to AMS.

Interim Reports Released and Associated Monetary Values from April 1, 2018–September 30, 2018

Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to Be Put to Better Use
Multi-agency					
50501-0020-12(1)	PA	06/26/18	Improper Usage of USDA's IT Resources—Interim Report		
Total: 1					
RHS: Rural Housing Service					
04601-0001-23(1)	PA	09/05/18	SFH Guaranteed Loan Program—Liquidation Value Appraisals—Interim Report	\$768,722	
Total: 1					
Grand Total: 2					

*Performance Audits (PA), Financial Audits (FA).

Final Action Verification Reports Released from April 1, 2018–September 30, 2018

Report Number	Report Type*	Release Date	Title
AMS: Agricultural Marketing Service			
01026-0001-41	FAV	08/06/18	AMS—Final Action Verification—Procurement and Inspection of Fruits and Vegetables
Total: 1			
APHIS: Animal and Plant Health Inspection Service			
33026-0001-41	FAV	09/21/18	APHIS—Final Action Verification—Wildlife Services—Wildlife Damage Management
Total: 1			
Grand Total: 2			

*Final Action Verification (FAV).

Appendix A.7: Management Decisions

There are no entries to report.

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 the IG is in disagreement with for this reporting period.

Appendix A.10: List of OIG Audit Reports with Recommendations Pending Corrective Action for Period Ending September 30, 2018, by Agency

Grand Total	Number of Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
	392	19	359	14

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	5		5		Pending Final Action: 1, 2, 4, 7, 9
03601000241	AMS Commodity Purchases for International Food Assistance Programs	09/26/2018	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
Total			11		11		
ARS: Agricultural Research Service							
506010006TE	Controls Over Plant Variety Protection and Germplasm Storage	02/10/2006	6		6		Pending Final Action: 1, 2, 3, 5, 6, 9

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
506010010AT	Followup Review on the Security of Biohazardous Material at USDA Laboratories	07/27/2005	1		1		Pending Final Action: 2
Total			7		7		
APHIS: Animal and Plant Health Inspection Service							
33099000123	TBWEF Cooperative Agreement	05/31/2018	6		6		Pending Final Action: 1, 2, 3, 4, 5, 6
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			16		16		
CCC: Commodity Credit Corporation							
06401000511	CCC's Financial Statements for FYs 2015 and 2014	02/12/2016	3		3		Pending Final Action: 16, 18, 19

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
06401000811	CCC's Balance Sheet for FY 2017	11/09/2017	3		3		Pending Final Action: 3, 7, 8
Total			6		6		
DM: Departmental Management							
50024000122	CIGIE Purchase Card Initiative USDA Controls Over Purchase Card Use	03/08/2018	1		1		Pending Final Action: 3
50099000321	USDA's Management Over the Misuse of Government Vehicles	09/18/2018	12		12		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
50601000323	OSDBU's Controls Over the Eligibility of Contract Recipients	09/28/2018	3		3		Pending Final Action: 1, 2, 3
Total			16		16		
FSA: Farm Service Agency							
030060001TE	1993 Crop Disaster Payments—Brooks/Jim Hogg Cos., TX	01/02/1996	1	1			Pending Collection: 1A
030990181TE	FSA Payment Limitation Review in Louisiana	05/09/2008	1	1			Pending Collection: 2
03501000112	Review of FSA's Initiative to Modernize and Innovate the Delivery of Agricultural Systems	05/26/2015	1		1		Pending Final Action: 3

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
03601000122	FSA 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
03601000231	ARC and PLC Programs	09/20/2018	7		7		Pending Final Action: 1, 2, 3, 4, 5, 6, 7
03601000322	FSA 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
036010028KC	Biomass Crop Assistance Program: Collection, Harvest, Storage, and Transportation Matching Payments Program	05/30/2012	3	3			Pending Collection: 16, 21, 24

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
03702000132	FSA Livestock Forage Program	12/10/2014	5	1	4		Pending Collection: 2 Pending Final Action: 1, 5, 6, 10
500990011SF	NRCS and FSA: 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 RMA	03/31/2010	1	1			Pending Collection: 5
Total			34	15	19		
FNS: Food and Nutrition Service							
27004000122	State Agencies' Food Costs for WIC	09/25/2014	1		1		Pending Final Action: 6
27004000123	New York's Controls Over SFSP	09/24/2018	18		18		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18
27004000123(1)	New York's Controls Over SFSP—Interim Report	11/06/17	3		3		Pending Final Action: 1, 2, 3
27004000131(1)	Florida's Controls Over SFSP—Interim Report	09/29/2017	2		2		Pending Final Action: 2, 3
27004000321(1)	SFSP—Texas Sponsor Cost—Interim Report	09/07/2017	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
27004000421(1)	Texas' Controls Over SFSP—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
27601000131	FNS: Controls for Authorizing SNAP Retailers	07/31/2013	3		3		Pending Final Action: 9, 10, 11
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	8		8		Pending Final Action 2, 5, 9, 11, 13, 14, 16, 18
27601000322	SNAP Administrative Costs	09/29/2016	2		2		Pending Final Action: 2, 8
27601000410	Michigan's Compliance with SNAP Certification of Eligible Households Requirements	10/25/2016	2		2		Pending Final Action: 8, 9
27601000441	FNS Controls Over SFSP	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
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
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
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

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
27601001410	Illinois' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)	09/28/2018	3		3		Pending Final Action: 1, 2, 3
27601001510	Iowa's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)	08/13/2018	2		2		Pending Final Action: 1, 2
27601001610	Louisiana's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)	09/17/2018	1		1		Pending Final Action: 1
27601001710	Maryland's Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)	06/05/2018	2		2		Pending Final Action: 1, 2
27601001910	Compilation Report of States' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR Part 274)	09/28/2018	3		2	1	Pending Management Decision: 3 Pending Final Action: 1, 2
27901000213	Detecting Potential SNAP Trafficking Using Data Analysis	01/05/2017	3		3		Pending Final Action: 1, 2, 3

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			109		108	1	
FSIS: Food Safety and Inspection Service							
24016000123	FSIS Followup on the 2007 and 2008 Audit Initiatives	06/07/2017	10		10		Pending Final Action: 2, 3, 4, 5, 7, 12, 13, 15, 16, 17
24601000531	FSIS' Controls Over Declaring Allergens on Product Labels	06/12/2017	4		4		Pending Final Action: 2, 4, 5, 7
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			16		16		
FAS: Foreign Agricultural Service							
07601000122	Private Voluntary Organization Grant Fund Accountability	03/31/2014	4		4		Pending Final Action: 1, 2, 6, 10

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
07601000141	FAS' Export Credit Guarantee Program	07/13/2018	2		2		Pending Final Action: 1, 2
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			18		18		
FS: Forest Service							
08003000122	Drug Enforcement on National Forest System Lands	03/30/2018	7		7		Pending Final Action: 1, 2, 3, 4, 5, 6, 7
08016000123	Review of FS Controls Over Explosives and Magazines	12/01/2017	9		9		Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9
08601000541	FS' Plan for Addressing Climate Change	08/07/2017	9		9		Pending Final Action: 1, 2, 3, 4, 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
08601000741	FS 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
08601000841(1)	FS Initiatives to Address Workplace Misconduct—Interim Report	03/05/2018	1		1		Pending Final Action: 4
Total			40		40		
Multi-agency							
50501000512	USDA's Implementation of Cloud Computing Services	09/26/2014	1		1		Pending Final Action: OCIO: 3
50601000322	Coordination of USDA Farm Program Compliance—FSA, RMA, and NRCS	01/27/2017	1		1		Pending Final Action: FSA, NRCS, RMA: 2
50601000431	USDA's Response to Antibiotic Resistance	03/30/2016	4		4		Pending Final Action: APHIS: 7, 8, 9, 19
50701000121	USDA Agency Activities for Agroterrorism Prevention, Detection, and Response	09/12/2018	12		12		Pending Final Action: APHIS: 1, 4, 5, 9, 10 ARS: 2, 6, 7, 11 FSIS: 3, 8, 12

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
50703000123	American Recovery and Reinvestment Act, Trade Adjustment Assistance for Farmers Program	10/18/2013	1	1			Pending Collection: FSA: 9
Total			19	1	18		
NRCS: Natural Resources Conservation Service							
10099000123	Controls Over the CIG Program	09/11/2018	13		11	2	Pending Management Decision: 3, 4 Pending Final Action: 1, 2, 5, 6, 7, 8, 9, 10, 11, 11, 12, 13
10401000911	NRCS' 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	8		8		Pending Final Action: 5, 6, 7, 16, 20, 21, 25, 26
10601000231	NRCS Conservation Easement Compliance	07/30/2014	3		3		Pending Final Action: 1, 5, 10
10601000431	NRCS RCPP Controls	06/28/2018	4		2	2	Pending Management Decision: 3, 4 Pending Final Action: 1, 2
10601000431(2)	NRCS RCPP Controls—Interim Report	11/13/2017	2		2		Pending Final Action: 1, 2
Total			32		28	4	

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
OHSEC: Office of Homeland Security							
61701000121	Agroterrorism Prevention, Detection, and Response	03/27/2017	4		4		Pending Final Action: 1, 2, 5, 13
Total			4		4		
OCFO: Office of the Chief Financial Officer							
50016000123	Implementation of Suspension and Debarment Tools in USDA	09/28/2017	3		3		Pending Final Action: 1, 6, 8
50401001311	USDA's Consolidated Balance Sheet for FY 2017	11/15/2017	1		1		Pending Final Action: 1
50601000731	USDA WebTA Expense Reimbursement	09/28/2017	2		2		Pending Final Action: 1, 2
Total			6		6		
OCIO: Office of the Chief Information Officer							
50501000212	USDA, OCIO, FY 2011 FISMA	11/15/2011	2		2		Pending Final Action: 1, 4
50501000312	USDA, OCIO, FY 2012 FISMA	11/15/2012	5		5		Pending Final Action: 1, 2, 3, 5, 6
50501000412	USDA, OCIO, FY 2013 FISMA	11/26/2013	1		1		Pending Final Action: 2
50501000612	USDA, OCIO, FY 2014 FISMA	11/07/2014	1		1		Pending Final Action: 2
50501000812	USDA, OCIO, FY 2015 FISMA	11/10/2015	2		2		Pending Final Action: 1, 4
50501001212	USDA, OCIO, FY 2016 FISMA	11/10/2016	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
50501001212(2)	Security Protocols and Connections for USDA's Public-Facing Websites	11/09/2016	2		2		Pending Final Action: 1, 2
505010015FM	USDA, OCIO, FY 2009 FISMA	11/18/2009	1		1		Pending Final Action: 8
50501001712	Security Over Select USDA Agencies' Networks and Systems	09/28/2018	3			3	Pending Management Decision: 1, 2, 3
50501002012(1)	Improper Usage of USDA's IT Resources	06/27/2018	7		1	6	Pending Management Decision: 1, 2, 3, 5, 6, 7 Pending Final Action: 4
88401000112	Audit of OCIO's FYs 2010 and 2011 Funding Received for Security Enhancements	08/02/2012	2		2		Pending Final Action: 1, 2
Total			27		18	9	
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		
RMA: Risk Management Agency							
05401000911	FCIC/RMA's Financial Statements for FYs 2017 and 2016	11/08/2017	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
05601000141	RMA Indemnity Payments to Pistachio Producers	02/20/2018	1		1		Pending Final Action: 1
05601000322	ARH Underwriting for Sweet Cherries	04/09/2018	3		3		Pending Final Action: 1, 2, 3
05601000531	RMA's Utilization of Contracted Data Mining Results	12/19/2017	5		5		Pending Final Action: 1, 2, 3, 4, 5
056010015TE	Crop Loss and Quality Adjustments for Aflatoxin-Infected Corn	09/30/2008	1	1			Pending Collection: 1
Total			12	1	11		
RD: Rural Development							
04601000122	RHS' Controls Over Originating and Closing SFH Direct Loans	12/18/2017	5		5		Pending Final Action: 2, 4, 5, 7, 9
04601000122(1)	RHS' Controls Over Originating and Closing SFH Direct Loans—Interim Report	12/22/2016	2		2		Pending Final Action: 1, 2
04601000123(1)	SFH GLP—Liquidation Value Appraisals—Interim Report	09/05/2018	3	1	2		Pending Collection: 2 Pending Final Action: 1, 3
046010018CH	RD's Project Cost and Inspection Procedures for the Rural Rental Housing Program	09/27/2012	2		2		Pending Final Action: 4, 5

Audit Number	Audit Title	Issue Date	Pending Recommendations	Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)	Recommendation Details
04901000113	Review of RHS' Tenant and Owner Data Using Data Analytics	09/24/2015	1		1		Pending Final Action: 2
346010006AT	RBS' Intermediary Relending Program	06/25/2010	1	1			Pending Collection: 1
Total			14	2	12		

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

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

During FY 2018, OIG issued its annual financial statement reports for FY 2017 and addressed USDA's 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

The following audits were canceled and not publicly disclosed.

Agency	Date Closed	Title of Report	Reason for Cancellation
FS	05/03/2018	FS Transfer of Settlement Funds	OIG canceled this audit due to other audit priorities.
AMS	07/30/2018	Controls Over the Certification of Organic Imported Grain	OIG canceled this audit due to the timing of proposed regulations governing the program.

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 41 outstanding recommendations with a potential value of \$105.9 million. Monetary amounts listed represent questioned costs and funds that could be put to better use for those recommendations where management decision has been reached, but which 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			\$ 105,871,648
AMS			
03601000241	<i>AMS Commodity Purchases for International Food Assistance Programs</i>		
	Review all outstanding unliquidated obligations and determine which need to be deobligated.	09/26/2018	\$1,356,610
APHIS			
33099000123	<i>TBWEF Cooperative Agreement</i>		
	Collect the \$1,472 from TBWEF in FY 2015 Federal funding that TBWEF used on expenses incurred in FY 2014.	05/31/2018	\$1,472
FNS			
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 non-compliance 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.	08/09/2017	\$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.	08/30/2017	\$43,814,036
27004000123	<i>New York's Controls Over SFSP</i>		
	Direct the State agency to work with FNS to confirm the OIG-identified questionable costs (\$18,394) and to recover any disallowed costs from the SFSP sponsors.	09/24/2018	\$18,394
	Direct the State agency to confirm the OIG-identified unsupported costs (\$48,157) and to recover any disallowed costs from the SFSP sponsors.	09/24/2018	\$48,157

Report #	Recommendation Cited	Management Decision Date	Released Amount
	Direct the State agency to confirm the OIG-identified questionable reimbursements (\$630) and to recover any disallowed reimbursements from the SFSP sponsors.	09/24/2018	\$630
	Direct the State agency to confirm the OIG-identified questionable meal reimbursements (\$2,911) and to recover any disallowed reimbursements from the SFSP sponsors.	09/24/2018	\$2,911
	Direct the State agency to work with FNS to take action to correct Sponsor E's status and to recover any disallowed reimbursements (totaling \$26,037) from the SFSP sponsor.	09/24/2018	\$26,037
	Direct the State agency to recover SFSP funds in the amount of \$260 for questionable reimbursements for overclaimed meals.	09/24/2018	\$260
FS			
08601000741	<i>FS 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.	12/22/2017	\$19,400
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.	07/01/2002	\$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).	01/12/2001	\$52,393

Report #	Recommendation Cited	Management Decision Date	Released Amount
	(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.)	01/12/2001	\$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.)	01/12/2001	\$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.	01/15/2009	\$1,290,147
	Direct the California FSA State office to remove crop bases from Grassland Reserve Program easement-encumbered lands and to recover \$20,818 in improper payments from producers who received farm subsidy payments.	01/15/2009	\$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.)	02/26/2008	\$119,568

Report #	Recommendation Cited	Management Decision Date	Released Amount
	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.	03/18/2009	\$26,992
030990181TE	<i>FSA 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.)	01/30/2009	\$1,432,622
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.	03/16/2011	\$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.	09/30/2010	\$1,061,958

Report #	Recommendation Cited	Management Decision Date	Released Amount
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.	09/20/2012	\$3,352
	Require, through direction to the appropriate State offices, that county offices recover the improperly issued matching payments associated with deliveries of biomass material completed prior to approval of the owners' collecting, harvesting, storing, and transporting applications.	09/20/2012	\$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.	09/20/2012	\$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.	09/10/2014	\$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.	09/18/2015	\$358,956

Report #	Recommendation Cited	Management Decision Date	Released Amount
03601000231	<i>ARC and PLC Programs</i>		
	Review and recover improper overpayments of \$107,794 due to incorrect PLC yields.	09/20/2018	\$107,794
OSDBU			
50601000323	<i>OSDBU's Controls Over the Eligibility of Contract Recipients</i>		
	Require the AIPs to make the necessary corrections for the ARH errors we identified.	09/28/2018	\$11,389,509
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.	09/27/2016	\$720,000
	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.	09/27/2016	\$1,051,055
10099000123	<i>Controls Over the CIG Program</i>		
	Ensure the identified \$1,271,659 of insufficiently supported matching funds is verified and reconciled. NRCS should take appropriate action where applicable.	09/11/2018	\$1,271,659
	Ensure the December 2018 report to Congress includes CIG project funding and results from the State awarded CIGs, to include current year and historical data omitted from prior reports, including but not limited to the 129 CIG State awarded projects we identified totaling \$8.2 million.	09/11/2018	\$7,891,453

Report #	Recommendation Cited	Management Decision Date	Released Amount
RBS			
346010006AT	<i>RBS' Intermediary Relending Program</i>		
	Recover \$7.9 million from intermediaries that made loans to borrowers for ineligible purposes, amounts, and non-rural areas.	03/02/2012	\$7,909,538
RHS			
04601000122(1)	<i>RHS' Controls Over Originating and Closing SFH Direct Loans—Interim Report</i>		
	Credit the borrower's outstanding loan balance by \$11,343 plus interest accrued for the payment provided to the contractor.	12/22/2016	\$11,343
04601000122	<i>RHS' Controls Over Originating and Closing SFH Direct Loans</i>		
	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.	12/18/2017	\$5,550,717
04601000123(1)	<i>SFH GLP—Liquidation Value Appraisals—Interim Report</i>		
	Recover approximately \$768,722 in funds due to Rural Development from lenders.	09/05/2018	\$768,722
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 \$.25 or less per bushel.	09/20/2012	\$15,951,016
05601000322	<i>ARH Underwriting for Sweet Cherries</i>		
	Require the AIPs to make the necessary corrections for the ARH errors we identified.	04/09/2018	\$3,683

Appendix A.14: Audit Reports that Were Not Publicly Released (as of September 30, 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, April 1, 2018–September 30, 2018

Reports Issued: 119	Cases Opened	97
	Cases Referred for Prosecution	166
Impact of Investigations	Indictments	230
	Convictions ^a	269
	Searches	172
	Arrests	430
	Recoveries/Collections ^b	\$3.73
Total Dollar Impact (millions): \$241.5	Restitutions ^c	\$216.71
	Fines ^d	\$.79
	Asset Forfeitures ^e	\$19.22
	Claims Established ^f	\$.74
	Cost Avoidance ^g	\$.22
Administrative Sanctions: 259	Administrative Penalties ^h	\$.04
	Employees	12
	Businesses/Persons	247

^a Includes convictions and pretrial diversions. The period of time to obtain court action on an indictment varies widely; therefore, the 269 convictions do not necessarily relate to the 430 arrests or the 230 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 and includes special assessments.

^e Asset forfeitures are judicial or administrative results and continue to fluctuate through the life of the process.

^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—April 1, 2018–September 30, 2018

Agency	Indictments	Convictions*
AMS	9	3
APHIS	19	46
ARS	2	0
FNS	164	189
FS	5	4
FSA	18	12
FSIS	4	3
Multi-agency	1	0
NIFA	0	1
NRCS	1	2
OCFO	0	1
RBS	1	5
RHS	0	1
RMA	6	2
Total	230	269

* This category includes pretrial diversions.

Appendix B.3: OIG Hotline

Number of Complaints Received

Type	Number
Employee Misconduct	272
Participant Fraud	4,427
Waste/Mismanagement	159
Health/Safety Problem	24
Opinion/Information	69
Bribery	0
Reprisal	2
Total Number of Complaints Received	4,953

Disposition of Complaints

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	137
Referred to Other Law Enforcement Agencies	0
Referred to USDA Agencies for Response	408
Referred to FNS for Tracking	4,118
Referred to USDA or Other Agencies for Information—No Response Needed	225
Filled Without Referral—Insufficient Information	44
Referred to State Agencies	21

Appendix B.4: Additional Investigations Information

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

	Description of Data	Number	Explanation	Source of Data
1	Number of reports issued	119		Number obtained from ARGOS database is routinely reported.
2	Number of people referred to DOJ criminal	223	Number of people referred for prosecution federally in FY 2018 second half.	Created a report from the database to show cases referred for prosecution during the second 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	12	Of the 223 people reported above, 12 were referred to DOJ for both criminal and civil action.	Same as number 2 above.
3	Number of people referred to State/local authorities	99	Number of people referred to State/local authorities in the second half of FY 2018.	Created a report from the database to show cases referred for prosecution during the second 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.
3a	Number of people referred to State/local authorities	37	Of the 99 people reported above, 37 were referred to both Federal and State entities.	Same as number 3 above.

	Description of Data	Number	Explanation	Source of Data
4	Indictments from prior referrals	183	Indictments include other charging mechanisms.	Created a report from the database to show cases that had indictments and/or other charging mechanisms claimed during the second half of FY 2018, regardless of when they were referred.
5	Convictions from prior referrals	242	Convictions include pre-trial diversions	Created a report from the database to show cases that had convictions and/or pre-trial diversions claimed during FY 2018 second half, regardless of when they were referred.

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

We have no OIG investigations to report.

Appendix B.6: Instances of Whistleblower Retaliation

We have no instances 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 instances to report.

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

An investigation was conducted to determine whether a senior Government official was directing USDA employees to misrepresent facts during the course of an OIG audit. The allegations were not substantiated.

APPENDIX C: OFFICE OF DATA SCIENCES TABLES

Appendix C.1: Surveys and Reports Issued

ODS did not issue any surveys or reports this period.

ACRONYMS AND ABBREVIATIONS

AAR	after-action report
ADA	Anti-deficiency Act
AIG	Assistant Inspector General
AIP	approved insurance provider
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARC	Agriculture Risk Coverage program
ARC-CO	Agriculture Risk Coverage county coverage
ARH	actual revenue history
ARS	Agricultural Research Service
B&I	Business and Industry
CCC	Commodity Credit Corporation
CDM	Continuous Diagnostics and Mitigation
CED	County Executive Director
CIG	Conservation Innovation Grants
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CPA	Certified Public Accounting
CSC	Customer Service Center
DATA Act	Digital Accountability and Transparency Act
DEA	Drug Enforcement Administration
DFCS	Division of Family and Children Services
DOJ	Department of Justice
EBT	electronic benefit transfer
EO	Executive Order
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Management Act of 2002
FNS	Food and Nutrition Service
FOIA	Freedom of Information Act
FS	Forest Service

FSA	Farm Service Agency
FSAN	Financial Statement Audit Network
FSIS	Food Safety and Inspection Service
FY	fiscal year
GAO	Government Accountability Office
GLP	Guaranteed Loan Program
GLS	Guaranteed Loan System
GSA	General Services Administration
HSI	Homeland Security Investigations
IG	Inspector General
IPD	International Procurement Division
IRS-CI	Internal Revenue Service-Criminal Investigation
IT	information technology
JTTF	Joint Terrorism Task Force
NFC	National Finance Center
NIFA	National Institute of Food and Agriculture
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OHS	Office of Homeland Security
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPFM	Office of Property and Fleet Management
OPM	Office of Personnel Management
OSDBU	Office of Small and Disadvantaged Business Utilization
PLC	Price Loss Coverage program
POS	point-of-sale
PVS	Prisoner Verification System
RBS	Rural Business-Cooperative Service
RCPP	Regional Conservation Partnership Program
RD	Rural Development

RHS	Rural Housing Service
RMA	Risk Management Agency
RUS	Rural Utilities Service
SARC	Semiannual Report to Congress
SBA	Small Business Administration
SFH	Single Family Housing
SFSP	Summer Food Service Program
SNAP	Supplemental Nutrition Assistance Program
SSA	Social Security Administration
TBWEF	Texas Boll Weevil Eradication Foundation
USAO	U.S. Attorney's Office
USDA	U.S. Department of Agriculture
USSS	U.S. Secret Service
VA	Department of Veterans Affairs
VAPG	Value-Added Producer Grant
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 3–4, 15–20, 47–49
2. Information Technology Security Needs Continuous Improvement: Pages 4–5
3. USDA Needs to Strengthen Program Performance and Performance Measures: Pages 15–17, 48–49
4. USDA Needs to Strengthen Controls Over Improper Payments and Financial Management: Pages 47–48
5. USDA Needs to Improve Outreach Efforts: Pages 20, 43
6. Food Safety Inspections Need Improved Controls: Page 11
7. FNS Needs to Strengthen SNAP Management Controls: Pages 21–24

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